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MoA AoA

1. S25 MTP1

Entrenchment enhance the protection. ABC Limited, an existing private company willing to insert the provisions for entrenchment; it

- (a) Can amend the article by passing an ordinary resolution
- (b) Can amend the article by passing a special resolution
- (c) Can amend the article agreed by all the members
- (d) Can't amend article to make the provisions for entrenchment

CA Anu Shree Agrawal

## Prospectus

### 2. S25 QP

Sridha Bookmarks Ltd. a public limited company engaged in the publication of books related to labour and industrial laws is planning to raise Rs 10 crore from the public, to fund its upcoming projects.

Sridha Bookmarks Ltd. has assigned two different merchant bankers namely ZFG & Associates and Bull Investments Ltd. to act as intermediaries for 60% of the above fund and the rest to be directly issued to Mr. Kuber an investment banker who intends to offer the shares for sale (OFS) to the public through inviting bids above the floor price at the stock exchange platform.

ZFG & Associates is a partnership firm and were allotted equity shares worth Rs 4 crore on 01.04.2024 to be sold by them to retail investors.

Bull Investments Ltd. a company by incorporation were allotted equity shares of Rs 2 crore for the above purpose as well on the same date.

The offer documents were issued by ZFG & Associates and Bull Investments Ltd. on 10.10.2024 and 25.09.2024 respectively. The offer document in case of Bull Investments Ltd. was signed by only one director of such company. Both the intermediaries have paid off the full consideration to Sridha Bookmarks Ltd. till date of offer to the public.

Mr. Kuber to whom 40% of the balance shares were issued, further offered to the public shares through an offer document. The Board of Directors of Sridha Bookmarks Ltd. have opposed such offer document claiming that the same does not contain the name of the person or persons or entity bearing the cost of making such offer of sale.

In view of provisions of the Companies Act, 2013:

(i) Whether the offer for sale made by the intermediaries namely ZFG & Associates and Bull Investments Ltd. is valid at law?

(ii) Whether the objection made by the Board of Directors about defect in the offer document issued by Mr. Kuber sustain?

### 3. J26 RTP

Devarshi Ltd. made a private placement of its securities during F.Y. 2023-24, by offering it, as follows:

Type of Security	Number of persons to whom securities offered (₹)	Remarks
Equity Shares	210	Out of such 160 persons, 20 persons are offered shares under employees' stock option.
Debentures	50	Such debentures were secured against an immovable property of the company for which the charge-holders registered the charge on payment of fees to the Registrar.

As per the provisions of the Companies Act, 2013, determine the maximum number of persons to whom Devarshi Ltd. could have offered its securities under private placement during the financial year 2023–24.

### 4. J26 MTP2

Wave Power Limited plans to raise funds through multiple tranches of securities using a shelf prospectus. After completing its first offer, the company is preparing for the second offer under the same shelf prospectus.

Before proceeding, Wave Power Limited needs to know what information must be filed with the Registrar along with the information memorandum. You as Chartered Accountant, are required to list the details that company is required to include in this information memorandum.

## Share Capital

### 5. S25 QP

Forward Troopers Ltd. is a public limited company engaged in the manufacturing of wearable protective gear and accessories including helmets and shields for supply to the armed forces in the country. It is a subsidiary of Security Troopers Ltd. The financial position of Forward Troopers Ltd. as per the latest audited Balance Sheet is as follows:

<i>Fully paid-up Equity Share-capital</i>	<i>₹ 1145 crore</i>
<i>Reserve &amp; Surplus (Available for payment of dividend)</i>	<i>₹ 1012 crore</i>
<i>Loan from GHB Pvt. Ltd. Bank</i>	<i>₹ 120 crore</i>
<i>Sundry Creditors</i>	<i>₹ 14 crore</i>

The board of directors of Forward Troopers Ltd. have planned upon the following schemes of financial assistance to facilitate the purchase of its shares by its employees:

(1) To create an institution in form of a Trust which would be responsible for the purchase of shares of Forward Troopers Ltd. with help of a loan of Rs 110 crore by the aforesaid company itself. The trustee therein would purchase the shares worth the above-mentioned amount on behalf of employees in accordance with an employee share scheme.

(2) To provide loan directly to the employee to the maximum of their 5 months' salary to enable them to buy fully paid shares in Security Troopers Ltd.

Mr. Strong one of the directors has although approved the first scheme but have opposed the second one, claiming that the employees can be granted loan for purchase of Forward Troopers Ltd. but not of its holding company.

Considering provisions under the Companies Act, 2013 along with the applicable rules/regulations, answer the following:

- (i) The validity of the decision by the Board of directors of Forward Troopers Ltd. to provide a loan worth Rs110 crore to the trust to aid the employees to buy its shares.
- (ii) The validity of the contention of Mr. Strong on grant of loan for purchase of shares of Security Troopers Ltd.

**6. S25 QP**

Apirock Limited is a public company that has been performing well financially and has accumulated a substantial amount of cash reserves. The company's management has decided to buy-back some of its shares to improve earnings per share (EPS), return on equity (ROE) and enhance shareholder value.

Below are the financial details of Apirock Limited:

Paid up Share Capital - Rs 50 crore

Free Reserves - Rs 100 crore

Secured Loans - Rs 30 crore

Unsecured Loans - Rs 20 crore

Current Market Price of Shares -Rs 500 per share

Total Number of Shares Outstanding -Rs 1 crore

The company's management wants to buy-back 10% of its total shares at the market price of Rs 500 per share. The company's articles have authorized the same. They have also passed an ordinary resolution, and its board has authorized the buy-back of shares. They plan to use free reserves to fund the buy-back.

(i) Whether the company can buy-back 10% of its shares as per the provisions of the Companies Act, 2013 under the given circumstances?

(ii) What is the maximum eligible amount allowed to be used by Apirock Limited as per section 68 of the Companies Act, 2013, to buy-back its shares as per the financial data provided?

**7. S25 MTP2**

Crystal Harvest Ltd. has an authorized share capital of 1,50,000 equity shares of Rs100 each, and a balance of Rs1.75 crore in its Securities Premium Account as of 31st March 2025. The Board of Directors is considering the use of this balance for general business purposes. Discuss whether the Securities Premium Account can be applied for such purposes under the provisions of the Companies Act, 2013.

## Deposits

### Deposits – Descriptive

#### 8. S25 QP

Referring the provisions for acceptance of deposits as laid under the Companies Act, 2013 and the relevant rules, define the term 'deposit' and examine the validity of each of the following proposals:

(i) SK Textiles Limited wants to accept deposits of Rs 1 crore from its members for a tenure which is less than six months.

(ii) S, one of the directors of ATC Technologies Private Limited, a start-up company, requested K, one of his close friends to lend to the company 50 lakh in a single tranche by way of a convertible note repayable within a period of six years from the date of its issue

#### 9. S25 MTP1

Following are the extracts of information (as per the latest audited balance sheet) in respect of Play World Ltd.:

	(₹ in crore)
(i) Paid-up share capital	20
(ii) Share premium	10
(iii) Free reserves	30
(iv) Turnover	510

The Company wants to accept deposits of 50 crore from the public and has obtained a credit rating. The tenure of the deposit is 36 months.

In light of the above data and referring to the provisions in the Companies Act, 2013, answer each of the following:

(i) Can Play World Ltd. be permitted to accept deposits from the public other than its members after passing an ordinary resolution?

(ii) Play World Ltd. needs 5 crore of funds for its short-term requirements and promises to repay the deposits within 5 months. Can the Company raise deposits under the Companies Act, 2013 and the applicable rules?

### Deposits - MCQs

#### 10. S25 QP

Super Tork Engineering Ltd. is a public sector company engaged in the manufacture of domestic and commercial automobiles. The company has been providing automobile dealerships in and across the country to various business entrepreneurs. Out of 56 such dealerships, LD Motors Ltd. situated in the city of Jaipur, Rajasthan, is one of the prime selling joints for domestic automobiles namely sedan and hatchback cars.

Super Tork Engineering Ltd. has entered into a contract with the above said dealer for the provision of warranty services to its customers at local level and has provided the advances namely of Rs1.20 crore and Rs 1.25 crore to the aforesaid dealer. The former advance being for provision of warranty relating to engine fault repair within a period of 2 years from the date of purchase and the latter being for providing general services on domestic cars for a period of 6 years. A period of 7 years of provision of such warranty and maintenance services is taken as a common business practice in the automobiles sector.

In consonance with the provision of the Companies Act, 2013, decide which of the above advances be treated as deposits by LD Motors Ltd.?

- (A) Neither of the above two advances be treated as deposit as both are being valid for providing warranty services to vehicle owners within a period of 6 years, being common business practice in this regard.
- (B) The advance of Rs 1.25 crore can only be treated as deposit within the meaning of the Companies Act, 2013.
- (C) Both the above advances of Rs1.20 crore and Rs 1.25 crore be treated as deposits within the meaning of the Companies Act, 2013.
- (D) LD Motors Ltd. has the sole discretion of treating any of the above advances as deposits in compliance with the provisions of the Companies Act, 2013.



## Charges

### 11. J26 MTP2

A charge was created by Black Limited on its office premises to secure a term loan of Rs 1 crore availed from Amro Bank Limited through an instrument of charge executed by both the parties on 16th February, 2025. Inadvertently, the company could not get the charge registered with the concerned Registrar of Companies (ROC) within the first statutory period permitted by law and the default was made known to it by the lending banker with a stern warning to take immediate steps for rectification. The latest date within which the company must register the charge with the ROC so as to avoid paying ad valorem fees for registration of the charge is:

- (a) 27th April, 2025
- (b) 17th April, 2025
- (c) 2nd May, 2025
- (d) 16th June 2025

## Management & Administration

### Management & Administration – Descriptive

#### 12. S25 QP

Autumn and Spring Ltd. is a public limited company engaged in the business of manufacturing traditional designer garments for men and women for various festivities and occasions. The company was incorporated in the year 2023 and has a paid-up capital base of Rs 200.56 crore and revaluation reserve of Rs 75.45 crore for the financial year 2023-24. Members holding share capital worth Rs 36.52 crore have jointly applied for calling of an extra-ordinary general meeting for transacting some urgent matters of special business. In this connection a requisition by the above members were validly presented to the board of directors on 01.07.2024. The Directors did not pay heed to the above request till 24.07.2024 hence the requisitionists decided to go ahead with calling the meeting by themselves.

The requisitionists provided a notice signed by only one of them being duly authorized by others, of the said meeting through an email, but did not attach an explanatory statement as required under the act towards the special business to be transacted although reasons for the same were mentioned in the notice itself.

Sohan Lal, one of the shareholders who became member of the company on 10.07.2024 raised issue regarding the legality of the meeting as its notice was not mailed to him.

Referring to the relevant rules and provisions of the Companies Act, 2013 decide on the following:

- (i) Whether the above requisition by the members was adequate towards calling an extra-ordinary general meeting by the requisitionists themselves?
- (ii) Whether signing on the notice by only one of the requisitionists and non-attachment of the explanatory statement as mandated under section 102 of the Act have any effect on the validity of the aforesaid notice? Further whether the contention of Sohan Lal not receiving the notice is correct?

### 13. S25 QP

Fabulous Fabricators and Mechanics Ltd. is a listed public limited company incorporated in the year 2023 with the object to manufacture and engage in the construction of iron-ore based infrastructure for various industries on a contractual basis. The company is having a paid-up share capital of Rs 200.30 crore divided in 865 members holding rights to vote in meeting.

The Annual General Meeting of the company was due to be held on 12.12.2023 at the registered office of the company in Raipur, Chhattisgarh. The Board of directors decided to provide the facility of E-Voting to its members in addition to other modes despite of the disagreement shown by Ms. Riddhi one of the directors who was of the view that in case of the above company, it was not mandatory to provide the facility of E-Voting.

On the day of the meeting Mr. Mohan, one of the members who had opted for E-Voting, could not exercise his option hence was physically present at the meeting to vote. The Chairman of the meeting did not allow him to physically cast his vote on the pretext that he had opted for E-Voting and now he cannot change his option and thus had to vote through E-Voting despite of being present.

Further a matter regarding appointment of Mr. Keshav as a small shareholders director was also to be discussed in the meeting therein, to which the legal team suggested that the same can only be undertaken by voting through postal ballot and not otherwise.

Referring to the provisions of the Companies Act, 2013, elaborate:

- (i) Whether the contention of Ms. Riddhi was correct as to the provision of E-Voting facility being optional in case of Fabulous Fabricators and Mechanics Ltd.?
- (ii) Can the Chairman stop Mr. Mohan to physically vote at the meeting?
- (iii) Is the suggestion of the legal team regarding appointment of Mr. Keshav by voting through postal ballot valid at law?

14. **S25 QP** Arch-Support Ltd. is a public limited company incorporated in 2018 having its registered office in Nashik, Maharashtra and engaged in the manufacture of sports shoes and related accessories. It has the following breakup of equity and preference share-capital:

1,20,000 Equity Shares of 100 each;

1,50,000 10% Preference Shares of 10 each.

Ms. Martha, one of the elite members from Jaipur holds in her name equity shares worth Rs 6,50,000 of the company as on date and also has beneficial interest in equity shares worth Rs 3,00,000, is concerned about declaration to be made by her as mandated by the Companies (Significant Beneficial Owner) Amendment Rules, 2018 (SBO Rules).

She consulted CA. Ms. Marina, her friend on the above issue who advised that since she has significant beneficial ownership directly and indirectly in the company, she is required to file the declaration as mandated by the above rules.

Referring to the provisions of the Companies Act, 2013 and SBO Rules, decide:

- (i) Whether the advice given by CA. Ms. Marina, her friend on the above issue is in line with SBO Rules?
- (ii) SBO Rules are applicable in every case. Comment and mention the instances if any, where these rules are not applicable.

15. **S25 MTP1**

Mr. A and Mr. B are joint holders of 5,000 equity shares of XYZ Limited. The company has a total share capital of 40,000 equity shares. A requisition for convening an Extraordinary General Meeting (EGM) was submitted to the company and was signed by Mr. A and Mr. B. The Board of Directors refuses to call the EGM, citing that the requisition is invalid since it does not meet the criteria as prescribed under the law.

Examine the validity of the Board of Directors refusal with reference to the relevant provisions of the Companies Act, 2013.

**16. S25 MTP2**

Sunrise Agro Limited held its Annual General Meeting on 10th August 2025. The meeting was chaired by Ms. Priya Sharma, who serves as the Chairperson of the company's Board of Directors. On 12th August 2025, Ms. Sharma, without signing the minutes of the meeting, left India for Toronto to care for her ailing mother. Referring to the relevant provisions of the Companies Act, 2013, examine the manner in which the minutes of the above meeting are to be signed in the absence of Ms. Sharma and identify the appropriate person who should sign them.

**Management & Administration - MCQs**

**17. S25 QP**

Boro-tuff Glasses Ltd. is a public limited company engaged in the manufacturing of doors and panels made from toughened glass. The company was incorporated on 01.11.2022 with the requisite members and capital. The first Annual General Meeting was held on 01.05.2023. Mr. F, the Company Secretary has decided to call the next Annual General Meeting for the Financial Year 2023-24 on 01.08.2024.

On 31.07.2024, the company applied to the Registrar of Companies (ROC) for an extension of 4 days to hold the meeting on 05.08.2024 on the grounds that the accounts department was asking for another couple of days more for finalizing the annual accounts, but the plea was rejected by the RoC. The company went on to conduct the aforesaid meeting on 05.08.2024.

Considering the provisions of the Companies Act, 2013, resultant effect of convening meeting on the above date shall be:

- (A) The company and every officer in default shall be liable to total penalty of Rs 1,30,000 for delay in the convening of Annual General Meeting.
- (B) The company and every officer in default shall be liable to total penalty of Rs 1,00,000 for delay in the convening of Annual General Meeting.
- (C) The Company and every officer in default shall be liable to total penalty of Rs 1,20,000 for delay in convening of Annual General Meeting.

(D) The convening of meeting on the above date shall not attract any penalty as the same has been convened within the prescribed time limits.

**18. J26 MTP1**

Aarav Industries Ltd. convened a General Meeting (EGM) to approve a proposal for shifting the company's registered office from Delhi to Maharashtra. The resolution required a special resolution.

At the meeting, the following votes were recorded:

Votes in favour: 3000

Votes against: 1200

Invalid/abstained votes : 300

The company secretary declared that the resolution had been passed as a special resolution.

Based on the above, which of the following correctly states the legal requirement for a special resolution under the Companies Act, 2013?

- (a) The votes in favour must be twice the votes against.
- (b) The votes in favour must be three times the votes against.
- (c) The votes in favour must be not less than three-fourths of the votes cast against the resolution.
- (d) The votes in favour must be not less than two-thirds of the votes cast against the resolution.

## Dividend

### Dividend - Descriptive

#### **19. S25 MTP1**

Zeeta Polymers (P) Ltd. has earned profits for the first two quarters of the financial year 01.04.2024 to 31.03.2025. The Company has calculated, declared and paid interim dividends based on profits earned in the first two quarters after providing for full-year depreciation. The Company incurred losses in the next two quarters. The Company has incurred overall losses for the financial year ending 31.08.2025, leaving no surplus in its profit and loss account. The Company has not carried-over losses and unabsorbed depreciation. Applying the provisions of the Companies Act, 2013, decide whether the company contravened the provisions of the Companies Act, 2013 by declaring interim dividends despite incurring overall losses for the financial year?

#### **20. S25 MTP2**

Harmony Biotech Ltd., a manufacturing company, has proposed a dividend of 7.5% for the financial year 2024–2025, to be paid out of the profits earned during the same year. The company has earned a profit of Rs735 crore for the period and does not intend to transfer any amount to its general reserves. Examine as per the provisions of the Companies Act, 2013, whether Harmony Biotech Ltd. can proceed with the proposed dividend without making any transfer to reserves.

### Dividend – MCQs

#### **21. J26 RTP**

Netawal Heavy Industries Ltd. incorporated in April 2015, is a listed entity engaged in the business of manufacturing electrical vehicles of the latest design and technology. It is registered with an authorized share capital of Rs 100 crore divided into 10 crore equity shares of Rs 10 each. The paid up share capital of the company is Rs 50 crore consisting 5 crore equity shares of Rs 10 each. On 15th May 2024, i.e. after the close of financial year 2023-24 but before the Annual General Meeting (AGM), the Board declared an interim dividend of 10%.

On 5th July, 2024 the Board of Directors of the company approved the financial books of accounts and recommended a final dividend 15% including the interim dividend declared and paid earlier. Later on, the general meeting of the shareholders was convened on 31st August, 2024. In the meeting, a hot discussion upheld and the shareholders argued and demanded 10% more dividend other than 10% interim dividend declared earlier. But the company secretary emphatically asserted that the final dividend cannot exceed, what the Board of Directors have recommended in their Board meeting. But some dissenting shareholders left the meeting hall in protest of the decision of the company regarding interim dividend.

However, the resolution pertaining to the declaration of dividend was passed and approved unanimously by the rest of the shareholders completing the required quorum according to the Companies Act, 2013.

As per the required procedure stated under the Companies Act, 2013, the dividend was paid to the shareholders but some of them could not be paid within the prescribed time. Later on, the company transferred the unpaid dividend amount to a separate bank account on 7th October, 2024. The dividend was not paid to some of the shareholders in the preceding financial years from 2016-17 to 2022-23, as they have not claimed it.

Ashwin, an old shareholder holding 5,000 shares, later visited the company's website and discovered that the company had declared dividends for each financial year from 2016-17 to 2023-24, but the amounts had not been paid to him since 2016-17 because the company did not possess his updated address and bank account details. Upon approaching the company and submitting the necessary evidence, his claim was verified. The company thereafter paid to Ashwin the dividend amounts remaining unpaid for the financial years 2017-18 to 2023-24. The company also informed him that the dividend pertaining to the financial year 2016-17 had already been transferred to the Investor Education and Protection Fund (IEPF). Consequently, the said amount was no longer recoverable from the company. Aggrieved by this, Ashwin threatened to initiate legal action against the company and its officers.



Based on the facts of the case scenario given above, choose the most appropriate answer to question no. 1 to 6 based upon the provisions of the Companies Act, 2013:

1. Since the Board of Directors (BoD) of the company has already declared interim dividend before the approval of financial book of accounts and closure of financial year whether the Board of Directors can declare the final dividend without approval of the shareholders?

- (A) When the interim dividend has been declared by the BoD, later on, the final dividend cannot be declared by BoD.
- (B) The BoD can recommend final dividend but approval of the shareholders is mandatory.
- (C) The BoD can declare interim and recommend final dividend before holding of AGM for which approval of the shareholders is not required.
- (D) Once the books of accounts have been approved by the BoD the final dividend may be declared but the final decision will be of shareholders in AGM where they can increase the dividend.

2. Once the rate of dividend has been recommended by the Board of Directors it cannot be increased, some of the shareholders walked out on this ground. Which procedure is correct among the following statement in this regard?

- (A) Disregarding the boycott of some of the shareholders, if the Quorum is present during the course of general meeting and the majority of them have approved it then the rate of dividend recommended by the Board shall be treated as approved.
- (B) The shareholders who attended the meeting but do not conform the quorum may also approve the rate of dividend recommended by the Board of Directors.
- (C) If the final dividend is declared by the BoD, it need not to be approved by the shareholders in its general meeting.
- (D) The recommendation of the BoD of the company relating to the rate of dividend shall stands withdrawn.

3. When should the unpaid dividend, not claimed by the shareholders, be transferred to a separate bank account, as per the above case study?

- (A) On 5th July, 2024 the date of meeting of BoD.
- (B) On 31st August, 2024 the date of meeting of shareholders.
- (C) On 30th September, 2024 the date after 30 days from the meeting of shareholders.
- (D) Latest by 7th October, 2024, within seven days from the expiry of 30 days.

4. The amount of unpaid dividend was transferred to a separate bank account on 10th January 2025 which is beyond the prescribed period while the latest date to deposit in a separate bank account was 7<sup>th</sup> January, 2025.

What will be the interest liability which is to be paid for this delay.

- (A) Interest @ 6% per annum on so much of the amount not transferred to the unpaid dividend account.
- (B) Interest @ 9% per annum per annum on so much of the amount not transferred to the unpaid dividend account.
- (C) Interest @ 12% per annum per annum on so much of the amount not transferred to the unpaid dividend account.
- (D) Interest @ 15% per annum per annum on so much of the amount not transferred to the unpaid dividend account.

5. When the company shall transfer the remaining unpaid or unclaimed dividend to the Investor Education and Protection Fund from the Unpaid Dividend Account?

- (A) After the expiry of unpaid dividends for financial year 2017–18
- (B) After the expiry of unpaid dividends for financial year 2016–17
- (C) After the expiry of unpaid dividends for financial year 2018–19
- (D) After the expiry of unpaid dividends for financial year 2019–20

6. Ashwin, a shareholder holding 5,000 shares, discovered that the dividend for financial year 2016–17 had been transferred to the Investor Education and Protection Fund (IEPF). Which of the following statements is correct in this context?

(A) Ashwin can claim all the unpaid dividends from the company, including FY 2016–17, since he was unaware of the transfer.

(B) Ashwin cannot claim the dividend for FY 2016–17 from the company because it has been transferred to IEPF, but he can claim the remaining dividends (i.e. FY 2017–18 to 2023–24) from the company.

(C) Ashwin can file a suit to recover the dividend for FY 2016–17 from the company, and the company is liable to pay it.

(D) Ashwin cannot claim any dividend from the company until the next AGM approves a new resolution.

CA Anu Shree Agrawal

**Accounts of Companies****22.525 QP**

Chicago Bricks Inc. is a company incorporated in Chicago, USA in the year 1985 engaged in the manufacture of cement and related products. On 10.04.2022, it commenced manufacture in India through its branch, engaged in the manufacture of fly-ash bricks used in construction of buildings and other infrastructural projects throughout the country. The operations of the branch have been growing at a fast pace.

The turnover of the branch as on 31.03.2025 since its commencement are:

<i>FY 2022-23</i>	<i>₹ 75 crore</i>
<i>FY 2023-24</i>	<i>₹ 65 crore</i>
<i>FY 2024-25</i>	<i>₹ 85 crore</i>

As per the data available, the branch works based on 20% net-profit margin.

Mr. Ramesh one of the directors of Chicago Bricks Inc. has advised the branch to comply with the requirements of Corporate Social Responsibility (CSR) and to form a CSR Committee as well for monitoring the aforesaid activities for the financial year 2025-26.

The branch is opposing the above view and has submitted that although the CSR provisions are applicable in the present case but there was no requirement to constitute a CSR Committee and the above CSR functions can be discharged by the Board of Directors themselves.

Considering the provisions of the Companies Act, 2013, whether Chicago Bricks Inc. is correct in the view as to non-applicability of formation of the CSR Committee in this case?

### 23. \$25 QP

SMTN Limited is a listed company that operates in the pharmaceutical sector. The company's annual accounts for the year 2023-24 were audited by a prominent audit firm, JJ & Co. Following an investigation by the Ministry of Corporate Affairs (MCA), it was discovered that the audit report issued by JJ & Co. contained several discrepancies, including failure to disclose material information regarding the company's liabilities and misstatements in its revenue recognition practices.

The issue was raised by a group of minority shareholders, who alleged that the audit firm had not complied with auditing standards and had failed to conduct a proper audit. The MCA referred the matter to the National Financial Reporting Authority (NFRA), a body established under Section 132 of the Companies Act, 2013, to investigate whether the audit of SMTN Limited's financial statements was conducted in compliance with accounting and auditing standards.

In the light of provisions of the Companies Act, 2013, explain any 3 functions and duties of NFRA and what actions can the NFRA take against the audit firm, JJ & Co., based on its findings upholding the allegations raised by the group of minority shareholders?

### 24. \$25 QP

SDF Ltd. an unlisted company has shared the following financial data for the F.Y. 2024-25:

<i>Equity Paid-up capital</i>	<i>₹ 48 crore</i>
<i>Turnover</i>	<i>₹ 195 crore</i>
<i>Deposits as on 31.03.2025</i>	<i>₹ 20 crore</i>
<i>Loans outstanding from IBL Bank Pvt. Ltd. as on 30.09.2024</i>	<i>₹ 100.59 crore</i>
<i>Loans outstanding from IBL Bank Pvt. Ltd. as on 01.02.2025</i>	<i>₹ 96.50 crore</i>
<i>Loans outstanding from IBL Bank Pvt. Ltd. as on 31.03.2025 after partial repayment</i>	<i>₹ 75.10 crore</i>
<i>Net worth</i>	<i>₹ 149.25 crore</i>

The company has invited your expert advice on the following issues, considering the provisions of the Companies Act, 2013:

- (i) Whether it would be mandatory to appoint an internal auditor for the company?
- (ii) Further in case the answer is in affirmative, can G who is a professional but neither a CA nor an employee of the concern be appointed as an internal auditor?

**25. \$25 MTP1**

Raysun Limited is an unlisted public company. As per its audited financial statements for the financial year 2023–24, the company had a paid-up share capital of Rs 40 crore, a turnover of Rs 210 crore, and outstanding loans of Rs 90 crore from public financial institutions. The company also accepted public deposits amounting to Rs 28 crore during the same financial year.

Based on the above facts, examine whether Raysun Limited is required to appoint an internal auditor as per the provision of the Companies Act, 2013.

**26. \$25 MTP2**

Brem Limited, a public company, held its Annual General Meeting (AGM) on 31st August, 2024. During this AGM, the financial statements for the financial year 2023-24 were presented to the shareholders for adoption. However, due to certain queries raised by the shareholders regarding specific accounting treatments and disclosures, the financial statements could not be adopted in the AGM.

Consequently, the company decided to adjourn the AGM to address the shareholders' concerns and make necessary clarifications. The adjourned AGM was subsequently held on 15th September, 2024, where after detailed discussions and satisfactory explanations provided by the management, the financial statements were finally adopted by the shareholders.

Following the adoption of financial statements in the adjourned AGM, Brem Limited filed the adopted financial statements with the Registrar of Companies on 5th October, 2024. However, the company did not file the unadopted financial statements with the

Registrar within the stipulated time period after the original AGM held on 31st August, 2024.

Analyze whether Brem Limited has complied with the requirements of the Companies Act, 2013 with respect to the filing of adopted and unadopted financial statements.

**27.J26 RTP**

In August 2025, Mr. Raj, a financial consultant to Bright Retail Ltd., advised the Board of directors of the company to revise its financial statements for the year 2022-23 after discovering that they did not comply with certain provisions of the Companies Act, 2013 relating to financial reporting.

Examine, with reference to the applicable provisions of the Companies Act, 2013, whether Bright Retail Ltd. can do so?

**28.J26 MTP2**

Lotus Global Corporation is a company incorporated in Singapore. Its wholly owned Indian subsidiary, Meadow Limited, intends to adopt a financial year different from the one prescribed in India, in order to align with the consolidated accounts of its parent company prepared overseas. Explain the procedure that Meadow Limited must follow to implement such a change.

**Auditors****Auditors – Descriptive****29.525 QP**

Sharp Surgical Ltd. is a public limited listed company engaged in the manufacture of surgical instruments with a nation-wide chain of dealers and retailers to facilitate the trade. It was incorporated in the year 2020. It has a paid-up capital of Rs 350.10 crore with free reserves worth Rs 156.70 crore with a secured business term loan of Rs 56 crore from GHL Bank Pvt. Ltd. as at 31.03.2025.

Lamp bell & Associates Chartered Accountants were appointed to conduct Statutory Audit for F.Y. 2024-25 of the aforesaid company. During the audit of accounts Mr. Lamp bell the senior partner of the auditing firm shared the following observations with Mr. Sharp one of the promoter directors of the aforesaid company:

No.	Observation
1.	<i>Out of the above term loan, ₹ 3.15 crore were suspected to be used for purposes other than business, in providing unsecured loan to private individuals in the company.</i>
2.	<i>Mr. Reet one of the officers in the company was suspected to have siphoned an amount of ₹ 0.15 crore.</i>

Mr. Lamp bell having reasons to believe for the above frauds, within 2 days of such detection, informed the Audit Committee and asked it for its reply so that the central government can be informed of the suspected fraud of Rs 3.15 crore. Further he emphasized to mention the case of suspected siphoning of Rs 0.15 crore to the audit committee.

Mr. Sharp requested the auditors not to report any matter to the central government, rather they can mention both above matters in the Director's Report to be prepared under section 134(3) of the Companies Act, 2013. The above request of Mr. Sharp was based on the reasoning that it was only a case of suspected fraud and the same is a matter of investigation on part of the company.



Considering the applicable provisions under the Companies Act, 2013, decide upon the following:

- (i) Whether Lamp bell & Associates Chartered Accountants should restrict the reporting of the above suspected fraud of Rs 3.15 crore as requested by Mr. Sharp? What is the correct procedure to be followed by the auditor in such cases?
- (ii) What would be the correct procedure for the suspected siphoning of Rs 0.15 crore by the auditor of the company?

### **30. \$25 MTP1**

M/s AT & Co. is a proprietary firm and M/s VK Associates, a partnership firm, had been appointed as the Joint statutory auditors of PQR Ltd. for & consecutive years from 1.4.2021 to 31.3.2026. The shareholders had delegated the responsibility to fix the auditor's remuneration to the Managing Director, Mr. D. On 29.03.2023, there was a change in the constitution of M/s AT & Co. from proprietorship to a partnership.

In light of the above facts and referring to the provisions of the Companies Act, 2013, answer each of the following questions:

- (i) Does the Company have the authority to delegate the power to the Managing Director to fix the remuneration of the statutory auditors?
- (ii) Whether annual ratification necessary since the auditor is appointed for a consecutive term of 5 years?
- (iii) Whether a revised ADT-1 Form is required to be filed with the details of the new firm, M/s AT & Co. after the change in its constitution?

### **31. \$25 MTP1**

Mr. Rock and Amaan are partners in a Chartered Accountant's firm. Their firm has been appointed as the statutory auditor of a company. The accounts manager of the company obtained the signatures from the Directors, CFO, and CEO on the board reports, financial statements and other documents and submitted them to the statutory auditor for the audit. The audit was conducted by a team led by Mr. Rock, while Mr. Amaan signed the auditor's report on behalf of the firm

Referring the provisions contained in the Companies Act, 2013, answer each of the following:

- (i) Has the Board complied with the relevant provisions?
- (ii) Can Mr. Amaan sign the audit report in this case?

### **32.J26 MTP2**

Mr. Ram is the auditor of XYZ Limited, which is a Government company. He has resigned on 31st December, 2025 while the financial year of the company ends on 31st March, 2026. Explain the provisions regarding filling or such vacancy. Would your answer differ if it is other than a Government company?

### **Auditors – MCQs**

### **33.J26 MTP1**

Devika Constructions Ltd. is due to appoint its statutory auditor at its upcoming Annual General Meeting. The Board shortlists three options:

- 1. Mr. Arjun Malhotra, a practicing Chartered Accountant in individual capacity.
- 2. KS & Associates LLP, a Limited Liability Partnership with three partners (all Chartered Accountants).
- 3. Finplus Advisory Pvt. Ltd., a company providing financial consultancy services and staffed with qualified professionals.

Based on the provisions of the Companies Act, 2013, which of the following entities may legally be eligible for appointment as statutory auditor?

- (a) Only KS & Associates LLP
- (b) Only Mr. Arjun Malhotra, as he is a practicing individual CA
- (c) Both Mr. Arjun Malhotra and KS & Associates LLP
- (d) Finplus Advisory Pvt. Ltd., because it provides professional services

### Companies Incorporated Outside India

#### **34.525 QP**

Mr. Leping an Indian having knowledge of tea-farming went to China in the year 2006 and established his tea manufacturing business by the name of Sweet Leaf Ltd. The business has grown since then and he has been persistently trying to connect to his original roots in India. Kadak Chai Ltd. is an Indian public limited company established in Darjeeling owning two tea estates and engaged in the manufacture and sale of Darjeeling tea throughout the country. On 20.06.2024 Kadak Chai Ltd. was bought by the Sweet Leaf Ltd. for redesigning the existing production facility and expand the cultivation and processing of flavored tea by Mr. Leping.

Thus, the above production facility earlier owned by Kadak Chai Ltd. gained the status of foreign company and filed Form FC-1 declaring the details of its incorporation and the information as laid therein the above-mentioned form with Registrar of Companies situated at New-Delhi. As a result of the acquisition, the details of the company including new name and address of the head office were updated outside the office of the acquired company at Darjeeling. The details were mentioned in English, Mandarin and in local language Assamese. The Indian subsidiary (formerly Kadak Chai Ltd.) updated the above details in other documents including business letters, billheads and letter paper in English language only and neither local language nor Mandarin was used. The Legal team made an objection on such non-usage of local language and Mandarin. It further suggested that other than the provisions of Chapter XXII of the Companies Act, 2013, no other provision in the aforesaid Act would be applicable to such newly registered foreign company situated at Darjeeling.

The foreign company has recently entered a contract with Speed Robotics Ltd. engaged in the manufacture of robotic machinery and other facilities, to be installed in tea processing plant to enhance the pace of production. The foreign company has planned to raise money in India through the issue of Indian Depository Receipts (IDR). The IDR are thus planned to be issued by DDL Bank to act as a depository bank to such instrument. As the IDR is a new issue, the same must be accompanied with a prospectus as well. The prospectus contained details of the company, its board of directors and

other annexures including the comments of Mr. Jack an expert in the field of finance on the current financial matters affecting the company. Mr. Renzo one of the members in the legal team at the Darjeeling production facility have suggested that the prospectus for issue of such IDR should also contain details of the contract entered in with Speed Robotics Ltd. and the copy of power of attorney as the above prospectus has been signed by Mr. Rick on behalf of directors. The officials at the Head-Office have opposed inclusion of the details as above on the pretext that the same is not required as per the law. The prospectus thus drafted has been sent to the Registrar of Companies situated as New Delhi for approval so that the IDR can be issued thereafter for inviting investments from the public in India.

Based on the facts given in above case scenario and by applying the relevant provisions of the Companies Act, 2013, choose the correct answer of the following questions:

1. Whether the legal team was correct in suggesting that only provisions of Chapter XXII of the Companies Act, 2013 shall apply for the foreign company?

(A) The Legal Team is correct in its view that only Chapter XXII provisions shall apply to the foreign company.

(B) The Legal Team is incorrect as provisions of Chapter XXII shall not apply to foreign company.

(C) The Legal Team is incorrect as provisions of Chapter XXII shall apply to Chinese company with no applicability for the foreign company situated in India.

(D) The Legal Team is incorrect as provisions of Chapter XXII shall apply to foreign company along with other provision as may be prescribed regarding business carried on by it as if it were an Indian company.

2. Whether the act of mentioning of name of the newly formed foreign company and other details at outside the office in English, local and Mandarin, as well as, on other documents including business letters, billheads and letter paper only in English, is in correct compliance of the related provisions under the Companies Act, 2013?

(A) The name of company has been correctly written in English, local and Mandarin outside the office at Darjeeling but even the other documents should mention the details in all the three languages.

(B) The name of company has been correctly written in English, local and Mandarin outside the office at Darjeeling. The other documents can mention the details in English only and there is no requirement for usage of other languages on the same.

(C) Details in documents as well as at outside the office can be given in local language only and there is no compulsion regarding usage of other languages.

(D) The company can give details of company on both outside the office as well in the documents in the language of its choice after obtaining permission from the Registrar of Companies.

3. Choose the correct option from the following on the validity and the adequacy of the details mentioned in the prospectus prior to issue of IDR, and whether it will be accepted or rejected by the Registrar of Companies at New Delhi?

(A) Details mentioned in the prospectus about the company and other credentials including non-filing of power of attorney are correct and sufficient and the same shall be Companies at New Delhi.

(B) The details of contract with Speed Robotics Ltd. as well as the copy of power of attorney should be mandatorily annexed along with other documents without which the above prospectus, shall be rejected by the Registrar of Companies at New Delhi.

(C) The details of contract with Speed Robotics Ltd. can be skipped as being one entered in the ordinary course of business but the copy of power of attorney should be mandatorily annexed along with other documents without which the above prospectus, shall be rejected by the Registrar of Companies at New Delhi.

(D) No need to issue the prospectus as the company Kadak Chai Ltd. is an existing company and only the status from domestic to a foreign company has changed in this case.

**Companies Act - MIXED**

**35.525 QP**

Adolescent Ltd., a public limited company is an Indian multinational retail company focused on infant, maternity and child-care products. The company was found in 2009 and is headquartered in Valsad, Gujarat. It sells products through its website, mobile app and over 256 stores, which operate under Busy Baby and Brainy Baby brands. It has a paid up capital of Rs 126.00 crore in Equity shares issued at a premium of Rs 6 per share as well as Rs 112 crore in Preference shares redeemable after 7 years of issue.

Toddler Ltd. another Gujarat based company was founded by Mr. Toddler an Anglo-Indian gentleman with no legal heir. Toddler Ltd. was engaged in the manufacture of medicine specifically focused to children under the age of 3 months. Adolescent Ltd. acquired 100% equity in Toddler Ltd. in the year 2011 thereby becoming its holding company. In 2024, Mr. Toddler purchased 5% stake in equity shares of Adolescent Ltd. in his individual capacity and decided to assign trustee rights to Toddler Ltd. which would take care of his stake after his death as he did not have any legal heir. In July 2024, Mr. Toddler died leaving behind the company as well his 5% stake in Adolescent Ltd.

Toddler Ltd., being the trustee to the 5% stake of Mr. Toddler, claimed its stake in the shares earlier held by Late Mr. Toddler. Mr. Quick, one of the directors of Adolescent Ltd. opposed the transmission of shares of Adolescent Ltd. held by Mr. Toddler to its subsidiary company on the plea that the subsidiary company cannot purchase the shares of the holding company with voting rights.

Adolescent Ltd. is planning to enhance its production capacity by installation of plants in various parts of the country including Jamnagar, Pune, Hissar and other industrial cities. The banks have refused to fund the projects and hence the company is planning to raise money from the public by issue of fully paid equity share capital. A Shelf Prospectus was thus issued to raise Rs 76.00 crore from the public for the Jamnagar Plant in December 2024. Such prospectus had mentioned the contracts entered by Adolescent Ltd. for development of plant infrastructure in Jamnagar.

Meanwhile Adolescent Ltd. is also planning to commence the development of the Hissar Plant in January 2025 thereby raising Rs 95 crore through the same Shelf Prospectus. An information memorandum was thus issued containing details of the contract for development of the Hissar plant infrastructure, with no mention of the earlier contract for Jamnagar Plant. The Registrar rejected the information memorandum as incomplete.

The Board of Directors of Adolescent Ltd. has called a meeting of Preference Shareholders of the company to resolve upon changing of the conversion ratio of preference shares into equity share. The meeting was called and consent in writing favoring such variation has been obtained from preference shareholders worth Rs 84 crore although a special resolution towards the same could not be passed. No separate consent of equity shareholders was obtained despite that they argued such conversion shall cast an effect on their rights as well.

The equity shareholders on the other hand have argued that changing of the conversion ratio would affect the number of equity shares that preference shareholders receive after conversion and hence have shown their dissent towards the above decision and are planning to apply to the Tribunal for redressal of their grievance.

Based on the facts given in above case scenario and by applying the relevant provisions of the Companies Act, 2013, choose the correct answer of the following questions:

1. Whether in the current scenario Toddler Ltd. can become the assignee to the shares of Adolescent Ltd. in transmission from Mr. Toddler after his death as well as get rights to vote in the meetings of the holding company?

(A) Toddler Ltd. can enjoy the rights of an assignee or legal representative in the event of death of Mr. Toddler but would not get the right to vote in the meetings of Adolescent Ltd.

(B) Toddler Ltd. can enjoy the rights of an assignee or legal representative in the event of death of Mr. Toddler and would also get the right to vote in the meetings of Adolescent Ltd.



(C) The contention of Mr. Quick opposing the transmission is correct as a subsidiary company cannot acquire share in the holding company.

(D) Toddler Ltd. can itself acquire the shares in Adolescent Ltd. but cannot become an assignee.

2. Whether the Registrar is justified in rejecting the Information Memorandum as incomplete?

(A) The Registrar is correct as the Information Memorandum should have contained not only the details of latest contract for the Hissar Plant but also details of contract of Jamnagar Plant.

(B) The Registrar cannot reject the Information Memorandum as the same has been correctly filed with details of the latest contract.

(C) The Registrar is correct as a new Shelf Prospectus should have been filed for money raised for every new project as in the present issue filing of information memorandum is not the correct compliance.

(D) The Registrar is incorrect as there is no requirement for issue of a Shelf Prospectus for any money raised within a period of one year.

3. Whether Adolescent Ltd. be allowed towards variation of class rights of the preference shareholders, considering the fact that a special resolution could not be passed by the preference shareholders in background of the provision of the Companies Act, 2013?

(A) The Registrar of companies shall not order the variation as special resolution has not been passed by the preference shareholders.

(B) The Registrar of companies shall not order the variation as although requisite number of preference shareholders have agreed but consent of dissenting equity shareholders has not been obtained whose rights are affected by such variation.

(C) The Registrar of companies shall order the variation of class rights of Preference shareholders as 75% of Preference shareholders have agreed to such variation.

(D) The Registrar of companies shall refer the matter to the Tribunal rather than passing an order itself.



### **36. S25 MTP1**

Neo Technologies Ltd., a listed company was incorporated in the year 2010. It has a share capital of Rs 100 crore and turnover of Rs 200 crore. The company plans to raise capital through private placement of securities during FY 2014–15. The Board identifies 180 individual investors and passes a special resolution in the general meeting. In the same financial year, the company also offers shares to 25 mutual funds (Qualified Institutional Buyers) and grants stock options to its 30 employees under an approved Employee Stock Option Scheme (ESOP). The manager of the company objected to allotment of the shares as the total number of persons exceeds the permissible limit provided under the law.

The company has its registered office in Mumbai, Maharashtra. The company maintains its registers at the registered office by default. Last year the company opened a branch office in Hyderabad, Telangana. The total shareholders on record of the company are 21,000. Out of these, 2160 shareholders are residing in Hyderabad. The management believes that maintaining the register of members at the Hyderabad office is not a good idea as in order to maintain the register, at least 1/4th of the total shareholders should be living in Hyderabad.

The company has appointed Arun & Co., a chartered accountancy firm, as the auditors for two terms of 5 consecutive years each, from FY 2014–15 to FY 2023–24. The firm had two main partners CA. Rajan Mehta and CA. Nupur Jain. For the FY 2024–25 to F.Y. 2029-30, the company wanted to appoint Jain & Associates. However, it was later noted that CA Nupur Jain is a sleeping partner in Jain & Associates. The board is of view that since CA Nupur Jain is sleeping partner in the company, there should be no issues in continuing the services of Jain & Associates as their auditors.

In January 2025, the company decided to accept fresh deposits from its members. The company in past has defaulted on the repayment of deposits to its members in 2019. The company faced many financial difficulties, but it successfully repaid all outstanding deposits and interest by March 2021. So now the board of directors has passed a resolution to accept Rs 2 crore as deposit from its members.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

1. Considering the applicable provisions related to private placement as given under the Companies Act, 2013, which of the following statement is correct?

- (a) The company has breached the 200-person limit, as the total number of persons to whom securities are offered are more than 200 in a financial year.
- (b) The company has exceeded limit of 200 persons across both types of securities (excluding ESOPs).
- (c) The company has not exceeded 200-person limit, because QIBs and ESOP are excluded from the calculation of threshold limit of identified persons.
- (d) The company must seek prior approval of SEBI for any private placement involving QIBs.

2. The company had defaulted on repayment of deposits but wishes to accept deposits from its members again. What is a mandatory requirement before doing so?

- (a) The company must wait for three years after making good the default before accepting new deposits.
- (b) The company must obtain a statutory auditor's certificate, confirming that the default has been rectified, and five years have passed since then.
- (c) The company can accept deposits immediately since it has repaid all previous defaults, without requiring any additional approvals.
- (d) The company must seek approval from the Registrar before accepting deposits from its members, since only three years have elapsed from the date of making good the default.

3. The company completed two audit terms (10 years) with Arun & Co. and now intends to appoint Jain & Associates as its new auditor firm. But it found that CA. Nupur Jain is a common partner in both firms. Which of the following best explains why Jain & Associates qualifies/disqualifies for the appointment as an auditor?

- (a) Appointment of Jain & Associates would violate the provisions of the Companies Act, 2013, as the firm has common partner with the retiring auditor firm, making it ineligible for five years under the Companies Act.
- (b) Jain & Associates cannot be disqualified as CA. Nupur Jain is a sleeping partner of the firm.
- (c) Jain & Associates can be appointed as the new auditor firm since it has partners apart from CA. Nupur Jain also.
- (d) Jain & Associates disqualifies to be appointed as auditor of the firm as it needs to observe a cooling-off period of 2 years as it has common partners.

4. The board of directors are of view that they should maintain a register at Hyderabad only if one-fourth of members are residing there. Do you agree with the boards of directors' view of not maintaining the register at Hyderabad?

- (a) No, the company can maintain the register at the Hyderabad office without passing any resolution, as the Companies Act allows to maintain register at any branch office.
- (b) Yes, the board needs to pass a resolution and notify ROC before maintaining register at branch office if atleast 1/4th shareholders are living in Hyderabad.
- (c) No, only after passing a special resolution in a general meeting, the register can be maintained at Hyderabad because more than 10% of the members reside there.
- (d) No, the company cannot maintain registers outside the registered office under any circumstance unless it is a foreign company.

### **37.S25 MTP2**

Established around fifteen years ago, with its Registered Office in Mumbai, Superior Textile Industries Limited, a company listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), became one of the country's largest textile companies, offering end-to-end solutions through its well managed five core divisions, namely- home-textile, cotton yarn, apparel fabrics, garments and polyester yarn. All these years, Mr. Arpit, Chairman and Managing Director (CMD) had been at the forefront of the company providing high quality textile products with reliable delivery schedules.

With a view to empower themselves to fulfil diverse international requirements and ensuring delivery of superior products across multifarious domain by catering to a wide range of needs covering yarns, apparels, fabrics, men's wears, women's wears, childrens' wears and hometextile, the CMD Mr. Arpit and other Directors of the company felt that it was the right time to expand globally and therefore, planned for opening overseas branches in Singapore and Vietnam.

As the company had already raised funds through IPO, the directors thought of Further Public Offer (FPO) as it would ensure that the company had adequate funds to fulfil their objective by raising the same from general public. The directors felt that raising additional share capital through FPO would deliver results as the company had established a track record of success and have a strong following of investors willing to buy additional shares.

The directors planned to convene Extra-ordinary General Meeting (EGM) to discuss FPO as the source of raising funds as well as certain other issues and Mr. Vatsala, Company Secretary was directed to take necessary steps in this respect. Accordingly, an EGM was scheduled to be convened on 14th August, 2025, at 11.30 AM at the Registered Office.

As usual, the electronic platform set up by National Securities Depository Limited (NSDL) was to be used to facilitate shareholders to cast their votes through electronic means (NSDL e-voting Platform) at the ensuing EGM for passing the requisite resolutions.

The company sent notices in the prescribed manner to all those who were entitled to receive them to enable them to carry out the voting process through remote e-voting. The company had clearly provided the time for opening and closing of e-voting as under:

Opening of remote e-voting	Friday, 8 <sup>th</sup> August, 2025, at 10.00 AM (IST)
Closing of remote e-voting	Wednesday, 13 <sup>th</sup> August, 2025, at 5.00 PM (IST)

In addition, following information was also given:

- That the company is providing facility for voting by electronic means and the business may be transacted through such voting;
- That the members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

As required by the relevant provisions, the company caused a public notice to be published containing requisite particulars relating to meeting, immediately on completion of dispatch of notices of the EGM, by way of an advertisement in two newspapers i.e. one in a vernacular newspaper and the other in an English newspaper. The company appointed Ms. Swati, an independent Chartered Accountant in practice, to be the scrutiniser for the remote e-voting process.

At the EGM, after the discussion on resolutions was concluded, Mr. Arpit, duly assisted by Ms. Swati, allowed voting to all those members who were present thereat but had not cast their votes by availing the remote e-voting system while it was open. For the purpose of voting, the company provided the same electronic voting system as was used during remote e-voting. Immediately thereafter, Ms. Swati started her function as scrutiniser. The EGM was successfully conducted.

Among others, a resolution was passed to raise money through Further Public Offer after completing various formalities and Mr. Vatsala was entrusted to ensure the success of FPO.

It may be noted that Superior Textile Industries Limited has been involved in various Corporate Social Responsibility (CSR) activities which provide an enhanced overall reputation to the company and also help employees, people and the company to contribute to something that is bigger than its own needs. The company's CSR programmes started taking shape when it established Trust EduCare to cater to educational needs of the children of the textile workers. In the month of May 2025, the company also set up employable vocational training centres in different semi-urban

and rural areas of Maharashtra under the banner of Trust Smile which is an ongoing project.

For the Financial Year 2024-25, net profits of the company included dividends amounting to Rs 40,53,200 received from different companies.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (of 2 marks each) given herein under:

1. According to the Case Scenario, Superior Textile Industries Limited had clearly provided the time for opening and closing of remote e-voting for the ensuing EGM to be convened on Thursday, 14th August, 2025, at 11.30 AM at the Registered Office offering remote evoting to remain open for six days. What would have been the timing for opening and closing of remote e-voting if the company had provided only the minimum required statutory period? You are required to choose the correct option from those mentioned below:

(a) The timing for opening of remote e-voting would have been Tuesday, 12th August, 2025, at 10.00 AM (IST) to close on Wednesday, 13th August, 2025, at 4.00 PM (IST); thus, providing for minimum required statutory period of two days from the date preceding the date of the EGM.

(b) The timing for opening of remote e-voting would have been Monday, 11th August, 2025, at 10.00 AM (IST) to close on Wednesday, 13th August, 2025, at 5.00 PM (IST); thus, providing for minimum required statutory period of three days from the date preceding the date of the EGM.

(c) The timing for opening of remote e-voting would have been Sunday, 10th August, 2025, at 10.00 AM (IST) to close on Wednesday, 13th August, 2025, at 3.00 PM (IST); thus, providing for minimum required statutory period of four days from the date preceding the date of the EGM.

(d) The timing for opening of remote e-voting would have been Saturday, 9th August, 2025, at 10.00 AM (IST) to close on Wednesday, 13th August, 2025, at 1.00 AM (IST);

thus, providing for minimum required statutory period of five days from the date preceding the date of the EGM.

2. The Case Scenario given above states that for the Financial Year 2024-25, net profits of Superior Textile Industries Limited included dividends amounting to Rs 40,53,200 received from different companies. You are required to choose the best option out of the four given below as to how much amount of dividends shall be included in net profits for applying specified percentage to work out that amount which is required to be utilised towards CSR expenditure:

- (a) Dividend amount exceeding five percent of the original investment made in the company paying said dividend is needed to be included in the net profits for applying specified percentage to work out that amount which is required to be utilised as CSR expenditure.
- (b) Dividend amount exceeding seven and a half percent of the original investment made in the company paying said dividend is needed to be included in the net profits for applying specified percentage to work out that amount which is required to be utilised as CSR expenditure.
- (c) No amount of dividends is excluded from net profits for applying specified percentage to work out that amount which is required to be utilised as CSR expenditure.
- (d) Dividend amount which was received from the companies that are complying with the CSR provisions is not needed to be included in the net profits for applying specified percentage to work out that amount which is required to be utilised as CSR expenditure.

3. As per the Case Scenario given above, Swati started her function as scrutiniser, immediately after the voting at the EGM was concluded. Accordingly, she first counted the votes cast at the EGM and thereafter, unblock the votes cast through remote e-voting. Since the counting of votes was to be undertaken in the presence of minimum specified witness(es), you are required to choose the correct option from those stated below as to minimum how many witness(es) were to remain present at the time of counting:

- (a) Swati was required to undertake counting of votes in the presence of minimum two witnesses who were not in the employment of Superior Textile Industries Limited.



(b) Swati was required to undertake counting of votes in the presence of minimum one witness who was not in the employment of Superior Textile Industries Limited.

(c) Swati was required to undertake counting of votes in the presence of minimum four witnesses who were not in the employment of Superior Textile Industries Limited.

(d) Swati was required to undertake counting of votes in the presence of minimum three witnesses who were not in the employment of Superior Textile Industries Limited.

4. It is observed from the above Case Scenario that Superior Textile Industries Limited in May 2025, also set up employable vocational training centres in different semi-urban and rural areas of Maharashtra under the banner of Trust Smile which is an ongoing project. You are required to choose the correct option from those given below as to what does an 'ongoing project' mean:

(a) An 'ongoing project' means a multi-year project undertaken by a company to fulfil its CSR obligation having timelines not exceeding two years excluding the financial year in which it was commenced.

(b) An 'ongoing project' means a multi-year project undertaken by a company to fulfil its CSR obligation having timelines not exceeding five years excluding the financial year in which it was commenced.

(c) An 'ongoing project' means a multi-year project undertaken by a company to fulfil its CSR obligation having timelines not exceeding four years excluding the financial year in which it was commenced.

(d) An 'ongoing project' means a multi-year project undertaken by a company to fulfil its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced.

5. According to the Case Scenario, Superior Textile Industries Limited caused a public notice to be published containing requisite particulars relating to meeting, immediately on completion of dispatch of notices of the EGM, by way of an advertisement in two newspapers i.e. one in a vernacular newspaper and the other in an English newspaper. You are required to choose the appropriate option from those given below as to minimum how many days before the date of EGM such public notice must have been published by way of an advertisement:



(a) Minimum fourteen days before the date of EGM, Superior Textile Industries Limited must have caused such public notice to be published by way of an advertisement in the requisite two newspapers.

(b) Minimum twenty-one days before the date of EGM, Superior Textile Industries Limited must have caused such public notice to be published by way of an advertisement in the requisite two newspapers.

(c) Minimum ten days before the date of EGM, Superior Textile Industries Limited must have caused such public notice to be published by way of an advertisement in the requisite two newspapers.

(d) Minimum seven days before the date of EGM, Superior Textile Industries Limited must have caused such public notice to be published by way of an advertisement in the requisite two newspapers.

6. From the above Case Scenario, it is observed that Superior Textile Industries Limited appointed Swati, an independent Chartered Accountant in practice, to be the scrutinizer for the remote e-voting process. As regards taking assistance by Swati of a person who is well-versed with the electronic voting system, which of the option out of following four, in your opinion, is correct, considering the applicable provisions:

(a) Since the process of scrutinising votes is a secret affair, Swati is prohibited from taking assistance of any person in this respect.

(b) For discharging her functions as scrutinizer, Swati is permitted to take assistance of a person who is well-versed with the electronic voting system only if he is in the employment of Superior Textile Industries Limited.

(c) For discharging her functions as scrutinizer, Swati is permitted to take assistance of a person who is well-versed with the electronic voting system only if he is not in the employment of Superior Textile Industries Limited.

(d) For discharging her functions as scrutinizer, Swati is permitted to take assistance of a person who is well-versed with the electronic voting system whether or not in the employment of Superior Textile Industries Limited, but the name of such person must be recommended by an independent director included in the Board of Directors of Superior Textile Industries Limited.

### **38.J26 MTP1**

Rishabh, a resident of Indore with a strong interest in film direction and production, decided to build his own venture in the entertainment field. After completing his specialised training in 2019 and gaining experience as a freelancer, he incorporated a film production company named Rishabh FrameCraft Private Limited (OPC) in July 2023, with its Registered Office in Mumbai.

Rishabh was the sole subscriber to the Memorandum of Association, with his mother, Mrs. Meera, as the nominee. The company had three directors — Rishabh himself, his brother Rivan and his sister Kritika. The Authorised Capital stated in the Memorandum was Rs 40,00,000, while the paid-up capital was Rs10,00,000, entirely held by Rishabh.

Rishabh's father, Mr. Dinesh, served as Vice President (Marketing) at NovaCrest Pharma Limited, a listed pharmaceutical company. His work demanded frequent international travel, and during the financial year 2023–24, he travelled extensively across Europe from 1st June 2023 till 31st March 2024. He was also planning to migrate to Manchester, U.K., after his superannuation, which was two years away.

Rishabh's mother, Mrs. Meera, was a science teacher in a reputed public school in Indore and an active social worker.

With the support of his two co-directors, Rishabh steadily expanded the operations of Rishabh FrameCraft Private Limited (OPC) into radio, television, fashion films, music videos and other entertainment-related projects.

In July 2024, an unexpected development occurred when Mrs. Meera expressed her desire to withdraw her consent as the nominee due to a serious medical condition requiring specialised treatment. This situation required Rishabh to consider appointing a new nominee. After careful thought, he approached his father, Mr. Dinesh, requesting him to take up the role. Mr. Dinesh agreed to consider it positively but cautioned that the appointment must not result in any legal complications.

Around this time, Mr. Arvind Yatral, a renowned numerologist for over a decade, approached Rishabh to produce short films for his company, Arvind Numerix Private Limited (OPC). During their discussions, he suggested that Rishabh add the letters 'h' and 'v' to his name for better professional growth. Rishabh accepted the advice and, after completing the necessary legal formalities, changed his name to Rishhavv.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (of 2 marks each) given herein under:

1. Neel, a sales executive at NovaCrest Pharma Limited, working directly under Mr. Dinesh, Vice President (Marketing), wants to take a loan from the company to purchase its equity shares. Choose the correct option:

- (a) Neel as an employee of NovaCrest Pharma Limited is not permitted to avail loan from NovaCrest Pharma Limited for purchasing its own equity shares.
- (b) Neel is permitted to take such a loan, but only up to three months' salary.
- (c) Neel is permitted to take such a loan, but only up to six months' salary.
- (d) Neel is permitted to take such a loan, but only up to nine months' salary.

2. From the Case Scenario, it is evident that with a view to start his own film production company, Rishhavv (earlier name Rishabh) incorporated a one-person company by the name Rishabh FrameCraft Private Limited (OPC) in July 2023. As regards the manner in which the company's name outside his Registered office in Mumbai shall be displayed, you are required to indicate the correct option from those stated below:

- (a) Rishabh FrameCraft Limited (One Person Company)
- (b) Rishabh FrameCraft Private Limited (One Person Company)
- (c) Rishabh FrameCraft (One Person Company) Private Limited
- (d) Rishabh FrameCraft Private Limited – One Person Company

3. Assume that Mrs. Meera withdrew her consent to act as nominee and gave notice on 8th July 2024. Within what maximum time must Rishhavv nominate another person as the new nominee?

(a) Rishhavv is required to nominate another person as nominee maximum within five days from the receipt of the notice of withdrawal of consent from his mother Mrs. Meera.

(b) Rishhavv is required to nominate another person as nominee maximum within fifteen days from the receipt of the notice of withdrawal of consent from his mother Mrs. Meera.

(c) Rishhavv is required to nominate another person as nominee maximum within twenty days from the receipt of the notice of withdrawal of consent from his mother Mrs. Meera.

(d) Rishhavv is required to nominate another person as nominee maximum within thirty days from the receipt of the notice of withdrawal of consent from his mother Mrs. Meera.

4. Suppose Rishhavv nominates Mr. Karan as the new nominee on 20th July 2024. By what date the company file shall file the notice with the Registrar of such change with the Registrar?

(a) 25th July 2024

(b) 30th July 2024

(c) 19th August 2024

(d) 20th August 2024

### **39.J26 MTP2**

Green Wave Beverages Private Limited, incorporated by two close friends, Arjun (MBA– Finance) and Kabir (MBA–Marketing) with Authorised Capital of Rs 30 crore consisting of 3,00,00,000 equity shares of Rs 10 each, had its Registered office at Indore, Madhya Pradesh. The company, having paid-up share capital of Rs20,00,00,000, subscribed by 102 shareholders, has been making its niche in the beverage industry for the last six years.

With quality and taste as its pillars, Green Wave made its presence felt not only in the city of Indore but also in Gwalior (Uttar Pradesh) and neighbouring areas through its variety of products which included fruit juices of various kinds, jeera drinks and lemonade. In the current financial year, the liability on account of a term loan, which was availed from Unity Bank Limited and whose repayment, both principal and interest till date, is quite regular, stood at Rs10 crore.

Anticipating robust future trends, Arjun and Kabir, holding the office of Managing Director and Whole-time Director respectively, and two other directors, named Nisha (wife of Arjun) and Rhea (wife of Kabir), were thinking of launching a new line of health-oriented drink after receiving positive market feedback. The same was discussed with the product development team as well as the marketing team of the company. It is heartening to note that the product development team was successful in creating a new line of health drink including formulation and taste testing. Use of taste testing methods ensured that the new health drink met the highest standards of quality and taste. The marketing team was also hopeful and confident enough to capture the substantial market throughout the country so far as the new line of health drink was concerned.

As the company needed a fresh dose of additional capital for production and marketing of the newly developed health drinks, the directors decided to offer 50,00,000 equity shares of Rs 10 each through private placement to a selected group of identified persons. The equity shares were duly allotted to these shareholders after following the requisite provisions.

With the infusion of further capital, production of health drinks came swiftly into action. As expected, the marketing team developed and executed a successful campaign that significantly boosted the product's market presence and turnover rose much beyond expectations and so did the goodwill of the company.

The directors of Green Wave Beverages Private Limited decided to reward and motivate the top ten employees of the product development team and marketing team,

who contributed significantly to the success of the company and made available rights in the nature of Intellectual Property Rights (IPR). Consequently, the company issued 5,00,000 Sweat Equity Shares of face value Rs10 each to them, each getting 50,000 shares for consideration other than cash, after passing the specified resolution. This issue recognised the hard work and achievements of the employees beyond their regular salaries and bonuses. Through this goodwill gesture, the employees developed a sense of ownership in the company. There were great chances that by issuing Sweat Equity Shares, the company would be able to reduce the likelihood of employees leaving for other gainful opportunities in times to come. This way, the company not only enhanced employee satisfaction but also strengthened its overall organisational performance.

The graph of success went on rising day by day. With soaring demand, the company established five branch offices in Hyderabad, Jaipur, Lucknow, Nagpur and Kochi. The branch managers of these branches were ably handling almost all the areas of north, south and west of India. The company received a welcoming response from all corners and had a pan-India image. Motivated by this, the company crossed the boundaries of the country and began exporting to European countries as well. To handle and coordinate the business in a smooth manner, the company established its maiden overseas branch office in Lisbon, Portugal, which was the sixth one in the row after opening five Indian branches.

It is worth mentioning that Green Wave maintains its books of account and other books and papers in electronic mode. Accordingly, the backup of these books of account and other books and papers is duly kept on a server physically located in India. The auditors, R. K. Deshpande & Associates, duly prepared the audit report stating the authenticity of the accounts, compliance of financial statements with the accounting standards, provision of adequate internal financial control with reference to the financial statements and the operating effectiveness of such controls. The company duly prepared its Annual Return and filed the same with the jurisdictional Registrar of Companies in addition to filing other financial statements.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (of 2 marks each) given herein under:

1. The Case Scenario states that the directors of Green Wave Beverages Private Limited decided to reward and motivate the top ten employees of the product development team and marketing team, who contributed significantly to the success of the company and made available rights in the nature of IPR, by issuing 5,00,000 equity shares for consideration other than cash. You are required to choose the correct option from those stated below as to whether the said Sweat Equity shares shall be subject to lock - in/nontransferable for any specified period or not:

(a) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Green Wave Beverages Private Limited, shall not be subject to lock-in/non-transferable for any period, whatsoever.

(b) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Green Wave Beverages Private Limited, shall be subject to lock-in/non-transferable for a period of three years from the date of allotment.

(c) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Green Wave Beverages Private Limited, shall be subject to lock-in/non-transferable for a period of four years from the date of allotment.

(d) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Green Wave Beverages Private Limited, shall be subject to lock-in/non-transferable for a period of five years from the date of allotment.

2. The above Case Scenario states that Green Wave Beverages Private Limited needed a fresh dose of additional capital for production and marketing of newly developed health drinks and for that purpose it issued 50,00,000 equity shares of Rs 10 each through private placement to the existing shareholders which were duly allotted. Select the appropriate option from those given below as to what is the maximum permissible



time period within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them:

- (a) The maximum permissible time period is sixty days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.
- (b) The maximum permissible time period is fifteen days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.
- (c) The maximum permissible time period is ninety days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.
- (d) The maximum permissible time period is thirty days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.

3. According to the Case Scenario, Green Wave Beverages Private Limited issued 5,00,000 Sweat Equity shares to the top ten employees of the product development team and marketing team, for consideration other than cash, after passing the specified resolution. You are required to choose the correct option from those mentioned below as to within a period of how many months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing:

- (a) Within a period of not more than three months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.
- (b) Within a period of not more than twelve months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.
- (c) Within a period of not more than six months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.



(d) Within a period of not more than nine months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.

4. According to the Case Scenario, Green Wave Beverages Private Limited established its sixth branch in Lisbon, Portugal, after establishing first five Indian branches in a row. As regards auditing the accounts of the present overseas branch, who according to you is authorised to audit the accounts of this foreign branch as per the applicable provisions? Choose the correct option from those stated below:

(a) As regards auditing of sixth branch established in Lisbon, by Green Wave Beverages Private Limited, only the company's auditor R. K. Deshpande & Associates is authorised to audit its accounts.

(b) As regards auditing of sixth branch established in Lisbon, by Green Wave Beverages Private Limited, the company's auditor R. K. Deshpande & Associates or an accountant or any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Portugal is authorised to audit its accounts.

(c) As regards auditing of sixth branch established in Lisbon, by Green Wave Beverages Private Limited, the company's auditor R. K. Deshpande & Associates or any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Portugal, is authorised to audit its accounts.

(d) As regards auditing of sixth branch established in Lisbon, by Green Wave Beverages Private Limited, an accountant or any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Portugal is authorised to audit its accounts.

5. It is evident that Green Wave Beverages Private Limited issued 5,00,000 Sweat Equity shares for consideration other than cash to the top employees of the product development team and marketing team. Keeping in view the applicable provisions, you are required to select the apt answer from the options given below as to when the holders of these sweat equity shares shall rank pari passu with other equity shareholders of the company:

- (a) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank pari passu with other equity shareholders of the company only after the expiry of three years from the date of allotment.
- (b) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank pari passu with other equity shareholders of the company only after the expiry of four years from the date of allotment.
- (c) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank pari passu with other equity shareholders of the company immediately from the date of allotment.
- (d) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank pari passu with other equity shareholders of the company only after the expiry of five years from the date of allotment.

**LLP Act, 2008**

**LLP Act, 2008 - Descriptive**

**40. \$25 QP**

Harish, Priyam and Priyesh are three advertising professionals specialized in the field of creating short advertisement films for various Fast Moving Consumer Goods (FMCG) companies. They have been engaged in their businesses separately as sole-proprietors, but have now decided to join hands and form a Limited Liability Partnership. On 10.04.2024, the e-Form RUNLLP is filed thereby to reserve the name of the LLP as HPP & Associates LLP which has been approved by the Registrar along with e-Form. The e-form FiLLiP has also been filed containing details of partners and their consent.

Meanwhile even after incorporation as HPP & Associates LLP on 30.04.2024 the LLP could not finalize the LLP agreement as Harish and Priyam have agreed to contribute Rs1.15 crore to the LLP whereas Priyesh has desired and insisted to monetize his future services for one year to the LLP as his capital contribution, which has been opposed by the other two partners as beyond law. However, a consensus was drawn between the above three and a common consensus LLP agreement was submitted on 20.05.2024.

The LLP has further planned to induct Srijan Cooperative Society as one of its partners. Considering the provisions of the Limited Liability Partnership Act, 2008, answer the following:

- (i) Whether the Registrar would accept the LLP agreement so submitted after 20 days of incorporation as in compliance with law?
- (ii) Whether the opposition of the desire of Priyesh on matter and form of his capital contribution, correct?
- (iii) Whether Srijan Cooperative Society can be inducted as a partner in the LLP?

**41. \$25 QP**

Sulagna, Sukanya & Associates LLP was formed on 1st November, 2024 to be engaged in the business fashionable accessories of manufacturing affordable range of for women. Sulagna a fashion designer had appointed Shreesh a qualified Chartered Accountant to maintain and finalize the accounts on a January to December basis thereby preparing

the financial statements for first two months ending 31st December, 2024. Shreesh differed from the view and advised her for April to March as the financial year thereby urging upon such account finalization from November 2024 to March 2025 instead. Meanwhile Dilip a Karta of a HUF in which Sukanya is also a member has approached the LLP and offered to be admitted as a partner.

Considering the provisions of the Limited Liability Partnership Act, 2008, answer the following:

- (i) Whether the advice of Sulagna for maintaining the accounts on January to December basis hold good at law?
- (ii) Whether the offer given by Dilip to induct the HUF as a partner be considered?
- (iii) What would be your answer if instead of Dilip, a Charitable Trust had approached to become a partner in the LLP?

#### **42.J26 RTP**

Raman, Sita and Mohan are partners in an LLP firm RSM & Co. engaged in consultancy services. As per the LLP agreement, profits and losses are shared equally. Raman, requiring funds for personal purposes, transfers 40% of his share of profits to his friend Arjun.

After the transfer, Arjun claims that:

- (a) He is entitled to participate in the management of RSM & Co.
- (b) Since Raman has transferred part of his rights, he is deemed to be disassociated as a partner of the LLP.

You are required to advise, with reference to the Limited Liability Partnership Act, 2008:

- (i) Whether Raman's partial transfer of rights will lead to disassociation or dissolution of the LLP.
- (ii) Whether Arjun is entitled to participate in the management of RSM & Co.

**LLP Act, 2008 - MCQs**

**43. \$25 QP**

KLP & Associates LLP comprises of three partners Kamlesh, Luvkush and Pradeep and was incorporated under an agreement in the year 2020. Mr. Pradeep one of the partners has decided to leave the LLP and start his own business. He has informed Mr. Luvkush, one of the Designated Partner of the LLP, of his decision to leave and has urged to proceed with the formalities. Even after one month of leaving the LLP, Mr. Pradeep was continuously receiving phone calls from creditors of LLP for payment of the dues thus convincing him to believe that the LLP has neither informed the outsiders nor the Registrar about his leaving the LLP. The LLP was also not responding to Mr. Pradeep's queries. Referring to the provisions of the Limited Liability Partnership Act, 2008, what is the step Mr. Pradeep can take to escape his liability post quitting the LLP?

(A) Mr. Pradeep should further follow-up with LLP and ask it to submit Form 4 to the Registrar informing about the above event as he himself cannot file Form 4 with the Registrar.

(B) Mr. Pradeep should himself file Form-4 with the Registrar who would then send a show-cause notice to the LLP

(C) Mr. Pradeep can himself issue a public notice in the one English and one vernacular newspaper disclosing his status as an outsider to the LLP.

(D) The Registrar would himself contact the LLP and enquire about Mr. Pradeep's status.

**44. \$25 MTP1**

Divine Associates was a well-established partnership firm operating in engineering and infrastructure consulting for over two decades. It includes four partners—Mr. Aryan (designated Partner), Ms. Simran (sleeping partner), Mr. Junaid (Finance Head) and Mr. Roy (Operations). The firm saw immense growth after securing multiple government infrastructure contracts. As the business expanded, they faced increasing compliance complexities, risk of personal liabilities and tax inefficiencies.

In early FY 2023-24, the partners unanimously decided to convert the partnership into a Limited Liability Partnership (LLP) for better risk protection and corporate governance. The firm was registered as Stellar Associates LLP on 20th October, 2023.

Ten days later after conversion, due to some chronic health issues Mr. Junaid resigned. The LLP continued operations with the remaining three partners. However, from 1st November, 2023, to 1st June, 2024, no new partner was appointed. During this time, significant project contracts and vendor negotiations were executed by Mr. Aryan and Mr. Roy.

Ms. Simran, despite being a silent partner, extended a Rs 20 lakh personal loan to the LLP for temporary working capital. She signed a standard loan agreement and expected repayment within 18 months. The LLP treated this as external borrowing, with interest and principal obligations to her similar to a non-partner lender.

In April 2025, the LLP faced internal disputes regarding a transfer of Mr. Roy's profit share to Mr. Ketan (a third-party investor). The investor insisted on participating in decision-making after acquiring 20% profit rights, which was denied by the remaining partners.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

1. Mr. Junaid resigned from Stellar Associates LLP on 30th October, 2023. Choose the correct option:

- (a) The LLP should file a notice with the Registrar within 30 days from the date Mr. Junaid ceases to be a partner.
- (b) The LLP should file a notice with the Registrar within 7 days from the date of resignation.
- (c) There is no statutory time limit for informing the Registrar of a partner's resignation.
- (d) The LLP is under no obligation to inform the Registrar about such change. It is only the responsibility of outgoing partner to inform the Registrar.

2. From 1st November, 2023 to 1st June, 2024, the LLP functioned with only two partners. What is the most critical legal consequence under LLP law?

- (a) The LLP must dissolve immediately after 3 months.
- (b) All decisions taken during this period are valid as it needs two partners run an LLP
- (c) The continuing partners may be personally liable for obligations incurred during the 6+ month period.
- (d) There is no consequence if the partners are aware of the shortage.

3. Regarding Ms. Simran's Rs 20 lakh loan to the LLP, what is the correct classification and its legal effect?

- (a) It must be treated as a capital contribution, but priority will be given to creditors loan.
- (b) It qualifies as a partner's contribution and offers no creditor protection.
- (c) It is treated as a third-party transaction and must be honoured like any external loan.
- (d) Such loans are not permitted between partners and LLP.

4. Mr. Roy transferred 20% of his profit rights to Mr. Ketan who now demands management rights. So as per the provision of LLP Act how will you define Mr. Ketan position in the LLP?

- (a) The transferee automatically becomes a partner entitled to manage the LLP.
- (b) Profit transfer doesn't entitle the transferee to management or access to LLP affairs.
- (c) The transferee can veto management decisions involving Roy's capital.
- (d) Only if more than 25% is transferred, management rights apply.

## General Clauses Act, 1897

### General Clauses Act, 1897 – Descriptive

#### **45.525 QP**

Jumbo Road lines Ltd. is a public limited company engaged in business of inter-state goods transportation. The company owns a fleet of more than ten heavy-duty trucks which have the capacity to transport up-to 1000 tons of goods in one consignment as per the registration. The transportation company received an order to transport 1000 tons of goods particularly plastic parts of automobiles to be loaded from a production facility in Surat, Gujarat and offloaded in an automobile factory in Pune, Maharashtra.

The driver loaded the heavy-duty truck to its maximum capacity. On its way to Pune, the driver further loaded 100 tons of other goods from a local trader who lured him for some extra payment. The driver on his way with his overloaded truck rammed into a road divider causing damage to the public property.

The local traffic police charged Jumbo Road lines Ltd. for overloading the truck under the Motor-Vehicles Act, 1988 and filed a suit against the transport company. Further the Highway Authority filed another suit against the company under the Prevention of Damage to Public Property Act, 1984 for damaging the dividers and iron girders installed on the road-sides.

The Jumbo Road lines Ltd. opposed the suits on the plea of double-jeopardy and double punishment for the same act under two different legislations.

Whether the plea given by the road-lines of double-jeopardy be accepted by the court?

Discuss based on underlying principle and concepts referring the provisions of the General Clauses Act, 1897.



#### **46.J26 RTP**

ABC Foundation, a non-profit company, was registered (in the year 2003) under section 25 of the Companies Act, 1956. As per section 2(18)(aa) of the Income-tax Act, 1961, 'a company is considered to be one in which the public are substantially interested if it is registered under Section 25 of the Companies Act, 1956.' After the enactment of the Companies Act, 2013, section 25 of the Companies Act, 1956 was replaced by section 8 of the Companies Act, 2013. However, the Income Tax Act, 1961 still continues to make reference of section 25 of the Companies Act, 1956 in section 2(18)(aa) of the Income-tax Act, 1961.

In this situation, how should the reference to section 25 of the Companies Act, 1956, in section 2(18)(aa) of the Income-tax Act, 1961 be construed after the commencement of the Companies Act, 2013, in light of the provisions of the General Clauses Act, 1897?

#### **General Clauses Act, 1897 - MCQs**

#### **47.S25 QP**

Mr. Famous owned a firm operating a fleet of eighteen taxis engaged in the transportation of passengers in and across the state of Madhya Pradesh. The business had started way back in 1986 wherein the vehicle permits were obtained and the business was being run successfully. The registration for the vehicle expired in the year 1988 and the firm applied for renewal of registration of the vehicles under section 58 of the Motor Vehicles Act, 1939. The application under the aforesaid Act was still pending when such Act was replaced by the Motor Vehicles Act, 1988. To get the application processed, Mr. Famous applied to the authorities to consider the application under the Motor Vehicles Act, 1988 taking plea of section 6(c) of the General Clauses Act, 1897. The application was not entertained by the authorities on the pretext that since the application was filed under the repealed law, the old application would not be considered and that the application should have been filed within time. Later, Mr. Famous died leading to the closure of business. The family of Mr. Famous still lives in one of the flat bought by Mr. Famous during his life-time from Mr. Rich, a builder and contractor dealing in construction and selling of flats.

Mr. Rich was the owner of six flats in the city of Indore. He was advised by one of his finance consultants to rent his unoccupied flats and thereby earn handsome passive income in form of monthly rents. The advice was given to him in the year 2017 and he has been renting out the properties since then. Deebee Motors Ltd., an automobile dealer opened his office in one of the flats for commercial purposes in the year 2019 for a rent of Rs 3.15 Lakh per month. Initially the rental dues were timely paid by the dealer but later the automobile dealer defaulted in paying the above resulting in cumulative arrears of rent being Rs 1.20 crore as on latest date. Mr. Rich, filed a suit for recovery of rental arrears on immovable property pleading the court to treat such arrears as benefit out of land as defined in under section 3(26) of the General Clauses Act, 1897, under the head of "Immovable Property". The defendant submitted that arrears of land revenue in this case cannot be termed as "benefits from land".

Deebee Motors Ltd. offered Mr. Rich a passenger family car worth Rs 3.00 crore at Rs 1.80 crore to compensate the loss incurred by Mr. Rich on rental dues. Unfortunately, color selected by Mr. Rich was unavailable at the selected purchase date. The marketing manager informed and assured that the color will be available after a waiting period of 3 months. Deebee Motors Ltd. further asked Mr. Rich for an advance cheque of minimum 50% of the sale value to shield the purchaser from any future price enhancement. A postdated cheque of Rs 90 Lakh was handed over to the dealer as the booking amount. The cheque was kept with the showroom owners but could not be deposited by them in their account until the last day of third month when Mr. Rich came to know about the above failure on part of the car dealer. The car dealer insisted that Sunday being the last day of the third month, the bank was closed and the cheque could not be deposited thus showing his inability to deliver the car which had arrived on Saturday. The dealer insisted on issuing of fresh cheque.

Based on the facts given in above case scenario and by applying the relevant provisions of the General Clauses Act, 1897, choose the correct answer of the following questions:

1. Which of the following is true on the validity of the rejection of the application made by the firm of Mr. Famous regarding renewal of registration of the vehicles under section 58 of the Motor Vehicles Act, 1939?

- (A) The rejection was not justified and the same old application should have been considered as per the new Motor Vehicles Act, 1988.
- (B) The rejection was justified as Mr. Famous should have filed a fresh application for renewal in this case.
- (C) The form can either be accepted or rejected at the discretion of the authorities which in this case have opined to reject the form.
- (D) The form will be rejected in case the delay in filing cannot be justified by Mr. Famous.

2. Whether the plea of Deebee Motors Ltd. towards refusal to treat arrears of rent as "Immovable Property" as per the General Clauses Act, 1897, shall hold good? Whether the future rental income be included under the above definition as provided in the aforesaid Act?

- (A) The plea of Deebee Motors Ltd. shall not hold valid in this case and arrears of land revenue shall be included in the definition of immovable property under the aforesaid Act. Future rent payable cannot be treated as immovable property under the Act.
- (B) The plea of Deebee Motors Ltd. shall hold good as rent have already been arisen and hence cannot be termed as benefits from land although future rent can be included in the definition of immovable property.
- (C) Neither the arrears nor the future rent shall qualify within the definition of "Immovable Property" as provided in the aforesaid Act.
- (D) Both arrears and future rent shall qualify within the definition of "Immovable Property" under the aforesaid Act.

9. Which of the following is true on the validity of cheque which could not be deposited on the last day of the third month being a holiday?

- (A) The cheque is valid as the last day of the third month being a Sunday hence the same can be deposited on the next working day.

- (B) The old cheque is invalid as the period of three-month validity would expire by the day when the bank would open.
- (C) The cheque can only be deposited only if the dealer applies to the bank for condonation of delay.
- (D) The cheque can only be accepted by the bank, in case the issuer files a suit against the dealer.

#### **48. \$25 MTP1**

Evercrest Agro Equipments Private Limited ("EAEPL") was in the process of establishing a new agricultural machinery manufacturing unit in Nashik, Maharashtra. On 28th February 2024, the Board of Directors passed a resolution to acquire the following assets:

An industrial warehouse

30 acres of farmland located next to the warehouse

150 tractors for operational use and resale

A plantation of 200 timber trees on part of the farmland

Later, on 15th March 2024, the company received a government notification requiring that all newly established agro-industrial units must obtain a special regulatory clearance within 45 days from the date of establishment.

The notification also clarified that all existing permissions or orders issued under the repealed Agro-Industrial Development Act shall remain valid under the new replacement legislation.

As per the notification, intimation or service of orders must be made through registered post to all concerned stakeholders.

Now, the Managing Director of the company seeks your legal opinion on various implications under the General Clauses Act, 1897.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

1. Among the assets acquired by EAEPL, which of the following would not be classified as immovable property under the General Clauses Act, 1897?

- (a) The industrial warehouse
- (b) 30 acres of farmland
- (c) 150 tractors
- (d) Plantation of 200 timber trees

2. If the requirement was to obtain regulatory clearance within 45 days from the date of establishment (which was 28th February 2024), and 13th April 2024 was a public holiday, by which date must the clearance be obtained (assuming 13th April, 2024 is a Saturday)?

- (a) 13th April 2024
- (b) 12th April 2024
- (c) 14th April 2024
- (d) 15th April 2024

3. The government notification dated 15th March 2024 was sent to EAEPL via registered post on 18th March 2024, and the company returns it with an endorsement of refusal. As per the General Clauses Act, 1897, choose the correct option.

- (a) It will be presumed that the notice has been served
- (b) It will be deemed that the notice has not been served
- (c) The notice has to be sent again till the time, the company does not validly accept the notice
- (d) The notice will now be served on the shareholders of the company

**49.S25 MTP2**

Under the statutory rules, a notice is required to be sent by “registered post acknowledgment due.” If the notice is instead sent only by “registered post,” what is the legal implication as per provisions of the General Clauses Act, 1897?

- (a) The service of notice is deemed valid, as registered post suffices under all circumstances.
- (b) The service of notice is not valid, as the statutory rules specifically require “registered post acknowledgment due.”
- (c) The notice is considered served only if the recipient acknowledges receipt, regardless of mailing method.
- (d) The mode of service is irrelevant as long as the notice is delivered eventually.

**50.J26 MTP1**

The Government of India, by an order dated 19th August 2025, appointed a Commission of Inquiry to investigate alleged environmental violations in the State of Maharashtra.

The notification was published in the Official Gazette on 24th August 2025, and the Commission was required to submit its report within 90 days from the date of the notification.

Subsequently, a dispute arose regarding the territorial jurisdiction of the Commission. The notification stated that the investigation would cover all environmental violations occurring within a 10-kilometre radius of the Godavari River. Several industries challenged this, arguing that the 10-kilometre distance should be measured along road distance rather than in a straight line.

Another issue arose regarding the service of notices to industries suspected of violations. The Commission sent notices through registered post, and some industries contended that the notices had not been effectively served.

The Commission's tenure was to expire on 17th November 2025. However, before that date, the Central Government issued an order extending the tenure "until further notice."

A Public Interest Litigation (PIL) was filed in the Bombay High Court, challenging the legality of this open-ended extension.

Additionally, the Government had appointed Mr. Arvind Rao as the Chairman of the Commission. Mr. Rao resigned on 25th September 2025 due to health reasons.

Through an Office Memorandum dated 30th September 2025, the Government appointed Ms. Kavita Mehta as his replacement, and she assumed charge on 5th October 2025.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

1. When does the period for submitting the report expire?

- (a) 16th November 2025
- (b) 19th November 2025
- (c) 20th November 2025
- (d) 22nd November 2025

2. How should the 10-kilometre distance be measured as per the General Clauses Act, 1897?

- (a) Along the existing road network
- (b) In a straight line, on a horizontal plane
- (c) Using the shortest possible route
- (d) By any reasonable method chosen by the Commission

3. Whether the Government of India has the power to modify the tenure “until further notice”?

(a) Yes, because the authority to appoint includes the authority to vary the terms of appointment, including extending tenure.

(b) No, because the General Clauses Act, 1897, does not permit any modification once a date is fixed.

(c) No, because only the Legislature can extend the tenure of a statutory Commission, not the appointing authority.

(d) No, because after the Commission begins functioning, any change in tenure must be approved by a Court, not by the appointing authority.

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**FEMA, 1999**

**FEMA, 1999 - Descriptive**

**51. S25 QP**

Heavy Loaders Ltd. is a public limited company incorporated in India and engaged in the manufacture of loader vehicles used for commercial construction purposes. It is planning to expand its business outside India and hence has come in contact with Mr. Fred, an American citizen working as an agent of companies planning to secure business in USA. Mr. Fred has informed the directors of Heavy Loaders Ltd. that another Indian company engaged in the commercial construction business has a requirement of 25 loader vehicles for its wholly owned American subsidiary company. Heavy Loaders Ltd. supplied the required loader vehicles with an invoice value of USD 350,000 in exchange of allotment of equity capital of the same worth in the American company. Mr. Fred has asked for an export agent commission of 15% of the invoice value of goods supplied from Heavy Loaders Ltd. to which Heavy Loaders Ltd. has refused the payment on grounds that maximum commission that can be paid can be 10% of the invoice value of goods supplied.

Considering the provisions of the Foreign Exchange Management Act, 1999 decide:

- (i) Whether the above transaction of supplying machines in exchange of equity investments can be treated as "export" keeping in mind the absence of monetary factor in the transaction?
- (ii) Whether the rate of export agent commission demanded by Mr. Fred be paid or confined to only 10% of the invoice value of goods supplied?

**52. J26 RTP**

Startech Pvt. Ltd., an Indian company, is planning to remit USD 12 million to a consultancy firm based in Germany for advisory services related to a new highway infrastructure project in India. The company has also engaged another foreign consultancy for a software upgrade on a different project and wants to remit USD 900,000 for that service. Both payments are to be made from India.

With reference to the Foreign Exchange Management, 1999, determine whether Startech Pvt. Ltd. can freely remit these amounts or if any approval is required for these transactions.

**FEMA, 1999 - MCQs**

**53. \$25 QP**

Mr. David an Indian doctor residing in Panjim, Goa was married to Ms. Ruby another resident in the same profession in 1996. The couple had three children by the name of Christopher, Sebastian and Aliana. Mrs. Ruby left India in 2020 with her daughter Aliana and son Sebastian to the United States of America to pursue her Master Degree in the field of medicine, leaving behind Mr. David in India along with Christopher.

In 2021 Sebastian purchased a piece of land in the city of Chicago as an investment. Meanwhile, Christopher had incorporated a public limited company in India engaged in medical research and manufacture of life-saving drugs with its head office in Panjim, Goa having earned foreign exchange worth USD 12,500,000 in the past three years and was also planning to extend business by collaborating with an American Company engaged in the same field. Hence, he called back Sebastian to India on 31.05.2023 to help him in his business venture after being inducted as a director in his company.

The American company has offered to purchase the land owned by Sebastian in Chicago wherein the production facility can be set-up. Mr. John, the CEO of the American company, acting on advice of Mr. Christopher has shown interest to invest USD 150,000 in Bio-Seeds Ltd., an Indian company engaged in plantation and harvest of medicinal plants and herbs in the hills of Kangra in Himachal Pradesh.

Mr. John suggested that the Company owned by Christopher should donate an amount towards sponsoring of annual salary of a professor at the Chicago Institute of Medical Sciences to gain popularity and fame amongst the medical fraternity in Chicago, thereby creating a chair in medicine, which would ultimately help him and his newly formed venture in the same city to gain a foot-hold.

Meanwhile, Mr. David now being aged, had been suffering with a lifethreatening disease himself and has urged his wife residing in Chicago, USA to search a suitable hospital where he can be treated for his ailments and get cured. Mrs. Ruby being a doctor herself has suggested the name of Pennsylvania Institute of Research and Medicine. She has consulted the specialized doctors in the institute who are of the view that the cure of disease of Mr. David is possible but the patient must spend a minimum of six months in the hospital of the above research institute.

The institute has given an estimate of expenses of USD 269,000 for the treatment and the said estimate has been provided on the letterhead of hospital under seal. The cost of emigration as certified by the authorities for Mr. David has been calculated at USD 15,000. Mr. David has urged the Pennsylvania Institute of Research and Medicine to reduce his treatment expenses to USD 200,000 but the same has been refused by the above Institute. Mrs. Ruby decided to help her husband and is willing to sell a property owned by her in Panjim, Goa which was earlier bought while she was in India along with Mr. David.

Based on the facts given in above case scenario and by applying the relevant provisions of the Foreign Exchange Management Act, 1999 (FEMA, 1999), choose the correct answer of the following questions:

1. Whether Mr. Sebastian as well his mother Mrs. Ruby can be allowed to transfer their respective properties in Chicago, USA and Panjim, India towards achievement of their separate motive?

(A) Mr. Sebastian would be allowed to sell his property in Chicago to the American company but Mrs. Ruby would not be allowed to sell her property in India as its being sold for non-commercial purposes.

(B) Mr. Sebastian and Mrs. Ruby must apply to the Reserve Bank of India for its approval prior to selling their respective properties.

(C) Mr. Sebastian and Mrs. Ruby can only sell their properties to each other and not to third parties.

(D) Both Mr. Sebastian and Mrs. Ruby can freely sell their respective properties to buyers of their choice without any intervention or approval of the Reserve Bank of India.

2. Decide whether both Mr. John and Mr. Christopher can act on the advice of each other for an investment of USD 150,000 in Bio-Seeds Ltd. as well as donating one year salary to a medical chair abroad respectively?

(A) Mr. John would not be able to invest USD 150,000 in Bio-Seeds Ltd. although Mr. Christopher can very well donate a year's salary to the medical chair abroad without approval.

(B) Mr. John would be able to invest USD 150,000 in Bio-Seeds Ltd. although Mr. Christopher cannot donate a year's salary to the medical chair abroad.

(C) Both Mr. John and Mr. Christopher would not be able to act on advice of each other as the same are in defiance of the provision of the FEMA, 1999.

(D) Mr. John would not be able to invest USD 150,000 in Bio-Seeds Ltd. although Mr. Christopher can only donate a year's salary to the medical chair abroad after prior approval from the Reserve Bank of India.

3. Whether it is possible to pay Pennsylvania Institute of Research and Medicine and the emigration authorities the respective amounts of money for the purpose of medical treatment of Mr. David?

(A) Pennsylvania Institute of Research and Medicine can be paid USD 269,000 against a certificate to be issued under seal that the medical procedure would require the above stated amount. Emigration expenses of USD 15,000 can be paid under the LRS Scheme.

(B) Pennsylvania Institute of Research and Medicine cannot be paid USD 269,000 under any circumstances. Emigration expenses of USD 15,000 can be paid under the LRS Scheme.

(C) There is no limit towards payment for medical expenses hence Pennsylvania Institute of Research and Medicine can be paid USD 269,000 without any certificate from the Institute. Emigration expenses of USD 15,000 can be paid under the LRS Scheme.

(D) No Payments for the above concerns can be allowed under the Act.

**54. \$25 MTP2**

Mrinal Kaur, an Indian citizen and an acclaimed fashion entrepreneur based in Milan, has built a successful career over the past 10 years. In January 2024, she decided to extend her brand's presence to India by incorporating a company named StyleAura Private Limited (SAPL) in Delhi.

Her comprehensive business plan includes:

- Establishing a flagship design studio in Delhi
- Importing premium fabrics and embellishments from Italy
- Launching a digital retail platform for luxury fashion
- Forming strategic partnerships with renowned European fashion houses

In February 2024, StyleAura Private Limited undertook the following initial transactions:

- Received EUR 500,000 from Mrinal's Milan-based business account
- Acquired commercial property in Delhi for setting up the studio
- Engaged fashion experts as design consultants
- Opened a foreign currency account with the Delhi branch of an international bank

The company also aims to showcase its designs at global fashion events and accept advance payments from international clients via its e-commerce platform.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act (FEMA), 1999, and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (of 2 marks each) given herein under:

1. What would be Mrinal Kaur's residential status under FEMA if she relocates to Delhi in 2024?

(a) Immediately becomes Person Resident in India

- (b) Remains Person Resident Outside India for 182 days
- (c) Has dual residential status
- (d) Retains French residential status until business setup

2. SAPL's receipt of advance payments from foreign buyers would be classified as:

- (a) Capital Account Transaction requiring RBI approval
- (b) Prohibited Transaction under FEMA
- (c) Current Account Transaction permitted freely
- (d) Special Category Transaction requiring government permission

3. StyleAura intends to remit USD 1.2 million to consultants in San Francisco for design services. What approval is required under FEMA?

- (a) No approval required
- (b) Prior approval of governor of the State
- (c) Prior approval of Reserve Bank of India
- (d) Approval from SEBI

### **55.J26 MTP2**

Arnav Mehta is a very bright student. He is a resident of Ahmedabad and lived in India throughout the Financial Year 2024–25. On 12 July 2025, he left India to pursue a two-year Master's program in Biotechnology at a reputed university in Geneva, Switzerland. To meet the cost of his education, Arnav required USD 25,000 per year towards tuition fees and USD 30,000 annually for his living and incidental expenses. He approached his authorised dealer bank to obtain foreign exchange for these requirements under applicable the Foreign Exchange Management Act (FEMA), 1999 and Current Account Transaction Rules.

During this period, Arnav's father, Mr. Rajesh Mehta, who continued to reside in Ahmedabad, won a significant prize in a local lottery. Wishing to support Arnav financially while he studied abroad, Mr. Mehta approached his authorised dealer bank to remit a portion of the lottery winnings to Arnav's account in Switzerland. He

submitted the required documents and sought guidance from the bank regarding the permissibility of such a remittance under FEMA.

Around the same time, a close family friend of the Mehtas, Mr. Raghav Shah, was advised by his doctors in India to undergo an advanced kidney transplant procedure at a specialised medical centre in New York, USA. Raghav contacted his authorised dealer bank to understand the procedure and limits for obtaining foreign exchange for medical treatment abroad. He also obtained the required medical estimates in support of his proposed treatment.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

1. Arnav requires USD 55,000 per year (tuition + living expenses). Can he obtain this foreign exchange?

- (a) Yes, up to USD 55,000 per academic year without RBI approval.
- (b) Yes, but only up to USD 25,000 without approval.
- (c) No, he must obtain RBI approval for the entire amount.
- (d) Yes, but only for tuition fees; living expenses require separate RBI approval

2. Mr. Rajesh Mehta won a local lottery and wants to remit a part of the winnings to Arnav in Switzerland. The authorised dealer must evaluate whether the transaction is permissible. Which of the following statement is correct in respect of the authorised dealer (AD)?

- (a) AD will allow the remittance freely for an amount upto USD 5,000
- (b) AD will allow the remittance freely since it is below USD 2,50,000
- (c) AD will allow the remittance as long as it is for supporting education
- (d) AD will reject the request because lottery winnings cannot be remitted under any circumstances as it falls under prohibited current account transactions

3. If Raghav submits a medical estimate from the US hospital showing expenses of USD 4,00,000, what can the authorised dealer do?

- (a) Release only USD 2,50,000; the balance is prohibited
- (b) Release any amount without limit because it is a medical emergency
- (c) Authorised dealers shall release USD 2,50,000 without approval and release additional amounts if supported by medical estimate from the doctor/hospital without referring to RBI
- (d) Decline the request until Raghav becomes a non-resident

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