INTERMEDIATE COURSE

PAPER – 2

CORPORATE AND OTHER LAWS

[RELEVANT FOR MAY, 2026 EXAMINATION AND ONWARDS]

BOOKLET ON CASE SCENARIOS

BOARD OF STUDIES (ACADEMIC)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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BEFORE WE BEGIN…..

Under the New Scheme of Education and Training which was introduced on 1st July, 2023, 30% of the examination assessment is by the way of Objective Type Questions at Intermediate and Final level. Therefore, to provide hands-on practice for such type of questions, BOS launched MCQ Paper Practice Portal on 1st July, 2023. This online portal contains independent MCQs as well as case scenario based MCQs both for conceptual clarity and practice of the students.

In continuation to this handholding initiative and to provide quality academic inputs to the students to help them grasp the intricate aspects of the subject, the Board of studies has brought forth subject-wise booklets on Case Scenarios at Intermediate and Final level. These booklets are meticulously designed to assist Chartered Accountancy (CA) students in their preparation of the CA course.

At Intermediate level, the **'Booklet on Case Scenarios for Paper 2: Corporate and Other Laws'** contains the case scenarios which have been answered on the basis of the provisions of the Companies Act, 2013, the Limited Liability Partnership Act, 2008, the General Clauses Act, 1897 and the Foreign Exchange Management Act, 1999. The case scenario-based MCQs are application oriented MCQs and arise from the facts of the case. At the end of each case scenario followed by MCQs, we have also provided explanations/hints for each MCQ which will enable the students to evaluate their performance and identify areas requiring further attention.

Please note that before working out the MCQs of this booklet, students have to be thorough with the Study Material. You are expected to apply the concepts learnt in answering the MCQs given in this booklet. You have to read the case scenarios and the MCQs, identify the provisions of law involved, apply the provisions correctly in addressing the issue raised/making the computation required in the MCQ, and finally, choose the correct answer. This process of learning concepts and provisions of laws and solving MCQs based thereon will help you attain conceptual clarity and hone your application and analytical skills so that you are able to approach the examination with confidence and a positive attitude.

We are confident that this booklet will serve as a valuable companion in your preparation journey. We encourage students to make the most of this resource by engaging deeply with the scenarios, reflecting on the MCQs and embracing the learning process.

Best wishes for your studies and success in the CA Intermediate Examination!

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CASE SCENARIO 1

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 ₹ 100 crore divided into 10 crore equity shares of ₹ 10 each. The paid up share capital of the company is ₹ 50 crore consisting 5 crore equity shares of ₹ 10 each. On 15th May 2025, i.e. after the close of financial year 2024-25 but before the Annual General Meeting (AGM), the Board declared an interim dividend of 10%.

On 5th July, 2025 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, 2025. 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, 2025. The dividend was not paid to some of the shareholders in the preceding financial years from 2017-18 to 2023-24, 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 2017–18 to 2024–25, but the amounts had not been paid to him since 2017–18 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 2018–19 to 2024–25. The company also informed him that the dividend pertaining to the financial year 2017–18 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.

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:

MULTIPLE CHOICE QUESTIONS

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, 2025 the date of meeting of BoD.

(b) On 31st August, 2025 the date of meeting of shareholders.

(c) On 30th September, 2025 the date after 30 days from the meeting of shareholders.

(d) Latest by 7th October, 2025, within seven days from the expiry of 30 days.

4. 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 2018–19

(b) After the expiry of unpaid dividends for financial year 2017–18

(c) After the expiry of unpaid dividends for financial year 2019–20

(d) After the expiry of unpaid dividends for financial year 2020–21

5. Ashwin, a shareholder holding 5,000 shares, discovered that the dividend for financial year 2017–18 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 2017–18, since he was unaware of the transfer.

(b) Ashwin cannot claim the dividend for FY 2017–18 from the company because it has been transferred to IEPF, but he can claim the remaining dividends (i.e. FY 2018–19 to 2024–25) from the company.

(c) Ashwin can file a suit to recover the dividend for FY 2017–18 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.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** The BoD can recommend final dividend but approval of the shareholders is mandatory.

   Reason:

   As per section 123(1) read with section 123(3) of the Companies Act, 2013, the interim dividend may be declared by the Board of Directors at any time during the financial year or after its close but before the AGM, whereas the final dividend can only be recommended by the Board and declared by the shareholders in the Annual General Meeting. The Board of Directors has no power to declare final dividend on its own.

   In the given case, although the Board declared interim dividend and later recommended final dividend, the same could be declared only after obtaining approval of the shareholders in the AGM. Hence, shareholder approval is mandatory.

2. **Option (a)** Disregarding the boycott of some of the shareholders, if the quorum is present during the course of the general meeting and the majority of them have approved it, then the rate of dividend recommended by the Board shall be treated as approved.

Reason:

As per section 123(1) of the Companies Act, 2013, the shareholders cannot increase the rate of dividend recommended by the Board of Directors. Further, as per section 103, if the quorum is present, the proceedings of the general meeting remain valid even if some shareholders walk out after the meeting has commenced.

In the given case, some shareholders walked out demanding a higher dividend, but the remaining shareholders constituted valid quorum and approved the dividend as recommended by the Board. Therefore, the resolution passed is valid.

3. **Option (d)** Latest by 7th October, 2025, within seven days from the expiry of 30 days.

Reason:

As per section 124(1) of the Companies Act, 2013, where a dividend has been declared but has not been paid or claimed within 30 days from the date of declaration, the company shall, within 7 days from the expiry of such 30 days, transfer the unpaid amount to a special account called the Unpaid Dividend Account.

In the given case, dividend was declared in the AGM held on 31st August, 2025. Thirty days expired on 30th September, 2025, and accordingly, the last date for transfer to the Unpaid Dividend Account was 7th October, 2025.

4. **Option (b)** After the expiry of unpaid dividends for financial year 2017-18.

Reason:

As per section 124(5) of the Companies Act, 2013, any dividend remaining unpaid or unclaimed for a period of seven consecutive years from the date of transfer to the Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund (IEPF).

In the given case, the dividend relating to FY 2017-18 remained unpaid continuously for seven years and was therefore transferred to IEPF.

5. **Option (b)** Ashwin cannot claim the dividend for FY 2017–18 from the company because it has been transferred to IEPF, but he can claim the remaining dividends (i.e. FY 2018–19 to 2024–25) from the company.

Reason:

As per section 124(5) read with section 124(6) of the Companies Act, 2013, once the unpaid or unclaimed dividend is transferred to the IEPF, the company is discharged from all liability in respect of such dividend. The shareholder can claim the amount only from the IEPF Authority and not from the company.

In the given case, the dividend for FY 2017–18 had already been transferred to IEPF, hence Ashwin cannot recover it from the company. However, dividends for FY 2018-19 to 2024-25 were still payable by the company and were rightly paid to him.

CASE SCENARIO 2

Vedika Fashions Limited is a listed public company with a share capital of ₹ 10 crore, consisting of equity shares of ₹ 100 each. The company maintains the following registers:

(a) Register of Members, showing separately each class of equity and preference shares held by members residing in or outside India.

(b) Register of Debenture-holders.

The registered office of the company is located in Bengaluru (Karnataka), while its corporate office is situated in Hyderabad (Telangana). Around 17% of equity shareholders and 10% of preference shareholders reside in Indore (Madhya Pradesh). Out of these, 9% of the equity shareholders and 5% of the preference shareholders jointly made a written application to the company requesting that the Register of Members be shifted to the company's liaison office in Indore.

The company refused this request, stating that the register can only be maintained at its registered office.

Meanwhile, Mr. Rohan, an equity shareholder, decided to sell all his shares in Aarav Textiles Limited before settling abroad. He sold his shares to Mr. Raj on 7th May 2025 and left India on 10th May 2025, after completing all formalities for transfer.

However, Mr. Raj later discovered that his name had not yet been entered in the Register of Members. Since the company's Annual General Meeting (AGM) was scheduled for 25th May 2025, he sent an email to the company requesting entry of his name in the register. Receiving no response, Mr. Raj approached the Tribunal, which passed an order on 20th May 2025 directing the company to enter Mr. Raj's name in the Register of Members.

At the AGM, the company declared a 10% dividend out of profits earned in the previous financial year. Mr. Krish, holding 1,000 equity shares, had jointly purchased these shares two years ago with Mr. Armaan, who is also a shareholder holding 1,000 shares. Mr. Krish is still liable to pay the final call of ₹ 20 per share.

After the AGM, as required under the Companies Act, 2013, a report on the AGM proceedings confirming that the meeting was duly convened, held, and conducted as per the provisions of the Act and rules made thereunder, was to be filed with the Registrar in Form No. MGT-15 along with prescribed fees.

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:

MULTIPLE CHOICE QUESTIONS

1. Suppose the Chairman of the company went abroad two days after the AGM and remained unavailable for the next 31 days. During this period, the AGM report was signed by two directors, one of whom was an additional director. Comment on the validity of the signing of the report.

   (a) Yes, the signing is in order as the report can be signed by any director in the absence of the Chairman.

   (b) No, the signing is not in order as only the Chairman is authorised to sign the report.

   (c) Yes, the signing is in order, as in the absence of the Chairman, at least two directors may sign the report.

   (d) No, the signing is not in order, since in the absence of the Chairman, the report shall be signed by any two directors, one of whom shall be the Managing Director, if there is one, and the Company Secretary of the company.

2. According to the provisions of the Companies Act, 2013, by what date should the company submit the AGM report to the Registrar?

   (a) 4th June 2025

   (b) 9th June 2025

   (c) 24th June 2025

   (d) 25th June 2025

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** No, the signing is not in order, since in the absence of the Chairman, the report shall be signed by any two directors, one of whom shall be the Managing Director, if there is one, and the Company Secretary of the company.

   Reason:

   As per section 121(1) read with Rule 31(2) of the Companies (Management and Administration) Rules, 2014, the report on the Annual General Meeting shall be signed by the Chairman of the meeting. However, in the absence of the Chairman, the report shall be signed by any two directors, one of whom shall be the Managing Director, if there is one, and the Company Secretary, where the company has appointed one.

   In the given case, the AGM report was signed by two directors, one of whom was an additional director, without complying with the requirement of signature by the Managing Director and the Company Secretary in the absence of the Chairman. Therefore, the signing does not comply with the statutory provisions.

   Hence, the signing of the AGM report is not valid.

2. **Option (c)** 24th June 2025

   Reason:

   As per section 121(2) of the Companies Act, 2013, every listed public company shall file with the Registrar a report on the AGM in Form MGT-15 within thirty days of the conclusion of the AGM, along with the prescribed fees.

   In the given case, the AGM was held on 25th May 2025. Therefore, the period of thirty days expires on 24th June 2025. The company must submit the AGM report to the Registrar on or before this date.

   Hence, the correct answer is 24th June 2025.

CASE SCENARIO 3

Shilpi and Shilpa, both known for their close friendship since college days, along with other close friends, incorporated a company named Baking Point Limited with its Registered Office in Connaught place, New Delhi. The company served chocolates, various types of cakes, pastries, rolls, etc. Their products and clients demonstrated testimony to over 10 years of service in this field. With over 50 branches in New Delhi and adjoining areas of National Capital Region (NCR), the products were embodiment of elegance; a sanctuary where flavours inter-twined and cherished moments came alive. Shilpi was the Chief Managing Director (CMD) whereas Shilpa was the Whole-time Director (WTD).

In addition to Shilpi and Shilpa, Baking Point Limited, ever proud of having a sincere management team, had Prabhat as the Director (Research & Development), Sahil as Director (Marketing), Vikalp as Director (Production) and Sukanya as Director (Finance). The company maintained and kept all the statutory registers at its registered office in Connaught Place.

Understanding the need and power of information technology and also giving due weightage to the demand of changing laws and considering trend of the society, Baking Point Limited availed the services of an Internet Service Provider (ISP) known by the name Etherwaves Tele-communications Private Limited, located in Chandigarh, India, which offered the company with high speed internet that was required for business application like cloud data back-up and tele-conferencing. It was thought that this magnificent and progressive step would help company's business to connect with the customers spreading across the nation as well as abroad. Even the employees of the company would be able to connect from anywhere to collaborate with their teams. The company had also registered its Unique Web Address www.bakingpoint.com for its website. With this development, Baking Point Limited started maintaining its books of account and other relevant papers in the electronic mode.

In order to reinforce loyalty among the shareholders, the directors of Baking Point Limited thought of issuing Bonus Shares in the ratio of 1:2 to the shareholders and in the process passed a resolution to this effect at the meeting of Board of Directors which was held on December 6, 2025. They felt that issue of Bonus Shares would use internal resources more efficiently and also this strategy would serve as an alternative to dividend payout at no extra cost. The issue of Bonus Shares was approved at the Extra-ordinary General Meeting held on January 9, 2026. The record date, i.e. the cut-off date being January 23, 2026, was set by the company to determine the eligibility of the shareholders for getting bonus shares. In order to proceed with the issue of Bonus Shares, the Register of Members was closed for twelve days by giving previous notice of fifteen days and an advertisement in this respect was also published.

At the time of declaration of Bonus issue, following was the position of some of the important figures as they appeared in the Balance Sheet:

S. No.	Particulars	Amount (₹ in crore)
1.	Authorised Share Capital (one crore equity shares of ₹ 10 each)	10
2.	Paid-up Equity Share Capital (50 lakh equity shares of ₹ 10 each)	5
3.	Free Reserves	2.10
4.	Securities Premium Account	0.30
5.	Capital Redemption Reserve Account	0.25
6.	Revaluation Reserve created by revaluation of fixed assets	1.50

Extract of Balance Sheet as at March 31, 2025.

The accounts relating to the Financial Year 2024-25 were duly audited by Raghvan & Associates of New Delhi and the requisite documents required to be submitted to the jurisdictional Registrar of Companies were duly filed in time under the supervision of whole-time Company Secretary Cyra Murthi.

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:

MULTIPLE CHOICE QUESTIONS

1. According to the above Case Scenario, Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders. You are required to choose the correct option from those stated below as to the maximum time limit for which the Register of Members can be closed at any one time at a stretch by Baking Point Limited?

    (a) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding forty-five days at any one time at a stretch.

    (b) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding twenty days at any one time at a stretch.

    (c) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding thirty days at any one time at a stretch.

    (d) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding sixty days at any one time at a stretch.

2. Baking Point Limited declared issue of Bonus Shares in the ratio of 1:2 to its shareholders. Which one of the following resources Baking Point Limited was not permitted to capitalize for issuing Bonus Shares? Considering the applicable provisions, you are required to choose the correct option from those given below:

    (a) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the amount of ₹ two crore ten lakh lying to the credit of free reserves.

(b) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the amount of ₹ thirty lakh shown by Securities Premium Account.

(c) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the revaluation reserves of ₹ one crore fifty lakh created by the Revaluation of Assets.

(d) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the amount of ₹ twenty-five lakh lying to the credit of Capital Redemption Reserve Account.

3. It is evident from the above Case Scenario that Baking Point Limited closed its Register of Members for the first time in the year 2026 for twelve days for the purpose of issuing Bonus Shares to its shareholders. Maximum for how many times and for how much period or periods, a company is permitted to close its Register of Members in each year? Considering the relevant provisions, you are required to choose the correct option from those mentioned below:

(a) In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed forty-five days.

(b) In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed sixty days.

(c) In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed ninety days.

(d) In each year, a company is permitted to close its Register of Members maximum for two times and such period or periods of closure in the aggregate shall not exceed one hundred days.

4. Baking Point Limited issued Bonus Shares to its shareholders in a 1:2 ratio. Which of the following statements is true regarding the issuance of Bonus Shares?

   (a) Bonus Shares can be issued only if authorized by the Articles of Association (AOA) of the company.

   (b) Bonus Shares can be issued without the approval of the Board of Directors.

   (d) Bonus Shares must be issued in exchange for additional capital contribution from shareholders.

   (d) Bonus Shares are issued at a price lower than the market value.

5. Baking Point Limited declared a final dividend for the financial year 2024-25 at its Annual General Meeting (AGM). As per the Companies Act, 2013, what should the company do if a shareholder does not claim the dividend within 30 days of declaration?

   (a) The company must immediately transfer the amount to the Investor Education and Protection Fund (IEPF).

   (b) The company must transfer the unpaid dividend to a special Unpaid Dividend Account within 7 days from the expiry of 30 days.

   (c) The dividend remains with the company until the shareholder claims it.

   (d) The company must cancel the dividend and credit the amount to its free reserves.

6. As per the Companies Act, 2013, for how long must Baking Point Limited retain its Books of Account and other financial records in electronic mode?

   (a) 3 years

   (b) 5 years

   (c) 8 years

   (d) Indefinitely

7. Suppose now, Baking Point Limited wants to appoint an Internal Auditor to review its operations and compliance. As per the Companies Act, 2013, which of the following statements is correct?

   (a) Appointment of an Internal Auditor is mandatory for all companies.

   (b) An Internal Auditor must be a Chartered Accountant (CA) in practice.

   (c) The Internal Auditor may be a Chartered Accountant (CA) or Cost Accountant (CMA) or any other professional decided by the Board.

   (d) The Internal Auditor must be appointed by the shareholders through a special resolution.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding thirty days at any one time at a stretch.

Reason:

As per section 91 of the Companies Act, 2013, a company may close its Register of Members or Debenture-holders for any period or periods not exceeding thirty days at any one time, subject to prior notice.

In the given case, Baking Point Limited closed its Register of Members for twelve days, which is well within the maximum permissible limit of thirty days at one time as prescribed under section 91.

2. **Option (c)** For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the revaluation reserves of Rupees one crore fifty lakh created by the Revaluation of Assets**.**

Reason:

As per section 63(1) of the Companies Act, 2013, a company may issue bonus shares out of free reserves, securities premium account, or capital redemption reserve account, but bonus shares shall not be issued out of reserves created by revaluation of assets.

In the given case, Baking Point Limited has a Revaluation Reserve of ₹1.50 crore, which arose due to revaluation of fixed assets. Such reserve is expressly prohibited from being capitalised for the purpose of issuing bonus shares.

3. **Option (a)** In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed forty-five days.

Reason:

As per section 91 of the Companies Act, 2013, the Register of Members may be closed one or more times in a year, but the total period of closure in a year shall not exceed forty-five days.

In the given case, the company closed its Register for twelve days for the bonus issue, which is the first closure in the year, and further closures are permitted so long as the aggregate does not exceed forty-five days.

4. **Option (a)** Bonus Shares can be issued only if authorized by the Articles of Association (AOA) of the company.

Reason:

As per section 63(1) of the Companies Act, 2013, a company may issue fully paid-up bonus shares only if its Articles of Association authorise such issue. If the Articles do not contain such authority, they must be altered before issuing bonus shares.

In the given case, Baking Point Limited validly issued bonus shares after obtaining Board and shareholders' approval, which presupposes authorisation under its Articles.

5. **Option (b)** The company must transfer the unpaid dividend to a special Unpaid Dividend Account within 7 days from the expiry of 30 days.

Reason:

As per section 124(1) of the Companies Act, 2013, if a dividend declared by a company has not been paid or claimed within thirty days from the date of declaration, the company shall, within seven days from the expiry of such thirty days, transfer the unpaid amount to a special account called the Unpaid Dividend Account.

Accordingly, in case any shareholder does not claim the dividend within thirty days, the company is statutorily required to transfer such amount to the Unpaid Dividend Account.

6. **Option (c)** 8 years

   Reason:

   As per section 128(5) of the Companies Act, 2013, a company shall preserve its books of account together with vouchers and relevant papers for a period of eight financial years, whether maintained in physical or electronic mode.

   In the given case, Baking Point Limited maintains its books of account in electronic mode, and therefore is required to retain them for eight years.

7. **Option (c)** The Internal Auditor may be a Chartered Accountant (CA) or Cost Accountant (CMA) or any other professional decided by the Board.

   Reason:

   As per section 138 of the Companies Act, 2013, the Internal Auditor of a company may be a Chartered Accountant, Cost Accountant, or such other professional as may be decided by the Board of Directors. The appointment is made by the Board, not by shareholders.

   Accordingly, the law does not mandate that the Internal Auditor must be a CA in practice, nor is shareholder approval required.

CASE SCENARIO 4

Kapoor Limited is a mid-sized listed manufacturing company incorporated in the year 2010 by R.D. Kapoor. Mr. Kapoor has two son, Mr. Vineet and Mr. Aditya. Both Mr. Aditya and Mr. Vineet are working as directors in Kapoor Limited.

Kapoor Limited had some compliance issues in the past. In 2017–18, the company issued redeemable preference shares but later failed to pay dividends on them for some time. In September 2019, the company fixed this by clearing all its loans and paying the pending dividends to the preference shareholders. After resolving these issues, the company proposed to issue new equity shares with differential rights for the financial year 2020–21.

As part of its broader capital raising strategy, the board of directors decided to issue three different securities:

- a rights issue of equity shares to existing shareholders,
- a new class of preference shares offered exclusively to current equity shareholders, and
- a public issue of convertible debentures.

So, for the rights issue, it prepares a simplified document omitting several disclosures required under section 26(1) and for the new preference shares, they created a detailed prospectus but excluded certain financial reporting. But for the convertible debentures, they prepare a complete prospectus with all section 26(1) requirements.

Further, Ms. Roshni, a shareholder, owned 1,500 partly paid equity shares in the company (₹ 8 paid out of ₹ 10). On 5th July 2025, she applied to transfer 500 of these shares to Mr. Bakshi, who didn't know about it. The company sent him a notice on 10th July, 2025, which he received on 12th July, 2025. Since Mr. Bakshi was abroad, he saw the notice only on 20th July, 2025. After realizing the shares had unpaid amounts, he sent an objection email on 24th July, 2025. However, the company went ahead with the transfer on 27th July, 2025, saying his objection came too late. According to the company's rules, the Board can approve the transfer of partly paid shares if they believe the buyer can pay the remaining amount in the future.

In another case, Mr. Varun, one of the shareholders of Kapoor Limited, is the legal representatives of a deceased shareholder, Mr. Kartik. He had written an application to the company, to transfer the shares (of Mr. Kartik) in his name. But Mr. Varun did not receive any reply from the company. Mr. Varun went to the company office to inquire about the same. The company refused to transfer the shares in his name, as he is not the registered member of the company.

For your information, the company's financial position as of 31st March, 2025 is as follows:

- Paid-up equity share capital: ₹ 200 crore (20 crore shares of ₹ 10 each)
- Free reserves: ₹ 600 crore
- Securities premium: ₹150 crore
- Secured loans: ₹ 400 crore
- Unsecured loans: ₹300 crore

The Board of Directors approved a buy-back proposal on 15th September, 2025, to purchase 3 crore equity shares at ₹ 60 per share. The company had previously conducted a buy-back of 1 crore shares (₹ 10 crore) in August 2024 during the financial year 2024-25. The new buy-back is planned for October 2025, which falls in financial year 2025-26. The Chief Financial Officer has confirmed that post-buy-back, the debt-to-capital ratio would remain within prescribed limits, and the shares are fully paid-up.

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:

MULTIPLE CHOICE QUESTIONS

1. Since the default was made good in FY 2019-2020, the company considered to issue new equity share with differential rights. According to the provisions of the Companies Act, do you think the company is eligible to issue the shares for the financial year 2020-2021?

(a) Yes, the company is immediately eligible to issue new shares as it has cleared all the dues and loan by September 2019.

(b) No, the company is ineligible to issue the shares as the company needs to wait three years till March 31, 2023.

(c) Yes, the company is eligible to issue new shares in the next financial year, as the default was made good in the previous FY year 2019-2020.

(d) No, the company is ineligible to issue the new shares as the company needs to wait for five years till March 31, 2025.

2. According to the provision of the Companies Act, do you consider the company's action of affecting the transfer of partly paid shares to Mr. Bakshi is valid?

(a) Yes, because the company waited for more than 7 days from the date of dispatch of notice before registering the transfer.

(b) No, because the transferee did not give his explicit consent before the transfer of partly paid shares.

(c) No, because Mr. Bakshi made objection within 2 weeks from the date of receipt of notice.

(d) Yes, because the Board has assessed Mr. Bakshi's financial capability before approving the transfer.

3. According to the provision of the Companies Act, can the company deny transferring shares in Mr. Varun's name and what is the company's obligation?

(a) Yes, the company can refuse the transfer if he is not a registered shareholder.

(b) No, the legal representative has the right to transfer even if they are not registered shareholder.

(c) No, the company can deny if the legal representative's name is not registered with the company.

(d) Yes, the company needs the approval from the Tribunal before transferring the shares.

4. Based on the buy-back limitations under the provision of the Companies Act, do you think the proposed buy-back is valid?

   (a) Yes, the buy-back is valid as the total amount (₹ 180 crore) is within 25% of the aggregate paid-up capital and free reserves (₹ 800 crore), and the buy-back in the new financial year is not affected by the previous year's buy-back.

   (b) Yes, the buy-back is valid as the number of shares (3 crore) is within the 25% of the total paid-up equity capital (5 crore shares).

   (c) Yes, the buy-back is valid as the value of shares being bought back (₹ 180 crore) represents only 22.5% of the aggregate paid-up capital and free reserves (₹ 800 crore).

   (d) No, the buy-back is invalid as the total amount (₹ 180 crore) combined with the premium being paid (₹ 150 crore above face value) exceeds 25% of the aggregate paid-up capital and free reserves.

5. The company had earlier made buy-back of 1 crore shares in August 2024. Can it legally conduct another buy-back in October 2025?

   (a) Yes, as both of the gap between the buy backs is more than 1 year

   (b) No, as only one buy-back is allowed in the company's lifetime

   (c) No, only listed companies can do multiple buy-backs

   (d) Yes, but only if Tribunal gives specific permission

6. Suppose, if Kapoor Limited's post-buy-back debt-to-equity ratio would have exceeded 2:1, which of the following is correct?

   (a) Buy-back is still valid if Board approves

   (b) Buy-back will be invalid unless a higher ratio is prescribed by the Central Government (through Notification) for the company

   (c) The ratio rule applies only to private companies

   (d) Buy-back is still valid as the Companies Act, 2013, does not prescribe any limit on debt-to-equity ratio.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** No, the company is ineligible to issue the shares as the company needs to wait three years till March 31, 2023.

   Reason:

   As per Rule 4(1)(c) of the Companies (Share Capital and Debentures) Rules, 2014, a company having defaulted in payment of dividend on preference shares cannot issue equity shares with differential rights for three years from the date of making good such default.

   In the given case, Kapoor Limited had defaulted in payment of dividend on redeemable preference shares and made good the default only in September 2019, which falls in FY 2019–20.

   Accordingly, the company becomes eligible only after completion of three financial years, i.e., after 31 March 2023.

   Since the company proposed to issue equity shares with differential rights in FY 2020–21, the statutory cooling-off period had not expired.

2. **Option (c)** No, because Mr. Bakshi made objection within 2 weeks from the date of receipt of notice.

   Reason:

   As per section 56(3) of the Companies Act, 2013, where an application is made for transfer of partly paid shares, the company shall give notice to the transferee, and the transfer shall not be registered unless:

   - the transferee has no objection, or
   - fails to object within two weeks from the date of receipt of notice.

   In the present case:

   - Notice received by Mr. Bakshi on 12 July 2025
   - Objection sent on 24 July 2025

   The objection was made within 12 days, i.e., within the statutory period of two weeks.

The Board’s internal rule regarding financial capability cannot override section 56(3).

Therefore, the company wrongfully registered the transfer, making its action invalid.

3. **Option (b)** No, the legal representative has the right to transfer even if they are not registered shareholder.

Reason:

As per section 56(2) of the Companies Act, 2013, transmission of shares by operation of law (including death) does not require the legal representative to be a registered member before transmission.

Further, legal representatives are entitled to:

- be registered as members, or
- transfer the shares to another person.

In this case, Mr. Varun is the legal representative of a deceased shareholder, Mr. Kartik.

The company’s refusal on the ground that Mr. Varun is not a registered member is legally incorrect.

4. **Option (a)** Yes, the buy-back is valid as the total amount (₹180 crore) is within 25% of the aggregate paid-up capital and free reserves (₹ 800 crore), and the buy-back in the new financial year is not affected by the previous year's buy-back.

Reason:

As per section 68(2)(c) of the Companies Act, 2013, the buy-back shall not exceed 25% of the aggregate of paid-up capital and free reserves.

Calculation:

- Paid-up capital = ₹ 200 crore
- Free reserves = ₹ 600 crore
- Aggregate = ₹ 800 crore
- 25% of ₹ 800 crore = ₹ 200 crore

Proposed buy-back amount:

- 3 crore shares × ₹ 60 = ₹180 crore

Since ₹ 180 crore does not exceed ₹ 200 crore, the condition is satisfied.

Also, the buy-back in August 2024 was in a different financial year, hence does not affect the current buy-back.

5. **Option (a)** Yes, as the gap between the buy backs is more than 1 year.

Reason:

As per section 68(2)(g) of the Companies Act, 2013, no offer of buy-back shall be made within a period of one year from the date of closure of the preceding buy-back.

In the present case:

- Previous buy-back: August 2024
- Proposed buy-back: October 2025

The gap is more than one year.

Therefore, the company can legally undertake another buy-back.

6. **Option (b)** Buy-back will be invalid unless a higher ratio is prescribed by the Central Government for the company.

Reason:

As per section 68(2)(d) of the Companies Act, 2013, the ratio of aggregate secured and unsecured debts owed by the company after buy-back shall not be more than twice the paid-up capital and free reserves (2:1), unless a higher ratio is prescribed by the Central Government for a class of companies.

If Kapoor Limited's post-buy-back debt-equity ratio exceeds 2:1, the buy-back would be invalid, unless a specific relaxation is notified.

CASE SCENARIO 5

Neo Technologies Ltd., a listed company was incorporated in the year 2011. It has a share capital of ₹ 100 crore and turnover of ₹ 200 core. The company plans to raise capital through private placement of securities during FY 2015-16. 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, atleast 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 2015–16 to FY 2024-25. The firm had two main partners CA. Rajan Mehta and CA. Nupur Jain. For the FY 2025-26 to F.Y. 2030-31, 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 2026, 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 2020. The company faced many financial difficulties, but it successfully repaid all outstanding deposits and interest by March 2022. So now the board of directors has passed a resolution to accept ₹ 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:

MULTIPLE CHOICE QUESTIONS

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 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.

   (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.

3. 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 $1/4^{th}$ shareholders are living in Hyderabad.

(c) No. The company can maintain the register of members at Hyderabad after passing a special resolution, as 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.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (c) The company has not exceeded the 200-person limit, because Qualified Institutional Buyers (QIBs) and securities offered under ESOP are excluded from the calculation of the threshold limit of identified persons.

Reason:

As per Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a private placement offer shall be made to not more than 200 persons in a financial year, excluding QIBs and employees offered securities under ESOP.

In the given case, Neo Technologies Ltd. offered securities to 180 individual investors, while offers to 25 mutual funds (QIBs) and 30 employees under ESOP are excluded. Hence, the statutory limit is not breached and the manager's objection is not valid.

2. **Option (a)** Appointment of Jain & Associates would violate the provisions of the Companies Act, 2013, as the firm has a common partner with the retiring auditor firm, making it ineligible for appointment for five years.

   Reason:

   As per section 139(2) read with Explanation I thereto, an audit firm which has one or more common partners with the outgoing auditor firm shall also be treated as the same firm for the purpose of auditor rotation and shall not be eligible for appointment for five years.

   The fact that CA Nupur Jain is a sleeping partner is irrelevant, as the Act does not distinguish between active and sleeping partners.

3. **Option (c)** No. The company can maintain the register of members at Hyderabad after passing a special resolution, as more than 10% of the members reside there.

   Reason:

   As per section 88(1) of the Companies Act, 2013 read with Rule 4 of the Companies (Management and Administration) Rules, 2014, a company may keep its register of members at any place other than the registered office if at least one-tenth (10%) of the total members reside at that place, subject to passing a special resolution and filing with the Registrar.

   In the given case, 2160 out of 21,000 shareholders (more than 10%) reside in Hyderabad. Hence, the Board's view that 1/4th members are required is incorrect.

CASE SCENARIO 6

The notice for conducting the annual general meeting of XYZ Limited was sent on 3rd August, 2024 to all the stakeholders, who were eligible to receive the notice. The said notice specified that the Annual General Meeting (AGM) will be held on 5th September, 2024, But, due to want of quorum, said AGM was adjourned to 12thSeptember 2024. In the said meeting held on the 12th September, 2024, the financial statements of the company could not be adopted due to some unavoidable circumstances. Since the financial statements of the company could not be adopted in the above meeting, the directors did not file the financial statements relating to financial year 2023-2024 with the Registrar on the plea that the financial statements of the Company were not adopted in a general meeting and therefore there is no necessity to file any financial statement with the Registrar till the same are not adopted. On 2nd December, 2024, an extra-ordinary general meeting was conducted, in which the financial statements of the company were adopted. Since, the Company Secretary was on a business tour and was absent from India from 10th December, 2024 to 2nd January, 2025, the adopted financial statements were filed with the Registrar only on 3rd January, 2025.

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:

MULTIPLE CHOICE QUESTIONS

1. What is the course of action that XYZ Limited should take for filing of the financial statements with the Registrar with respect to the annual general meeting which could not be held on 5th September, 2024?

    (a) XYZ Limited should inform the Registrar the fact that the AGM could not be held for want of quorum and therefore the financial statements will be filed with the Registrar only when they are adopted in a general meeting.

(b) XYZ Limited should inform the Registrar the fact that the AGM could not be held for want of quorum, but the un-adopted financial statements will be filed with the Registrar within a period of 30 days from 5th September, 2024.

(c) There is no obligation on the part of XYZ Limited to inform the fact to the Registrar that the AGM could not be held for want of quorum, but the un-adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 5thSeptember, 2024.

(d) There is no obligation on the part of XYZ Limited to inform the Registrar the fact that the AGM could not be held for want of quorum. Also, the un-adopted financial statements will not be required to be filed with the Registrar in this situation.

2. What is the course of action that XYZ Limited should take for filing of the financial statements with the Registrar with respect to the adjourned annual general meeting held on 12thSeptember, 2024?

(a) XYZ Limited should inform the Registrar the fact that the AGM was held on 12thSeptember, 2024 and since the financial statements were not adopted, the financial statements will not be required to be filed with the Registrar.

(b) XYZ Limited is not required to inform the Registrar the fact that the AGM was held on 12thSeptember, 2024 and since the financial statements were not adopted, the financial statements will also not be required to be filed with the Registrar.

(c) There is no obligation on the part of XYZ Limited to inform the Registrar the fact that the AGM was held on 12th September, 2024, but the un-adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 12th September, 2024, which will be considered by the Registrar as the provisional financial statements.

(d) There is no obligation on the part of XYZ Limited to inform the Registrar the fact that the AGM was held on 12th September, 2024, but the un-adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 12th September, 2024, which will be considered by the Registrar as the financial statements.

3. In the above case scenario, in case XYZ Limited could not convene the annual general meeting till 2nd December, 2024 and the meeting held on that date was the annual general meeting, what will be the obligation of the company with regard to filing of the financial statements with the Registrar, before conducting the said meeting?

   (a) Since the annual general meeting was not held, XYZ Limited was not required to file any financial statement with the Registrar.

   (b) Since the annual general meeting was not held, XYZ Limited was not required to file any financial statement with the Registrar, but the statement of facts and reasons for not holding the annual general meeting should have been filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held.

   (c) Even the annual general meeting was not held, XYZ Limited was required to file the financial statements only with the Registrar within thirty days of the last date before which the annual general meeting should have been held.

   (d) Even the annual general meeting was not held, XYZ Limited was required to file the financial statements along with the statement of facts and reasons for not holding the annual general meeting should have been filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)**There is no obligation on the part of XYZ Limited to inform the fact to the Registrar that the AGM could not be held for want of quorum, but the un-adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 5thSeptember, 2024.

Reason:

As per Section 137(1), if the AGM is not held, the company shall file un-adopted financial statements within 30 days of the date on which the AGM should have been held.

2. **Option (c)** There is no obligation on the part of XYZ Limited to inform the Registrar the fact that the AGM was held on 12th September, 2024, but the un-adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 12th September, 2024, which will be considered by the Registrar as the provisional financial statements.

   Reason:

   For adjourned AGM where adoption fails, Section 137(1) first proviso requires filing unadopted statements within 30 days of the adjourned date. Registrar treats these as provisional until replaced by adopted versions; no separate info on holding the meeting is mandated beyond Form AOC-4 attachments.

3. **Option (d)** Even the annual general meeting was not held, XYZ Limited was required to file the financial statements along with the statement of facts and reasons for not holding the annual general meeting should have been filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held.

   Reason:

   Section 137(2) mandates filing financial statements (with attachments) plus a statement of facts/reasons for non-holding of AGM, within 30 days of the Section 96 deadline (30th September 2024 for FY ending 31st March 2024, due by 30th October).

CASE SCENARIO 7

Natrajan Cleaners Limited (NCL), a corporate unlisted company, is a contract manufacturing company incorporated in 2017 with a primary objective of manufacturing a full range of residential, commercial and portable washing machine for established brands in India and other neighbouring countries. NCL is a family-owned company having its registered office in Bangalore. The company has its marketing office in all the major cities including port cities. All the members, as was the usual practice, were kept informed from time to time regarding all the important matters and issues relating to the company without fail by the CFO cum Company Secretary Nirad.

Years passed. Size of the business and share capital of NCL substantially increased. NCL plans to go for expansion in its capacity, keeping in mind export market, which required about ` 25 crores. NCL started looking for various options for financing. One of the options considered was offer or invitation for subscription of equity through private placement. The Board identified a select group of 50 persons and issued private placement offer and applications after passing a special resolution at a general meeting and also after duly following the required procedure under the applicable corporate laws. Monies received on application were kept in a separate bank account with Canara Bank. However, for some reasons NCL could not allot the equity shares within a period of 60 days from the date of receipt of the application money. The private placement plan was effectively cancelled, duly following the required procedure. NCL later opted for bank loans to finance the expansion.

NCL is authorized by its articles of association to accept whole or any part of the amount of remaining unpaid calls from any member, although till date, no part of that amount has been called up. Yogesh, one of the shareholders deposited in advance the remaining amount due on his shares without any calls made by NCL. NCL declared dividend during the year after such advance money was paid by Yogesh. Yogesh wanted to exercise his voting rights also in respect of call money paid in advance at the general meeting.

Bhisma Cleanser Private Limited (BCPL) has been holding 5% equity in NCL since February 2018. During the month of February 2022, NCL invested in 70% equity shares of BCPL.

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:

MULTIPLE CHOICE QUESTIONS

1. The Board of Directors of NCL wants to understand from Nirad the implications of 5% holding of BCPL.

   (a) BCPL shall surrender its 5% equity holding to NCL immediately once it becomes the subsidiary of NCL.

   (b) BCPL shall transfer its 5% equity holding to any nominees of NCL before it becomes the subsidiary of NCL.

   (c) BCPL shall immediately transfer its 5% equity holding to any other legal person or entity before investment by NCL.

   (d) BCPL may continue to hold 5% equity holding in NCL.

2. Yogesh, one of the shareholders deposits in advance the remaining amount due on his shares without any calls made by NCL. NCL declared dividend during the year.

   (a) Yogesh is not entitled to any dividend in respect of call money paid in advance.

   (b) Yogesh is entitled to proportionate dividend in respect of call money paid in advance, if authorized by a Board Resolution.

   (c) Yogesh is entitled to proportionate dividend in respect of call money paid in advance, if authorized by an Ordinary Resolution in a general meeting.

   (d) Yogesh is entitled to proportionate dividend in respect of call money paid in advance, if authorized by Articles of Association.

3. With reference to the Board identified select group of 50 persons and issued private placement offer and applications duly following the required procedure under the corporate laws.

   (a) Public at large is to be informed about such an issue through release of public advertisement through utilizing any media, marketing, distribution channels or agents.

   (b) A release of public advertisement in any local newspaper and one national newspaper informing private placement is sufficient.

   (c) No company issuing securities under private placement shall release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an issue.

   (d) Informing the public at large through advertisement or otherwise is optional and the Board of Directors by passing a Board Resolution may decide the matter.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** BCPL may continue to hold 5% equity holding in NCL.

Reason:

As per section 19(1) of the Companies Act, 2013, a subsidiary company shall not hold shares in its holding company, either directly or through nominees.

Exception: If the subsidiary was already holding shares before it became a subsidiary, it may continue to hold such shares, but it cannot exercise voting rights in respect of such shares.

2. **Option (a)**Yogesh is not entitled to any dividend in respect of call money paid in advance.

Reason:

Advance payments on uncalled capital are treated as deposits or loans, not paid-up capital, so no dividend attaches until calls are made and due. NCL's Articles authorize accepting such advances (per facts), but standard practice and commentary confirm dividends apply only to paid-up amounts; proportionate entitlement requires explicit authorization, which is absent here. Yogesh's voting claim fails under Section 47 read with Section 50(2), as voting is based on paid-up capital only.

3. **Option (c)**No company issuing securities under private placement shall release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an issue.

Reason:

As per section 50(2) of the Companies Act, 2013, a member who pays calls in advance is not entitled to dividend on such amount.

However, the company may pay interest on calls in advance if authorized by the Articles.

CASE SCENARIO 8

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 2024-25, 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, 2024.

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, 2024, to 1st June, 2025, 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 ₹ 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 2026, 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:

MULTIPLE CHOICE QUESTIONS

1. Regarding Ms. Simran's ₹ 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.

2. 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.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** It is treated as a third-party transaction and must be honoured like any external loan.

   Reason:

   According to section 66 of the Limited Liability Partnership Act, 2008,

   A partner may lend money to and transact other business with the limited liability partnership and has the same rights and obligations with respect to the loan or other transactions as a person who is not a partner.

Hence, the section permits a partner to lend money to the LLP under the same rights and obligations as a non-partner, treating it as an external third-party loan repayable with interest per the agreement. Therefore, Ms. Simran enjoys creditor protection just like an outsider.

2. **Option (b)** Profit transfer doesn't entitle the transferee to management or access to LLP affairs.

Reason:

According to section 42 of the Limited Liability Partnership Act, 2008,

(1) The rights of a partner to a share of the profits and losses of the limited liability partnership and to receive distributions in accordance with the limited liability partnership agreement are transferable either wholly or in part.

(2) The transfer of any right by any partner pursuant to sub-section (1) does not by itself cause the disassociation of the partner or a dissolution and winding up of the limited liability partnership.

(3) The transfer of right pursuant to this section does not, by itself, entitle the transferee or assignee to participate in the management or conduct of the activities of the limited liability partnership, or access information concerning the transactions of the limited liability partnership.

Thus, a partner's economic interest (profit share) is transferable, but such transfer does not:

- Entitle the transferee to participate in management
- Give access to books or information
- Make the transferee a partner

CASE SCENARIO 9

Vidhya Masterminds LLP was incorporated on 15th April, 2023. Sagar, Manthan, Vishnu and Vasuki were partners in the firm. Sagar and Manthan were also the designated partners in this firm. The firm was incorporated with the object of manufacturing and trading of cycles. The business was going too smoothly.

But on 30th April, 2023, some Mr. Vidhyaram Tolaramani filed an application to registrar that he has a registered trademark in the name of "Vidhya Masters" which he has got registered before 15th April 2023. Therefore, the LLP "Vidhya Masterminds LLP" should change its name. On the basis of basic investigation, registrar found that Mr. Vidhyaram Tolaramani was correct in contention. The registrar sent a direction to Vidhya Masterminds LLP to change its name as it too nearly resembles with the trademark of Mr. Vidhyaram Tolaramani i.e. "Vidhya Masters". The notice was issued by the registrar on 5th May, 2023 by post but due to some internal problem of postal department, notice reached the LLP on 10th May, 2023. Vidhya Masterminds LLP ignored the notice and continued working under the same name. On 15th August, 2023 the registrar *suo-moto* allotted the LLP a new name "Sahitya Masterminds LLP" and entered this new name in the register of LLP and also issued a fresh certificate of incorporation to Vidhya Masterminds LLP with new name. Vidhya Masterminds LLP, now "Sahitya Masterminds LLP" was not comfortable with new name. It started the process to change the name allotted by the registrar.

Meanwhile, Vishnu was appointed as designated partner in Vidhya Masterminds LLP on 25th July, 2023 but this information was not sent to the registrar. On 20th June, 2023, Mr. Vasuki had given a written notice to the LLP that he could not continue as a partner in LLP with effect from 22nd July, 2023. This cessation from the LLP was also not informed by either LLP or Mr. Vasuki, to the Registrar.

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:

MULTIPLE CHOICE QUESTIONS

1. When the registrar directed Vidhya Masterminds LLP to change its name, by which date the LLP should have changed the name of LLP?

   (a) By 5th August, 2023 i.e. within a period of 3 months from the date of issue of such direction by registrar.

   (b) By 10th August, 2023 i.e. within a period of 3 months from the date of receiving of such direction by the firm.

   (c) By any time according to the convenience of Vidhya Masterminds LLP.

   (d) Vidhya Masterminds LLP is not liable to change its name.

2. Vishnu was appointed as designated partner in the Vidhya Masterminds LLP on 25th July, 2023. By what time limit the LLP should have informed the registrar?

   (a) 9th August, 2023 i.e. within 15 days of appointment

   (b) 24th August, 2023 i.e. within 30 days of appointment

   (c) 25th August, 2023 i.e. within 1 month of appointment

   (d) 25th October i.e. within 3 month of appointment.

3. Whether Mr. Vasuki will be liable for penalty for not intimating the registrar about the appointment of Mr. Vishnu as designated partner (i.e change in designated partners)?

   (a) No, as he was not partner in LLP on the date of appointment of designated partner.

   (b) Yes, as former partner is to be regarded still being a partner of the LLP unless a notice has been delivered to the Registrar by former partner or LLP.

   (c) Yes, even if a notice has been delivered to the Registrar by LLP about his retirement.

   (d) No, in any case Mr. Vasuki will not be liable.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** By 5th August, 2023 i.e. within a period of 3 months from the date of issue of such direction by registrar.

   Reason:

   According to section 17(1)(b) of the Limited Liability Partnership Act, 2008, Notwithstanding anything contained in sections 15 and 16, if through inadvertence or otherwise, a limited liability partnership, on its first registration or on its registration by a new name, is registered by a name which is identical with or too nearly resembles to a registered trade mark of a proprietor under the Trade Marks Act, 1999, as is likely to be mistaken for it, then on an application of such limited liability partnership or proprietor or a company, the Central Government may direct that such limited liability partnership to change its name or new name within a period of three months from the date of issue of such direction.

   Provided that an application of the proprietor of the registered trade marks shall be maintainable within a period of three years from the date of incorporation or registration or change of name of the limited liability partnership under this Act.

   In the given case:

   - Direction issued: 5th May, 2023
   - Last date for compliance: 5th August, 2023

   Hence, option (a) is correct.

2. **Option (b)** 24th August, 2023 i.e. within 30 days of appointment

   Reason:

   According to section 25 of the Limited Liability Partnership Act, 2008, A LLP shall:

   (a) where a person becomes or ceases to be a partner, file a notice with the Registrar within 30 days from the date he becomes or ceases to be a partner; and

(b) where there is any change in the name or address of a partner, file a notice with the Registrar within 30 days of such change.

In the given case:

- Vishnu appointed on 25th July, 2023
- 30-day period expires on 24th August, 2023

Therefore, option (b) is correct.

3. **Option (b)** Yes, as former partner is to be regarded still being a partner of the LLP unless a notice has been delivered to the Registrar by former partner or LLP.

Reason:

According to section 25 of the Limited Liability Partnership Act, 2008, any person who ceases to be a partner of a LLP may himself file with the Registrar the notice referred to in sub-section (3) if he has reasonable cause to believe that the LLP may not file the notice with the Registrar and in case of any such notice filed by a partner, the Registrar shall obtain a confirmation to this effect from the LLP unless the LLP has also filed such notice.

In the given case, neither the LLP nor Vasuki informed the Registrar. Hence, in the eyes of law**,** Vasuki continued to be a partner.

CASE SCENARIO 10

DEF LLP is a well-established limited liability partnership engaged in providing consulting services. It has four partners: A, B, C, and D, each contributing equally to the capital and holding an equal share of the profits and losses, as detailed in the LLP agreement. The partnership operates smoothly until Partner A encounters significant financial difficulties due to personal business losses and decides to transfer his entire share of profits and losses in the LLP to Mr. X, an external investor, in exchange for financial assistance. The decision, although legal as per the LLP agreement, creates a ripple of concerns among the other partners. After the transfer:

- Partner B argues that the LLP must be dissolved because Partner A's transfer of rights effectively amounts to exiting the partnership, thus impacting the continuity of the LLP.
- Mr. X, being the transferee, demands active participation in DEF LLP's decision-making processes and insists on accessing financial records to monitor his investment, citing the substantial stake he now holds in the LLP.
- Partner C voices concerns about the potential disruption in the LLP's management structure and operations, questioning whether Mr. X's involvement aligns with the LLP's existing framework and the provisions of the Limited Liability Partnership Act, 2008.
- Partner D, on the other hand, adopts a neutral stance but raises the issue of whether the LLP agreement sufficiently addresses such transfers to avoid future disputes.

The situation creates a complex dynamic within DEF LLP, raising questions about the rights of the transferee, the implications for the partnership's operations, and the legal provisions governing such transfers under the Limited Liability Partnership (LLP) Act, 2008.

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:

MULTIPLE CHOICE QUESTIONS

1. Can Partner A legally transfer their share of profits and losses to Mr. X?

   (a) No, Partner A cannot transfer their share without the consent of all other partners.

   (b) Yes, Partner A can transfer their share entirely in accordance with the LLP agreement.

   (c) No, such transfers are not allowed under the LLP Act.

   (d) Yes, but only if Mr. X becomes a partner in the LLP.

2. Does the transfer of Partner A's share to Mr. X result in the dissolution of DEF LLP?

   (a) Yes, because transferring all rights indicates Partner A's disassociation.

   (b) No, because the LLP Act, 2008 does not consider such transfers as grounds for dissolution.

   (c) Yes, because all partners must agree to such transfers to avoid dissolution.

   (d) No, unless it is explicitly stated in the LLP agreement.

3. Does Mr. X gain any right to participate in DEF LLP's management or access its financial records?

   (a) Yes, as he now holds Partner A's share in the LLP.

   (b) No, unless expressly allowed by the LLP agreement.

   (c) Yes, because it is essential to safeguard his investment.

   (d) Yes, as external transferees are automatically included in LLP management.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Yes, Partner A can transfer their share entirely in accordance with the LLP agreement.

   Reason:

   According to section 42 of the Limited Liability Partnership Act, 2008, the rights of a partner to a share of the profits and losses of the limited liability partnership and to receive distributions in accordance with the limited liability partnership agreement are transferable either wholly or in part.

   Thus, section 42 explicitly allows a partner to transfer rights to profits, losses, and distributions wholly or partly, with no requirement for other partners' consent unless specified in the LLP agreement. Here, the agreement permits it.

2. **Option (b)** No, because the LLP Act, 2008 does not consider such transfers as grounds for dissolution.

   Reason:

   According to section 42 of the Limited Liability Partnership Act, 2008, the transfer of any right by any partner pursuant to section 42(1) does not by itself cause the disassociation of the partner or a dissolution and winding up of the limited liability partnership.

3. **Option (b)** No, unless expressly allowed by the LLP agreement.

   Reason:

   According to section 42 of the Limited Liability Partnership Act, 2008, the transfer of right pursuant to this section does not, by itself, entitle the transferee or assignee toparticipate in the management or conduct of the activities of the limited liability partnership, or access information concerning the transactions of the limited liability partnership.

CASE SCENARIO 11

In the heart of Mumbai, two ambitious entrepreneurs, Ram and Preet, decided to establish a limited liability partnership (LLP) named "TechGenius LLP" to revolutionize the IT industry. As they delved into the legal requirements of forming an LLP, they stumbled upon the crucial provision of having designated partners.

Ram, a tech-savvy enthusiast, and Preet, a seasoned business strategist, understood the significance of complying with the regulations to ensure smooth operations of their venture. They gathered their legal team to discuss the implications of the designated partner requirement under the LLP Act.

With the assistance of their legal advisor, Ms. Alia, they navigated through the provisions of the LLP Act, particularly focusing on Sections 7 and 9, which outlined the obligations and penalties related to designated partners.

As they embarked on their journey to establish TechGenius LLP, they encountered various challenges and decisions regarding the appointment and responsibilities of designated 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:

MULTIPLE CHOICE QUESTIONS

1. Ram and Preet want to ensure compliance with the Limited Liability Partnership Act, 2008 regarding the number of designated partners. As per the Act what is the minimum requirement for designated partners that an LLP must have?

   (a) Maximum One

   (b) At least Two

   (c) At least Five

   (d) No mandatory requirement

2. What is the meaning of "resident in India" as per the LLP Act?

   (a) A person owning property in India

   (b) A person holding citizenship of India

   (c) A person who has stayed in India for a minimum of one hundred twenty days during the financial year

   (d) A person who has permanent residence in India

3. Suppose if Ram is declared insolvent during his tenure as a designated partner, what will happen under the LLP Act?

   (a) Ram can continue as a designated partner until the LLP appoints a replacement.

   (b) Ram is immediately disqualified from being a designated partner.

   (c) Ram's status as a designated partner must be reviewed by the LLP and till then he can continue as a partner in the LLP.

   (d) The LLP must notify the Registrar, but Ram can continue in his role.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (b) At least Two

Reason:

According to section 7 of the Limited Liability Partnership Act, 2008, every LLP shall have at least two designated partners who are individuals and at least one of them shall be a resident in India.

2. Option (c) A person who has stayed in India for a minimum of one hundred twenty days during the financial year

Reason:

According to Explanation to section 7 of the Limited Liability Partnership Act, 2008, the term "resident in India" means a person who has stayed in India for a period of not less than one hundred and twenty days during the financial year.

3. **Option (b)** Ram is immediately disqualified from being a designated partner.

   Reason:

   According to section 5 of the Limited Liability Partnership Act, 2008, any individual or body corporate may be a partner in a LLP. However, an individual shall not be capable of becoming a partner of a LLP, if he is an undischarged insolvent.

CASE SCENARIO 12

Mr. S is a well experienced technocrat in the field of manufacturing of computer hard discs and motherboard. He resigned from his job and wished to form a Limited Liability Partnership (LLP) with the object of manufacturing and trading of computer hardware. He wanted to include his close friends Mr. A, Mr. B and Mr. C who are very familiar in the same field and worked in foreign companies also.

All three friends had accepted the invitation of Mr. S to be partners of the LLP. Mr. S wanted to ensure whether all the three friends are resident of India and requested them to provide the details of their stay in India. During the previous financial year, Mr. A has stayed in India for a period of 170 days, Mr. B stayed in India for 110 days and Mr. C stayed in India for 100 days. All the partners had given their consent to act as designated partners. He applied for the reservation of desired name to the Registrar and also paid the prescribed fees.

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:

MULTIPLE CHOICE QUESTIONS

1. The name applied for has been approved by the Registrar. The approved name of LLP shall be valid for a period of ____________ from the date of intimation by the Registrar.

   (a) 2 months

   (b) 1 month

   (c) 3 months

   (d) 6 months

2. Which of the following combinations of partners, if appointed as designated partners, will not be in accordance with the provisions laid down by Limited Liability Partnership Act, 2008?

(a) Mr. A, Mr. B and Mr. C

(b) Mr. B and Mr. C

(c) Mr. A and Mr. C

(d) Mr. A and Mr. B

3. In how many days, a Limited Liability Partnership shall file with the Registrar, the particulars of every individual who has given his consent to act as designated partner?

(a) Within thirty days of incorporation of LLP

(b) Within thirty days of his appointment

(c) After forty five days of incorporation of LLP

(d) After sixty days of his appointment

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** 3 months

Reason:

According to section 16(2) of the Limited Liability Partnership Act, 2008, Upon receipt of an application under section 16(1) and on payment of the prescribed fee, the Registrar may, if he is satisfied, subject to the rules prescribed by the Central Government in the matter, that the name to be reserved is not one which may be rejected on any ground referred to in sub-section (2) of section 15, reserve the name for a period of three months from the date of intimation by the Registrar.

2. **Option (b)** Mr. B and Mr. C

Reason:

According to section 7(1) of the Limited Liability Partnership Act, 2008, every limited liability partnership shall have at least two designated partners who are individuals and at least one of them shall be a resident in India.

Provided that in case of a limited liability partnership in which all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such limited liability partnership or nominees of such bodies corporate shall act as designated partners.

Explanation: For the purposes of this section, the term "resident in India" means a person who has stayed in India for a period of not less than 120 during the financial year.

3. **Option (b)** Within thirty days of his appointment

Reason:

According to section 7(4) of the Limited Liability Partnership Act, 2008, every limited liability partnership shall file with the Registrar the particulars of every individual who has given his consent to act as designated partner in such form and manner as may be prescribed within thirty days of his appointment.

CASE SCENARIO 13

Studies LLP was incorporated on 15th April, 2024, with Prem, Pramod, Naveen and Vimal as partners. Among them, Prem and Pramod were designated partners. The LLP was established for the manufacturing and trading of toys, and its business operations were progressing smoothly.

However, on 30th April, 2024, an individual named Samudra filed an application with the Registrar of LLPs, claiming that he owned a registered trademark under the name "Studies Masters", which had been registered before 15th April, 2024. He requested that Studies LLP change its name, as it closely resembled his registered trademark.

After conducting an initial investigation, the Registrar found merit in Samudra's claim and issued a directive to Studies LLP to change its name. The official notice, dated 5th May, 2024, was sent via post. However, due to a postal delay, the LLP received the notice only on 10th May, 2024. Despite the directive, Studies LLP ignored the notice and continued operating under the same name.

On 16th August, 2023, the Registrar, acting suo-moto, assigned the LLP a new name, "Sahitya Masterminds LLP", and updated the register of LLPs accordingly. A fresh Certificate of Incorporation reflecting the new name was issued. However, the partners were no comfortable with the new name and initiated steps to change it again.

Additionally, on 20th June, 2024, Vimal submitted a written notice to the LLP stating that he would cease to be a partner effective 22nd July, 2024. However, neither Vimal nor the LLP informed the Registrar about his cessation.

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:

MULTIPLE CHOICE QUESTIONS

1. On what basis did the Registrar direct Studies LLP to change its name?
   (a) The name of designated partners of both the LLPs were identical.
   (b) The LLP's name closely resembled a registered trademark owned by another party.
   (c) The LLP failed to register its name properly.
   (d) The LLP was engaged in fraudulent activities.
2. If an LLP fails to comply with the Registrar's directive to change its name, what action can the Registrar take?
   (a) Impose a penalty but allow the LLP to continue using the same name.
   (b) Suo-moto allot a new name and issue a fresh Certificate of Incorporation.
   (c) Cancel the LLP's registration.
   (d) Allow the LLP to continue operating under the disputed name until the matter is resolved in court.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** The LLP's name closely resembled a registered trademark owned by another party.

Reason:

According to section 17 of the Limited Liability Partnership Act, 2008, notwithstanding anything contained in sections 15 and 16, if through inadvertence or otherwise, a limited liability partnership, on its first registration or on its registration by a new name, is registered by a name which is identical with or too nearly resembles to, a registered trade mark of a proprietor under the Trade Marks Act, 1999.

2. **Option (b)** Suo-moto allot a new name and issue a fresh Certificate of Incorporation

Reason:

According to section 17(3) of the Limited Liability Partnership Act, 2008, if the limited liability partnership is in default in complying with any direction given under section 17(1), the Central Government shall allot a new name to the limited liability partnership in such manner as may be prescribed and the Registrar shall enter the new name in the register of limited liability partnerships in place of the old name and issue a fresh certificate of incorporation with new name, which the limited liability partnership shall use thereafter.

CASE SCENARIO 14

Rohit and Anushka after passing out the CA examination, incorporated an LLP to work as the practicing Chartered Accountant. Rohit and Anushka were also titled as designated partners. After sometime, Rohit got an opportunity to provide consultancy services on an ongoing basis to a company based in Singapore. Rohit remained in India for 90 days during the Financial Year 2023-24. The LLP continues its operations from India with Anushka whereas Rohit participates in decision making remotely.

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:

MULTIPLE CHOICE QUESTIONS

1. As per the LLP Act, 2008, the term resident in India means a person who has stayed in India for a period of:

   (a) not less than one hundred and twenty days during the financial year.

   (b) not less than sixty days during the financial year.

   (c) not less than one hundred days during preceding one year.

   (d) not less than ninety days during preceding one year.

2. As per the LLP Act, 2008, whether above LLP fulfills the requirements of designated partner?

   (a) No, as both of the designated partners Rohit and Anushka should be resident in India.

   (b) No, as both of the designated partners should be non-resident.

   (c) Yes, as Rohit is a resident of India as defined under the LLP Act, 2008.

   (d) Yes, as at least one of the designated partners should be resident in India and Anushka is a resident of India.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** not less than one hundred and twenty days during the financial year.

   Reason:

   According to section 7(1) of the Limited Liability Partnership Act, 2008, every limited liability partnership shall have at least two designated partners who are individuals and at least one of them shall be a resident in India.

   Provided that in case of a limited liability partnership in which all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such limited liability partnership or nominees of such bodies corporate shall act as designated partners.

   Explanation.—For the purposes of this section, the term "resident in India" means a person who has stayed in India for a period of not less than 120 during the financial year.

2. **Option (d)** Yes, as at least one of the designated partners should be resident in India and Anushka is a resident of India.

   Reason:

   According to section 7(1) of the Limited Liability Partnership Act, 2008, every limited liability partnership shall have at least two designated partners who are individuals and at least one of them shall be a resident in India.

   Provided that in case of a limited liability partnership in which all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such limited liability partnership or nominees of such bodies corporate shall act as designated partners.

   Explanation.—For the purposes of this section, the term "resident in India" means a person who has stayed in India for a period of not less than 120 during the financial year.

CASE SCENARIO 15

ABC Solutions LLP, registered under the Limited Liability Partnership Act, 2008, operates a software consultancy with two partners: Mr. X and Mr. Y. Due to an irreconcilable dispute in January 2026, Mr. Y ceases to be a partner effective immediately, notifying the Registrar of Companies (RoC) in the requisite form. Mr. X, aware of this, continues the LLP's business alone, entering contracts and incurring debts worth ₹ 50 lakh over the next eight months. Suppliers later demand payment, claiming Mr. X's personal assets. Advise Mr. X on the legal provisions governing this single-partner operation.

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:

MULTIPLE CHOICE QUESTIONS

1. Under the Limited Liability Partnership Act 2008, what is the general consequence when an LLP is reduced to only one partner because the other partner leaves, and no new partner is admitted within the prescribed period?

   (a) The LLP and the remaining partner may continue temporarily, but the remaining partner can become personally liable if a new partner is not admitted within the statutory period.

   (b) The LLP may continue its business indefinitely as a single-partner entity with no additional consequences.

   (c) The LLP is automatically converted into a traditional partnership with the remaining partner as sole proprietor.

   (d) The LLP is required to immediately cease all business operations and is automatically dissolved on that day.

2. If the LLP continues business with only one partner beyond the statutory grace period without admitting a new partner, what is the typical nature

of the remaining partner's liability for obligations incurred during that default period under the Act?

(a) The remaining partner continues to enjoy full limited liability, with no change in protection.

(b) The remaining partner may be held personally liable, similar to a partner in a traditional unlimited liability partnership, for obligations incurred during the non-compliant period.

(c) The remaining partner becomes personally liable only if the leaving partner consents in writing to such liability.

(d) The remaining partner becomes liable only for intentional wrongs, but not for contractual debts incurred during the period.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** The LLP and the remaining partner may continue temporarily, but the remaining partner can become personally liable if a new partner is not admitted within the statutory period.

   Reason:

   According to section 6(2) of the Limited Liability Partnership Act, 2008, if at any time the number of partners of a limited liability partnership is reduced below two and the limited liability partnership carries on business for more than six months while the number is so reduced, the person, who is the only partner of the limited liability partnership during the time that it so carries on business after those six months and has the knowledge of the fact that it is carrying on business with him alone, shall be liable personally for the obligations of the limited liability partnership incurred during that period.

2. **Option (b)** The remaining partner may be held personally liable, similar to a partner in a traditional unlimited liability partnership, for obligations incurred during the non-compliant period.

Reason:

According to section 6(2) of the Limited Liability Partnership Act, 2008, if at any time the number of partners of a limited liability partnership is reduced below two and the limited liability partnership carries on business for more than six months while the number is so reduced, the person, who is the only partner of the limited liability partnership during the time that it so carries on business after those six months and has the knowledge of the fact that it is carrying on business with him alone, shall be liable personally for the obligations of the limited liability partnership incurred during that period.

CASE SCENARIO 16

GlobalTech Pvt. Limited, a technology giant with operations in software development, hardware manufacturing, and IT consulting, has recorded significant financial growth over the past few years. For the financial year 2023-2024, the company reported the following financial metrics:

- Net worth: ₹ 520 crore
- Turnover: ₹ 1,050 crore
- Net profit: ₹ 4.5 crore

In the financial year 2022-2023, GlobalTech Pvt. Limited had a net worth of ₹ 480 crore, a turnover of ₹ 1,020 crore, and a net profit of ₹ 4 crore. The company has a subsidiary, TechSubs Limited, and a foreign subsidiary, GlobalTech International, which has a branch office in India.

GlobalTech Pvt. Limited spent ₹ 1.2 crore on various CSR activities during the financial year 2023-2024. However, ₹ 30 lakh remained unspent and was transferred to the Unspent Corporate Social Responsibility Account as per section 135(6) of the Companies Act, 2013.

The company's board comprises members from different parts of the country and they ensure that the administrative overheads do not exceed the prescribed limit of total CSR expenditure.

The company held its annual general meeting on 20th August, 2024 and filed the annual return in compliance with the provisions of the Companies Act, 2013.

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:

MULTIPLE CHOICE QUESTIONS

1. Based on the financial metrics of GlobalTech Pvt. Limited, is the company required to constitute a Corporate Social Responsibility (CSR) Committee for the for the financial year 2023-2024?

(a) Yes, because its net worth exceeds ₹ 500 crore.

(b) No, because it has not met the required net profit criteria.

(c) Yes, because its turnover exceeds ₹ 1,000 crore.

(d) No, because its net profit is less than ₹ 5 crore.

2. Given that GlobalTech Pvt. Limited has ₹ 30 lakh in its Unspent Corporate Social Responsibility Account, which of the following statements is true?

(a) The company is not required to constitute a CSR Committee if it has unspent CSR funds.

(b) The company must constitute a CSR Committee in Financial year 2024-2025, as it has balance in Unspent CSR account.

(c) The company can use the unspent funds for any other business activity.

(d) The company must transfer the unspent amount to the Prime Minister's National Relief Fund.

3. If GlobalTech Pvt. Limited had an average net profit of ₹ 5 crore over the past three immediately preceding financial years, what is the minimum amount it must spend on CSR activities in the financial year 2024-2025?

(a) ₹ 5 lakh

(b) ₹ 10 lakh

(c) ₹ 20 lakh

(d) ₹ 30 lakh

4. GlobalTech Pvt. Limited must ensure that the administrative overheads do not exceed a certain percentage of the total CSR expenditure. What is this percentage?

(a) 2%

(b) 5%

(c) 10%

(d) 15%

5. What is the latest date by which GlobalTech Pvt. Limited must it file its annual return with the Registrar of Companies (RoC)?

   (a) 10th September 2024

   (b) 15th September 2024

   (c) 10th October 2024

   (d) 19th October 2024

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (c) Yes, because its turnover exceeds ₹ 1,000 crore.

Reason:

As per Section 135(1) of the Companies Act, 2013, a company shall constitute a Corporate Social Responsibility Committee of the Board if during the immediately preceding financial year such company having:

- Net worth of ₹ 500 crore or more, or
- Turnover of ₹ 1,000 crore or more, or
- Net profit of ₹ 5 crore or more.

In this case, for the financial year 2022-2023, GlobalTech Pvt. Limited's turnover exceeded ₹ 1,000 crore (₹ 1,020 crore).

2. Option (b) The company must constitute a CSR Committee in Financial year 2024-2025, as it has balance in Unspent CSR account.

Reason:

As per second proviso to Rule 3(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, a company having any amount in its Unspent Corporate Social Responsibility Account as per section 135(6) shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section.

3. **Option (b)** ₹ 10 lakh

Reason:

According to section 135(5) of the Companies Act, 2013, the Board of every company referred to in section 135(1), shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

Hence, the minimum amount GlobalTech Pvt. Limited must spend on CSR activities= 2% of ₹ 5 crore

= ₹ 10 lakh

4. **Option (b)** 5%

Reason:

As per Rule 7(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

5. **Option (d)** 19^{th} October 2024

Reason:

As per Section 92(4) of the Companies Act, 2013, a copy of annual return shall be filed with the RoC within 60 days from the date on which the Annual General Meeting ('AGM') is held. Where no annual general meeting is held in any year, it shall be filed within 60 days from the date on which the annual general meeting should have been held, along with the reasons for not holding the AGM.

GlobalTech Pvt. Limited held its AGM on 20th August 2024, so the deadline for filing the annual return is:

20 August 2024 + 60 days =19 October 2024.

CASE SCENARIO 17

ACC Private Limited was incorporated in July 2001. It is registered with an authorised share capital of ₹ 20 crore divided into 2 crore equity shares of ₹ 10/- each. The paid-up share capital of the company is ₹ 10 crore divided into 1 crore equity shares of ₹ 10/- each.

The Board of Directors of the company in their meeting held on 11th August, 2023 declared interim dividend. The Annual General Meeting of the company was held on 1st September, 2023. The company had incurred losses in the previous financial year as well as in the current financial year upto the period ended 30th June, 2023. In the previous five financial years, the company had declared the dividend as under:

Financial Year Ended	Dividend declared per share (₹)	Dividend declared rate (%)
31st March, 2023	Nil	Nil
31st March, 2022	1.00	10%
31st March, 2021	1.10	11%
31st March, 2020	1.30	13%
31st March, 2019	1.20	12%

The company has deposited the amount of dividend declared in a separate account with ABC Bank on 14th August, 2023. Out of the total dividend declared, ₹ 60,000 payable to few equity shareholders remains unclaimed even after the expiry of statutory period within which dividend was required to be paid and had been transferred to a separate bank account Unpaid Dividend Account on 20th September 2023. The company prepares a statement containing the names of shareholders, their last known address and the unpaid dividend amount to such each shareholder and place on its website.

Meanwhile, the company obtained a term loan of ₹ 15 crore from Laxmi Bank Limited on 20th August, 2023, securing it with a charge on the company's assets, including its own buildings (in India and Germany) and intangible assets (trademark right over the company’s logo). According to the Companies Act, 2013, the company was required to register this charge with the Registrar within a specified timeframe. However, the company failed to complete the registration process within the prescribed timeline.

The Board of Directors has requested their Company Secretary to confirm them whether they are required to incur expenditure towards Corporate Social Responsibility during the financial year 2023-2024 and is required to constitute CSR committee.

The financial particulars in respect of immediately preceding financial year are as under:

S. No.	Particulars	Amount (₹ in crore)
1	Net worth	100
2	Turnover	1010
3	Net Profit	4.9
4	Borrowings	60

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:

MULTIPLE CHOICE QUESTIONS

1. The company can create charge in favour of the lender on the assets which are:

    (a) Tangible Assets and situated in India only

    (b) Intangible Assets and situated in India only

    (c) Assets that are tangible or otherwise and situated in India or Germany

    (d) Assets that are tangible or otherwise and situated in India only

2. The maximum rate at which interim dividend can be declared by the Board during the current financial year is as under: -

    (a) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding two financial years, i.e. 5%.

(b) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding three financial years, i.e. 7%.

(c) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding four financial years, i.e. 8.5%.

(d) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding five financial years, i.e. 9.2%.

3. In respect of dividend declared which of the Statement is not correct?

(a) The company has transferred the dividend amount to separate bank account within 5 days from the date of declaration of dividend.

(b) The company is required to pay dividend within 30 days from the date of declaration of dividend.

(c) The company is required to transfer the Unpaid dividend to a separate bank account within 10 days from the date of expiry of statutory period from the date of declaration of dividend.

(d) The company is required to prepare a statement containing the names of shareholders, their last known address and the unpaid dividend amount to such each shareholder and place on its website within 90 days from the date of transferring the amount to Unpaid Dividend Account.

4. Choose the correct option in terms that whether the provisions of Corporate Social Responsibility are applicable to ACC Private Limited.

(a) The provisions of Corporate Social Responsibility are not applicable to ACC Private Limited as it is a private limited company.

(b) Yes, as ACC Private Limited is having turnover of more than ₹ 1000 crore.

(c) Yes, as ACC Private Limited is having net profit of more than ₹ 2.5 crore in the immediately preceding financial year.

(d) Yes, as ACC Private Limited is having net worth of more than ₹ 50 crore in the immediately preceding financial year.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Assets that are tangible or otherwise and situated in India or Germany.

   Reason:

   Under Section 77 of the Companies Act, 2013, companies are permitted to create a charge on their assets to secure borrowings or other financial liabilities. There is no restriction on the type or location of the assets over which a charge can be created, provided the assets belong to the company. These assets can be tangible (like buildings or land) or intangible (like intellectual property, such as trademarks or copyrights).

   In the given scenario, ACC Private Limited has created a charge on both tangible assets (buildings in India and Germany) and intangible assets (trademark rights).

2. **Option (b)** The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding three financial years, i.e. 7%.

   Reason:

   As per Proviso to Section 129(3), the board cannot declare the interim dividend at a rate higher than the average dividend declared by the Company immediately during preceding three financial years, i.e. 7%;

3. **Option (c)** The company is required to transfer the Unpaid dividend to a separate bank account within 10 days from the date of expiry of statutory period from the date of declaration of dividend.

   Reason:

   As per section 124(1), where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the Unpaid Dividend Account.

4. **Option (b)** Yes, as ACC Private Limited is having turnover of more than ₹ 1000 crore.

Reason:

As per Section 135(1) of the Companies Act, 2013, a company shall constitute a Corporate Social Responsibility Committee of the Board if during the immediately preceding financial year such company having:

- Net worth of ₹ 500 crore or more, or
- Turnover of ₹ 1,000 crore or more, or
- Net profit of ₹ 5 crore or more.

In this case, ACC Private Limited's turnover exceeded ₹ 1,000 crore (₹ 1010 crore).

CASE SCENARIO 18

XYZ Limited was incorporated on 1st April, 2023. The Board of Directors, within the required timeframe, appointed Mr. A as the first auditor of the company on 20th April, 2023. Mr. A was tasked with auditing the company's financial statements for the financial year 2022-23, and he held office until the conclusion of the first Annual General Meeting (AGM), which was held on 30th September, 2023.

During the AGM, the shareholders decided to appoint Mr. B, a partner in the audit firm MNO LLP, as the new auditor. MNO LLP is a limited liability partnership incorporated under the LLP Act, 2008. Mr. B and his firm were appointed to hold office from the conclusion of the 1st AGM until the conclusion of the 6th AGM in 2028.

Five years later, in 2028, the company is considering whether to reappoint Mr. B and MNO LLP for another term. The shareholders are discussing the provisions of the Companies Act, 2013, and the implications of reappointing the same auditor or audit firm for multiple terms.

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:

MULTIPLE CHOICE QUESTIONS

1. Who was responsible for appointing the first auditor of XYZ Limited, and within what timeframe should the appointment have been made?

    (a) Shareholders, within 60 days of registration of company

    (b) Board of Directors, within 30 days of registration of company

    (c) Board of Directors, within 60 days of registration of company

    (d) Shareholders, within 30 days of registration of company

2. How long can MNO LLP, as an audit firm, hold office as the auditor of XYZ Limited according to the Companies Act, 2013?

   (a) One term of five consecutive years

   (b) Two terms of five consecutive years

   (c) One term of six consecutive years

   (d) Three terms of five consecutive years

3. If XYZ Limited wants to reappoint MNO LLP for another term after 2028, what does the Companies Act, 2013, mandate?

   (a) MNO LLP can be reappointed for another term of five years.

   (b) MNO LLP cannot be reappointed, as they have already served one term.

   (c) MNO LLP cannot be reappointed, as they have already served two terms.

   (d) MNO LLP can be reappointed, but the tenure must be reduced to three years.

4. What is the maximum tenure for which Mr. A as the first auditor of XYZ Pvt. Limited, can hold office?

   (a) From the date of appointment until the conclusion of the first AGM i.e. 30th September 2023

   (b) From the date of appointment until the conclusion of the second AGM (in 2024)

   (c) From the date of appointment until the conclusion of the third AGM (in 2025)

   (d) From the date of registration of company until the conclusion of the first AGM i.e. 30th September 2023

5. By what date the copy of the annual return is to be filed with the Registrar of companies in case of first AGM of XYZ Limited?

   (a) 29th November 2023

   (b) 30th December 2023

(c) 31^{st} January 2024

(d) 29^{th} February 2024

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (b) Board of Directors, within 30 days of registration of company.

Reason:

As per section 139(6) of the Companies Act, 2013, the Board of Directors must appoint the first auditor of the company within 30 days of its incorporation.

2. Option (b) Two terms of five consecutive years.

Reason:

According to Section 139(2) of the Companies Act, 2013, an audit firm can be appointed for two terms of five consecutive years in the case of listed companies and certain prescribed classes of companies. After completing the second term, the audit firm is ineligible for reappointment for a cooling-off period of five years. MNO LLP can thus serve for a maximum of 10 consecutive years (2 terms of 5 years each).

3. Option (a) MNO LLP can be reappointed for another term of five years.

Reason:

In 2028, MNO LLP will have completed its first term of five years. As per Section 139(2) of the Companies Act, 2013, MNO LLP is eligible for reappointment for a second term of five years, provided there is shareholder approval. After completing the second term, it would no longer be eligible for reappointment for the next five years.

4. Option (a) From the date of appointment until the conclusion of the first AGM i.e., 30th September 2023.

Reason:

As per Section 139(6) of the Companies Act, 2013, the first auditor appointed by the Board of Directors holds office from the date of their appointment until the conclusion of the company's first AGM. Mr. A was appointed on 20th April 2023 and held office until the conclusion of the first AGM on 30th September 2023.

5. **Option (a)** 29th November 2023

Reason:

As per section 92(4) of the Companies Act, 2013, a company must file its annual return with the Registrar within 60 days of holding its Annual General Meeting (AGM). XYZ Limited's first AGM was held on 30th September 2023. Thus, the due date for filing the annual return is 29th November 2023.

CASE SCENARIO 19

Prakash Limited and Vasudha Private Limited (VPL) were incorporated in January 1999 by Mr. Vicky Tripathi and his family members. Both the companies are engaged in the business of manufacturing machineries used in agricultural sector. Mr. Vicky Tripathi and his younger brother Vinay Tripathi actively participate in the daily operations of both the companies. Vasudha Private Limited is wholly owned by Tripathi family, while Tripathi family has a majority stake of 51% in Prakash Limited.

Due to the poor economic conditions in the agriculture sector and shifting of the farmers' focus to more advanced farming techniques, the sales of Prakash Limited is dipping and its bottom line has been in the red for the last couple of years. The unabsorbed loss of Prakash Limited for the current financial year is ₹ 9.8 crore. Prakash Limited didn't pay any dividends during the last four years. Prakash Limited has accumulated profit in the form of free reserves of ₹ 180 crore whereas paid-up share capital is ₹ 918 crore as per its latest audited financial statement and loss of ₹ 9.8 crore has not been deducted from such amount of free reserves. Since pressure from shareholders of the free float is mounting, management at Prakash Limited decided to pay dividend this year out of accumulated profit. Finally, the dividend was declared on 31st August 2024. Some of the dividend remained unpaid as on 30th September 2024, on account of operation of law; this was transferred to unpaid Dividend Account and a statement containing only the names of such beneficiaries was hosted on the website of the company on 9th November 2024.

Vasudha Private Limited is a mid-sized unlisted entity, with few branches abroad and is not required to appoint an independent director under section 149(4). During the immediately preceding F.Y., its net worth was ₹ 280 crore, turnover was ₹ 590 crore and net profit was ₹ 45.8 crore. The profits and other information for the immediately preceding three years are given below:

Particulars	**Year ended 31.3.2024 (₹ in crore)**	**Year ended 31.3.2023 (₹ in crore)**	**Year ended 31.3.2022 (₹ in crore)**
Net Profit for the year as per section 198 (in accordance with applicable provisions)	41.6	42.9	28

The Board of Directors of Vasudha Private Limited is not clear whether they have to compulsorily form a CSR committee. In order to avoid adverse legal consequences, Vasudha Private Limited constituted a CSR committee comprising of two (2) non-executive directors and one (1) executive director who was appointed as chairperson of the committee.

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:

MULTIPLE CHOICE QUESTIONS

1. In case of Prakash Limited, regarding the unpaid dividend, which of the following statements is correct?

   (a) Prakash Limited is guilty, of non-payment of dividend, because some of the dividends remain unpaid even after 30 days of declaration.

   (b) Prakash Limited is guilty, because the list of beneficiaries of unpaid dividend is hosted on the website after 30 days from the date it falls in the category of unpaid dividend.

   (c) Prakash Limited is guilty, because the list of beneficiaries does not contain the latest known address of beneficiaries and the amount unpaid.

   (d) Prakash Limited is not guilty, because it has full-filled all the provisions of law pertaining to unpaid dividend.

2. During the current year, is Vasudha Private Limited required to constitute CSR committee under the provisions of the Companies Act, 2013?

(a) No, because it is a private company

(b) No, because it is an unlisted company and it has net-worth less than ₹ 500 crore

(c) Yes, because despite being unlisted company its turnover is above ₹ 500 crore

(d) Yes, because the company meets the threshold criteria having net profits exceeding ₹ 5 crore in the immediately preceding financial year

3. What is the implication of the fact that Prakash Limited has not paid dividends for the last four years while having free reserves?

(a) The company is in violation of the Companies Act, 2013, for not declaring dividends.

(b) The shareholders can legally challenge the management for not utilizing free reserves for dividends.

(c) There is no legal obligation to declare dividends even if the company has free reserves.

(d) The company must now use all of its free reserves to pay dividends to satisfy shareholder demands.

4. Considering the legal provisions regarding the constitution of CSR committee and the one constituted by Vasudha Private Limited, state which of following the statements hold truth?

(a) Constitution of the committee is invalid because it doesn't consist of an independent director.

(b) Constitution of the committee is invalid because its chairperson is an executive director.

(c) Constitution of the committee is valid because it depends purely upon the discretion of management.

(d) Constitution of the committee is valid because company is not required to appoint an independent director.

5. What is the minimum amount to be spent by Vasudha Private Limited on CSR activities for F.Y. 2024-25?

   (a) ₹ 89.06 Lakh

   (b) ₹ 78.20 Lakh

   (c) ₹ 75.00 Lakh

   (d) ₹ 73.80 Lakh

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Prakash Limited is guilty, because the list of beneficiaries does not contain the latest known address of beneficiaries and the amount unpaid.

Reason:

As per section 124 of the Companies Act, 2013, where a dividend has been declared by a company but has not been paid or claimed within thirty (30) days from the date of declaration, the company shall, within seven (7) days from the expiry of the said period of 30 days, transfer the total amount of unpaid or unclaimed dividend to a special account called the Unpaid Dividend Account (UDA). The UDA shall be opened by the company in any scheduled bank.

Within 90 days of transferring any amount to the Unpaid Dividend Account, the company shall prepare a statement containing the names, last known addresses and the amount of unpaid dividend to be paid to each person and place such statement on its web-site, if any, and also on any other web-site approved by the Central Government for this purpose.

2. **Option (d)** Yes, because the company meets the threshold criteria having net profits exceeding ₹ 5 crore in the immediately preceding financial year

Reason:

A company shall constitute a Corporate Social Responsibility Committee of the Board if during the immediately preceding financial year such company having;

a. Net worth of rupees five hundred crore or more or

b. Turnover of rupees one thousand crore or more or

c. Net profit of rupees five crore or more.

3. **Option (c)** There is no legal obligation to declare dividends even if the company has free reserves.

Reason:

A company is not legally required to declare dividends even if it has free reserves unless the Articles of Association or a specific agreement mandates otherwise.

4. **Option (d)** Constitution of the committee is valid because company is not required to appoint an independent director.

Reason:

Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

Proviso to section 135(1) of the Act read with Rule 5 (1) of the CSR Rule further states, where a company covered under section 135(1) but is not required to appoint an independent director under section 149(4), it shall have in its Corporate Social Responsibility Committee two or more directors, without such independent director.

5. **Option (c)** ₹ 75.00 Lakh

Reason:

According to section 135(5) of the Companies Act, 2013, the Board of every company referred to in section 135(1), shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

2% of [(41.6+42.9+28)/3]

CASE SCENARIO 20

Golden Limited is a listed company which is incorporated in 2013 having its registered office at Delhi and corporate office in Noida. It is registered with an authorised share capital of ₹ 20 crore divided into 2 crore equity shares of ₹ 10 each. The paid-up share capital of the company is ₹ 10 crore divided into 1 crore equity shares of ₹ 10 each. The company is in construction activities like construction of buildings, roads, etc.

On 8th January, 2022, the company incorporated a wholly owned subsidiary, D Limited which is involved in supplying of construction materials like steel, iron, cement, bricks, etc. D Limited elects to choose to prepare its first financial statements for the period from 8th January, 2022 to 31st March, 2022.

On 2nd January, 2022, Golden Limited incorporated a new wholly owned subsidiary, E Limited for providing project management consultancy service to its customers or to parent company. On 5th January, 2022, Golden Limited through its subsidiary, E Limited acquired 100% partnership interest in XYZ & Co., partnership firm. E Limited elects to choose to prepare its first financial statements for the period from 2nd January, 2022 to 31st March, 2023 and conducted its Annual General Meeting on 16th August, 2023.

On 1st July, 2022, the subsidiary company, D Limited incorporated a new wholly owned subsidiary, F Limited.

Golden Limited prepared its standalone financial statements for the year 2021-22 and presented before the Board of Directors of the company on 25th August, 2022 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 2nd September, 2022.

Golden Limited prepared its standalone and consolidated financial statements for the year 2022-23 and presented before the Board of Directors of the company on 20th August, 2023 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 26th September, 2023.

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:

MULTIPLE CHOICE QUESTIONS

1. What is the last date for conducting AGM for E Limited?
   (a) 30th September, 2022
   (b) 31st December, 2022
   (c) 30th September, 2023
   (d) 31st December, 2023
2. What is the due date for conducting AGM for Golden Limited for the year ended March 31, 2023?
   (a) 30th September, 2023
   (b) 31st October, 2023
   (c) 30th November, 2023
   (d) 31st December, 2023
3. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented at AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2022 includes, financial statements:
   (a) Golden Limited and D Limited
   (b) Golden Limited, D Limited and E Limited
   (c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm
   (d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm
4. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented before AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2023 includes:
   (a) Golden Limited and D Limited

(b) Golden Limited, D Limited and E Limited

(c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm

(d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm

5. Please select which is the correct option/ which is the most correct statement:

(a) Golden Limited had given the notice for holding AGM in Mumbai on Monday, 26th September, 2023 at 11.00 A.M.

(b) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 11.00 A.M.

(c) Golden Limited had given the notice for holding AGM in Noida on Tuesday, 27th September, 2023 at 11.00 A.M.

(d) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 8.30 A.M.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** 31st December, 2023

   Reason:

   Proviso to Section 96(1) provides that in case of the first annual general meeting, it shall be held within a period of nine months from the date of closing of the first financial year. In the given case, the closing of the first financial year of the Company is March 31, 2023. Hence, the last date to conduct first AGM will be 31st December, 2023.

2. **Option (a)** September 30, 2023

   Reason:

   Proviso to Section 96(1) provides that annual general meeting of a company shall be held within a period of six months from the date of closing of the financial year.

3. **Option (c)** Golden Limited; D Limited, E Limited and XYZ & Co., partnership firm

Reason:

Section 129(3) of the Act provides that if a company has one or more subsidiaries, it shall, in addition to standalone financial statements, prepare a consolidated financial statement of the company. In the given case for the year ended March 31, 2022, the consolidated financial statements of Golden Limited would include D Limited, E Limited and XYZ & Co., partnership firm as these entities were in existence during the year ended March 31, 2022. In the case of E Limited, the subsidiary company has an option to prepare its first financial statements for statutory filings from January 8, 2022 to March 31, 2023. However, E Limited is required to prepare its separate financial statements for the period from January 08, 2022 to March 31, 2022 only for the purpose of consolidation purpose, which can be unaudited.

4. **Option (d)** Golden Limited; D Limited, E Limited, F Limited and XYZ & Co., partnership firm

Reason:

Section 129(3) of the Act provides that if a company has one or more subsidiaries, it shall, in addition to standalone financial statements, prepare a consolidated financial statement of the company. In the given case for the year ended March 31, 2023, Golden Limited has four subsidiaries (including partnership firm), namely D Limited, E Limited, F Limited and XYZ & Co., partnership firm.

5. **Option (b)** Golden Limited had given the notice for holding AGM in Delhi on Monday, September 26, 2023 at 11.00 A.M.

Reason:

As per Section 96(2), every annual general meeting shall be called during business hours, that is, between 9 a.m. and 6 p.m. on any day that is not a National Holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situate.

CASE SCENARIO 21

ABC Limited, was incorporated on 1st January, 2023. It operates in the manufacturing sector and aims to expand its business model to include e-commerce operations. ABC Limited's first financial year ended on 31st March, 2024, and the board is preparing for its first Annual General Meeting (AGM) to present the financial statements and discuss the new business model. ABC Limited's current board consists of five directors, including two independent directors appointed in line with best corporate governance practices.

The company has a wholly owned subsidiary, XYZ Limited, which is primarily involved in research and development for new products. XYZ Limited's financial year also ended on 31st March, 2024. Additionally, ABC Limited has a 30% stake in an associate company, MNO Limited, which provides logistics and distribution services. The board is assessing if it is required to prepare consolidated financial statements (CFS) that combine the financials of ABC Limited, XYZ Limited, and MNO Limited, considering the exemptions available under the Companies Act, 2013.

The AGM agenda includes:

1. Approval of the financial statements for the financial year 2023-24.
2. Discussion of a special resolution to adopt a new e-commerce business model, which requires a threefold majority approval.
3. Approval of consolidated financial statements, if required.
4. Appointment of auditors and other general meeting proceedings.

The board has provided notice to all members about the AGM agenda, including the proposal for the special item requiring special resolution. This notice was sent by email and registered post to ensure compliance with statutory notice requirements. All shareholders, including minority stakeholders, received this notice with proof of delivery available with the company.

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:

MULTIPLE CHOICE QUESTIONS

1. Given that ABC Limited's first financial year ended on 31st March, 2024, and it was incorporated on 1st January, 2023, what is the latest date by which ABC Limited must hold its first AGM?

   (a) 30th September, 2024.

   (b) 31st December, 2024.

   (c) 31st March, 2025.

   (d) 30th June, 2025.

2. Suppose ABC Limited holds its first AGM on 15th December, 2024. By when must it hold its subsequent AGM to remain compliant?

   (a) 15th December, 2025.

   (b) 30th September, 2025.

   (c) 30th June, 2025.

   (d) 31st March, 2025.

3. Under the Companies Act, 2013, does ABC Limited need to prepare consolidated financial statements (CFS) to present at the AGM?

   (a) Yes, because it has one wholly owned subsidiary and an associate company.

   (b) No, because it qualifies for exemption as a wholly owned subsidiary.

   (c) Yes, only if XYZ Limited and MNO Limited are listed companies.

   (d) No, if shareholders provide written consent exempting it from CFS preparation.

4. What must ABC Limited ensure to pass the special resolution approving the adoption of a new e-commerce business model at the AGM?

   (a) The resolution must have more than 50% of votes in favor.

   (b) The resolution must be stated as special in the notice, and votes in favor must be three times the votes against.

(c) The resolution can be passed if votes in favor exceed votes against without being stated as special.

(d) The resolution must have unanimous support from the board of directors.

5. Under which conditions would ABC Limited be exempt from preparing consolidated financial statements?

(a) If ABC Limited is a wholly owned subsidiary, all members agree in writing to the exemption, and proof of delivery of this intimation is available.

(b) If XYZ Limited's shareholders unanimously agree to waive CFS requirements.

(c) If MNO Limited's financials are not significant to ABC Limited's overall financial position.

(d) If ABC Limited's board decides to skip CFS preparation with a simple majority vote.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (b) 31st December 31, 2024.

Reason:

Section 2(41) defines Financial year, in relation to any company or body corporate, means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company or body corporate is made up.

As per the Companies Act, 2013, the first AGM must be held within nine months from the end of the first financial year. Since ABC Limited's financial year ended on 31st March, 2024, the latest date for holding the first AGM is 31st December, 2024.

2. **Option (b)** 30th September, 2025.

   Reason:

   The Companies Act mandates that subsequent AGMs must be held within six months from the end of the financial year and within a maximum gap of 15 months between AGMs.

3. **Option (a)** Yes, because it has one wholly owned subsidiary and an associate company.

   Reason:

   The Companies Act requires companies with subsidiaries or associates to prepare consolidated financial statements unless they meet specific exemption criteria. ABC Limited does not meet the ex emption criteria, so it must prepare and present CFS at the AGM.

4. **Option (b)** The resolution must be stated as special in the notice, and votes in favor must be three times the votes against.

   Reason:

   Section 114(2) requires that for a resolution to be considered special, it must be specified as such in the notice, and the votes in favor must be at least three times the votes against.

5. **Option (a)** If ABC Limited is a wholly owned subsidiary, all members agree in writing to the exemption, and proof of delivery of this intimation is available.

   Reason:

   A company is exempt from CFS preparation if it is a wholly or partially owned subsidiary and all members provide written consent, with proof of this intimation available with the company.

CASE SCENARIO 22

Tejas Infra Limited was incorporated by Tejasvi Singh and his wife Meenakshi along with seven other family members in the year 2001 with an aim to undertake infrastructure projects relating to transportation in the country. The company had successfully completed construction of roads and canals in Delhi, UP and Chandigarh and rose to become one of the prominent construction companies in India.

The Registered Office of the company is situated in Connaught Place, New Delhi with a capital base of ₹ 100 crore divided into ten crore equity shares of ₹10 each. The company has eight directors of which three are independent directors. In the year 2019, the company got new projects from the State Government of Punjab to build four flyovers and underpasses in different cities of Punjab.

In order to increase its capital base, Tejas Infra Limited decided to issue 1,00,000 preference shares of ₹ 100 each to the existing shareholders. For this, purpose it was decided to increase the Authorised Capital by ₹ 500,00,000 divided into 5,00,000 shares of ₹ 100 each.

The projects went off well and the turnover rose to the tune of ₹ 3600 crore in the immediately preceding financial year 2022-23. The net worth of the company stood at ₹ 550 crore.

As they crossed the threshold limit in the immediately preceding financial year 2022-23, a Board level Committee headed by one of the independent directors, namely, Paritosh was constituted to allocate budget, review the progress and provide guidance on various Corporate Social Responsibility (CSR) and sustainability initiatives. It was decided to spend the requisite amount towards skill development, vocational training, provision of safe drinking water facility, etc. Lokesh, one of the directors, is also a member of this Corporate Social Responsibility Committee. He is in favour of Janta Andolan Manch, a political party. This party is quite prominent in undertaking social work. As per his advice, the Board by a unanimous resolution resolved to contribute ₹ 5,00,000 to the said political party i.e. Janta Andolan Manch and to treat such contribution as part of CSR activity.

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:

MULTIPLE CHOICE QUESTIONS

1. From the case scenario, it is evident that Tejas Infra Limited decided to issue 1,00,000 preference shares of ₹ 100 each to the existing shareholders. From the options given below choose the one which indicates the maximum period which is permitted to the company for redemption of preference shares.

   (a) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty-five years for redemption of preference shares subject to the condition that it shall redeem minimum 20% of preference shares per year commencing from 31st year onwards or earlier, on proportionate basis at the option of preference shareholders.

   (b) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty-five years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 26th year onwards or earlier, on proportionate basis at the option of preference shareholders.

   (c) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 21st year onwards or earlier, on proportionate basis, at the option of preference shareholders.

   (d) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 20% of preference shares per year commencing from 26th year onwards or earlier, on proportionate basis, at the option of preference shareholders.

2. The case scenario states that the turnover of Tejas Infra Limited rose to the tune of ₹ 3600 crore and net worth of the company stood at ₹ 550 crore in the immediately preceding financial year 2022-23 which required formation of CSR Committee. What is the third criterion which if crossed shall also require that a CSR Committee be formed. Choose the correct option from those stated below:

   (a) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ two crore or more in the immediately preceding financial year.

   (b) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ three crore or more in the immediately preceding financial year.

   (c) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ five crore or more in the immediately preceding financial year.

   (d) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ six crore or more in the immediately preceding financial year.

3. According to the legal provisions, it is mandatory to redeem preference shares at the stipulated time. Keeping in view the above case scenario, which source is required to be used by Tejas Infra Limited for the redemption of outstanding preference shares:

   (a) Tejas Infra Limited is required to redeem preference shares out of the profits which would otherwise be available for dividend.

   (b) Tejas Infra Limited is required to redeem preference shares out of the proceeds of a fresh issue of shares made for the purposes of such redemption.

   (c) Both (a) and (b).

   (d) Tejas Infra Limited is required to redeem preference shares out of its Capital Redemption Reserve.

4. While constituting a CSR Committee, how many minimum directors are required to be appointed by Tejas Infra Limited:

   (a) CSR Committee formed by Tejas Infra Limited shall have minimum two directors.

   (b) CSR Committee formed by Tejas Infra Limited shall have minimum three directors of which at least one director shall be an independent director.

   (c) CSR Committee formed by Tejas Infra Limited shall have minimum four directors of which at least one director shall be an independent director.

   (d) CSR Committee formed by Tejas Infra Limited shall have minimum four directors of which at least two directors shall be independent director.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 21st year onwards or earlier, on proportionate basis, at the option of preference shareholders.

Reason:

First Proviso to Section 55 (2) and Rule 10 of the Companies (Share Capital and Debentures) Rules, 2014. A combined reading indicates that a company engaged in infrastructural projects (specified in Schedule VI) is permitted to issue preference shares for a maximum period not exceeding thirty years subject to the redemption of minimum 10% of preference shares per year commencing from 21st year onwards or earlier, on proportionate basis, at the option of preference shareholders.

2. **Option (c)** The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ five crore or more in the immediately preceding financial year.

Reason:

As per Section 135(1) of the Companies Act, 2013, a company shall constitute a Corporate Social Responsibility Committee of the Board if during the immediately preceding financial year such company having:

- Net worth of ₹ 500 crore or more, or
- Turnover of ₹ 1,000 crore or more, or
- Net profit of ₹ 5 crore or more.

3. **Option (c)** Both (a) and (b)

Reason:

Refer Clause (a) of Second Proviso to Section 55 (2) according to which preference shares shall be redeemed out of the profits which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of such redemption.

4. **Option (b)** CSR Committee formed by Tejas Infra Limited shall have minimum three directors of which at least one director shall be an independent director.

Reason:

Section 135 (1) of the Companies Act, 2013, requires CSR Committee to consist of minimum three directors of which at least one director shall be an independent director.

CASE SCENARIO 23

Showcasing his designing and oratorical skills by winning laurels in creativity and debate competitions, both at inter-house and inter-school level, Shauryansh driven by the same zeal and passion to create visually appealing designs and getting inspiration from his two role models, namely, Paula Scher and David Carson, the world-famous graphic designers, underwent a six months' graphic designing course from Passion Academics, New Delhi and thereby learnt essential tools like Adobe-photoshop, Adobe-illustrator, Adobe-dimension, etc. He also successfully completed the Digital Marketing Course.

With a view to translating his passion into profession to create visually appealing and attractive designs which would be impactful and memorable, he thought of incorporating his very own One Person Company with ₹ 20 lakh as Authorised Capital and Registered Office to be situated at Karol Bagh, New Delhi.

As to the choosing of nominee for his One Person Company, Shauryansh discussed the matter with his sister Shivangi, who was about two years younger than him, to seek her consent for becoming nominee and she, without any hesitation, agreed to the proposal.

Shauryansh was lucky enough to get sanctioned the name of his company as Graphixz Creations Private Limited (One Person Company) from the jurisdictional Registrar of Companies; the one he preferred the most. He got it incorporated after submitting requisite documents and obtained the Certificate of Incorporation.

It is worth mentioning that he thought of undertaking his current business in the form of One Person Company for two reasons. Firstly, it would help him gain full control over his business, give him entitlement to all of its profits and, on top of it, his liability would also be restricted only to the amount of subscribed capital. Secondly, he understood this form of ownership very well since he was the nominee for the past five years in his maternal uncle Sarvesh's One Person Company known by the name Shruti TalkingWaves Private Limited (One Person Company).

Earlier, Sarvesh served as Chief Engineer in a Government Company dealing with various IT matters and after he had proceeded for his superannuation some six years back, he ventured upon to commence his own One Person Company, handling business of his immense interest as a transcriptionist where he converted audio/video files to written documents from the comfort of his house.

Time passed on. Shauryansh's company, which satisfactorily provided a wide spectrum of services such as web development, website designing, graphic designing, 3D product videos, etc., is now six years old. By this time, the company had more than five hundred clients with around fifty websites delivered immaculately. He had a team of passionate individuals who were on a mission to make the digital world a beautiful place to see, use, feel and experience. Accordingly, his company also had a mark in developing impactful digital solutions with best-in-class industry standards. The company built and transformed businesses by customizing market leading digital products platforms like applications and websites and provided digital marketing services for them that fuelled their growth. In order to keep pace with the changing technology and growing business opportunities, he is contemplating to rope in his life partner Sharmeela and to convert Graphixz Creations Private Limited (One Person Company) into a private limited company.

On the other hand, his sister Shivangi, nominee in Graphixz Creations Private Limited (One Person Company), was not far behind. After participating in cookery-based TV shows and attaining top position or second-best position almost every time among those who participated, she started her own venture along with her class-mate Mitali by incorporating a private limited company, namely, Vanilla Point Private Limited to make various types of cookies, cakes, biscuits and puddings. The Authorised Capital of her company was ₹ 10.00 crore and paid-up capital was ₹ 6.00 crore; its Registered Office was situated at Rajendra Place, New Delhi. As of now the number of shareholders is fifty-five of which three shareholders are in employment of the company whereas other two shareholders who purchased the shares of the company while in employment of Vanilla Point Private Limited, left the company some six months before and joined another company.

Admiring the success of Shauryansh's art form which combined creativity, technology and patience to meet the taste of the target users, Shivangi requested his brother to be a Director (Marketing) in her company to which he agreed. Everything was going fine when his Maternal Uncle Sarvesh could not recover from his brief illness leaving the entire family shattered and grief-stricken.

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:

MULTIPLE CHOICE QUESTIONS

1. The Case Scenario states that Shauryansh discussed the matter of nomination with his younger sister Shivangi to seek her consent for becoming nominee in his Graphixz Creations Private Limited (One Person Company) and she, without any hesitation, agreed to the proposal. You are required to choose the correct option from those mentioned below as to the formalities Shauryansh must have completed while making Shivangi nominee:

   (a) In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have obtained a written consent letter from her and stated her name (as nominee) in the Memorandum of Association under Nomination Clause.

   (b) In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have obtained a written consent letter from her and stated her name (as nominee) in the Articles of Association under Nomination Clause.

   (c) In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have filed her written consent letter along with other documents at the time of incorporation without stating her name (as nominee) either in the Memorandum of Association or Articles of Association since there is no such requirement.

(d) In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have obtained a written consent letter from her within fifteen days after incorporation of the company and kept the same in the records maintained at the Registered Office.

2. The Case Scenario mentions that the younger sister of Shauryansh started her own venture along with her class-mate Mitali by incorporating a private limited company, namely, Vanilla Point Private Limited, in which there are fifty-five shareholders of which two are ex-employees and the other three are still in employment of the company. You are required to choose the correct option from those stated below as to maximum how many more persons can be allotted shares in the company:

   (a) As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum one hundred and forty-five persons.

   (b) As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum one hundred and fifty persons.

   (c) As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum one hundred and twenty persons.

   (d) As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum two hundred and fifty persons.

3. Choose the correct option from those stated below as to the circumstances under which Shauryansh shall be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) into either private limited company or public limited company:

   (a) Shauryansh shall be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company when the paid-up capital of the company exceeds ₹ fifty lakh or the average turnover during the relevant period exceeds ₹ two crore.

(b) Shauryansh shall be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company when the paid-up capital of the company exceeds ₹ seventy-five lakh or the average turnover during the relevant period exceeds ₹ three crore.

(c) Shauryansh shall be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company when the paid-up capital of the company exceeds Re. one crore or the average turnover during the relevant period exceeds ₹ four crore.

(d) Under no circumstances shall Shauryansh be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company though he can opt for conversion as and when he likes.

4. The Case Scenario mentions that the younger sister of Shauryansh started her own venture along with her class-mate Mitali by incorporating a private limited company, namely, Vanilla Point Private Limited, to make various types of cookies, cakes, biscuits and puddings. According to you, in case the company contemplates converting itself into a One Person Company with Shivangi becoming the sole owner of OPC (at present she holds sixty one percent shares), then which type of resolution needs to be passed:

(a) Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass a Board Resolution with all the directors attending the Board Meeting consenting to the proposal in addition to obtaining 'No Objection' in writing from the members and creditors.

(b) Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass an Ordinary Resolution at the General Meeting authorizing the proposal in addition to obtaining 'No Objection' in writing from the members and creditors.

(c) Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass an Ordinary Resolution at the General Meeting authorizing the proposal and thereafter seeking the approval of jurisdictional Registrar of Companies in addition to obtaining 'No Objection' in writing from the members and creditors.

(d) Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass a Special Resolution at the General Meeting authorizing the proposal in addition to obtaining 'No Objection' in writing from the members and creditors.

5. According to Case Scenario, Shauryansh's maternal uncle Sarvesh, who had incorporated Shruti TalkingWaves Private Limited (One Person Company) and in which Shauryansh was a nominee, could not recover from his brief illness; and because of this sad happening Shauryansh had automatically attained the position of member from that of a nominee. You are required to choose the correct option from those stated below as to maximum within how many days Shauryansh has to ensure that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or resign from it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company):

(a) Keeping in view the above circumstances, Shauryansh has to ensure maximum within sixty days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).

(b) Keeping in view the above circumstances, Shauryansh has to ensure maximum within one hundred and eighty days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).

(c) Keeping in view the above circumstances, Shauryansh has to ensure maximum within ninety days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).

(d) Keeping in view the above circumstances, Shauryansh has to ensure maximum within two hundred and seventy days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).

6. Regarding carrying out Non-banking financial investment activities including investment in securities of any body corporates, Shauryansh would like to know as to when Graphixz Creations Private Limited (One Person Company) can undertake such activity. Choose the apt answer from those given below:

(a) Graphixz Creations Private Limited (One Person Company) can undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates only when its paid-up capital is raised to minimum Re. one crore.

(b) Graphixz Creations Private Limited (One Person Company) can undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates only when its paid-up capital is raised to minimum ₹ one crore and fifty lakh.

(c) Graphixz Creations Private Limited (One Person Company) can undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates only when its paid-up capital is raised to minimum ₹ five crore.

(d) Graphixz Creations Private Limited (One Person Company) cannot undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates irrespective the quantum of its paid-up capital.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (a) In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have obtained a written consent letter from her and stated her name (as nominee) in the Memorandum of Association under Nomination Clause.

Reason:

According to Section 3(1)(c) of the Companies Act, 2013, the Memorandum of Association (MoA) of a One Person Company (OPC) must state the name of the nominee under the Nomination Clause. Additionally, Rule 4(2) of the Companies (Incorporation) Rules, 2014 specifies that a nominee must provide a written consent in Form INC-3, which is submitted along with the incorporation documents. Hence, stating the nominee's name in the MoA and obtaining a written consent letter from Shivangi would have been mandatory.

2. **Option (b)** As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum one hundred and fifty persons.

Reason:

Under Section 2(68) of the Companies Act, 2013, the number of shareholders in a private limited company is restricted to 200, excluding present employees or ex-employees who became shareholders while in employment.

In the given case:

- Total shareholders = 55.
- Three shareholders are current employees.
- Two ex-employees who purchased shares while in employment are excluded from the count.

Thus, Vanilla Point Private Limited can issue shares to 200 – [55-3-2] = 150 persons more.

3. **Option (d)** Under no circumstances shall Shauryansh be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company though he can opt for conversion as and when he likes.

Reason:

Refer Section 18 and Rule 6 of the Companies (Incorporation) Rules, 2014 as amended by the Companies (Incorporation) Second Amendment Rules, 2021, w.e.f. 01-04-2021. Prior to the amendment Rule 6 prescribed threshold limits for conversion of One Person Company.

4. **Option (d)** Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass a Special Resolution at the General Meeting authorizing the proposal in addition to obtaining 'No Objection' in writing from the members and creditors.

Reason:

Refer Section 18 and Rule 7 of the Companies (Incorporation) Rules, 2014

According to Rule 7(4) of the Companies (Incorporation) Rules, 2014, for a private company to convert into an OPC, it must:

1. Pass a Special Resolution at the General Meeting, and
2. Obtain a No Objection Certificate (NOC) in writing from members and creditors.

Thus, option (d) is the correct answer.

5. **Option (b)** Keeping in view the above circumstances, Shauryansh has to ensure maximum within one hundred and eighty days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).

Reason:

Refer Section 3 and Sub-rules (2) and (3) of Rule 3 of the Companies (Incorporation) Rules 2014.

6. **Option (d)** Graphixz Creations Private Limited (One Person Company) cannot undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates irrespective the quantum of its paid-up capital.

Reason:

As per Rule 3(7) of the Companies (Incorporation) Rules, 2014, an OPC cannot carry out Non-Banking Financial Investment (NBFI) activities, including investment in securities of any body corporates, regardless of its paid-up share capital. This restriction applies to all OPCs without exceptions. Hence, option (d) is correct.

CASE SCENARIO 24

After winning several awards for acting in dramas and various functions both at school and college levels, Ananda joined the famous 'Film and TV Institute of India' of Mumbai to undergo a course in 'direction'. In the first week itself, after joining the course, he struck a distinct friendship chord with Krishna who had taken admission to pursue course relating to 'sound-recording and television engineering'. Once their courses were successfully finished, they toyed with the idea of forming a public limited company and accordingly, incorporated Kreative Film Production Limited with Authorised Capital of ₹ twenty-five crore (two crore fifty lakh equity shares of the face value of ₹ 10 each). As at the end of the Financial Year 2023-24, the paid-up capital stood at ₹ twenty-one crore owned by five hundred and fifty shareholders. In addition to themselves, Ananda being Managing Director (MD) and Krishna being Whole-time Director (WTD), they roped in the following distinguished persons as directors:

1. Sanjeet (Director and Script writer);
2. Eish (Director - Production segment);
3. Kunal (Director and Camera in-charge);
4. Mehak (Director and Set designer); and
5. Riya (Director - Graphic engineering, audio/video editor and lighting-in-charge).

All the above-mentioned persons were very talented, artistic and could think out of the box. Besides handling their own portfolios, they were also members of the creative team duly assisted by other brilliant persons employed by the company. The company produced the reality game shows and poetry series for which Ananda and Krishna were honoured with Indian Tele-award.

Feeling confident, the promoters Ananda and Krishna thought of producing a sitcom 'Bhagambhag'. For this comedy show, they asked their directors to think of humorous stories based on Indian ethics and values which would talk about a multitude of social issues and create awareness about them in its own light-hearted manner.

The filming for the series took place in Film City in Mumbai. Ananda and Krishna approached Prabhat TV Entertainment, an Indian Classic and General Entertainment TV Channel to host the series of their sitcom which was accepted with requisite conditions.

In order to save the title 'Bhagambhag', its characters and other intellectual property from getting infringed or copied by Social Media Accounts, websites, YouTube Channels, illegally using its characters, producing animations, AI-generated images, Deepfakes featuring the characters of the show, the company got the rights in the nature of Intellectual Property Rights (IPR).

The show was a hit with the national audiences and moreover, it gave strict competition to the other usual family dramas broadcasted on various TV channels. In the course of time, the director-writer Sanjeet received the best sitcom writer award too.

The company decided to motivate their think-tank team of 'creative directors' including Ananda and Krishna by issuing Sweat Equity shares of the value of ₹ 1,40,00,000. These directors had played a pivotal role in developing the episodes and thereby the situational/comedy show. Accordingly, the Board of Directors in its meeting held on 7th June, 2024 approved the issue of Sweat Equity shares. These shares were offered for no monetary consideration, compensating the recipients for their non-cash contribution to the company's growth and success. The sweat equity shares aligned the interest of directors with those of the shareholders. This issue not only rewarded the expertise and innovativeness of all the directors but also helped the company retain valuable talent while managing cash-flow efficiently. The issue did not involve an immediate cash outflow and helped the company conserve cash which would then be re-invested into various activities including operations, marketing and production.

It is worth noting that following the earlier precedents, Kreative Film Production Limited declared dividend of 10% at its Annual General Meeting (AGM) which was held on 6th September, 2024, with an obligation to deposit the amount in a separate account maintained with its banker State Bank of India within the specified time period from the date of declaration of such dividend. However, the deposit of the amount of dividend was delayed until 24th September, 2024. Due to this, the company faced legal consequences.

In order to expand its horizon, Kreative Film Production, led by Ananda and Krishna, is contemplating acquiring shares of Scenic Reels and Motion Pictures Private Limited to the extent of 60% before the end of the Financial Year 2024-25 which will give fillip to its existing business; and also making Scenic Reels and Motion Pictures Private Limited to become its subsidiary. Presently, Scenic Reels and Motion Pictures Private Limited holds one thousand equity shares of Kreative Film Production Limited.

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:

MULTIPLE CHOICE QUESTIONS

1. The Case Scenario states that Kreative Film Production Limited decided to issue Sweat Equity shares of the value of ₹ 1,40,00,000 to the think-tank team of 'creative directors' including Ananda and Krishna. Keeping in view the applicable provisions, choose the correct option from those stated below as to who must have been given the responsibility to determine the fair price for valuation of such shares:

   (a) Niranjan, a Chartered Accountant by profession, who headed the Accounts Department of Kreative Film Production Limited must have been given the responsibility to determine the fair price for valuation of the Sweat Equity shares which were to be issued to the think-tank team of 'creative directors' including Ananda and Krishna.

   (b) Swapnil Divya & Associates, a firm of practicing Chartered Accountants, must have been given the responsibility to determine the fair price for valuation of the Sweat Equity shares which were to be issued to the think-tank team of 'creative directors' including Ananda and Krishna.

   (c) Shalabh Ranjan, a registered valuer, must have been given the responsibility to determine the fair price for valuation of the Sweat

Equity shares which were to be issued to the think-tank team of 'creative directors' including Ananda and Krishna.

(d) All the directors of Kreative Film Production Limited, unanimously, must have determined the fair price for valuation of the Sweat Equity shares which were to be issued in the course of time to the think-tank team of 'creative directors' including Ananda and Krishna.

2. Which type of resolution must have been passed by Kreative Film Production Limited for authorizing the issue of Sweat Equity shares to the think-tank team of 'creative directors' including Ananda and Krishna:

(a) The issue of Sweat Equity shares must have been authorised by passing a Board Resolution with all the directors who were present at the Board Meeting casting their votes in favour of the issue.

(b) The issue of Sweat Equity shares must have been authorised by passing a special resolution at the General Meeting of Kreative Film Production Limited.

(c) The issue of Sweat Equity shares must have been authorised by passing an ordinary resolution at the General Meeting of Kreative Film Production Limited and thereafter, it must have been approved by the jurisdictional Registrar of Companies.

(d) The issue of Sweat Equity shares must have been authorised by the shareholders who held a minimum of ninety percent of equity shares in value.

3. It is assumed that even after becoming its subsidiary, Scenic Reels and Motion Pictures Private Limited continues to hold 1000 equity shares of Kreative Film Production Limited. Choose the appropriate option from those given below as to whether or not Scenic Reels and Motion Pictures Private Limited is required to transfer 1000 equity shares of Kreative Film Production Limited after becoming its subsidiary:

(a) Scenic Reels and Motion Pictures Private Limited is not required to transfer 1000 equity shares of Kreative Film Production Limited even after becoming its subsidiary and may continue to hold them but it shall not be able to exercise any voting rights in the general meeting of Kreative Film Production Limited.

(b) Scenic Reels and Motion Pictures Private Limited is not required to transfer 1000 equity shares of Kreative Film Production Limited even after becoming its subsidiary and may continue to hold them but its right to vote shall be curtailed by 50% when any general meeting of Kreative Film Production Limited is held at a future date.

(c) Scenic Reels and Motion Pictures Private Limited shall be required to transfer 1000 equity shares to the nominated person of Kreative Film Production Limited within one month from the date it becomes its subsidiary and cannot continue to hold such shares.

(d) Scenic Reels and Motion Pictures Private Limited shall be required to transfer 1000 equity shares to the nominated person of Kreative Film Production Limited within three months from the date it becomes its subsidiary and cannot continue to hold such shares.

4. From the Case scenario, it is evident that Kreative Film Production Limited declared dividend of 10% at its Annual General Meeting (AGM) which was held on September 6, 2024, but the deposit of amount of dividend in the separate account maintained with its banker State Bank of India was delayed until September 24, 2024. You are required to choose the correct option from those mentioned below as to the maximum time period within which the amount of declared dividend was required to be deposited in the separate account:

(a) Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained with its banker State Bank of India maximum within two days from the date of declaration of dividend *i.e.* 6th September, 2024.

(b) Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained with its banker State Bank of India maximum within five days from the date of declaration of dividend *i.e.* 6th September, 2024.

(c) Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained with its banker State Bank of India maximum within three days from the date of declaration of dividend *i.e.* 6th September, 2024.

(d) Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained with its banker State Bank of India maximum within seven days from the date of declaration of dividend *i.e.* 6th September, 2024.

5. Keeping in view the relevant legal provisions, select the appropriate option from those given hereunder as to the maximum limit up to which Kreative Film Production Limited is permitted to issue Sweat Equity shares in any year:

(a) In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 15% of its paid-up capital or ₹ five crore whichever is higher.

(b) In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 15% of its paid-up capital or ₹ two crore whichever is higher.

(c) In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 15% of its paid-up capital or ₹ three crore whichever is higher.

(d) In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 20% of its paid-up capital or ₹ four crore whichever is higher.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (c) Shalabh Ranjan, a registered valuer, must have been given the responsibility to determine the fair price for valuation of the Sweat Equity shares which were to be issued to the think-tank team of 'creative directors' including Ananda and Krishna.

Reason:

Refer Section 54 and Rule 8 (6) of the Companies (Share Capital and Debentures) Rules, 2014.

Under Section 54 of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014, the valuation of sweat equity shares must be conducted by a registered valuer, as per Rule 8(6). A registered valuer is a professional certified to perform valuation tasks for various purposes under the Companies Act.

2. **Option (b)** The issue of Sweat Equity shares must have been authorised by passing a special resolution at the General Meeting of Kreative Film Production Limited.

   Reason:

   As per Section 54(1) of the Companies Act, 2013, the issue of sweat equity shares must be authorized by a special resolution passed at a general meeting of the company. The resolution must specify the number of shares, the current market price, the consideration (if any), and other relevant details.

3. **Option (a)** Scenic Reels and Motion Pictures Private Limited is not required to transfer 1000 equity shares of Kreative Film Production Limited even after becoming its subsidiary and may continue to hold them but it shall not be able to exercise any voting rights in the general meeting of Kreative Film Production Limited.

   Reason:

   Refer Section 19 of the Companies Act, 2013.

4. **Option (b)** Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained with its banker State Bank of India maximum within five days from the date of declaration of dividend i.e. 6th September, 2024.

   Reason:

   Refer Section 123 (4) of the Companies Act, 2013.

5. **Option (a)** In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 15% of its paid-up capital or ₹ five crore whichever is higher.

   Reason:

   Refer Section 54 and Rule 8 (4) of the Companies (Share Capital and Debentures) Rules, 2014.

CASE SCENARIO 25

Based at Manipal, Karnataka, Jatindrarangam Iron Works Private Limited is an integrated set up of foundries and machine shops that adds value by machining more than 75% of its castings into fully finished products. While serving its customers globally, Jatindrarangam Iron Works is considered one of the largest jobbing foundries which manufactures grey iron castings required for sectors like automobiles, farm equipment, diesel engines, etc. It is noteworthy that the turnover of the company in the last financial year 2023-24 was to the extent of ₹ 650 crore and it included export turnover of about ₹ 250 crore. The Authorised Capital of the company is 100 crore divided into 10 crore equity shares of ₹ 10 each; while the paid-up capital is ' 75 crore. Following persons hold the office of directorship in the company:

1. Jagadayu - Managing Director (MD)
2. Jagatbandhu (younger brother of Jagadayu) – Whole-time Director (WTD)
3. Jatindra (son of Jagadayu) – Director (Operations)
4. Jigyasa (daughter of Jagadayu) – Director (Engineering & Human Resource Department)
5. Jeevika (daughter of Jagatbandhu) – Director (Marketing)

In order to meet constant surging demand of its customers, both from India and overseas, Jatindrarangam Iron Works is planning expansion to enhance its production capacity; and for this purpose, from the onset of the financial year 2024-25, the directors held a number of Board meetings and had fruitful discussions relating to this issue. The end result of the deliberations was to import a fully automatic Plant and Equipment from Germany for the unit at Manipal and also to acquire a 'machining unit' abroad at Nairobi, Kenya for its wholly owned subsidiary (WoS), namely, Jatindrarangam Machining Private Limited (JMPL). Chief Financial Officer (CFO) Krishnan was given free hand to arrange finances for the expansion projects. Accordingly, the means of finance were decided as under:

(a) Jatindrarangam Iron Works would receive an amount of ₹ 10 crore, without providing any security, from Shwetamalini, wife of Jagadayu (MD), to be repaid in next three years, in three yearly instalments of ₹ 2 crore in the first year, ₹ 3 crore in the second year and ₹ 5 crore in the third year. In fact, Jagadayu and his younger brother Jagatbandhu, being promoters, had earlier incorporated the present company. Jagadayu instructed Sachin, Company Secretary of the company, to complete the requisite compliances, if any, needed from the perspective of acceptance of such amount from his wife, Shwetamalini.

(b) As per the instructions of the Board of Directors of Jatindrarangam Iron Works, CFO Krishnan approached the main banker of the company *viz.*, Towering Capital Bank Limited, which after proper credit analysis, sanctioned various amount as under:

1. A term loan of ₹ 30 crore to the company, for importing the fully automatic Plant and Equipment from Germany for the expansion project for the unit at Manipal against the security of the assets imported along with the land and factory building situated at Manipal. The term loan would be repayable in six yearly instalments of ₹ 5.00 crore each. The repayment shall start after a moratorium of one year. The interest shall be paid as and when it becomes due. In addition, the company was also sanctioned interchangeable non-funded limits for foreign Letters of Credit and bank guarantees totalling to ₹ 15 crore against the personal guarantees of all the directors.

2. Along with the aforesaid term loan, Jatindrarangam Iron Works was also sanctioned an additional amount of ₹ 20 crore for meeting the working capital needs of the expansion project, which included interchangeable limits of cash credit, foreign and inland bills for negotiation. The security cover was floating charge on the book debts, inventory and other current assets involved in the expansion project of Jatindrarangam Iron Works in Manipal.

3. Further, a term loan of ₹ 25 crore, repayable in five years was also sanctioned for acquisition of the 'machining plant' along with land and building at Nairobi, Kenya for its wholly owned subsidiary (WoS), i.e., - Jatindrarangam Machining Pvt Limited (JMPL). The repayment of yearly instalment of ₹ 5 crore each would start after a

moratorium of two years and the interest shall be paid as and when it becomes due. The said term loan was stated to be disbursed through the overseas branch of Towering Capital Bank Limited at Nairobi. The machining plant was to be commissioned specifically to meet the continuous demand of two major customers of Kenya with an eye to capture the African market too. The term loan was to be secured against the properties of the holding company Jatindrarangam Iron Works Private Limited situated at Nairobi.

The CFO Krishnan and the CS Sachin together were instructed by Jagadayu, MD, to coordinate with the legal department of the Towering Capital Bank in respect of procedures relating to creation of security and registration of charges.

In a new development, though the company maintained its Register of Members at its Registered Office situated in Manipal but out of total one hundred and fifty-five members, some of the members who resided in Mangaluru (earlier known as Mangalore), which is around sixty five kilometres away from Manipal, were constantly requesting the directors of Jatindrarangam Iron Works to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal.

It is worth mentioning that the Board of Directors of Jatindrarangam Iron Works Private Limited approved the allotment of one thousand equity shares to five new members in its meeting held on 2nd August, 2024. After approval of the allotment, the names of five members were duly entered in the Register of Members within the specified time limit by the Secretarial Department under the guidance of Sachin, Company Secretary.

As regards appointment of statutory auditors, it may be noted that M/s. Suresh Neelambar & Co. were appointed as the statutory auditors of Jatindrarangam Iron Works Private Limited at its Annual General Meeting held on 7th September, 2023, to hold the office from the conclusion of that meeting till the conclusion of the sixth Annual General Meeting. However, in the next Annual General Meeting held on 5th September, 2024, no ratification resolution for the appointment of M/s. Suresh Neelambar & Co. as statutory auditors was passed.

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:

MULTIPLE CHOICE QUESTIONS

1. In the above case scenario, it is mentioned that Jatindrarangam Iron Works Private Limited would receive an amount of ₹ 10 crore as short-term unsecured loan from Shwetamalini, wife of Jagadayu (MD). Choose the apt option from those stated below regarding the compliances, if any, which, after being instructed by Jagadayu (MD), Sachin, as the Company Secretary of the company, would dutifully ensure:

   (a) Treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure to issue a circular immediately to the members of the company with a statement of deposits accepted as on date with the names of each depositor, amount received as on date, the due dates and the liabilities on the due dates in respect of each depositor.

   (b) Not treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure that a declaration in writing is obtained to the effect that the amount is not being given out of funds acquired by her by borrowing or accepting loans or deposits from others and further the details of money so accepted shall be disclosed in the Board's Report.

   (c) Not treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure that a declaration in writing is obtained to the effect that the amount is not being given out of funds acquired by her by borrowing or accepting loans or deposits from others and further the details of money so accepted shall be disclosed in the Board's Report and also displayed on the official website of the company.

(d) Not treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure that a declaration in writing is obtained to the effect that the amount is not being given out of funds acquired by her by borrowing or accepting loans or deposits from others and further the details of money so accepted shall be disclosed in the Board's Report and also displayed on the official website of the company as well as official website of Ministry of Corporate Affairs (MCA) since the amount exceeds the limit of ₹ 5.00 crore.

2. The Case Scenario states that Towering Capital Bank sanctioned a term loan of ₹ 25 crore, to be disbursed by its overseas branch, for acquisition of the 'machining plant' along with land and building at Nairobi, Kenya for the wholly owned subsidiary (WoS), *i.e.*, - Jatindrarangam Machining Pvt Limited (JMPL) and the term loan was to be secured against the properties of the holding company Jatindrarangam Iron Works Private Limited situated at Nairobi. As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified in a specified manner. Choose the correct option from those given below as to the verification of copy for creation of charge in India:

   (a) As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of some person other than the company who is interested in the mortgage or charge.

   (b) As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of designated official at High Commission of India in Kenya.

(c) As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of Notary Public of Kenya having a valid certificate.

(d) As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of a member of the Institute of Certified Public Accountants of Kenya holding valid membership.

3. According to the Case Scenario, out of total one hundred and fifty-five members, some of the members who resided in Mangaluru, were constantly requesting the directors of Jatindrarangam Iron Works to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal. Keeping in view the relevant provisions, you are required to indicate the correct option from those mentioned below as to minimum how many members who resided in Mangaluru must request the company for maintaining the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal:

(a) As per the relevant provisions, if more than one-fifth of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.

(b) As per the relevant provisions, if more than one-tenth of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.

(c) As per the relevant provisions, if more than one-half of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.

(d) As per the relevant provisions, if more than one-twentieth of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.

4. The Case Scenario mentions that the names of new five members to whom allotment of one thousand equity shares was approved in the meeting of Board of Directors of Jatindrarangam Iron Works Private Limited which was held on 2nd August, 2024, were duly entered in the Register of Members within the specified time limit. You are required to choose the correct option from those stated below as to the maximum time limit within which said names must have been entered in the Register of Members:

(a) The names of the new members to whom one thousand equity shares were allotted must have been entered in the Register of Members by the Secretarial Department within seven days after the Board of Directors approved the allotment in its meeting held on 2nd August, 2024.

(b) The names of the new members to whom one thousand equity shares were allotted must have been entered in the Register of Members by the Secretarial Department within five days after the Board of Directors approved the allotment in its meeting held on 2nd August, 2024.

(c) The names of the new members to whom one thousand equity shares were allotted must have been entered in the Register of Members by the Secretarial Department within fifteen days after the Board of Directors approved the allotment in its meeting held on 2nd August, 2024.

(d) The names of the new members to whom one thousand equity shares were allotted must have been entered in the Register of

Members by the Secretarial Department within ten days after the Board of Directors approved the allotment in its meeting held on 2nd August, 2024.

5. According to the Case Scenario, M/s. Suresh Poojary & Co. were appointed as the statutory auditors of Jatindrarangam Iron Works Private Limited at its Annual General Meeting held on 7th September, 2023, to hold the office from the conclusion of that meeting till the conclusion of the sixth Annual General Meeting but in the next Annual General Meeting held on 5th September, 2024, no ratification resolution for the appointment of M/s. Suresh Neelambar & Co. as statutory auditors was passed. You are required to choose the correct option from those stated below:

   (a) There was violation of the relevant provisions since no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and therefore, the continuation of appointment of M/s. Suresh Neelambar & Co. as statutory auditors of Jatindrarangam Iron Works Private Limited shall need to be approved by the jurisdictional Registrar of Companies.

   (b) There was violation of the relevant provisions since no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and therefore, the continuation of appointment of M/s. Suresh Neelambar & Co. as statutory auditors of Jatindrarangam Iron Works Private Limited shall need to be approved by the jurisdictional Regional Director.

   (c) There was violation of the relevant provisions since no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and therefore, the continuation of appointment of M/s. Suresh Neelambar & Co. as statutory auditors of Jatindrarangam Iron Works Private Limited shall need to be approved by the jurisdictional bench of National Company Law Tribunal (NCLT).

   (d) There was no violation of any provision if no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and the appointment of M/s. Suresh Neelambar & Co. as statutory auditors of Jatindrarangam Iron Works Private Limited shall continue to remain valid.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Not treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure that a declaration in writing is obtained to the effect that the amount is not being given out of funds acquired by her by borrowing or accepting loans or deposits from others and further the details of money so accepted shall be disclosed in the Board's Report.

   Reason:

   Sachin, the Company Secretary, would ensure that the amount received from Shwetamalini is not treated as a deposit as per the Companies (Acceptance of Deposits) Rules, 2014. The rules exempt loans from relatives of directors from being treated as deposits if:

   1. The relative declares in writing that the funds are not borrowed or acquired from others.
   2. The company discloses the details of the loan in the Board's Report.

2. **Option (a)** As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of some person other than the company who is interested in the mortgage or charge.

   Reason:

   Section 77(3) of the Companies Act, 2013 and Rule 3(6) of the Companies (Registration of Charges) Rules, 2014.

3. **Option (b)** As per the relevant provisions, if more than one-tenth of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its branch

office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.

Reason:

Section 94(2) of the Companies Act, 2013 provides that if more than one-tenth (1/10th) of the total members residing in a particular place request the company to keep the Register of Members at a branch office in that location, the company may accede to their request after fulfilling specified formalities.

4. **Option (a)** The names of the new members to whom one thousand equity shares were allotted must have been entered in the Register of Members by the Secretarial Department within seven days after the Board of Directors approved the allotment in its meeting held on 2nd August, 2024.

Reason:

Section 88(1) of the Companies Act, 2013 mandates that every company must maintain a Register of Members containing details of shareholders, their shareholdings, and other relevant information.

Rule 5(1) of the Companies (Management and Administration) Rules, 2014 states that every company must enter the name of the allottee in the Register of Members within seven days from the date of allotment of shares.

5. **Option (d)** There was no violation of any provision if no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and the appointment of M/s. Suresh Neelambar & Co. as statutory auditors of Jatindrarangam Iron Works Private Limited shall continue to remain valid.

Reason:

As per Section 139 of the Companies Act, 2013 (amended provisions effective from 2017), the requirement for annual ratification of the appointment of statutory auditors by the members was removed. Therefore, the continuation of M/s. Suresh Neelambar & Co. as auditors does not require any further ratification.

CASE SCENARIO 26

It is correctly said that One Person Company (OPC) is a special gift of the newly enacted Companies Act, 2013 to the Indian citizens. Due to this novel introduction, many businessmen decided to start their business using the form of 'one person company' as it combines most of the benefits of a sole proprietorship and a company form of organisation. In this large herd of businessmen - both young and experienced - was Anuvrat who lived in Nagpur, a two-tier city along with his parents Mr. Prabhat and Mrs. Shakuntala, an elder sister Sumati who had recently completed her Ph.D. and a younger brother Anukant who was pursuing graduation in Commerce. The profession of his father, Mr. Prabhat, who held the position of Vice President (Marketing) in a leading pharmaceutical company going by the name A-one Pharma Limited (listed on BSE and NSE), demanded travelling abroad most of the year.

In the last financial year, *i.e.,* 2023-24 too, Mr. Prabhat vastly travelled in the cities of different countries of Europe from 1st June, 2023, onwards till the end of March 2024. He is also planning to migrate to Birmingham, U.K. after proceeding on superannuation which is only two years away.

Anuvrat's mother, Mrs. Shakuntala, was a science teacher in a reputed public school of Nagpur and an active social worker. As regards himself, Anuvrat, after completion of post-graduation in science stream, had successfully completed a one-year program in 'film direction and production', his most preferred career, in the year 2019 and was working as a freelancer in video-making and photography sector. However, on the back of his mind, he constantly thought of establishing his very own company and the same he did in July 2023 by incorporating a film production company which went by the name - Anuvrat SilverBand Private Limited (OPC) with Registered Office situated in Mumbai.

Of his company, Anuvrat was the only subscriber to the Memorandum of Association with his mother, Mrs. Shakuntala, as the nominee. The company had three directors - he himself, his brother Anukant and his sister Sumati. The Authorised Capital as stated in the Capital Clause of the Memorandum was ₹ 40,00,000 but the paid-up capital was only ₹ 10,00,000 which was entirely held by Anuvrat.

Due to the adaptive structure of One Person Company where he could take decisions of his choice and benefits accruing from it, Anuvrat, with the help of other two directors *i.e.* Anukant and Sumati, boldly expanded his business and made an entry into radio, television, fashion films, music videos and other entertainment activities.

Everything was going smoothly and fine, when in July 2024, all of a sudden, his mother Mrs. Shakuntala expressed her opinion to withdraw her consent as the nominee of the Anuvrat SilverBand Private Limited (OPC) since she was suffering from some kind of medical problem, quite serious in nature and was difficult to handle by the family doctor. This adverse development required Anuvrat to think intensely about changing the nomination of his mother and ultimately, though with heavy heart, he put across his desire before his father, Mr. Prabhat, to make him a new nominee in place of his mother, Mrs. Shakuntala. His father, Mr. Prabhat, assured him that he would consider the proposal of his nomination with positive mindset but also cautioned him that there should not arise any legal hurdle if he becomes the nominee.

As luck would have it, one day Surryyadeepp, a renowned figure in the realm of numerology for over a decade approached Anuvrat to make short films for his company by the name Surryyadeepp Numbers Pvt. Limited (OPC) to which he agreed. During the meetings that followed, the numerologist guided him to have additional alphabets 'n' and 'v' in his name to reach his highest potential and Anuvrat agreed to his suggestion. By fulfilling various legal formalities, Anuvrat got his name changed to Annuvvrat.

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:

MULTIPLE CHOICE QUESTIONS

1. Neelesh, a sales executive in A-one Pharma Limited who was working directly under Mr. Prabhat, Vice President (Marketing), as the member of his core marketing team, is desirous of availing loan from the company for purchase of its equity shares. Choose the correct option from those

given below as to whether or not Neelesh can avail loan from the company for the purpose of purchasing its own equity shares:

(a) Neelesh as an employee of A-one Pharma Limited is not permitted to avail loan from the company for the purpose of purchasing its own equity shares.

(b) Neelesh as an employee of A-one Pharma Limited is permitted to avail loan from the company for the purpose of purchasing its own equity shares but the quantum of loan amount shall be limited to maximum up to three months' salary of Neelesh.

(c) Neelesh as an employee of A-one Pharma Limited is permitted to avail loan from the company for the purpose of purchasing its own equity shares but the quantum of loan amount shall be limited to maximum up to six months' salary of Neelesh.

(d) Neelesh as an employee of A-one Pharma Limited is permitted to avail loan from the company for the purpose of purchasing its own equity shares but the quantum of loan amount shall be limited to maximum up to nine months' salary of Neelesh.

2. From the Case Scenario, it is evident that with a view to start his own film production company, Annuvvrat (earlier name Anuvrat) incorporated a one-person company by the name Anuvrat SilverBand Private Limited 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) The manner in which the company's name outside his Registered office in Mumbai is required to be displayed shall be -

Anuvrat SilverBand Private Limited (One Person Company)

(b) The manner in which the company's name outside his Registered office in Mumbai is required to be displayed shall be -

Anuvrat SilverBand Private Limited (One Person Company)

(c) The manner in which the company's name outside his Registered office in Mumbai is required to be displayed shall be -

Anuvrat SilverBand (One Person Company) Private Limited.

(d) The manner in which the company's name outside his Registered office in Mumbai is required to be displayed shall be -

Anuvrat SilverBand Private Limited - One Person Company

3. It is presumed that Mrs. Shakuntala, mother of Annuvvrat, withdrew her consent to continue as nominee and a notice to this effect was given by her on 8th July, 2024. You are required to indicate the correct option from those stated hereunder as to the maximum time period within which Annuvvrat is required to nominate another person as nominee from the receipt of the notice of withdrawal of consent:

(a) Annuvvrat 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. Shakuntala.

(b) Annuvvrat 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. Shakuntala.

(c) Annuvvrat 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. Shakuntala.

(d) Annuvvrat 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. Shakuntala.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Neelesh as an employee of A-one Pharma Limited is permitted to avail loan from the company for the purpose of purchasing its own equity shares but the quantum of loan amount shall be limited to maximum up to six months' salary of Neelesh.

Reason:

Section 67(3)(c) of the Companies Act, 2013.

2. **Option (b)** The manner in which the company’s name outside his Registered office in Mumbai is required to be displayed shall be -

   Anuvrat SilverBand Private Limited (One Person Company)

   Reason:

   Refer second Proviso to Section 12 (3) of the Companies Act, 2013.

3. **Option (b)** Annuvvrat 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. Shakuntala.

   Reason:

   Refer Section 3 and Rule 4 (3) of the Companies (Incorporation) Rules, 2014.

CASE SCENARIO 27

Fresh Orchids Private Limited, incorporated by two close friends, named Pratham MBA-Finance) and Adwait (MBA-Marketing) with Authorised Capital of ₹ 30.00 crores consisting of 3,00,00,000 equity shares of ₹ 10 each, had its Registered Office at Pune, Maharashtra. The company, having paid-up share capital of ₹ 20,00,00,000, subscribed by one hundred and two shareholders, has been making its niche in the beverage industry for the last six years.

With quality and taste as its pillars, Fresh Orchids made its presence felt not only in the city of Pune but also in Mumbai 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 True Bank Limited and whose repayment, both principal and interest till date, is quite regular, stood at ₹ 10.00 crores.

Anticipating robust future trends, Pratham and Adwait, holding the office of Managing Director and Whole-time Director respectively and two other directors, named Shikha (wife of Pratham) and Shruti (wife of Adwait), 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 new line of health-drink was concerned.

As the company needed a fresh dose of additional capital for production and marketing of newly developed health drinks, the directors decided to offer 50,00,000 equity shares of ₹ 10 each through private placement to the existing shareholders. 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 was the goodwill of the company.

The directors of Fresh Orchids 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 of ₹ 10 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 shall be able to reduce the likelihood of employees leaving for other gainful opportunities in times to come. This way, the company not only enhanced employees' satisfaction but also strengthened its overall organizational performance.

The graph of success went on rising day by day. With soaring demand, the company established five branch offices in Delhi, Bangaluru, Chandigarh, Bhopal and Kolkata. The branch managers of these branches were ably handling almost all the areas of north, east and south falling within the country. The company received a welcoming response from all the corners and had a sort of pan India image. Motivated by this, the company crossed the boundaries of the country and began exporting to the European countries as well. To handle and coordinate the business in a smooth manner, the company established its maiden overseas branch office in Vienna, Austria which was sixth one in the row after opening of five Indian branches.

It is worth mentioning that Fresh Orchids maintains its books of accounts and other books and papers in electronic mode. Accordingly, the back-up of these books of accounts and other books and papers are duly kept in server physically located in India.

The auditors, M/s. Tarun Chandorkar & 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 of 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 given herein under:

MULTIPLE CHOICE QUESTIONS

1. The Case Scenario states that the directors of Fresh Orchids 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/non-transferable 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 Fresh Orchids 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 Fresh Orchids 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 Fresh Orchids 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 Fresh Orchids 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 Fresh Orchids 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 ₹ 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, Fresh Orchids 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, Fresh Orchids Private Limited established its sixth branch in Vienna, Austria, 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 Vienna, Austria, by Fresh Orchids Private Limited, only the company's auditor M/s. Tarun Chandorkar & Associates is authorised to audit its accounts.

(b) As regards auditing of sixth branch established in Vienna, Austria, by Fresh Orchids Private Limited, the company's auditor M/s. Tarun Chandorkar & 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 Austria is authorised to audit its accounts.

(c) As regards auditing of sixth branch established in Vienna, Austria, by Fresh Orchids Private Limited, the company's auditor M/s. Tarun Chandorkar & 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 Austria, is authorised to audit its accounts.

(d) As regards auditing of sixth branch established in Vienna, Austria, by Fresh Orchids 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 Austria is authorised to audit its accounts.

5. It is evident that Fresh Orchids 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.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

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

   Reason:

   As per Section 54 of the Companies Act, 2013, and the rules framed thereunder, sweat equity shares issued by a private company are subject to a mandatory lock-in period of three years from the date of allotment. This restriction is put in place to prevent the immediate sale of such shares and ensure long-term employee association with the company.

2. **Option (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.

   Reason:

   As per Section 42 of the Companies Act, 2013, dealing with private placement, a company is required to allot securities within 60 days of receiving the application money**.** If the company fails to allot within 60 days, it must refund the application money within the next 15 days.

3. **Option (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.

   Reason:

   As per Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014, sweat equity shares must be allotted within 12 months from the date of passing the special resolution authorizing the issue.

4. **Option (b)** As regards auditing of the sixth branch established in Vienna, Austria, by Fresh Orchids Private Limited, the company's auditor M/s. Tarun Chandorkar & 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 Austria is authorised to audit its accounts.

Reason:

As per Section 143(8) of the Companies Act, 2013, the accounts of a foreign branch of a company can be audited either by the company's auditor or by an auditor duly qualified to act as an auditor in accordance with the laws of the country where the branch is located. This ensures compliance with local regulations.

5. **Option (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.

Reason:

Read section 54 along with Rule 8.

As per Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014**,** sweat equity shares rank pari passu with other equity shareholders from the date of allotment**.** This means they have the same rights as ordinary equity shareholders without any waiting period for ranking.

CASE SCENARIO 28

Bharat Sanskar Limited having its registered office at Haridwar, is a listed public company. It is registered with an authorised share capital of ₹ 300 crore divided into 30 crore equity shares of ₹ 10/- each. The paid-up share capital of the company is ₹ 200 crore divided into 20 crore equity shares of ₹ 10/- each. The company is very renowned in manufacturing and supplying devotional items such as high-quality worship materials, fragrances, various types of decorative goods, idols etc.

The Board of Directors of the company constituted of Sagar as the Managing Director and Hari, Rahi, Sansar & Nabh as directors of the company. In the company Raju was holding the post of Company Secretary, Sonu designated as Chief Financial Officer and Moti as Assistant Accountant. The company prepared its Financial Statement for the year 2022-23, the Board of Directors approved the same and it was signed by the concerned authorities and thereafter submitted to the auditors on 10th May, 2023 for their report. The turnover of the company was ₹ 100 crore during the year 2022-23. The auditor's report was duly received and the annual accounts with Board's report and all necessary annexures were ready on 15th July 2023 after complying with all the formalities as per company law.

The Board Meeting was called on 25th July, 2023 and the Annual General Meeting was fixed on 20th August, 2023. At the Annual General Meeting the Financial Statement along with all annexures was duly received and adopted by the members present. However, the company could not file copies of financial statement along with all the documents annexed to the financial statement adopted at the Annual General Meeting, with the Registrar.

It is also informed that in April, 2023, the company had destroyed all the books of account together with relevant vouchers up to financial year ending on 31st March, 2018.

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:

MULTIPLE CHOICE QUESTIONS

1. The Companies Act, 2013 provides that the financial statement should be approved by the Board of Directors, signed by the prescribed authorities and submitted to the auditors for their report. Accordingly, the financial statements of Bharat Sanskar Limited shall be signed by:

   (a) Sagar, Raju and Sonu

   (b) Sansar, Hari, Raju and Sonu

   (c) Sagar, Sansar, Raju and Moti

   (d) Sagar, Sansar, Raju and Sonu

2. As per provisions of company law, the Board's report with annexures thereto of the above company is required to be duly signed by -

   (a) Sagar only

   (b) Sagar and Hari

   (c) Sagar and Raju

   (d) Sagar and Sonu

3. As per provisions of the Companies Act, 2013, the act of the company in destruction of all books of account together with relevant vouchers was not correct because –

   (a) The books of accounts etc. relating to a period not less than 6 preceding financial years are required to be kept in good order.

   (b) The books of accounts etc. relating to a period not less than 8 preceding financial years are required to be kept in good order.

   (c) The books of accounts etc. relating to a period not less than 10 preceding financial years are required to be kept in good order.

   (d) The books of accounts etc. relating to a period not less than 12 preceding financial years are required to be kept in good order.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** Sagar, Sansar, Raju and Sonu

   Reason:

   As per, section 134(1) of the Companies Act, 2013, the financial statement shall be approved by the Board of Directors before they are signed on behalf of the Board for the submission to the auditor for his report thereon; at least by:

   a. The chairperson of the company where he is authorised by the Board OR the two directors out of which one shall be managing director, if any, and

   b. The Chief Executive Officer, and

   c. The Chief Financial Officer and

   d. The company secretary of the company, wherever they are appointed.

2. **Option (b)** Sagar and Hari

   Reason:

   As per section 134 (6) of the Companies Act, 2013,

   The Board's report and any annexures thereto shall be signed by:

   a. Chairperson of the company if he is authorised by the Board and

   b. Where he is not so authorised, shall be signed by:

      i. At least two directors, one of whom shall be a managing director, or

      ii. The director where there is one director.

3. **Option (b)** The books of accounts etc. relating to a period not less than 8 preceding financial years are required to be kept in good order.

   Reason:

   As per section 128(5) of the Companies Act, 2013,

   The books of account, together with vouchers relevant to any entry in such books, are required to be preserved in good order by the company for a period of not less than eight years immediately preceding the relevant financial year.

CASE SCENARIO 29

Shree Tyres Limited is an unlisted public limited company. The company's accounts for the financial year ending on 31st March, 2023 were finalised and audited by the Statutory Auditor. The meeting of the Board of Directors was convened and approved the financial accounts of the company and proposed to convene the Annual General Meeting of the shareholders on Thursday, the 25th August, 2023 at 10 am.

The total number of members is 3500. The Article of the company provides that the quorum for the general meeting of the shareholders shall be at least fifty members. On the day of the meeting only 10 members were physically present. Even after waiting of 30 minutes, the quorum was not present. Accordingly, the meeting was adjourned. According to the provisions of the Companies Act, 2013, the meeting shall adjourn to the same day in the next week at the same time and place.

However, on the same day in the next week i.e., on Thursday, the 1st September, 2023, the same venue (which is a Hotel's Conference Hall) was available from 3 pm only. The Board agreed to conduct the meeting from 3 pm and the all the members were informed individually via mail and also published it in the newspapers (one in English and another in vernacular language)

The adjourned meeting started at 3 pm on 1st September, 2023, the quorum required as per the Articles was 50, however 75 members were present. Out of the 75 members attending the meeting 25 persons were having the residence near the venue of Annual General Meeting and rest of the members were staying far away. Due to heavy rainfall and scarce availability of public transportation, 40 persons left the meeting so that they can reach home on time. By that time only the ordinary business resolutions were approved and two special business agendas were pending for approval by the 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:

MULTIPLE CHOICE QUESTIONS

1. In the light of the given facts, the General Meeting of the shareholders was decided to be scheduled. Determine by which date the notices to the shareholder should have been given to the members:

   (a) 1st August, 2023

   (b) 2nd August, 2023

   (c) 3rd August, 2023

   (d) 4th August, 2023

2. Whether adjournment of the general meeting of shareholders of Shree Tyres Limited for want of quorum, was justified as per the requirement of the Companies Act, 2013:

   (a) Yes, it was justified, since the quorum was not present within 30 minutes from the time appointed for holding the meeting

   (b) No, it was not justified since the waiting time for the arrival of the requisite quorum is 30 minutes as per the provisions of the Companies Act, 2013, whereas the decision of the adjournment of the meeting was just taken after 15 minutes.

   (c) Yes, if the quorum is not present at the given time (sharp) of meeting, the meeting stands to be adjourned, and there is no requirement of waiting time.

   (d) Yes, it was justified, since the quorum was not present within 45 minutes (as per statutory requirement) from the time appointed for holding the meeting.

3. What shall be the quorum for the General Meeting of the Shareholders, where the number of members is 3500:

   (a) Five

   (b) Fifteen

   (c) Thirty

   (d) Fifty

4. As some members left the meeting, the quorum was not present all the time during the Annual General Meeting. The agendas for special business transactions remained un-approved. What is your opinion:

   (a) The quorum once present in the beginning of the meeting is enough.

   (b) The quorum should be present all the time when the meeting is in progress. Any items which could not approved by members for want of quorum, shall be treated as NIL.

   (c) When the quorum is present in the beginning of the meeting, it may be assumed that all the resolutions have been approved, until and unless objected later on by the members present therein.

   (d) The Board may seek special written consent from the all the members later on.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** 3rd August, 2023

Reason:

Section 101(1) provides that a general meeting of a company may be called by giving not less than clear twenty-one days' notice either in writing or through electronic mode in such manner as may be prescribed.

So, excluding the day of 3rd August, 2022 (the date of service of notice) and 25th August, 2022 (the date of meeting), there are 21 clear days between these two dates.

2. **Option (a)** Yes, it was justified, since the quorum was not present within 30 minutes from the time appointed for holding the meeting.

Reason:

Section 103(2) provides that "if the quorum is not present within half-an-hour from the time appointed for holding a meeting of the company- the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other date and such other time and place as the Board may determine.

3. **Option (d)** Fifty

Reason:

Section 103(1) provides that unless the articles of the company provide for a larger number-

In case of public company-

(i) Five members personally present if the number of members as on the date of meeting is not more than one thousand;

(ii) Fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand;

(iii) Thirty members personally present if the number of members as on the date of the meeting exceeds five thousand.

In the present case, the minimum of member required for quorum have been fixed in the Articles, which is FIFTY, hence the answer shall be Fifty.

It is to be mentioned here that the Article can provide the higher number required for quorum, but it cannot reduce the number as prescribed under the Companies Act, 2013.

4. **Option (b)** The quorum should be present all the time when the meeting is in progress. Any items which could not approved by members for want of quorum, shall be treated as NIL.

Reason:

The Para 3 of the Secretarial Standard -2 (SS-2 on General Meetings) issued by the ICSI deals with the Quorum.

Its para 3.1. provides as under:

Quorum shall be present throughout the Meeting. Quorum shall be present not only at the time of commencement of the Meeting but also while transacting business.

CASE SCENARIO 30

Perfect Tyres and Rubbers Limited is a listed entity engaged in the business of manufacturing of tyres and tubes for Light and Heavy Commercial Vehicles. During the financial year 2022-23, the company has declared interim dividend of 5% on the equity shares in its Board meeting held on 17th October, 2022, out of the profits earned during the first quarter of FY 2022-23. Further, the Board of Directors of the company after reviewing results of the fourth quarter of FY 2022-23 again recommended for second Interim Dividend @ 5% on 25th April, 2023.

The Board of Directors of the company approved the financial result for the FY 2022-23 in its meeting held on 5th August, 2023, and recommended a final dividend of 15% (including the interim dividends paid earlier) in this board meeting. The general meeting of the shareholders was convened on 31st August, 2023. The shareholders of the company demanded that since interim dividend @10% (5% + 5%) was declared by the company, so the final dividend should not be less than 20% (including the interim dividends). When the Company Secretary emphasised that final dividend cannot exceed, what the Board of Directors have recommended in their board meeting, some of the shareholders boycotted the meeting and moved out of the meeting hall, in protest of the company's decision. However, the agenda for declaration of the dividend was passed unanimously by rest of the shareholders present in the meeting hall, fulfilling the criteria of requirement of quorum, as per the provisions of the Companies Act, 2013.

After approval of the shareholders the dividend amount was paid to the shareholders, however dividend to some of the shareholders could not be paid within the prescribed period for variety of reasons. The company transferred the unpaid dividend amount to a separate bank account on 15th October, 2023.

The details of the unpaid dividend amount for the previous year's lying in the unpaid dividend account is as under:

S. No.	Dividend pertaining to the FY	Date of declaration of Dividend	Date when the amount was transferred to Unpaid dividend Account	Amount lying in the Unpaid Dividend Account (₹ in lakh)
1	2022-23	31.08.2023	15.10.2023	92.50
2	2021-22	25.08.2022	28.09.2022	85.14
3	2020-21	20.08.2021	22.09.2021	80.00
4	2019-20	05.09.2020	07.10.2020	75.25
5	2018-19	01.09.2019	04.10.2019	45.15
6	2017-18	07.09.2018	09.10.2018	35.26
7	2016-17	05.05.2017	08.06.2017	15.10
8.	2015-16	06.06.2016	08.07.2016	07.25

Sustram, one of the investors who is holding 1000 shares in physical form, by visiting web-site of the company, came to know that company had declared the dividends in some previous years, but have not been paid to him. This happened due to the fact the company was not having his current address and bank account details. Sustram approached the company, along with all the supporting evidence to his claim and demanded the dividend amount.

The company after being satisfied, paid all the dividend amount pertaining to the FY 2016-17 to FY 2022-23. However, for FY 2015-16, the company informed that since the amount of dividend has been transferred to Investor Education and Protection Fund, it cannot be taken back now. Aggrieved from this, Sustram threatened the company officials to take appropriate legal action.

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:

MULTIPLE CHOICE QUESTIONS

1. Which among the following is NOT correct?

    (a) The Board can declare the Interim Dividend after approval of the financial results for the FY 2022-23.

    (b) The Board cannot declare the Interim Dividend after approval of the financial results for the FY 2022-23.

    (c) After approval of the financial results for FY 2022-23, the Board can recommend for the final dividend only.

    (d) The interim dividend can be declared by the board of directors and there is no need of shareholder's approval.

2. When the shareholders demanded for increase in the rate of dividend, but since the shareholders cannot increase the rate of dividend what the Board of Directors have recommended, some of them walked out of the meeting hall. What shall be the consequences of it:

    (a) If, even after boycott, quorum is present, all the time during the course of general meeting and they have approved with majority, the rate recommended by the Board shall be treated as approved.

    (b) Members present at the beginning of the meeting shall remain present all the time during the general meeting, to approve any agenda, else it will be treated as nullified.

    (c) The approval of the dividend in an ordinary business resolution of the company, so if some of the members have boycotted the meeting, it will have no effect.

    (d) The recommendation of the Board of Directors of the company relating to the rate of dividend shall stands withdrawn.

3. At which date, the unpaid dividend not claimed by the shareholders, shall be transferred to a separate bank account, in the above case:

    (a) On 5th August, 2023 (the date of Meeting of Board)

    (b) On 31st August, 2023 (the date of Meeting of Shareholders)

(c) On 30th September, 2023 (the date, after 30 days from the meeting of shareholders)

(d) Latest by 7th October, 2023 (within seven days from the date of expiry of 30 days)

4. The company transferred the amount of unpaid dividend to a separate bank account on 15th October, 2023, which is beyond the prescribed period (in this case the 7th October, 2023 was the last date to deposit in a separate bank a/c).

What is the interest liability on the part of the company?

(a) Interest @ 6% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.

(b) Interest @ 10% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.

(c) Interest @ 12% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.

(d) Interest @ 15% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.

5. In the given case, when and how much amount, the company shall transfer the funds to the Investor Education and Protection Fund:

(a) Four years after 01.09.2019; ₹ 45.15 lakh

(b) Five years after 07.09.2018; ₹ 35.26 lakh

(c) Six years after 05.05.2017; ₹ 15.10 lakh

(d) Seven years after 08.07.2016: ₹ 07.25 lakh

6. The unpaid dividend amount once transferred by the company to Investor Education and Protection Fund (IEPF) cannot be withdrawn. Do you agree:

(a) Yes, the unpaid dividend amount once transferred to (IEPF) cannot be withdrawn.

(b) The unpaid dividend amount cannot be withdrawn in full, but is shall be released after deducting of 25% of the amount due and rest will be utilised for the investor’s education

(c) The unpaid dividend amount cannot be withdrawn in full, but is shall be released on 50% of the amount due and rest 50% will be utilised for the investor's education.

(d) The unpaid dividend amount can be withdrawn by submitting an online application in Form IEPF-5 with all the supporting vouchers in original to the Nodal officer of the concerned company and adhering to the further instructions given by the Nodal Office.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** The Board cannot declare the Interim Dividend after approval of the financial results for the FY 2022-23.

   Reason:

   Section 123(3) provides that the Board of Directors of a company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the annual general meeting out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

   However, it is practically not possible to declare any dividend for FY 2022-23, when the Board of Director have already approved the books of accounts since the books of accounts have already been closed for the FY 2022-23. The Board can at this stage recommend the final dividend and the shareholders will approve it.

2. **Option (a)** If, even after boycott, quorum is present, all the time during the course of general meeting and they have approved with majority, the rate recommended by the Board shall be treated as approved.

   Reason:

   The company in general meeting may declare Dividends, but no Dividend shall exceed the amount recommended by the Board. [Regulation 80 of Table F of Schedule I to the Act].

3. **Option (d)** Latest by 7th October, 2023 (within seven days from the date of expiry of 30 days)

Reason:

Section 124(1) provides that where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the Unpaid Dividend Account.

4. **Option (c)** Interest @ 12% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.

Reason:

Section 124(3) provides that if any default is made in transferring the total amount referred to in sub-section (1) or any part thereof to the Unpaid Dividend Account of the company, it shall pay, from the date of such default, interest on so much of the amount as has not been transferred to the said account, at the rate of twelve per cent per annum and the interest accruing on such amount shall ensure to the benefit of the members of the company in proportion to the amount remaining unpaid to them.

Further section 124(7) provides that if a company fails to comply with any of the requirements of this section, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of ten lakh rupees and every officer of the company who is in default shall be liable to a penalty of twenty-five thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of two lakh rupees.

5. **Option (d)** Seven years after 08.07.2016: ₹ 07.25 lakh

   Reason:

   Section 124(5) provides that any money transferred to the Unpaid Dividend Account of a company in pursuance of this section which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company along with interest accrued, if any, thereon to the Fund established under sub-section (1) of section 125 and the company shall send a statement in the prescribed form of the details of such transfer to the authority which administers the said Fund and that authority shall issue a receipt to the company as evidence of such transfer,

6. **Option (d)** The unpaid dividend amount can be withdrawn by submitting an online application in Form IEPF-5 with all the supporting vouchers in original to the Nodal officer of the concerned company and adhering to the further instructions given by the Nodal Office.

   Reason:

   Section 125(4) provides that any person claiming to be entitled to the amount referred in sub-section (2) may apply to the authority constituted under sub-section (5) for the payment of the money claimed.

   Rule 7 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 provides that any person whose shares, unclaimed dividend, matured deposits, matured debentures, application money due for refund, or interest thereon, sale proceeds of fractional shares, redemption proceeds of preference shares etc., has been transferred to the Fund, may claim the shares under proviso to sub-section (6) of section 124 or apply for refund under clause (a) of sub–section (3) of section 125 or under proviso to sub–section (3) of section 125, as the case may be, to the Authority by submitting an online application in Form lEPF–5 available on the website www.iepf.gov.in along with fee specified by the Authority from time to time in consultation with the Central Government.

   Upon submission. Form No. IEPF–5 shall be transmitted online to the Nodal Officer of the company for verification of claim:

Provided that the claimant after making an application in Form No. IEPF–5 under sub rule 1, shall send original physical share certificate, original bond, deposit certificate, debenture certificate, as the case maybe, along with Indemnity Bond, Advance Receipts, any other document as enumerated in Form No. IEPF–5. duly signed by him, to the Nodal Officer of the concerned company at its registered office for verification of the claim.

CASE SCENARIO 31

Pristine Limited, a listed entity, passed a resolution in its Board meeting for appointment of Arora & Associates, a Chartered Accountants firm, as Statutory Auditor of the company. The company obtained the consent in writing from Arora & Associates and also placed this recommendation before the general meeting of the shareholder and got it approved.

The company thereafter informed the CA Firm about their appointment and also filed a notice of appointment with the Registrar of Companies within the prescribed time.

Arora & Associates, Chartered Accountants firm is having 3 partners namely, A Arora, B Arora, C Arora. In this firm D Arora and M Arora were associates and were being paid on case-to-case basis and not on fixed salary.

Prior to the appointment of Arora & Associates, the previous auditor was Agrawal Arora & Associates. In this CA firm there were 6 partners namely, Priya Agrawal, Mia Agrawal, Vishal Agrawal, Vyom Agrawal, D Arora and M Arora.

D Arora and M Arora were common persons in both the firms.

While working with Pristine Limited, Arora & Associates started facing a lot of issues with the management of the company. After some time, due to these disputes with the management, Arora & Associates resigned from the company.

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:

MULTIPLE CHOICE QUESTIONS

1. The newly appointed CA Firm (Arora & Associates) and retiring CA Firm (Agrawal Arora & Associates) have common persons i.e., D Arora and M Arora. Whether the appointment of Arora & Associates in Pristine Limited. is valid as per the provisions of the Companies Act, 2013:

(a) It not valid since both the CA Firms (New and Old) have common persons

(b) D Arora and M Arora are the associates in Arora & Associates and not the partners, hence appointment of Arora & Associates, is valid

(c) Arora & Associates should expel D Arora and M Arora in order to retain its appointment

(d) Agrawal Arora & Associates should expel D Arora and M Arora

2. What would have been the position if, D Arora and M Arora are partners in Arora & Associates:

 (a) The position will remain same as MCQ 1 above [There will be no change in position]

 (b) There shall be no change and the Arora & Associates may continue as audit firm

 (c) The appointment of Arora & Associates would not have been in terms of the provisions of the Companies Act, 2013

 (d) The company may obtain permission from the shareholders in the general meeting by way of Special Resolution for continuation of appointment of Arora & Associates

3. In the given case, Arora & Associates due to some dispute with the management on some issues resigned from the company. Choose the correct option in respect to filling of this vacancy:

 (a) Arora & Associates cannot resign and has to hold the office till the conclusion of the next annual general meeting

 (b) The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board

 (c) This vacancy of auditor can be filled by the shareholders in consultation of the Central Government

 (d) This vacancy of auditor can be filled by the Board of Directors in consultation of the Comptroller and Auditor-General of India

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** D Arora and M Arora are the associates in Arora & Associates and not the partners, hence appointment of Arora & Associates, is valid

   Reason:

   The fifth proviso to section 139(1) provides that as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a company immediately preceding the financial year, shall be appointed as auditor of the same company for a period of five years.

   In the given case, Mayank Jain and Shashank Jain are Associates of Jain & Jain and not the partners, hence it is valid.

2. **Option (c)** The appointment of Arora & Associates would not have been in terms of the provisions of the Companies Act, 2013

   Reason:

   In terms of the fifth proviso to section 139(1) as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a company immediately preceding the financial year, shall be appointed as auditor of the same company for a period of five years.

3. **Option (b)** The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board

   Reason:

   Section 139(8)(i) provides that any casual vacancy in the office of an auditor shall in the case of a company other than a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled by the Board of Directors within thirty days, but if such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the recommendation

CASE SCENARIO 32

Shiv IT Solutions Limited is a company engaged in the business of providing customised software to its clients. These software's are usually related to the employee's attendance, leave management, salary preparation, tax calculation and other matters incidental to Human Resource (HR).

The company is having its own building and other infrastructure in Bengaluru and also at Brussels, Belgium. The company have patent rights over few of its software's and also have the trade mark right over the company's logo.

The company got sanctioned term loan facility of ₹ 10 crore from Best Bank Limited on 1st January, 2022 by creating a charge on the assets of the company which includes the company's own buildings and intangible assets. The charge should have been created by the company within the time prescribed under the Companies Act, 2013 with the Registrar, however, the company could not get registration of charges within the prescribed time line.

During the course of Secretarial Audit of the company, for the year ended March 2023, it came in the knowledge of the Company Secretary in Practice, that charge was not registered with the Registrar. He mentioned it in the report and advised the company to get it registered. However, the Action Taken Report (ATR) on the audit objection made by the Company Secretary was not apprised to the Board and no follow up was made by the company thereafter.

Bank's concurrent auditor and statutory auditor also pointed out this issue and narrated that since charge was not created by the company, hence this advance be treated as clean advance and interest rate of clean / unsecured advance, which is 22% (as against the normal rate of 11%) should be applied from the date of disbursement on the outstanding amount till date. Bank also asked a professional, whether it can get the charge registered, at its own, to satisfy the audit objection.

The Bank applied for registration of charge which was considered by the Registrar and registration of creation of charge was granted. The Bank in order to address the audit objections, applied the interest @ 22% on the outstanding amount in the loan account of the company. The company aggrieved with the decision of the Bank, managed to liquidate the term loans account by raising funds from other sources and filed the 'Satisfaction of Charge' with the Registrar.

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:

MULTIPLE CHOICE QUESTIONS

1. The company can create charge in favour of the lender on the the assets which are:

   (a) Tangible Assets and situated in India only

   (b) Intangible Assets and situated in India only

   (c) Assets that are tangible or otherwise and situated in India or Brussels (Belgium)

   (d) Assets that are tangible or otherwise and situated in India only

2. Where the company fails to get the registration of charge, whether the Best Bank Limited, in whose favour the charge was to be created, can move the application for creation of charge:

   (a) No. It is the responsibility of the borrower company only to get the charge registered in favour of the lender.

   (b) If the company do not get the charge registered in favour of the lender, the lender suo-moto cannot move application for registration of charge in its favour.

   (c) The borrower company can be held liable to pay the penalty only.

   (d) Yes. The lender company can move the application for registration of charge in its favour, if the borrower do not get the charge registered with the prescribed time.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Assets that are tangible or otherwise and situated in India or Brussels (Belgium)

   Reason:

   As per section 77(1), It shall be the duty of every company creating a charge within or outside India, on its property or assets or any of its undertakings, whether tangible or otherwise, and situated in or outside India, to register the particulars of the charge signed by the company and the charge-holder together with the instruments, if any, creating such charge in such form, on payment of such fees and in such manner as may be prescribed, with the Registrar within thirty days of its creation.

2. **Option (d)** Yes. The lender company can move the application for registration of charge in its favour, if the borrower do not get the charge registered with the prescribed time.

   Reason:

   Section 78 provides that where a company fails to register the charge within the period of 30 days referred to in sub-section (1) of section 77, without prejudice to its liability in respect of any offence under this Chapter, the person in whose favour the charge is created may apply to the Registrar for registration of the charge along with the instrument created for the charge, within such time and in such form and manner as may be prescribed and the Registrar may, on such application, within a period of fourteen days after giving notice to the company, unless the company itself registers the charge or shows sufficient cause why such charge should not be registered, allow such registration on payment of such fees, as may be prescribed.

CASE SCENARIO 33

Vaishnav, Nilax and Nandeesh, motivated by strong desire to offer unmatched quality steel products to their customers entered into the world of steel by incorporating VXN Steel Manufacturers & Traders Limited in Nagpur in the year 2010. Owned by seven hundred and fifty-two members, the company was involved in manufacturing and supplying a wide collection of stainless-steel architectural products like frameless railings, tubes, railing fittings, pipes, and other fittings, etc. The paid-up capital of the company was ₹ 100 crores divided into 10 crores equity shares of ₹ 10 each and also the company had issued 1,00,000 secured and non-convertible 9%Debentures of the face value of ₹ 100 each which were to be redeemed on December 31, 2029.

In addition to Vaishnav, occupying the office of Managing Director (MD), Nilax, acting as Whole-time Director (WTD) and Nandeesh, holding the office of Director (Marketing), there were four more directors, as mentioned below:

Nandini – Director (Operations)

Radhika – Director (Finance)

Sambhav – Director (Research and Development)

Sarthak – Director (Human Resource and other allied matters)

Shubhendu was the Company Secretary in whole-time employment of the company looking after all the compliances relating to corporate governance.

The company was supported by talented employees in all the spheres – production, quality control, logistics, marketing, research and development, etc. Collectively, they work amicably to meet the set targets.

Over the years, VXN Steel Manufacturers & Traders Limited attained the faith of customers by offering them 'quality approved' products at budget-friendly prices. As the lease of the factory situated in Nagpur was going to expire by the end of November 2024 and it would not be extended further since the owners were unwilling to renew the lease, the directors planned to shift the business of the company from Nagpur to Mumbai where the company already owned a building which could be used for establishing factory after fulfilling requisite formalities. They also wanted to explore new genre for business growth;

therefore, all of them had a strong opinion that shifting of Registered Office to Mumbai would be a workable idea for exploiting much better market opportunities.

With the above mindset, VXN Steel Manufacturers & Traders Limited started the formalities for the said shifting of Registered Office from Nagpur to Mumbai and it was ultimately shifted in the beginning of August 2024. The company also decided to make a capital expenditure of ₹ 40.00 crores approximately towards purchase of modernised plant and machinery for its factory at Mumbai by raising a term loan of ₹ 30.00 crores from its bankers Swarn Commercial Bank Limited and to fund the remaining expenditure of ₹ 10.00 crores from its own resources. Further, a decision was taken to dismantle and sell the old plant and machinery located at Nagpur.

In continuation, Radhika – Director (Finance), on behalf of VXN Steel Manufacturers & Traders Limited, negotiated with the officials of Swarn Commercial Bank Limited to raise a term loan of ₹ 30.00 crores. In due course of time, Swarn Commercial Bank Limited sanctioned the said term loan to be disbursed in three equal instalments of ₹ 15.00 crores, ₹ 10.00 crores and ₹ 5.00 crores. As per the terms of the sanction, the next instalment of term loan would be released only after satisfactory utilisation of earlier released instalment. The security offered was to mortgage the building at Mumbai and the entire plant and machinery to be purchased in due course. In addition, all the directors were to give personal guarantees. The bank got executed necessary loan documents including an instrument of charge on September 2, 2024. The mortgage was duly registered with the Central Registry.

The company had duly maintained all the registers and documents at the Registered Office while in Nagpur and thereafter, they were shifted to Mumbai after the Registered Office was shifted.

At the end of the financial year, the annual accounts were duly made, and it was overwhelming that there was a rise in the net profit; a fact that the directors were planning to highlight in the Annual General Meeting (AGM) which was planned to be held on September 19, 2024. The Annual General Meeting was duly held at the scheduled date, time and venue.

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:

MULTIPLE CHOICE QUESTIONS

1. It is evident from the Case Scenario that VXN Steel Manufacturers & Traders Limited shifted its Registered Office from Nagpur to Mumbai in the beginning of August 2024 due to the fact that the current lease of the factory situated in Nagpur could not be extended since the owners were unwilling to renew the lease after its expiry by the end of November 2024 and further the directors wanted to explore new genre for business growth. Considering the applicable provisions, you are required to choose the correct option from those given below as to the alteration of situation clause of its Memorandum of Association in view of the shifting of Registered Office from Nagpur to Mumbai:

   (a) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing a Board Resolution with all the seven directors consenting to the proposal at a validly convened Board Meeting.

   (b) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing an ordinary resolution at a at a validly convened General Meeting.

   (c) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing a special resolution at a validly convened General Meeting.

   (d) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing an ordinary resolution at a validly convened General Meeting and thereafter, sought approval from the Central Government through the jurisdictional Regional Director.

2. According to the Case Scenario, Radhika – Director (Finance), on behalf of VXN Steel Manufacturers & Traders Limited, negotiated with the officials of Swarn Commercial Bank Limited to raise a term loan of ₹ 30.00 crores which was sanctioned in due course of time. The bank got executed necessary loan documents including an instrument of charge on September 2, 2024, and the mortgage was duly registered with the Central Registry. You are required to choose the correct option from those stated below as to whether there is any need either for VXN Steel Manufacturers & Traders Limited or Swarn Commercial Bank Limited to register the charge with the jurisdictional Registrar of Companies when the mortgage was duly registered with the Central Registry:

   (a) There is no need either for VXN Steel Manufacturers & Traders Limited or Swarn Commercial Bank Limited to register the charge with the jurisdictional Registrar of Companies when the mortgage was duly registered with the Central Registry.

   (b) It is necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the jurisdictional Registrar of Companies within the specified time limit from September 2, 2024, even though the mortgage was duly registered with the Central Registry.

   (c) Irrespective of mortgage being registered with the Central Registry, VXN Steel Manufacturers & Traders Limited would be required to register the charge with the jurisdictional Registrar of Companies only after the release of all the three instalments of term loan of ₹ 30.00 crores and the specified time limit of registration would be computed from the date of release of last instalment of ₹ 5.00 crores.

   (d) Since the amount of term loan does not exceed ₹ 50.00 crores, it was sufficient that the mortgage was duly registered with the Central Registry and therefore, it was not necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the jurisdictional Registrar of Companies.

3. Due to the non-renewal of lease after its expiry by the end of November 2024 and also to explore new genre for business growth, VXN Steel Manufacturers & Traders Limited decided to shift its Registered Office

from Nagpur to Mumbai and for that purpose, in addition to passing a specified resolution, it was required to obtain the approval from the Central Government through the jurisdictional Regional Director by filing an application in Form INC-23 and such application was to be accompanied with a list of creditors and debenture holders. Choose the correct option from those specified below as to the latest date by which the list of creditors and debenture holders must be drawn preceding the date of filing the application in Form INC-23:

(a) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than one month.

(b) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than one and a half month.

(c) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than two months.

(d) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than fifteen days.

4. It is mentioned in the Case Scenario that the Annual General Meeting of VXN Steel Manufacturers & Traders Limited was duly convened and held on September 19, 2024. In case the company had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then by which time such service shall be deemed to have been effected? You are required to choose the correct option from those mentioned below considering the relevant provisions:

(a) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of twenty-four hours after letter containing the notice of Annual General Meeting was posted.

(b) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of forty-eight hours after letter containing the notice of Annual General Meeting was posted.

(c) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of ninety-six hours after letter containing the notice of Annual General Meeting was posted.

(d) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of seventy-two hours after letter containing the notice of Annual General Meeting was posted.

5. After reading the Case Scenario narrated above, it is noticed that VXN Steel Manufacturers & Traders Limited had issued 1,00,000 secured and non-convertible 9%Debentures of the face value of ₹ 100 each which did not carry voting rights and were to be redeemed on December 31, 2029. Keeping in view the relevant provisions, you are required to choose the correct option from those stated below as to whether the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9%Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company till redemption of 9%Debentures:

(a) Yes; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9%Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company but such voting rights were not to remain available after the expiry of fifth year from the date of issue.

(b) Yes; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9%Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company till redemption of 9%Debentures.

(c) Yes; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9%Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company but such voting rights were not to be made available to the debenture holders till the expiry of fifth year from the date of issue.

(d) No; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9%Debentures could not include voting rights to be exercised by the debenture holders at the general meetings of the company.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing a special resolution at a validly convened General Meeting.

Reason:

As per the Companies Act, 2013, shifting the registered office from one city to another within the same state but outside the local limits of the city or town requires altering the situation clause of the Memorandum of Association. This alteration must be approved by a special resolution passed at a validly convened General Meeting.

2. **Option (b)** It is necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the jurisdictional Registrar of Companies within the specified time limit from September 2, 2024, even though the mortgage was duly registered with the Central Registry.

Reason:

Under Section 77 of the Companies Act, 2013, a company must register a charge with the Registrar of Companies (RoC) within 30 days of its creation, even if it is already registered with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI). Thus, it is necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the RoC within the specified time. Therefore, option (b) is correct.

3. **Option (a)** The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in form INC-23 by not more than one month.

   Reason:

   As per Rule 27(1) of the Companies (Incorporation) Rules, 2014, when a company applies to the Regional Director for approval of the shifting of its registered office, the list of creditors and debenture holders must be drawn up not more than one month before the filing of Form INC-23**.** Hence, option (a) is correct.

4. **Option (b)** In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of forty-eight hours after letter containing the notice of Annual General Meeting was posted.

   Reason:

   As per Section 20 of the Companies Act, 2013, service of documents by post is deemed to have been effected 48 hours after the letter is posted**.** Therefore, option (b) is correct.

5. **Option (d)**No; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9%Debentures could not include voting rights to be exercised by the debenture holders at the general meetings of the company.

Reason:

As per Section 71(2) of the Companies Act, 2013, debentures do not carry voting rights at general meetings of a company. Therefore, the terms of issue cannot include voting rights for debenture holders, making option (d) correct.

CASE SCENARIO 34

LESCO Pharma & Labs Private Limited, a pharmaceutical company based at Lucknow, Uttar Pradesh (UP), was incorporated on May 1, 2005. Over the years, the company, under the direction of its promoters and founders Anant and Vivan, who founded it along with some of their close friends and near relatives, became a leading manufacturer, trader and exporter of wide range of pharmaceutical tablets, energy supplements, capsules, energy drinks, etc. It is worth mentioning that LESCO Pharma had been steering its way to success by and by with the support of its members and robust management team consisting of:

1. Anant – Chairman and Managing Director;
2. Vivan – Whole-time Director;
3. Aikta – Director, Research and Development (R&D);
4. Adwait - Director (Finance and Administration);
5. Trilokadhish - Director (Operations);
6. Chaturbhuj – Director (Marketing).

At present, LESCO Pharma has a paid-up capital of ₹ 100 crores. During the financial year 2023-24, its turnover had touched the level of ₹ 500 crores and the working capital limit availed from Super Commercial Bank Limited stood at ₹ 50 crores. The company is duly maintaining and preserving copies of all documents and information filed by it with the Registrar at the time of incorporation. It is not out of place to mention that though the entire financial year 2023-24 went by as per the plans discussed and finalised in the various meetings but despite the best efforts of the company and due to the unforeseen circumstances prevailing globally, there was a drop in the profit and ultimately, to the dismay of the directors, the bottom-line was in red though marginally, showing loss to the extent of rupees twenty-two lakhs.

As always, the company took Annual General Meetings as an opportunity to build goodwill with its shareholders and tried to convey that the company cared for them and was committed itself to transparency. Each and every stakeholder was fully aware that it was an event where important decisions regarding corporate governance would be made. It would also provide an opportunity to its shareholders to hold the Directors accountable and ensure that the company operated in the best interests of the stakeholders. It was but natural for the members to look up to the Annual General meeting to know about the declaration of dividend too and more so the percentage of dividend to be declared thereat.

Being a universal fact, the dividend payout has always remained an important and crucial part of a company's cash flow while the shareholders expect to receive dividend regularly despite incurring of loss. So was the case with the one hundred and seventy-six members of the company. It would be pertinent to note that in the earlier five years, LESCO Pharma & Labs Private Limited declared dividend at the following rates (expressed in percentages):

Percentages of Dividends declared

Year of Declaration of Dividend	Percentage of Dividend Declared
2018-19	15%
2019-20	16%
2020-21	13%
2021-22	14%
2022-23	10%

One of the directors, Aikta was quite apprehensive regarding declaration of dividend in view of the fact that the company had not made any profits during the financial year 2023-24; rather it incurred loss to extent of rupees twenty-two lakhs. She strongly contended that paying dividend was a matter of financial choice; and accordingly, the Board of Directors should take an informed decision. The priority for the Board needs to be to ensure that cash flow is maintained in the first instance and only thereafter, the 'happiness' of the members be considered. However, all other directors were of the opinion that to maintain the tradition of declaring dividend every year, ways should be explored to declare the dividend even if there was a loss.

As regards following the good governance standards, LESCO Pharma & Labs Private Limited is quite regular in filing its financial statements and Annual Returns as and when they become due. The audit report for the Financial Year 2023-24, duly prepared by the statutory auditors, M/s. Shikhar & Associates, and submitted to the Board of Directors of the company had specifically mentioned, *inter-alia*, that the company had in place adequate internal financial controls with reference to the financial statements and the operating effectiveness of such controls was up to the required level of satisfaction.

Rhonda, a citizen of Singapore, who holds office of the Whole-time Director (WTD) in a Singapore based SuperHealth Hospital Pte Limited, is a good friend of Trilokadhish, for the past ten years or so. This Singaporean company, which along with hospital chains, pharmacies, primary care and diagnostic centres in its home country, is interested in showing its presence in India. Rhonda, while in a candid talk with Trilokadhish, discussed the matter of opening a branch office in Lucknow so that her company could grab business opportunities in India which included providing healthcare and other related services; thus, helping her company in generating more income in times to come. After due formalities and genuine assistance from Trilokadhish, SuperHealth Hospital Pte Limited established a branch office in Lucknow, a city known for its culture, cuisine and architecture, in August 2024.

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:

MULTIPLE CHOICE QUESTIONS

1. From the Case Scenario, it is observed that the directors of LESCO Pharma & Labs Private Limited are desirous of declaring dividend at the Annual General Meeting (AGM) to be held at some future date in September 2024, though for the Financial Year 2023-24 its bottom-line was marginally in red, showing loss to the extent of ₹ twenty-two lakhs. Out of the following four options, which one do you think is correct:

   (a) Since LESCO Pharma & Labs Private Limited did not earn profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it cannot declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024.

(b) Even though LESCO Pharma & Labs Private Limited did not earn profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at after providing for depreciation and remaining undistributed and utilising all types of available reserves.

(c) Even though LESCO Pharma & Labs Private Limited did not have profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at after providing for depreciation and remaining undistributed *i.e.* free reserves.

(d) Even though LESCO Pharma & Labs Private Limited did not have profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at without providing for depreciation since it is not mandatory to adjust depreciation from those profits from which dividend is declared and also utilising all types of reserves.

2. It can be gathered from the Case Scenario that LESCO Pharma & Labs Private Limited declared a dividend at the rate of 10% in the year 2022-23. As regards transferring of certain amount to the reserves, how much amount, do you think, must have been transferred to the reserve account before the declaration of said dividend by the company. Choose the correct option from those stated below:

(a) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred one-half of the rate of dividend of 10% i.e. five percentage of its profits for that financial year.

(b) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred one-fourth of the rate of dividend of 10% *i.e.* two and a half percentage of its profits for that financial year.

(c) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred one-tenth of the rate of dividend of 10% *i.e.* one percentage of its profits for that financial year.

(d) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred such percentage of its profits for that financial year as it considered appropriate.

3. The above Case Scenario reveals that in spite of incurring loss to the extent of rupees twenty-two lakhs in the preceding Financial Year 2023-24, LESCO Pharma & Labs Private Limited is still contemplating declaration of dividend at an appropriate rate at the forthcoming Annual General Meeting likely to be held at some future date in September 2024. For the purpose of declaring dividend under such a situation, the company is permitted to draw from the accumulated profits earned by it in the previous years and transferred to the specified reserves. As regards drawal of amount for declaration of dividend, you are required to choose the most suitable option from those mentioned below as to maximum how much amount can be drawn considering the applicable provisions:

(a) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-fifth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.

(b) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.

(c) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-tenth of its paid-up share capital as appearing in the latest audited financial statement.

(d) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-fourth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.

4. Under normal circumstances, Annual General Meeting is convened by giving notice of at least twenty-one clear days to the members of the company and all other persons who are entitled to receive the said notice. In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, whether the same is permissible? Choose the correct option from those given below:

(a) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 95% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

(b) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 90% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

(c) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 80% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

(d) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 85% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Even though LESCO Pharma & Labs Private Limited did not have profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at after providing for depreciation and remaining undistributed *i.e.* free reserves.

   Reason:

   As per Section 123 of the Companies Act, 2013, a company may declare dividend out of the profits of the current financial year or the profits of any previous financial years after providing for depreciation. Dividend can only be declared out of free reserves (profits not appropriated for specific purposes). Hence, option (c) is correct.

2. **Option (d)** As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred such percentage of its profits for that financial year as it considered appropriate.

   Reason:

   According to the Companies Act, 2013, there is no mandatory percentage that must be transferred to reserves for companies before declaring dividends unless specified otherwise in their Articles of Association. Thus, the company may transfer an amount it considers appropriate to reserves.

3. **Option (b)** Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.

Reason:

As per Rule 3 of the Companies (Declaration and Payment of Dividend) Rules, 2014, the amount drawn from the accumulated profits transferred to reserves for declaring a dividend in case of a loss shall not exceed one-tenth of the sum of the company's paid-up share capital and free reserves.

4. **Option (a)** In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 95% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

   Reason:

   Section 101 of the Companies Act, 2013 permits companies to convene a general meeting with a shorter notice if at least 95% of the members entitled to vote consent in writing or through electronic means.

CASE SCENARIO 35

In the busy city of Nagpur, there is a company "Transfiguration Industries Limited". As the Annual General Meeting (AGM) of the company approached, the Board of Directors of Transfiguration Industries Limited gathered to discuss the appointment and removal of auditors in accordance with the Companies Act, 2013.

Mr. Jack, the Chairman of the board, opened the meeting by addressing the importance of adhering to the provisions outlined in Sections 139, 140, and 141 of the Companies Act, 2013. He emphasized the significance of appointing auditors who would uphold integrity and transparency in the company's financial reporting.

As the discussion ensued, Ms. Sara, a diligent board member, raised a question regarding the tenure of auditors. She asked whether there were any restrictions on the duration for which an auditor could be appointed. The board referred to Section 139(2) of the Companies Act, 2013, and informed about maximum period for which auditors can be appointed.

Dr. Patel, a seasoned member of the board, then inquired about the procedure for appointing the first auditor of the company. Mr. Jack explained that according to Section 139(1) and (6) of the Companies Act, 2013, the first auditor would be appointed by the Board of Directors within thirty days from the date of registration of the company. However, if the board failed to appoint the auditor within this timeframe, the members of the company would appoint the auditor at an extraordinary general meeting within ninety days.

Amidst the discussion, Mr. CS, the Company Secretary, emphasized the importance of obtaining the auditor's written consent and certificate before their appointment.

Finally, Mr. Jack concluded the meeting by reiterating the company's commitment to corporate governance and regulatory compliance. He emphasized the role of the Audit Committee as outlined in the Companies Act, 2013.

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:

MULTIPLE CHOICE QUESTIONS

1. State which is the correct statement as regards the maximum tenure for which an individual auditor and an auditor firm can be appointed under the Companies Act, 2013?

   (a) Both for five years

   (b) Individual auditor for more than one term and an auditor firm for two terms

   (c) Individual auditor for one term of five consecutive years and an auditor firm for two term of five consecutive years

   (d) Individual auditor for more than one term and an auditor firm for more two terms of five consecutive years

2. State on the correctness of the procedure explained for an appointment of the first auditor of a company by Mr. Jack?

   (a) Incorrect. Requirement of Act specifies appointment of first auditor is to be made by the shareholders in an EGM within ninety days

   (b) Correct. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days from the date of registration of the company

   (c) Incorrect. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days on the advise of Company Secretary

   (d) Incorrect. Requirement of Act specifies appointment of first auditor by the Registrar of Companies (ROC) within 15 days

3. During the meeting, Ms. Sara asks whether a relative of a director can be appointed as the company's auditor. What does the Companies Act, 2013, state with regard to disqualification of auditors in this case?

   (a) Relatives of directors can be appointed as auditors, without any restrictions if they are qualified Chartered Accountants.

(b) Relatives of directors cannot be appointed as auditors under any circumstances

(c) Relatives of directors can be appointed as auditors if their pecuniary relationship with the company is below the prescribed threshold

(d) Relatives of directors can only be appointed with Registrar of Company's approval.

4. If the Board of Directors of Transfiguration Industries Limited seeks to remove an auditor before the expiry of their term, what procedure must be followed as per the provisions of the Companies Act, 2013?

(a) The Board can remove the auditor by passing a resolution in a board meeting.

(b) The Board must obtain prior approval from the Audit Committee and inform the Registrar.

(c) The company must obtain prior approval from the Central Government and pass a special resolution in a general meeting.

(d) The Board must notify the Comptroller and Auditor General of India, even if Transfiguration Industries Limited is not a Government company.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Individual auditor for one term of five consecutive years and an auditor firm for two term of five consecutive years

Reason:

Section 139 of the Companies Act, 2013

2. **Option (b)** Correct. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days from the date of registration of the company.

Reason:

Section 139 of the Companies Act, 2013

3. **Option (c)** Relatives of directors can be appointed as auditors if their pecuniary relationship with the company is below the prescribed threshold

Reason:

Under Section 141(3)(d) of the Companies Act, 2013, a person is disqualified from being appointed as an auditor if they, or their relative or partner, hold any security or interest in, or have a business relationship with, the company that exceeds the prescribed financial limits.

4. **Option (c)** The company must obtain prior approval from the Central Government and pass a special resolution in a general meeting.

Reason:

Under Section 140(1) of the Companies Act, 2013, an auditor appointed under Section 139 can only be removed from office before the expiry of their term by following these steps:

1. Obtain prior approval from the Central Government by applying in Form ADT-2.
2. Pass a special resolution in a general meeting of shareholders after obtaining the Central Government's approval.

CASE SCENARIO 36

GreenLeaf LLP is a limited liability partnership engaged in the business of eco-friendly product manufacturing. The LLP was initially established with three partners: Priya, Sameer, and EcoCorp Limited, a corporate entity. Priya and Sameer are the designated partners, with Priya being a resident in India. EcoCorp Limited has appointed Anil, an individual, as its nominee to act on its behalf.

After a few years, Sameer decides to retire, leaving Priya and EcoCorp Limited as the remaining partners. Due to some administrative oversight, GreenLeaf LLP continues its operations without appointing a new partner. This situation persists for seven months, with Priya being aware of the reduced number of partners. During this period, GreenLeaf LLP enters into several contracts and incurs significant financial obligations.

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:

MULTIPLE CHOICE QUESTIONS

1. Given that Sameer retired and GreenLeaf LLP continued with only Priya and EcoCorp Limited, what should GreenLeaf LLP have done within six months to comply with the LLP Act?

   (a) Dissolved the LLP

   (b) Continue operating with one designated partner

   (c) Appoint at least one body corporate which should be a foreign company

   (d) Appointed at least one more partner who should also be a designated partner, as every LLP should have at least two designated partners

2. According to the Limited Liability Partnership Act, 2008, choose the correct statement in relation to who must be a resident in India among the designated partners?

   (a) At least one individual designated partner shall be resident in India

   (b) All designated partners shall only be resident in India

   (c) It is mandatory for only corporate partners to be resident in India

   (d) At least four designated partners shall be resident in India

3. In the given case scenario suppose EcoCorp Limited also leaves the LLP and the LLP continues business for more than six months with only one partner, who is personally liable for the obligations incurred during that period?

   (a) Priya

   (b) Both Priya and EcoCorp Limited

   (c) EcoCorp Limited

   (d) Priya, Sameer and EcoCorp Limited

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** Appointed at least one more partner who should also be a designated partner, as every LLP should have at least two designated partners.

Reason:

According to Section 7 of the Limited Liability Partnership Act, 2008, every LLP must have at least two designated partners, and at least one of them must be a resident in India. If the LLP fails to maintain the statutory minimum number of partners for a continuous period of more than six months, it will not comply with the provisions of the Act. In the given case, GreenLeaf LLP continued with only Priya and EcoCorp Limited after Sameer's retirement. To comply with the LLP Act, GreenLeaf LLP should have appointed another partner (designated partner) within six months to maintain the required minimum.

2. **Option (a)** At least one individual designated partner shall be resident in India.

   Reason:

   Section 7(1) of the LLP Act, 2008, mandates that at least one designated partner in an LLP must be an individual who is a resident in India. A resident in India is defined as a person who has stayed in India for at least 182 days during the immediately preceding financial year. In this case, Priya is a resident in India and fulfills this requirement, ensuring compliance.

3. **Option (a)** Priya

   Reason:

   Under Section 5 of the LLP Act, 2008, an LLP is required to have at least two partners at all times. If the number of partners falls below two, and the LLP continues its business for more than six months with only one partner, the remaining partner becomes personally liable for all obligations incurred during that period. In this scenario, if EcoCorp Limited also leaves the LLP, Priya would be the sole remaining partner. Since the LLP continued business with only one partner beyond the allowed period, Priya becomes personally liable for all financial obligations incurred during that time.

CASE SCENARIO 37

Sudeep and Ankit are very fast friend since long. They decided to run a service unit which will provide "Financial and Investment Consultancy Services". For this purpose they formed a limited liability partnership under the name M/s Etharkkum Advisors LLP on 17th April 2020. For this purpose, they prepared a Limited Liability Partnership Deed of which one of the clauses provides that a new partner may be admitted in the LLP with capital contribution which may be in kind or cash. Further new partner is also required to deposit the agreed amount of capital contribution within six months from the date of his admission.

After some time, office of the firm was destroyed due to an earthquake and the LLP was in urgent need of an office premises and some funds for some renovation work.

It is also informed that M/s Etharkkum Advisors LLP approached Manoj on 1st January 2023 to join the firm as third partner. Manoj was out of India for the period from 1st September 2021 to 23rd December 2022. He agreed to join the LLP and also agreed to contribute his office premises at Sanjay Place, Palwal and funds of ₹ 5,00,000 as Capital Contribution in the firm. Manoj joined the firm on 25th January 2023 as limited liability partner. The above said office premises was purchased by Manoj five years ago for ₹ 25,00,000 but the fair market value of this office on 25th January 2023 was ₹ 32,25,000 and on 1st January 2023 was ₹ 30,00,000. Manoj has provided his office to the firm with effect from his admission and promised to deposit the agreed amount of ₹ 5,00,000 within six months as provided in the partnership deed. Before Manoj could deposit the amount with the firm, it was dissolved. Manoj denied to deposit the amount of ₹ 5,00,000 with the contention that he is liable only upto the amount contributed in the firm on the date of dissolution. A creditor of the firm sued Manoj to deposit the said amount so that the firm may pay off his liability.

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:

MULTIPLE CHOICE QUESTIONS

1. Whether Manoj could be considered as resident or not as per the Limited Liability Act, 2008?

   (a) Manoj could not be considered resident in India as he was not in India for 182 days in preceding one year

   (b) Manoj could not be considered resident in India as he was not in India for 120 days in preceding one year i.e. only for 33 days from 24^{th} December 2022 to 25^{th} January 2023

   (c) Manoj could not be considered as he was not in India for 182 days during the financial year

   (d) Manoj will be considered as resident in India as he was in India for 120 days during the financial year (2021- 2022)

2. What would be the worth of Capital Contribution by Manoj?

   (a) ₹ 25,00,000

   (b) ₹ 32,25,000

   (c) ₹ 37,25,000

   (d) ₹ 35,00,000

3. Whether Manoj will be liable to contribute ₹ 5,00,000 after dissolution of the firm?

   (a) Yes, because a partner is personally liable for the deficiency arising at the time of dissolution of LLP.

   (b) No, because a partner is never personally liable for the deficiency arose at the time of dissolution of LLP.

   (c) Yes, the partner is under obligation to contribute money also to LLP as per the agreement.

   (d) No, because a partner is personally liable only upto the amount contributed to the LLP on the date of dissolution of LLP.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** Manoj will be considered as resident in India as he was in India for 120 days during the financial year (2021- 2022)

   Reason:

   Resident in India: The term "resident in India" means a person who has stayed in India for a period of not less than one hundred twenty days during the financial year.

   Manoj will be considered as he was in India for 120 days during the financial year i.e. for 153 days from 01.04.2023 to 31.08.2022. (In the financial year 2021 -2022)

2. **Option (c)** ₹ 37,25,000

   Reason:

   Section 32 provides that a contribution of a partner may consist of tangible, movable or immovable or intangible property or other benefit to the limited liability partnership, including money, promissory notes, and other agreements to contribute cash or property, and contracts for services performed or to be performed.

   The monetary value of contribution of each partner shall be accounted for and disclosed in the accounts of the limited liability partnership in the manner as may be prescribed.

   (i.e. Monetary Value of Office Premises on the date of admission ₹ 32,25,000 + Cash of ₹ 5,00,000)

3. **Option (c)** Yes, the partner is under obligation to contribute money also to LLP as per the agreement.

   Reason:

   Yes, a partner is under obligation to contribute money to LLP as per the agreement.

   Section 33 provides that the obligation of a partner to contribute money or other property or other benefit or to perform services for a limited liability partnership shall be as per the limited liability partnership agreement.

Further, a creditor of a limited liability partnership, which extends credit or otherwise acts in reliance on an obligation described in that agreement, without notice of any compromise between partners, may enforce the original obligation against such partner.

CASE SCENARIO 38

In 2023, Tech Innovations LLP was established as a Limited Liability Partnership under the Limited Liability Partnership Act, 2008. The LLP was formed with two partners: Alex and Jordan, who contributed equally to the capital. Alex contributed ₹ 5,00,000, while Jordan also contributed ₹ 5,00,000. The firm was registered with the Registrar of Companies on 1st April, 2023.

Tech Innovations LLP's operations focused on software development and technology consulting. As per the LLP agreement, both partners shared profits and losses equally. The LLP agreement also stipulated that any changes in the partnership, such as the addition of a new partner or transfer of interest, required the consent of both existing partners.

In June 2024, Tech Innovations LLP decided to admit a new partner, Priya, who brought in ₹ 2,00,000 as her capital contribution. This change was duly recorded and filed with the Registrar of Companies. Furthermore, the LLP decided to hold an annual general meeting within six months from the end of the financial year to approve financial statements and discuss business matters.

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:

MULTIPLE CHOICE QUESTIONS

1. As per the LLP Act, 2008, what is required for admitting a new partner into the LLP?

   (a) The consent of one existing partner- Only Alex

   (b) A majority vote of existing partners- Either Alex or Jordan

   (c) The consent of all existing partners- Both Alex and Jordan

   (d) Approval from the Registrar of Companies

2. When is Tech Innovations LLP required to hold its annual general meeting?

   (a) By 30th April, 2024

   (b) By 30th June, 2024

   (c) By 31st July, 2024

   (d) By 30th September, 2024

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** The consent of all existing partners- Both Alex and Jordan

Reason:

The LLP agreement stipulated that any changes in the partnership, such as admitting a new partner, required the consent of all existing partners.

2. **Option (d)** by 30th September, 2024

Reason:

The LLP Act requires that the annual meeting must be held within six months from the end of the financial year to approve financial statements and discuss business matters.

CASE SCENARIO 39

Rahul and Meenakshi, two young entrepreneurs, founded "Educom Innovators LLP" under the Limited Liability Partnership Act, 2008, with a focus on providing digital education solutions. Rahul brought technical expertise, while Meenakshi managed the business operations. According to the LLP Agreement, both contributed equally and shared profits equally. After two years of growth, they decided to admit Anshul, an industry expert, as a partner to expand their reach. Anshul agreed to contribute additional capital and bring industry contacts. However, shortly after joining, Anshul discovered that certain key compliance filings, including Form 11 (Annual Return) and Form 8 (Statement of Accounts and Solvency), were pending. Concerned, Anshul wanted to understand his liability and insisted that the LLP immediately address the compliance issues. Meanwhile, Rahul proposed to amend the LLP Agreement to reflect Anshul's new profit-sharing ratio and allocate specific decision-making powers to him. As they worked through these matters, they consulted a legal advisor to understand how the Limited Liability Partnership Act, 2008, impacted their responsibilities, liabilities, and compliance obligations.

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:

MULTIPLE CHOICE QUESTIONS

1. When Anshul joined Educom Innovators LLP, he discovered that key compliance filings, including the Annual Return and Statement of Accounts and Solvency, were pending. What is Anshul's liability as a newly admitted partner concerning these past compliance lapses?

   (a) Anshul has no liability for past compliance lapses since he was not a partner when they occurred.

   (b) Anshul shares equal liability for past compliance lapses because he is now a partner in the LLP.

   (c) Anshul is only liable if the LLP Agreement specifically assigns responsibility to him for compliance.

(d) Anshul's liability for past compliance is limited to his capital contribution in the LLP.

2. In light of Anshul’s concern about the pending compliance filings, which of the following best describes the responsibilities of the partners in Educom Innovators LLP regarding compliance with the LLP Act, 2008?

(a) Only the designated partners are responsible for ensuring compliance with filing obligations under the LLP Act.

(b) All partners, including new partners like Anshul, are equally responsible for compliance, regardless of the LLP Agreement.

(c) Compliance responsibilities can only be assigned to one partner, who will bear full accountability.

(d) The legal advisor is responsible for handling compliance, and the partners have no liability once they hire legal counsel.

3. Suppose in the given scenario, Educom Innovators LLP fails to file the Statement of Account and Solvency or Annual Return for any five consecutive financial years, which of the following could occur?

(a) Educom Innovators LLP may be wound up the Tribunal

(b) Takeover of Educom Innovators LLP by the persons appointed by the Registrar of Companies

(c) Revocation of all partner rights until filings are complete

(d) The losses for these 5 consecutive years shall be shared equally by all the partners irrespective of the profit sharing ratio as decided in the LLP agreement.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** Anshul has no liability for past compliance lapses since he was not a partner when they occurred.

Reason:

Under the LLP Act, 2008, a newly admitted partner is not liable for any obligations or compliance failures that occurred before their admission to the LLP, unless the LLP Agreement specifically states otherwise.

2. **Option (a)** Only the designated partners are responsible for ensuring compliance with filing obligations under the LLP Act.

Reason:

Under the LLP Act, 2008, designated partners are primarily responsible for ensuring that the LLP meets its statutory filing obligations. Non-designated partners are not directly liable unless specified otherwise in the LLP Agreement.

Annual Return [Section 35]

(1) Every LLP shall file an annual return duly authenticated with the Registrar within 60 days of closure of its financial year in such form and manner and accompanied by such fee as may be prescribed.

(2) Penalty for non-filing of annual return –

LLP – ₹ 100 per day subject to maximum ₹ 1,00,000

Every Designated Partners - ₹ 100 per day subject to maximum ₹ 50,000

3. **Option (a)** Educom Innovators LLP may be wound up the Tribunal

Reason:

Circumstances in which LLP may be wound up by Tribunal [Section 64]: A LLP may be wound up by the Tribunal:

(a) if the LLP decides that LLP be wound up by the Tribunal**;**

(b) if, for a period of more than six months, the number of partners of the LLP is reduced below two;

(c) if the LLP has acted against the interests of the sovereignty and integrity of India, the security of the State or public order;

(d) if the LLP has made a default in filing with the Registrar the Statement of Account and Solvency or annual return for any five consecutive financial years; or

CASE SCENARIO 40

Greenfield LLP and Bluewave LLP were two thriving businesses operating in the renewable energy sector. Greenfield LLP specialized in solar panel manufacturing, while Bluewave LLP was known for its innovations in wind turbine technology. Both companies saw a strategic opportunity to join forces and create a more comprehensive renewable energy solution provider. They decided to merge into a single entity, to be named EcoFuture LLP.

To facilitate this merger, the management of both companies proposed a scheme of compromise and arrangement under Section 60 of the LLP Act. They approached the Tribunal to sanction this scheme, which involved transferring all assets, liabilities, and ongoing legal proceedings of both Greenfield LLP and Bluewave LLP to EcoFuture LLP.

The Tribunal reviewed the proposal and found that the merger scheme was designed for the reconstruction and amalgamation of Greenfield LLP and Bluewave LLP. The Tribunal issued an order under Section 62, sanctioning the scheme and setting forth several provisions to ensure a smooth transition:

1. All assets and liabilities of Greenfield LLP and Bluewave LLP were to be transferred to EcoFuture LLP.
2. Any ongoing legal proceedings involving either of the original LLPs would continue under the name of EcoFuture LLP.
3. Both Greenfield LLP and Bluewave LLP would be dissolved without the need for winding up.

However, a few partners from Greenfield LLP were not in favor of the merger. They dissented from the compromise and arrangement. The Tribunal provided specific directions to ensure that their interests were adequately addressed.

After the order was made, both LLPs had to file a certified copy of the Tribunal's order with the Registrar within 30 days for registration. Unfortunately, due to some administrative delays, this filing was not completed within the stipulated time, leading to penalties for both EcoFuture LLP and its designated 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:

MULTIPLE CHOICE QUESTIONS

1. What was the main purpose of the scheme proposed between Greenfield LLP and Bluewave LLP?

   (a) To dissolve both LLPs.

   (b) To transfer all assets to a third party.

   (c) For the reconstruction and amalgamation of the LLPs.

   (d) To liquidate the companies.

2. What authority does the Tribunal have when it sanctions a compromise or arrangement under Section 60?

   (a) It can only supervise the arrangement.

   (b) It has no authority after sanctioning the arrangement.

   (c) It can supervise, modify and give directions for the arrangement.

   (d) It can dissolve the LLPs directly without any conditions.

3. What penalty applies if an LLP fails to comply with the 30-day filing requirement?

   (a) Immediate dissolution of the LLP.

   (b) A fine of ₹ 10,000 and additional penalties for continuing contravention.

   (c) Suspension of all business activities.

   (d) Revocation of the Tribunal's order.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** For the reconstruction and amalgamation of the LLPs.

   Reason:

   The scheme was proposed to combine the strengths of both LLPs into a single, more comprehensive entity, EcoFuture LLP, which is a clear case of reconstruction and amalgamation.

2. **Option (c)** It can supervise, modify and give directions for the arrangement.

   Reason:

   Section 60 provides the Tribunal with the power to supervise the carrying out of the arrangement, give directions, and make necessary modifications.

3. **Option (b)** A fine of ₹10,000 and additional penalties for continuing contravention.

   Reason:

   If there is a default in complying with the 30-day filing requirement, the LLP and its designated partners are liable to a penalty of ₹10,000 and a further penalty of ₹100 per day for continued contravention, subject to specified maximum limits.

CASE SCENARIO 41

In 2024, New Limited, a company specializing in international trade, needed to send an important notice to one of its clients, Mr. A, regarding a contractual amendment. According to the company's internal regulations and the contract terms, the notice had to be served by post.

On April 15, 2024, the company's legal department prepared the notice and addressed it to Mr. A at his registered address. The notice was properly addressed, prepaid, and sent via registered post with acknowledgment due to ensure the highest level of confirmation for delivery.

A few days later, on April 20, 2024, the notice was returned with a stamp indicating that it was "not claimed" by Mr. A. The legal department recorded the return of the notice and noted the endorsement.

The company's legal advisor referred to past case laws for similar scenarios to ensure that the notice was considered legally served under section 27 of the General Clauses Act, 1897. They reviewed the following precedents:

United Commercial Bank v. Bhim Sain Makhija: It was noted that merely sending a notice by registered post without the acknowledgment due did not provide sufficient legal protection for proving service.

Jagdish Singh v. Natthu Singh: This case demonstrated that if a notice sent by registered post was returned with a refusal endorsement, it was considered served.

Smt. Vandana Gulati v. Gurmeet Singh alias Mangal Singh: It was established that if a notice sent by registered post to a proper address was returned with an endorsement like "not claimed", it was deemed served unless proven otherwise.

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:

MULTIPLE CHOICE QUESTIONS

1. According to section 27 of the General Clauses Act, 1897, what three conditions must be fulfilled for a service by post to be deemed effective?

   (a) Properly addressed, Pre-paid, and Posting by ordinary post

   (b) Properly addressed, Pre-paid, and Posting by registered post

   (c) Properly addressed, Pre-paid, and Sending by courier

   (d) Properly addressed, Pre-paid, and Hand delivery

2. In the case of *United Commercial Bank v. Bhim Sain Makhija*, why was the presumption of service under registered post found to be insufficient?

   (a) Because the notice was sent by ordinary post

   (b) Because the notice was sent by registered post but not with acknowledgment due

   (c) Because the address was incorrect

   (d) Because the recipient did not respond

3. What does the case of *Jagdish Singh v. Natthu Singh* demonstrate about the service of notice?

   (a) Notice sent by registered post without return endorsement is invalid

   (b) Notice sent by registered post and returned with refusal endorsement is deemed served

   (c) Notice sent by ordinary post is deemed served if not returned

   (d) Notice served by hand delivery is always valid

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (b) Properly addressed, Pre-paid, and Posting by registered post

Reason:

"Meaning of Service by post" [Section 27]: Where any legislation or regulation requires any document to be served by post, then unless a different intention appears, the service shall be deemed to be effected by:

(i) Properly addressing

(ii) Pre-paying, and

(iii) Posting by registered post.

2. **Option (b)** Because the notice was sent by registered post but not with acknowledgment due

Reason:

The case of *United Commercial Bank v. Bhim Sain Makhija* highlighted the importance of obtaining an acknowledgment due when sending notices by registered post. Without an acknowledgment due or return endorsement, the sender may lack conclusive proof of delivery or refusal. In this case, the court emphasized that merely sending a notice by registered post, without acknowledgment due or evidence of delivery, does not provide adequate protection under the presumption of service.

3. **Option (b)** Notice sent by registered post and returned with refusal endorsement is deemed served

Reason:

The case of *Jagdish Singh v. Natthu Singh* clarified that if a notice is sent by registered post and the postal authorities return it with an endorsement indicating refusal by the recipient, it is deemed served. Refusal by the addressee is considered equivalent to delivery under Section 27 of the General Clauses Act, 1897, as the sender has fulfilled their obligation to properly address, prepay, and send the notice via registered post.

CASE SCENARIO 42

Sunrise Technologies Private Limited ("STPL") was in process of establishing its new software development center in Pune. On 28th February, 2024, the Board of Directors passed a resolution to purchase a property consisting of:

- A three-storey building
- 25 acres of agricultural land adjacent to the building
- 100 motor cars
- An orchard with 100 fruit-bearing trees

The company received a government notification dated 15th March, 2024, requiring all new technology centers to obtain special clearance within 45 days of establishment. The notification mentioned that existing orders under the previous Technology Parks Act (which was repealed and replaced by new legislation) would continue to remain valid. The notification was to be served to all concerned parties through registered post.

The Managing Director has approached you to understand various legal aspects under the General Clauses Act, 1897.

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:

MULTIPLE CHOICE QUESTIONS

1. With respect to the property being purchased by STPL, which of the following would not qualify as "immovable property" under the General Clauses Act, 1897?

   (a) The orchard with fruit-bearing trees

   (b) Motor cars

   (c) The three-storey building

   (d) The agricultural land

2. The government notification requires clearance "within 45 days". If the notification was received on 20th March, 2024, and the 45th day falls on Sunday, 4th May, 2024, what would be the last date for obtaining clearance?

   (a) 3rd May, 2024

   (b) 4th May, 2024

   (c) 5th May, 2024

   (d) 6th May, 2024

3. Regarding the service of notification by registered post, which of the following is correct?

   (a) Service is complete only when STPL acknowledges receipt

   (b) Service is deemed complete when properly addressed, prepaid and posted

   (c) Service is complete on actual delivery to STPL

   (d) Service requires both registered post and acknowledgment due

4. Concerning the previous orders under the repealed Technology Parks Act, which statement is correct?

   (a) All previous orders automatically become void

   (b) Previous orders continue to be valid unless explicitly cancelled

   (c) Previous orders require fresh validation under new law

   (d) Previous orders are valid for only 6 months after repeal

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Motor cars

Reason:

As per Section 3(26) of the General Clauses Act, immovable property includes land, benefits arising out of land, and things attached to the earth or permanently fastened to anything attached to the earth. The mobile unit, though temporarily fixed, is by nature movable and not permanently fastened, unlike the building, trees, or land.

2. **Option (c)** 5th May, 2024

   Reason:

   As per Section 10 of the General Clauses Act, when the last day of a prescribed period falls on a day when the office is closed (Sunday in this case), the act/proceeding shall be considered as done in due time if done on the next working day.

3. **Option (b)** Service is deemed complete when properly addressed, prepaid and posted

   Reason:

   Under Section 27 of the General Clauses Act, service by post is deemed to be effected by properly addressing, prepaying and posting by registered post, unless a different intention appears.

4. **Option (b)** Previous orders continue to be valid unless explicitly cancelled

   Reason:

   As per Section 6 of the General Clauses Act, the repeal shall not affect previous operations of enactment so repealed or anything duly done thereunder, unless a different intention appears.

CASE SCENARIO 43

Green World Organics Limited ("GWO") is establishing an integrated organic food processing facility in Karnataka. On 15th January, 2024, the Central Food Safety Authority issued a comprehensive notification containing following requirements:

- All new food processing units must employ qualified Quality Assurance Officers ("QAOs") for each processing line
- The Managing Director of the company is authorized to appoint such QAOs, with appointment letters to be issued "within 30 days from selection"
- Each QAO must obtain mandatory certification from Food Safety Regulatory Board within "21 days from appointment"
- The facility must install specified safety equipment by 1st March, 2024
- Monthly compliance reports must be submitted from "1st to 7th of every month"

On 10th February, 2024, while implementing these requirements, GWO faced following situations:

(a) A selected QAO candidate was found submitting forged experience certificates

(b) Another QAO, after appointment, failed to maintain safety protocols leading to minor contamination

(c) The 21st day for certification of one QAO fell on 29th February, 2024 (when the certification office was closed for local holiday), followed by weekend

(d) The contamination incident violated both Food Safety Act and State Public Health Act

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:

MULTIPLE CHOICE QUESTIONS

1. Regarding Managing Director's authority over QAOs, which power is available without explicit mention?

   (a) Power to accept resignation only

   (b) Power to suspend but not dismiss

   (c) Power to transfer between units

   (d) Power to suspend and dismiss

2. If a QAO is selected on 25th January, 2024, what is the last date for issuing appointment letter?

   (a) 23rd February, 2024

   (b) 24th February, 2024

   (c) 25th February, 2024

   (d) 26th February, 2024

3. Regarding the contamination incident violating two Acts, what is the correct legal position?

   (a) Only major violation should be prosecuted

   (b) Only Food Safety Act being special law applies

   (c) Company can be prosecuted under either/both but punished only once

   (d) Both Acts must be independently enforced

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (d) Power to suspend and dismiss

Reason:

Under the doctrine of necessary implication and principles of administrative law, powers necessary for the effective execution of a duty are implied if not explicitly mentioned. The authority to appoint inherently includes the power to suspend and dismiss employees for misconduct, as it is essential for maintaining discipline and efficiency. This is supported by the General Clauses Act, 1897, which states that the power to appoint includes the power to remove.

2. **Option (b)** 24^{th} February, 2024

Reason:

As per the notification, the appointment letter must be issued "within 30 days from selection." Counting 30 days from 25th January, 2024 (excluding 25^{th} January, 2024), the last day falls on 24th February, 2024.

3. **Option (c)** Company can be prosecuted under either/both but punished only once

Reason:

When an act violates provisions of both a general law (State Public Health Act) and a special law (Food Safety Act), the company can be prosecuted under either or both laws. However, as per the doctrine of double jeopardy under Article 20(2) of the Constitution and related legal principles, the company cannot be punished more than once for the same offense. Courts often ensure that penalties are harmonized to prevent excessive punishment.

CASE SCENARIO 44

DigiTech Solutions Private Limited ("DSPL"), established in 2015, has emerged as a leading player in digital payment solutions, serving over 2 million merchants across India. In early 2024, following the government's new regulatory framework for digital payment companies, DSPL received several important communications from the Digital Payment Regulatory Authority ("DPRA"):

1. A comprehensive notice dated 1st March, 2024, detailing new compliance requirements under the Digital Payment Rules, 2024. The notice outlined:
    - Mandatory upgrading of security protocols
    - Implementation of enhanced KYC norms
    - Integration with the central monitoring system
    - New customer grievance redressal mechanism
    - The notice specified that all requirements must be complied with "within 21 days from service" and was dispatched via registered post on 2nd March, 2024.
2. A significant order dated 10th March, 2024, from the Ministry of Finance, appointing the Regional Director (Western Region) ex-officio as DSPL's regulatory supervisor. The order granted extensive supervisory powers including:
    - Monthly audit of transaction records
    - Quarterly inspection of security measures
    - Review of customer complaint handling
    - Oversight of compliance procedures
3. A notification from DPRA extending DSPL's existing operational license till "year ending December", subject to adherence to all regulatory requirements.

    During this period, DSPL was undergoing significant infrastructural changes. The company's office at Mumbai headquarters remained closed for comprehensive renovation during March 20-22, 2024, with March 23-24 being Saturday-Sunday. The renovation was crucial for upgrading the company's technological infrastructure to meet new regulatory requirements.

A unique aspect of DSPL's operations was its blockchain division, which operated through a specially designed structure. This facility, though assembled as a temporary setup for flexibility in upgrading, housed high-end servers worth ₹ 50 crore that were permanently placed on the floor. The servers were connected through an intricate network of cables and cooling systems integrated into the structure.

The company's compliance team, led by Chief Compliance Officer Ms. X, was particularly concerned about interpreting various timelines and requirements under these communications, especially considering the office closure period and the need for seamless integration of new compliance requirements with existing operations.

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:

MULTIPLE CHOICE QUESTIONS

1. If the 21st day falls on 23 March (Saturday), what would be last date for compliance?
   (a) 22 March, 2024
   (b) 23 March, 2024
   (c) 24 March, 2024
   (d) 25 March, 2024
2. Regarding Regional Director's ex-officio appointment, which is correct?
   (a) Appointment valid only if Regional Director named personally
   (b) Appointment valid only during current Regional Director's tenure
   (c) Appointment continues for any person holding Regional Director post

(d) Appointment requires separate order for each new Regional Director

3. The license extension till "year ending December" means:

   (a) 1 December, 2024

   (b) 31 December, 2024

   (c) First week of December 2024

   (d) Last week of December 2024

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** 25 March, 2024

Reason:

Section 10 of the General Clauses Act, 1897, states that if the last day of a prescribed period for doing an act falls on a holiday (including Sundays or public holidays), the act can be lawfully done on the next working day. Since DSPL's office was closed on March 23 (Saturday) and March 24 (Sunday)**,** the last date for compliance would shift to March 25, 2024 (Monday).

2. **Option (c)** Appointment continues for any person holding Regional Director post

Reason:

An "ex-officio" appointment attaches to the office, not the individual. This means the powers and responsibilities granted to the Regional Director will pass to whoever holds the office of the Regional Director (Western Region) at any given time, without requiring a fresh appointment order.

3. **Option (b)** 31 December, 2024

Reason:

The phrase "year ending December" generally refers to the end of the calendar year, which is December 31, 2024, unless specified otherwise. This interpretation aligns with standard legal and business practices for defining a year.

CASE SCENARIO 45

M/s Aryan & Aryan LLP was registered on 2nd July 2019. Sudeep and Ankit were partners in the firm. Both Sudeep and Ankit were also the designated partners in this firm. The LLP deals in manufacturing and trading of electric ceiling fans. One day Sudeep met with Mr. Kishore, a director of Krtiken Electronics Private Limited. After discussion, Mr. Kishore showed interest that Krtiken Electronics Private Limited may work with M/s Aryan & Aryan LLP as partner.

Krtiken Electronics Private Limited was incorporated on 1st June 2017 with the object to deal in electronics. The memorandum and articles of association of Krtiken Electronics Private Limited also authorised it to work as partner in a LLP.

The partners of M/s Aryan & Aryan LLP and directors of Krtiken Electronics Private Limited approached a professional consultant Mrs. Archika Jain for providing the procedure for adding Krtiken Electronics Private Limited as a partner in M/s Aryan & Aryan LLP. She advised that Krtiken Electronics Private Limited could not be the partner in M/s Aryan & Aryan LLP because as per Limited Liability Partnership Act 2008, an individual or a body corporate can be a partner in LLP. She informed that the term 'body corporate' was defined in the Limited Liability Partnership Act, 2008 as a company which is defined in section 3 of the Companies Act, 1956. As Krtiken Electronics Private Limited is registered under Companies Act 2013, it cannot be termed as body corporate. On the advice of Mrs. Archika Jain, M/s Aryan & Aryan LLP dropped the idea to add Krtiken Electronics Private Limited.

It is further informed that Ms. Shanaya was admitted as a new partner in the firm on 17th January 2024. The firm intimated the registrar about her admission on 31st January 2024. On 3rd February 2024, while going to office Ms. Shanaya met with an accident and lost her memory. The doctor declared her of unsound mind to work as partner in M/s Aryan & Aryan LLP. It was also confirmed by a competent court.

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:

MULTIPLE CHOICE QUESTIONS

1. Whether Krtiken Electronics Private Limited could be partner in M/s Aryan & Aryan LLP?

   (a) No, as Krtiken Electronics Private Limited is not a body corporate as per the definition of "Body Corporate" given in Limited Liability Partnership Act, 2008.

   (b) Yes, because section 8 of the General Clauses Act, 1897 provides where any Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted. Therefore, after the enactment of Companies Act, 2013, the definition of "Body Corporate" should be construed as a company which is defined in section 2(20) of the Companies Act, 2013.

   (c) No, as provisions of section 8 of the General Clauses Act, 1897 will not be applicable because the Limited Liability Partnership (Amendment) Act, 2021, which amended the definition of "Body Corporate" considering the company registered under Companies Act, 2013, come to effect from 01.04.2022.

   (d) Yes, as the provisions of the General Clauses Act, 1897 are not applicable while interpreting the provisions of the Limited Liability Partnership Act, 2008.

2. Following the provisions of Limited Liability Act, 2008 read with the General Clauses Act, 1897, what should be the last date to inform the registrar about the admission of Ms. Shanaya.

   (a) 15th February 2024

   (b) 16th February 2024

   (c) 17th February 2024

   (d) 18th February 2024

3. What would be the status of Ms. Shanaya in the firm, M/s Aryan & Aryan LLP after the accident?

   (a) She would continue as a partner in M/s Aryan & Aryan LLP even after being declared as of unsound mind.

   (b) Section 24(2) of the Limited Liability Partnership Act, 2008 provides that a person shall cease to be a partner of a LLP if he is declared to be of unsound mind by a competent court. As this sub – section provides only for male person ("he"), she would continue as a partner in M/s Aryan & Aryan LLP.

   (c) Following the provisions of the General Clauses Act, 1897 which provides that in all legislations and regulations, unless there is anything repugnant in the subject or context words importing the masculine gender shall be taken to include females. Hence, Ms. Shanaya will cease to be a partner M/s Aryan & Aryan LLP.

   (d) She can continue as partner if all other partners agree for that.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Yes, because section 8 of the General Clauses Act, 1897 provides where any Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted. Therefore, after the enactment of Companies Act, 2013, the definition of "Body Corporate" should be construed as a company which is defined in section 2(20) of the Companies Act, 2013.

Reason:

Yes, because section 8 of The General Clauses Act, 1897 provides where any Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted. Therefore, after the enactment of Companies Act, 2013, the definition of "Body Corporate" should be construed as a company which is defined in section 2(20) of the Companies Act, 2013.

2. **Option (b)** 16th February 2024

Reason:

Under the provisions of the LLP Act, a firm is required to inform ROC within 30 days of admission of new partner i.e. from 18/01/2022 to 16/02/2022. As per the General Clauses Act 1897, in this series of 30 days, 17/01/2022 will be excluded and last 30th day i.e. 16/02/2022 will be included.

Section 25 of LLP

A LLP shall**—**

(a) where a person becomes or ceases to be a partner, file a notice with the Registrar within 30 days from the date he becomes or ceases to be a partner;

3. **Option (c)** Following the provisions of the General Clauses Act, 1897 which provides that in all legislations and regulations, unless there is anything repugnant in the subject or context words importing the masculine gender shall be taken to include females. Hence, Ms. Shanaya will cease to be a partner M/s Aryan & Aryan LLP.

Reason:

Following the provisions of section 13 of the General Clauses Act 1897 which provides that in all legislations and regulations, unless there is anything repugnant in the subject or context words importing the masculine gender shall be taken to include females, section 24(2) will be applicable to Ms. Shanaya also. Hence, she ceased to be a partner M/s Aryan & Aryan LLP.

CASE SCENARIO 46

Omx Software Private Limited is a private company and having its registered office in Bangalore and is a wholly owned subsidiary of Omx Software Inc, situated in USA. Mr. Rajat Kapoor, Mr. Shubham and Mr. Peter are directors of Omx Software Private Limited. Mr. Rajat and Mr. Shubham are Indian residents while Mr. Peter is a non-resident and stays in USA. Mr. Peter is also a director in Omx Software Inc.

Mr. Rajat left India on 2nd November, 2021 for the purpose of looking after the business of Omx Software Inc. Mr. Rajat came to back to India on 12th February, 2022 to meet his family and left India on 26th February, 2022 and went back to USA to look after the business of Omx Software Inc. Mr. Rajat again visited India on 25th August, 2022 and stays in India for the whole year.

Omx Software Private Limited had availed a consultancy service from a company situated in USA for development of software for the purpose of rendering service to its customers situated in India.

Mr. Rajat had purchased a residential property in USA on 27th April, 2022 which was self-occupied by him for his residential use.

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:

MULTIPLE CHOICE QUESTIONS

1. Considering the provisions of the Foreign Exchange Management Act, 1999, which of the following options correctly determines the residential status of Mr. Rajat Kapoor:

   (a) Mr. Rajat Kapoor to be treated as resident in India for Financial Year (FY) 2022-2023 and FY 2023-2024 since he stays in India for more than 182 days

(b) Mr. Rajat Kapoor to be treated as non-resident in India for FY 2022-2023 since he left India for the purpose of carrying business of Omx Software Inc and resident for FY 2023-2024

(c) Mr. Rajat Kapoor to be treated as non-resident for FY 2022-2023 and FY 2023-2024

(d) Mr. Rajat Kapoor to be treated as resident in India for FY 2022-2023 since he stays in India for more than 182 days and non-resident for FY 2023-2024

2. Considering the provisions of the Foreign Exchange Management Act, 1999, how much amount can company remit outside India:

(a) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 1,000,000 per project

(b) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 100,000 per project

(c) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 200,000 per project

(d) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 2,000,000 per project

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Mr. Rajat Kapoor to be treated as non-resident in India for FY 2022-2023 since he left India for the purpose of carrying business of Omx Software Inc and resident for FY 2023-2024

Reason:

Mr. Rajat would be treated as non-resident for FY 2022-23 as he went to US in FY 21-22 for the purpose of carrying the business in US and he would be treated as resident for FY 23-24 as he returned to India with an intention of permanent stay.

2. **Option (a)** Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 1,000,000 per project

Reason:

No prior approval of RBI is required for making payment upto USD 1,000,000 per project.

CASE SCENARIO 47

Mr. Arun Kumar, a software engineer from Bangalore, has been working with a US-based technology company in Silicon Valley for the past 4 years. In April 2023, he returned to India to establish a technology startup, Global Ventures Pvt. Limited He maintained his foreign currency accounts in the US, containing earnings from his previous employment. His wife continues to work in the US.

During August 2023, Mr. Kumar undertook several transactions:

- He received USD 200,000 from his US savings account to invest in his Indian startup
- He gifted USD 75,000 to his brother in India for purchasing property
- He imported specialized software equipment worth USD 150,000 from a Singapore-based supplier on 3 months' credit
- He helped his wife (US-based) remit USD 40,000 for her parents' medical treatment in India

Global Ventures also set up a branch office in Singapore in October 2023, fully controlled and managed from its Bangalore headquarters. The company plans to raise foreign currency loans and explore various overseas investment opportunities.

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:

MULTIPLE CHOICE QUESTIONS

1. Under FEMA, what would be Mr. Kumar's residential status for FY 2023-24?

   (a) Person Resident in India from April 2023

   (b) Person Resident Outside India throughout the year

   (c) Person Resident in India only after completing 182 days

(d) Person Resident Outside India till August 2023

2. Which of the following transactions by Mr. Kumar requires prior RBI approval?

   (a) Receiving USD 200,000 from his own foreign account

   (b) Gift of USD 75,000 to his brother

   (c) Import of equipment on credit terms

   (d) Setting up a branch office in Singapore

3. Mr. Kumar's wife's remittance of USD 40,000 for her parents' medical treatment in India:

   (a) Is a capital account transaction requiring RBI approval

   (b) Is a current account transaction permitted without any limit

   (c) Is a prohibited transaction under FEMA

   (d) Requires approval since it exceeds USD 25,000

4. For raising foreign currency loans for Global Ventures, which regulatory framework would apply?

   (a) Only RBI regulations for debt instruments

   (b) Only Central Government regulations

   (c) Both RBI and Central Government regulations based on the type of instrument

   (d) No regulations since it's a technology company

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (a) Person Resident in India from April 2023

Reason:

Under the Foreign Exchange Management Act (FEMA), a "Person Resident in India" (PR in India) is defined as a person who has been in India for more than 182 days during the preceding financial year, with certain exceptions (such as for students or people on short trips). Since Mr. Kumar returned to India in April 2023 and established a business here, he would be considered a Person Resident in India starting from April 2023, as he has settled here.

2. **Option (b)** Gift of USD 75,000 to his brother

   Reason:

   Under FEMA, gifts from a resident to a resident are permissible, but gifts from a resident to a non-resident, or even a gift of large amounts to a resident, may require RBI approval. In this case, gifting USD 75,000 to his brother for property purchase is a capital account transaction, and since the amount exceeds the prescribed limits, it would require RBI approval.

3. **Option (b)** Is a current account transaction permitted without any limit

   Reason:

   Under FEMA, remittances for medical treatment in India are considered current account transactions and are permitted without any limit, as long as they are for genuine medical expenses. This remittance from Mr. Kumar's wife to her parents falls under this category and does not require RBI approval, as it is for a valid purpose.

4. **Option (c)** Both RBI and Central Government regulations based on the type of instrument

   Reason:

   For raising foreign currency loans, Global Ventures will need to adhere to both RBI regulations (for debt instruments like foreign currency loans) and Central Government regulations, especially if the loan terms or the foreign exchange exposure fall under certain restrictions. Both frameworks come into play depending on the nature and structure of the loan (e.g., secured, unsecured, type of repayment terms).

CASE SCENARIO 48

Neha Sharma, an Indian citizen and successful fashion designer in Paris for the past 8 years, decided to expand her business to India. In January 2024, she incorporated Glamour Designs Private Limited (GDPL) in Mumbai. Her business plan includes:

- Setting up a design studio in Mumbai
- Importing luxury fabrics from France
- Establishing an online retail platform
- Collaborating with European fashion houses

Initial transactions in February 2024 included:

- Received EUR 500,000 from her French business account
- Purchased commercial property in Mumbai for studio
- Hired French designers as consultants
- Opened a foreign currency account in Mumbai branch of an international bank

The company also plans to participate in international fashion shows and accept advance payments from foreign buyers.

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:

MULTIPLE CHOICE QUESTIONS

1. What would be Neha's residential status under FEMA when she relocates to Mumbai in March 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. GDPL'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. Regarding the foreign currency account opened in Mumbai:

(a) Can hold unlimited foreign currency without restriction

(b) Must convert all receipts to INR immediately

(c) Can maintain balances as per FEMA regulations

(d) Must close account within 180 days

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (a) Immediately becomes Person Resident in India

Reason:

According to FEMA, an individual is considered a "Person Resident in India" if they have been in India for more than 182 days during the preceding financial year. Since Neha is relocating to India, she would fulfill this condition and immediately be considered a Person Resident in India.

2. Option (c) Current Account Transaction permitted freely

Reason:

Under FEMA, transactions related to the import and export of goods and services are considered current account transactions, which are freely permitted. Advance payments from foreign buyers for goods or services fall under this category.

3. **Option (c)** Can maintain balances as per FEMA regulations

Reason:

Under FEMA, a foreign currency account opened by an Indian entity can hold foreign currency as per the guidelines set by the RBI. However, the funds in the account must be used for legitimate purposes such as imports and exports, and the account can be maintained as long as it complies with FEMA regulations.

CASE SCENARIO 49

Progressive Management College have introduced a Global Management Diploma Course which is of 12 months duration. Out of 12 months, 11 months studies are held in India and rest of 1 month is earmarked for foreign tour. Rudra Pratap is the Principal of the college. After taking requisite permission from the competent Ministry, the cultural tour programme was chalked out and the team visited Malaysia, Singapore, Australia and New Zealand.

Rudra Pratap's daughter Payal got admission in a medical college situated in California, United States of America. For fee and other expenses, Payal needs USD 2,25,000. Rudra Pratap contacted his banker to know the procedure for availing of foreign exchange and the authority to whom he shall apply. His banker properly guided all the relevant procedures for availing of the foreign exchange.

Rudra Pratap's brother Sourya Pratap went to UK some years ago, where he joined a company in managerial position. He intermittently visits to India and maintains a Non-Resident Special Rupee Scheme Account (NRSR) in Mumbai. He wanted to make remittance of interest earned in the NRSR Account and asked his bankers for the required formalities.

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:

MULTIPLE CHOICE QUESTIONS

1. For the purpose of cultural tours, approval of which Ministry is required to be obtained?

   (a) Ministry of Human Resources Development

   (b) Ministry of External Affairs

   (c) Ministry of Home Affairs

   (d) Ministry of Commerce and Industry

2. For availing foreign exchange for studying abroad, which of the following option is correct:

   (a) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad is prohibited.

   (b) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad requires prior approval of Government of India.

   (c) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad requires prior approval of RBI.

   (d) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad do not require prior approval of RBI.

3. The remittance of foreign exchange for arranging of cultural tour for the students is an example of:

   (a) Capital Account Transactions

   (b) Current Account Transactions

   (c) Hybrid Transactions

   (d) Amortised Transactions

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** Ministry of Human Resources Development

Reason:

Foreign Exchange for meeting expenses of cultural tour can be withdrawn by any person after obtaining permission from Government of India, Ministry of Human Resources Development, (Department of Education and Culture) as prescribed in Second Schedule to the Foreign Exchange Management (Current Account Transactions) Rules, 2000.

2. **Option (d)** The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad do not require prior approval of RBI.

Reason:

According to Para I of Schedule III to Foreign Exchange Management (Current Account Transactions), Amendment Rule, 2015 dated 26th May, 2015, individuals can avail of foreign exchange facility for the studies abroad within the limit of USD 2,50,000 only. Any additional remittance in excess of the said limit shall require prior approval of the RBI. Further proviso to Para I of Schedule III states that individual may be allowed remittances (without seeking prior approval of the RBI) exceeding USD 2,50,000 based on the estimate received from the institution abroad.

3. **Option (b)** Current Account Transactions

Reason:

Foreign Exchange for meeting expenses of cultural tour can be withdrawn by any person after obtaining permission from Government of India, Ministry of Human Resources Development, (Department of Education and Culture) as prescribed in Second Schedule to the Foreign Exchange Management (Current Account Transactions) Rules, 2000.

CASE SCENARIO 50

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:

MULTIPLE CHOICE QUESTIONS

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

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (a) Yes, up to USD 55,000 per academic year without RBI approval.

Reason:

According to Para I of Schedule III to Foreign Exchange Management (Current Account Transactions), Amendment Rule, 2015 dated 26th May, 2015, individuals can avail of foreign exchange facility for the studies abroad within the limit of USD 2,50,000 only. Any additional remittance in excess of the said limit shall require prior approval of the RBI. Further proviso to Para I of Schedule III states that individual may be allowed remittances (without seeking prior approval of the RBI) exceeding USD 2,50,000 based on the estimate received from the institution abroad.

2. **Option (d)** AD will reject the request because lottery winnings cannot be remitted under any circumstances as it falls under prohibited current account transactions.

   Reason:

   Before allowing any remittance, the authorised dealer must check if it falls under prohibited current account transactions. Lottery-winning remittances fall under this prohibited list, so the bank must evaluate it accordingly.

3. **Option (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.

   Reason:

   Remittance of foreign exchange for medical treatment abroad" requires prior permission or approval of RBI where the individual requires withdrawal of foreign exchange exceeding USD 250,000. The Schedule also prescribes that for the purpose of expenses in connection with medical treatment, the individual may avail of exchange facility for an amount in excess of the limit prescribed under the Liberalized Remittance Scheme, if so required by a medical institute offering treatment.