



**CA INTERMEDIATE**

**CORPORATE AND  
OTHER LAWS**

**QUESTION BANK**

*THE BOOK OF JUNOON*

**CA Chaitanya Jain**

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## BOOK FEATURES

This book is specially designed and regularly updated for CA Intermediate aspirants, strictly in line with ICAI Study Material and examination requirements.

- Complete syllabus coverage strictly as per ICAI Study Material.
- Each chapter is divided into two structured parts:
  - Part A: ICAI Study Material (Module) questions
  - Part B: Questions from MTPs, RTPs, Previous Year Question Papers, and other relevant sources
- Latest RTP & MTP questions included with suggested answers.
- Questions are systematically arranged chapter-wise and section-wise for focused and effective preparation.
- LDR questions for Last Day Resision.

# ABOUT THE AUTHOR

Chaitanya Jain, also known as CJ Sir, is a Chartered Accountant with a B.Com degree from Sydenham College, Mumbai and completed his schooling from Delhi Public School. With over 7 years of teaching experience, he has taught ‘Business Laws’ at CA Foundation and ‘Corporate and Other Laws’ at CA Intermediate levels. His popular series “Kanoon Ka Junoon” at CA Wallah by PW has earned him a loyal following. CJ Sir has also led financial literacy programs in the USA and UK region, making law and finance accessible to students worldwide. CJ Sir strongly believes that Chartered Accountancy equips you with unparalleled credibility and the prefix ‘CA’ gives you the kind of confidence that is truly empowering.

He began his CA journey in 2012, and after thorough research, knew that he had made the right choice. After clearing his final exams in November 2016, he realized he had true passion for Law. He vividly remembers an intense study session when he started scribbling on chart papers stuck on the walls of his home, with one chart for each chapter.

He created concise summaries to simplify complex legal concepts, which he also used, to teach his friends and classmates. Their positive feedback further boosted his love for teaching, and he knew he wanted to make Law the most enjoyable part of the CA journey for others, as it can be dry and vast at the same time. And that’s how his journey as an Educator began.

8 years in, and his passion continues to drive him as he teaches more students with each growing day.

## How to Use This Book

Use this Question Book along with the Concept Book – “The Book of KANOON” for maximum benefit. Study the concepts from the Concept Book and reinforce your preparation using the practice questions and Last Day Revisions (LDRs) provided in this book.

## Why This Book Works

- Complete syllabus coverage with 450+ questions across all chapters
- A comprehensive compilation of questions from ICAI Module, PYQs, RTPs, and MTPs across numerous attempts (5 Years)
- Last Day Revisions (LDRs) provided at the beginning of each chapter and clearly marked.
- Chapter-wise weightage of Descriptive Questions (DQs) and MCQs
- Quick-reference index showing the number of questions in each chapter
- MCQs are covered separately in the Concept Book for focused learning

Happy learning!

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# TOTAL NUMBER OF QUESTIONS

Name of the Chapter	Total No. of Questions
Chapter 1: Preliminary	19
Chapter 2: Incorporation of Company and Matters Incidental Thereto	31
Chapter 3: Prospectus and Allotment of Securities	27
Chapter 4: Share Capital and Debentures	40
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Chapter 9: Accounts of Companies	26
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Chapter 11: Companies Incorporated Outside India	15
Chapter 12: The Limited Liability Partnership Act, 2008	27
Chapter 13: The General Clauses Act, 1897	49
Chapter 14: Interpretation of Statutes	29
Chapter 15: The Foreign Exchange Management Act, 1999	31
<b>Total</b>	<b>458</b>

## ATTEMPT WISE WEIGHTAGE OF CHAPTERS AS PER NEW SYLLABUS

ICAI HAS STARTED PROVIDING MCQS FROM SEPTEMBER 2024 ATTEMPT

Chapter Number	Chapter Name	May 2024			September 2024			January 2025			May 2025			Sep 2025			Jan 2026		
		DQ	MCQ	Total	DQ	MCQ	Total	DQ	MCQ	Total	DQ	MCQ	Total	DQ	MCQ	Total	DQ	MCQ	Total
1.	Preliminary	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0
2.	Incorporation of Company	-	-	0	-	5	5	2	2	7	5	2	7	5	2	7	5	-	5
3.	Prospectus and Allotment of Securities	5	-	5	5	5	10	2	2	7	10	-	10	5	2	7	-	2	2
4.	Chapter 4: Share Capital and Debentures	10	2	12	10	5	15	2	2	7	-	6	6	5	2	7	10	2	12
5.	Acceptance of Deposits by Companies	2	6	11	5	5	10	-	-	5	5	-	5	5	2	7	5	2	7
6.	Registration of Charges	-	-	5	5	-	5	-	-	0	15	-	15	-	-	0	5	2	7
7.	Management & Administration	13	-	10	10	15	25	-	-	15	-	6	6	15	2	17	10	2	12
8.	Declaration and Payment of Dividend	5	-	5	5	5	10	-	-	5	-	-	0	-	-	0	5	-	5
9.	Accounts of Companies	10	-	8	8	5	13	8	8	16	10	-	10	15	-	15	10	-	10
10.	Audit and Auditors	8	-	2	2	5	7	6	6	12	5	-	5	5	-	5	-	6	6
11.	Companies Incorporated Outside India	2	6	11	5	5	10	-	-	5	5	4	9	-	6	6	5	-	5
12.	The Limited Liability Partnership Act, 2008	10	6	16	10	10	20	2	2	12	10	4	14	10	2	12	10	4	14
13.	The General Clauses Act, 1897	8	4	12	8	8	16	2	2	10	8	4	12	8	6	14	8	4	12
14.	Interpretation of Statutes	8	-	8	8	8	16	-	-	8	8	-	8	8	-	8	8	-	8
15.	The Foreign Exchange Management Act, 1999	8	6	14	8	8	16	6	6	12	8	6	14	8	6	14	8	6	14
	<b>Total</b>	<b>89</b>	<b>30</b>	<b>119</b>	<b>89</b>	<b>89</b>	<b>178</b>	<b>30</b>	<b>30</b>	<b>119</b>	<b>89</b>	<b>30</b>	<b>119</b>	<b>89</b>	<b>30</b>	<b>119</b>	<b>89</b>	<b>30</b>	<b>119</b>



## LDR Questions

Q. 3	Q. 8	Q. 10	Q. 11	Q. 13	Q. 19
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## ICAI Module Descriptive Questions

## Section 2(85) Small Company

1. MNP Private Ltd. is a company registered under the Companies Act, 2013 with a paid-up share capital of ₹2 crore and turnover of ₹160 crore. Explain the meaning of the “Small Company” and examine the following in accordance with the provisions of the Companies Act, 2013:

- (i) Whether the MNP Private Ltd. can avail the status of small company?
- (ii) What will be your answer if the turnover of the company is ₹30 crore?

**Solution:**

Small Company: According to Section 2(85) of the Companies Act, 2013, Small Company means a company, other than a public company,—

- (1) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than ten crore rupees; and
- (2) turnover of which as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than one hundred crore rupees.

Nothing in this clause shall apply to—

- (a) a holding company or a subsidiary company;
- (b) a company registered under section 8; or
- (c) a company or body corporate governed by any special Act.

As per the Companies (Specification of Definitions Details) Rules, 2014, for the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees ten crore and rupees one hundred crore respectively.

- (i) In the present case, MNP Private Ltd., is a company registered under the Companies Act, 2013 with a paid-up share capital of ₹2 crore and having turnover of ₹160 crore. Since only one criteria of share capital not exceeding ₹10 crore is met, but the second criteria of turnover not exceeding ₹100 crore is not met and the provisions require both the

criteria to be met in order to avail the status of a small company, MNP Ltd. cannot avail the status of small company.

- (ii) If the turnover of the company is ₹30 crore, then both the criteria will be fulfilled and MNP Ltd. can avail the status of small company.

### Section 2(68) Private Company

2. Flora Fauna Limited was registered as a public company. There are 230 members in the company as noted below:

- (a) Directors and their relatives 50
- (b) Employees 15
- (c) Ex-Employees (Shares were allotted when they were employees) 10
- (d) 5 couples holding shares jointly in the name of husband and wife (5\*2) 10
- (e) Others 145

The Board of Directors of the company propose to convert it into a private company. Also advise whether reduction in the number of members is necessary.

#### Solution:

According to section 2(68) of the Companies Act, 2013, "Private company" means a company having a minimum paid-up share capital as may be prescribed, and which by its articles, except in case of One Person Company, limits the number of its members to two hundred.

However, where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this clause, be treated as a single member.

It is further provided that –

- (A) persons who are in the employment of the company; and
- (B) persons who, having been formerly in the employment of the company, were members of the company while in that employment and have continued to be members after the employment ceased, shall not be included in the number of members.

In the instant case, Flora Fauna Limited may be converted\* into a private company only if the total members of the company are limited to 200. Total Number of members

- (i) Directors and their relatives 50
- (ii) 5 Couples (5x1) 5
- (iii) Others 145

Total 200

Therefore, there is no need for reduction in the number of members since existing number of members are 200 which does not exceed maximum limit of 200.

\*The provisions relating to conversion of public company to private company is covered in the Chapter 2 – Incorporation of Company and Matters incidental thereto.

### RTP, MTP and PYQ Descriptive Questions

### Section 2(43) Free Reserves

3. MNO Limited are finalising its financial statements and found that the value of one of its properties has increased. The company came across certain other transactions also and got confused as to



what should be included as 'free reserves' The company has approached you to define to them the meaning of the term "free reserves" for dividend distribution as per the provisions of the Companies Act, 2013. (5 Marks) (MTP Nov 24)

**Solution:**

**Law: Free Reserves 2(43)**

According to section 2(43) of companies act, 2013, Free reserves mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend:

Provided that—

any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or

any change in carrying amount of an asset or of a liability recognized in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves.

### Section 2(57) Net Worth

4. The statutory auditors of a company were required to issue a certificate on the net worth of the company as per the requirement of the management as on 30th September 2024 computed as per the provision of section 2(57) of the Companies Act, 2013. The company had fair valued its property, plant and equipment in the current year which was mistakenly taken into retained earnings of the company in its books of accounts. Advise whether this fair valuation would be covered in the net worth of the company as per the legal requirements. (Module)

**Solution:**

**Law:** According to section 2(57) "Net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

**Conclusion:** In present case, even if the company has taken the fair valuation to the retained earnings in its books of accounts, the resultant credit in reserves (by whatever name called) would be in the category of 'reserves created out of revaluation of assets' which is specifically excluded in the definition of 'net worth' in section 2 (57) and hence should be excluded by the company.

### Section 2(62) One Person Company

5. Prashant incorporated a "One Person Company" making his sister Priya as the nominee. Priya is an Indian citizen. She was born and brought up in Kanpur. However, now Priya and her husband are leaving India permanently to stay with their son who is settled abroad for the last 15 years. Due to this fact, she is withdrawing her consent of nomination in the said One Person Company. Taking into considerations the provisions of the Companies Act, 2013 answer the questions given below. (RTP Sep. 24)

- (a) If Priya is leaving India permanently, is it mandatory for her to withdraw her nomination in the said One Person Company?
- (b) In case Priya withdraws her nomination as a nominee to the OPC, whether Prashant can appoint his minor son Rushang as the nominee of the OPC?

**Solution:**

**Law:** According to Rule 3 of the Companies (Incorporation) Rules, 2014 and Sec 2(62)

- (i) only a natural person who is an Indian citizen whether resident in India or otherwise shall be eligible to incorporate a One Person Company.

- (ii) The memorandum of One Person Company shall also indicate the name of the natural person, other than minor; who is an Indian citizen, whether resident in India or otherwise (as nominee), along with his prior written consent, who shall, in the event of the subscriber's death or his incapacity to contract become the member of the company.
- (iii) Minor cannot be member or nominee in OPC

**Conclusion:** In present situation

- (i) In the given question Priya is an Indian citizen and a resident of India. Thus, if Priya is able to maintain her Indian citizenship status in India after moving abroad then she can remain as nominee in OPC of Prashant irrespective of her residential status.
- (ii) A minor cannot be appointed as a nominee/ member of OPC. Hence, Prashant cannot appoint his son Rushang as a nominee to his OPC.

## Section 2(85) Small Company

**6. Define the term 'Small Company' as contained in the Companies Act, 2013. (MAY 2015)**

**Solution:**

**Law:** Small Company

- A. According to sec 2 (85) A company shall be a small company only if it satisfies both the following conditions:
1. Its paid-up share capital does not exceed Rs. 10 crore or such higher amount as may be prescribed which shall not be more than ten crore rupees; and
  2. Its turnover (as per profit and loss account for the immediately preceding FY) does not exceed Rs. 100 crore or such higher amount as may be prescribed which shall not be more than one hundred crore rupees
- B. A company shall not be a small company, if:
1. is a public company; or
  2. It is a holding or a subsidiary company; or
  3. It is a company registered u/s 8; or
  4. It is a company or body corporate governed by any special Act.

## Section 2(85)

**7. Ram Pvt. Ltd. is the holding company of Laxman Pvt. Ltd. As per the last profit and loss account for the year ending 31st March, 2023 of Laxman Pvt. Ltd., its turnover was ₹1.80 crore; and paid-up share capital was ₹80 lakh. The Board of Directors wants to avail the status of a small company. The Company Secretary of the company advised the directors that the company cannot be categorized as a small company. In the light of the above facts and in accordance with the provisions of the Companies Act, 2013, you are required to examine whether the contention of Company Secretary is correct, explaining the relevant provisions of the Act. (RTP May24)**

**Solution: Law:**

As per section 2(85) of the Companies Act, 2013, small company means a company, other than a public company:

- (a) paid-up share capital of which does not exceed ten crore rupees, and
- (b) turnover of which as per profit and loss account for the immediately preceding financial year does not exceed 100 crore rupees:

Provided that nothing in this clause shall apply to—

- (a) a holding company or a subsidiary company;
- (b) a company registered under section 8; or
- (c) a company or body corporate governed by any special Act.

**Conclusion:** In the instant case, as per the last profit and loss account for the year ending 31st March, 2023 of Laxman Pvt. Ltd., its turnover was to the extent of ₹1.80 crore, and paid-up share capital was ₹80 lakh. Though Laxman Pvt. Ltd., as per the turnover and paid-up share capital norms, qualifies for the status of a ‘small company’ but it cannot be categorized as a ‘small company’ because it is the subsidiary of another company (Ram Pvt. Ltd.).

Hence, the contention of the Company Secretary is correct.

## Section 2(87) Subsidiary Company

- 8.** Cross Limited is a company incorporated under the erstwhile the Companies Act, 1956 while XYZ Private Limited is a company registered under the Companies Act, 2013. XYZ Private Limited has issued ₹1,00,000 convertible preference shares (carrying right to vote) of Z 100 each and 10,00,000 equity shares of Z 10 each fully paid. Cross Limited is holding all the preference share and 1,00,0100 equity shares of XYZ Private Limited. Examine whether: **(MTP April 24)**
- (a) The provisions of the Companies Act, 2013 are applicable on Cross Limited?
  - (b) XYZ Private Limited is a public company as per the Companies Act, 2013? **(5 Marks)**

**Solution:**

**Law:**

- (i) Section 1 of the Companies Act, 2013, provides that the provisions of this Act shall apply to companies incorporated under this Act or under any previous company law.
- (ii) According to section 2(71) of the Companies Act, 2013, public company means a company which is not a private company.  
Provided that a company which is a subsidiary of a company, not being a private company, shall be deemed to be public company for the purposes of this Act even where such subsidiary company continues to be a private company in its articles.
- (iii) According to section 2(87) of the Companies Act, 2013, “subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company:
  - 1. controls the composition of the Board of Directors; or
  - 2. exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

**Conclusion:** In the given question,

- (i) the provisions of the Companies Act, 2013 are also applicable on Cross Limited.
- (ii) Cross Limited holds more than one-half of the total voting power [(Rs 10,00,000 equity shares + Rs 1,00,00,000 preference shares (since carrying voting rights) out of Rs 2,00,00,000]. Therefore, XYZ Private Limited is a subsidiary of Cross Limited. Further in terms of the provisions of section 2(71), XYZ Private Limited being subsidiary of Cross Limited (a public company), shall also be deemed to be a public company.

## Section 2(87)

9. The paid-up share capital of Saras Private Limited is ₹1 crore, consisting of 8 lacs Equity Shares of ₹10 each, fully paid-up and 2 lacs Cumulative Preference Shares of ₹10 each, fully paid-up. Jeevan (JVN) Private Limited and Sudhir Private Limited are holding 3 lacs Equity Shares and 50,000 Equity Shares respectively in Saras Private Limited. Jeevan Private Limited and Sudhir Private Limited are the subsidiaries of Piyush Private Limited. With reference to the provisions of the Companies Act, 2013 examine whether Saras Private Limited is a subsidiary of Piyush Private Limited? Would your answer be different if Piyush Private Limited has 8 out of 9 Directors on the Board of Saras Private Limited? **(RTP MAY 2018) (RTP MAY 2019)**

### Solution:

#### Law:

- (i) According to sec 2(46) Holding company, in relation to one or more other companies, means a company of which such companies are subsidiary companies.
- (ii) Section 2(87) provides that a company shall be deemed to be a subsidiary of another, if any of the following conditions are satisfied:
  - (a) That other controls the composition of its board of directors;
  - (b) That other exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies; or through its Subsidiaries

#### Conclusion: In present case –

- (i) Saras Private Limited is a not subsidiary of Piyush Private Limited because subsidiaries of piyush pvt ltd, Jeevan Private Limited and Sudhir Private Limited only holds 3.5 lacs equity shares whereas in pursuant to sec 2(87) they should hold more than more than half of 8 lac equity shares i.e more than 4 lac shares.
- (ii) Yes, our answer be different if Piyush Private Limited has 8 out of 9 Directors on the Board of Saras Private Limited as now it controls composition of board of directors of saras pvt ltd.

## Section 2(87)

10. The State Government of X, a state in the country is holding 48 lakh shares of Y Limited. The paid-up capital of Y Limited is ₹9.5 crore (95 lakh shares of ₹10 each). Y Limited directly holds 2,50,600 shares of Z Private Limited which is having share capital of ₹5crore in the form of 5 lakh shares of ₹100 each. Z Private Limited claimed the status of a subsidiary company of ₹100 each. Z Private Limited claimed the status of a subsidiary company of Y Limited as well as a Government company. Advise as a legal advisor, whether Z Private Limited is a subsidiary company of Y Limited as well as a government company under the provisions of the Companies Act, 2013?

**[Dec 2023 (4 Marks)]**

### Solution:

**Law:** According to Section 2(45) of the Companies Act, 2013, Government Company means any company in which not less than 51% of the paid-up share capital is held by-

- (a) the Central Government, or
- (b) by any State Government or Governments, or
- (c) partly by the Central Government and partly by one or more State Governments, and the section includes a company which is a subsidiary company of such a Government company.

As per Section 2(87) of the Companies Act, 2013, “subsidiary company” in relation to any other company (that is to say the holding company), means a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.


**Conclusion:** In the instant case, the State Government of X, a state in the country is holding 48 Lakh shares in Y Limited which is below 51% of the paid up share capital of Y Limited i.e. 48.45 Lakh shares (51% of 95 Lakh shares). Hence Y Limited is not a Government Company.

Further, Y Limited directly holds 2,50,600 shares in Z Private Limited, which is more than one-half of the total shares of Z Limited i.e. 2,50,000 shares (50% of 5 Lakh shares). Thus, the Company controls more than one-half of the total voting power of Z Limited. Hence Z Private Limited is a subsidiary of Y Limited.

Therefore, we can conclude that Z Private Limited is a subsidiary of Y Limited but not a Government Company since Y Limited is not a Government Company.

## Section 2(92) Unlimited Company

**11.** No limit Private Company is incorporated as unlimited company having share capital of ₹10,00,000.

 One of its creditors, Mr. Samuel filed a suit against a shareholder Mr. Innocent for recovery of his debt against Nolimit Private Company. Mr. Innocent has given his plea in the court that he is not liable as he is just a shareholder. Explain whether Mr. Samuel will be successful in recovering his dues from Mr. Innocent? **CA Foundation (MTP May 24) (4 Marks) (RTP Sep 24)**

**Solution:**

**Law:** Section 2(92) of Companies Act, 2013, provides that an unlimited company means a company not having any limit on the liability of its members. The liability of each member extends to the whole amount of the company’s debts and liabilities, but he will be entitled to claim contribution from other members.

A Company is a separate legal entity which can sue or be sued in its own name

**Conclusion:** On the basis of above, it can be said that Mr. Samuel cannot directly claim his dues against the company from Mr. Innocent, the shareholder of the company even the company is an unlimited company. Mr. Innocent is liable upto his share capital. His unlimited liability will arise when official liquidator calls the members for their contribution towards the liabilities and debts of the company at the time of winding up of company.

## Section 8 Company

**12.** P Cricket Club was formed as a Limited Liability Company under Section 8 of the Companies Act, 2013 with the object of promoting cricket by arranging introductory cricket courses at district level and friendly matches. The club has been earning surplus. Of late, the affairs of the company are conducted fraudulently and dividend was paid to its members. Mr. Y, a member decided make a complaint with Regulatory Authority to curb the fraudulent activities by cancelling the licence given to the company. **(MTP Oct. 22)**

- (a) Is there any provision under the Companies Act, 2013 to revoke the licence? If so, state the provisions.
- (b) Whether the Company may be wound up?
- (c) Whether the P Cricket Club can be merged with Z Net Private Limited, a company engaged in the business of networking? **(5 Marks)**

### Solution:

- (i) According to section 8(6) of the Companies Act, 2013, the Central Government may by order revoke the licence of the company where the company contravenes any of the requirements or the conditions of section 8 subject to which a licence is issued or where the affairs of the company are conducted fraudulently, or in violation of the objects of the company or prejudicial to public interest, and on revocation, the Registrar shall put 'Limited' or 'Private Limited' against the company's name in the register. But before such revocation, the Central Government must give it a written notice of its intention to revoke the licence and opportunity to be heard in the matter.
- Hence, in the instant case, the Central Government can revoke the license given to P Cricket Club as section 8 company, as the affairs of the company are conducted fraudulently and dividend was paid to its members which is in contravention to the conditions given under section 8.
- (ii) Where a licence is revoked, the Central Government may, by order, if it is satisfied that it is essential in the public interest, direct that the company be wound up under this Act or amalgamated with another company registered under this section. However, no such order shall be made unless the company is given a reasonable opportunity of being heard. [Section 8(7)] Hence, the stated company may be wound up.
- (iii) A company registered under this section shall amalgamate only with another company registered under this section and having similar objects. [Section 8(10)] In the instant case, P Cricket Club cannot be merged with Z Net Private Limited as the objects of both the companies are different and not similar.

### Section 8

**13.** Sai along with his six friend desires to incorporate a Section 8 Company under the Companies Act, 2013. He is seeking your advice in the following matters: **(April 22) (5 Marks)**



- (a) What is the minimum paid-up capital requirement in case of a Section 8 Company?  
(b) Whether a firm can be member of the Section 8 Company?  
(c) Whether the Section 8 Company can pay dividend to its members?

Advise, Sai with reference to the provisions of Companies Act, 2013.

### Solution:

#### Law:

- (i) A company may be formed u/s 8 if
- (a) the objects of the company are to promote commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or such other object;
  - (b) the company intends to apply its profits in promoting its objects; and
  - (c) the company intends to prohibit the payment of dividend to its members.
- (ii) Further it must be noted that even a firm can be member of sec 8 company

#### Conclusion:

- (i) The requirement of having a minimum paid up share capital shall not apply to a section 8 company.
- (ii) Yes, under section 8(3) of the Companies Act, 2013, a firm may be a member of the company registered under section 8.

- (iii) According to Section 8(1)(c) of the Companies Act, 2013, section 8 company cannot pay dividend to its members as it prohibits the payment of dividends to its members.

## Section 8

14. One of the matters contained in the articles of Dhimaan Foundation, incorporated as a limited company under section 8 of the Companies Act, 2013, was altered by passing a special resolution in its general meeting and thereafter, intimation for the same was given to Registrar of Companies. However, such alteration in the articles was opposed by Dhvaj & Co., a partnership firm which is its member that there such alteration was not valid. **(RTP May 2022)**  
Advise, as per the provisions of the Companies Act, 2013, whether the contention of Dhvaj & Co. was valid and whether it can be a member in such company?

### Solution:

#### Law:

- (i) According to section 8 of the Companies Act, 2013, a company registered under this section shall not alter the provisions of its memorandum or articles except with the previous approval of the Central Government (the power has been delegated to Registrar of Companies).
- (ii) Also, a firm may be a member of the company registered under section 8

**Conclusion:** Here, one of the matters of articles of Dhimaan Foundation was altered by passing a special resolution in its general meeting and thereafter, intimation for the same was given to Registrar of Companies.

**Conclusion:** As per the provisions of the Act, it is necessary to take previous approval of the Registrar of Companies for the same which was not done in the present case and thus the contention of Dhvaj & Co. was valid.

Also, section 8 allows a firm to be a member of such company and hence, Dhvaj & Co. can be its member.

## Section 8

15. Trinity school started imparting education on 1st April, 2010, with the sole objective of providing education to children of weaker society either free of cost or at a very nominal fee depending upon the financial condition of their parents. However, on 30th March 2024, it came to the knowledge of the Central Government that the said school was operating by violating the objects of its objective clause due to which it was granted the status of a section 8 company under the Companies Act, 2013. Describe what powers can be exercised by the Central Government against the Trinity school, in such a case? **(5 Marks) (MTP Dec 24)**

### Solution:

#### Law:

- (i) A company may be formed u/s 8 if
1. the objects of the company are to promote commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or such other object;
  2. the company intends to apply its profits in promoting its objects; and
  3. the company intends to prohibit the payment of dividend to its members.
- (ii) The CG (R.D) may revoke the licence issued to the company if the company:
1. contravenes any of the provisions of Section 8; or

2. contravenes any condition subject to which the licence was issued; or
  3. the affairs of the company are carried on fraudulently or not as within the object of the company.
- (iii) Where a licence is revoked and the Central Government is satisfied, that it is essential in the public interest; then after giving a reasonable opportunity of being heard; by order it may direct that
1. wound up; or
  2. amalgamated with any other company registered u/s 8 and having similar objects

**Conclusion:** In present case, C.G can ask trinity school to wind up or amalgamate with other company having similar object

## Section 8

**16. Explain the provisions of the Companies Act, 2013- who can get a licence to operate as a section 8 company (non-profit organization)? (5 Marks) (MTP Nov 24)**

### **Solution:**

As per section 8 of the Companies Act, 2013, the Central Government (ROC in its behalf) may grant a licence (to operate as a non-profit organisation) if it is proved to the satisfaction that a person or an association of persons proposed to be registered under the Companies Act, 2013, as a limited company

- (a) has in its objects the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object;
- (b) intends to apply its profits (if any) or other income in promoting its objects; and
- (c) intends to prohibit payment of any dividend to its members.

## Section 8

**17. A group of enthusiastic women is planning to establish the Nursing Medicare Association, a limited liability company with the objective of providing comprehensive theory and practical training to aspiring nurses. The association aims to operate under the provisions of section 8 of the Companies Act, 2013, with a core objective of education. The intended duration for the association's operation is set at ten years, after which a dissolution will be initiated. In the event of dissolution, any remaining assets exceeding liabilities will be allocated among the members according to the standard procedures permitted by the Companies Act. Assess the viability of the proposal and offer guidance to the promoters, taking into account the regulations outlined in the Companies Act, 2013. 5 M (Nov 23)**

### **Solution:**

#### **Law:**

- (i) A company may be formed u/s 8 if
  1. the objects of the company are to promote commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or such other object;
  2. the company intends to apply its profits in promoting its objects; and
  3. the company intends to prohibit the payment of dividend to its members.
- (ii) The CG (R.D) may revoke the licence issued to the company if the company:
  1. contravenes any of the provisions of Section 8; or
  2. contravenes any condition subject to which the licence was issued; or

3. the affairs of the company are carried on fraudulently or not as within the object of the company.

**Conclusion:** In present case, our guidance to promoters will be that proposal to allocate surplus to members is not viable as sec 8 company cannot distribute surplus or profits to members. If they do so, this is contravention of sec 8 and their license will be revoked by central government (Regional director)

## Section 8

18. Alpha Ltd., a Section 8 company is planning to declare dividend in the Annual General Meeting for the Financial Year ended 31-03-2020. Mr. Chopra is holding 800 equity shares as on date. State whether the act of the company is according to the provisions of the Companies Act, 2013.

[May 2018 2M]

### Solution:

**Law:** A company may be formed u/s 8 if

1. the objects of the company are to promote commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or such other object;
2. the company intends to apply its profits in promoting its objects; and
3. the company intends to prohibit the payment of dividend to its members.

**Conclusion:** In present case, Act of Alpha Ltd, a section 8 company is not in compliance of sec 8 of companies act as sec 8 company cannot distribute dividend to its members.

## Section 455 Dormant Company

19. MTK Private Limited is a company registered under the Companies Act, 2013 on 5th January, 2021. The company has not started its business till now. On 7th April, 2023, a notice has been received from ROC for non-filing of FORM No-INC-20A. Identify under which category MTK Private Limited company is classified. Explain the definition of the category of the company in detail.



[Dec 2023(3 Marks)]CA Foundation

### Solution:

**Law:** “Inactive company” means a company which has not been carrying on any business or operation, or has not made any significant accounting transaction during the last two financial years, or has not filed financial statements and annual returns during the last two financial years.

[Explanation (i) to Section 455 of the Companies Act, 2013]

“Significant accounting transaction” means any transaction other than—

- (a) payment of fees by a company to the Registrar;
- (b) payments made by it to fulfil the requirements of this Act or any other law;
- (c) allotment of shares to fulfil the requirements of this Act; and
- (d) payments for maintenance of its office and records.

[Explanation (ii) to Section 455 of the Companies Act, 2013]

**Conclusion:** In the instant case, MTK Private Limited was registered on 5th January, 2021 and has not started its business till now. On 7th April, 2023, a notice has been received from ROC for non-filing of Form No. INC-20A. Since the Company has not started its business and a period of more than two years have already elapsed, it will be treated as an inactive company.

