

SUGGESTED ANSWERS JANUARY 2026

**PAPER 2: CORPORATE AND OTHER LAWS -
INTERMEDIATE COURSE**

PAPER – 2: CORPORATE AND OTHER LAWS

Part I - Multiple Choice Questions

Case Scenario - I

Sunset Pvt. Ltd., a private company incorporated in 2016, was engaged in large-scale construction projects. In April 2024, the company faced a severe cash crunch. The board decided to raise funds urgently. On 20th April 2024, one of the directors, Mr. Ramesh, advanced ₹ 25 lakh to the company. He orally stated that the money came from his personal account but did not provide any written declaration. On 25th April 2024, the company also circulated a notice inviting deposits from the public promising 11% interest. Within 15 days, ₹ 80 lakh was collected from the public. The company did not 'appoint any trustees, did not deposit 20% of maturing deposits into a Deposit Repayment Reserve Account, nor did it purchase deposit insurance.

In June 2024, Sunset Pvt. Ltd. borrowed ₹ 2 crore from Horizon Bank against the creation of a mortgage on its plant and machinery. However, the company never filed particulars of the charge with the Registrar of Companies. In March, 2025, default occurred both in repayments of deposits and in repayment of the bank loan. Subsequently, winding-up proceedings were initiated; During liquidation, depositors filed claims before the Tribunal for repayment of deposit amount along with interest. Horizon Bank also sought to enforce its security.

Meanwhile, the company had fixed its Annual General Meeting (AGM) on 30th September 2024. The notice was issued to all members on 10th September. On the scheduled date of AGM, only one shareholder attended within half an hour of the meeting time. The chairperson adjourned the meeting to 7th October 2024. On the adjourned date, again only one shareholder was present, but resolutions regarding approval of accounts and reappointment of a director were passed. Another member later challenged the validity of those resolutions.

In parallel, a group of minority shareholders alleged that the invitation for deposits was a disguised attempt by the directors to avoid stricter conditions of raising secured loans, and that the company deliberately failed to comply with deposit-related provisions. They filed a complaint seeking disqualification of directors for contravention of statutory requirements. The Tribunal was also approached to

determine whether the resolutions passed at the adjourned meeting could bind absent shareholders when only one member attended. The creditors argued that such resolutions could not stand in law, whereas the directors maintained that said resolutions were validly passed under statutory provisions.

Adding to the complications, the Ministry initiated prosecution under Section 76A of the Companies Act, 2013, for default in repayment of deposits, making every officer of the company personally liable with fines and imprisonment. At the same time, the Registrar imposed penalties under Section 86 of the Companies Act, 2013, for failure to register charges. Directors argued that since the company was already winding up, they should not be personally liable. The Tribunal had to decide whether liability under Section 76A attracted automatically on default and whether non-registration of charges rendered Horizon Bank's security unenforceable in liquidation.

Based on the facts given in above case scenario and by applying the relevant provisions of the Companies Act, 2013, choose the correct answer of the following questions: (Q. No. 1 to Q. No. 3)

1. *The default by Sunset Pvt. Ltd. in repaying deposits raised from the public, and the initiation of proceedings under Section 76A, will result in:*
 - (A) *Only the company being punishable with fine, directors not liable.*
 - (B) *Directors liable only if wilful fraud is proved.*
 - (C) *Both company and every officer in default being liable, with imprisonment possible.*
 - (D) *Only depositors entitled to civil recovery, no criminal liability arises.*

(2 Marks)
2. *For failure to register a charge created in favour of Horizon Bank, the effect under Section 77 read with Section 86 is:*
 - (A) *The charge is void against liquidator and creditors, and company along with officers are liable for penalty.*
 - (B) *The charge remains valid against liquidator and creditors, but company is fined.*
 - (C) *The charge becomes void ab initio even between company and bank.*

- (D) *The charge can still be enforced if bank produces the mortgage deed in court.* **(2 Marks)**
3. *In the adjourned general meeting of Sunset Pvt. Ltd., where only one shareholder attended and resolutions were passed, the validity of such resolutions will be determined by:*
- (A) *Articles of Association only.*
- (B) *Section 103, which provides that members present at adjourned meeting form quorum.*
- (C) *Section 96, which deals with the holding of AGM.*
- (D) *Tribunal's discretion under Section 98.* **(2 Marks)**

Case Scenario - II

Novus Labs LLP was formed in 2019 by three practising technologists, Asha (designated partner no.1), Rohan (designated partner no. 2) and Mira (partner). In 2024 Novus decided to convert into a private limited company to raise institutional capital and to offer stock options to employees. The LLP completed conversion formalities and on 10th October 2024, Novus Labs Pvt. Ltd. (the Company) was incorporated; Asha (who had acted as the LLP's designated partner and had been the compliance lead) became Managing Director and retained 60% of equity, Rohan became a non-executive director and Mira took 10% equity, while the balance was allotted to two angel investors. Within the same financial year, Novus Labs Pvt. Ltd. planned two fund-raising steps. First, on 20th November 2024 the Board approved a private placement offer to identified investors aggregating to 205 persons (the invitations included 5 Qualified Institutional Buyers and 10 employee to be issued under the employee stock option scheme). The Board relied on the fact that these investors were known to the company and treated the issue as a private placement. Second, in March 2025, the company proposed a rights issue to raise further working capital (i.e. 1 right equity share for every 2 equity shares held) and sent the notice of offer to shareholders only two days prior to opening the issue. Ninety-four percent (94%) of the members had earlier given written consent via email that the company may adopt a short notice period. During the private placement process some foreign subscribers were nationals of a neighbouring country that shares a land border with India; the company's secretarial team received queries whether any additional Government approvals under FEMA were required. Meanwhile Asha (Now MD) received a notice from an investor alleging non-compliance with procedural formalities for private placement and warning of

invocation of penalties and refund obligations under the Companies Act. The company's finance head is not sure, whether the 205 persons invitation is treated as a public offer; whether QIBs and employees are to be counted in the 200 person threshold; whether the dispatch of short notice of offer (2 day) for the rights issue is valid for this private company and whether Asha (previously designated partner) has any special filing or liability exposure for procedural defaults that may arise under the relevant provisions.

Based on the facts given in above case scenario and by applying the relevant provisions of the Companies Act, 2013, choose the correct answer of the following questions: (Q. No. 4 to Q. No. 5)

4. *In the facts above the company issued private placement invitation letters to 205 identified persons in aggregate during the financial year. Which of the following statements is correct?*
- (A) The issue will be deemed to be a public offer (and Sections 23-41 will apply) because the total number of invitees (205) exceeds 200, so Section 42 is violated.*
 - (B) The company need not file any return of allotment (Form PAS-3) for private placement issues and hence has no filing exposure.*
 - (C) Even if excluded, because any single allotment to more than 180 persons is prohibited, the issue is invalid and the entire subscription must be refunded.*
 - (D) The issue will not be deemed a public offer because QIBs and employees under an ESOP are excluded while computing the 200-person threshold; after excluding them the count is 190 (< 200), so it remains a valid private placement subject to other procedural compliances. **(2 Marks)***
5. *The company sent the rights-issue notice to shareholders only two days prior to opening the issue. - Considering Sections 60 - 62 implications and conversion of LLP to Company (designated partner Asha is now MD), which statement is correct?*
- (A) The rights issue is valid in a private company since the shareholders' written consent exceeded 90%, so the 2 day dispatch is acceptable for this private company; Asha (formerly designated partner) will be*

treated as an officer/director for compliance purposes and is bound by filing/penalty provisions if defaults occur.

- (B) *The rights issue is invalid because Section 62 requires a minimum of 15 days' notice to shareholders and no member consent can shorten this statutory minimum period.*
- (C) *The rights issue is valid only if the company is listed; for unlisted private companies Section 62 does not apply.*
- (D) *The rights issue is valid only if the company simultaneously increases its authorised capital first by an ordinary resolution and also obtain written consent from the shareholders holding not less than 95% shares, otherwise the offer is void.* **(2 Marks)**

Case Scenario - III

In Hyderabad's tech hub, Horizon Innovations Ltd. was a fast-growing company, famous for its digital payment solutions. But in 2022, the company faced a serious problem-not with its technology, but with the auditor who was supposed to audit its financial statements.

At the AGM on September 30, 2021, shareholders appointed M/s. Vikas & Associates as statutory auditor for 2021-22. The firm's lead partner, Vikas Reddy, was a respected CA with 15 years of experience. Most shareholders trusted him, but one investor, Anjali Desai, who owned 10% shares, was suspicious. When Anjali checked the auditor's background, she found following issues:

- *Vikas Reddy's spouse owned 10,000 shares (₹100 each) in Horizon, which was never disclosed.*
- *The firm had taken a ₹50 lakh loan from Horizon in 2020, still unpaid.*
- *Vikas had also provided tax consultancy services to Horizon in 2020-21.*
- *The firm did not submit the mandatory eligibility certificate under the Companies Act, 2013.*

Anjali complained to the Registrar of Companies (ROC), Hyderabad, saying the auditor was ineligible under Section 141. The investigation confirmed her claims. The ROC ruled that Vikas & Associates was ineligible and must vacate office under Section 141(4) and imposed the penalties. Horizon was fined ₹ 2,00,000 for appointing an ineligible auditor. Vikas & Associates was fined ₹ 50,000 for

accepting the appointment. Further, Horizon was ordered to call an Extraordinary General Meeting (EGM) within 60 days to appoint a new eligible auditor.

Based on the facts given in above case scenario and by applying the relevant provisions of the Companies Act, 2013, choose the correct answer of the following questions: (Q. No. 6 to Q. No. 8)

6. Vikas & Associates argued that the 10,000 shares held by Vikas Reddy's spouse were held in her personal capacity and not in the firm's name. How should this argument be treated under professional ethics and company law?
- (A) Acceptable, as the shares were not in the auditor's name.
 - (B) Acceptable only if disclosed to the Board before appointment.
 - (C) Not acceptable, as relatives' shareholding is also considered for eligibility.
 - (D) Acceptable if the auditor's spouse had no voting rights. **(2 Marks)**
7. The audit firm did not furnish the eligibility certificate as prescribed before its appointment. What is the importance of this certificate?
- (A) It is a voluntary self-declaration provided at the auditor's discretion.
 - (B) It is a mandatory requirement under Section 139(1) read with Rule 4 of the Companies (Audit and Auditors) Rules, 2014, confirming that the auditor satisfies the eligibility criteria under Section 141.
 - (C) It is a requirement applicable only to listed companies.
 - (D) It is a certificate issued by ICAI attesting to the auditor's professional competence. **(2 Marks)**
8. Following the regulatory authority's decision, Horizon Innovations Ltd. was penalized and directed to convene an Extraordinary General Meeting (EGM) to address the auditor's disqualification. Which of the following provisions correctly applies in this situation?
- (A) When an auditor becomes disqualified, the auditor must vacate the position, and such vacation shall be deemed to be a casual vacancy and the company is required to appoint another eligible auditor.
 - (B) The regulatory authority has the power to directly appoint a new auditor for the company.

- (C) *The law requires the company to rotate its auditors periodically each financial year.*
- (D) *The company may retain the same auditor by passing a special resolution till the next AGM.* **(2 Marks)**

Case Scenario - IV

Globacom Pvt. Ltd., a tech Services Company headquartered in India, plans to engage in several foreign exchange transactions:

- (1) Send sponsorship funds worth USD 1,30,000 to support a private tech conference abroad, organized by a non-governmental association.*
- (2) Remit royalty payments totaling USD 1,50,000 under a technical collaboration agreement for licensing software developed overseas.*
- (3) Make a marketing payment exceeding ₹ 15,000 in a foreign print publication to promote inbound tourism (targeting foreign visitors).*
- (4) Sponsor several cultural exchange tours for college students for USD 80,000.*

The Finance Team must determine which transactions are permitted, which require prior government approval, and which are strictly prohibited under the applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA).

Based on the above facts, answer the following questions: (Q. No. 9 to Q. No. 11)

- 9. Related to the remittance of the amount mentioned for sponsoring a private tech conference abroad which of the following is the correct option?*
 - (A) Allowed freely as it's a promotion of trade.*
 - (B) Prohibited under Schedule I.*
 - (C) Requires prior approval under Schedule II.*
 - (D) Does not require approval from the Government if routed via EEFC or RFC account.* **(2 Marks)**
- 10. Above said royalty remittance under a technical collaboration agreement- Which of the following is the correct option?*
 - (A) Freely permissible without approval.*

(B) Prohibited under Schedule I.

(C) Requires approval under Schedule II since the amount exceeds thresholds.

(D) Only allowed if remitted from an EEFC or RFC account. **(2 Marks)**

11. Globacom has made two other remittances -

(1) Marketing payment (₹15,000/-) in foreign print media to promote inbound tourism.

(2) Cultural exchange tours sponsorship worth USD 80,000.

Which of the following is the correct option?

(A) Both (1) and (2) are freely permissible.

(B) (1) is allowed freely, but (2) requires prior government approval.

(C) (1) requires approval, but (2) is freely permissible.

(D) (1) is prohibited, and (2) requires approval. **(2 Marks)**

Case Scenario - V

M/s ABCD Capital Limited, a listed public company, was found guilty of manipulating its share prices through false disclosures in its quarterly financial statements. The company's Managing Director, Mr. Arvind, was charged under:

(1) Section 447 of the Companies Act, 2013 (Fraud), and

(2) Regulation 9 & 10 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 read with Section 24 of the SEBI Act, 1992, for misleading investors and distorting the securities market.

The SEBI Adjudicating Officer imposed a monetary penalty of 25 lakh and recommended criminal prosecution. Later, the Special Court under the Companies Act also imposed a fine of ₹ 10 lakh and three years' imprisonment on Mr. Arvind for the same fraudulent act.

Mr. Arvind appealed, raising two legal objections:

(1) That he cannot be punished twice for the same act of fraud under both SEBI and the Companies Act (double punishment issue).

(2) That the fine imposed under SEBI Act cannot be recovered using Code of Criminal Procedures, since SEBI laws are "special" enactments with their own mechanisms.

Based on the facts given in above case scenario and by applying the relevant provisions of the General Clauses Act, 1897, choose the correct answer of the following questions: (Q. No. 12 to Q. No. 13)

12. Which of the following statements correctly applies to Mr. Arvind's claim of "double punishment" under the General Clauses Act, 1897?

- (A) He cannot be trialed under both SEBI Act and Companies Act for the same fraudulent act.
- (B) He can be punished twice under both enactments for the same offence.
- (C) He can be trialed and convicted under both enactments but cannot be punished twice for the same offence.
- (D) Once SEBI imposes a penalty, Companies Act proceedings automatically become void. **(2 Marks)**

13. If the SEBI Act, 1992 does not expressly exclude the application of Code of Criminal Procedure provisions for fine recovery, which of the following is correct as per the provisions of the General Clauses Act, 1897?

- (A) The fine cannot be recovered under Code of Criminal Procedure because SEBI is a special law.
- (B) Code of Criminal Procedure provisions like issuance of warrant for levy of fine will automatically apply.
- (C) SEBI must recover fines only through civil recovery suits.
- (D) The Central Government must issue a separate recovery notification. **(2 Marks)**

Case Scenario - VI

Aquarius Design LLP was incorporated on 1st April 2023 with three partners Arjun, Anjali and Nakul.

Arjun and Anjali were Designated Partners, while Nakul was an ordinary partner contributing ₹ 5 lakh capital.

In August 2023, Nakul withdrew ₹ 3 lakh from the LLP's bank account without prior consent and used it to repay his personal car loan. The LLP later suffered a major business loss and defaulted on a vendor payment of ₹ 7 lakh. Meanwhile, Anjali went abroad for six months and stopped taking part in management but remained formally a designated partner.

In January 2024, the LLP admitted a new partner Bheem, a relative of Arjun, but no notice of his admission was filed with the Registrar. Around the same time, the LLP borrowed ₹10 lakh from Mr. Sharma, who believed Anjali was still actively managing the firm.

Later, an internal audit revealed that Arjun knowingly prepared a false Statement of Account & Solvency, showing profits though the LLP was in serious financial trouble. The LLP failed to file that statement within the prescribed period and continued business till October 2024, when Mr. Sharma demanded repayment.

Based on the facts given in above case scenario and by applying the relevant provisions of the Limited Liability Partnership Act, 2008 (LLP), choose the correct answer of the following questions: (Q. No. 14 to Q. No. 15)

14. (i) *Is Nakul personally liable for the ₹ 3 lakh withdrawn from LLP funds for personal use?*

&

(ii) *Is Anjali, who was a designated partner but inactive and abroad, personally liable for vendor debts incurred while she was away?*

(A) (i) Yes & (ii) Yes

(B) (i) No & (ii) Yes

(C) (i) No & (ii) No

(D) (i) Yes & (ii) No

(2 Marks)

15. (i) *Is Bheem liable to Mr. Sharma for LLP debts incurred before his admission, since no notice of admission was filed?*

&

(ii) *Is Arjun personally liable for LLP obligations arising from the false Statement of Account & Solvency not filed within time?*

(A) (i) Yes & (ii) Yes

(B) (i) No & (ii) Yes

(C) (i) Yes & (ii) No

(D) (i) No & (ii) No

(2 Marks)

Answer Key

MCQ. NO.	Correct Answer
1.	(C)
2.	(A)
3.	(B)
4.	(D)
5.	(A)
6.	(C)
7.	(B)
8.	(A)
9.	(A)
10.	(A)
11.	(B)
12.	(C)
13.	(B)
14.	(D)
15.	(B)

Part II – Descriptive Questions

Question No. 1 is compulsory.

Attempt any **four** questions from the remaining **five** questions.

Question 1

(a) ABC Ltd., a listed company in the Indian manufacturing sector, has concluded its financial year ended 31st March 2025. The company is now considering declaring a final dividend of ₹ 3 per equity share, with a face value of ₹ 10 per share. Before proceeding, the Board of Directors seeks to ensure that the proposed dividend complies with all relevant provisions of the Companies Act, 2013, particularly those related to the permissible sources and conditions for dividend distribution. The summarized financial position of the company for FY 2024-25 is as follows:

- Revenue from operations amounts to ₹ 10,000 lakhs, and
- Other income contributes an additional ₹ 1,000 lakhs, bringing the total income to ₹ 11,000 lakhs.
- The company has incurred expenses (excluding depreciation) of ₹ 8,000 lakhs, and Provided for depreciation of ₹ 1,200 lakhs, as per Schedule II of the Companies Act.
- The resulting profit before tax (PBT) stands at ₹ 1,800 lakhs, with a tax provision of ₹ 450 lakhs, leading to a net profit after tax (PAT) of ₹ 1,350 lakhs.

In addition to current year earnings, ABC Ltd. has accumulated retained earnings of ₹ 2,000 lakhs from previous financial years and holds free reserves (excluding any revaluation reserves) of ₹ 500 lakhs. The company has 100 lakh equity shares and the total proposed dividend pay-out amounts to ₹ 300 lakhs (i.e., ₹ 3 per share).

Based on the above information, analyse whether ABC Ltd. is eligible to declare dividends under the following scenarios in compliance with the Companies Act, 2013:

- (1) Out of the current year's profits.
- (2) Out of the accumulated profits of previous years only.

Support your answer with appropriate provisions and calculations under the Companies Act, 2013. **(5 Marks)**

- (b) MNP Tech Ltd., a fast-growing start-up in Bangalore, recently issued equity shares at a premium of ₹ 200 per share, raising a Securities Premium balance of ₹ 10 crore.

The CFO proposes the following uses of the Securities Premium Account to manage the company's financial commitments and investor expectations:

- (1) *To write off advertisement expenses of ₹ 50 lakhs incurred during the product launch.*
- (2) *To issue fully paid bonus shares worth ₹ 2 crore to the existing shareholders, as a gesture of goodwill.*
- (3) *To provide ₹ 1.5 crore for the premium payable on redemption of preference shares.*
- (4) *To distribute ₹ 1 crore as interim dividend since the company has not yet earned adequate profits.*

As a legal advisor to the company, examine the validity of each proposed use with reference to the Companies Act, 2013. **(5 Marks)**

- (c) (i) Skynex Ltd., incorporated in India in 2024, is engaged in the manufacture of lithium batteries for two-wheeler. The company markets its products domestically and exports to Mexico. During the financial year 2025, the company engaged in the following transaction:

Commission paid to the agent in Mexico for the sale of the company's commercial plot in India to the tune of USD 50,000 against the inward remittance of USD 9,50,000 from Exchange Earners Foreign Currency (EEFC) Account.

Examine whether the above transaction is exempt from the approval of the RBI, with reference to the relevant provisions of FEMA, 1999.

- (ii) *Bob, a Director at Skynex Ltd., along with his wife, major son and father, purchased a property in Mexico, holding equal shares in the property. They collectively remitted USD 1,000,000 during the financial year. Bob confirmed that all family members complied with the applicable terms and conditions, and the amount sent is within the limit prescribed for remitting funds to Mexico.*

Examine whether Bob and his family members can remit USD 1,000,000 to Mexico in a single financial year without requiring any approval. **(2 x 2 = 4 Marks)**

Answer

- (a)** According to Section 123(1)(a) of the Companies Act, 2013, no dividend shall be declared or paid by a company for any financial year except:
- (i) out of the profits of the company for that year arrived at after providing for depreciation in accordance with the provisions of Schedule II, or
 - (ii) out of the profits of the company for any previous financial year or years arrived at after providing for depreciation in accordance with the provisions of that sub-section and remaining undistributed, or
 - (iii) out of both.

As per the third proviso of the above sub-section, where, owing to inadequacy or absence of profits in any financial year, any company proposes to declare dividend out of the accumulated profits earned by it in previous years and transferred by the company to the free reserves, such declaration of dividend shall not be made except in accordance with such rules as may be prescribed in this behalf:

Provided also that no dividend shall be declared or paid by a company from its reserves other than free reserves.

As per the facts of the questions and the provisions of the Companies Act, 2013:

- (1) In terms of the provision of Section 123(1)(a), ABC Limited has adequate profits in the current year (₹ 1,350 lakhs) after providing for depreciation, to pay the proposed dividend of ₹ 300 lakhs. Hence, the Company is eligible to pay the requisite dividend out of current year profits.
- (2) In terms of the same provision of Section 123(1)(a), the Company can also utilise its past accumulated retained earnings of ₹ 2,000 lakhs and free reserves of ₹ 500 lakhs from previous financial years for declaring dividends of ₹ 300 lakhs even without utilising its current year's profits provided that depreciation has been

appropriately accounted for, and since the current year's profits are not inadequate, the above proviso will not be applicable. Hence, the Company is eligible to pay the requisite dividend out of accumulated profits and reserves of the previous financial years.

- (b)** As per Section 52(2) of the Companies Act, 2013, the securities premium account may be applied by the company:
- (a) towards the issue of unissued shares of the company to the members of the company as fully paid bonus shares.
 - (b) in writing off the preliminary expenses of the company.
 - (c) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.
 - (d) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company; or
 - (e) for the purchase of its own shares or other securities under section 68 (Buy-back).

In view of the provisions of the Act and facts of the question:

- (1) Securities Premium Account cannot be utilized to write off advertisement expenses as they are not in the nature of preliminary expenses of the company.
 - (2) Securities Premium Account can be utilized to issue fully paid bonus shares worth ₹ 2 crore to the existing shareholders.
 - (3) Securities Premium Account can be utilized to provide ₹ 1.5 crore for the premium payable on redemption of preference shares.
 - (4) Securities Premium Account cannot be utilized to distribute ₹ 1 crore as interim dividend (in case of inadequate profits).
- (c)** (i) As per Schedule III to the Foreign Exchange Management (Current Account Transactions) Rules, 2000, the following remittances by persons other than individuals shall require prior approval of the Reserve Bank of India. Commission per transaction to agents abroad for sale of residential flats or commercial plots in India exceeding USD 25,000 or five percent of the inward remittance whichever is more.

If any remittance is made for the transactions listed in Schedule II and Schedule III from Exchange Earners' Foreign Currency (EEFC) account, then also no approval is required. However, in case of the above-mentioned commission if exceeding the prescribed limits, approval is required even if payment is from EEFC account.

The maximum amount that can be paid without RBI approval is USD 47,500 (5% of USD 9,50,000) or USD 25,000 whichever is higher.

Since, the amount of commission is USD 50,000, which is more than the limit of USD 47,500, approval is required.

- (ii) Under the Liberalised Remittance Scheme (LRS), all resident individuals, including minors, are allowed to freely remit up to USD 250,000 per financial year (April–March) for any permissible current or capital account transaction or a combination of both.

Clubbing is not permitted by other family members for capital account transactions such as opening a bank account/investment/purchase of property, if they are not the co-owners/co-partners of the overseas bank account/investment/property.

In the given question, since, Mr. Bob, his wife, major son and his father are holding equal shares in the property, clubbing is permitted and thus, the family members can remit USD 1,000,000 (implies USD 250,000 per member) to Mexico in a single financial year without requiring any approval.

Question 2

- (a) *Amrit Praksh Ltd. was incorporated in 1996 and its registered office is in Dehradun. For expanding the business in manufacturing Mobile equipment (including its Spare Parts) to mobile accessories also, it required capital and for this the Company issued 10,00,000 equity shares of ₹ 10 each at par to the public by issuing a prospectus. The prospectus discloses the minimum subscription amount of ₹ 50,00,000 required to be received on application of shares and share application money shall be payable at ₹ 5 per share. The prospectus further reveals that Amrit Praksh Ltd. has applied for listing of shares in recognized stock exchanges of which application has been rejected.*

The issue was fully subscribed and Amrit Praksh Ltd. received an amount of ₹ 50,00,000 on share application. Amrit Praksh Ltd., then proceeded for allotment of shares.

Examine the disclosures in the above case study which are the deciding factors in an allotment of shares and the consequences for violation, if any under the provisions of the Companies Act, 2013. **(5 Marks)**

(b) PRT Ltd. is an eligible public company. The following details are available from its audited balance sheet as on 31st March 2024:

- Paid-up Share Capital: ₹ 20 crore
- Free Reserves: ₹ 8 crore
- Securities Premium Account: ₹ 2 crore
- Existing deposits from members: ₹ 2 crore
- Existing deposits from public (excluding members): ₹ 5 crore

The company now proposes to accept further deposits during the year 2024-25:

- (1) ₹ 3 crore from its members; and
- (2) ₹ 2 crore from persons other than members (general public).

You are required to examine, with reference to the relevant provisions of the Companies Act, 2013, whether the above proposal is valid. If not, calculate the maximum permissible deposits in each category. **(5 Marks)**

(c) ABC Ltd. is in the business of manufacturing life-saving drugs. The company has its plant in Kerala. The turnover for the last financial year crossed ₹ 52 crore. During the first quarter of the current financial year (2024-2025), the company's turnover has already reached ₹ 50 crore. ABC Ltd. is expecting its turnover to reach ₹ 200 crore for the financial year 2024-25.

The company held its Board meeting on August 1, 2024, and decided to appoint a cost auditor for the financial year 2024-25.

- (1) According to the General Clauses Act, 1897, by what date must ABC Ltd. file the cost auditor appointment, and how is this timeline calculated?

- (2) *ABC Limited's failure to appoint a cost auditor, where it is statutorily required, constitutes an offence under Section 148 of the Companies Act, 2013. What is meant by "offence" under the General Clauses Act, 1897?* **(4 Marks)**

Answer

- (a) According to Section 39 of the Companies Act, 2013, no allotment of any securities of a company offered to the public for subscription shall be made unless-
- (1) the amount stated in the prospectus as the minimum amount has been subscribed, and the sums payable on application for the amount so stated have been paid to and received by the company by cheque or other instrument.
 - (2) The amount payable on application on every security shall not be less than five per cent of the nominal amount of the security or such other percentage or amount, as may be specified by the Securities and Exchange Board by making regulations in this behalf.

The provisions of Section 40(1) of the Companies Act, 2013 states that every company making public offer shall, before making such offer, make an application to one or more recognized stock exchange or exchanges and obtain permission for the securities to be dealt with in such stock exchange or exchanges.

In the question, Amrit Prakash Ltd. issued shares to public by issuing prospectus, disclosing minimum subscription; and sum payable on application for the amount; and the amount received on share application is more than 5% of the nominal amount (5% of ₹ 10 = ₹ 0.5 per share) of the security. This clearly indicates that the provisions of subsection (1) and sub-section (2) of Section 39 have been complied with.

Further, it revealed that Amrit Prakash Ltd. has applied for listing of shares in recognized stock exchanges which has been rejected. This indicates that the provision of subsection (1) of Section 40 has not been complied with since the Company has made public offer without obtaining permission of one stock exchange.

Therefore, this shall be deemed to be irregular allotment of shares. Amrit Prakash Ltd. shall be required to refund the application money to the

applicants in the prescribed manner within the stipulated time frame. In case of delay in refund, applicable interest is also payable by the Company.

Simultaneously, since the Company has violated the provision of Section 40, the Company shall be punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and every officer of the Company who is in default shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees or with both.

(b) As per section 76 read with Rule 3 of the Companies (Acceptance of Deposits) Rules, 2014, an eligible company is permitted to accept or renew deposits as under:

- **From its Members:** The amount of such deposit together with outstanding deposits from the members as on the date of acceptance or renewal can be maximum 10% of the aggregate of its paid-up share capital, free reserves and securities premium account.
- **From Persons other than its Members:** The amount of such deposits together with the amount of outstanding deposits (excluding deposits from members) on the date of acceptance or renewal can be 25% of the aggregate of its paid-up share capital, free reserves and securities premium account.

Calculation Basis

Aggregate of paid-up share capital (₹ 20 crore), free reserves (₹ 8 crore), and securities premium (₹ 2 crore), totals ₹ 30 crore.

Maximum Permissible Limit

Category	Maximum Limit	Existing deposits	Proposed deposits	Maximum further permissible deposits still allowable
From Members	10% of ₹ 30 crore = ₹ 3 crore	₹ 2 crore	₹ 3 crore	₹ 1 crore

From Public	25% of ₹ 30 crore = ₹ 7.5 crore	₹ 5 crore	₹ 2 crore	₹ 2.5 crore
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In view of the above, the company's proposal to accept ₹ 3 crore from members is incorrect and ₹ 2 crore from persons other than members (general public) is correct.

- (c) (1) As per the Companies (Cost Records and Audit) Rules, 2014, every prescribed company shall inform the cost auditor concerned of his or her or its appointment as such and file a notice of such appointment with the Central Government within a period of thirty days of the Board meeting in which such appointment is made or within a period of one hundred and eighty days of the commencement of the financial year, whichever is earlier.

As per section 9 of the General Clauses Act, 1879, in any legislation or regulation, it shall be sufficient, for the purpose of excluding the first in a series of days or any other period of time to use the word "from" and for the purpose of including the last in a series of days or any other period of time, to use the word "to".

In the given question, the time limit will be 31 August 2024 [within 30 days of 1 August 2024 (date of the Board meeting)] or 27 September 2024 (180 days from commencement of financial year), whichever is earlier.

Thus, ABC Ltd. shall file the cost auditor appointment by 31 August 2024.

- (2) According to section 3(38) of the General Clauses Act, 1897, 'Offence' shall mean any act or omission made punishable by any law for the time being in force.

Question 3

- (a) A group of five professionals decided to start a private limited company in the anti-drone solutions sector under the name Ddrone Pvt. Ltd. in April 2025. The company wants to have its registered office in Mumbai.

On April 2, 2025, it applied for name reservation through RUN (Reserve Unique Name) and received approval on April 6, 2025. On May 15, 2025,

due to a delay in documentation, the SPICe + (Simplified Proforma for Incorporating Company Electronically) Plus (INC-32) form for incorporation was filed after 39 days from the date of name reservation.

The company proposed two directors, one Indian resident, one foreign national residing in the U.S. The foreign director did not have a DIN, and his passport was notarized but not apostiled. The company's registered office address was not finalized at the time of filing INC-32. Memorandum of Association and Articles of Association (MoA and AoA) were signed electronically, but one subscriber used a digital signature of a third party (his consultant), with verbal consent.

Based on the above facts and applicable provisions of the Companies Act, 2013, answer the following questions:

- (i) Was the name Ddrone Pvt. Ltd. still valid when INC-32 was filed on May 15, 2025?
 - (ii) Is it mandatory to provide the company's registered office address at the time of incorporation? What is the time limit to furnish it otherwise?
 - (iii) What are the consequences if the company fails to file the declaration for commencement of business within the prescribed time, and fails to carry on any business or operations? **(1 + 2+ 2 = 5 Marks)**
- (b) LMN Ltd. created a charge on one of its plant and machinery in favour of a financial institution. The company secretary was on leave when the charge was created. To avoid delay, an accounts officer of the company entered the particulars of the charge in the Register of Charges without any authorisation of the Board.

Later, a dispute arose between two creditors regarding priority of charges. One creditor challenged the validity of the Register entries, claiming that the entries were unauthorised and not duly authenticated as per law.

Based on the Companies (Registration of Charges) Rules, 2014, examine whether the entry made in the Register of Charges, by the accounts officer is legally valid and what consequences may follow in case of non-authentication? **(5 Marks)**

- (c) Write any four differences between The Rule of Beneficial Construction and Rule of Exceptional Construction. **(4 Marks)**

Answer

- (a) (i) As per section 4 of the Companies Act, 2013, upon receipt of an application the Registrar may, on the basis of information and documents furnished along with the application, reserve the name for a period of twenty days from the date of approval or such other period.

In the given question, the company received the approval on 6 April 2025. The approval is valid for 20 days, however, the company filed SPICe+ after 39 days, which falls outside the prescribed period of 20 days. Hence, the name Ddrone Pvt. Ltd. will not be valid when INC- 32 was filed on 15 May 2025.

- (ii) As per Section 12(1) of the Companies Act, 2013, a company shall, within thirty days of its incorporation and at all times thereafter, have a registered office capable of receiving and acknowledging all communications and notices as may be addressed to it.

As per Section 12(2), a company shall furnish to the Registrar verification of its registered office within a period of thirty days of its incorporation.

Hence, it is not mandatory to provide the company's registered office address at the time of incorporation.

- (iii) As per section 10A of the Companies Act, 2013,
- (1) A company having a share capital shall not commence any business or exercise any borrowing powers unless, a declaration is filed by a director within a period of one hundred and eighty days of the date of incorporation of the company in such form and verified in such manner as may be prescribed, with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration.
 - (2) If any default is made in complying with the above requirements, the company shall be liable to a penalty of fifty thousand rupees and every officer who is in default shall be liable to a penalty of one thousand rupees for each day during which such default continues but not exceeding an amount of one lakh rupees.

(3) Where no declaration has been filed with the Registrar within a period of one hundred and eighty days of the date of incorporation of the company and the Registrar has reasonable cause to believe that the company is not carrying on any business or operations, he may, initiate action for the removal of the name of the company from the register of companies under Chapter XVIII.

(b) According to Rule 10(1) of the Companies (Registration of Charges), 2014, the company shall enter in the Register of charges, particulars of all the charges registered with the Registrar on any of its property, assets or undertakings and the particulars of any property acquired subject to a charge as well as particulars of any modification of a charge and satisfaction of charge.

According to Rule 10(2), the entries in the Register shall be made forthwith after the creation, modification or satisfaction of charge, as the case may be.

According to Rule 10(3), the entries in the Register (of charges) shall be authenticated by a director or the secretary of the company or any other person authorised by the Board for the purpose.

In the question given, the entry made by the accounts officer in the register of charges is not legally valid as it must be authenticated by a director, the company secretary or any other person specifically authorised by the Board for this purpose.

According to section 86 (1) of the Companies Act, 2013, if any company is in default in complying with any of the provisions related to charges created, the company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.

Alternative Answer – With the assumption that the charge was already registered with the ROC by the time dispute has arisen –

According to Rule 10(1) of the Companies (Registration of Charges), 2014, the company shall enter in the Register of charges, particulars of all the charges registered with the Registrar on any of its property, assets or undertakings and the particulars of any property acquired subject to a

charge as well as particulars of any modification of a charge and satisfaction of charge.

According to Rule 10(2), the entries in the Register shall be made forthwith after the creation, modification or satisfaction of charge, as the case may be.

According to Rule 10(3), the entries in the Register (of charges) shall be authenticated by a director or the secretary of the company or any other person authorised by the Board for the purpose.

As per the provision of Section (2) of Section 77 of the Companies Act, 2013, read with Rule 6 of the Companies (Registration of Charges) Rules, 2014, where a charge is registered with the Registrar, he shall issue a certificate of registration of such charge in such form and in such manner as may be prescribed to the company and the certificate issued by the Registrar is conclusive proof that the charge is registered and valid.

In the question given, the entry made by the accounts officer in the register of charges is not properly made as it must be authenticated by a director, the company secretary or any other person specifically authorised by the Board for this purpose.

The internal irregularity (lack of Board authorization) does not affect the rights of the secured creditor (financial institution) who relied on the registration and the creditor's challenge can succeed only to the extent of procedural non-compliance, not to invalidate the charge or alter its statutory priority.

According to section 86 (1) of the Companies Act, 2013, if any company is in default in complying with any of the provisions related to charges created, the company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.

(c) Difference Between Rule of Beneficial Construction and Rule of Exceptional Construction.

The Rule of Beneficial Construction helps in expanding the scope of beneficial legislation to favour the protected class, whereas the Rule of Exceptional Construction ensures that exceptions or deviations from the

general law are not unduly extended beyond what the statute clearly provides.

Aspect	Rule of Beneficial Construction	Rule of Exceptional Construction
Meaning	Also known as the liberal or purposive rule, it is used to interpret statutes in a way that benefits the class for whom the statute is enacted.	This rule is applied when a provision is out of the ordinary and is treated as an exception to the general law.
Purpose	To promote the object and purpose of welfare or remedial legislation by interpreting it liberally in favour of the beneficiaries.	To restrict or narrowly interpret provisions that create exceptions to general legal principles.
Nature	Liberal and inclusive interpretation.	Strict and narrow interpretation.
Application	Commonly applied in social welfare, labour tax relief, or protective statutes.	Applied to provisos, exceptions, or penal provisions that deviate from the general rule.
Presumption	Presumes that the legislature intended to provide a benefit to a certain group.	Presumes that the exception must be limited to what is expressly stated.
Example	Interpreting labour laws (e.g., Minimum Wages Act) in a manner that favours the employee.	Interpreting a tax exemption provision strictly; any ambiguity favours taxation, not the exemption.

Question 4

- (a) *The Board of Directors of XYZ Petrochemicals Limited consists of Mr. R (Managing Director), Mr. N (Director), Mr. P (Director), Mr. A (Chairperson), Mr. D (Chief Financial Officer, not a director) and Mr. C (Company Secretary). The Board as a policy does not authorize the chairperson of the*

company to sign the financial statements. The Profit and Loss Account and Balance Sheet of the company were signed by Mr. N, Mr. P and Mr. A. Examine whether the authentication of financial statements of the company was in accordance with the provisions of the Companies Act, 2013.

What would be your answer in case the company is a One Person Company (OPC) and has only one Director, who has authenticated the Balance Sheet and Statement of Profit & Loss and the Board's Report? **(5 Marks)**

- (b) ABC LLP is engaged in the business of providing software consulting services. Due to an economic slowdown, the LLP is unable to meet its obligations towards some creditors. The management of ABC LLP proposes a compromise arrangement with its creditors to restructure its outstanding debts by extending repayment periods and waiving a portion of interest.

The LLP files an application before the National Company Law Tribunal (NCLT), seeking directions to convene a meeting of its creditors.

At the meeting, creditors representing 80% of the total value of debts agree to the proposed arrangement. The Tribunal, after ensuring that all material facts including the LLP's latest financial statements and the disclosure of pending tax investigations have been presented, sanctions the compromise.

However, ABC LLP fails to file the Tribunal's order with the Registrar within the prescribed period. Examine the validity of compromise or arrangement approved by the creditors and sanctioned by the Tribunal with reference to the Limited Liability Partnership Act, 2008. Also explain the effect of failure by ABC LLP to file the Tribunal's order to the Registrar. **(5 Marks)**

- (c) Statutory interpretation becomes essential when the language of a statute is unclear or leads to ambiguity. Discuss the circumstances under which the interpretation of statutes is applied. **(4 Marks)**

Answer

- (a) According to section 134(1) of the Companies Act, 2013, the financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed,

or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon.

In the question given, the profit and loss account and the balance sheet of the company were signed by Mr. N (director), Mr. P (director) and Mr. A (Chairperson). The signing of the Financial Statements is not in order as it should be signed at least by Mr. R (the Managing director), either Mr. N (Director) or Mr. P (Director), Mr. D (Chief Financial Officer) and Mr. C (Company Secretary) also. Further, Mr. A is not authorized by the Board, so he will not sign the financial statements.

In case the company is a One Person Company, the authentication by one director itself will be valid.

(b) According to section 60 of the Limited Liability Partnership Act, 2008,

(1) Where a compromise or arrangement is proposed:

- (a) between a limited liability partnership and its creditors; or
- (b) between a limited liability partnership and its partners,

the Tribunal may, on the application of the limited liability partnership or of any creditor or partner of the limited liability partnership, or, in the case of a limited liability partnership which is being wound up, of the liquidator, order a meeting of the creditors or of the partners, as the case may be, to be called, held and conducted in such manner as may be prescribed or as the Tribunal directs.

(2) If a majority representing three-fourths in value of the creditors, or partners, as the case may be, at the meeting, agree to any compromise or arrangement, the compromise or arrangement shall, if sanctioned by the Tribunal, by order be binding on all the creditors or all the partners, as the case may be, and also on the limited liability partnership, or in the case of a limited liability partnership which is being wound up, on the liquidator and contributories of the limited liability partnership.

Provided that no order sanctioning any compromise or arrangement shall be made by the Tribunal unless the Tribunal is satisfied that the limited liability partnership or any other person by whom an application has been made under sub-section (1) has disclosed to the Tribunal, by affidavit or otherwise, all material facts relating to the

limited liability partnership, including the latest financial position of the limited liability partnership and the pendency of any investigation proceedings in relation to the limited liability partnership.

- (3) An order made by the Tribunal under sub-section (2) shall be filed by the limited liability partnership with the Registrar within thirty days after making such an order and shall have effect only after it is so filed.
- (4) If default is made in complying with the provisions of sub-section (3), the LLP and its every designated partner shall be liable to a penalty of ₹ 10,000 and in case of continuing default, with further penalty of ₹ 100 for each day after the first during which such default continues, subject to maximum ₹ 1,00,000 for LLP and ₹ 50,000 for every designated partner.

In the given question, the compromise or arrangement is approved by creditors representing 80% (exceeding the required three-fourths) and sanctioned by the NCLT after due disclosures, hence the arrangement is valid.

Effect of failure to file the Tribunal's order with the Registrar by ABC LLP

As per the provision of sub-section (3) and sub-section (4) of Section 60 stated above, the order of the Tribunal will be effective only after it is filed with the Registrar and therefore, the non-filing of the same renders the order non-effective and the LLP as well as the every designated partner shall face the penal consequences stated in sub-section (4).

- (c) Interpretation of statutes is applied in various circumstances where the meaning of the law is not clear or straightforward. Courts use interpretation to ascertain and give effect to the true intention of the legislature. The main situations where statutory interpretation is applied include:

1. **Ambiguity in Language:** When the words or phrases used in a statute are ambiguous or capable of multiple interpretations, legal interpretation becomes necessary to determine their correct meaning.

2. **Vagueness or Obscurity:** If the language of the statute is vague or obscure, making it difficult to understand, courts interpret it to remove uncertainty.
3. **Conflict Within the Statute:** When different provisions of the same statute appear to conflict or contradict each other, interpretation helps resolve the inconsistency.
4. **Silence or Omission:** If the statute is silent on a specific issue or does not cover a particular situation, courts interpret to fill the gap.
5. **Changing Social and Economic Conditions:** Statutes may have been drafted long ago and may not explicitly address modern circumstances. Interpretation helps apply old laws to new contexts.
6. **Technical or Unfamiliar Language:** Interpretation is necessary when the statute uses technical terms or legal jargon unfamiliar to laypersons.
7. **Effect of External Events or Agreements:** Sometimes, interpretation involves considering external factors like treaties or previous laws.

Question 5

- (a) *Zen Tech Ltd., a company incorporated in Singapore, in Bengaluru, India. The financial year of the 31st March 2025. As per the provisions of the Companies Act, 2013, Zen Tech Ltd. is required to file certain documents with the Registrar of Companies (ROC) every year. However, due to internal audit delays in its Singapore headquarters, the company could not finalize its financial statements by the end of September 2025.*

The management seeks clarification on the following points:

- (1) *What documents need to be filed by Zen Tech Ltd. along with its financial statements, with the Registrar?*
- (2) *By what time should these documents normally be filed?*

Examine it as per the provisions of the Companies (Registration of Foreign Companies) Rules, 2014.

(5 Marks)

- (b) *Amit and Priya are partners in XYZ LLP, a consulting firm. Recently, Priya moved to a new address but forgot to notify the LLP within the required period. A month later, Amit's cousin, Ramesh, expressed interest in joining XYZ LLP as a partner, and after a few discussions, he was accepted as a new*

partner. However, XYZ LLP did not immediately update the Registrar of Companies (ROC) regarding Priya's address change or Ramesh's admission as a partner. After 45 days of joining Mr. Ramesh, the LLP filed a notice with the ROC about these changes. Advise the LLP about the default on part of LLP about the non-compliance in respect to not informing the ROC about:

- (i) Whether Ms. Priya contravene any provision regarding address change?
- (ii) Default on non-compliance in Mr. Ramesh's admission as a partner.

(5 Marks)

- (c) Under an enactment, an excise duty of ₹ 10 is levied on every 100 litres of a certain chemical produced in a factory. During inspection, it was found that Factory A had produced 350 litres of that chemical but had paid duty only for 300 litres, arguing that the Act only specifies duty per 100 litres and does not mention fractional quantities.

With reference to the General Clauses Act, 1897, determine whether the factory is liable to pay excise duty on the remaining 50 litres. Support your answer with reasoning.

(4 Marks)

Answer

- (a) (1) Under section 381 of the Companies Act, 2013 read with Rule 4 of the Companies (Registration Offices and Fees) Rules, 2014, every foreign company, shall along with the financial statement which it is required to file with the Registrar, attach thereto the following documents; namely:

- (i) Statement of related party transactions
- (ii) Statement of repatriation of profits
- (iii) Statement of transfer of funds (including dividends, if any)

The above statements shall include such other particulars as are prescribed in the Companies (Registration of Foreign Companies) Rules, 2014.

- (2) All these documents shall be delivered to the Registrar within a period of 6 months from the close of the financial year of the foreign company to which the documents relate.

Provided that the Registrar may, for any special reason, and on application made in writing by the foreign company concerned, extend the said period by a period not exceeding three months.

Since, Zen Tech Ltd.'s financial year ends on 31 March 2025, it must file the documents by 30 September 2025 and if it applies for extension and if approved, the new due date may be extended upto 31 December 2025.

- (b)** According to section 25 of the Limited Liability Partnership Act, 2008,
- (1) Every partner shall inform the LLP of any change in his name or address within a period of 15 days of such change.
 - (2) 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.
 - (3) A notice filed with the Registrar under sub-section (2):
 - (a) shall be in such form and accompanied by such fees as may be prescribed;
 - (b) shall be signed by the designated partner of the LLP and authenticated in a manner as may be prescribed; and
 - (c) if it relates to an incoming partner, shall contain a statement by such partner that he consents to becoming a partner, signed by him and authenticated in the manner as may be prescribed.
 - (i) Priya's Address Change: as per the provision, Priya was required to inform XYZ LLP of her address change within 15 days of the move. Therefore, there was contravention on the part of Ms. Priya.

Following that, XYZ LLP was required to file a notice with the RoC within 30 days of being notified of Priya's new address. As Priya did not inform the LLP about change of address and consequently LLP did not file a notice regarding the change in address of Priya with the Registrar, XYZ LLP is not in compliance with the required timeline.

- (ii) Ramesh's Admission as a Partner: For new partners, XYZ LLP must file a notice with the RoC within 30 days of a person becoming a partner. This notice should include Ramesh's consent statement, signed by him and authenticated as prescribed. As XYZ LLP did not comply with the prescribed 30-day requirement, it constitutes a non-compliance under Section 25(2).
- (c) According to section 12 of the General Clauses Act, 1897, where, by any enactment now in force or hereafter to be in force, any duty of customs or excise or in the nature thereof, is leviable on any given quantity, by weight, measure or value of any goods or merchandise, then a like duty is leviable according to the same rate on any greater or less quantity.

The term pro rata means in proportion to the quantity produced. It is a latin word used to describe a proportionate allocation.

Thus, when a statute fixes a rate per unit, it applies proportionately to fractions of that unit, unless the statute expressly provides otherwise.

In the question given, Factory A produced 350 litres in total and paid duty on only for 300 litres, leaving 50 litres unpaid. Applying section 13 of the General Clauses Act, 1879, the expression "100 litres" must be read in a manner that covers any multiple or fraction thereof. Thus, total duty to be paid would be ₹ 35 (i.e., $350/100 \times ₹ 10$).

Therefore, Factory A is liable to pay excise duty on the remaining 50 litres of chemical also, which amounts to ₹ 5.

Question 6

- (a) (i) *Monika Solutions Pvt. Ltd. is registered as a One Person Company (OPC) under the Companies Act, 2013. Mr. Gautam Kumar is the sole member and director of the company. With the financial year ending on 31st March 2025, the company is preparing to comply with its annual filing and disclosure requirements.*

Mr. Gautam Kumar is uncertain, whether his company is required to hold an Annual General Meeting (AGM) or there are any other alternative procedures that his company can follow. As a financial advisor, please advise Mr. Gautam Kumar on this matter. (3 Marks)

- (ii) *What is the difference between a motion and a resolution? (2 Marks)*

OR

- (a) (i) *Saras Ventures Ltd., a public limited company incorporated under the Companies Act, 2013, has a Board comprising seven directors. A group of shareholders holding 1.2% of the total voting power has expressed dissatisfaction with one of the directors, Mr. Ankur Chabra, and has proposed his removal under Section 169 of the Companies Act, 2013.*

The company's Annual General Meeting (AGM) is scheduled for 25th August, 2025. On 1st August, 2025, the company received a special notice under Section 115, proposing an ordinary resolution for the removal of Mr. Ankur Chabra at the upcoming AGM. However, the company subsequently failed to notify its members of the special notice.

With reference to the applicable provisions of the Companies Act, 2013, examine the validity of the special notice. (3 Marks)

- (ii) *What are the consequences of failure to notify the members about the special notice? (2 Marks)*

- (b) *RMP Private Limited is an unlisted company having:*

- Paid-up share capital of ₹ 6 crore, and*
- Annual turnover of ₹ 90 crore.*

The company is not required to prepare its financial statements as per the Companies (Indian Accounting Standards) Rules, 2015.

The company filed its financial statements for the financial year 2024-25 in Form AOC-4 (normal form) instead of Form AOC-4 XBRL.

State the classes of companies required to file financial statements and documents in XBRL format under Section 137 of the Companies Act, 2013 and examine whether RMP Private Limited has complied with the applicable legal provisions. (5 Marks)

- (c) *Examine the given situations in the light of the FEMA, 1999:*

- (1) *Bhargav Ltd. had total foreign exchange earnings of USD 12,000,000 in the last three financial years. What is the maximum amount the company can donate without RBI approval?*

- (2) *Preeto Ltd. wants to make remittances 6% of investment brought into India. Does it need RBI approval?* **(2 + 2 = 4 Marks)**

Answer

- (a) (i) According to section 96(1) of the companies Act, 2013, every company other than a One Person Company shall in each year hold in addition to any other meetings, a general meeting as its annual general meeting.

Under Section 122(3) of the Companies Act, 2013, any business which is required to be transacted at an annual general meeting or other general meeting of a company by means of an ordinary or special resolution, it shall be sufficient if, in case of One Person Company, the resolution is communicated by the member to the company and entered in the minutes-book required to be maintained under section 118 and signed and dated by the member and such date shall be deemed to be the date of the meeting for all the purposes under this Act.

Further, Under Section 122(4), where there is only one director on the Board of Director of a One Person Company, any business which is required to be transacted at the meeting of the Board of Directors of a company, it shall be sufficient if, in case of such One Person Company, the resolution by such director is entered in the minutes book required to be maintained under section 118 and signed and dated by such director and such date shall be deemed to be the date of the meeting of the Board of Directors for all the purposes under this Act.

Monika Solutions PVT Ltd. (OPC) can without holding an Annual General Meeting for any business which is required to be transacted at an annual general meeting or other general meeting of a company can transact as per the provisions stated above.

- (ii) Difference between Motion and Resolution
- Most matters come before a meeting by way of a motion recommending that the meeting may express approval or disapproval or take certain action or order something to be done.

- A motion is a proposal, and a resolution is the adoption of a motion duly made and seconded. But every motion need not be followed by a resolution, e.g. where a motion is made for the adjournment of the meeting.
- A motion whether it is passed for the closure of discussion or adjournment, etc. can be passed by an ordinary resolution unless there is a specific provision in the articles.

OR

- (a) (i) According to section 115 of the Companies Act, 2013, where, by any provision contained in this Act or in the Articles of a company, special notice is required for passing any resolution, then the notice of the intention to move such resolution shall be given to the company by such number of members holding not less than 1% of the total voting power, or holding shares on which such aggregate sum not exceeding five lakh rupees, as may be prescribed, has been paid-up and the company shall give its members notice of the resolution in such manner as may be prescribed.

Rule 23 of the Companies (Management and Administration Rules), 2014, specifies the procedure to be followed in respect of serving of the Special Notice as under:

The afore-mentioned notice shall be sent by members to the company not earlier than 3 months but at least 14 days before the date of meeting at which the resolution is to be moved, exclusive of the day on which the notice is given and the day of the meeting. The company shall immediately after receipt of the notice, give its members notice of the resolution at least seven days before the meeting exclusive of the day of dispatch of notice and day of the meeting, in the manner it gives notice of any general meeting.

Accordingly, in the given question, following are the aspects to be considered:

1. Number of the shareholders/ members expressed notice of the intention to for removal of the Director, Mr. Ankur Chabra, with the holding of 1.2% of the total voting power-This condition is met.

2. Special notice was received by the company on 1st August 2025 with the proposal for removal at the scheduled AGM on 25th August 2025, which implies it was received at least 14 days before the date of meeting- This condition is met.

In the light of the provisions discussed above, we can conclude that the special notice given by the members to remove the director is valid since it was given by the required majority and was also given to the Company in time.

- (ii) Even if the special notice is valid, failure to inform the members at least 7 clear days before the meeting violates Rule 23 as given above, and the consequences of the same may include;
- Invalidation of the resolution
 - Regulatory penalties under the Companies Act, 2013

Section 115 itself does not create a specific penalty for non-circulation; however, the consequences may lead to procedural invalidity / litigation risk.

Alternate Answer to Part (i)

Rule 23 of the *Companies (Management and Administration) Rules, 2014* provides that where it is not practicable to give notice to members in the prescribed manner, the notice shall be published in English language in an English newspaper and in a vernacular language in a vernacular newspaper, both having wide circulation in the State where the registered office of the company is situated. Such notice shall also be posted on the website of the company, if any.

Further, as per Rule 23(5), the notice must be published at least seven days before the meeting, excluding the day of publication of the notice and the day of the meeting.

Thus, as the question does not explicitly stated that the company has published the notice in an English newspaper and a vernacular newspaper, or that the notice has been posted on the company's website, if any, the notice may be deemed to be invalid.

- (b)** According to Rule 3 of the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, the following class of companies shall file their financial statements and other documents under section 137 of the Act with the Registrar in e-form AOC-4 XBRL - as per Annexure I -
- (i) companies listed with stock exchanges in India and their Indian subsidiaries;
 - (ii) companies having paid up capital of five crore rupees or above;
 - (iii) companies having turnover of one hundred crore rupees or above;
 - (iv) all companies which are required to prepare their financial statements in accordance with Companies (Indian Accounting Standards) Rules, 2015.

In the given case RMP Private Ltd., is an unlisted company having paid up share capital of ₹ 6 crore and Annual Turnover of ₹ 90 crore. Hence, in line with above requirements RMP Private Ltd. is required to file its financial statements for the financial year 2024-2025 in e-form AOC-4 XBRL since it is having paid up capital of five crore rupees or above.

Therefore, it can be concluded that RMP Private Ltd. has not complied with the applicable legal provisions.

- (c)** As per the Foreign Exchange Management (Current Account Transactions) Rules, 2000, certain (current account) remittances by persons other than individuals require prior approval of the Reserve Bank of India (RBI).
- (1) As per the Rules, donations made by persons other than individuals require prior approval of the RBI where the amount exceeds:

One per cent of the foreign exchange earnings during the preceding three financial years, or USD 5,000,000, whichever is less.

In the given case, Bhargava Ltd. has earned foreign exchange of USD 12,000,000 during the last three financial year. One per cent of USD 12,000,000 is USD 120,000.

Accordingly, Bhargava Ltd. can donate up to USD 120,000 without obtaining prior approval of the RBI. Any donation in excess of USD 120,000 would require prior approval of the RBI.

- (2) As per the Rules, Remittances exceeding five per cent of investment brought into India or USD 100,000 whichever is higher, by an entity in India by way of reimbursement of pre-incorporation expenses, shall require prior approval of the Reserve Bank of India.

In the given case, for remittances of 6% of investment (in amount) brought into India, exceeding the 5% threshold or USD 100,000 (whichever is higher) prior RBI approval is mandatory.

Note: The answer to the question is on the presumption that the remittance is by way of reimbursement of pre-incorporation expenses. It further depends on relative value of 6% of investments vis-à-vis USD 100,000. Accordingly, the answer may vary depending on presumption whether 6% of investments exceeds USD 100,000 or otherwise.