



MCQs Booklet

Corporate and Economic Laws

Set A: Self-Paced Online Module

(CA – Final)

For May & Nov 2024 Exams

Key Highlights...

- ☛ Exhaustive coverage of MCQs issued by ICAI till date (including MCQ Booklet, latest Study Material, RTPs, MTPs and any other additional material)
- ☛ Contains more than 950 MCQs to address the Self-Paced Online Module : Set A exam
- ☛ Further, sufficient Case Study based MCQs have also been incorporated
- ☛ There is Topic-wise bifurcation of MCQs so that students can selectively focus on their weak areas
- ☛ 'Answer Key' is given at the end of every chapter
- ☛ Hints and logics for complex MCQs have also been provided
- ☛ It is a coloured MCQ book with separate colour combination for Questions and Answers which will definitely increase the speed as well as interest to solve all the MCQs
- ☛ Special focus has been kept on the quality of the MCQs (and not volume) so that students can practise all the questions in a time-bound manner

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B.Com (H), CA, CS



LET'S MASTER THE ART OF INTERPRETATION!



EDITION MAY & NOVEMBER 2024

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PREFACE

I am glad to present the May & November 2024 edition of this Book. This edition has been specifically prepared for the students appearing for the *Set A of Self-Paced Online Modules* i.e. 'Corporate and Economic Laws' examination of *CA-Final (New Syllabus)* for May & November 2024 attempt. Also, the author is sure that this book will be of great help in the preparation of the *Paper 6: Integrated Business Solutions*.

This book entails MCQs based on *all the amendments* notified up to 31st October 2023 which are applicable for May 2024 attempt. Further, additional amendments, if any, up to 30th April 2024 (i.e. during the next 6 months), will be applicable for November 2024 attempt and amendment notes (along with the free amendment class) will be duly provided on our Telegram channel [t.me/CA_Law_HarshGupta] in due course of time. Students need to do a consolidated reading of this MCQ Book along with amendments, if any, for November 2024 attempt. Similar approach is to be applied in case a student is referring this book for any attempt post November 2024.

This book comprehensively covers all the MCQs provided by ICAI in its *MCQ Booklet, latest Study Material of Self Paced Online Module : Set A, RTPs, MTPs and any additional material*. Moreover, sufficient self-made MCQs have been incorporated in this Booklet for students to ace in exams. Proper study of our Compact book along with this MCQs Booklet would ensure that the students are fully prepared to handle the exam. The goal is to provide the students with the most updated and comprehensive material so that they are not required to refer any other material whatsoever.

Wishing every success to the students.

15th February 2024

New Delhi

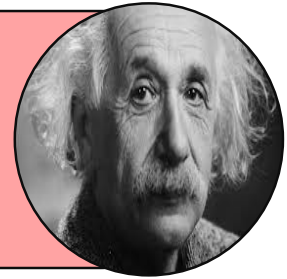
CA Harsh Gupta

*The journey of a thousand miles
begins with a single step*



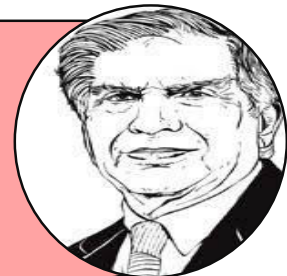
- *One moment can change a day, one day can change a life and one life can change the world.*
- *Health is the greatest gift; contentment is the greatest wealth.*
- *Happiness will never come to those who fail to appreciate what they already have.*
- *The tongue has no bones, but it is strong enough to break a heart. So be careful with your words.*

- *Life is like riding a bicycle. To keep your balance, you must KEEP MOVING.*
- *Everybody is genius. But if you judge a fish by its ability to climb a tree, it will live its whole life believing that it is stupid*
- *Weak people revenge. Strong people forgive. Intelligent people ignore.*
- *Imagination is more important than knowledge.*
- *The only thing more dangerous than ignorance is arrogance.*



- *Think big, think fast, think ahead. Ideas are no one's monopoly.*
- *If you don't build your dream, someone else will hire you to help them build theirs.*
- *Meeting the deadline is not good enough. Beating the deadline is my expectation.*
- *You don't require an invitation to make profits.*
- *True entrepreneurship comes only from risk taking.*
- *We cannot change our rulers, but we can change the way they rule us.*

- *If you want to walk fast, walk alone. But if you want to walk far, walk together.*
- *Ups and downs in life are very important to keep us going because a straight line even in an ECG means we are not alive.*
- *All of us do not have equal talent. Yet, all of us have an equal opportunity to develop our talents.*
- *Take the stones people throw at you. And use them to build a monument.*



- *If you quit once it becomes a habit. Never quit.*
- *I can accept failure; everyone fails at something. But I cannot accept not trying.*
- *Limits, like fears, are often just an illusion.*
- *You have to expect things of yourself before you can do them.*
- *Everybody has talent, but ability takes hard work.*
- *Earn your leadership everyday.*



SYLLABUS – SELF PACED

SET A - CORPORATE AND ECONOMIC LAWS (100 Marks)

PART I – CORPORATE LAWS (70 MARKS)

SECTION A: COMPANY LAW (50 MARKS)

Objective

To acquire the ability to analyse, interpret and apply the provisions of the Company Law in practical situations.

Contents

The Companies Act, 2013 and Rules framed thereunder in its entirety with specific reference to section 149 onwards:

1. Appointment and Qualifications of Directors
2. Appointment and Remuneration of Managerial Personnel
3. Meetings of Board and its Powers
4. Inspection, Inquiry and Investigation
5. Compromises, Arrangements and Amalgamations
6. Prevention of Oppression and Mismanagement
7. Winding Up
8. Miscellaneous Provisions
9. Adjudication, Special Courts, National Company Law Tribunal
10. e-Filing

SECTION B: SECURITIES LAW (20 MARKS)

Objective

To acquire the ability to analyse the significant provisions of the **SEBI Act**.

Contents

Overview of the Securities Exchange Board of India Act, 1992, and references of following Regulations:

1. SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015
2. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
3. SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011
4. SEBI (Prohibition of Insider Trading) Regulations, 2015

PART II – ECONOMIC LAWS (30 MARKS)

Objective

To acquire the ability to analyse the significant provisions of select Economic Laws.

Contents

1. **The Foreign Exchange Management Act, 1999 and significant Rules and Regulations:** Introduction, Broad structure of FEMA, Definition, Regulation and Management of Foreign Exchange, Contraventions and Penalties in brief, Miscellaneous Provisions.
2. **The Foreign Contribution Regulation Act, 2010 and its Regulation:** Definitions, Regulation of Foreign Contribution and Miscellaneous Provisions.
3. **The Insolvency and Bankruptcy Code, 2016 and significant Rules and Regulations:** Significant concepts covered up till section 33 of the Code.

Note: If new legislations are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from a date notified by the Institute.

The specific inclusions / exclusions in the various topics covered in the syllabus will be affected every year by way of study guidelines, if any.





MCQs Booklet – Index

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Chapter 1	Appointment and Qualification of Directors	1.1 – 1.24	50 marks
Chapter 2	Meeting of Board and its Powers	2.1 – 2.26	
Chapter 3	Appointment & Remuneration of Managerial Personnel	3.1 – 3.24	
Chapter 4	Inspection, Inquiry & Investigation	4.1 – 4.16	
Chapter 5	Compromise, Arrangements & Amalgamations	5.1 – 5.30	
Chapter 6	Prevention of Oppression & Mismanagement	6.1 – 6.10	
Chapter 7	Winding up	7.1 – 7.10	
Chapter 8	Miscellaneous provisions - Registered Valuer - Striking-off (Removal of Name) - Dormant company - Government company - Nidhi company	8.1 – 8.18	20 marks
Chapter 9	NCLT, NCLAT, Special courts, Compounding of offences & Adjudication	9.1 – 9.6	
Chapter 10	E-filing	10.1 – 10.2	
Chapter 11	Securities Law - SEBI Act, 1992	11A.1 – 11A.6	
	- SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 [LODR]	11B.1 – 11B.8	
	- SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 [ICDR]	11C.1 – 11C.6	
	- SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 [Takeover Code]	11D.1 – 11D.2	
	- SEBI (Prohibition of Insider Trading) Regulations, 2015 [PIT]	11E.1 – 11E.2	
Chapter 12	The Foreign Exchange Management Act, 1999	12.1 – 12.12	30 marks
Chapter 13	The Foreign Contribution Regulation Act, 2010	13.1 – 13.8	
Chapter 14	The Insolvency & Bankruptcy Code, 2016	14.1 – 14.14	



Chapter I

Appointment and Qualifications of Directors

(Section 149 – 172)
read with

The Companies (Appointment and Qualifications of Directors) Rules, 2014

Section 149

Q1: The minimum number of director(s) in a One Person Company, Private Company and Public company can be _____ respectively.

- (a) 1, 2 and 3
- (b) 1, 2 and 7
- (c) 2, 2 and 3
- (d) 2, 2 and 7

Q2: A public company should have minimum of:
(MTP May 2022)

- (a) 3 Members and 3 Directors
- (b) 3 Members and 7 Directors
- (c) 7 Members and 3 Directors
- (d) 7 Members and 7 Directors

Q3: Without seeking any approval, the maximum number of directors that can be appointed on the Board of Star Cements Limited is?

- (a) 7
- (b) 10
- (c) 15
- (d) 20

Q4: Western Developers Limited, a construction company, is having its operations scattered all over the world. It wants to appoint more than 15 directors on its Board. Choose the correct statement?

- (a) The company needs to pass an ordinary resolution to increase the limit
- (b) The company needs to pass a special resolution to increase the limit
- (c) The company needs to seek approval of Central Government to increase the limit
- (d) The company needs to seek approval of NCLT to increase the limit

Q5: Steel Authority of India Limited (SAIL), a government company, is having 13 directors on its board. The company wants to increase the total strength of its directors to 17. The company wants to know what additional compliance needs to be done to increase the total strength of the directors to 17

- (a) The company needs to pass a Special Resolution to increase the total number of directors beyond 15

- (b) The company needs to pass an Ordinary Resolution to increase the total number of directors beyond 15
- (c) The company needs the prior approval of Central Government to increase the total number of directors beyond 15
- (d) The maximum limit of 15 directors is not applicable to a Government company and hence no approval is required

Q6: Every company shall have a maximum of 15 directors on its Board of Directors. However, to appoint more than 15 directors, company needs to pass a special resolution. But which of the following companies can appoint more than 15 directors without passing a special resolution?

- (a) Section 8 company
- (b) Government company
- (c) Both (a) and (b)
- (d) One Person Company

Q7: Choose the correct statement in respect of a One Person Company.

- (a) There can be only 1 member and 1 director in OPC
- (b) There can be only 1 member in OPC and directors can be more than 1 but can never exceed 15
- (c) There can be only 1 member in OPC and directors can be more than 15 but only after passing a special resolution
- (d) There can be more than 1 member and director in OPC after passing a special resolution

Q8: Regulation 78 of the Articles of Association of Fox Entertainment Limited provides that the maximum number of directors on the Board of the company can be 13. Now the company intends to appoint 17 directors on its Board. Choose the correct statement.

- (a) The company cannot appoint more than 13 directors
- (b) The company can appoint 17 directors on its Board after passing a Special Resolution
- (c) The company appoint maximum 15 directors on its Board after altering its articles by passing a special resolution
- (d) The company first needs to alter its articles by passing a special resolution and then to appoint

more than 15 directors, the company needs to pass another special resolution

Q9: There are 15 directors on the Board of Shemaroo Entertainments Limited. The company intends to appoint Mr. Shekhar on the Board as additional director. Choose the correct statement,

- (a) An ordinary resolution is requirement for appointing Mr. Shekhar as an additional director
- (b) A resolution of the Board is requirement for appointing Mr. Shekhar as an additional director
- (c) A special resolution is required for the appointment of Mr. Shekhar
- (d) A special resolution is required to increase the limit of 15 directors and a resolution of the Board is required to appoint Mr. Shekhar as the additional director

Q10: ABC Ltd is a government company with fourteen Directors. They are willing to appoint two more Directors in the company to enable the effective management of the company. Mr. X, the Managing Director of the company is of the view that appointment of two more Directors would be a violation of the Companies Act. Examine the above situation in lights of the legal provision.

(ICAI MCQ Booklet)

- (a) Appointment of more than fifteen Directors is violation of Companies Act.
- (b) Appointment of more than fifteen Directors can be done by passing a special resolution.
- (c) The Companies Act is silent about the maximum number of Directors in a company.
- (d) Government companies are exempted from the provision of maximum number of Directors needed.

Q11: In addition to a listed company, which other company is required to appoint a woman director

(Study Mat)

- (a) a company having paid-up share capital of ₹ 100 crore
- (b) a company having turnover of ₹ 300 crore
- (c) a company meeting both the parameters mentioned at (a) and (b)
- (d) a company meeting any one of the parameters i.e. either (a) or (b)

Q12: In compliance to the Companies Act, 2013, at least one-woman director shall be on Board of such class or classes of companies as may be prescribed. Ms. Riya is keen to hold the office of woman director in a company. She has selected some companies in which there is a vacancy for the woman director. Advice Ms. Riya in selecting the companies which are mandatorily required to appoint a woman director

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) PQR Limited which is an unlisted company and having paid up share capital of 150 crore rupees as per the last date of latest audited financial statements.
- (b) ABC Limited which is a listed company and having a turnover of 150 crore rupees as per the last date of latest audited financial statements.
- (c) XYZ Limited which is an unlisted company and having a turnover of 350 crore rupees as per the last date of latest audited financial statements.
- (d) All of the above

Q13: The turnover of XYZ Ltd. as on the last date of latest audited financial statements is 400 crore rupees. An Intermittent vacancy of the woman director arises on 15th June, 2018 in the company. The immediate Board meeting was held on 14th October, 2018. The vacancy of the woman director shall be filled up by _____

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) Appointment of woman director is not mandatory
- (b) 14th August, 2018
- (c) 14th September, 2018
- (d) 14th October, 2018

Q14: Fresh Start Limited was incorporated on 1st February 2020 with a paid-up share capital of INR 150 crore. Choose the correct statement.

- (a) There is no need to appoint a woman director
- (b) The company shall appoint woman director by 31st March 2020
- (c) The company shall appoint woman director by 31st March 2021
- (d) The company shall appoint woman director within 6 months from the date of incorporation

Q15: Shruti was occupying the office of woman director in Zydus Limited, but due to her sudden death on 17th March 2019, the intermittent vacancy so occurred was required to be filled-up at the earliest because she was the only woman director on the Board. The immediate next Board meeting was held on 30th April 2019. The vacancy of the woman director shall be filled up by _____

- (a) Appointment of woman director is not mandatory
- (b) 31st March 2019
- (c) 30th April 2019
- (d) 16th June 2019

Q16: As per the provisions of Companies Act, 2013; every company shall have at least 1 director who has stayed in India for a period of not less than _____ days in the _____

- (a) 180, preceding financial year
- (b) 182, preceding financial year

- (c) 182, financial year
(d) 182, preceding calendar year

Q17: Comfort Mechanical Products Limited, with Registered Office in Rajender Nagar, New Delhi, has three directors, namely, Mr. First, Mr. Second and Ms. Third, who often visit foreign countries in order to develop and secure business opportunities for the company on sustainable basis. One of the legal requirements for an Indian company is that at least one of its directors must stay in India for a specified period. To reckon as 'resident director' for the Financial Year 2021-22, advise the company by selecting the correct option as to which period spent in India by any one of its directors shall count towards statutory period.

(MTP May 2022)

- (a) Period spent in India during the previous Financial Year 2020-21.
(b) Total of fifty percent of the period spent in India during the Financial Year 2019-20 and another fifty percent of the period spent in India during the Financial Year 2020-21.
(c) Total of fifty percent of the period spent in India during the Financial Year 2020-21 and another fifty percent of the period spent in India during the Financial Year 2021-22.
(d) Period spent in India during the Financial Year 2021-22.

Q18: New Born Limited was incorporated on 1st November 2019. The company has appointed Mr. Ram to comply with the requirement of resident director under the provisions of Companies Act, 2013. For how many days Mr. Ram needs to stay in India to meet the eligibility requirement of a resident director.

- (a) Mr. Ram needs to stay in India for at least 182 days during the period 1st April 2018 to 31st March 2019
(b) Mr. Ram needs to stay in India for at least 182 during the calendar year 2019
(c) Mr. Ram needs to stay in India for 182 days during the first financial year of the company
(d) Mr. Ram needs to stay in India for 76 days during the first financial year of the company

[Hint - The first financial year of the company is 1st November 2019 to 31st March 2020 comprising of 152 days (Note - 2020 is a leap year)]

Proportionate stay $\geq \frac{182 \text{ days} \times 152 \text{ days}}{366 \text{ days}}$
required in India during the first FY $\geq 76 \text{ days}$

Q19: Fresh Born Limited was incorporated on 1st January 2020. The company has appointed Mr. Abhishek to comply with the requirement of

resident director under the provisions of Companies Act, 2013. For how many days Mr. Abhishek needs to stay in India to meet the eligibility requirement of a resident director.

- (a) Mr. Abhishek needs to stay in India for at least 182 days during the period 1st April 2018 to 31st March 2019
(b) Mr. Abhishek needs to stay in India for at least 182 during the period 1st April 2019 to 31st March 2020
(c) Mr. Abhishek needs to stay in India for 182 days during the period 1st January 2020 to 31st March 2021
(d) Mr. Abhishek needs to stay in India for 227 days during the first financial year of the company

[Hint - The first financial year of the company is 1st January 2020 to 31st March 2021 comprising of 456 days (Note - 2020 is a leap year & refer section 2(41) for the meaning of financial year]

Proportionate stay $\geq \frac{182 \text{ days} \times 456 \text{ days}}{366 \text{ days}}$
required in India during the first FY $\geq 227 \text{ days}$

Q20: All the three directors of Cygnus Wires Limited generally remain out of India for developing connections and securing business opportunities on behalf of the company. However, the company must strictly follow the legal requirement that at least one of its directors must stay for the specified statutory period in India. To reckon as 'resident director' for the financial year 2018-19, advise the company as to which period spent in India shall count towards statutory period.

(RTP May 19 & MTP Nov 19)

- (a) Period spent in India during the previous financial year 2017-18.
(b) Total of 50% each of the period spent in India during the financial year 2016-17 and 2017-18.
(c) Period spent in India during the financial year 2018-19.
(d) Total of 50% each of the period spent in India during the financial year 2017-18 and 2018-19.

Q21: XYZ, a listed Public Company, having paid up share capital of around Rs. 12 Crore. How many independent directors should be there when the total numbers of directors are 13?

(ICAI Sample MCQ)

- (a) 2
(b) 4
(c) 5
(d) 6

Q22: Prabhat Dairy Limited, a listed company, has ₹ 150 crore turnover and has 10 directors on its Board. Prabhat Dairy Limited should appoint

minimum _____ independent directors on its board. Further, if it was a private company, it should appoint minimum _____ independent directors.

- (a) 2; 2
- (b) 3; 2
- (c) 4; 2
- (d) 4; NIL

Q23: XYZ Limited Company needs to appoint an independent Director of the company. The company has a gold jewellery business. Company shortlisted Mr. Bajaj, Mr. Dharamdas and Mr. Anmol Parekh for the vacant post. Mr. Bajaj was an auditor of the subsidiary company of the XYZ Limited Company. But he resigned from his post two years ago. Mr. Dharamdas who is a professional goldsmith and has an experience of more than 20 years. Mr. Anmol Parekh has a pecuniary relation with the promoters, 3 years preceding the current financial year. Who can be appointed as an Independent Director from the above-mentioned people?

(ICAI Sample MCQ)

- (a) Mr. Bajaj
- (b) Mr. Dharamdas
- (c) Mr. Anmol Parekh
- (d) Mr. Dharamdas and Mr. Anmol Parekh

Q24: XYZ Limited is a listed public company having a paid-up capital of INR 20 crore as on 31st March, 2017 and a turnover of INR 150 crore during the year ended 31st March, 2017. The total number of directors is thirteen. State the minimum number of independent directors that the company should appoint.

(ICAI Sample MCQ)

- (a) 2
- (b) 3
- (c) 4
- (d) 5

Q25: Misfortune Limited is an unlisted public company having a turnover of ₹ 150 crore as per its latest audited balance sheet. The company has 7 directors on its Board. Further the company has obtained the status of a dormant company under section 455 of the Companies Act, 2013. The company wants to know the minimum number of independent directors to be appointed on its Board.

- (a) 2
- (b) 3
- (c) 5
- (d) NIL

Q26: Syska LED Limited is a listed public company with 8 directors on its Board. The company has further constituted an audit committee under

the provisions of section 177 of the Companies Act, 2013 consisting of 6 directors as its members. The company wants to know the minimum number of independent directors to be appointed on its Board.

- (a) 2
- (b) 3
- (c) 4
- (d) 5

[Hint - In audit committee, majority directors need to be independent i.e. out of 6, minimum 4 directors shall be independent on audit committee. And, if the company is required to appoint a higher number of independent directors due to composition of audit committee, such higher number of independent directors shall be applicable to it]

Q27: Choose the correct statement from the following with respect to the appointment of independent directors under the provisions of Companies Act, 2013

- (a) An unlisted Joint-venture company is not required to appoint independent director
- (b) An unlisted wholly owned subsidiary company is not required to appoint independent director
- (c) A dormant unlisted company is not required to appoint independent director
- (d) All of the above statements are correct

Q28: An independent director who has tendered resignation from the Board shall be replaced by a new independent director within _____ from the date of such resignation.

(Study Mat)

- (a) one month
- (b) two months
- (c) three months
- (d) four months

Q29: The turnover of Cera Ltd. as on the last date of latest audited financial statements is 600 crore rupees. An Intermittent vacancy of an independent director arises on 15th June, 2021 in the company. The immediate Board meeting was held on 17th September, 2021. The vacancy of the independent director shall be filled up by _____

- (a) 30th June 2021
- (b) 14th August, 2021
- (c) 14th September, 2021
- (d) 17th September, 2021

Q30: Sarthi was occupying the office of intendent director in CSEC Limited, but due to his sudden death on 17th April 2021, the intermittent vacancy so occurred was required to be filled-up at the earliest. The immediate next Board meeting was held on 30th April 2021. The vacancy

of the independent director shall be filled up by

- (a) 30th April 2021
- (b) 31st May 2021
- (c) 16th July 2021
- (d) 31st July 2021

Q31: HCQ Pharma Ltd. a company listed with the Bombay Stock Exchange incorporated on January 20, 2002. The Directors of the company want to appoint Mr. Sanjay who is a Managing Partner of Sanjay and Associates LLP, firm of Lawyers, as an Independent Director of the company at the AGM to be held on April 25, 2020. Mr. Sanjay is acting as a legal advisor to Genesis Laboratory Ltd, Associate Company of HCQ Pharma Ltd. Adv. Sanjay charged consultation fees as given below.

Year	Fees	Gross turnover of Sanjay & Associates
2017-18	2,00,00,000	40,00,00,000
2018-19	10,00,00,000	50,00,00,000
2019-20	0	45,00,00,000

Identify the correct statement from the following

(ICAI MCQ Booklet)

- (a) HCQ Pharma Ltd. can appoint Mr. Sanjay as an Independent Director irrespective of the fact that he is Legal Advisor to its Associate Company.
- (b) HCQ Pharma Ltd. cannot appoint Mr. Sanjay as an Independent Director as he is Managing Partner of the firm which is legal advisor to its Associate Company irrespective of the amount of fees charged by the firm to its Associate company.
- (c) HCQ Pharma Ltd. cannot appoint Mr. Sanjay as an Independent Director as he is Managing Partner of the firm which is legal advisor to its Associate Company and the fees charged by the firm exceeds the percentage as specified in the act during one out of the three immediately preceding financial year.
- (d) HCQ Pharma Ltd. can appoint Mr. Sanjay as an Independent Director even though he is the Managing Partner of the firm which is legal advisor to its Associate Company as the firm did not charge any fees during immediately preceding financial year.

Q32: An independent director shall hold office for a term up to _____ on the Board of a company.

(Study Mat)

- (a) three consecutive years
- (b) four consecutive years
- (c) five consecutive years

- (d) None of the above

Q33: An independent director shall hold office for a maximum of _____ term(s) of up to _____ each on the Board of a company.

- (a) 1, three consecutive years
- (b) 2 consecutive, three consecutive years
- (c) 1, five consecutive years
- (d) 2 consecutive, five consecutive years

Q34: AB Institute is authorised by Central government to maintain the databank of preceding Directors. The institute has prepared list of 32 independent directors who can be appointed by the companies. Infoline Company wants to appoint 3 Directors on the basis of this data. The Company decided to appoint the Independent Director on May 9, 2017. The next general meeting is on May 18, 2017. What is the process of appointment for the director?

(ICAI Sample MCQ)

- (a) The appointment of the independent director shall be approved at the Board meeting of the company before May 18, 2017
- (b) The appointment of the independent director shall be approved by the company in general meeting
- (c) The appointment of the independent director shall be approved by the company before general meeting by May 17, 2017
- (d) The appointment of the independent director shall be approved by the company within 3 months of his appointment.

Q35: Mr. Rizwan is the independent director of Destinations Limited. He was initially appointed for a term of 4 years. His term as independent director will be soon completed and the company intends to re-appoint him as the independent director. The company wants to know for how many years Mr. Rizwan can be re-appointed for his second consecutive term as independent director. Also, the company wants to know any additional compliance for his re-appointed.

- (a) Mr. Rizwan can be re-appointed for a term of maximum 6 years after obtaining the approval of members by way of ordinary resolution
- (b) Mr. Rizwan can be re-appointed for a term of maximum 6 years after obtaining the approval of members by way of special resolution
- (c) Mr. Rizwan can be re-appointed for a term of maximum 5 years after obtaining the approval of members by way of ordinary resolution
- (d) Mr. Rizwan can be re-appointed for a term of maximum 5 years after obtaining the approval of members by way of special resolution

Q36: Mr. Rudraksh completed his 2 terms of 5 consecutive years each as independent director on the Board of HAL Limited. On completion of his two terms, he retired from his office and was not associated with the company for next 3 years. Now the company intends to against appoint him as an independent director after the cooling-off period of 3 years. The proposed appointment of Mr. Rudraksh in HAL Limited requires _____

- (a) An ordinary resolution
- (b) A special resolution
- (c) Unanimous resolution of the Board
- (d) Mr. Rudraksh cannot be appointed as independent director

Q37: M/s. Bosch and Lawrence Limited, an unlisted company has a paid-up equity share capital of ₹ 11 crores as on 31st March, 2013. Mr. Robert was appointed as an Independent Director at the Annual General Meeting of the company held on 29-09- 2015 for a period of one year. Again, he was appointed in the subsequent Annual General Meeting held on 28-09-2016 for a period of two years as his second consecutive term. Examine under the provisions of the Companies Act, 2013 that for how many years he can be again appointed in the Annual General Meeting to be held in September 2018

- (a) He can be appointed for a further term of 2 consecutive years
- (b) He can be appointed for a further term of 5 consecutive years
- (c) He can be appointed for a further term of 7 consecutive years
- (d) He cannot be re-appointed for a third consecutive term

Q38: Mr. Murty is serving his second consecutive term as independent director on the board of Motherson Sumi Limited. The company is really happy with the independent judgement he brings to the board of the company and wants to re-appoint him as independent director for third consecutive term. Advise the company

- (a) The company can re-appoint him for third term but for a maximum term of 5 years after passing ordinary resolution
- (b) The company can re-appoint him for third term but for a maximum term of 5 years after passing special resolution
- (c) The company can re-appoint him only after the expiry of 3 years of completion of the second term
- (d) The company can re-appoint him only after the expiry of 5 years of completion of the second term

Q39: The independent directors are required to hold at least _____ meeting(s) in a financial year, without the attendance of non-independent directors and members of management

- (a) 1
- (b) 2
- (c) 4
- (d) There is no such requirement

Q40: Havells India Limited wants to remunerate its independent director, Mr. Rakesh Bahl. The company wants to know as to which of the following combinations can be used to remunerate Mr. Rakesh keeping in mind the provisions of Companies Act, 2013.

- A. Sitting fees
 - B. Profit related commission
 - C. Employee Stock Options
- Choose the correct combination.

- (a) Only A
- (b) A and B
- (c) A and C
- (d) A, B and C

Section 150

Q41: An independent director may be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors. The data bank shall be maintained by an institute notified by Central Government, For this purpose, Central Government has notified which institute?

- (a) Indian Institute of Independent Directors at New Delhi
- (b) The Institute of Corporate Database at Maharashtra
- (c) Indian Institute of Corporate Affairs at Manesar (Haryana)
- (d) The Institute for the Data-bank of Independent directors at Gurgaon (Haryana)

Q42: As per Section 150 of the Companies Act, 2013; an independent director may be selected from a data bank maintained by Indian Institute of Corporate Affairs at Manesar (notified by Central Government). The responsibility of exercising due diligence before selecting a person from this data-bank lies with the

- (a) Company
- (b) Indian Institute of Corporate Affairs at Manesar
- (c) Central Government
- (d) The independent director being so selected

Q43: Any individual intending to include his name in the data-bank of independent directors maintained under section 150 of the Companies Act, 2013; may apply online for inclusion of his name in the data-bank for a period of

- (a) 1 year
- (b) 5 years
- (c) Lifetime
- (d) Any of the above

Q44: Every individual whose name is included in the data bank of independent directors, shall pass an online proficiency self-assessment test conducted by the Indian Institute of Corporate Affairs at Manesar within a period of _____ from the date of inclusion of his name in the data-bank

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Q45: Every individual whose name is included in the data bank of independent directors, shall pass an online proficiency self-assessment test conducted by the Indian Institute of Corporate Affairs at Manesar. The individual shall be deemed to have passed the test on obtaining ≥ _____ in aggregate

- (a) 50%
- (b) 60%
- (c) 75%
- (d) 90%

Section 151

Q46: In compliance to the Companies Act, 2013, Ms. Kirti is keen to hold the office of small shareholders' director in a company. She has selected some companies in which there is a vacancy for the small shareholders' director. Advise Ms. Kirti in selecting the companies which are mandatorily required to appoint a small shareholders' director

- (a) Rossari Biotech, a listed company
- (b) Liberty Limited which is an unlisted company and having a turnover of 1050 crore rupees as per the last date of latest audited financial statements.
- (c) Cupid Limited which is an unlisted company and having a turnover of 3500 crore rupees as per the last date of latest audited financial statements.
- (d) All of the above

Q47: A shareholder holding shares of nominal value of not more than _____ is a small shareholder.

- (a) ₹ 5,000

- (b) ₹ 10,000
- (c) ₹ 15,000
- (d) ₹ 20,000

Q48: The nominal value of shares held by Mr. W, Mr. X, Mr. Y and Mr. Z in Emami Limited (a listed company) is NIL, ₹10,000, ₹20,000 and ₹30,000 respectively. Who amongst them can be appointed as a small shareholders' director on the Board of Emami Limited?

- (a) Only Mr. W
- (b) Mr. W or Mr. X
- (c) Mr. W, Mr. X or Mr. Y
- (d) Mr. W, Mr. X, Mr. Y or Mr. Z

[Hint – The criteria of ₹ 20,000 nominal value is for only small shareholders and not for small shareholders; director]

Q49: NOCIL Limited, a listed company, offers basic organic chemicals. NOCIL limited wants to appoint Mr. Vaibhav Goyal as a small shareholders' director. The company wants to know the maximum term of a small shareholders' director. Further the company also wants to know in advance for how many years he can be re-appointed for his second consecutive term.

- (a) The company can appoint him for initial term of 5 years and then again for 5 years for his second consecutive term
- (b) The company can appoint him for initial term of 3 years and then again for 3 years for his second consecutive term
- (c) The company only can appoint him for initial term of 3 years and he cannot be re-appointed for a period of 3 years from the date he ceases to hold office of small shareholders' director
- (d) The company only can appoint him for initial term of 5 years and he cannot be re-appointed for a period of 5 years from the date he ceases to hold office of small shareholders' director

Q50: Mr. Ajit Bhandari is a small shareholders' director in Airtel Limited (a listed telecom company). He also wants to be appointed as a small shareholders' director in another company. Help him select the correct option for him

- (a) He cannot be appointed as a small shareholders' director in any other company as a person can be small shareholders' director of maximum 1 company at a point of time
- (b) He can be appointed as a small shareholders' director in Vodafone Idea Limited (a listed telecom company)
- (c) He can be appointed as a small shareholders' director in Arvind Limited (a listed textile company)
- (d) He can be appointed as a small shareholders' director in Vodafone Idea Limited (a listed

telecom company) as well as in Arvind Limited (a listed textile company)

Q51: B'north Motors and Spares Limited, a listed company, has 4500 small shareholders but till date there is no director who can represent them. Accordingly, some of such shareholders have approached the company for appointment of their director on the Board. By choosing the correct option, advise as to minimum how many small shareholders must group together so that they succeed in their objective.

(MTP May 19)

- (a) Minimum one thousand small shareholders must group together for getting appointed their director on the Board.
- (b) Minimum nine hundred small shareholders must group together for getting appointed their director on the Board.
- (c) Minimum four hundred and fifty small shareholders must group together for getting appointed their director on the Board.
- (d) Minimum two hundred and twenty-five small shareholders must group together for getting appointed their director on the Board.

Q52: Amar Textiles Limited, a listed company, engaged in the production of furniture and fittings in Pune. The company is having 50,000 small shareholders. The small shareholders wanted to elect a small shareholders' directors amongst themselves so that their issues are resolved during the Board meetings at the earliest. 500 small shareholders served a notice for appointment of a small shareholder in the Board. Decide the validity of the notice by the small shareholders:

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) Notice by 500 small shareholders is valid and company may appoint a small shareholder director.
- (b) Notice by 500 small shareholders is not valid and company may appoint a small shareholder 'director on the requisition of 1000 small shareholders.
- (c) Notice by 500 small shareholders is not valid and company may appoint a small shareholder director on the requisition of 5000 small shareholders.
- (d) Small shareholders director cannot be appointed in the company as the company doesn't fulfil the condition for appointment of small shareholders' director.

Q53: Rati holds 2,500 equity shares of Rs. 10 each (Rs. 5 paid up) in Uranus Glass Limited which is listed on National Stock Exchange as well as Bombay Stock Exchange. In the same company her mother Rachna holds 2,000 equity shares on

which Rs. 7 have been paid up. Her brother Ruchir has also been allotted 3,000 equity shares by the Uranus but till date, similar to Rati, he has paid only Rs. 5 as application and allotment money. All the three claim to be small shareholders and want to participate in the process of appointing small shareholders' directors. Advise them whether they could be categorized as small shareholders.

(MTP May 19)

- (a) Only Rati is small shareholder and therefore, she can participate in the process of appointing small shareholders' directors.
- (b) Only Rachna is small shareholder and therefore, she can participate in the process of appointing small shareholders' directors.
- (c) Only Ruchir is small shareholder and therefore, he can participate in the process of appointing small shareholders' directors.
- (d) All the three are small shareholders and therefore, they can participate in the process of appointing small shareholders' directors.

Q54: The removal of a small shareholders' director requires

- (a) an ordinary resolution in the class meeting of small shareholders
- (b) a special resolution in the class meeting of small shareholders
- (c) an ordinary resolution in general meeting
- (d) a special resolution in the general meeting

[Hint - Refer section 169]

Section 152

Q55: Srishakti Homecare Limited, incorporated on 30th October, 2018, has ten subscribers to the Memorandum out of which two are private limited companies and remaining individuals. However, there is no mention in any of the documents as to who shall be the first directors. Advise the company regarding the appointment of first directors who shall manage the affairs of the company.

(ICAI Sample MCQ & MTP May 19)

- (a) All the subscribers to the Memorandum shall be deemed to be the first directors.
- (b) The two private limited companies being subscribers to the Memorandum shall decide as to who shall be the first directors.
- (c) All the individual subscribers to the Memorandum shall be deemed to be the first directors.
- (d) As the company requires minimum three directors, the eight individual subscribers shall choose two from among themselves and one shall be chosen by the two private limited companies from among themselves.

Q56: KDS Agro Pvt. Ltd., a newly incorporated company has not mentioned the names of first directors of the company in its Articles of Association. Referring the provisions of the Companies Act, 2013, who shall be deemed to be the first directors of the company?

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) The members of the company shall be deemed to be the first directors of the company.
- (b) The individual subscribers of the company shall be deemed to be the first directors.
- (c) None shall be deemed to be the first directors of the company.
- (d) The shareholders shall appoint first directors in the General Meeting.

Q57: A person appointed as a director is required to give his written consent in Form DIR-2 _____ to the company.

(Study Mat)

- (a) on or before his appointment as director
- (b) within 10 days of his appointment as director
- (c) within 20 days of his appointment as director
- (d) None of the above

Q58: Mr. Puru is proposed to be appointed as a director in Yatharth Limited. He files his written consent in Form DIR-2 with the company on 15th April 2019. He gets appointed as director in Yatharth Limited on 20th April 2019. Yatharth Limited shall file the consent of Mr. Puru with the Registrar on or before

- (a) 20th April 2019
- (b) 30th April 2019
- (c) 15th May 2019
- (d) 20th May 2019

Q59: In case the articles of a public company do not provide for the retirement of all directors at every annual general meeting, not less than _____ of the total number of directors shall be liable to retire by rotation.

(Study Mat)

- (a) one-third
- (b) two-thirds
- (c) one-fourth
- (d) one-half

Q60: The promoters of Happiest Minds Limited, a listed public company, propose to have a strength of the Board of Directors as 11. They also propose to make the Managing Director and Whole-time directors as directors not liable to retire by rotation. Advise as to the maximum number of persons, who can be appointed as directors not liable to retire by rotation.

- (a) 3
- (b) 4
- (c) 6

(d) 7

[Hint - Minimum directors liable to retire by rotation = $2/3^{\text{rd}}$ of 11 = 7.33 i.e. 8 directors

So, maximum directors not liable to retire = $11 - 8 = 3$]

Q61: Stylish Technology Limited engaged in the manufacturing of mobiles and chargers. The company's Board of Directors consist of 8 directors i.e. Mr. Ram (Director), Mr. Shyam (Director), Mr. Mohan (Director), Mr. Vijay (Director), Mr. Naresh (Director), Mr. Ashish (Independent Director), Mr. Neeraj (Independent Director) and Mr. Anil (Small shareholders' director). Calculate the number of directors to retire at Annual General Meeting held on 15th September, 2018.

(ICAI Sample MCQ)

- (a) One
- (b) Two
- (c) Three
- (d) Four

Q62: There are 10 directors on the Board of Excel Limited, an unlisted public company. 2 of the directors have retired by rotation at the 21st Annual General Meeting of the company. The place of retiring directors was not so filled up and the meeting has not expressly resolved 'not to fill the vacancy'. Due to some reasons, the AGM was adjourned and at the adjourned meeting also the placing of retiring directors could not be filled up and meeting has also not expressly resolved 'not to fill the vacancy'. Choose the correct statement.

- (a) The 2 retiring directors shall be deemed to be re-appointed at the adjourned meeting
- (b) The place of 2 retiring directors on the Board shall remain vacant
- (c) One out of those 2 directors shall be deemed to be re-appointed which will be selected basis seniority
- (d) One out of those 2 directors shall be deemed to be re-appointed which will be determined by lots

Q63: Essar Limited, a wholly owned government company is having 10 directors on its Board. What is the minimum number of directors liable to retire by rotation at the Annual General Meeting of the company?

- (a) 6
- (b) 7
- (c) 3
- (d) NIL

[Hint - The concept of rotation is not applicable to an unlisted Government company in which $\geq 51\%$ paid-up capital is held by Government]

Q64: RVNL Limited, a listed government company is having 12 directors on its Board out of which 2 directors are independent. What is the minimum number of directors that should retire by rotation at the Annual General Meeting of the company?

- (a) NIL
- (b) 2
- (c) 3
- (d) 7

[Hint – The exemption from rotation is not applicable to a LISTED Government company. Also, here we need to answer the directors that will have to retire and not the directors liable to retire]

Total number of directors = $12 - 2 = 10$

Directors liable to retire = $2/3^{\text{rd}}$ of $10 = 6.67 = 7$

Retiring directors = $1/3^{\text{rd}}$ of $7 = 2.33 = 2$

Q65: The concept of rotation of directors under the provisions of Companies Act, 2013 is not applicable to which of the following Government companies?

- A. HAL Limited, an unlisted company in which 60% share capital is held by Central Government
- B. Bharat Forge Limited, in which the entire share capital is held by HAL Limited
- C. NCC Limited, in which 50.5% of the total voting power is held by HAL Limited

- (a) Only A
- (b) A and B
- (c) A, B and C
- (d) The concept of rotation is applicable on all the companies above

Section 153 to 159

Q66: MNO, a Public Ltd. incorporated on June 11, 2007. It selected Mr. Ajay, Mr. Rohit, Mr. Rajan and Mr. Ravi to be appointed as Director of the company in general meeting on August 15, 2007. All the four directors gave their consent by September 12, 2007. But Mr. Rajan and Mr. Rohit were not having the director identification number. They both applied for the director identification number. By what time they will be able to get their DIN?

(ICAI Sample MCQ)

- (a) 30 days
- (b) 1 month
- (c) 2 months
- (d) 3 months

Q67: Every company is required to furnish Director Identification Numbers of all its directors to the Registrar within _____ of the receipt of intimation regarding DIN from the directors.

(Study Mat)

- (a) ten days

- (b) fifteen days
- (c) twenty days
- (d) thirty days

Q68: Shradha Pvt. Ltd. Company is engaged in manufacturing of rubber tyres. The company was incorporated in the year 2001 with its head office located at Chennai. Mr. Rakesh Kumar was the Director of the company. He committed a fraud of around Rs. 1 Crore. He was terminated by the company for his act. After termination he shifted to Delhi. Mr. Kumar applied for a new Director Identification number with his Delhi based address. Will he be allotted a new DIN?

(ICAI Sample MCQ)

- (a) Yes, since he changed his state so he can be allotted a new DIN by the State government
- (b) No, he cannot be allotted a new DIN because it is prohibited by the Act.
- (c) Yes, he can apply for a new DIN with the prior permission of Central Government
- (d) No, he has to wait for three years before applying for a new DIN

Q69: Mr. Bharat is holding Director Identification Number (DIN) as on 31st March 2020. He wants to know by which date he needs to file his DIR-3 KYC?

- (a) 30th April 2020
- (b) 30th June 2020
- (c) 30th September 2020
- (d) 31st December 2020

Q70: Diksha, a professional architect, had been approached by Newage Builders Limited – a company formed by her distant relatives but with whom she has good rapports – to accept the directorship in the company. However, she could not immediately agree to take the post of director, for she did not possess Director Identification Number (DIN). Accordingly, she applied for the DIN but her application was found to be incomplete and she received an e-mail on 3rd January, 2019 which directed her to rectify the defects by resubmitting the application. Advise Diksha regarding the latest date by which she must resubmit the application after fully rectifying it.

(MTP May 19)

- (a) Latest by 10th January, 2019.
- (b) Latest by 16th January, 2019.
- (c) Latest by 18th January, 2019
- (d) Latest by 23rd January, 2019.

Q71: Mr. B, director of XRL Company from 2006. He got his DIN allotted to him on May 6, 2017. By what date he should have intimated his DIN to XRL Company?

(ICAI Sample MCQ)

- (a) Before May 20, 2017
- (b) Before June 6, 2017
- (c) Before July 6, 2017
- (d) Before August 6, 2017

Section 160

Q72: Mr. Sudeep wants to submit his candidature for being appointed as a director in Tech Mahindra Limited. As per the provisions of Companies Act, 2013; Mr. Sudeep needs to submit his candidature along with a deposit of _____

- (a) ₹ 50,000
- (b) ₹ 1,00,000
- (c) ₹ 5,00,000
- (d) ₹ 10,00,000

Q73: The amount of ₹ 1,00,000 deposited by a proposed director (other than a retiring director) shall be refunded to him if he gets more than _____ of the total valid votes cast either on show of hands or on poll.

(Study Mat)

- (a) 10%
- (b) 15%
- (c) 25%
- (d) None of the above

Q74: A person shall be eligible for appointment to the office of director at any general meeting, if he has left a notice in writing at the registered office of the company ____ days before the meeting.

- (a) 7
- (b) 14
- (c) 21
- (d) 30

Q75: As per the provisions of Companies Act, 2013; in which of the following case, the candidate for election as a director needs to submit a deposit of ₹ 1,00,000 along with his application

- (a) Mr. Arun submitting his candidature for the appointment as Independent director
- (b) Mr. Aamir for being appointed as whole-time director but he is recommended by the Nomination & Remuneration Committee of the company
- (c) Mr. Atul is going to retire by rotation in the upcoming AGM and proposes to be re-appointed
- (d) None of the above

Section 161

Q76: The power to appoint an additional director may be conferred on the Board of Directors _____

- (a) Articles of association of the company
- (b) Ordinary Resolution passed in a general meeting
- (c) Either (a) or (b)
- (d) Special Resolution passed in a general meeting

Q77: The articles of a company may confer the power to appoint an additional director by _____

- (a) Board of directors in a Board meeting
- (b) Board of directors by Resolution by circulation
- (c) Either (a) or (b)
- (d) Ordinary resolution at a general meeting

Q78: The Board of Directors of MNO Ltd is willing to appoint Mr. R as the Additional Director of the company. The Articles of Association of the company is silent about the appointment of the Additional Director. The Managing Director of the company is of the view that the Board does not have the power to appoint the Additional Director. Validate the above situation in the lights of the legal provision of the Companies Act 2013.

(ICAI MCQ Booklet)

- (a) An ordinary resolution in general meeting needs to be passed for appointment of Additional Director.
- (b) A special resolution in general meeting needs to be passed for appointment of Additional Director.
- (c) A provision in Articles of Association is needed conferring the power to Board of Directors.
- (d) The Board has the power to appoint the Additional Director.

Q79: An additional director appointed by the Board of Directors shall continue to hold the office up to the due date of the next _____

(Study Mat)

- (a) Board meeting
- (b) Annual general meeting
- (c) Extra-ordinary general meeting
- (d) None of the above

Q80: Prince Ltd. desires to appoint an additional director on its Board of directors. The Articles of the company confer upon the Board to exercise the power to appoint such a director. As such M is appointed as an additional director on 12th December, 2017. The Annual General Meeting ought to have been held on 17th August, 2018 but adjourned to 5th October, 2018. Decide the date upto which M can continue as director in Prince Ltd.?

(ICAI Sample MCQ)

- (a) 17th August, 2018
- (b) 30th September, 2018
- (c) 5th October, 2018

- (d) The appointment of additional director is not valid.

[Hint - 30th September 2018 is the last due date for holding the AGM]

Q81: Princess Ltd. desires to appoint an additional director on its Board of directors. The Articles of the company confer upon the Board to exercise the power to appoint such a director. As such Mira is appointed as an additional director on 16th November, 2018. The Annual General Meeting was ought to have been held by 30th September 2019 but Registrar granted the extension for holding the Annual General Meeting till 31st December 2019. The company actually held the AGM on 4th January 2020. Decide the date upto which Mira can continue as director in Princess Ltd.?

- (a) 31st March 2019
- (b) 30th September, 2019
- (c) 31st December 2019
- (d) 4th January 2020

Q82: The power to appoint an alternate director may be conferred on the Board of Directors

- (a) Articles of association of the company
- (b) Ordinary Resolution passed in a general meeting
- (c) Either (a) or (b)
- (d) Special Resolution passed in a general meeting

Q83: The Board of director of a company may appoint an alternate director by _____

- (a) Resolution at a Board meeting
- (b) Resolution by circulation
- (c) Either (a) or (b)
- (d) Unanimous resolution

Q84: The Board of directors may appoint a person to act as an alternate director for a director during his absence for a period of not less than _____ from India

- (a) 1 month
- (b) 2 months
- (c) 3 months
- (d) 6 months

Q85: A person cannot be appointed as an alternate director if

- (a) he is already holding a position of alternate directorship for any other director in the company
- (b) he is already holding a directorship in the company
- (c) Either (a) or (b)
- (d) None of the options is correct

Q86: Mr. Khan is a director in Red Chillies Entertainment Limited. He is going on a trip to

Singapore from 8th March 2019 to 12th July 2019. Articles of the company authorise the Board of directors to appoint an alternate director. Choose the correct statement in light of the provisions of Companies Act, 2013.

- (a) Alternate director can be appointed on or after 8th March 2019
- (b) Alternate director can be appointed on or after 1st April 2019
- (c) Alternate director can be appointed on or after 7th June 2019
- (d) Alternate director cannot be appointed since the stay of Mr. Khan out of India is less than 6 months

Q87: Mr. Sudhir is a director in White Hat Limited. On 5th July 2019 he left for Canada for some personal reasons and is planning to return around 30th November 2019. On 10th July 2019, the Board appoints Mr. Keshav as an alternate director for Mr. Sudhir. But later, Mr. Sudhir returned to India on 25th August 2019 itself. Choose the correct statement.

- (a) The appointment of Mr. Keshav as alternate director is void-ab-initio
- (b) Mr. Keshav will have to vacate his office as alternate director on 25th August 2019
- (c) Mr. Keshav can continue to act as alternate director till 30th November 2019
- (d) Mr. Keshav can continue to act as alternate director for a period of 3 months from 5th July 2019

Q88: Mr. Q, a Director of PQR Limited proceeding on a foreign tour for six months, appointed Mr. Y as an alternate director to act for him during his absence. The articles of the company provide for appointment of alternate directors. Mr. Q claims that he has a right to appoint alternate director. Examine the validity of Mr. Q claim.

(ICAI Sample MCQ, ICAI MCQ Booklet & MTP Nov 2022)

- (a) Claim by Mr. Q is valid as the Articles provide for appointment of alternate directors
- (b) Claim by Mr. Q is not valid as the authority to appoint alternate director has been vested in the board of directors only and that too subject to empowerment by the Articles
- (c) Mr. Y cannot be appointed as alternate director as Mr. Q proceeds on a foreign tour for six months only
- (d) None of the above

Q89: Mr. A is an independent director and he wants to appoint an alternate director as he is leaving country for few months. Which one of the below can be appointed as his alternate director?

(ICAI Sample MCQ)

- (a) Mr. B who is an Alternate Director for Mr. X;

- (b) Mr. C who is qualified to be appointed as independent Director;
- (c) Mr. D who is qualified to be appointed as executive Director;
- (d) Mr. E who is ready to be appointed an Alternate Director for 1.5 months

Q90: If the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the Board of director of may fill this casual vacancy by _____

- (a) Resolution at a Board meeting
- (b) Resolution by circulation
- (c) Either (a) or (b)
- (d) Unanimous resolution

Q91: Mr. Ritik was appointed as the Non-Executive directors by the members of the company at the 14th AGM of Morning Star Limited. But 2 months after the appointment, Mr. Ritik died in a car crash. This casual vacancy in the office of Ritik can be filled by _____

- (a) Members at a general meeting
- (b) Board of Directors by passing a resolution at Board meeting
- (c) Board of Directors by passing a resolution at Board meeting which shall be subsequently approved by the members in the immediate next Annual General Meeting
- (d) Board of Directors by passing a resolution at Board meeting which shall be subsequently approved by the members in the immediate next general meeting

Q92: Ashok Leyland Limited at the Annual General Meeting held on 30th September 2017 appointed Mr. Arul as a Non-Executive director on the Board of the company for a period of 3 years. On 2nd October 2018, Mr. Arul suffered a severe heart failure and expired. The board of directors of the company on 16th October 2018 appointed Mr. Ishank to fill the casual vacancy so created which was also approved in the immediately next general meeting. Mr. Ishank can hold office

- (a) till the conclusion of next AGM
- (b) till the conclusion of next AGM or last due date of AGM, whichever is earlier
- (c) till the date up to which Mr. Arul would have held his office
- (d) for a fresh period of 3 years from the date of his appointment

Q93: The Board of R Systems Limited appointed Mr. Raghav as an additional director under section 161(1) on 20th October 2020. However, Mr. Raghav died in a car accident on 25th November

2020. The company wants to know as to how this casual vacancy in the office of the additional director can be filled?

- (a) The vacancy can be filled by Board of directors under section 161(4) in a board meeting which shall be subsequently approved in immediate next general meeting
- (b) The vacancy can be filled by Board of directors under section 161(4) either in a board meeting or a resolution by circulation which shall be subsequently approved in immediate next general meeting
- (c) The vacancy can be filled by Board of Directors under section 161(4) but no approval of members is required
- (d) The vacancy cannot be filled by Board under section 161(4). However, Board may appoint another additional director in his place under section 161(1)

Q94: The Board of Glaxus Limited filled up the vacancy caused by the death of Mr. Prakash by appointing Mr. Raghav as a director on 12th April 2020 which was subsequently approved by members in the immediate next general meeting. Unfortunately, Mr. Raghav expired on 20th May 2020. Comment as to how this vacancy in the office of Mr. Raghav can be filled?

- (a) The vacancy can be filled by Board of directors under section 161(4) in a board meeting which shall be subsequently approved in immediate next general meeting
- (b) The vacancy can be filled by Board of directors under section 161(4) either in a board meeting or a resolution by circulation which shall be subsequently approved in immediate next general meeting
- (c) The vacancy can be filled by Board of Directors under section 161(4) but no approval of members is required
- (d) The vacancy cannot be filled by Board under section 161(4). However, Board may appoint another additional director in his place under section 161(1)

Section 162

Q95: In the AGM of James Bond Limited, the company proposed to appoint Mr. James and Mr. Bond as directors by passing a single resolution. Out of the 80 members of the company, 70 members were present at the meeting. Out of those 70, only 60 members supported such proposal but the remaining 10 members did not vote on such proposal. Choose the correct statement in the light of the provisions of the Companies Act, 2013.

- (a) Appointment of directors by a single resolution is not valid since all the members are not present at the meeting
- (b) Appointment of directors by a single resolution is not valid since the consent of all the members is not obtained
- (c) Appointment of directors by a single resolution is valid since the proposal was agreed without any vote being cast against it
- (d) None of the above

Section 163

Q96: A company may provide for the appointment of not less than _____ of the total number of directors in accordance with the principle of proportional representation.

- (a) $1/3^{\text{rd}}$
- (b) $2/3^{\text{rd}}$
- (c) One-half
- (d) $3/4^{\text{th}}$

Q97: If the articles of a company provide that the appointment of directors can be done by proportional representation, such appointments may be made once in every _____

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Section 164

Q98: In which of the following cases Mr. Atul will be disqualified for appointment as a director under the provisions of Companies Act, 2013

- (a) Mr. Atul has applied to be adjudicated as an insolvent and his application is pending
- (b) The creditor of Mr. Atul has filed an application for insolvency of Mr. Atul and the application is pending
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

Q99: Mr. Aakash has been convicted for an offence involving moral turpitude and has been sentenced in respect thereof to an imprisonment of 13 weeks by the competent court. As per the provisions of Companies Act, 2013; Mr. Aakash shall be disqualified for being appointed as a director for a period of

- (a) 5 years from the date of conviction
- (b) 5 years from the date of expiry of his sentence
- (c) 7 years from the date of expiry of his sentence
- (d) He is not disqualified

Q100: Mr. Deepak has been convicted for an offence involving moral turpitude and has been sentenced in respect thereof to an imprisonment of 2 years by the competent

court. As per the provisions of Companies Act, 2013; Mr. Deepak shall be disqualified for being appointed as a director for a period of _____

- (a) 5 years from the date of conviction
- (b) 5 years from the date of expiry of his sentence
- (c) 7 years from the date of conviction
- (d) 7 years from the date of expiry of his sentence

Q101: Mr. Deepak has been convicted for an offence involving moral turpitude and has been sentenced in respect thereof to an imprisonment of 10 years by the competent court. As per the provisions of Companies Act, 2013; Mr. Deepak shall be disqualified for being appointed as a director _____

- (a) For a period of 5 years from the date of expiry of his sentence
- (b) For a period of 7 years from the date of expiry of his sentence
- (c) For a period of 10 years from the date of expiry of his sentence
- (d) During his lifetime

Q102: Mr. Chetan holds 500 partly paid-up shares in ITC Limited. The company made the final call of ₹ 2 on the shares and the last due date for the payment of the call is 24th January 2020. If Mr. Chetan defaulted in the payment of the call, he will become disqualified for being appointed as a director with effect from _____

- (a) 25th January 2020
- (b) 31st March 2020
- (c) 25th July 2020
- (d) 25th January 2021

Q103: Mr. Lucifer holds 1,000 partly paid-up shares in Surya Limited. The company made the final call of ₹ 2 on the shares and the last due date for the payment of the call was 15th June 2019. Mr. Lucifer did not pay the final call and the default continued till 2nd February 2020. Choose the correct statement in light of the provisions of Companies Act, 2013

- (a) Mr. Lucifer is disqualified for being appointed as a director from 16th June 2019 till 2nd February 2020
- (b) Mr. Lucifer is disqualified for being appointed as a director from 16th June 2019 and for the rest of his lifetime
- (c) Mr. Lucifer is disqualified for being appointed as a director from 16th December 2019 till 2nd February 2020
- (d) Mr. Lucifer is disqualified for being appointed as a director from 16th June 2019 till 2nd August 2020

Q104: Rachna, Ridhdi, Ruby and Rakhi are directors in Zippona Tours and Travellers Private Limited

whose equity shares are partly paid-up. The company required the shareholders to make payment of Rs. 3 per share (FV Rs. 10 per share) being the final call in respect of shares held by them latest by 30th June, 2018. As director, Ruby held individually 2,00,000 shares and also at the same time held jointly 1,00,000 shares along with her brother Rajesh whose name appeared first in the Register of Members. In respect of 2,00,000 shares held individually by her, Ruby duly made the payment before the last date; however, in respect of joint shareholding of 1,00,000 shares, Rajesh was unable to make payment even though six months also expired from the last day i.e. 30th June, 2018. Advise whether Ruby incurs any disqualification regarding her directorship in the company.

(MTP Nov 19)

- (a) Since Rajesh's name appears first in the Register of Members, he is primarily responsible for making payment and therefore Ruby incurs no disqualification regarding her directorship in the company for non-payment of required amount in respect of joint shareholding; moreover, she has already discharged her liability in respect of shares individually held by her.
- (b) In case of joint shareholding, if Ruby earlier made payment of Rs. 7 per share from her personal bank account then she is also liable to pay Rs. 3 per share before the expiry of six months from the last date of payment i.e. 30th June, 2018; otherwise she is disqualified to be a director in the company irrespective of discharging her liability in respect shares individually is held by her.
- (c) In case of joint shareholding, Ruby as director is equally liable to get the payment made similar to her individual shareholding before the expiry of six months from the last date of payment i.e. 30th June, 2018; otherwise she is disqualified to be a director in the company.
- (d) In case of joint shareholding, Ruby as director is liable to get the payment made in respect of 50% of the joint holding and if that is done before the expiry of six months from the last date of payment i.e. 30th June, 2018, she incurs no disqualification regarding her directorship in the company irrespective of whether the remaining 50% is received by the company or not.

Q105: No person who is a director of company which has not filed its financial statements or annual returns for a continuous period of 3 financial years, shall be eligible for appointment as a director in any other company for a period of

_____ from the date on which the said company fails to do so

- (a) 1 year
- (b) 3 years
- (c) 5 years
- (d) 7 years

Q106: Serenity Limited has failed to redeem the debentures which were due on 12th January 2018. The company has appointed Mr. Tarun as its director on 25th February 2019 for a term of 5 years. Choose the correct statement assuming that the company repaid the debenture holders on 2nd December 2019.

- (a) Mr. Tarun cannot be appointed as the director of Serenity Limited as he will become disqualified on the date of appointment itself
- (b) Mr. Tarun can be appointed as the director of Serenity Limited and can complete his term since the default has occurred before his appointment
- (c) Mr. Tarun can be appointed as the director of Serenity Limited and he shall not incur the disqualification for a period of 1 year from the date of his appointment
- (d) Mr. Tarun can be appointed as the director of Serenity Limited and he shall not incur the disqualification for a period of 6 months from the date of his appointment

Q107: Mr. Jigar is a director of PQR Ltd., which had accepted deposits from public. The Financial position of PQR Ltd. declined which resulted in failure to repay the deposits. It became due for payment on 10th April, 2017 and such repayment has not been made till 5th May, 2018. Another company JKL Ltd. wants to appoint the said Mr. Jigar as its director at its annual general meeting to be held on 6th August, 2018. State the correct statement as to the appointment of Mr. Jigar as a director of JKL Ltd.

(MTP May 19)

- (a) Mr. Jigar can be appointed in JKL Ltd. as it is other than the defaulted company
- (b) Mr. Jigar cannot be appointed at all in JKL Ltd. or any other company.
- (c) Mr. Jigar will not be eligible to be appointed as a director of JKL Ltd. on the scheduled AGM but may be after expiry of five years from the date of default.
- (d) Mr. Jigar will not be appointed as a director of JKL Ltd. before 6 months from the date of default.

Q108: Mr. X is a director in Greenfield Industries Limited. He is a man of wide knowledge of commercial matters. The company has not filed financial statements with the Registrar of

Companies for the years ended 31st March 2017, 31st March 2018 and 31st March 2019. However, it has filed the annual returns for those years in compliance of the provisions of the Companies Act, 2013. Considering Mr. X's huge experience, Redfield Industries Limited wants to induct him as a director on its Board. Referring to the provisions of the Companies Act, 2013, examine the validity of such proposition.

- (a) Mr. X can be appointed in Redfield Industries Limited since there is no default in filing annual returns during the past 3 years in Greenfield Industries Limited
- (b) Mr. X can be appointed in Redfield Industries Limited as it is other than defaulting company
- (c) Mr. X cannot ever be appointed in Redfield Industries Limited
- (d) Mr. X can be appointed in Redfield Industries Limited only after expiry of 5 years from the date of default

Section 165

Q109: A person is permitted to hold office as director (including any alternate directorship) in maximum twenty companies of which maximum number of public companies in which he can be appointed as director shall not exceed _____

(Study Mat)

- (a) Five
- (b) Eight
- (c) Ten
- (d) Twelve

Q110: Mr. Imran is a director of 13 private companies and 2 public companies. Out of the 13 private companies, 2 private companies are subsidiary of a public company and 1 private company is holding of a public company. What is the maximum number of additional public companies in which Mr. Imran can be appointed as a director?

- (a) Five
- (b) Eight
- (c) Seven
- (d) Ten

Q111: Mr. Akshay is a director of 15 private companies and 1 public company. Out of the 15 private companies, 2 private companies are subsidiary of a public company and 1 private company is holding of a public company. What is the maximum number of additional public companies in which Mr. Akshay can be appointed as a director?

- (a) Four
- (b) Five
- (c) Six
- (d) Eight

Q112: Mr. Saksham is a director of 7 public companies and 6 private companies. Out of the 6 private

companies, 2 companies are dormant. What is the maximum number of additional private companies in which Mr. Saksham can be appointed as a director?

- (a) Six
- (b) Seven
- (c) Nine
- (d) Twelve

Q113: Mr. Rohit is a director of 7 public companies and 6 private companies. Out of the 6 private companies, 2 companies are dormant. What is the maximum number of additional public companies in which Mr. Rohit can be appointed as a director?

- (a) Three
- (b) Five
- (c) Seven
- (d) Ten

Q114: Ms. Nisha is a director of 6 public companies and 4 private companies. Out of the 6 public companies, 2 companies are non-profit companies. What is the maximum number of additional public companies in which Ms. Nisha can be appointed as a director?

- (a) Four
- (b) Eight
- (c) Ten
- (d) Six

Q115: Mr. M is a businessman and he owns number of companies. As of now, he is Director in 21 Companies. As his number of Directorship contravenes the provision of the Act, his consultant has asked him to resign from 2 Companies. However, there is one more condition regarding number of Directorship in Public Companies. What is that Condition?

(ICAI Sample MCQ)

- (a) maximum number of public companies in which a person can be appointed as a director shall not exceed Ten;
- (b) maximum number of public companies in which a person can be appointed as a director shall not exceed Five;
- (c) maximum number of public companies in which a person can be appointed as a director shall not exceed Fifteen;
- (d) maximum number of public companies in which a person can be appointed as a director shall not exceed Twenty;

Q116: Mr. Z is proposed to be appointed as the Director in a public company RLP Ltd. Mr. Z is already a Director in one dormant company, in two section eight company, in eight public limited company and in nine private limited companies. Two out of nine private limited companies are

subsidiaries of public limited companies. Determine whether Mr. Z can accept the new Directorship in RLP Ltd.

(ICAI MCQ Booklet)

- (a) No, as Mr. T is already a Director in twenty companies.
- (b) No, as Mr. T is already a Director in ten public limited companies.
- (c) Yes, as Section eight companies and dormant companies are excluded in the limit of twenty companies.
- (d) Yes, as there is no limit on permissible Directorship.

Section 166

Q117: Which of the following is not a duty of a director under the provisions of Companies Act, 2013?

- (a) A director shall not involve in a situation which may conflict with the interest of the company
- (b) A director shall not give undue gain to his relatives at company's expense
- (c) A director shall assign his office to his son
- (d) A director shall act in good faith to promote company's objects

Section 167

Q118: The office of a director shall become vacant if he absents himself from all the Board meetings held during a period of _____ with or without seeking leave of absence

- (a) 3 months
- (b) 6 months
- (c) 12 months
- (d) 15 months

Q119: State which is not a valid situation for the vacation of the office of director amongst the given -

- (i) When the director absents himself from 3 consecutive meetings of Board of Directors held during a period of 12 months
- (ii) Director entering into a contract in which he is uninterested
- (iii) Order disqualifying him as Director has been made by Court or NCLT
- (iv) If he is convicted by a Court of any offence, whether involving moral turpitude or otherwise, and sentenced to imprisonment for not less than 6 months.

(MTP May 19)

- (a) (i) & (ii)
- (b) (ii) & (iii)
- (c) (iii) & (iv)
- (d) (i) & (iv)

Q120: Mr. White is a director in Route Limited. On 5th July 2018 he left for Argentina for some personal reasons. Mr. Yellow was appointed as an

alternate director in his place on 1st August 2018. However, during the period of 1st September 2018 to 10th September 2019, 6 Board meetings were held, but neither Mr. White nor Mr. Yellow attended any of the Board meetings. Due to non-attendance of the Board meetings, the office of which director shall vacate?

- (a) The office of Mr. Yellow will vacate
- (b) The office of Mr. White will vacate
- (c) The office of Mr. Yellow as well as Mr. White will vacate
- (d) Office of none of the directors will vacate

Q121: Mr. Dhruv is a director of M/s LT Limited and XT Limited respectively. M/s LT Limited did not file financial statements for the year ended 21st March 2017, 2018 and 2019 respectively with the Registrar of Companies as mandated under the Companies Act, 2013. Choose the correct statement

- (a) Mr. Dhruv will have to vacate his office in M/s LT Limited as well in XT Limited
- (b) Mr. Dhruv will have to vacate his office in M/s LT Limited but he can continue as the director of XT Limited till the expiry of his term
- (c) Mr. Dhruv will have to vacate his office in M/s XT Limited but he can continue as the director of LT Limited till the expiry of his term
- (d) Mr. Dhruv can continue to be the director in both the companies till the expiry of his respective term

Q122: Mr. Nirav is the director of Geetanjali Gems Limited. On 9th June 2017, he was convicted by the Court of Sessions for an offence involving moral turpitude and is sentenced for an imprisonment of 3 years. Mr. Nirav filed an appeal with High Court on 25th June 2017 and even the High Court held him guilty in its final order dated 7th September 2018. If Mr. Nirav does not file a further appeal with Supreme Court, his office in Geetanjali Gems Limited shall vacate on?

- (a) 9th June 2017
- (b) 10th July 2017
- (c) 7th September 2018
- (d) 15th September 2018

Q123: Mr. Rohan, a director in Moon Limited, is convicted by the Court on 5th March 2019 and is disqualified for holding directorship for a period of 4 years. Mr. Rohan filed an appeal in the appellate court on 11th March 2019. While the appeal is still pending, Sun Limited wants to appoint Mr. Rohan on its Board as a Non-Executive director. Choose the correct statement in the light of the provisions of

Companies Act, 2013 assuming that the appeal is still pending.

- (a) Mr. Rohan will not have to vacate his office in Moon Limited and he can also be appointed as a director of Sun Limited
- (b) Mr. Rohan will not have to vacate his office in Moon Limited but he is disqualified for being appointed as a director of Sun Limited
- (c) Mr. Rohan will have to vacate his office in Moon Limited but he can be appointed as a director in Sun Limited
- (d) Mr. Rohan will have to vacate his office in Moon Limited and he is disqualified for being appointed as a director in Sun Limited

Q124: L&T Limited is a professionally managed company and is not having any promoter. It has 7 directors on its Board and all the directors died in an airplane crash. How this vacancy in the office of all the directors will be filled?

- (a) All the existing individual members will be deemed to be the directors
- (b) NCLT will appoint the new directors in the company
- (c) Central Government will appoint the new directors in the company
- (d) All the legal heirs of existing directors will be deemed to be the directors of L&T Limited

Section 168

Q125: Mr. Sumit decided to resign from New Era Limited. He sent his resignation letter dated 3rd April, 2019 to the Company stating that he will resign w.e.f. 30th April 2019. However, the company received his letter on 25th April, 2019. The company filed the notice of his resignation with Registrar in Form DIR-12 on 14th May 2019. In this case, from which date his resignation will be effective?

- (a) 3rd April 2019
- (b) 25th April 2019
- (c) 30th April 2019
- (d) 14th May 2019

Q126: Mr. Avnish decided to resign from EY Limited. He sent his resignation letter dated 23rd August, 2019 to the Company stating that he will resign w.e.f. 10th September 2019. However, the company received his letter on 15th September, 2019. But the company failed to intimate Registrar within the requisite timeline of 30 days. Choose the correct statement

- (a) His resignation will be effective from 23rd August 2019

- (b) His resignation will be effective from 10th September 2019
- (c) His resignation will be effective from 15th September 2019
- (d) His resignation will be null and void

Q127: Mr. Nagarjuna decided to resign from MGT Private Limited due to pre-occupation. He sent his resignation letter dated 12th June, 2017 to the Company stating that he will resign w.e.f. 15th June, 2017. Due to non-receipt of any communication from the Company he dropped a mail on 17th June, 2017, to confirm whether Company has received his letter. Finally, company received his letter on 25th June, 2017. In this case, from which date his resignation will be effective?

(ICAI Sample MCQ, ICAI MCQ Booklet RTP May 19)

- (a) 12th June, 2017
- (b) 15th June, 2017
- (c) 17th June, 2017
- (d) 25th June, 2017

Section 169

Q128: Yes Bank Limited wants to remove its whole-time director Mr. Rana Kapoor from the board. The company wants to know the procedural compliances need to be done for that

- (a) A special notice is required along with approval of members by way of ordinary resolution
- (b) A special notice is required along with approval of members by way of special resolution
- (c) Unanimous resolution needs to be passed in the meeting of Board of directors
- (d) Mr. Rana Kapoor cannot be removed before the expiry of his term as he is a whole-time director

Q129: Mr. Subodh is serving his second term as an independent director on the Board of HDFC Life Corporation Limited. Due to certain complaints against him, the company wants to remove him from the position of independent director. Advise the company regarding the procedure for the same

- (a) A special notice is required along with approval of members by way of ordinary resolution
- (b) A special notice is required along with approval of members by way of special resolution
- (c) Unanimous resolution needs to be passed in the meeting of Board of directors
- (d) Mr. Subodh cannot be removed before the expiry of his term as he is an independent director

Answer Key

Q1.	(a)	Q2.	(c)	Q3.	(c)	Q4.	(b)	Q5.	(d)	Q6.	(c)	Q7.	(c)	Q8.	(d)	Q9.	(d)
Q10.	(d)	Q11.	(d)	Q12.	(d)	Q13.	(d)	Q14.	(d)	Q15.	(d)	Q16.	(c)	Q17.	(d)	Q18.	(d)
Q19.	(d)	Q20.	(c)	Q21.	(c)	Q22.	(d)	Q23.	(d)	Q24.	(d)	Q25.	(d)	Q26.	(c)	Q27.	(d)
Q28.	(c)	Q29.	(d)	Q30.	(c)	Q31.	(c)	Q32.	(c)	Q33.	(d)	Q34.	(b)	Q35.	(d)	Q36.	(a)
Q37.	(d)	Q38.	(c)	Q39.	(a)	Q40.	(b)	Q41.	(c)	Q42.	(a)	Q43.	(d)	Q44.	(b)	Q45.	(a)
Q46.	(a)	Q47.	(d)	Q48.	(d)	Q49.	(c)	Q50.	(c)	Q51.	(c)	Q52.	(b)	Q53.	(b)	Q54.	(c)
Q55.	(c)	Q56.	(b)	Q57.	(a)	Q58.	(d)	Q59.	(b)	Q60.	(a)	Q61.	(a)	Q62.	(a)	Q63.	(d)
Q64.	(b)	Q65.	(c)	Q66.	(b)	Q67.	(b)	Q68.	(b)	Q69.	(c)	Q70.	(c)	Q71.	(b)	Q72.	(b)
Q73.	(c)	Q74.	(b)	Q75.	(d)	Q76.	(a)	Q77.	(c)	Q78.	(c)	Q79.	(b)	Q80.	(b)	Q81.	(c)
Q82.	(c)	Q83.	(c)	Q84.	(c)	Q85.	(c)	Q86.	(a)	Q87.	(b)	Q88.	(b)	Q89.	(b)	Q90.	(a)
Q91.	(d)	Q92.	(c)	Q93.	(d)	Q94.	(d)	Q95.	(c)	Q96.	(b)	Q97.	(c)	Q98.	(a)	Q99.	(d)
Q100.	(b)	Q101.	(d)	Q102.	(c)	Q103.	(c)	Q104.	(c)	Q105.	(c)	Q106.	(d)	Q107.	(c)	Q108.	(d)
Q109.	(c)	Q110.	(a)	Q111.	(a)	Q112.	(c)	Q113.	(a)	Q114.	(d)	Q115.	(a)	Q116.	(b)	Q117.	(c)
Q118.	(c)	Q119.	(a)	Q120.	(c)	Q121.	(c)	Q122.	(d)	Q123.	(b)	Q124.	(c)	Q125.	(c)	Q126.	(c)
Q127.	(d)	Q128.	(a)	Q129.	(b)												

Case Study Based MCQsCase Study (RTP May 20 & ICAI MCQ Booklet)

Lagus Transport Services Limited (LTSL) is operating in logistics and public transport domain. The company has pan-India presence. As per its Articles of Association, the company can appoint a maximum of 15 directors and all of them shall be rotational directors. Presently, the company has a strength of 14 directors, of which 9 are executive directors and the remaining 5 are non-executive directors.

As on 31st March, 2018, its paid-up share capital was ₹ 8.42 crore; the turnover was ₹ 84 crore; and it had, in the aggregate, outstanding loans, debentures and deposits to the tune of ₹ 42 crore.

In the Annual General Meeting (AGM), held on 20th August, 2018, Anil, Badal, Chanchal and Damodar were appointed as directors in place of Mohan, Navin, Om and Prasad by passing a single resolution with simple majority. It is to be noted that earlier, a motion authorising the appointment of Anil, Badal, Chanchal and Damodar by a single resolution was passed in the meeting and not a single vote was cast against such motion.

As on 31st March, 2019, the turnover of the company increased to ₹ 120.52 crore but the aggregate of outstanding loans, debentures and deposits reduced to ₹ 40 crore. The paid-up share capital was the same as earlier. Due to the increased turnover there arose the requirement of appointing two independent directors.

Since the company was required to appoint two independent directors, the total strength of the Board with such appointments would go up to 16 directors from the present 14 whereas according to the Articles, the company can have a maximum of 15 directors. Accordingly, the Articles were altered and the total strength was increased to 20 directors.

After altering the Articles, the company proceeded to appoint four independent directors instead of the mandatorily required two since it was felt that such step would strengthen the corporate governance to the maximum extent. The independent directors were - Mrs. Eekam, who is considered 'influencer' on supply chain management and has a lot of expertise in the logistics field; Mrs. Prajna who is a marketing expert; Mrs. Ruchita, who is MBA (Finance and Accounting) from IIM, Ahmedabad; and Mr. Amit, who is skilled in developing customised software. Subsequent to the above developments, the time to hold Annual General Meeting (AGM) approached and it was held on 12th August, 2019, at the registered office of the company at Mumbai.

Multiple Choice Questions (MCQs)

1. In this case scenario, Anil, Badal, Chanchal and Damodar were appointed as directors by passing a single resolution at the AGM. Is such appointment valid?

- (a) The appointment of Anil, Badal, Chanchal and Damodar by a single resolution is valid because beforehand, a motion authorising their appointment by a single resolution was passed in the meeting and not a single vote was cast against such motion.
- (b) The appointment of Anil, Badal, Chanchal and Damodar by a single resolution is not valid because passing of resolution by simple majority indicates that it was not passed unanimously.
- (c) The appointment of Anil, Badal, Chanchal and Damodar by a single resolution with simple majority is not valid because such resolution is required to be passed as a special resolution.
- (d) The appointment of Anil, Badal, Chanchal and Damodar by a single resolution is not valid because in no case more than one director can be appointed by passing a single resolution.

2. In the given case scenario, according to the Articles all the directors are rotational. Had this been not the case, how many directors were required to retire at the AGM which was held on 20th August, 2018?

- (a) Five directors
- (b) Four directors
- (c) Three directors
- (d) Two directors

[Hint - Directors liable to rotation = $14 \times \frac{2}{3} = 9.33 = 10$ (higher rounding off)]

Directors to retire = $10 \times \frac{1}{3} = 3.33 = 3$ (Nearest rounding off)

Independent directors are excluded from Total number of directors u/s 152(6)]

3. In the given case scenario, if it is presumed that as on 31st March, 2019, the turnover of the company is ₹ 87.00 crore and the paid-up share capital is ₹ 12.00 crore, would the company be still mandatorily required to appoint two independent directors?

- (a) There is no need to appoint two independent directors since the aggregate of turnover and

paid-up share capital has not crossed the threshold of ₹ 100 crore.

- (b) Instead of appointing two independent directors, the company is required to appoint only one independent director since the aggregate of turnover and paid-up share capital is above ₹ 90 crore but less than ₹ 100 crore.
- (c) The company is required to appoint minimum two independent directors since the paid-up share capital is ₹ 12 crore.
- (d) The company is required to appoint only one independent director since the paid-up share capital is below ₹ 15 crore.

4. According to the case scenario, the company altered its Articles of Association so as to increase the total strength of directors up to 20 from the present 15 directors. Which of the following options is applicable in such a case of alteration -

- (a) The articles were altered by passing an ordinary resolution.
- (b) The articles were altered by passing an ordinary resolution followed by approval sought from the jurisdictional Registrar of Companies.
- (c) The articles were altered by passing a Board Resolution with more than 75% majority.
- (d) The articles were altered by passing a special resolution.

5. As on 12th August, 2019, when the AGM of LTSL was held, the total strength of directors reached to 18 due to the appointment of four independent directors. When all the directors are rotational, how many directors shall get retired at this AGM?

- (a) Six directors
- (b) Five directors
- (c) Four directors
- (d) Two directors

[Hint - Directors liable to rotation = 14

Directors to retire = $14 \times \frac{1}{3} = 4.67 = 5$ (Nearest rounding off)]

Independent directors are excluded from Total number of directors u/s 152(6)]

Answer Key

1.	(a)	2.	(c)	3.	(c)	4.	(d)	5.	(b)
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Case Study

NOCIL Limited offers basic organic chemicals. The Company is engaged in the business of manufacturing and trading of rubber chemicals and majority revenue of the company comes from export. The company is listed on the main board of National Stock Exchange as well as Bombay Stock Exchange. The registered office of the company is situated at Cannaught Place, New Delhi.

NOCIL Limited has 12,000 small shareholders. During the Financial Year 2020-21, the company has received a notice from its small shareholders regarding the election of a small shareholders' director. Accordingly, the company intends to appoint a small shareholders' director. In the notice, the small shareholders have proposed the name of Mr. Sarthi for being appointed as the small shareholders' director in NOCIL Limited. Mr. Sarthi is a young professional of 34 years and has stayed in India for 150 days during the Financial Year 2019-20. Further, he does not hold any shares in NOCIL Limited.

Mr. Sarthi is already holding office of a small shareholders' director in Bharti Infratel Limited, another listed company engaged in providing Telecom Tower Infrastructure sharing for telecommunication services. The company deploys, owns and manages telecom tower communication structures, for various mobile operators.

Mr. Sunil Mehta, an independent director of NOCIL Limited, recently completed his term and retired from his office as independent director. The company intends that Mr. Sarthi, if elected as small shareholders' director, be considered as an independent director in the company. Mr. Sarthi had been in the employment as accounts officer of employee of NOCIL India Private Limited, a subsidiary of NOCIL Limited, and left his employment on 25th February 2015 and he has been in independent practice since then.

Multiple Choice Questions (MCQs)

1. A shareholder holding shares of nominal value of not more than _____ is a small shareholder.
 - (a) ₹ 5,000
 - (b) ₹ 10,000
 - (c) ₹ 15,000
 - (d) ₹ 20,000
2. As per the provisions of Companies Act, 2013; minimum how many small shareholders need to give the notice for appointing a small shareholders' director in NOCIL Limited?
 - (a) Minimum 500 small shareholders must group together for appointing their director on the Board.
 - (b) Minimum 1,000 small shareholders must group together for appointing their director on the Board.
 - (c) Minimum 1,200 small shareholders must group together for appointing their director on the Board.
 - (d) Minimum 2,400 small shareholders must group together for appointing their director on the Board.
3. In NOCIL Limited, small shareholders intend to appoint Mr. Sarthi as small shareholders' director. Is their contention to appoint Mr. Sarthi valid?
 - (a) No, Mr. Sarthi cannot be appointed as small shareholders' director since his stay in India was less than 182 days during the preceding Financial Year 2019-20
 - (b) No, Mr. Sarthi cannot be appointed as small shareholders' director since he himself is not small shareholder of the company
 - (c) No, Mr. Sarthi cannot be appointed as small shareholders' director since he is already a small shareholders' director in another listed company
 - (d) Yes, Mr. Sarthi can be appointed as small shareholders' director
4. In maximum how many companies, a person is entitled to serve as a small shareholders' director?
 - (a) A person can be a small shareholders' director in maximum 20 companies
 - (b) A person can be a small shareholders' director in maximum 20 companies, but maximum public companies in which he can be small shareholders' director shall not exceed 10
 - (c) A person can be small shareholders' director in any 2 listed companies
 - (d) A person can be small shareholders' director in not more than 2 listed companies provided they should not be in competing businesses
5. Can Mr. Sarthi also serve as independent director of NOCIL Limited?

- (a) No, a person can either be appointed as a Small shareholders' director or an Independent director
- (b) No, because even though he can be appointed as an independent director as well but he has been in the employment of the subsidiary of NOCIL Limited during the immediately preceding 5 years
- (c) No, he has stayed in India for less than 182 days in the immediately preceding Financial Year 2019-20
- (d) Yes, Mr. Sarthi is eligible to be appointed as the independent director since he is eligible under section 149(6) and he needs to give a declaration of his independence under section 149(7)

Answer Key

1.	(d)	2.	(b)	3.	(d)	4.	(d)	5.	(d)
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Case Study (RTP Nov 2021)

Sukesh Web Developers Ltd. (for short SWD) is a public company, incorporated in December, 2018. Sukesh is the Managing Director of the company. The company is engaged in the business of developing Websites, Mobile App, providing of On-line Platform for conducting Business Meetings, Class Room Teachings and providing of pre-filled educational Tablets as per syllabus prescribed by the respective Central / State Boards, of Classes 6th to 12th.

At the time of incorporation, the company was formed by 7 members, who were actually classmates when they all were doing B.Tech (Electronics) from IIT, Mumbai. Initially they contributed the capital from their own resources and the paid up capital at the time of incorporation was ₹ 50 crore. Among the 7 members, 3 members occupied the position of director in the company. In addition to this, 2 other persons were also appointed as Independent Directors. One is a Professor (Finance) in IIM, Ahmedabad and another is an Advocate on Record at Supreme Court.

The popularity and user-friendly features of On-Line Products, increased the demand, and the turnover of the company dramatically increased from ₹ 100 crore in March 2019 to ₹ 350 crore by the end of March 2020.

The Company Secretary in full time employment of the company, apprised the Board that, company should now appoint at least one woman director on the Board. The Board agreed and the name of Sudha (the wife of Sukesh) was proposed and approved in the General Meeting of the company. Sudha was appointed as woman director in the Board of the Company with effect from 10th April, 2020.

Now, the Board of SWD consists of the following persons -

S. No.	Name	Designation	Group
1.	Sukesh	Managing Director	Promoter
2.	Rahul	Director	Promoter
3.	Parmeshwar	Director	Promoter
4.	Kamal	Independent Director	Professor (Finance)
5.	Damodar	Independent Director	Advocate on Record at Supreme Court
6.	Sudha	Woman Director	Wife of MD

During this pandemic situation, Rahul, one of the member and director in the company passed away due to Corona in March 2021. Rahul was the key person in procuring new business relations and was having good connections with various schools, in which the company's pre-loaded educational Tablets were being supplied. It was a great set-back to the company.

However, the company went on doing business inspite of the fact that the minimum requirement of members in SWD reduced from 7 to 6. The Company Secretary apprised to the Board that Arundhati (the wife of deceased Rahul) has applied for transmission of shares in her name, which were held in the name of Rahul. The Board accepted the transmission request, and the Board Secretariat of the company entered the name of Arundhati as member of the company. Now again the minimum requirement of seven members of this public company fulfilled.

During the Financial Year 2020-21 the five meetings of the Board of Directors were held, but Sudha, being a woman director, never ever attended any meeting of the Board of Directors due to her shy nature and always sought leave

of absence of the Board. The Company Secretary apprised in the Board Meeting held in April 2021, about the vacation of the post of woman director on account of continuous absence of Sudha in the Board Meetings held during the FY 2020-21 and requested the Board to again propose for the appointment of new woman director and also other director (in replacement of the demise of Rahul, Ex-Director). The Board accepted the recommendation of the Company Secretary and was advised to move ahead to complete the legal formalities.

Based on the above scenario, answer the following questions in the light of the Companies Act, 2013 -

Multiple Choice Questions (MCQs)

1. State the legal position w.r.t. appointment of woman director in the Board by the SWD:
 - (a) It is not required to appoint any woman director, since the company is not a listed entity.
 - (b) It is not required to appoint woman director, since the paid-up capital of the company is only ₹ 50 crore, which is below the threshold limit of ₹ 100 crore.
 - (c) It is required to appoint at least one woman director, since the turnover of the company has crossed ₹ 300 crore, which is actually ₹ 350 crore as on 31st March, 2020.
 - (d) If both the conditions i.e. paid-up capital of ₹ 100 crore or more; and turnover of ₹ 300 crore or more, are fulfilled, then SWD is required to have at least one woman director.
2. The company is not a listed entity, even then it has appointed two Independent Directors. Why?
 - (a) By appointing independent director(s), the company is benefitted of their expertise and wisdom.
 - (b) The company was required to appoint independent directors since its paid-up capital is ₹ 50 crore, (at the time of incorporation) which is above the threshold limit of ₹ 10 crore.
 - (c) Appointing of Advocate on Records at Supreme Court as Independent director is beneficial to address the legal issues.
 - (d) The company was used to get the financial advice, hence it appointed a Financial Professional as an Independent Director.
3. In the above case, Sudha (the wife of Sukesh, Managing Director) was appointed to fill up the vacancy of woman director. Whether appointment of relative of Managing Director to fill up the vacancy of woman director is permissible?
 - (a) Sudha is the wife of MD, and hence cannot be considered to be appointed as woman director. So, her appointment is not valid.
 - (b) There is no prohibition/ restriction in the Companies Act, 2013 to appoint any woman to fill up the vacancy of woman director even she is a relative of any of the director.
 - (c) Woman director should be chosen only from the Databank maintained by the Indian Institute of Company Affairs (IICA), New Delhi.
 - (d) Sudha should immediately break the relationship with her husband, who is MD in the company, if she want to continue as woman director, in order to maintain the independent status.
4. Sudha being a woman director did not attend any meeting during FY 2020-21. However, she always sought leave of absence of the Board. Sudha argued that when leave of absence have been sought, she may continue to be on Board by holding the Office of Woman Director. What is your opinion?
 - (a) No, a woman director is given a special treatment under the Law, so the post of woman director shall not be treated as vacant.
 - (b) Since in the given she has sought leave of absence of the Board, so the office of woman director shall not be treated as vacant.
 - (c) The office of a director shall become vacant in case he absents himself from all the meetings of the Board of Directors held during a period of 12 months with or without seeking leave of absence of the Board.
 - (d) In option (c) above, words used are 'he' and 'himself', which are used for a male person, so the intention of the law makers are very clear and the office of woman director cannot be treated as vacant. If the intention of the law maker would have been to include a woman director, the words in the above sentence [Option C] should have been used as 'she' and 'herself'.

Answer Key

1.	(c)	2.	(b)	3.	(b)	4.	(c)
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Case Study (MTP Nov 2022)

Maps and Architectures Ltd., (the Company) was incorporated as a public limited company and the Certificate of Incorporation was given on 15th April 2021. Its Authorised Capital is 500 crores rupees and paid-up capital is 100 crores rupees. The Articles of the Company do not have any provision relating to the appointment of the first director. Satish is holding a degree in BE (Civil) and the company want him to have in its Board as an Independent Director. Satish is a partner in 'Satish Consultants LLP' (A Limited Liability Partnership) and holds Designated Partnership Identification Number (DPIN). The Company appointed Ms. Surekha (wife of Praveen, the Promoter and Managing Director of the Company) as Woman Director with effect from 1st December, 2021. Ms. Surekha, however, failed to inform the Company about the Director's Identification Number (DIN).

Multiple Choice Questions (MCQs)

1. Can the company in the given case, appoint Ms. Surekha as a woman director on the Board:
 - (a) No, being an unlisted company
 - (b) Yes, it's a mandatory requirement for every Public Limited Company having Authorised Capital of 100 Crore Rupees to appoint at least one woman director.
 - (c) No, as the company is not meeting the requirement of holding more than Paid-up Capitals of 100 Crore
 - (d) Yes, as every Public Limited Company having Paid-up Capitals of 100 Crore or more is eligible to appoint at least one woman director.
2. In given case scenario, who shall be appointed as the first directors of the Company?
 - (a) The first directors shall be, those who are appointed by the company in the General Meeting.
 - (b) The first directors shall be, those who are appointed by the Promoters of the Company.
 - (c) Where the Articles of the Company have no provision for the appointment of the first directors, then subscribers to the Memorandum, shall be the first directors of the Company.
 - (d) Till the directors are appointed by the Company in General Meeting, the Promoters will run the company.
3. Satish is a partner in 'Satish Consultants LLP' (A Limited Liability Partnership) and holds Designated Partnership Identification Number (DPIN). Whether Satish shall be required to apply for Director Identification Number (DIN) for being an Independent Director in the Company:
 - (a) Yes, Satish is required to apply for the DIN
 - (b) Since Satish shall hold the position of Independent Director, hence he is not required to apply for the DIN
 - (c) Since Satish is already having the DPIN hence there is no need to apply for DIN.
 - (d) For each of the entity (Whether LLP or a Company) one has to apply for the separate DIN.
4. Ms. Surekha, failed to inform the Company about the Director's Identification Number (DIN). What are the consequences for such failure:
 - (a) Since Surekha, who has been appointed as 'Woman Director', is the wife of wife of Praveen, (the Promoter and Managing Director of the Company), hence not liable for any penalty
 - (b) Surekha being a 'Woman Director' is exempted from the penal provisions
 - (c) Surekha shall be liable for a penalty of 50,000 rupees
 - (d) Surekha shall be liable for a penalty up to 50,000 rupees

[Hint - Refer section 156 and 159]

Answer Key

1.	(d)	2.	(c)	3.	(c)	4.	(d)
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Chapter 2

Meeting of Board and its Powers

(Section 173 – 195)
read with

The Companies (Meeting of Board and its Powers) Rules, 2014

Section 173

Q1: Sona Sweets Private Limited was incorporated on 5th November, 2018 with an authorised capital of Rs. 10.00 lacs. Advise regarding the latest date by which the first meeting of the Board of Directors is required to take place.

(ICAI Sample MCQ & MTP May 19)

- (a) Latest by 15th November, 2018.
- (b) Latest by 20th November, 2018.
- (c) Latest by 5th December, 2018.
- (d) Latest by 20th December, 2018.

Q2: As per the provisions of Companies Act, 2013; the gap between 2 consecutive Board Meetings shall not exceed

- (a) 60 days
- (b) 90 days
- (c) 120 days
- (d) 150 days

Q3: Every company shall hold a minimum number of _____ meetings of Board of directors every year in such a manner that not more than 120 days shall intervene between 2 consecutive meetings.

- (a) 2
- (b) 3
- (c) 4
- (d) 6

Q4: The provision regarding conducting of four Board meetings every year is not applicable to:

(Study Mat)

- (a) One Person Company (OPC), small company and dormant company
- (b) One Person Company (OPC), dormant company and associate company
- (c) Small company and dormant company
- (d) One Person Company (OPC) and small company a company having paid-up share capital of ₹ 100 crore

Q5: Seafood Limited, a public limited company was incorporated on 1st April, 2016. The company has conducted four Board Meetings during the financial year 2016-17 i.e. on 6th April, 2016, 28th August, 2016, 30th September, 2016 and 30th

March, 2017. Decide on the validity of the frequency of the Board Meeting

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) There is no contravention of the provision related to holding of board meeting as 4 board meetings has been held during the year.
- (b) There is no contravention of the provision related to holding of board meeting as the first board meeting was held within 30 days of incorporation.
- (c) There is a contravention in respect of the conduct of the board meetings as gap between two consecutive board meetings (6th April and 28th August) is 143 days and gap between two consecutive board meetings (30th September and 30th March) is 181 days.
- (d) There is a contravention in respect of the conduct of the board meetings as gap between two consecutive board meetings (6th April and 28th August) is 123 days and gap between two consecutive board meetings (30th September and 30th March) is 141 days.

Q6: One of the matters which cannot be dealt with in a board meeting conducted through electronic mode is:

(Study Mat)

- (a) Making political contributions
- (b) Approval of the Board's report
- (c) Appointing a Key Managerial Personnel
- (d) None of the above

Q7: Stock Edge Limited is planning to hold their 3rd Board meeting during Financial Year 2019-20 on 24th December 2019. They want to know as to where they can hold this meeting?

- (a) Only at the registered office of the company at Pune, Maharashtra
- (b) Only at the registered office or at the same City, Town and Village where registered office of the company is situated
- (c) Board meeting can be held at any place in India after the approval of 3/4th of Total number of directors
- (d) Board meeting can be held at any place, unless articles provide otherwise

Q8: In case of Topica Sugar Mills Limited, necessary arrangements are in place for conducting of Board Meetings through the means of video conferencing, a facility which Vaibhav and Yukta, the two directors out of six intend to utilize by participating in such meetings through it. During which part of the year they should intimate the company about their participation in Board Meetings through video conferencing?

(RTP May 20)

- (a) At the beginning of the Financial Year
- (b) At the beginning of the Calendar Year
- (c) On 1st day of any month falling in the Financial Year
- (d) Before the Board Meeting

Q9: Three directors, namely Samiksha, Santosh and Santa intimated Pluto Plastic & Mechanical Toys Limited about their participation in the Board Meetings through video conferencing at the appropriate time of the year. However, after attending the first Board Meeting held in the Financial Year 2019-20 by means of video conferencing, Santosh wants to participate in the next Meeting to be held at a future date in person. Is it possible for him to do so when consent given for participation in meetings through video conferencing remains valid for full one year.

(MTP May 19)

- (a) No, Santosh cannot attend future Board Meetings in person even if the company is intimated of such intention sufficiently in advance.
- (b) Yes, Santosh can attend future Board Meetings in person if he intimates the company of his intention sufficiently in advance.
- (c) Yes, Santosh can attend future Board Meetings in person only if all the remaining directors consent to such request.
- (d) Yes, Santosh can attend future Board Meetings in person but at least seventy five percent of the remaining directors (rounded off to next higher figure in case of a fraction) consent to such request.

Q10: Mr. X is a director of a company. He is hospitalised a day before a meeting. As per the Companies Act, can Mr. X attend this meeting called for company merger via video conferencing?

(ICAI Sample MCQ)

- (a) Yes, he can only attend the meeting
- (b) Yes, he can attend the meeting but has no right to vote
- (c) No, he cannot attend the meeting
- (d) Not Sure

Q11: Mr. Rajesh Jathar and Mr. Veena Jathar are the shareholders of NY Private Limited. Mr. Jathar is out of Country for business purpose. They have to have a Board meeting through video conference to comply with the requirements. Which of the following items they cannot discuss in such meeting?

(ICAI Sample MCQ)

- (a) Convening of General meeting.
- (b) Approval of Board's report.
- (c) Appointment of Managing Director.
- (d) None of the above

Q12: A Board meeting needs to be called by at least _____ days' notice in writing sent to all the directors at their addresses registered with the company.

(Study Mat)

- (a) 7
- (b) 5
- (c) 3
- (d) None of the above

Q13: Planet Fashion Limited has appointed Mr. Anirudh as an alternate director during the absence of Mr. Amit from India. The company intends to call a board meeting on 6th November 2019. The company wants to know to whom the notice needs to be sent.

- (a) To Mr. Anirudh only
- (b) To Mr. Amit only
- (c) To both Mr. Anirudh as well as Mr. Amit
- (d) Either Mr. Anirudh or Mr. Amit at the option of the company

Q14: One of the director, who is actually residing at Nagpur, but his address as recorded with the company and in the DIN is of Mumbai. The director wish to receive the notice / agenda papers at Nagpur. At which address the notice for Board meeting and agenda papers may be sent?

(MTP May 2022)

- (a) The notice/ agenda papers be sent as per the wish of the concerned director.
- (b) The notice / agenda papers be sent at Nagpur address.
- (c) The notice / agenda papers be sent at Mumbai address.
- (d) The notice/ agenda papers be sent at both the addresses i.e. at Nagpur as well as at Mumbai.

Q15: In case of a Board meeting which is conducted through the means of video conferencing, the draft minutes shall be circulated among all the directors within _____ days of the meeting either in writing or in electronic mode as may be decided by the Board.

(Study Mat, ICAI MCQ Booklet)

- (a) 5
- (b) 10
- (c) 15
- (d) 20

Q16: Mr. X, a director of the company, intimated of his participation in the meeting scheduled on August, 2018. He declared his participation through electronic mode, in April 2017. State whether Mr. X is entitled to participate in the meeting to be conducted in August 2018

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) Yes, intimation about such participation as made at the beginning of the calendar year
- (b) No, because intimation was made in previous calendar year
- (c) Yes, because company was intimated of its participation in the meeting.
- (d) No, because valid period of declaration (i.e., 1 year) of his participation expired.

Q17: Beauti Fashion Garments Limited has three independent directors besides eight others of its own. Due to the urgency of transacting certain important business, a Board Meeting was called by giving a shorter notice than the legally required. However, none of the independent directors was present at the Meeting to deliberate upon the motion related to that business. Despite absence of all the independent directors, a board resolution was passed for operationalizing the business by the directors personally present at that Meeting who were much more than the required quorum. Advise, whether the resolution passed at the Board Meeting called at a shorter notice was valid.

(MTP Nov 19)

- (a) The resolution so passed is valid, for it was passed at the Board Meeting where the required quorum was present.
- (b) To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by all the three independent directors.
- (c) To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by at least two independent directors.
- (d) To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by at least one independent director.

Q18: Mayur Textiles Private limited was incorporated on 23rd October, 2017. As per the compliance requirement, Company shall hold its annual general meeting (AGM) within 9 months from the date of closure of financial year and file

financial statements with MCA within due date. What is the due date for holding a Board Meeting for approval of financial statements?

(ICAI MCQ Booklet)

- (a) 30th September, 2018;
- (b) 30th December, 2018;
- (c) 31st December, 2018;
- (d) 31st March, 2019

[Hint - The last date of holding the AGM itself will become the due date for the Board meeting as the financial statements can be approved by the Board on the same date]

Section 174

Q19: There are 4 directors in Star Private Limited and out of which office of 1 director has fallen vacant. What will be the quorum for the board meeting?

- (a) 1
- (b) 2
- (c) 3
- (d) 4

Q20: Society Works Limited is a non-profit company registered under section 8 of the Companies Act, 2013. There are 13 directors on the Board of the company. What will be the quorum for the board meeting?

- (a) 4
- (b) 5
- (c) 8
- (d) 9

Q21: Shiksha Limited is a non-profit company registered under section 8 of the Companies Act, 2013. There are 4 directors on the Board of the company. What will be the quorum for the board meeting?

- (a) 1
- (b) 2
- (c) 4
- (d) 8

Q22: There are 9 directors in a company and out of which 2 offices of the directors have fallen vacant. What will be the quorum for the board meeting?

(ICAI Sample MCQ)

- (a) 2
- (b) 3
- (c) 4
- (d) 5

Q23: Where at any time the number of interested directors exceeds or is equal to _____ of the total strength of the Board of Directors, the quorum shall be the number of non-interested

directors who are present at the meeting and not less than two.

(Study Mat & ICAI MCQ Booklet)

- (a) 1/2
- (b) 2/3
- (c) 1/3
- (d) None of the above

Q24: There are 9 directors on the Board of Mindtree Limited and out of which 7 directors are interested director within the meaning of section 184 of the Companies Act, 2013. What will be the quorum for the upcoming board meeting?

- (a) 2
- (b) 3
- (c) 4
- (d) 5

Q25: There are 12 directors on the Board of Zaver Limited and out of which 7 directors are interested director within the meaning of section 184 of the Companies Act, 2013. What will be the quorum for the upcoming board meeting?

- (a) 2
- (b) 3
- (c) 4
- (d) 5

[Hint - Here interested directors are $< 2/3^{\text{rd}}$ of total strength. So, quorum will be decided as per section 174(1)]

Q26: Star Gen Limited held a meeting of its Board on January 15, 2020 at its registered office. Though the company has 12 directors, only 5 were present at the commencement of the meeting. They discussed 3 businesses and passed the requisite resolution. Thereafter, while the meeting was in progress 2 more directors left and remaining directors carried on the proceeding of the meeting to discuss the remaining 2 businesses. Choose the correct statement,

- (a) All the 5 businesses are validly discussed since quorum was present at the commencement of the meeting
- (b) All the 5 businesses discussed are invalid since the quorum was never present in the meeting
- (c) First 3 businesses that were discussed were valid and remaining 2 businesses are invalid because the quorum shall be present not only at the commencement of the meeting but also while transacting the business
- (d) All the businesses discussed will become valid if company gets a No Objection Certificate from Registrar

Q27: ABC, a Private Ltd., with 10 Board of directors was served notice of the board Meeting, 7 days

prior to said meeting on their postal addresses. Mr. M is hospitalised due to some severe illness. Mr. Y is going to London before the Board meeting. Mr. X and Mr. B went to Australia for some company business. Mr. A is busy with his daughter's marriage and unable to attend the meeting. Mr. E's mother is hospitalised so he is busy taking care of his mother but he assures to attend the meeting via video conferencing. Mr. D and Mr. P were scheduled to arrive for the meeting at 2 pm on the same day; however the flight got delayed by 8 hours. Mr. G and Mr. H are in the town and available for the scheduled board meeting. Could the Board meeting be held?

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) The meeting can be held in the evening and Director D & Director P can join later on
- (b) The meeting cannot be held because of the quorum is incomplete
- (c) The quorum is complete and the directors can proceed with the meeting
- (d) Meeting is postponed.

Section 175

Q28: A Board resolution cannot be passed by circulation when at least _____ of the total members require it to be decided at a meeting of the Board.

(Study Mat)

- (a) 1/2
- (b) 1/3
- (c) 1/4
- (d) 1/5

Q29: Find out the correct statement?

(ICAI Sample MCQ)

- (a) Resolution by circulation shall be deemed to have been duly passed by the board or the committee member when such resolution is passed by one third of the total majority of the member present and voting on the resolution
- (b) Resolution by circulation shall be deemed to have been passed by the board or the committee, when such resolution has been circulated in draft with the necessary paper, to all the directors or member of committee and has been approved by majority, who are entitled to vote on the resolution
- (c) Resolution by circulation shall be deemed to have been passed by the board or the committee, when such resolution have been circulated in draft together with the necessary paper, to all the directors or member of committee and has been approved by two third of the majority of director who are entitled to vote on the resolution
- (d) Resolution by circulation shall be deemed to have been passed by the board or the committee,

when such resolution circulated in draft with the necessary paper, to all the directors or member and has been approved by two third of the majority of members who are entitled to vote on the resolution

Q30: Rameshwaram Pvt. Ltd. Company was incorporated on January 12, 2018. The company needs to pass a resolution for the purchase of raw material. The copy of the resolution alongwith all the necessary documents were circulated to all the directors. The company has 10 directors Mr. Ram, Mr. Kamal, Mr. Raj, Mr. Firoz, Mrs. Nupur, Mr. Bharat, Mr. Vinod, Mrs. Rekha, Mr. Kapoor and Mr. Jeevan. Mr. Raj and Mr. Ram were abroad at the time of passing the resolution. Mr. Firoz, Mr. Bharat, Mrs. Nupur and Mr. Kamal took objection before the chairman against the passing of the resolution and want to discuss it further in the meeting. Find out the correct statement?

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) Since the resolution is passed by majority of the members there is no need for further discussion on it as it was duly circulated to all the directors.
- (b) Mr. Ram and Mr. Raj cannot raise any objection as they were out of India while passing the resolution.
- (c) The objection is sustainable as it is made by one third of the members of the board and the meeting is held for further discussion
- (d) The objection is sustainable as it is made by two third of the members of the board and the meeting is held for further discussion

Q31: Prism Limited has 10 directors on its Board. The company wants to get a resolution passed by the Board and accordingly has circulated the resolution in draft to all the 10 directors to be passed by circulation. Out of the 10 directors, 2 directors have abstained from sending their response back to the company. How many votes should be received in favour for the resolution to be duly passed by circulation?

- (a) 4
- (b) 5
- (c) 6
- (d) 7

[Hint - In case of resolution by circulation, majority of directors 'entitled to vote' is seen and not of directors voting]

Section 176

Q32: Mr. Roop was appointed as an Additional Director of XYZ Limited in July, 2018. Immediately after his appointment, on behalf of

the Company he entered into an agreement with NY Private Limited for supplies of raw material. In the ensuing meeting, he was regularized as a Director. He signed Contract with Laxmi vendors. At the end of the December 2018, management came to know that his appointment was not valid as he was disqualified to act as a Director of any Company. He signed one more agreement in January 2019 with Saraswati vendors. In such scenario, what will be the status of contract/agreements he signed on behalf of XYZ Limited?

(RTP May 19)

- (a) All agreement/ contracts will become invalid;
- (b) All agreement/ contracts will be valid;
- (c) All agreement/ contracts before December 2018 will be valid;
- (d) All agreement/ contracts before December 2018 will be invalid.

Q33: Mr. Narayan Shastri was appointed as an Additional Director of XYZ Limited in July, 2015. Immediately after his appointment in July, 2015, on behalf of the Company he entered into an agreement with NY Private Limited for supplies of raw material. Later he was regularized as a Director in ensuing annual general meeting. In 2016 he signed Contract with Laxmi vendors. At the end of year, in December 2016, management came to know that his appointment was not valid as he was disqualified to act as a Director of any Company. He signed one more agreement in January 2017 with Saraswati vendors. In such scenario, what will be the status of contract/agreements he signed on behalf of XYZ Limited?

(ICAI Sample MCQ)

- (a) All agreement/ contracts will become invalid;
- (b) All agreement/ contracts will be valid;
- (c) All agreement/ contracts before December 2016 will be valid;
- (d) All agreement/ contracts before December 2016 will be invalid;

Q34: A Ltd, appointed Mr. A & Mr. B as directors of the Company, by passing of single resolution for election of these two. Later on, it came in the notice of the Company that there might be some confusion regarding the compliance of the applicable provisions. State the correct statement in the light of the Companies Act, 2013 as to the appointment and to the validity of acts of said appointed directors?

(ICAI Sample MCQ)

- (a) Void Appointment & acts of the directors are void ab-initio.

- (b) Void Appointment & acts of the directors are valid until defect in the appointment is shown to the Company.
- (c) Valid Appointment & so acts are also valid.
- (d) Appointment is valid subject to ratification by shareholder in general meeting.

Section 177

Q35: Arvind Limited is a listed public company engaged in manufacturing of fabrics. The company is having 10 directors on its Board out of which 4 directors are independent directors. Advice the company as to which composition of Audit Committee can be selected

- (a) The audit committee consisting of 3 directors out of which 1 shall be independent
- (b) The audit committee consisting of 3 directors out of which 2 shall be independent
- (c) The audit committee consisting of 5 directors out of which 2 shall be independent
- (d) The audit committee consisting of 6 directors out of which 3 shall be independent

Q36: XYZ Limited is an unlisted company engaged in manufacturing of fabrics. The turnover of the company as on the last date of latest audited financial statements is Rs. 100 Crore. The company is having 7 directors in its Audit Committee. Advice the company by choosing the correct option for the company regarding requirement of appointment of independent director and minimum number of independent directors if required?

(ICAI Sample MCQ)

- (a) The appointment of independent directors is mandatorily required under XYZ Limited and the minimum number of independent directors is two.
- (b) The appointment of independent directors is mandatorily required under XYZ Limited and the minimum number of independent directors is three.
- (c) The appointment of independent directors is mandatorily required under XYZ Limited and the minimum number of independent directors is four.
- (d) The appointment of independent directors is not mandatorily required under XYZ Limited.

Q37: Which of the following class of unlisted public companies are exempt from the requirement of constituting an audit committee?

- (a) MSD Limited, Joint venture company
- (b) Kohli Limited, a wholly owned subsidiary of Kohler Limited
- (c) Gautam Limited, a Dormant company
- (d) All of the above

Q38: Find out the correct statement?

(ICAI Sample MCQ)

- (a) An audit committee with two third majorities of members and chairperson are required to have the ability to read and understand the financial statements.
- (b) Two director and one independent director alongwith the chairperson in the audit committee shall have the ability to read and understand the financial statements
- (c) Only one third member of the audit committee and its chairperson shall have the ability to read and understand the financial statements
- (d) Minimum of three directors with independent directors forming a majority, constituting Audit Committee shall have the ability to read and understand the financial statements.

Q39: AB, a listed Company was constituted in 2012. It has 8 directors Mr. Neeraj, Mr. Kapil, Mr. Ram, Mr. Shyam, Mr. Atul, Mr. Bakshi, Mr. Raheem and Mr. Das. Out of these directors Mr. Ram, Mr. Shyam, Mr. Atul and Mr. Neeraj has a good financial knowledge. An audit committee constituted by the company included Mr. Kapil, Mr. Das, Mr. Atul and Mr. Raheem as its chairpersons. After the commencement of the Companies Act, 2013, it was required for every audit committee of a company existing before the commencement of this Act, shall be reconstituted within one year of such commencement. Find out the correct statement, in the light of the given situation?

(ICAI Sample MCQ)

- (a) The committee needs to reconstitute as the majority members are not experienced in the field of Finance
- (b) The committee needs to reconstitute as two third of its members are not experienced in the field of Finance
- (c) The committee needs to reconstitute as 50 percent of its members are not experienced in the field of Finance
- (d) The committee needs to reconstitute as majority of board members are not included in it.

Q40: Audit Committee may make omnibus approval for:

(Study Mat & ICAI MCQ Booklet)

- (a) Making of investment in other companies
- (b) Related party transactions proposed to be entered into by the company
- (c) Transferring of non-functional undertaking
- (d) All of the above

Q41: Which of the following points is not related to omnibus approval to be made by an Audit Committee:

(Study Mat & ICAI MCQ Booklet)

- (a) Audit Committee shall consider repetitiveness of the transactions (in past or in future),
- (b) The indicative base price or current contracted price and the formula for variation in the price,
- (c) Omnibus approval shall be valid for a period not exceeding two financial years and shall require fresh approval after the expiry of such financial year.
- (d) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

Q42: Where the need for related party transactions cannot be foreseen and details of such transactions are not available, audit committee may make omnibus approval for such transactions, subject to their value not exceeding _____ per transaction

- (a) ₹ 1 lakh
- (b) ₹ 10 lakh
- (c) ₹ 1 crore
- (d) ₹ 10 crore

Q43: Audit committee may grant omnibus approval for related party transactions. Such omnibus approval shall be valid for a period not exceeding _____ and shall require fresh approval thereafter

- (a) 3 months
- (b) 6 months
- (c) 1 Financial Year
- (d) 2 Financial Years

Q44: Ruby Diamonds Limited is required to establish 'Vigil Mechanism' though it is neither a listed company nor a company which has accepted deposits from the public. Name the third criterion because of which it is necessitated that the company needs to create 'Vigil Mechanism'

(MTP May 19)

- (a) As per the last audited statements, the subscribed capital of the company is in excess of Rs. 50 crores.
- (b) As per the last audited statements, the paid-up capital of the company is in excess of Rs. 50 crores
- (c) As per the last audited statements, the turnover of the company is in excess of Rs. 50 crores
- (d) None of the above answer

Section 178

Q45: A company having minimum turnover of ₹ _____ crores is required to constitute a Nomination & Remuneration Committee

(Study Mat)

- (a) 25
- (b) 50
- (c) 100
- (d) 200

Q46: Arvind Limited is a listed public company engaged in manufacturing of fabrics. The company is having 9 directors on its Board out of which 4 directors are independent directors. Advise the company as to which composition of Nomination & Remuneration Committee (NRC) can be selected.

- (a) The NRC consisting of 3 directors out of which 1 shall be independent
- (b) The NRC consisting of 3 non-executive directors out of which 1 shall be independent
- (c) The NRC consisting of 4 non-executive directors out of which 2 shall be independent
- (d) The NRC consisting of 4 non-executive directors out of which 3 shall be independent

Q47: NCC Limited, a listed Company was constituted in 2009. It has 9 directors out of which Mr. Salman, Mr. Arbaz and Mr. Sohail are the executive directors of the company and Mr. T, Mr. U, Mr. V, Mr. W, Mr. X and Z are the non-executive directors. Out of these directors, Mr. V, Mr. W, Mr. X and Mr. Z are independent directors. Mr. Salman has been elected as the chairperson of the company. As per the provisions of the Companies Act, 2013, it is required to constitute a nomination and remuneration committee. Find out the correct statement, in the light of the given situation?

- (a) Mr. T, Mr. U and Mr. V may constitute the nomination & remuneration committee.
- (b) Mr. Salman, Mr. Arbaz, Mr. X and Mr. Z may constitute the nomination & remuneration committee
- (c) Mr. U, Mr. V, Mr. X and Mr. Z may constitute the nomination & remuneration committee and Mr. Salman (chairperson of the company) shall chair the committee
- (d) Mr. U, Mr. V, Mr. X, Mr. Z and Mr. Salman may constitute the nomination & remuneration committee but Mr. Salman (chairperson of the company) shall not chair the committee

Q48: Find out the correct statement?

- (a) Nomination and Remuneration committee shall consist of 3 or more directors with independent directors forming the majority and chairperson of the company shall chair such committee
- (b) Nomination and Remuneration committee shall consist of 3 or more directors with not less than one-half independent directors and chairperson

of the company may be a member of committee but shall not chair such committee

- (c) Nomination and Remuneration committee shall consist of 3 or more directors with independent directors forming the majority and chairperson of the company shall chair such committee
- (d) Nomination and Remuneration committee shall consist of 3 or more non-executive directors with not less than one-half independent directors and chairperson of the company may be a member of committee but shall not chair such committee

Q49: The Board of directors of a company which consists of more than _____ shareholders shall constitute a stakeholders' relationship committee

- (a) 100
- (b) 500
- (c) 1,000
- (d) 5,000

Section 179

Q50: The Board of Directors of ABV Limited is desirous to delegate some of its powers to its committee of directors as they find it difficult to manage everything on their own. The Board of Directors are confused between the various powers of the Board as which power can be delegated or not. Advise the Board amongst the following powers which they can delegate to its committee of directors:

(ICAI Sample MCQ)

- (a) To authorise buy-back of securities
- (b) To invest the funds of the company
- (c) To diversify the business of the company
- (d) To take over a company or acquire a controlling or substantial stake in another company

Q51: The Board of Directors can exercise its powers by means of resolution, passed at a meeting only and by no other means, to transact which of the following businesses -

(Study Mat)

- (a) Authorising Buy Back of securities
- (b) Taking note of the disclosures of directors' interest and shareholding
- (c) Reviewing or changing the terms and conditions of public deposits
- (d) None of the above

Q52: To transact which of the following businesses, the Board of Directors can exercise its powers by means of resolution by circulation -

- (a) To approve a proposed merger
- (b) To approve the financial statement
- (c) To approve the prospectus
- (d) To make political contributions

Section 180

Q53: To sell the whole or any of its undertakings, a company needs authorisation by way of

- (a) Board resolution passed at a board meeting
- (b) Unanimous resolution at a board meeting
- (c) Ordinary resolution at a general meeting
- (d) Special resolution at a general meeting

Q54: The Board of directors of Cupid Limited wants to sell the Bilaspur Sugar undertaking of the company. They want to know in which of the following cases, they need to seek approval of members by way of Special Resolution before selling the undertaking

- (a) When investment in Bilaspur Sugar undertaking is exceeding 10% of the company's net-worth as per the balance sheet of preceding financial year
- (b) When investment in Bilaspur Sugar undertaking is exceeding 15% of the company's net-worth as per the balance sheet of preceding financial year
- (c) When investment in Bilaspur Sugar undertaking is exceeding 20% of the company's net-worth as per the balance sheet of preceding financial year
- (d) When investment in Bilaspur Sugar undertaking is exceeding 25% of the company's net-worth as per the balance sheet of preceding financial year

Q55: In order to make Robotics Toys Private Limited as its subsidiary, Golden Rays Robots Limited raised its investment in Robotics Toys from 40% to 60% of its paid-up capital. From the options given below, choose the one which correctly indicates as to when the Robotics Toys shall be considered the undertaking of Golden Rays Robots Limited.

(MTP May 2021 & MTP May 2022)

- (a) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 10% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 10% of the total income of Golden Rays during the previous Financial Year.
- (b) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 20% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 20% of the total income of Golden Rays during the previous Financial Year.
- (c) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to

invest more than 25% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 25% of the total income of Golden Rays during the previous Financial Year.

- (d) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 30% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 30% of the total income of Golden Rays during the previous Financial Year.

Q56: Balance sheet of Essar limited shows

- Paid-up capital of ₹ 10 crore
- Free reserves of ₹ 20 crore
- Securities premium of ₹ 5 crore
- Debenture Redemption Reserve of ₹ 2 crore
- Term loan of ₹ 5 crore from HDFC Bank Limited

The company is planning to raise funds by way of long-term borrowings. The company wants to know the maximum additional amount of loan that directors can raise without seeking the approval from members.

- (a) ₹ 25 crore
(b) ₹ 32 crore
(c) ₹ 30 crore
(d) ₹ 35 crore

[Hint - 100% of (PSC + FR + SP) - ₹ 5 crore]

Q57: Balance sheet of Escorts limited shows

- Paid-up capital of ₹ 10 crore
- Free reserves of ₹ 20 crore
- Securities premium of ₹ 5 crore
- Investment Allowance Reserve of ₹ 2 crore
- Temporary loan for 3 months of ₹ 5 crore from ICICI Bank Limited for meeting the working capital requirements

The company is planning to raise funds by way of long-term borrowings. The company wants to know the maximum additional amount of loan that directors can raise without seeking the approval from members.

- (a) ₹ 37 crore
(b) ₹ 35 crore
(c) ₹ 32 crore
(d) ₹ 30 crore

[Hint - Temporary loans from company's banker are excluded while computing the borrowings u/s 180]

Q58: Balance sheet of Duck limited shows

- Paid-up capital of ₹ 5 crore
- Free reserves of ₹ 10 crore
- Securities premium of ₹ 2 crore
- Capital redemption reserve of ₹ 1 crore

- Temporary loan of ₹ 4 crore from company's director to meet the working capital requirements raised for a period of 3 months
- The company is planning to raise funds by way of long-term borrowings. The company wants to know the maximum additional amount of loan that directors can raise without seeking the approval from members.

- (a) ₹ 11 crore
(b) ₹ 13 crore
(c) ₹ 14 crore
(d) ₹ 17 crore

[Hint - Only temporary loans from company's BANKER (not from directors) are excluded u/s 180]

Q59: Balance sheet of Fresca limited shows

- Paid-up capital of ₹ 50 crore
- Free reserves of ₹ 100 crore
- Securities premium of ₹ 25 crore
- Short-term loan of 3 months of ₹ 5 crore from company's banker for the purchase of Plant & Machinery

The company is planning to raise funds by way of long-term borrowings. The company wants to know the maximum additional amount of loan that directors can raise without seeking the approval from members.

- (a) ₹ 150 crore
(b) ₹ 145 crore
(c) ₹ 175 crore
(d) ₹ 170 crore

[Hint - Only temporary loans from company's BANKER (not from directors) are excluded from the borrowings u/s 180]

Q60: A director of XYZ, a Pvt. Ltd. takes a loan from its company. Due to some reasons, he fails to repay the debt within the given time period. He requests the board of directors to give him time for repayment of debt. State which of the below statements is correct with respect to the exercise of the power in the given situation as per the Companies Act, 2013 -

(ICAI Sample MCQ)

- (a) Power to fix the time limit for repayment of any debt due from director can be exercised only by members by special resolution at a general meeting
- (b) Power to fix the time limit for repayment of any debt due from director can be exercised by Board of the company itself
- (c) Power to fix the time limit for repayment of any debt due from director can be exercised with the prior permission of the company in general meeting while taking debt.

- (d) Board shall not exercise this power if the provision related to repayment of debt is contained in the articles of the company

[Note - Section 180 is not applicable to a Private Company]

Section 181 to 183

Q61: The Board of directors of Very Well Ltd., wants to contribute Rs. 60,000 to a charitable organization during the financial year 2017-2018. During the financial year 2015-2016, the company suffered losses. The directors are contemplating to contribute the said amount in spite of the losses. In this connection, state whether the directors can do so?

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) No, Very Well Ltd. cannot contribute Rs. 60,000 in 2017-2018 as the company suffered losses in 2015-2016.
- (b) No, the board of directors are not authorized to contribute to bona-fide charitable and other funds.
- (c) No, Permission of the company in general meeting shall be required for contribution to bona-fide charitable and other funds
- (d) Yes, Very Well Ltd. Can contribute Rs. 60,000 to a charitable organization inspite of losses in 2015-2016 provided it is to a bona-fide charitable fund.

Q62: Net Profits of HFCL Limited during the following years as disclosed in the statement of profit & loss as under -

<u>FY ended</u>	<u>Net Profits (₹ crore)</u>
31 st March 2018	10
31 st March 2019	12
31 st March 2020	8

The Board wants to know the maximum amount that they can contribute to a charitable organisation without seeking shareholders' approval

- (a) ₹ 1.5 crore
- (b) ₹ 3 crore
- (c) ₹ 0.5 crore
- (d) ₹ 1 crore

Q63: CK Limited was incorporated on 25th June, 2018. When can it make political contributions?

(Study Mat, ICAI MCQ Booklet & MTP Nov 2022)

- (a) After one year from the date of incorporation
- (b) After two years from the date of incorporation
- (c) After three years from the date of incorporation
- (d) After five years from the date of incorporation

Q64: Net Profits of Reliance Limited during the following years as disclosed in the statement of profit & loss as under -

<u>FY ended</u>	<u>Net Profits (₹ crore)</u>
31 st March 2018	100
31 st March 2019	150
31 st March 2020	140

The Board wants to know the maximum amount that they can contribute to Bhartiya Janta Party (a political party) during the Financial Year 2020-21 without seeking shareholders' approval

- (a) ₹ 19.5 crore
- (b) ₹ 6.5 crore
- (c) ₹ 9.75 crore
- (d) There is no such limit

Q65: Jupiter Shopping Mall Limited was incorporated on 3rd December, 2016. As on 31st March 2018, it had free reserves of Rs. 50.00 lacs and its Securities Premium Account showed a balance of Rs. 7.50 lacs. One of its directors Raha has a leaning towards a particular political party in which his other family members are actively involved. Raha convinced the other two directors of the company i.e. Promila and Rana to contribute a sum of Rs. 10.00 lacs to this political party. Accordingly, the Board of Directors held a meeting on 16th December, 2018 and passed a resolution to contribute the decided amount. Advise the company as to how much amount they can contribute to a political party in the FY 2018-19.

(ICAI Sample MCQ, ICAI MCQ Booklet & MTP May 19)

- (a) The company cannot contribute any amount to a political party in the FY 2018-19.
- (b) The company can contribute maximum Rs. 2.50 lacs in the FY 2018-19.
- (c) The company can contribute maximum Rs. 3.75 lacs in the FY 2018-19.
- (d) The company can contribute maximum Rs. 5.00 lacs in the FY 2018-19.

Q66: The Board of Directors of M&M Limited intends to donate some funds to National Défense Fund. They want to know the maximum amount that they can contribute to the fund without seeking shareholders' approval

- (a) 5% of the average net profits for the 3 immediately preceding financial years
- (b) 7.5% of the average net profits for the 3 immediately preceding financial years
- (c) 10% of the average net profits for the 3 immediately preceding financial years
- (d) There is no such limit

Section 184

Q67: Every director of a company is required to make a disclosure of his interest if, directly or indirectly, he is concerned or interested in a contract or arrangement to be entered into with a body corporate in which such director, in association with other directors, holds more than _____ shareholding of that body corporate.

- (a) 1%
- (b) 2%
- (c) 5%
- (d) 10%

Section 185

Q68: Gold Limited is a listed company with paid-up capital of ₹ 125 crore and free reserves of ₹ 250 crore. Silver Private Limited has approached Gold Limited for a loan of ₹ 200 crore. Basis the provisions of Companies Act, 2013; choose the correct statement as to whether Gold Ltd. can give aforesaid loan to Silver Private Limited keeping in view that Raman is a director in both the companies.

- (a) Yes, Gold Limited can give the loan to Silver Private Limited since the amount of loan is less than 100% of the aggregate of paid-up share capital, free reserves and securities premium
- (b) Yes, Gold Limited can give the loan to Silver Private Limited because section 185 is not applicable to a Private company
- (c) Yes, Gold Limited can give the loan to Silver Private Limited subject to the condition that a special resolution is passed in the meeting of Gold Limited and the loan is utilised by Silver Private Limited for its principal business activities
- (d) No, Gold Limited cannot give this loan to Silver Private Limited due to the restrictions imposed by Section 185

Q69: Tata Chemicals Limited is a chemical company listed on NSE. Tata Consumers Limited has approached Tata Chemicals Limited for a loan of ₹ 300 crore. Basis the provisions of Section 185 of the Companies Act, 2013; comment whether Tata Chemicals Ltd. can give aforesaid loan to Tata Consumers Limited keeping in view that Mr. Jaitely is a director in both the companies.

- (a) No, because director of Tata Chemicals Limited is interested in Tata Consumers Limited
- (b) Yes, Tata Chemicals Limited can give this loan to Tata Consumers Limited only after approval by way of Special Resolution and this loan shall be utilised by Tata Consumers Limited for its principal business activities
- (c) Yes, Tata Chemicals Limited can give this loan to Tata Consumers Limited only after approval by

way of Ordinary Resolution and this loan shall be utilised by Tata Consumers Limited for its principal business activities

- (d) Yes, Tata Chemicals Limited can give this loan to Tata Consumers Limited since section 185 is not applicable in the present case

Q70: M&M Limited wants to give a loan of ₹ 50 crore to M&M Powerol Limited, its wholly owned subsidiary. However, Mr. Narain, the director of M&M Limited is interested in M&M Powerol Limited within the meaning of section 185 of the Companies Act, 2013. Advise whether M&M Limited can grant this loan to M&M Powerol Limited in light of the provisions of section 185.

- (a) M&M Limited cannot give loan to M&M Powerol Limited since its director is interested in M&M Powerol Limited
- (b) M&M Limited can give this loan to M&M Powerol Limited subject to the condition that a special resolution is passed in the meeting of M&M Limited and the loan is utilised by M&M Powerol Limited for its principal business activities
- (c) M&M Limited can give this loan to M&M Powerol Limited subject to the condition that an ordinary resolution is passed in the meeting of M&M Limited and the loan is utilised by M&M Powerol Limited for its principal business activities
- (d) M&M Limited can give this loan to M&M Powerol Limited subject to the condition that the loan is utilised by M&M Powerol Limited for its principal business activities

Q71: UPL Limited is evaluating the proposal to grant loan to its director and to some concerns in which its directors are interested within the meaning of Section 185 of the Companies Act, 2013. The company wants to know which of the following transactions are exempted from the compliance of section 185?

- (a) Giving of loans to Non-Executive director as a part of condition of service extended by company to all its employees
- (b) Giving of loans to its wholly owned subsidiary company provided it is used by the borrower company for principal business activities
- (c) Giving of loans to its partly owned subsidiary company provided it is used by the borrower company for principal business activities
- (d) Both (b) and (c)

Section 186

Q72: Under normal circumstances, a company is not permitted to make investment through more than _____ layer(s) of investment companies.
(Study Mat)

- (a) One
- (b) Two
- (c) Three
- (d) Four

Q73: Out of the total strength of six directors of SQ Ltd, five are attending a Board meeting to consider the investment of funds of the company. The resolution relating to investment shall be taken as passed in which of the following cases:

(Study Mat, ICAI MCQ Booklet & MTP May 2023)

- (a) When all the five directors attending the meeting consent to it
- (b) When any four directors out of five consent to it
- (c) When any three directors out of five consent to it
- (d) Investment proposal must be consented to by the total strength of directors (six directors in this case)

Q74: Red Ferrous Limited has decided to make investment in other companies for ₹ 80 lakhs. The company has 6 directors. Only 5 directors were present at the meeting out of which 4 directors have given their consent and 1 director abstained from voting and the Board decided to proceed with such investment. Choose the correct statement with respect to validity of the decision.

- (a) The decision to invest is valid because the resolution by majority has been passed in the board meeting
- (b) The decision to invest is valid because the unanimous resolution has been passed in the board meeting
- (c) The decision to invest is invalid because consent of all 6 directors is required
- (d) The decision to invest is invalid because consent of all the 5 directors present at the meeting is required

Q75: PQR Company give its assent to give guarantee to ABZ Company on the taking of loan from financial institution. According to the Companies Act, 2013, the said act should be approved by the Board of Directors. State the mode of approval adopted by the board of directors of PQR company

(ICAI Sample MCQ)

- (a) Board shall give approval for giving guarantee on the loan by simple majority
- (b) Board shall give approval by passing circular resolution.
- (c) Board shall give approval by passing resolution through special majority
- (d) Board shall give unanimous approval

Q76: Sony Limited, a company has a paid-up share capital of ₹ 60 crore, free reserves of ₹ 25 crore and securities premium of ₹ 15 crore. The company has already made an investment of ₹ 50 crore. The directors want to know the maximum additional investment they can further make without seeking approval from the shareholders.

- (a) ₹ 50 crore
- (b) ₹ 60 crore
- (c) ₹ 10 crore
- (d) NIL

[Hint - Higher of

- 60% (PSC + FR + SP) = ₹ 60 crore
- 100% (FR + SP) = ₹ 40 crore

Total investment = ₹ 60 crore
Existing investment = ₹ 50 crore
Additional investment = ₹ 10 crore]

Q77: Following information has been extracted from the balance sheet of Richie Rich Limited

- Paid up capital of ₹ 20 crore
- Reserves & Surplus of ₹ 80 crore
- Capital reserve of ₹ 5 crore
- Debenture redemption reserve of ₹ 5 crore
- Investment in securities of ₹ 10 crore
- Loans to companies of ₹ 30 crore

The directors of Richie Rich Limited have got a proposal to grant some further loans. They want to know the maximum amount that they can give as additional loans without seeking shareholders' approval

- (a) ₹ 60 crore
- (b) ₹ 80 crore
- (c) ₹ 20 crore
- (d) ₹ 40 crore

[Hint - Higher of

- 60% (PSC + FR + SP) = ₹ 60 crore
- 100% (FR + SP) = ₹ 80 crore

Total loan + investment = ₹ 80 crore
Existing loan + investment = ₹ 40 crore
Additional loan + investment = ₹ 40 crore]

Q78: Sun TV Limited, a company has a paid-up share capital of ₹ 50 crore, free reserves of ₹ 30 crore and securities premium of ₹ 20 crore. The company has already made an investment of ₹ 50 crore. The company wants to make an additional investment of ₹ 30 crore. Basis the provisions of Companies Act, 2013; approval is required by way of _____

- (a) unanimous resolution at the Board meeting
- (b) special resolution at the general meeting
- (c) Either (a) or (b)
- (d) Both (a) and (b)

Section 187

Q79: "All investments of a company must be held in its own name." Which of the following is an exception to this statement?

- (a) Holding investments in the name of depository where company is the beneficial owner
- (b) Pledging of shares as a security for repayment of loan
- (c) Depositing of shares with company's banker for collecting dividend
- (d) All of the above

Section 188

Q80: In case of a company where minimum ____ per cent members (in number) are relatives of promoters or are related parties, they are not precluded from voting on a resolution for approving any related party transaction.

(Study Mat & ICAI MCQ Booklet)

- (a) 80
- (b) 85
- (c) 90
- (d) 95

Q81: Easter Limited wants to know which of the following transaction with related party, will fall out of the purview of section 188 of the Companies Act, 2013?

- (a) Sales of goods to a related party
- (b) Leasing of property to a related party
- (c) Borrowing of loan from a related party
- (d) Paying underwriting commission to a related party

Q82: Where transaction for the sale or purchase of goods or material with a related party amounts to ____ of the turnover, then the company needs to obtain the approval by way of resolution of members before entering into such transaction.

- (a) 2%
- (b) 5%
- (c) 10%
- (d) 20%

Q83: For the appointment of a related party to any office or place of profit in the company, a maximum monthly remuneration of _____ can be paid without seeking shareholders' approval.

- (a) ₹ 1,00,000
- (b) ₹ 2,50,000
- (c) ₹ 5,00,000
- (d) ₹ 10,00,000

Q84: A company can pay a maximum underwriting commission of ____ of net-worth without seeking shareholders' approval.

- (a) 1%
- (b) 2%
- (c) 5%
- (d) 10%

Q85: In case a company enters into a transaction with a related party in the ordinary course of business on an arm's length basis, which authority specifically needs to approve such transaction:

(Study Mat)

- (a) Board of Directors
- (b) Company by passing an ordinary resolution
- (c) Company by passing a special resolution
- (d) None of the above

Section 191

Q86: In case of transfer of whole of its undertaking by a company, no compensation is payable to the directors for loss of office if:

(Study Mat)

- (a) the company has failed to appoint additional director
- (b) the company has failed to pay dividend on preference shares
- (c) the company has failed to appoint all the directors as prescribed by its articles
- (d) None of the above

[Hint - Refer Rule 17]

Section 192

Q87: S Limited intends to acquire certain Plant & Machinery from Mr. Vivek in exchange of some furniture at the Karol Bagh's branch of the company. Mr. Vivek is the director of H Limited (holding company of S Limited). Such an arrangement requires the approval by way of ordinary resolution of members of _____

- (a) S Limited
- (b) H Limited
- (c) Both S Limited and H Limited
- (d) Either S Limited or H Limited

Mixed MCQs for practise

Q88: Modern Furniture Limited is in expansion mode. Recently it has established the branches and showroom in 25 different cities of India. Following are the balances shown on 9th December 2022 when board of Modern Furniture is considering to borrow money for expansion activities:

Particulars	Amount (in ₹ crore)
Share Capital	5
Free Reserves	11.6
Capital Redemption Reserve	2.8
Revaluation Reserve	5.94
Security Premium	3.2
Secured Debt/ Loans	9.85
Unsecured Debt/ Loan	3.32

Unsecured Debt/Loan includes temporary loans of 30 lakhs, out of which 13 lakhs raised for the purpose of financial expenditure of a capital nature, whereas 8 lakhs repayable on demand and remaining 9 lakhs will be repayable in three equal installment starting from next month. Advise the board of directors how much they can borrow, with board resolution only.

(RTP May 2023)

- (a) 3.60 Crore
- (b) 3.73 Crore
- (c) 6.80 crore
- (d) 6.93 crore

Q89: Supriya holds shares worth ₹ 13,50,000 in the capacity as one of the directors of Paridhi Tours and Travels Limited (PTTL) whose paid-up share capital is ₹ 4,50,00,000. Swikriti Bus Suppliers Limited (SBSL) with paid-up capital of ₹ 2,00,00,000 is in the business of supplying tourist buses. Being in need of adding three more tourist buses in its existing fleet of ten buses, PTTL through Supriya approached SBSL for the purpose of purchasing the required buses knowing fully well that Supriya holds certain amount of shares in SBSL making her an interested director. Out of the following four options, which one is applicable in the given situation

- (MTP May 2023 & RTP Nov 2023)
- (a) Supriya, as interested director, holds shares of SBSL of the value exceeding ₹ 1,00,000 but not exceeding ₹ 1,50,000
 - (b) Supriya, as interested director, holds shares of SBSL of the value exceeding ₹ 1,50,000 but not exceeding ₹ 2,00,000
 - (c) Supriya, as interested director, holds shares of SBSL of the value exceeding ₹ 2,00,000 but not exceeding ₹ 3,00,000
 - (d) Supriya is not an interested director as in order to be considered as an interested director Supriya was required to have holding of shares exceeding ₹ 4,00,000 in SBSL

Q90: Neelima was an interested director when her company Sagar Suppliers Limited entered into a supply contract worth Rs. 20,00,000 with Srinivas Tubes and Pipes Limited under which the latter company would supply requisite items for full one year to the former company. However, Neelima did not disclose her interest at the time when Board Meeting of Sagar Suppliers Limited where the issue of supply contract was discussed and even participated in the discussion. Which of the following options is applicable in the given situation:

(MTP May 2023)

- (a) Since Neelima did not disclose her interest, the contract is voidable at the option of Srinivas Tubes and Pipes Limited
- (b) Since Neelima did not disclose her interest, the contract is voidable at the option of Sagar Suppliers Limited
- (c) Since Neelima did not disclose her interest, the contract can be enforced only upto 50% of its value i.e. maximum upto Rs. 10,00,000
- (d) Since Neelima did not disclose her interest, the whole contract is void and cannot be enforced

Answer Key

Q1.	(c)	Q2.	(c)	Q3.	(c)	Q4.	(a)	Q5.	(c)	Q6.	(d)	Q7.	(d)	Q8.	(b)	Q9.	(b)
Q10.	(a)	Q11.	(d)	Q12.	(a)	Q13.	(c)	Q14.	(c)	Q15.	(c)	Q16.	(d)	Q17.	(d)	Q18.	(c)
Q19.	(b)	Q20.	(a)	Q21.	(b)	Q22.	(b)	Q23.	(b)	Q24.	(a)	Q25.	(c)	Q26.	(c)	Q27.	(b)
Q28.	(b)	Q29.	(b)	Q30.	(c)	Q31.	(c)	Q32.	(c)	Q33.	(c)	Q34.	(b)	Q35.	(b)	Q36.	(c)
Q37.	(d)	Q38.	(d)	Q39.	(a)	Q40.	(b)	Q41.	(c)	Q42.	(c)	Q43.	(c)	Q44.	(d)	Q45.	(c)
Q46.	(c)	Q47.	(d)	Q48.	(d)	Q49.	(c)	Q50.	(b)	Q51.	(a)	Q52.	(c)	Q53.	(d)	Q54.	(c)
Q55.	(b)	Q56.	(c)	Q57.	(b)	Q58.	(b)	Q59.	(d)	Q60.	(b)	Q61.	(d)	Q62.	(c)	Q63.	(c)
Q64.	(d)	Q65.	(a)	Q66.	(d)	Q67.	(b)	Q68.	(c)	Q69.	(d)	Q70.	(d)	Q71.	(b)	Q72.	(b)
Q73.	(a)	Q74.	(d)	Q75.	(d)	Q76.	(c)	Q77.	(d)	Q78.	(d)	Q79.	(d)	Q80.	(c)	Q81.	(c)
Q82.	(c)	Q83.	(b)	Q84.	(a)	Q85.	(d)	Q86.	(b)	Q87.	(c)	Q88.	(c)	Q89.	(d)	Q90.	(b)

Case Study Based MCQs

Case Study (ICAI MCQ Booklet) - Based at Shivamogga, Karnataka, Lotus Switchgears Limited (LSL) is a noted manufacturer, exporter and supplier of electrical products like Miniature Circuit Breakers (MCBs), Molded Case Circuit Breakers (MCCBs), Residual Current Circuit Breakers (RCCBs), Electric Leakage Circuit Breakers (ELCBs), Solar water Pumping Systems, Wires and Cables, etc. and has a good network of factories and distribution channels. The business grew by leaps and bounds due to the sincere and dedicated efforts of founding Directors, Arjun, Ramakrishnan, Ravi Bhatt, Ramesh and Ripudaman. However, the company is facing some difficult times for the past four years or so. Arjun is the Managing Director while Ramesh and Ripudaman are the Whole-time Directors.

In a quest to overcome the difficulties faced by the company, Raghuram, a visionary, was appointed as the Executive Director at the EGM held on 12th January, 2017.

Shruthi Components Private Limited (SCPL) is one of the subsidiaries of LSL. The Board of Directors of LSL wished to exercise the power to dispose of its whole investment in SCPL. Accordingly, Mahadevan, whole-time Company Secretary of the company was directed to ascertain the procedure for disposing of company's investment in SCPL. Following data was extracted from the Audited Financial Statements of LSL for the year ending 31.03.2020 -

S. No.	Description	Amount (₹ in crores)
1	Paid-up capital	50
2	General Reserves	54
3	Securities Premium Account	5
4	Accumulated Losses	7
5	Revaluation Reserves created out of revaluation of assets	30
6	Deferred Revenue Expenditure & Miscellaneous Expenditure not written off	2
7	Investment in SCPL	25

Based on the above data and considering Section 2 (57) of the Companies Act, 2013, Mahadevan calculated the 'net worth' of LSL as under:

	Particulars	Amount (₹ in crores)
	Paid-up capital	50
Add:	General Reserves	54
Add:	Securities Premium Account	5
Less:	Accumulated Losses	7
Less:	Deferred Revenue Expenditure & Miscellaneous Expenditure not written off	2
	Net Worth	100

In view of the 'net worth' of ₹ 100 crore, Mahadevan informed the Board that as per the relevant provisions SCPL was an undertaking of LSL.

Earlier during April, 2019, in the course of normal business, LSL entered into a contract for the continuous supply of some consumables and components with Swastik Supplies Private Limited (SSPL) for a period of 3 years to be renewed with mutual consent thereafter. Ramesh, the Whole-time Director of LSL, was not an interested party at the time of entering into this Supply Contract with SSPL. However, during the second year of the Supply Contract, Rajesh, son of Ramesh, purchased about 30% of the equity shares of SSPL through one of his family owned business entities and also lent ₹ 25 lakh as unsecured loan to SSPL.

Ramesh did not inform LSL or the Board of Directors regarding the new developments since he was of the opinion that there was no need for such disclosure. However, the Company Secretary and the Board had their own reservations, after the matter came to their knowledge from a third party.

During the statutory audit for the F.Y. 2019-20, while verifying the earlier years' documents in connection with certain matter, the newly appointed auditors observed that the appointment of Raghuram as an Executive Director was invalid by reason of certain defects and also disqualification. During the month of August, 2020, the statutory auditors discussed the issue of irregular appointment with the Board of Directors of LSL.

The Board apprised the auditors that since his appointment as Executive Director of the company, Raghuram had participated in several Board Meetings and assented to various decisions, which had both pecuniary and operational impact. In addition, the Board had also passed several resolutions during that period. Accordingly, the Board, in one of its meetings, decided by passing a resolution that the wrongfully appointed Director Raghuram shall make good the losses, if any, for the period he remained Executive Director but all the resolutions passed during his period shall be valid and stand good.

One of the investors, Raman had invested substantially in the equity shares of Lotus Switchgears Limited. However, he was quite worried about his investment after going through the latest audited financial statements of 2019-20, for he found that there was continuous downward trend in earning per share (EPS). He was of the opinion that the Directors of LSL have been getting exorbitant remuneration, resulting in lesser profits for the company.

Accordingly, he approached the Registered Office of the company at Shivamogga and requested for inspection of the copies of the recent Service Contracts of Arjun, the Managing Director as well as Ramesh and Ripudaman, the Whole-time Directors of the company. He was utterly surprised when he was informed by the official concerned that the Service Contracts with Arjun, Ramesh and Ripudaman were not in writing and therefore, could not be produced for inspection. However, he was also informed that only copies of the written Memorandum setting out the terms and conditions of the service could be provided for inspection. Raman was not convinced and thought it to be a fraudulent practice for which the company and every defaulting officer of the company must be punished.

LSL, after complying with the required legal formalities, had made some political contributions and had incurred certain expenses during the financial year 2019-20. The details are as under:

- (a) Payment of ₹ 10,00,000 as contributions to LMS party.
- (b) Donation of ₹ 2,00,000 for a public function and a dance program of Ravi Shankar, a film star and it can be reasonably presumed that his activities support Janta Welfare Party.
- (c) Publication cost of ₹ 1,00,000 incurred for inserting an advertisement in the Souvenir published on behalf of Janta Welfare Party.
- (d) Publication of pamphlets costing ₹ 1,00,000 though not meant for any political party but incurred for promoting a candidate for the next state elections.

LSL disclosed in its financial statements ₹11,00,000 as political contributions and ₹ 3,00,000 as 'Advertisement and Business Promotion Expenses'.

Multiple Choice Questions (MCQs)

1. Raman, who had invested substantially in LSL, was informed that only copies of the written Memorandum setting out the terms and conditions of the service could be provided for inspection as no written Service Contracts with Arjun (Managing Director) as well as Ramesh and Ripudaman (Whole-time Directors) were available. Raman was not convinced and thought it to be a fraudulent practice for which the company and every defaulting officer of the company must be punished. From the following options, choose the most appropriate one:
 - (a) The Company shall be liable to a penalty of ₹ 25,000 and every officer of the Company, who is in default, shall be liable to a penalty of ₹ 5000 for each default for non-production of Service Contracts for inspection.
 - (b) It shall be in order, if the Company provides copies of the written Memorandum setting out the terms and conditions of the services for inspection.
 - (c) The Company shall be liable to a penalty of ₹ 50,000 and every officer of the Company, who is in default, shall be liable to a penalty of ₹ 10,000 for each default for nonproduction of Service Contracts for inspection.
 - (d) The Company shall be liable to a penalty of ₹ 1,00,000 and every officer of the Company, who is in default, shall be liable to a penalty of ₹ 25,000 for each default for non- production of Service Contracts for inspection.
- [Hint – Refer section 190]
2. According to Mahadevan, whole-time Company Secretary, SCPL was an undertaking of LSL. If the Board of Directors of LSL decides to dispose of its investment in SCPL, considering SCPL as an undertaking of LSL, which of the following options shall be applicable:
 - (a) The Board of Directors of LSL shall exercise the power of disposing of its investment in SCPL, considering SCPL as an undertaking of LSL, by means of a Board Resolution assented to by all the Directors present at a duly convened Board Meeting.
 - (b) The Board of Directors of LSL shall exercise the power of disposing of its investment in SCPL, considering SCPL as an undertaking of LSL, only

with the consent of the company by an Ordinary Resolution.

- (c) The Board of Directors of LSL shall exercise the power of disposing of its investment in SCPL, considering SCPL as an undertaking of LSL, only with the consent of the company by a Special Resolution and thereafter, by seeking approval of the jurisdictional Registrar of Companies.
- (d) The Board of Directors of LSL shall exercise the power of disposing of its investment in SCPL, considering SCPL as an undertaking of LSL, only with the consent of the company by a Special Resolution.

[Hint - Refer section 180(1)(a)]

3. From the case scenario, it is observed that during the second year of the Supply Contract, Rajesh, son of Ramesh, purchased about 30% of the equity shares of SSPL through one of his family owned business entities and also lent ₹ 25 lakh as unsecured loan to SSPL. Ramesh did not inform LSL or the Board of Directors regarding the new developments since he was of the opinion that there was no need for such disclosure. Choose the correct option which is most appropriate in the given situation:

- (a) The contention of Ramesh is correct since it is his son Rajesh, who is directly interested in SSPL because of his direct dealings and not he personally.
- (b) The contention of Ramesh is correct since at the time of entering into the Supply contract, he was not at all interested or concerned in the SSPL.
- (c) The contention of Ramesh is not correct since he is required to disclose his direct or indirect concern or interest in SSPL at the first meeting of the Board of Directors held after he becomes so concerned or interested.
- (d) The contention of Ramesh is not correct since he is required to disclose his direct or indirect concern or interest in SSPL during the renewal of the Supply Contract, if any, after 3 years.

[Hint - Refer section 184]

4. According to the case scenario, the Board of Directors of LSL stated that since January, 2017 Raghuram had participated in several Board Meetings and assented to various decisions, which had both pecuniary and operational impact. In addition, the Board had passed several resolutions during that period.

Accordingly, the Board, in one of its meetings, decided by passing a resolution that the wrongfully appointed Director Raghuram shall make good the losses, if any, over the period he remained Executive Director and all the resolutions passed during his period and assented to by him shall be valid and stand good.

- (a) The decision of the Board is correct because no act done by a person as a Director shall be deemed to be invalid if it was subsequently noticed that his appointment was invalid by reason of any defect or disqualification, etc.
- (b) The Board is required to get all the resolutions passed during the tenure of Raghuram and assented by him, ratified by an Ordinary Resolution at a General Meeting of the shareholders.
- (c) The Board is required to get all the resolutions passed during the tenure of Raghuram and assented by him, ratified by a Special Resolution at a General Meeting of the shareholders.
- (d) The Board is required to cancel all the resolutions passed during the tenure of Raghuram and assented by him since they were void and inoperative ab-initio.

[Hint - Refer section 176]

5. The case scenario states that LSL, after complying with the required legal formalities, made some political contributions and incurred some expenses during the financial year 2018-19. LSL showed in its financial statements ₹ 11,00,000 as political contributions and ₹ 3,00,000 as 'Advertisement and Business Promotion Expenses'. From the following options choose the correct one:

- (a) The disclosure made by LSL in its financial statements showing ₹ 11,00,000 as political contributions and ₹ 3,00,000 as 'Advertisement and Business Promotion Expenses' is correct.
- (b) LSL was required to disclose ₹ 10,00,000 as political contributions and ₹ 4,00,000 as 'Advertisement and Business Promotion Expenses'.
- (c) LSL was required to disclose all the sums totaling ₹ 14,00,000 as political contributions.
- (d) LSL was required to disclose ₹ 12,00,000 as political contributions and ₹ 2,00,000 as 'Advertisement and Business Promotion Expenses'.

[Hint - Refer section 182(2)]

Answer Key

1.	(b)	2.	(d)	3.	(a)	4.	(a)	5.	(c)
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Case Study (ICAI MCQ Booklet) - Blessed with both artistic and business approach, Deb, Debosmita and Divyanshi, putting their best foot forward entered India's ₹ 2,000 crore fragrance market by floating Daffodils Perfumes and Scent Limited (DPSL) in the year 2008 with an Authorised Capital of ₹ 30.00 crore. Along with them, there were ten other family members who became subscribers to the Memorandum of Association. It goes without saying that the trio were the first Directors of the company. Having Registered Office at Kannauj, the perfume capital of India, Uttar Pradesh, DPSL focussed on natural fragrances and made perfumes from flowers, camphor, saffron and other aromatic substances.

In the very next year, during April, 2009, Anirudh, a qualified Chartered Accountant and financial advisor was appointed to head the Finance Department of the company. After the promulgation of the Companies Act, 2013, his appointment was regularised as Chief Financial Officer (CFO) under the relevant provisions requiring appointment of Key Managerial Personnel (KMP).

Knowing the fact that perfumes have emerged as an essential product, driven by growing trend of personal care and forming part of everyone's pride as well as confidence, they roped in Devpriya, a smart market analyst, and Divya, an IT Professional, as Directors at the time of conducting Annual General Meeting (AGM) on 25th September, 2010. The company was doing well and its yearly turnover was increasing gradually.

As on 31-03-2019, DPSL, yet to be listed, had paid-up share capital of ₹ 15.00 crore with 355 shareholders and its free reserves as on that date were ₹ 12.00 crore. DPSL also had secured and unsecured debts aggregating to ₹ 2.00 crore. Its turnover for the financial year 2018-19 was ₹ 85.00 crore. Based on the audited financial statements as on 31-03-2019 when paid-up capital exceeded the threshold limit, four independent Directors, namely, Rajan, Rahul, Ranjit and Raima were appointed in April, 2019.

Prior to the above development, Anirudh, the CFO of the company took early retirement in December, 2018. However, in one of the Board Meetings held on 25th June, 2019, Deb expressed his desire to again engage Anirudh by appointing him as independent Director during the current year 2019, in addition to the already appointed four independent Directors. As of now, the Articles of Association provide for the payment of sitting fee of ₹ 40,000 to each of the non-independent Directors of the company for attending every Board or Committee Meeting.

The Audited financial results as on 31-03-2019 also required constitution of an Audit Committee. Accordingly, in April, 2019, an Audit Committee was constituted which comprised Deb and Debosmita as non-independent Directors besides certain independent Directors.

It came to light that the company was sitting on crore of rupees in terms of cash and bank balance. Due to the pandemic COVID-19 and subsequent lockdown in the country, the production almost came to a standstill the demand dived southwards. As there was not much to invest in terms of any new projects, the Board of Directors thought to provide investors an opportunity to exit from their investment in the company. Accordingly, in a duly convened Board Meeting which was held on 25-08-2020, the Directors proposed buy-back of equity shares keeping in view the relevant clause of the Articles providing for the said buy-back.

Multiple Choice Questions (MCQs)

- According to the case scenario, Deb expressed his desire to again engage Anirudh by appointing him as independent Director during the current year 2019. Which of the following options is applicable with respect to the appointment of Anirudh as an independent Director of DPSL in the year 2019:
 - Anirudh can be appointed as an independent Director of DPSL at a Board Meeting where all the Directors present at the meeting agree to such appointment.
 - Anirudh cannot be appointed as an independent Director of DPSL.
 - Anirudh can be appointed as an independent Director of DPSL by passing an ordinary resolution at a meeting of the shareholders.
 - Anirudh can be appointed as an independent Director of DPSL by passing a special resolution at a meeting of the shareholders.
- It is observed from the case scenario that the non-independent Directors are being paid sitting fee of ₹ 40,000 for attending every

Board/Committee Meeting. From the following options, choose the one which indicates the sitting fee payable to the independent Directors for attending a Board or Committee Meeting:

- (a) Sitting fees payable to independent Directors per meeting shall not be less than ₹ 40,000.
- (b) Sitting fees payable to independent Directors per meeting shall not be less than 75% of ₹ 40,000.
- (c) Sitting fees payable to independent Directors per meeting shall not be less than 60% of ₹ 40,000.
- (d) Sitting fees payable to independent Directors per meeting shall not be less than 50% of ₹ 40,000.

3. The case scenario states that in a duly convened Board Meeting which was held on 25-08-2020, the Directors of DPSL proposed buy-back of equity shares keeping in view the relevant clause of the Articles providing for the said buy-back. In case the Articles of the company did not contain any clause providing for buyback, then which of the following options is applicable in such a situation:

- (a) The Articles of DPSL are required to be altered for including a clause which authorises buy-back.
- (b) There is no need to alter the Articles to provide for buy-back if any two Directors attending the related Board Meeting vote in favour of buy-back.
- (c) There is no need to alter the Articles to provide for buyback if any three Directors attending the related Board Meeting vote in favour of buy-back.
- (d) There is no need to alter the Articles to provide for buyback if all the Directors attending the related Board Meeting vote in favour of buy-back.

[Hint - Refer section 68(2)(a)]

4. According to the case scenario, the Audit Committee constituted at DPSL comprises Deb and Debosmita as non-independent Directors besides certain independent Directors. Minimum

how many independent Directors might have been included in the Audit Committee if there were two non-independent Directors in it.

- (a) One independent Director.
- (b) Two independent Directors.
- (c) Three independent Directors.
- (d) Four independent Directors.

[Hint - Refer section 177]

5. Suppose DPSL resorts to buy-back of its equity shares after fulfilling all the legal formalities. Post buy-back, what ratio the DPSL shall be required to maintain between the aggregate of secured and unsecured debts owed by it and its paid-up capital and free reserves?

- (a) Post buy-back, the DPSL shall be required to maintain a ratio of 2:1 between the aggregate of secured and unsecured debts owed by it and its paid-up capital and free reserves.
- (b) Post buy-back, the DPSL shall be required to maintain a ratio of 3:1 between the aggregate of secured and unsecured debts owed by it and its paid-up capital and free reserves.
- (c) Post buy-back, the DPSL shall be required to maintain a ratio of 4:1 between the aggregate of secured and unsecured debts owed by it and its paid-up capital and free reserves.
- (d) Post buy-back, the DPSL shall be required to maintain a ratio of 5:1 between the aggregate of secured and unsecured debts owed by it and its paid-up capital and free reserves.

[Hint - Refer section 68(2)(d)]

Answer Key

1.	(b)	2.	(a)	3.	(a)	4.	(c)	5.	(a)
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Case Study (ICAI MCQ Booklet) - XYZ Auto Limited, an unlisted Company is engaged in the manufacturing of auto components and spare parts. Its Registered Office is situated in Chennai, Tamil Nadu and its branches are located in Metropolitan cities i.e. Delhi, Mumbai and Kolkata. Following information is available from its audited financial statements:

Particulars	FY 2017-18 (₹ in Lakhs)	FY 2018-19 (₹ in Lakhs)	FY 2019-20 (₹ in Lakhs)
Paid-up share capital	1,500	1,500	1,500
Turnover	8,000	9,000	9,500
Outstanding Loans	1,500	1,300	1,100
Debentures	1,200	1,100	1,000

ABC Limited, an unlisted company, is engaged in the business of transport and logistics and has its Registered Office in Mumbai. ABC Limited purchased all the shares of XYZ Limited in April, 2019 and became its holding company. There are 900 shareholders and 400 debenture-holders. Following information is available from the audited financial statements of ABC Limited:

Particulars	FY 2017-18 (₹ in Lakhs)	FY 2018-19 (₹ in Lakhs)	FY 2019-20 (₹ in Lakhs)
Paid-up share capital	5,000	5,000	5,000
Turnover	35,000	40,000	45,000
Secured loans from Super Commercial Bank & Other Unsecured Loans	3,500	4,000	4,500
Debentures	1,000	1,000	1,000

Sumit and Sumedh, the Directors of ABC Limited also happened to be the Directors of EFG Limited, an unlisted company. However, in April, 2019, they exited from EFG Limited as Directors. The turnover of EFG Limited amounted to ₹ 110 crore, ₹ 99 Crores, ₹ 95 Crores and ₹ 91 Crores respectively in FY 2016-17, FY 2017-18, FY 2018-19 and FY 2019-20. The gradual decline in turnover is on account of inadequate marketing of the products and improper campaigning. Employees' unrest from time to time is also responsible for falling turnover. The total paid-up share capital of the EFG Limited is ₹ 9.50 crore throughout the period. EFG Limited is continuing with an Audit Committee which was constituted earlier.

Multiple Choice Questions (MCQs)

- In respect of constitution of Audit Committee by XYZ Limited, out of the following options, which one is applicable?
 - XYZ Limited, being not a private company, is required to constitute an Audit Committee.
 - Having paid-up share capital above the threshold limit, XYZ Limited is required to constitute an Audit committee.
 - Based on the threshold limits, since ABC Limited has constituted its Audit Committee, XYZ Limited, being wholly owned subsidiary of ABC Limited, is not required to constitute an Audit Committee.
 - In view of the average turnover and paid-up share capital of last three financial years exceeding the threshold limit, XYZ Limited is required to constitute an Audit committee.
- Is it permissible for EFG Limited to discontinue its Audit Committee in the FY 2020-21?
 - Yes. EFG Limited can discontinue its Audit Committee in the FY 2020-21, since both the Directors of ABC Limited have left the Directorship in EFG Limited.
 - Yes. EFG Limited can discontinue its Audit Committee in the FY 2020-21, since its turnover did not exceed ₹ 100 crore or more in the consecutive three financial years.
 - No. EFG Limited cannot discontinue its Audit Committee in the FY 2020-21, since its aggregate turnover in the last three financial years exceeds ₹ 100 crore.
 - No. EFG Limited cannot discontinue its Audit Committee in the FY 2020-21, since its paid-up share capital is more than ₹ 5.00 crore.
- Suppose ABC Limited did not constitute Vigil Mechanism as required by Section 177 (9) of the Companies Act, 2013. Which one of the following penalties is leviable on the company for contravening this provision?

- (a) The company is liable to pay minimum penalty of ₹ 1,00,000 and maximum of ₹ 5,00,000.
- (b) The company is liable to pay penalty of ₹ 50,000.
- (c) The company is liable to pay penalty of ₹ 1,00,000.
- (d) The company is liable to pay penalty of ₹ 5,00,000.

[Hint - Penalty for non-compliance of section 177 is given in section 178(8)]

4. As regards Stakeholders Relationship Committee, whether ABC Limited is required to form such a Committee as per the relevant provisions of the Companies Act, 2013:

- (a) No. ABC Limited is not required to form a Stakeholders Relationship Committee since its shareholders are limited to 900.
- (b) No. ABC Limited is not required to form a Stakeholders Relationship Committee since its debenture-holders are limited to 400.
- (c) Yes. ABC Limited is required to form a Stakeholders Relationship Committee since its shareholders and debenture-holders total upto 1300.
- (d) No. ABC Limited is not required to form a Stakeholders Relationship Committee since the combined strength of its shareholders and debenture-holders does not exceed 1500.

Answer Key

1.	(c)	2.	(b)	3.	(d)	4.	(c)
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Case Study (ICAI MCQ Booklet) - Yash, Yuvraj, Yatharth and Yatin are the Directors of Yukta Developers Limited (YDL), an Agra based unlisted company having significant insight in constructing apartments, residencies and malls in Agra, Kanpur and Bareilly for the last ten years. Its latest project was to develop Sky Snow Residency at a prominent place in Dehradun, Uttarakhand. The blue print of the project contained construction of luxurious 3/4 BHK villas with the latest amenities.

As on 31st March, 2020, YDL had paid-up share capital of ₹ 60.00 crore and free reserves of ₹ 25.00 crore. Its turnover for the F.Y. 2019-20 was ₹ 450.00 crore and the borrowings aggregated to ₹ 45.00 crore. Included in the list of total assets of the company were investments made in other companies and loans advanced to the extent of ₹ 40.00 crore. The proposal to advance a loan of ₹ 15.00 crore to Srilekha Engineering Private Limited is under the active consideration of YDL.

YDL, with a view to expand its network decided to show its presence in New Delhi, the capital city of the country. Keeping in mind the influx of challenging responsibilities, Vikalp Kumar was appointed as Director at the extraordinary general meeting (EGM) held on 07-08-2019.

As regards holding of Board Meetings by the Directors of YDL, there were six such meetings held from 01-08-2019 to 31-03-2020. Yash, due to some extraneous reasons, took leave of absence for the first three meetings and in case of next three meetings he did not even inform the Board regarding his absence.

Yatharth thought of assigning his office of Directorship to Janeesh, Vice President (Operations) for his absence for a period of four months starting from 01-09-2019 as he was to go to Singapore to acquire higher technical expertise in connection with the upcoming Sky Snow Residency project in Dehradun.

Yuvraj, on his personal front purchased one 4 BHK apartment worth ₹ 50 lakhs in Sky Snow Residency for his daughter who was to get married soon. For this transaction, he made payment of ₹ 40 lakhs immediately and offered to pay the remaining amount of ₹ 10 lakhs in four equal installments. YDL accepted the proposal of its Director Yuvraj and he was allowed to repay the remaining cost of flat amounting to ₹ 10 lakhs in four equal installments.

Multiple Choice Questions (MCQs)

1. From the case scenario, it is observed that YDL has not appointed any woman Director. Is it necessary for YDL to appoint a woman Director?
- YDL is not required to appoint a woman Director because it is an unlisted company.
 - YDL is required to appoint a woman Director since its paid-up share capital is ₹ 60 crore.
 - YDL is required to appoint a woman Director since its turnover is ₹ 450 crore.
 - YDL is required to appoint a woman Director since its combined paid-up share capital and turnover is more than ₹ 500 crore.

[Hint - Refer section 149]

2. According to the case scenario, Yatharth thought of assigning his office of Directorship to Janeesh, Vice President (Operations) for his absence for a period of four months starting from 1.09.2019 as he was to go to Singapore to acquire higher technical expertise in connection with the upcoming Sky Snow residency project in Dehradun. From the following options, choose the correct one:
- Yatharth is authorised to assign his office of Directorship to Janeesh, Vice President (Operations) for his absence for a period of four months starting from 01.09.2019.
 - Yatharth is not authorised to assign his office of Directorship to Janeesh, Vice President (Operations) for his absence for a period of four months starting from 01.09.2019.
 - Yatharth himself can appoint an alternate Director for his absence for a period of four months starting from 01.09.2019.
 - Yatharth can instruct Yatin, another Director who is junior to him in age, to attend Board Meetings on his behalf besides himself whenever a meeting is held during his absence starting from 01.09.2019.

[Hint - Refer section 166]

3. As per the case scenario, Yash did not attend six Board Meetings consecutively which were held from 01-08-2019 to 31-03-2020. He took leave of absence for the first three meetings and in case of next three meetings he did not even inform the Board regarding his absence. Which of the following options given below is applicable in such a situation:
- Yash is required to vacate his office as Director since without seeking leave of absence from the

Board he absented himself from the last three Board Meetings consecutively.

- Yash is required to vacate his office as Director since he did not attend six Board Meetings consecutively and it is immaterial whether he took leave of absence or not from the Board.
- Yash is not required to vacate his office as Director since he has not absented himself from the Board Meetings for a continuous period of twelve months yet.
- Yash is required to vacate his office as Director since he did not attend Board Meetings consecutively for more than six months.

[Hint - Refer section 167]

4. The case scenario states that a proposal to advance a loan of ₹ 15.00 crore to Srilekha Engineering Private Limited is under the active consideration of YDL. In this respect, which of the following options is best applicable:
- YDL can advance a loan of ₹ 15.00 crore to Srilekha Engineering Private Limited by passing a board resolution.
 - YDL can advance a loan of ₹ 15.00 crore to Srilekha Engineering Private Limited but only after passing an ordinary resolution.
 - YDL can advance a loan of ₹ 15.00 crore to Srilekha Engineering Private Limited but only after passing a special resolution.
 - YDL cannot advance a loan of ₹ 15.00 crore to Srilekha Engineering Private Limited since it has already made investments in other companies and has advanced loans to the extent of ₹ 40.00 crore.

[Hint - Limit of LGSI under section 186 is higher of the following

- 60% of (PSC + FR + SP) = 60% (60+25) = 51 crore
- 100% of (FR + SP) = 100% (25) = 25 crore

Thus, maximum LGSI without SR = 51 crore

Existing + Proposed LGSI = (40 + 15) crore = 55 crore]

5. The case scenario states that Yuvraj purchased a Sky Snow 4 BHK apartment worth ₹ 50 lakhs for his daughter from YDL and paid ₹ 40 lakhs immediately and offered to pay remaining cost of flat of ₹ 10 lakhs in four equal installments. From the options given below, choose the one which is applicable in the given situation:

- (a) ₹ 10 lakhs being the remaining cost of flat to be repaid in four equal installments shall be considered as loan to Yuvraj.
- (b) ₹ 10 lakhs being the remaining cost of flat to be repaid in four equal installments shall not be considered as loan to Yuvraj.
- (c) ₹ 10 lakhs being the remaining cost of flat to be repaid in four equal installments by Yuvraj shall be considered as a void transaction since no company is permitted to give advance credit to

its Director, even if the same advanced in the normal course of business.

- (d) ₹ 10 lakhs being the remaining cost of flat to be repaid in four equal installments by Yuvraj shall become a ground for vacation of office of Director by Yuvraj.

[Hint - Refer the case of "Fredie Ardeshir Mehta" under section 185]

Answer Key

1.	(c)	2.	(b)	3.	(c)	4.	(c)	5.	(b)
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Case Study (ICAI MCQ Booklet) - Shree Ram Company Ltd. is a listed public company incorporated in the year 2001. At present, the company has 13 Directors which includes, Mr. Anil, Mr. Sunil, Mr. Rohit, Mr. Amit, Mr. Anuj, Ms. Anisha, Mr. Pritam, Mr. Bharat, Mr. Shudanshu, Mr. Kapil, Mr. Anup, Mr. Farhan and Mr. Rohan. Mr. Rohit is the Whole Time Director of the company where as Ms. Anisha is a women Director of the company. Mr. Anil, Mr. Pritam and Mr. Anuj are independent Directors of the company. Mr. Sunil is recently appointed as independent Director of the company.

The Articles of Association of the company provided that the maximum number of Directors in the company shall not be more than 15. Presently, the company is having 13 Directors. The board of Directors of the said company wanted to increase the number of Directors to 17. The board of Directors meeting was held to discuss the same.

The company, at present, is having 1000 shareholders. The small shareholders of the company wanted to appoint Mr. Zafar as their Director and as their representative on the Board of Directors of the said company. Mr. Zafar is holding 500 equity shares of 20 each in the said company. So according to the provisions of the Companies Act, 2013, a listed company may have one Director elected by such small shareholders in such manner and with such terms and conditions as may be prescribed. Hence, Mr. Zafar was appointed as a small shareholder Director by the company.

An urgent meeting was called on 2nd December, 2019 by the company, to discuss some issues pertaining to buying machineries. A 3 days prior notice was issued to each Director to attend the meeting. Mr. Anil, Mr. Anuj and Mr. Pritam were unable to attend the meeting. Mr. Anil, due to his surgery was suggested to rest by the doctor and even via video conferencing he was not allowed to attend the meeting. Mr. Shudanshu was also on leave and busy in his son's marriage. Rest all the Directors, gave their consent for the meeting. Mr. Sunil, while on the way to attend the meeting met an accident and was taken to the hospital. The meeting could not be held and was postponed.

A Board Meeting was held on 12th January, 2020. The agenda of the Board Meeting was to increase the sitting fees of Directors and secondly to sale one of the undertakings of the company. The Board of Directors of the company have decided to raise the payment of sitting fees for each meeting of Board of Directors to a maximum of ₹ 36,000 through its articles. In view of the board, since, last one year there has been an increase in the work responsibilities of both women and independent Directors of the company. It was also held that both the women Director as well as independent Directors are working full time for this company. They are not serving as a Director of any other company. Hence, the company proposed to increase the sitting fees of both this category of Directors to ₹ 40,000 per meeting in its articles.

The memorandum of the company empower it's board of Directors to sell its undertaking to another company having similar objects. The articles of the company contained a provision by which Directors were empowered to sell or otherwise deal with the property of the company. The board was of view that whatever amount, the company will get after selling the plot will be used to clear off the existing loans. Mr. Rohit and Mr. Anil objected against selling of the company's plot located in outskirts of Jaipur. But the majority of board members were in favour to sell the property.

Multiple Choice Questions (MCQs)

1. Mr. Sunil is recently appointed as independent Director of the company. Do you think he needs to give declaration as to his independence under the provisions of this Act, after assuming his position as an independent Director?
 - (a) On the first day of attending his office.
 - (b) At the first Board Meeting in which he participates as a Director.
 - (c) At the first Annual General Meeting of the company.
 - (d) At the first meeting of Audit Committee in which he participates as a Director.
2. The company, at present, is having 13 Directors. The Board of Directors of the said company wanted to increase its number of Directors to 17. Suggest in what manner, the said number of Directors can be increased?
 - (a) By passing ordinary resolution by members at General Meeting.
 - (b) By passing special resolution by members at General Meeting.
 - (c) By passing board resolution by 2/3rd majority of Board of Directors.
 - (d) By passing board resolution by majority of Directors and then approval by 2/3rd members at General Meeting.
3. The small shareholders want to appoint Mr. Zafar as their Director. What is the required strength of small shareholders for appointment of their Director and also state the time period of giving notice to the company before the meeting to propose an appointment of small shareholders Director?
 - (a) 100 small shareholders with a 14 days' notice to the company.
 - (b) 200 small shareholders with a 15 days' notice to the company.
 - (c) 250 small shareholders with a 20 days' notice to the company.
 - (d) 200 small shareholders with a 30 days' notice to the company.
4. The Board of Directors of the company have decided to raise the payment of sitting fees for each meeting of the Board of Directors. State whether the company can accept such a proposal to increase sitting fees for both independent and women Directors and to what extent?
 - (a) Yes, such proposal can be accepted but it cannot exceed the limit of ₹ 50,000 per meeting.
 - (b) No, such proposal cannot be accepted as all the Directors of the company are eligible for equal remuneration for the meeting upto ₹ 50,000.
 - (c) Yes, such proposal can be accepted but it cannot exceed the limit of ₹ 100,000 per meeting.
 - (d) No, women Directors unlike other Directors are not eligible for higher remuneration, only independent Directors are eligible upto ₹ 1,00,000.
5. The Board of Directors decided to sell one of the undertakings of the company. What procedure is required to be followed before selling the undertaking?
 - (a) The Board of Directors can sale the undertaking with the consent of all the Directors present at the Board Meeting.
 - (b) At the General Meeting, the proposal needs to be approved by a special resolution.
 - (c) A board resolution needs to be passed by Board of Directors with unanimous consent and then special resolution by members at the General Meeting.
 - (d) With prior approval of the Registrar, a special resolution needs to be passed by the company.

Answer Key

1.	(b)	2.	(b)	3.	(a)	4.	(c)	5.	(b)
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Case Study (ICAI MCQ Booklet) - Mumbai based Vishakha Tours and Travels Limited (VTTL) is a part of a new generation of tour operators which specialises in unique, instant and exceptional tours in Maharashtra. The mission of the Directors Vallabh, Vibhor and Sapna is to provide a hassle-free experience to their customers. There are four more Directors (closely related to the first three Directors) who look after internal departments of the company.

The first three Directors i.e. Vallabh, Vibhor and Sapna had twelve years of experience and during this period they arranged various categories of tours like sightseeing tours, luxury tours, walking tours, sports and games, rock climbing, horse riding and the like. To name a few, the places often visited included Pawna Lake Camping, Alibaugh, Bhandardara, Lohagad Valley, camping and rafting at Koland, etc. They had provided the touring services to approximately 3.5 lacs persons on annual basis. Travelling with them, the travellers would enjoy in-depth experience, wisest guides, the closest wilderness encounters to ensure best moments of their lives. The USP of the company is "Best Price Guaranteed".

According to the audited financial statements, the paid-up share capital of VTTL as on 31st March, 2020 was ₹ 6.00 crore (60,00,000 equity shares of ₹ 10 each) and the reserves and surplus amounted to ₹ 2.50 crore. The turnover of the company for the Financial Year 2019-20 was ₹ 55.00 crore.

As the company had surplus funds, Vallabh thought of investing ₹ 50.00 lacs in equity shares of reputed companies as a part of investment plan. A Board Meeting was called which was attended by five Directors.

However, only three Directors out of five agreed to the investment plan. Vallabh and Vibhor were keen to diversify the activities of the company into certain other areas as well. They were of the opinion to buy a big plot of land in Lonavala and construct a theme park for fun and frolic on weekend getaways. It was supposed to provide all amenities and comfort including 5 acres of water park, 2 roller coasters and 50 other attractions. Their aim was to ensure that their guests enjoy exclusive privileges, novel experience with most competitive prices. To deliberate on the issue, VTTL called a Board Meeting on 10th September, 2020 at 3:00 p.m. at its Registered Office at Worli, Mumbai. However, no business could be undertaken for want of quorum and the meeting was adjourned.

Multiple Choice Questions (MCQs)

1. In the above case scenario, one of the Directors Vallabh wanted to invest surplus funds of the company amounting to ₹ 50.00 lakhs in equity shares of reputed companies as a part of investment plan. It is noticed that five Directors out of total seven Directors attended the Board Meeting in which this proposal was discussed and only three Directors consented to the proposal. Which one of the following options is applicable in the given situation:
 - (a) VTTL can go ahead with such investment plan since majority of the Directors present at the Board Meeting agreed to the proposal of investing funds amounting to ₹ 50.00 lakhs in equity shares of reputed companies.
 - (b) VTTL cannot invest funds amounting to ₹ 50.00 lakhs in equity shares of reputed companies since all the five Directors present at the meeting did not agree to such investment plan.
 - (c) VTTL cannot invest funds amounting to ₹ 50.00 lakhs in equity shares of reputed companies since the total strength of seven Directors must attend the Board Meeting and all must consent to such investment plan.
 - (d) VTTL cannot invest funds amounting to ₹ 50.00 lakhs in equity shares of reputed companies since the investment plan did not receive the consent of 3/4th majority of the Directors present (i.e. four out of five present).
2. From the case scenario it is evident that VTTL called a Board Meeting on 10th September, 2020 3:00 p.m. at its Registered Office at Worli, Mumbai to deliberate on the issue of expanding its activities into certain other areas as well. However, no business could be undertaken for want of quorum and the meeting was adjourned. From the following options, choose the one which indicates the correct date, time and place for holding such adjourned meeting if no contrary provisions are contained in the Articles of Association of VTTL.
 - (a) The adjourned Board Meeting needs to be held on 13th September, at 3:00 p.m. at the Registered Office of VTTL at Worli, Mumbai.
 - (b) The adjourned Board Meeting needs to be held on 15th September, at 3:00 p.m. at the Registered Office of VTTL at Worli, Mumbai.
 - (c) The adjourned Board Meeting needs to be held on 17th September, at 3:00 p.m. at the Registered Office of VTTL at Worli, Mumbai.

- (d) The adjourned Board Meeting needs to be held on 20th September, at 3:00 p.m. at the Registered Office of VTTL at Worli, Mumbai.

3. The case scenario does not speak about the appointment of any Independent Director. Which one of the following options indicate the number of Independent Directors which VTTL is required to appoint based on the financial results as on 31-03-2020:

- (a) VTTL is required to appoint minimum one Independent Director.
 (b) VTTL is required to appoint minimum two Independent Directors.
 (c) VTTL is not required to appoint an Independent Director.
 (d) VTTL is required to appoint minimum three Independent Directors.

4. From the options given below, choose the one which indicates the maximum amount which VTTL can invest for acquiring by way of

purchase the securities of any other body corporate without passing a special resolution in a General Meeting:

- (a) VTTL can invest maximum up to ₹ 6.00 crore for acquiring by way of purchase the securities of any other body corporate.
 (b) VTTL can invest maximum up to ₹ 5.95 crore for acquiring by way of purchase the securities of any other body corporate.
 (c) VTTL can invest maximum up to ₹ 3.60 crore for acquiring by way of purchase the securities of any other body corporate.
 (d) VTTL can invest maximum up to ₹ 5.10 crore for acquiring by way of purchase the securities of any other body corporate.

[Hint - As per section 186, investment threshold is higher of the following

- 60% of (PSC + FR + SP) = 60% × (6+2.5) = 5.1 crore
- 100% of (FR + SP) = 100% × 2.5 = 2.5 cr]

Answer Key

1.	(b)	2.	(c)	3.	(c)	4.	(d)
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Chapter 3

Appointment and Remuneration of Managerial Personnel

(Section 196 – 205)

read with

The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Section 2(54)

Q1: _____ means a director who is entrusted with substantial powers of management of the affairs of the company

- (a) Managing Director
- (b) Chairman
- (c) Whole-time director
- (d) Chief Executive Officer

Q2: Capable Limited appoints Mr. Vikas as the Managing director of the company. The board of directors entrusted him with some powers. Mr. Vikas is not ready to do such administrative acts authorised by the Board of Directors keeping in view that he shall be entrusted with substantial powers of the management. Decide the acts which Mr. Vikas can undertake:

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) To draw and endorse any cheque on the account of the company in any bank
- (b) To sign the financial statements of the company
- (c) To draw and endorse any negotiable instrument
- (d) To Sign any certificate of share

Section 196

Q3: Board of Directors of Centra Tech Limited desires to appoint Nipun, aged 22 years as the Managing Director of the company. Nipun is currently a director and the son of Ramesh, the immediate Managing Director who expired in a car accident. State whether Nipun can be appointed as Managing Director.

(Study Mat)

- (a) Yes; since he is above the age of 21 years
- (b) No; since he has not attained the age of 25 years
- (c) Since he has not attained the age of 25 years, permission of Registrar of Companies is to be obtained for his appointment as MD
- (d) Since he has not attained the age of 25 years, permission of Central Government is to be obtained for his appointment as MD

Q4: Mr. X was appointed as Managing Director for life by the Articles of Association of a private company incorporated on 1st June, 2018. Examine

in this connection, Can Mr. X be appointed for life as Managing Director?

(ICAI Sample MCQ)

- (a) Yes, Mr. X can be appointed as managing director for life in a private company
- (b) No, Mr. X cannot be appointed as managing director for life in private company as only public companies are allowed to appoint managing director for life
- (c) No, Mr. X cannot be appointed as managing director for life in private company as term of managing director cannot exceed 5 years at a time
- (d) No, Mr. X cannot be appointed as managing director for life in private company as private companies are not allowed to appoint managing director

Q5: You are a Whole Time Director of Choco-chips Private Limited who wishes to appoint Mr. Vanilla Sequera as its Managing Director who has attained the age of 72 years. However, the Board has got to know about the fact that no company shall appoint or continue the employment of any person as managing director, whole-time director or manager who is below the age of twenty-one years or has attained the age of seventy years. You are requested by the board to evaluate the situation and suggest on whether he can be appointed as Managing Director?

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) Yes, he can be appointed as MD by the Board of Directors;
- (b) No, he cannot be appointed as MD at all;
- (c) Yes, he can be appointed as MD by shareholders through Special Resolution;
- (d) Yes, he can be appointed as MD by making an application to the NCLT.

Q6: Jackson is a prospective candidate for the post of Managing Director of Tirubuvani Sugars Limited. Unfortunately, his proposed appointment could not satisfy the conditions of Schedule V of the Companies Act, 2013. Discuss if any option is available with the company to appoint him as the Managing Director

- (a) Yes, the company can appoint Jackson as Managing Director after seeking the approval of NCLT
- (b) Yes, the company can appoint Jackson as Managing Director after seeking the approval of Central Government
- (c) Yes, the company can appoint Jackson as Managing Director if a unanimous resolution is passed in the Board Meeting
- (d) No, the company cannot appoint Jackson as its Managing Director

Q7: A Whole-time director can be appointed or re-appointed for a term not exceeding ____ at a time

(Study Mat)

- (a) 2 years
- (b) 3 years
- (c) 5 years
- (d) 7 years

Q8: Mr. A was appointed as a Manager of PQR Ltd for the period of five years on 20th June, 2015. Considering his performance and dedication, before completion of his tenure, management decided to re-appoint him as a manager. On which date his re-appointment will be considered valid?

(ICAI Sample MCQ, ICAI MCQ Booklet & MTP Nov 2022)

- (a) 24th June 2019
- (b) 1st February 2019
- (c) 12th March 2018
- (d) 10th September 2018

[Hint - Re-appointment shall not be made earlier than 1 year before the expiry of his term]

Q9: Hasmukh Limited, incorporated under the Companies Act, 2013 have a whole-Time Director (WTD) Mr. Ram who has been re-appointed in the Annual General Meeting (AGM) held on 28th August 2019. Mr. Ram has served as WTD of the company for nearly 4 years and his tenure of office would expire on 24th December 2020. Further, the Company's upcoming AGM is scheduled to take place on 25th October 2019. In the said AGM, Mr. Ram has been re-appointed as the WTD for his last tenure. You are required to comment about the validity of the reappointment of Mr. Ram by the company?

(ICAI MCQ Booklet)

- (a) The re-appointment of Mr. Ram is valid in law as re-appointment can be made for a period not exceeding 5 years at a time provided the articles of the company provides for such appointment before one year to the expiry of his term.

- (b) The re-appointment of Mr. Ram is invalid in law as reappointment cannot be made earlier than one year before the expiry of his term.
- (c) The re-appointment of Mr. Ram is valid in law provided the resolution for the appointment has been passed with the consent of all the Directors present at the Board Meeting for approving the appointment at the AGM.
- (d) The re-appointment of Mr. Ram is invalid in law as no special resolution for re-appointment has been passed at the AGM for approving the same.

Q10: Without the approval of Central Government a person cannot be appointed as a Manager or full time Director if he is continuous resident of India for

(ICAI Sample MCQ)

- (a) 3 months prior to his appointment
- (b) 6 months prior to his appointment
- (c) 8 months prior to his appointment
- (d) 12 months prior to his appointment

Q11: Mawana Sugars Limited intends to appoint Mr. Ratan, aged 72 years, as its Managing Director. The proposal to appoint Mr. Ratan as Managing Director was presented in the general meeting, but the special resolution could not be passed. Is there any alternative available with the company to appoint Mr. Ratan as its Managing Director?

- (a) Mr. Ratan cannot be appointed as the Managing Director, but the company can appoint him as a Whole-time director.
- (b) Yes, the company can appoint him if directors pass a unanimous resolution in board meeting
- (c) Yes, with the approval of Central Government, Mr. Ratan can be appointed as the Managing Director
- (d) Yes, if votes cast in favour of the motion exceeds the votes cast against in the general meeting and Central Government is satisfied that such appointment may be made, then Mr. Ratan can be appointed as the Managing Director

Q12: On 4th September 2019, Varun was appointed as Managing Director of Astha Limited by the Board of Directors subject to the approval of the members at the next general meeting. On 10th September 2019, Varun in the capacity of managing director executed an agreement with Shabeer to purchase some machines. On 3rd October 2019, members in the general meeting did not approve the appointment of Varun. Choose the correct statement

- (a) Company can refuse to accept the delivery of machines from Shabeer on the ground that agreement was executed by Varun whose appointment is not approved by the members.

- (b) Shabeer can refuse to deliver the machines on the ground that Varun was not authorised to enter into to contract
- (c) Both company and Shabeer cannot execute the contract due to supervening impossibility
- (d) The contract shall not be deemed to be invalid just because appointment of Varun is not approved by the members in general meeting

Q13: Mr. Rufftuff was appointed as a Managing Director in the government company, Constant Limited. He was of 70 years with good experience in the field of finance. He was appointed for 6 years. State the correct statement as to term of appointment of Mr. Rufftuff in the said company

(MTP May 19)

- (a) He cannot be appointed at all
- (b) He can be appointed by passing special resolution for the period not exceeding 5 years
- (c) Central government may appoint on application of Board to him for the period of 5 years
- (d) He can be appointed by passing special resolution, or where no such special resolution is passed, appointed by the Central Government on an application made by the Board, for the period exceeding 5 years.

Q14: Salt Limited wants to appoint River as Managing Director of the company for a period of 3 years with effect from 1st March 2020. River has given a written statement that he has been detained for 2 days by prescribed authorities under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974. Comment as to whether River can be appointed as the Manager of Salt Limited.

- (a) River cannot be appointed as the Manager, but the company can appoint him as a Whole-time director
- (b) Yes, the company can appoint him if directors pass a unanimous resolution in board meeting
- (c) Yes, with the approval of Central Government, River can be appointed as the Manager
- (d) Yes, with the approval of NCLT, River can be appointed as the Manager

Q15: Amarco Company Limited, a company incorporated under the Companies Act, 2013 and established in Special Economic Zone, wants to appoint Mr. Ashwin as a Whole Time Director of the Company. Mr. Ashwin travels to abroad for other business commitments and usually resides outside India for a period of 12 months. Now Mr. Ashwin wants to know the eligibility conditions, with respect to the condition of resident in India, for the appointment of Whole Time Director. You as a qualified Chartered

Accountant and a dear friend to Mr. Ashwin is required to help him out considering the provisions of the Companies Act, 2013*.

(ICAI MCQ Booklet)

- (a) Mr. Ashwin should be a resident in India i.e. staying in India for a continuous period of not less than twelve months immediately preceding the calendar year in which he is to be appointed as a Whole Time Director.
- (b) Mr. Ashwin is not required to comply with the condition of resident in India, as the condition of staying in India for a continuous period of not less than twelve months immediately preceding the calendar year, does not applies to a company established in the Special Economic Zone.
- (c) Mr. Ashwin should be a resident in India i.e. staying in India for a continuous period of not less than twelve months immediately preceding the date of his appointment as a Whole Time Director.
- (d) Mr. Ashwin is not required to comply with the condition of resident in India, as the condition of staying in India for a continuous period of not less than twelve months immediately preceding the date of his appointment, does not applies to a company established in the Special Economic Zone.

Q16: ABP Ltd. is a Company having paid up Capital of INR 100,000,000. It needs to appoint key managerial personnel. It can use combination of

- i. Chief Executive officer, Company Secretary and Manager
- ii. Chief Executive officer, Company Secretary and Chief Financial officer
- iii. Managing Director, Company Secretary and Manager
- iv. Managing Director, Company Secretary and Chief Executive officer

Which options are available for the Company?

(ICAI Sample MCQ)

- (a) (i) (ii) & (iii)
- (b) (ii) (iii) & (iv)
- (c) (i) (ii) & (iv)
- (d) (i) (iii) & (iv)

Section 197

Q17: Total managerial remuneration payable by a private company to its directors (including MD, WTD and manager) in any financial year shall not exceed _____ of its net profits for that financial year.

- (a) 5%
- (b) 7%
- (c) 11%
- (d) No Limit

Q18: Total managerial remuneration payable by a public company to its directors (including MD, WTD and manager) in any financial year shall not exceed _____ of its net profits for that financial year.

(Study Mat)

- (a) 5%
- (b) 7%
- (c) 10%
- (d) None of the above

Q19: Lockworth Safety Gears Private Limited pays remuneration to its Directors on yearly basis. Company has a Whole Time Director on Board. Currently they appointed Mr. X as a Managing Director of the Company. Now Company has to keep in mind that overall remuneration to the Directors including managing director, whole time director and manager shall not exceed maximum cap limit mentioned under the act. If there is more than one managing director/whole time director/ manager, how much maximum remuneration allowed in a financial year

(ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) 5% of net profits;
- (b) 10% of net profits;
- (c) 11% of net profits;
- (d) 15% of net profits;

Q20: Maximum sitting fees per meeting that can be paid to a director of a company shall not exceed ₹ _____

(Study Mat)

- (a) 1,00,000
- (b) 2,00,000
- (c) 2,50,000
- (d) 3,00,000

Q21: Atul Limited is having one Managing Director and 2 non-executive directors on its board. The maximum managerial remuneration that can be paid to the Managing Director shall not exceed _____ of its net profits and that can be paid to the 2 non-executive directors shall not exceed _____ of its net profits.

- (a) 5%; 1%
- (b) 5%; 3%
- (c) 10%; 1%
- (d) 10%; 3%

Q22: Atul Limited is having one Managing Director, 2 whole-time directors and 2 non-executive directors on its board. The maximum managerial remuneration that can be paid to the Managing Director and whole-time directors shall not exceed _____ of its net profits and that can be paid to the 2 non-executive directors shall not exceed _____ of its net profits.

- (a) 5%; 1%
- (b) 5%; 3%

- (c) 10%, 1%
- (d) 10%, 3%

Q23: The five directors of an unlisted public company are being paid ₹ 40,000 each as sitting fees for every meeting. The two independent directors of this company shall also be paid not less than _____ each as sitting fees per meeting.

(Study Mat)

- (a) ₹ 40,000
- (b) 25 % of ₹ 40,000
- (c) 50 % of ₹ 40,000
- (d) 75 % of ₹ 40,000

Q24: Mr. Vaibhav, a director in Fancy Limited, was appointed as Managing Director on 1st April 2016. One of the terms of appointment was that in the absence of profits, he will be paid remuneration in accordance with Schedule V of the Companies Act, 2013. For the financial year ended 31st March 2018, the company suffered heavy losses. The effective capital of the company is ₹ 160 crores. What is the maximum yearly remuneration that can be paid for Mr. Vaibhav?

- (a) ₹ 60 lakh
- (b) ₹ 84 lakh
- (c) ₹ 120 lakh
- (d) ₹ 150 lakh

Q25: Mr. Karan, a director in Max Limited, was appointed as Managing Director on 1st April 2017. One of the terms of appointment was that in the absence of profits, he will be paid remuneration in accordance with Schedule V of the Companies Act, 2013. For the financial year ended 31st March 2019, the company suffered heavy losses but the company wants to pay him a remuneration of ₹ 100 lakhs. The effective capital of the company is ₹ 60 crores. Choose the correct statement

- (a) The company can pay a maximum remuneration of only ₹ 84 lakh
- (b) The company can pay a remuneration of ₹ 100 lakh only after obtaining the approval of Central Government
- (c) The company can pay a remuneration of ₹ 100 lakh only after obtaining the approval by way of an ordinary resolution
- (d) The company can pay a remuneration of ₹ 100 lakh only after obtaining the approval by way of a special resolution

Q26: Mr. X, a Director of a company, was appointed as Managing Director on 1st April 2021. One of the terms of appointment was that in the absence of adequacy of profits or if the company had no profits in a particular year, he will be paid remuneration in accordance with Schedule V.

For the financial year ended 31st March 2023, the company suffered heavy losses. The company was not in a position to pay any remuneration but he was paid 100 lakhs for the year. The effective capital of the company is 150 crore. Referring to the provisions of the Companies Act, 2013, as contained in Schedule V, examine the validity of the above payment of remuneration to Mr. X.

(MTP May 2023)

- Payment of 100 lakhs being made to Mr. X is within the prescribed limit and can be validly made to him.
- Payment of 100 lakhs being made to Mr. X is not within the prescribed limit and cannot be validly made to him.
- Payment of 100 lakhs being made to Mr. X is less than the prescribed limit and so cannot be validly made to him.
- Payment of 100 lakhs being made to Mr. X is not the prescribed limit and can be validly made to him.

Q27: Ms. Srishti is the Managing Director of Kite Limited. Board of the company presents the following financial data extracted from the financial statements as at March 31, 2020

Authorised equity capital	₹ 60 crore
Paid-up equity	₹ 10 crore
Debenture Redemption Reserve	₹ 10 crore
Securities Premium	₹ 20 crore
Profit & Loss	(₹ 10 crore)
Revaluation Reserve	₹ 20 crore

Basis the provisions of Schedule V of the Companies Act, 2013, what is the effective capital of the company. Further, in case of inadequate profits, how much remuneration can be paid to Ms. Srishti without shareholders' approval

- Effective capital of the company is ₹ 90 crore and an annual remuneration of ₹ 84 lakhs can be paid to Ms. Srishti
- Effective capital of the company is ₹ 100 crore and an annual remuneration of ₹ 120 lakhs can be paid to Ms. Srishti
- Effective capital of the company is ₹ 30 crore and an annual remuneration of ₹ 84 lakhs can be paid to Ms. Srishti
- Effective capital of the company is ₹ 50 crore and an annual remuneration of ₹ 84 lakhs can be paid to Ms. Srishti

Q28: Every listed company shall disclose in the Board's report, the ratio of the remuneration of each director to the _____ employee's remuneration.

(MTP May 2022)

- Mean
- Median
- Highest
- Not required to be disclosed

Q29: Pawan Limited appointed Mr. Vir, a person resident in India, as a Managing Director who has taken a charge of the post on 1st June, 2022. The remuneration package sanctioned to him is as below:

	Particulars	₹
1	Salary	60,00,000
2	Rent Free accommodation	6,00,000
3	Children education allowance	3,00,000
4	Leave travel concession	3,00,000
5	Premium in respect of insurance taken for indemnification	5,00,000

What would be the amount of yearly remuneration for FY 2022-23 paid by Pawan Limited to Mr. Vir, the Managing Director who is appointed on 1st June, 2022?

(MTP Nov 2023)

- ₹ 65,50,000
- ₹ 60,50,000
- ₹ 60,00,000
- ₹ 77,00,000

[Hint - (60,00,000 + 6,00,000 + 3,00,000) × 10/12 + 3,00,000]

Section 199

Q30: Due to non-compliance of certain requirements under the Companies Act, 2013 not amounting to fraud, a company was required to re-state its financial statements for the financial year 2016-17 during the current year. After the financial statements were re-stated it was found that the Managing Director (MD) of that period, who is now retired, was paid excess remuneration to the extent of ₹ 5,00,000. State whether such excess amount is recoverable.

(Study Mat & ICAI MCQ Booklet)

- Nothing can be recovered from the ex-MD
- Excess amount shall be recovered irrespective of whether at present he is MD or not
- Only 50% of excess amount is recoverable because no fraud is involved
- Only 25% of excess amount is recoverable because no fraud is involved

Q31: Due to non-compliance of certain requirements under the Companies Act, 2013 not amounting to fraud, Super-Market Limited was required to re-state its financial statements for the

financial year 2017-18 during the current year. After the financial statements were restated, it was found that Mr. Kumar, the Managing Director (MD) of that period, who is now retired, was paid excess remuneration to the extent of ₹ 5,00,000. In the given situation, choose the correct option out of those given below, which indicates whether such excess remuneration paid to ex-MD Mr. Kumar is recoverable or not.

(MTP May 2022 & RTP Nov 2022)

- (a) Excess remuneration of ₹ 5,00,000 paid to Mr. Kumar, ex-MD of Super-Market Limited, cannot be recovered since such recovery after retirement is invalid.
- (b) Excess remuneration of ₹ 5,00,000 paid to Mr. Kumar, ex-MD of Super-Market Limited, shall be recovered irrespective of his retirement from the company.
- (c) Only ₹ 2,50,000, being 50% of excess remuneration of ₹ 5,00,000, paid to Mr. Kumar, ex-MD of Super-Market Limited, is validly recoverable because no fraud implicating him is involved.
- (d) Only ₹ 1,25,000, being 25% of excess remuneration of ₹ 5,00,000, paid to Mr. Kumar, ex-MD of Super-Market Limited, is validly recoverable because no fraud implicating him is involved

Section 202

Q32: The compensation for loss of office cannot be paid to _____

- (a) Manager
- (b) Managing Director
- (c) Whole-time director
- (d) Non-executive director

Q33: Mr. N, Managing Director resigned w.e.f. 13th March, 2014 due to pre-occupation. Mr. M, Whole Time Director and Mr. O, Director, resigned w.e.f. 20th March, 2015 as a part of reconstruction of the company. Mr. M and Mr. O made an application to the Board for compensation for loss of office. When Mr. N came to know that he also asked for compensation. Who will be eligible for such compensation?

(ICAI Sample MCQ)

- (a) Mr. N;
- (b) Mr. M;
- (c) Mr. N & Mr. M;
- (d) Mr. M & Mr. O

Q34: Mr. Saurabh was appointed as the Managing Director of Khanna Limited for a period of 5 years. However, his services were terminated after he had completed the service of 18 months. Mr. Saurabh is entitled to a

compensation for a period of _____ calculated on the basis of _____

- (a) 3 years; average remuneration which he would have earned during the initial 3 years of his service
- (b) 3 years; average remuneration which he actually earned during 18 months of his service
- (c) 3 years and 6 months; average remuneration which he would have earned during the initial 3 years of his service
- (d) 3 years and 6 months; average remuneration which he actually earned during 18 months of his service

Q35: Mr. Gopal is the Managing Director of RSB Limited. The Company wants to vacate the post of Managing Director on March 31, 2018 and appoint Mr. Rishi in place of Mr. Gopal due to hands on experience and better track records. The tenure of appointment of Mr. Gopal is upto 1st August, 2022 with the condition that he will get compensation in case of early vacation of his office due to the Company's requirements.

Mr. Gopal was drawing following remuneration during the last five financial years -

<u>FY</u>	<u>Remuneration (₹ in Lakhs)</u>
2013-14	30
2014-15	35
2015-16	40
2016-17	45
2017-18	50

Mr. Gopal approaches you to know the amount of compensation he will be eligible to get from RSB Limited, as per the provisions of the Companies Act, 2013. Advise.

- (a) ₹ 160 lakh
- (b) ₹ 120 lakh
- (c) ₹ 135 lakh
- (d) ₹ 140 lakh

Section 203

Q36: Sunila Interior Decorators and Furnishers Limited which has not accessed the primary market so far, is required to appoint whole-time Key Managerial Personnel (KMPs) in view of the fact that it has surpassed the threshold limit which necessitates such appointment. Out of the three whole-time KMPs which it is obligated to keep on roll, it has already appointed a Managing Director (MD) and a Company Secretary. From the given options, choose the third KMP which needs to be appointed by the company under the given circumstances.

(RTP Nov 19)

- (a) Chief Executive Officer (CEO)
- (b) Chief Financial Officer (CFO)

- (c) Whole-time Director (WTD)
- (d) Chief Manager (CM)

Q37: The appointment of a whole-time company secretary is mandatory when the paid-up share capital of a company is ₹ _____

(Study Mat)

- (a) 2 crores
- (b) 3 crores
- (c) 5 crores
- (d) 10 crores

Q38: Whole-time key managerial personnel of a company can hold office in another company if the other company is:

(Study Mat)

- (a) its holding company
- (b) its subsidiary company
- (c) its associate company
- (d) a small company

Q39: F&I Limited, a listed company under the Companies Act, 2013 has Mr. Abhishek as Chief Financial Officer of the Company. Mr. Abhishek has been in full time employment at F&I Ltd. Now Mr. Abhishek has been offered to be a Whole Time Director at M&N Limited, in which more than 51% of the paid-up share capital is held by F&I Limited. Mr. Abhishek seeks your advice whether he can proceed with the offer of Whole Time Director considering the provisions of the Companies Act 2013.

(ICAI MCQ Booklet)

- (a) Mr. Abhishek may proceed with the offer of Whole Time Director at M&N Ltd., as Key Managerial personnel shall not be disentitled from being a Whole Time Director in any company after obtaining the permission of Board of Directors of F&I Company.
- (b) Mr. Abhishek shall not be able to proceed with the offer of Whole Time Director at M&N Ltd., as a whole time Key Managerial Personnel shall not hold office in more than one company at the same time.
- (c) Mr. Abhishek may proceed with offer of Whole Time Director at M&N Company, as that company is a subsidiary of F&I Company.
- (d) Mr. Abhishek shall not be able to proceed with the offer of Whole Time Director at M&N Ltd., as a whole time Key Managerial Personnel shall not hold office in more than one company at the same time including its subsidiary company.

Q40: M.D.H. Masala Enterprises Limited, a public company incorporated under the Companies Act, 2013 is into the business of trading of various chat masalas used in daily food items. Mr. Vinayak, was appointed as the Chief Financial

Officer of the company on 2nd July, 2017 by the board of Directors. In the upcoming Board Meeting scheduled on 30th April 2020, Mr. Rinkesh aged 55 years was appointed as Managing Director of the company. The Board of Directors also made a reappointment for another term of 3 years in the said meeting. Further in the Annual General Meeting of the company held on 30th June 2020, the appointment of Mr. Rinkesh was approved by the company and the members also noted the reappointment of Mr. Vinayak as Chief Financial Officer for another term of 3 years. You are required to state whether the reappointment of Mr. Vinayak is valid in law?

(ICAI MCQ Booklet)

- (a) Yes, the reappointment of Mr. Vinayak is valid in law as the Board of Director may appoint him for such term as it thinks fit.
- (b) No, the reappointment of Mr. Vinayak is not valid in law as no Key Managerial Person shall be reappointed earlier than one year before the expiry of his term.
- (c) No, the reappointment of Mr. Vinayak is not valid in law as the reappointment has not been subsequently approved by the company in the General Meeting.
- (d) Both (b) and (c)

Q41: In addition to a listed company which other public company is required to have whole-time key managerial personnel?

(Study Mat)

- (a) which has paid-up share capital of ₹ 2 crores
- (b) which has paid-up share capital of ₹ 3 crores
- (c) which has paid-up share capital of ₹ 4 crores
- (d) which has paid-up share capital of ₹ 10 crores

Q42: Mr. Prakash is the Managing director of Dark Limited. Surya Limited also wants to appoint Mr. Prakash as its Managing Director. Surya Limited has 8 directors on its Board. Surya Limited called a board meeting for the appointment of Mr. Prakash as its Managing director. Out of the 8 directors, only 5 turned up for the meeting. Out of these 5 directors, 4 directors voted in favour of appointing Mr. Prakash as Managing director while 1 director abstained from voting. Choose the correct statement in the light of the provisions of Companies Act, 2013.

- (a) Mr. Prakash can be appointed as the Managing director since the resolution by majority of the Board is passed
- (b) Mr. Prakash can be appointed as the Managing director since the unanimous resolution is passed at the Board meeting

- (c) Mr. Prakash cannot be appointed as the Managing director because all 8 directors did not turn up for the meeting
- (d) Mr. Prakash cannot be appointed as the Managing director because consent of all 5 directors present at the meeting is required

Q43: Choose the correct statement in the light of the provisions of Companies Act, 2013 -

- A. A company may employ a person as its Managing Director if he is the Managing Director of another company with the consent of all the directors present at the meeting
- B. A company may employ a person as its Managing Director if he is the Manager of another company with the consent of all the directors present at the meeting
- C. A company may employ a person as its Manager if he is the Managing Director of another company with the consent of all the directors present at the meeting
- D. A company may employ a person as its Manager if he is the Manager of another company with the consent of all the directors present at the meeting

Which of the above statements are correct?

- (a) A and B
- (b) C and D
- (c) A and C
- (d) B and D

Q44: Mr. Raman is a managing director of SLR Ltd. He was proposed to be appointed as director in the same company. Mr. Raman got better opportunity and joined the other company "Alternate Ltd.". He left the office of managing director of SLR Limited. State the correct legal position as to holding of offices of Mr. Raman in the companies-

(MTP May 19)

- (a) He will hold directorship both in SLR Ltd and Alternate Ltd.
- (b) He cannot hold office in Alternate Ltd. being employed as managing director in SLR Ltd.
- (c) He will validly hold all the designated offices in both SLR and Alternative Ltd.
- (d) He can hold directorship only in Alternate Ltd.

Q45: Is it permissible for whole-time key managerial personnel of a company to hold the office of director in any company?

(Study Mat)

- (a) Yes; but with the permission of his Board of Directors
- (b) Yes; but with the permission of shareholders accorded by passing an ordinary resolution
- (c) Yes; but with the permission of shareholders accorded by passing a special resolution

- (d) Yes; but with the permission of shareholders accorded by passing an ordinary resolution which is further ratified by the concerned Registrar of Companies

Q46: Go Dairy Company Limited, a public company incorporated under the Companies Act, 2013 is into the business of selling dairy products through online mode. Mr. Dhaval is holding the position of the Whole Time Director in the Company. During the financial year ended March 2020, the office of Mr. Dhaval got vacated on attracting disqualifications under section 164 of the Companies Act, 2013. You are required to advise how shall the board of Directors fill the vacancy of Mr. Dhaval considering the provisions of the Companies Act, 2013?

(ICAI MCQ Booklet)

- (a) The vacancy shall be filled by the Board at a meeting of the Board within a period of three months from the date of such vacancy.
- (b) The vacancy shall be filled by the Board at a meeting of the Board within a period of six months from the date of such vacancy.
- (c) The vacancy shall be filled by the Board at a meeting of the Board within a period of two months from the date of such vacancy.
- (d) The vacancy shall be filled by the Board at a meeting of the Board within a period of one month from the date of such vacancy.

Section 204

Q47: Who can be appointed as Secretarial Auditor?

(MTP May 2022)

- (a) Any person, who have the audit experience, can be appointed as Secretarial Auditor.
- (b) Any person who is a member of the Institute of Chartered Accountants of India and holding a certificate of practice, can be appointed as Secretarial Auditor.
- (c) Any person who is a member of the Institute of Company Secretaries of India and holding a certificate of practice, can be appointed as Secretarial Auditor.
- (d) Any person who is a member of the Institute of Cost Accountants of India and holding a certificate of practice, can be appointed as Secretarial Auditor.

Q48: In addition to listed company, secretarial audit is required in case of a public company having a paid-up share capital of at least

- (a) ₹ 10 crore
- (b) ₹ 50 crore
- (c) ₹ 100 crore
- (d) ₹ 250 crore

Q49: In addition to listed company, secretarial audit is required in case of a public company having a turnover of at least

- (a) ₹ 100 crore
- (b) ₹ 250 crore
- (c) ₹ 500 crore
- (d) ₹ 1,000 crore

Q50: In addition to listed company, secretarial audit is required in case of a _____ having outstanding loans or borrowings from banks or Public financial institutions of at least _____

- (a) public company; ₹ 100 crore
- (b) public as well as private company; ₹ 100 crore
- (c) public company; ₹ 250 crore
- (d) public as well as private company; ₹ 250 crore

Mixed MCQs of Directors for practise

Q51: Mr. D holds directorship in 10 Public Companies and 11 Private Companies as on 31.05.2022. One of the above Private Company is a dormant Company. Further on 30.06.2022 a Private Company has become a subsidiary of a Public Company.

In the light of the provisions of the Companies Act, 2013 examine and decide the validity of holding directorship of Mr. D with reference to number of directorship as on 31.05.2022 and as on 30.06.2022.

(MTP May 2023)

- (a) Holding of directorship of Mr. D as on 31.05.2022 is invalid whereas holding of directorship of Mr. D as on 30.06.2022 is valid
- (b) Holding of directorship of Mr. D as on 31.05.2022 is valid whereas holding of directorship of Mr. D as on 30.06.2022 is not valid
- (c) Holding of directorship of Mr. D as on 31.05.2022 is valid whereas holding of directorship of Mr. D as on 30.06.2022 is also valid
- (d) Holding of directorship of Mr. D as on 31.05.2022 is invalid whereas holding of directorship of Mr. D as on 30.06.2022 is also invalid.

Q52: ABHI Limited, a listed company, proposed Mr. Arun and Mr. Raj, before the Board to appoint one of them as a Small Shareholder Director (SSD).

Particulars about proposed SSD's

Mr. Arun	He holds 50 preferential shares of ABHI Limited. Also, currently working as Small Shareholder's Director in Sona
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	Limited, which is not competing in business to ABHI Limited
Mr. Raj	He is not holding any shares of ABHI Limited. He is currently representing two different companies, one as a director and another as a Small Shareholder Director

Requirement: Examine in the light of the given facts as per the Companies Act, 2013, the correct statement on the validity of the proposal of appointment of Mr. Arun and Mr. Raj as a Small Shareholder Director in ABHI Limited?

- (i) Proposal to appoint Mr. Arun is only valid and he can be appointed as Small Shareholder Director as he is holding shares of ABHI Limited though he is a SSD in Sona Ltd.
- (ii) Proposal to appoint Mr. Raj is invalid as he is not eligible to be appointed as a SSD as already he is holding a directorship in two different companies and also having no shares in ABHI Ltd.
- (iii) Proposal of appointment of Mr. Raj and Mr. Arun, both is valid as they are eligible to be appointed as SSD's in ABHI Ltd., irrespective of their holding as a Small Shareholder Directorship in one of the companies.
- (iv) Proposal of appointment of Mr. Raj and Mr. Arun is invalid as both are ineligible to be appointed as SSD's as they are being a director in more than two companies.

(RTP Nov 2023)

- (a) Statement (i) only
- (b) Statements (i) & (ii)
- (c) Statement (iii) only
- (d) Statement (iv) only

Q53: Ruby is a woman director in ABC Ltd. The Company held four meetings of the Board in the financial year 2022-23, but Ruby remained absent in all such meetings. However, she sought leave of absence in all such meetings and mentioned the person reasons. Based on this facts, which among the following statement is correct:

(MTP Nov 2023)

- (a) Ruby's office as a director shall become vacant.
- (b) Since Ruby is a woman director, she can ask for leave of absence.
- (c) Ruby is close to the promoter of the company, hence if the promoter wish, she may continue to hold the office of director.
- (d) If Ruby joins the immediate next meeting, she can continue to hold the directorship

Q54: In a listed entity, who among the following shall not be entitled to any stock option:

(MTP Nov 2023)

(a) Managing Director

- (b) Woman Director
(c) Whole-time Director
(d) Independent Director

Answer Key

Q1.	(a)	Q2.	(b)	Q3.	(a)	Q4.	(c)	Q5.	(c)	Q6.	(b)	Q7.	(c)	Q8.	(a)	Q9.	(b)
Q10.	(d)	Q11.	(d)	Q12.	(d)	Q13.	(d)	Q14.	(c)	Q15.	(d)	Q16.	(c)	Q17.	(d)	Q18.	(d)
Q19.	(c)	Q20.	(a)	Q21.	(a)	Q22.	(c)	Q23.	(a)	Q24.	(c)	Q25.	(d)	Q26.	(a)	Q27.	(c)
Q28.	(b)	Q29.	(b)	Q30.	(b)	Q31.	(b)	Q32.	(d)	Q33.	(b)	Q34.	(b)	Q35.	(c)	Q36.	(b)
Q37.	(d)	Q38.	(b)	Q39.	(c)	Q40.	(a)	Q41.	(d)	Q42.	(d)	Q43.	(a)	Q44.	(c)	Q45.	(a)
Q46.	(b)	Q47.	(c)	Q48.	(b)	Q49.	(b)	Q50.	(b)	Q51.	(b)	Q52.	(c)	Q53.	(a)	Q54.	(d)

Case Study Based MCQs

Case Study (RTP May 20) - Ali Baba Limited is a listed company incorporated under the provisions of Company Law having its registered office at Andhra Pradesh. Mrs. Smart is a Managing Director of Ali Baba Limited since its incorporation. She was first director and one of the promoters of the company. She has vast experience of managing the company in very efficient manner.

Ali Baba Ltd. is a holding company of PM Limited with a Fira Private Limited as a subsidiary to PM Limited. Following are the details pertaining to the incorporation of the related entities and its capital structure -

S.No.	Particulars	Ali Baba Limited	PM Limited	Fira Private Limited
1.	Date of Incorporation	17/09/1985	06/09/1988	28/09/1989
2.	Place of Registered Office	Andhra Pradesh	Delhi	Hyderabad
3.	Authorised Share Capital	₹ 100,00,00,000/-	₹ 20,00,00,000/-	₹ 10,00,00,000/-
4.	Paid Up Share Capital	₹ 99,00,00,000/-	₹ 10,00,00,000/-	₹ 10,00,00,000/-

Under the guidance of Mrs. Smart, Ali Baba Limited acquired shareholding in PM Limited and thus resulting it into a subsidiary company of Ali Baba Limited. Now the Board of Directors of Ali Baba Limited wishes to nominate Mrs. Smart for the position of Managing Director in PM Limited and also to appoint her as Whole Time Director (WTO) in Fira Private Limited, which is a wholly owned subsidiary (WOS) of PM Limited.

Therefore, the Board of Directors of PM Limited passed a Board Resolution through resolution by circulation to appoint Mrs. Smart as Managing Director of the company. Subsequently, the Board of Directors of Fira Private Limited passed the Board Resolution at Board Meeting, wherein all directors present in the meeting approved the resolution for appointing her as Whole Time Director of the company and then subsequent to unanimous Board approval, Fira Private Limited also conducted the general meeting for getting approval of shareholders and passed the ordinary resolution to appoint her as Whole Time Director in the company.

Further, for appointment of Mrs. Smart, PM Limited and Fira Private Limited had complied with Schedule V of the Companies Act, 2013 as a result respective companies did not take any approval from Central Government for her appointment as Managing Director and Whole Time Director respectively.

Based on the above provided information and in the light of applicable provisions of the Companies Act, 2013, read with Schedule V of the Act, you are asked to advice on the following Multiple Choice Questions -

Multiple Choice Questions (MCQs)

1. State on the validity of the appointment of Mrs. Smart as Managing Director in PM Limited in terms of the provisions of the Companies Act, 2013?
 - (a) Invalid, as no such appointment was made or approved by resolution passed at the board meeting with the consent of all the directors present at the meeting and supported by general meeting's ordinary resolution under section 196.
 - (b) Valid as whole time KMP shall hold office in its subsidiary at the same time.
 - (c) Valid with further approval of the Central Government
 - (d) Invalid because a person cannot hold more than one office as Managing Director
2. Whether Mrs. Smart appointment as Whole Time Director in Fira Private Limited is valid as per provisions of the Companies Act, 2013?
 - (a) No, because being Fira Private Limited is private company so rule 8 & 8A of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, not applicable
 - (b) Yes, as per section 2(71) it is deemed as public Co.
 - (c) Yes, on further approval of Central Government
 - (d) No, because of restriction under section 203(3) on appointment in more than one company.
3. What will be legal position as to the appointment of Mrs. Smart as Managing Director in PM

- Limited, if Ali Baba Limited is a Government Company?
- (a) Invalid due to non-compliance of section 203
(b) Valid in light of the provisions 203(4A)
(c) Valid with approval of central government
(d) Invalid because a person cannot hold office of Managing Director in more than 1 company.
4. What is the status of Fira Private Limited for the purpose of the applicability of the Companies Act, 2013, if Ali Baba Limited is a Government Company?
- (a) Private Company
(b) Public Company
(c) Government Company
(d) Associate Company
5. Whether appointment of Mrs. Smart as Whole Time Director in Fira Private Limited is legally acceptable, if Ali Baba Limited is a Government Company?
- (a) No, because being Fira Private Limited is private company so rule 8 & 8A of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, not applicable
(b) Yes, because section 203 is not applicable on Government Companies
(c) Yes, with further approval Central Government
(d) No, because of restriction under section 203(3)

[Hint - Subsidiary of Government company is a government company]

Answer Key

1.	(a)	2.	(b)	3.	(b)	4.	(c)	5.	(b)
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Case Study (MTP Nov 2020, MTP Nov 2023 & ICAI MCQ Booklet) - Mr. Shyam was removed from A Ltd. by the Board in which he was serving as a managing director, a whole - time key managerial personnel, with the condition that he will get compensation for his early vacation of office. The office of Mr. Shyam was vacated on 31.05.2020 and his original tenure of appointment with A Ltd. was upto 31.12.2022.

The remuneration drawn by Mr. Shyam since the date of his joining the office is as follows -

F.Y.	Remuneration (₹ in lakhs)
2018-19	55
2019-20	62
2020-21	13

The data collected from the balance sheet of A Ltd. as on 31.03.2020 is as follows:

Particulars	(₹ in Lakhs)
Paid-up share capital	1,000
Share application money	200
General Reserve	500
Revaluation Reserve	250
Securities Premium Account	300
Long term loan	400
Funded Interest Term Loan (Payable after 1 year)	100
Working capital Loan	200
Mutual Fund Investments	350
Miscellaneous expenditure not written off	50

Mr. Tushar was appointed as the new managing director of A Ltd. on 1.08.2020 as a replacement of Mr. Shyam. The company decided to pay remuneration to Mr. Tushar as per Section 197(4) of the Companies Act, 2013. It was also decided to pay him following additional perquisites/ remuneration for F.Y. 2020-21 -

Particulars	(₹ in Lakhs)
Dearness Allowance	7
House Rent Allowance	5
Contribution to annuity fund	6
Reimbursement of direct taxes	4

Additional Remuneration per month*	2
Sitting fees payable for a board meeting#	1

*Remuneration for service to be provided by him in capacity of Consultant. Also, he possesses requisite qualification for the same as opined by the Nomination and Remuneration Committee.

Mr. Tushar had attended 4 board meetings till 31.03.2021.

One of the members of A Ltd., Mr. Jay wanted to inspect contract of service entered into by A Ltd. with Mr. Tushar but Mr. Jay was denied to have such inspection on the grounds that the contract with Mr. Tushar was not in writing.

Based on the above case scenario, answer the following questions -

Multiple Choice Questions (MCQs)

1. The maximum amount of compensation to which Mr. Shyam is entitled for premature termination of his office shall be -

- (a) ₹ 1.1194 crores
(b) ₹ 1.51125 crores
(c) ₹ 1.80 crores
(d) ₹ 1.55 crores

[Hint - As per section 202]

Average remuneration earned by him during the 3 years or lesser period (in case he held office for less than 3 years), preceding the date on which he ceases to hold office	=	$\frac{(55+62+13)}{(12+12+2)}$ lakhs months
	=	₹ 5 lakhs per month
His remaining term or 3 years, whichever is less	=	31 months
Compensation	=	31 months X 5 lakhs
	=	₹ 1.55 crore

2. The 'effective capital' of A Ltd. shall be -

- (a) ₹ 18 crores
(b) ₹ 21 crores
(c) ₹ 19 crores
(d) ₹ 16 crores

[Hint - Calculation of effective capital]

Particulars	₹ in lakhs
Paid-up share capital (excluding share application money)	1,000
+ General Reserve	500
+ Securities Premium Account	300
+ Long term loan	400
+ Funded Interest Term Loan (Payable after 1 year)	100
- Mutual Fund Investments	(350)
	(50)

Miscellaneous expenditure not written off	
Effective capital	1,900

3. The maximum amount that can be paid to Mr. Tushar as per the provisions of Companies Act, 2013 for F.Y. 2020-21 shall be -

- (a) ₹ 98 lakhs
(b) ₹ 86 lakhs
(c) ₹ 82 lakhs
(d) ₹ 62 lakhs

[Effective capital = ₹ 19 crore]

Yearly remuneration as per Schedule V = ₹ 84 lakhs]

Computation of maximum remuneration payable -

Remuneration payable for 8 months (84/12*8)	=	₹ 56 lakhs
+ Additional remuneration for consultancy services (2 lakhs X 8 months)	=	₹ 16 lakhs
+ Sitting fees (1 lakh X 4 meetings)	=	₹ 4 lakhs
+ Contribution to annuity fund (assuming entire sum is tax free)	=	₹ 6 lakhs
Maximum remuneration payable	=	₹ 82 lakhs

4. For removal of Mr. Shyam, which type of resolution was required to be passed and what was the last date till which Mr. Tushar should have been appointed, in case he was not appointed on 1.08.2020?

- (a) Special Resolution and 30.11.2020 respectively
(b) Board Resolution and 30.11.2020 respectively
(c) Ordinary Resolution and 30.11.2020 respectively
(d) Board Resolution and 31.08.2020 respectively

[Hint - Refer Section 203(4)]

5. Whether company's contention for denying inspection to Mr. Jay was correct and if not, what are the consequences of the same?
- (a) Not correct, as contract of service with a managing director should have been made in writing and kept at registered office of the company. A Ltd. liable to pay ₹ 25,000 and every officer in default liable to pay ₹ 5,000 for each default, as a penalty.
- (b) Partially correct, the member has no right to inspect copy of contract of service entered into with managing director but the company has defaulted in not making the contract in writing and accordingly liable to pay ₹ 25,000 and every officer in default liable to pay ₹ 5,000 for each default, as a penalty.
- (c) Not correct, if contract of service is not in writing then a written memorandum should have been prepared depicting terms of contract of service with Mr. Tushar and kept at registered office of the company. A Ltd. liable to pay ₹ 25,000 and every officer in default liable to pay ₹ 5,000 for each default, as a penalty.
- (d) Correct, if contract is not in writing then member cannot ask for inspection of the same and accordingly there are no consequences on the company for such denial.

[Hint - Refer section 190]

Answer Key

1.	(d)	2.	(c)	3.	(c)	4.	(b)	5.	(c)
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Case Study (ICAI MCQ Booklet) - WRPC Limited (WRPC) is a Mumbai-based company, in which the Central Government holds 35% of share capital while the Governments of Maharashtra and Karnataka hold 15% and 10% of share capital respectively. WRPC manufactures corrosion resistant overhead transmission and distribution products.

The internal auditors of the company had raised serious concerns in respect of certain internal control irregularities. During the year 2017-18, WRPC also defaulted in complying with statutory requirements pertaining to filing of its financial statements under Section 137 and Annual Return under Section 92. Consequently, the company received a notice from the Registrar of Companies, Mumbai-Maharashtra to rectify the default.

The Company was also served Show Cause Notices (SCN) by the Revenue Officials on certain GST and Income-tax related issues. The Board of Directors of WRPC consisted of 14 Directors. Due to the increased volume of business, alleged internal control irregularities and lack of professional skills needed for the statutory compliances, the company felt the necessity of inclusion of some senior professionals on its Board. Accordingly, it was thought of inducting Rajan, a Chartered Accountant and Sanjay, a Company Secretary, as the Executive Directors.

Circuit Board Private Limited (CBPL), a Delhi-based company and PISCO Electronics Limited (PISCO Electronics), a Pune-based company, are the two major component suppliers to WRPC. CBPL is a family managed business with fifty-seven shareholders and PISCO Electronics is yet to be a listed company but in near future it intends to get listed. As per the audited financial statements, the paid-up capital and turnover of CBPL and PISCO Electronics were as under:

	Paid-up capital (₹ in crore)		Turnover (₹ in crore)	
	(as on 31.03.2018)	(as on 31.03.2019)	(F.Y. 2017-18)	(F.Y. 2018-19)
CBPL	100	100	315	350
PISCO Electronics	50	50	275	305

CBPL had 4 Directors as on 31.03.2018 and 5 as on 31.03.2019. In case of PISCO Electronics, there were 7 Directors as on 31.03.2018 and 6 as on 31.03.2019. However, none of the companies had appointed any woman Director during these two years.

Ajay Prakash is the Chairman and Managing Director of CBPL. Considering his old age and other health related issues, he wants to retire from the company. Accordingly, he discussed the matter in a Board Meeting and also proposed to explore the possibilities of appointing his eldest son Pranav Prakash (MBA from FMS, University of Delhi) as the Managing Director of the company for a period of 10 years from 1.1.2020 onwards.

The Board Meetings of PISCO Electronics were convened five times during the calendar year 2018. No Board Meeting was held in January or February 2019 but thereafter, six Board Meetings were held during the calendar year 2019.

Vasuki is one of the executive Directors appointed by the PISCO Electronics. He had taken a loan of ₹ one crore from the company on 1.1.2018 after fulfilling the required formalities. The terms and conditions on which the loan was granted specified that Vasuki shall repay the principal amount in 5 years (i.e. 20 quarterly installments of equal amount) and the interest @10% per annum (to be charged at monthly rests on the reducing balance) shall also be paid as and when due.

However, due to the changed economic scenario during 2019, there was a drastic reduction in the normal borrowing rates. Accordingly, Vasuki requested the company for change in his borrowing terms i.e. to reduce the interest rate to 8% per annum from the existing 10% per annum and to increase the period of repayment from the present 20 installments to 30 installments.

Multiple Choice Questions (MCQs)

1. From the case scenario, it is observed that WRPC had 14 Directors but due to increased volume of business, alleged internal control irregularities and professional skills, etc., required for the statutory compliances, the company intended to induct Rajan, a Chartered Accountant and Sanjay, a Company Secretary, as the Executive Directors. Which of the following options is best suited to such a situation:
 - (a) WRPC could appoint either Rajan or Sanjay as Executive Director because in no case the statutory limit of 15 Directors was to be crossed.
 - (b) WRPC increased the total number of Directors to 16 by passing an Ordinary Resolution in a General Meeting of shareholders with a view to appoint both Rajan and Sanjay.
 - (c) WRPC increased the total number of Directors to 16 by passing a Special Resolution in a General Meeting of shareholders with a view to appoint both Rajan and Sanjay.
 - (d) Being a Government company, since WRPC is exempt from passing the Special Resolution in a General Meeting of shareholders for increasing the number of Directors to 16, it increased the total number of Directors to 16 from the existing 14 without passing a Special Resolution and appointed both Rajan and Sanjay.

[Hint - Even though WRPC is a Government company, it is not eligible for the exemption under section 149(1) as it has defaulted in the filing of financial statements and Annual return]
2. From the case scenario, it is noticed that none of the companies had appointed any woman Director though CBPL had 4 Directors as on 31.03.2018 and 5 as on 31.03.2019 and PISCO had 7 Directors as on 31.03.2018 and 6 as on 31.03.2019. Which of the following option is applicable in the given situation:
 - (a) CBPL should appoint at least one woman Director based on audited financial statements as on 31.03.2018.
 - (b) PISCO Electronics should appoint at least one woman Director based on audited financial statements as on 31.03.2018.
 - (c) PISCO Electronics should appoint at least one woman Director based on audited financial statements as on 31.03.2019.
 - (d) CBPL should appoint at least one woman Director based on audited financial statements as on 31.03.2019.

[Hint - CBPL is a Private Company and as per section 149, read with Rule 3, the requirement of woman director is not applicable to a Private company]
3. Which of the following Whole-time Key-Managerial Personnel (KMP), both CBPL and PISCO Electronics are mandatorily required to appoint:
 - (a) A Whole-time Chief Financial Officer.
 - (b) A Whole-time Company Secretary.
 - (c) Both the Whole-time Chief Financial Officer and Whole-time Company Secretary.
 - (d) All the Whole-time Key Managerial Personnel as prescribed by the Companies Act, 2013.

[Hint -CBPL is a Private company and as per section 203 read with Rule 8A, it is just required to appoint a whole-time Company Secretary]
4. In view of the changed economic scenario in the country, Vasuki, one of the Executive Directors of PISCO Electronics, requested the company for change in his borrowing terms i.e. to reduce the interest rate to 8% per annum from the existing 10% per annum and to increase the period of repayment from the present 20 instalments to 30 instalments. Which of the following options is applicable in such a situation:

- (a) The company is permitted to alter the existing terms and conditions relating to outstanding loan of Vasuki in a duly convened Board Meeting where all the Directors present except Vasuki must consent to the proposal.
- (b) The company is permitted to alter the terms and conditions relating to outstanding loan of Vasuki in a duly convened Board Meeting where majority of the Directors present except Vasuki must consent to the proposal.
- (c) The company is permitted to alter the terms and conditions relating to outstanding loan of Vasuki in a duly convened General Meeting by passing a Special Resolution.
- (d) The company is permitted to alter the terms and conditions relating to outstanding loan of Vasuki in a duly convened General Meeting by passing an Ordinary Resolution.

[Hint - Refer section 180(1)(d)]

5. Ajay Prakash, the Chairman and Managing Director of CBPL, desiring to retire due to his old age and health related issues, wants to appoint his eldest son Pranav Prakash as the Managing Director of the CBPL for a period of 10 years from 1.1.2020 onwards. From the following options choose the correct one:

- (a) Pranav Prakash can be appointed as the Managing Director for a term not exceeding 5 years at a time.
- (b) Pranav Prakash can be appointed as the Managing Director for maximum upto 10 years without any restrictions.
- (c) Pranav Prakash can be appointed as the Managing Director for maximum upto 15 years without any restrictions.
- (d) Pranav Prakash can be appointed as the Managing Director for any period without any restrictions since CBPL is a private company.

[Hint - Refer section 196(2)]

Answer Key

1.	(c)	2.	(c)	3.	(b)	4.	(c)	5.	(a)
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Case Study (MTP May 2020 & ICAI MCQ Booklet) - M/s. Sheetal Chemicals Limited (SCL) is a listed company dealing in petrochemicals which are used in numerous household products like wax, detergents, dyes, carpeting, safety glasses, etc. As per the latest audited balance sheet as at 31st March, 2020, its paid-up capital stood at ₹ 40.00 crores against its Authorised Capital of ₹ 50.00 crore. The turnover for the FY 2019-20 was to the tune of ₹ 300.00 crore.

The company has thirteen Directors on its Board namely, A1, B2, C3, D4, E5, F6, G7, H8, I9, J10, K11, L12 and M13 of which A1, B2, C3, D4 and E5 are the independent Directors. The Articles of Association of the company restrict the maximum number of Directors to fifteen.

SCL remains ever-conscious to corporate governance and ensures compliance to legal provisions in both letter and spirit. L12 is the Managing Director of the company whereas M13 is the only woman Director. The company has constituted requisite committees as per the requirements of law. The Audit Committee consists of eight Directors as members i.e. A1, B2, C3, D4, E5, I9, J10 and K11.

Earlier, for the financial year ending 31st March, 2019, the company successfully convened and held Annual General Meeting (AGM) on 25th September, 2019 at its registered office at Pune. On the fateful day of AGM, while returning to Mumbai from Pune by road after her reappointment at AGM, a fatal accident claimed the life of M13 thus snatching an efficient and trustworthy Director from the hands of the company. Later on, a Board Meeting was held on 09-01-2020 and N14, a finance professional and daughter of deceased woman Director M13 was appointed as Director to fill the vacancy of woman Director so created due to the death of M13. It may be noted that before 09-01-2020, a Board Meeting was held on 15-09-2019.

SCL is a growing company which wants to diversify its business into the sphere of agrochemicals also and therefore, desires to bring on its Board O15 who is a chemical engineer with hands-on experience of about twenty years post his qualification in the field of agrochemicals and other petroleum products. Besides production, he is well versed in marketing of agrochemicals both in India and abroad. It is hoped that he shall prove to be a valuable asset to the company. Accordingly, a Board Meeting was held on 6th March, 2020 to appoint O15 as additional Director. As the total strength of Directors was well within the limit prescribed by the Articles, there was no need to alter the Articles.

Multiple Choice Questions (MCQs)

1. After the appointment of O15 as additional Director on 06-03-2020, another Board Meeting of SCL was held on 17-07-2020 through video conferencing. From the given options, choose the correct one which indicates the quorum for the current Board Meeting.
 - (a) Nine Directors
 - (b) Five Directors
 - (c) Four Directors
 - (d) Two Directors
 2. For the purpose of meeting of the Audit Committee of SCL, how many members should be present at such meeting in order to constitute the quorum.
 - (a) All the seven members.
 - (b) Only five members of which minimum two should be independent members.
 - (c) Only three members of which minimum two should be independent members.
 - (d) Only two members of which minimum one should be independent member.
- [Hint - Refer Regulation 18 of SEBI (LODR) Regulations]
3. From the case scenario, it is observed that after the death of M13, her daughter N14 was appointed at a Board Meeting held on 09-01-2020 to fill the vacancy of woman Director. Is the appointment of N14 on 09-01-2020 justified?
 - (a) No. The appointment of N14 should have been made within three months from 25-09-2019.
 - (b) No. The appointment of N14 should have been made within two months from 25-09-2019.
 - (c) No. The appointment of N14 should have been made within one month from 25-09-2019.
 - (d) Yes. The appointment of N14 made at the Board Meeting held on 09-01-2020 is justified.
 4. In the above case scenario, L12 is the Managing Director of SCL. If it is assumed that there is no managing or Whole-Time Director, then in such a situation, how much remuneration the company can pay to all the Directors for the Financial Year 2019-20.
 - (a) 11% of the net profits available for the Financial Year 2019-20
 - (b) 5% of the net profits available for the Financial Year 2019-20
 - (c) 3% of the net profits available for the Financial Year 2019-20
 - (d) 1% of the net profits available for the Financial Year 2019-20
 5. In this case scenario, the Audit Committee formed by SCL contains seven members. If there are only six members in the Audit Committee then out of such six members, minimum how many shall be the independent members?
 - (a) Five
 - (b) Four
 - (c) Three
 - (d) Two

Answer Key

1.	(b)	2.	(c)	3.	(d)	4.	(c)	5.	(b)
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Case Study (MTP May 2020, MTP Nov 2023 & ICAI MCQ Booklet)

Global Trade and Securities (India) Limited (GTSIL) is a listed company having been listed at BSE and NSE. It was incorporated around four and a half years back in June, 2016 and has its registered office at Connaught Place, New Delhi. The authorised and paid-up share capital of the company is ₹ 25.00 crore. GTSIL is duly registered with the Securities and Exchange Board of India (SEBI) for providing merchant banking services. The company offers a varied range of services including issue management, handling of buyback of shares, debt and equity syndication, mergers and acquisitions, listing and delisting, etc. GTSIL is a well-established and reputed name among the regulatory authorities, Government Agencies, law firms, share-brokers, mutual funds, banks and other prominent organizations.

The company is being managed by nine Directors out of which three are independent Directors. Of the other non-independent six Directors, two are non-executive. The four executive Directors i.e. Skand, Srishti, Rina and Rohan are energetic, young and dynamic professionals with vast experience in the field of merchant banking. In the current Financial Year 2020-21, a chance scrutiny of accounts revealed that during the last financial year, by oversight, Rohan, who heads the new issue division of the company, had drawn remuneration in excess of the limit provided by the relevant provisions of law.

The shareholding base of the company is quite wide and therefore, the number of small shareholders having stake in the company is substantial. It so happened that some of them wished to appoint Mukund, a seasoned finance professional, as small shareholders' Director on the Board of the company. After due process, Mukund was appointed by the company as Director to represent small shareholders.

During the financial year 2019-20, the profits of the company rose by around 7.00 crore in comparison to the previous year and therefore, a rise in the dividend per share was expected to be approved in the AGM. Accordingly, a dividend of ₹ 6 per share was declared as against ₹ 4 per share in the preceding year and the same was approved at the AGM

held on 25-09-2020 through video conferencing as permitted by MCA General Circular 20/2020 dated 05-05-2020.

It is a proven fact that PESTEL analysis (i.e. analysis of political, economic, social, technological, environmental and legal factors affecting organizations) has always been a critical aspect for the success of any organization. Keeping this crucial fact in view, the Directors of the company desiring to improve political understanding, after following the due procedure of law in this respect, made one-time political contribution of certain amount in the current Financial Year to Public Vikassheel Dal which is one of the prominent political parties of the country duly registered under Section 29A of the Representation of the People Act, 1951.

Multiple Choice Questions (MCQs)

- According to the case scenario, small shareholders got appointed Mukund as small shareholders' Director on the Board of the company. By choosing the correct option, state as to the minimum number of small shareholders who might have assembled together to get Mukund appointed as Director to represent them.
 - The minimum number of small shareholders must have been not less than one thousand or one-tenth of the total number of such shareholders whichever is lower.
 - The minimum number of small shareholders must have been not less than one thousand or one-tenth of the total number of such shareholders whichever is higher.
 - The minimum number of small shareholders must have been not less than one thousand or one-fifth of the total number of such shareholders whichever is lower.
 - The minimum number of small shareholders must have been not less than one thousand or one-fifth of the total number of such shareholders whichever is higher.
- shareholder's director, what is the nominal value of shares which Mukund is required to own:
 - Mukund is required to own shares of the nominal value of ₹ 20,000 in the company prior to his appointment as small shareholders' Director.
 - Mukund is required to own shares of the nominal value of at least ₹ 10,000 in the company prior to his appointment as small shareholders' Director
 - Mukund is required to own shares of the nominal value of at least ₹ 5,000 prior to his appointment as small shareholders' Director.
 - Mukund is not required to own shares of any nominal value in the company prior to his appointment as small shareholders' Director.
- From the case scenario it is evident that the company made political contributions of certain amount to Public Vikassheel Dal, a prominent political party of the country. As the company is in existence for less than five years, how much amount it might have contributed to the political party in question.
 - Any amount as approved by the Directors.
 - Any amount within the limit of 5% of the average net profits of the last three years.
 - Any amount within the limit of 7.5% of the average net profits of the last three years.

[Hint - Refer section 151]

- (d) Political contribution made by the company is invalid as it is yet to complete five years of its existence.

[Hint - Refer section 182]

4. The above case scenario states that Mukund was appointed as small shareholders' Director on the Board of the company. To be a Director of the small shareholders, what is the nominal value of shares which such Director is required to own:

- (a) Such Director is required to own shares of the nominal value of ₹ 20,000 in the company prior to his appointment as small shareholders' Director.
- (b) Such Director is required to own shares of the nominal value of at least ₹10,000 in the company prior to his appointment as small shareholders' Director.
- (c) Such Director is required to own shares of the nominal value of at least ₹ 5,000 prior to his appointment as small shareholders' Director.
- (d) Such Director is not required to own shares of any nominal value in the company prior to his appointment as small shareholders' Director.

[Hint - Refer section 151]

5. In this case scenario, the name of the company includes the word 'India'. In case a company is desirous of including the words 'British India' in its name, which of the following options is applicable:

- (a) For including 'British India' in its name, such company must be incorporated with minimum Authorised Capital of ₹ 50,00,000.

- (b) For including 'British India' in its name, such company must be incorporated with minimum Authorised Capital of ₹ 75,00,000.
- (c) For including 'British India' in its name, such company must be incorporated with minimum Authorised Capital of ₹ 100,00,000.
- (d) None of the above.

[Hint - Refer Rule 8A(k) of the Companies (Incorporation) Rules, 2014]

6. The above case scenario reveals that Rohan, one of the Directors, had drawn remuneration in excess of the limit prescribed by the relevant provisions. As regards recovery of the excess remuneration drawn by him, which of the following options is applicable:

- (a) The company shall not waive recovery of excess remuneration paid unless approved by a special resolution within one year from the date the sum becomes refundable.
- (b) The company shall not waive recovery of excess remuneration paid unless approved by a special resolution within two years from the date the sum becomes refundable.
- (c) The company shall not waive recovery of excess remuneration paid unless approved by the Central Government.
- (d) The company shall not waive recovery of excess remuneration paid unless approved by a special resolution within three years from the date the sum becomes refundable.

[Hint - Refer section 197(9)]

Answer Key

1.	(a)	2.	(d)	3.	(a)	4.	(d)	5.	(d)	6.	(b)
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Case Study (MTP May 2022) - Sitting over the fence, Shelly opted to face dynamism of consumer preferences, razor-cut competition and changing Government policies to fulfill her inherent passion for exotic make-up brands by launching a beauty product company in Bombay (now Mumbai), supported by her advocate father Bhimsen, elder brother Ashutosh and younger brother Soumit as well as ten close friends, way back in 1984 under the then Companies Act, 1956, much before the air of liberalisation, privatisation and globalisation touched the soil of our country.

The company, Beauty Products Limited with an Authorised Capital of ₹ 30,00,000 divided into 3,00,000 shares of ₹ 10 each (paid-up capital ₹ 25,00,000) and under the brand 'Angelic' began manufacturing cosmetic products like Nail-enamel, Foundation Cream, Compact, Mascara, Eye-pencil, etc. Its products had an international touch and captured the Indian market at a time when the elite class was splurging on imported cosmetics.

This unlisted company, under the strong and able leadership of Shelly, Ashutosh and Soumit, had not only observed a growth trend in terms of its turnover and profitability but had also earned name and fame in the hearts of

consumers as well as cosmetic industry. Ashutosh directed the company in the capacity as Managing Director up to the satisfaction of all.

In 2015, Beauty Products Limited felt the need, decided and raised its Authorised Capital to ₹ 20,00,00,000. Through private placements from time to time, it pumped in more capital and its paid-up capital reached to a level of ₹ 19,50,00,000 as on 31st March, 2021. At this juncture, its turnover was ₹ 850 crore.

The secretarial audit of Beauty Products Limited was started in the year 2018 as the company had crossed the threshold limit relating to turnover as per the audited financial statements as on 31st March, 2017. M/s Keshav and Kaustubh & Associates, a firm of practicing company secretaries, was engaged to carry out the secretarial audit.

In the beginning of the current financial year, the total strength of directors of Beauty Products Limited had reached eleven which included two independent directors. Some of the directors of the company were desirous of appointing Mr. Soumit as Managing Director of the company in place of Mr. Ashutosh, who wanted to leave the office of Managing Director due to intense family pressure. It is to be noted that Mr. Soumit was also holding the office of Managing Director in Glow and Glow Cosmetics Limited which was run by his father-in-law along with his relatives. For the appointment of Mr. Soumit as Managing Director of Beauty Products Limited, a Board Meeting was convened by giving a specific notice of such meeting and of the resolution to be moved thereat, to all the directors then in India. At the Board Meeting, five out of nine directors present in the meeting consented to Mr. Soumit becoming as Managing Director.

By now, Beauty Products Limited had over 150 products catering to every kind of consumer. Included in its diverse portfolio were moisturisers, aloe-vera gels, lip balms, deodorants and a variety of nail-paints to meet the demand of teenagers.

After some time, keeping in view the future expansion, Beauty Products Limited wanted to appoint Mr. Amba Prasad, 74 years of age, as a Whole-time director with the approval of the Board. He had sharp business acumen and wide experience by working at a very senior position in Rich Bank Limited from where he superannuated 14 years back. At a Board Meeting, the proposal to appoint Mr. Amba Prasad as Whole-Time Director was approved with full majority of eight directors attending the Meeting. No further action was taken in this regard.

Multiple Choice Questions (MCQs)

1. As per the case scenario, some of the directors of Beauty Products Limited were desirous of appointing Mr. Soumit as Managing Director of the company, who was also acting as Managing Director in Glow and Glow Limited. At the Board Meeting convened in this respect, five out of nine directors present in the meeting consented to his becoming as Managing Director. Considering the applicable provisions, choose the correct alternative from those given below as to whether or not Mr. Soumit was appointed as Managing Director of Beauty Products Limited?
 - (a) Since more than half directors (i.e. five out of nine directors) attending the Board Meeting consented to Mr. Soumit becoming the Managing Director, he must have been appointed as the Managing Director of Beauty Products Limited.
 - (b) Since minimum two-third directors (i.e. six out of nine directors) attending the Board Meeting must consent to Mr. Soumit becoming the Managing Director, he could not have been appointed as the Managing Director of Beauty Products Limited.
 - (c) Since minimum three-fourth directors (i.e. seven out of nine directors) attending the Board Meeting must consent to Mr. Soumit becoming the Managing Director, he could not have been appointed as the Managing Director of Beauty Products Limited.
 - (d) Since all the directors attending the Board Meeting must consent to Mr. Soumit becoming the Managing Director, he could not have been appointed as the Managing Director of Beauty Products Limited.
2. It is evident from the case scenario that the proposal to appoint Mr. Amba Prasad, aged 74 years, as Whole-time Director was approved by the Board of Directors of Beauty Products Limited. Select the correct alternative from the following options that indicates the validity or invalidity of appointment of Mr. Amba Prasad as a Whole-Time Director of the company after approval of proposal by the Board:
 - (a) In view of the fact that Mr. Amba Prasad has crossed the age of 70 years, his appointment as a Whole-Time Director would be considered as valid only when an ordinary resolution is passed and thereafter, sanction of National Company Law Tribunal is sought.
 - (b) Even if Mr. Amba Prasad has crossed the age of 70 years, his appointment as a Whole-time

- Director would be considered as valid since it was approved by all the eight directors who attended the Board Meeting.
- (c) In view of the fact that Mr. Amba Prasad has crossed the age of 70 years, his appointment as a Whole-time Director would not be considered as valid since it was not approved by all the eleven directors.
- (d) In view of the fact that Mr. Amba Prasad has crossed the age of 70 years, his appointment as a Whole-time Director would be considered as valid only when a special resolution is passed and if no such special resolution is passed, but the votes cast in favour of motion exceed the votes, if any, cast against the motion and the Central Government approves such appointment.
3. Suppose Mr. Amba Prasad, after due formalities, is appointed as Whole-Time Director of Beauty Products Limited, then what would be the maximum term for which he can be so appointed:
- (a) The appointment of Mr. Amba Prasad as Whole-Time Director of Beauty Products Limited would be for a maximum term of three years.
- (b) The appointment of Mr. Amba Prasad as Whole-Time Director of Beauty Products Limited would be for a maximum term of five years.
- (c) The appointment of Mr. Amba Prasad as Whole-Time Director of Beauty Products Limited would be for a maximum term of seven years.
- (d) The appointment of Mr. Amba Prasad as Whole-Time Director of Beauty Products Limited would be for a maximum term of ten years.
4. The case scenario mentions that in the year 2018, secretarial audit of Beauty Products Limited was started as the company had crossed the threshold limit relating to turnover. At that time, what could be the threshold limit relating to turnover which necessitated starting of secretarial audit:
- (a) At the time starting secretarial audit in the year 2018, the turnover of Beauty Products Limited must have been ₹ 300 crore or more.
- (b) At the time starting secretarial audit in the year 2018, the turnover of Beauty Products Limited must have been ₹ 250 crore or more.
- (c) At the time starting secretarial audit in the year 2018, the turnover of Beauty Products Limited must have been ₹ 150 crore or more.
- (d) At the time starting secretarial audit in the year 2018, the turnover of Beauty Products Limited must have been ₹ 100 crore or more.

Answer Key

1.	(d)	2.	(d)	3.	(b)	4.	(b)
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Case Study (MTP Nov 2022) - Sumona is the Managing Director of Everest Marbles Limited (EML). She joined the EML as an Officer and gradually promoted and reached to the position of General Manager. She was elevated to the post of Managing Director with effect from 30th April, 2021. Sumona celebrated her 70th birth day on 10th June 2022.

Dharmesh, one of the directors of the company went to Germany in May 2021 for his medical treatment. After May 2021 to June 2022, the Board's Meetings of the Company were held 6 times and in all these meetings Dharmesh neither joined the Board's Meeting physically nor through the Video Conferencing. However, every time he sought the leave of absence of the Board quoting the reason of having undergone major surgical operation in Germany, he is confined to bed and cannot move.

Samant, another director of the company got a ticket of MP from a political party, for the upcoming election to be held in December, 2022. The Political Party insisted Samant to get some contribution from his company.

Samant put a request before the Board Members to make political contribution to the tune of 10 lakh rupees. It is to mention here that the company is incurring losses for the past three years and the accumulated losses as at the end of the FY ending of March 2022 amounted to 25 crores. The company's paid-up is 150 crore rupees.

Raghvan, is a Chartered Accountant (CA) and is designated as Chief Financial Officer (CFO) of the company. He tendered his resignation to the company on account of personal reasons. Triloki, who is junior to Raghvan, was designated as new CFO. Triloki is not having formal qualification of accounting like CA, but is well versed with the accounting principles by virtue of his experience in the accounts department.

Multiple Choice Questions (MCQs)

1. Whether Sumona, after reaching of age of 70 years, can continue to remain on the position of Managing Director:
 - (a) No, after reaching of the age of 70 years, no person is allowed to remain on the position of Managing Director
 - (b) The Company may by passing a special resolution along with the explanatory statement annexed to the notice for such motion, in the General Meeting, may continue Sumona for the post of Managing Director
 - (c) Since Sumona was appointed as Managing Director with effect from 30th April, 2021, so she can continue up to 5 years from the date of appointment
 - (d) The Board of Directors may pass a resolution for continuation of Sumona for the post of Managing Director
2. What is the consequence for not attending of the Board's Meeting by Dharmesh:
 - (a) Dharmesh will continue to hold the position of directorship.
 - (b) Dharmesh has every time sought the leave of absence of the Board, hence he can continue to hold the directorship.
 - (c) Dharmesh shall be required to vacate his office of director irrespective of the fact that he sought absence of leave of the Board
 - (d) Since Dharmesh could not joined the Board's Meeting due to his ill health, so on the medical ground, he is exempted from the provision and can continue to hold the office of director.
3. Samant put a request before the Board Members to make political contribution to the tune of 10 lakh rupees on being insisted by the Political Party insisted. In the light of the given facts, which among the following statement with regards to political contribution by EML, is correct:
 - (a) Only a profit-making company can make political contribution.
 - (b) There is ceiling of 0.10% of the paid-up capital.
 - (c) There is ceiling of 0.10% of the profit as per the latest audited financial statements, since the company has incurred losses, hence not eligible to make political contribution.
 - (d) A company which has been in existence for 3 years or more may contribute any amount to any political party subject to the passing of such resolution in its Board's Meeting.
4. State whether Triloki is eligible to be appointed as CFO:
 - (a) No, as CFO should necessarily be a Chartered Accountant
 - (b) No, as CFO should have accounting knowledge
 - (c) Yes, he can be appointed as CFO, as he is well versed with the accounting principles by virtue of his experience in the accounts department.
 - (d) No, as per requirement, CFO should be a Cost Accountant
5. What's the requirement for the appointment of Triloki as CFO in the company?
 - (a) The CFO shall be appointed by means of a resolution of the Board containing the terms and conditions of the appointment including the remuneration.
 - (b) The CFO shall be appointed by the Audit Committee of the Board by means of a resolution containing the terms and conditions of the appointment including the remuneration.
 - (c) The CFO shall be appointed by means of a special resolution by the members in the General Meeting containing the terms and conditions of the appointment including the remuneration.
 - (d) The CFO shall be appointed by means of an ordinary resolution by the members in the General Meeting containing the terms and conditions of the appointment including the remuneration.

Answer Key

1.	(b)	2.	(c)	3.	(d)	4.	(c)	5.	(a)
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Case Study (RTP Nov 2023) - The Regional Director while carrying out the processing of the DIR-5 form which dealt with the Application for surrender of Director Identification Number, pursuant to section 153 & Rule 11(f) of Companies (Appointment and Qualification of Directors) Rules, 2014, observed that Mr. Brij, an individual, had applied for and obtained two Director Identification Numbers on the Ministry of Corporate Portal as per details given below:

S. No.	No. of DINs	DIN	Obtained on
1	First one	DIN 02191513	23 August 2010
2	Second one	DIN 08028478	4 January 2021

Upon observing the two DINs by an individual, the Regional Director issued directions to the Registrar of Companies (RoC) of the jurisdiction, vide the office letter dated 5th September, 2022 to take necessary action for violation of section 155 of the Companies Act, 2013.

Upon receipt of the directions from the Regional Director, the RoC having reason to believe that the Mr. Brij, had violated the provisions of the Companies Act, 2013, by obtaining more than one DIN. RoC issued a show cause notice to the Mr. Brij on 19th October, 2022 for violation of Provisions of section 155 of the Companies Act, 2013 asking him to show cause as to why penal actions could not be initiated against him for the alleged violation.

Mr. Brij had admitted having obtained two DIN(s) in the first place and further he stated that one of the DIN being surrendered and justified his action.

- Does the surrender of DIN in the given case scenario by Mr. Brij is justifiable and held no liability under the Companies Act, 2013.
 - Yes, by surrender of one of the DIN, he justified his action and will not be liable for any penal action.
 - No, as Mr. Brij has already been allotted a DIN under section 154, he shall not apply for, obtain or possess another DIN and will be liable for penal action.
 - Yes, paying fine and surrendering DIN, will be considered as good to compliance and make him not liable for any penal action.
 - Yes, on an application made by Brij to surrender his DIN along with declaration that said DIN has never been used, can exonerate him from penal action.
- State which of the following may be the valid reasons for surrender of the DIN by Mr. Brij in the provided situation-

Statement I: the DIN found is not duplicated

Statement II: DIN was not obtained in a wrongful manner/by usage of fraudulent means here.

Statement III: On an application made by him to surrender his DIN along with declaration that he has never been appointed as director in any company and the said DIN has never been used for filing of any document with any authority.

 - Both Statement I and II are correct
 - Both Statement II and III are correct
 - Statement III only is correct
 - All the Statement I,II &III are correct
- Who shall be considered as liable for issue of more than one DIN to Mr. Brij:
 - The Central government who allotted a Director Identification Number (DIN) to the applicant, Mr. Brij.
 - Regional director, who examined, application of Mr. Brij and verified to be completed in all the sense.
 - Mr. Brij, himself for default in compliance with the provisions of section 152, section 155 and section 156.
 - The Registrar or any other officer or authority who issued the DIN as authorised by the Central Government.
- Compute the total penalty levied on person as per above question by the RoC, if the default after the first default continued by further period of 907 days -
 - 5,02,000
 - 5,00,500
 - 5,04,000
 - 5,03,500

[Hint - Sec. 159 [50,000 + (500 X 907)]]

Answer Key

1.	(b)	2.	(c)	3.	(c)	4.	(d)
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Chapter 4

Inspection, Inquiry and Investigation

(Section 206- 229)
read with

The Companies (Inspection, Inquiry & Investigation) Rules, 2014

Section 206

Q1: A group of shareholders of DHFL Limited made a complaint to the concerned Registrar of Companies (RoC) that the business of the Company is being carried on for unlawful and fraudulent purposes and filed an application to enquire into the affairs of the Company. Referring to the provisions of Companies Act, 2013; examine as to whether RoC has that power or not.

- (a) Yes, the RoC has the power to order for an inquiry as he deems fit if he is satisfied that the business of a company is being carried on for a fraudulent or unlawful purpose
- (b) RoC can conduct such enquiry only after obtaining the previous approval of Central Government
- (c) RoC can conduct such enquiry only after obtaining the previous approval of NCLT
- (d) No, RoC is not authorised to conduct such an enquiry

Q2: What is the circumstance in which notice can be served for inspection of books etc. under section 206(3) of Companies Act, 2013?

(ICAI MCQ Booklet)

- (a) If no information or explanation is furnished to the Registrar which in the time specified under section 206(1)
- (b) If the Registrar on an examination of the documents furnished is of the opinion that the information or explanation furnished is inadequate
- (c) If the Registrar is satisfied on a scrutiny of the documents furnished, that an unsatisfactory state of affairs exists in the company and the company and the information or documents do not disclose a full and fair statement of the information required.
- (d) All of the above.

Q3: Mr. Sharma who was a Key Managerial Personal (Manager) of XYZ Ltd. retired on 12th May 2018. An examination of the final accounts of the company for the year ended on 31st March 2018, the Registrar of Companies found some serious irregularities in writing off of the huge amounts

of bad debts and no satisfactory explanation was provided for the same from the company. In such a situation the Registrar of Companies wants some explanation from the company and Mr. Sharma. Can the ROC seek explanation from Mr. Sharma? Advice -

(Study Mat, ICAI MCQ Booklet & MTP Nov 19)

- (a) No, Mr. Sharma can't be called upon, as he does not hold the position in the company any more.
- (b) Mr. Sharma can be called upon within a period of one year from the date of completion of his service.
- (c) Mr. Sharma can be called upon for necessary explanation within a period of 180 days from the date of leaving his office through a written notice served upon him.
- (d) Mr. Sharma can be called upon by the Registrar through a written notice served on him without any time period limit.

Q4: Kumar Ltd. filed a complaint to conduct an inquiry against the past directors who were in whole time employment of the company for the entering into an arrangement of business of vested interest. Registrar was of the opinion that further information were necessaited to disclose the state of affairs that existed in the company. A notice was served to the company to furnish such information. Examine in the light of the given situation, the correct statement of the following as to the conduct of enquiry in the said matter-

(MTP Nov 19)

- (a) No enquiry can be conducted on said business arrangement because past directors are no more part of the Kumar Ltd.
- (b) Enquiry can be conducted by seeking an information by serving notice to the Kumar Ltd and all the officers.
- (c) Enquiry can be conducted by seeking required information from the past directors (officers who were earlier in employment of the company) and they are bound to furnish information and explanation to the best of their knowledge.
- (d) No enquiry can be conducted as central government is authorised to look into the matter.

Q5: Registrar issue a written notice to Miss Neha who is an ex-employee of Himalya Ltd. demanding information and explanation and production of documents. She ignored the notice considering that she is no more an employee of the company. Choose the right option in the light of the Companies Act, 2013.

(ICAI MCQ Booklet)

- (a) She is liable to provide such information.
- (b) Officer in place of Miss Neha is liable to provide such information.
- (c) Company is liable to provide such information.
- (d) None of the above.

Section 208

Q6: The Registrar or Inspector shall, after the inspection of the books of account or an enquiry, submit a report in writing to _____ and such report may include a recommendation that further investigation into the affairs of the company is necessary.

- (a) Central Government
- (b) NCLT
- (c) High Court
- (d) Special Court

Q7: While conducting an inspection under section 207 of the Companies Act, 2013, the inspector noticed various irregularities. The inspector seeks necessary explanations from the Directors concerned regarding those irregularities. The Director furnished necessary explanations and accordingly the inspector prepared the inspection Report under section 208 of the Act. You are required to state that to whom the inspection report shall be submitted and whether an inspector has the right to make recommendations for further investigation?

(ICAI MCQ Booklet)

- (a) The inspection report shall be submitted to the Tribunal and the Inspector has a right to make recommendations for further investigation provided he has given his reasons in support for such recommendations.
- (b) The inspection report shall be submitted to the Registrar of Companies and the Inspector has a right to make recommendation for further investigation provided he has given his reasons in support for such recommendations.
- (c) The inspection report shall be submitted to the Central Government and the Inspector has a right to make recommendations for further investigation provided he has given his reasons in support for such recommendation.
- (d) The inspection report shall be submitted to the Serious Fraud Investigation Office (SFIO) and the Inspector has a right to make recommendations for further investigation

provided he has given his reasons in support for such recommendation.

Section 209

Q8: The Registrar or Inspector is entitled to enter, search and seize the books and papers of a company only after obtaining an order from _____

- (a) Central Government
- (b) NCLT
- (c) High Court
- (d) Special Court

Q9: A group of creditors of X Limited makes a complaint to the Registrar of Companies. They asserted that the management of the company is indulged in destruction and falsification of the accounting records of the company. The complainants request the Registrar to take an immediate step to stop the management to tamper with the records. The complaint was received in the morning on 1st January 2019 and the ROC entered the premises within half an hour for the search. The course of action that can be taken by Registrar are:

(Study Mat, ICAI Sample MCQ, ICAI MCQ Booklet & MTP May 19)

- (a) Registrar may enter and search the place where such books or papers are kept and seize them.
- (b) Registrar may enter and search the place where such books or papers are kept and can seize only after obtaining an order from the special court.
- (c) Registrar may enter and search the place where such books or papers are kept only on the order of the NCLT.
- (d) Registrar may enter and search the place where such books or papers are kept and give an opportunity to the company to represent why such documents may not be seized.

Q10: After obtaining the order from special court, Registrar entered the premises of Vidyut Limited and seized the books of accounts of past 5 years. Basis the provisions of Companies Act, 2013; what is the maximum time for which the Registrar can keep such documents in his custody.

- (a) 30 days
- (b) 90 days
- (c) 180 days
- (d) 210 days

Q11: During the inspection, Inspector has reasonable ground to believe that the books and papers of a company, are likely to be destroyed. He filed application for the same to the special court and seized such books and papers. State which of

the following statement is valid in terms of the returning of such books and papers of a company by the Inspector:

(MTP Nov 2021)

- (a) It can returned any time after the investigation is over
- (b) within 180th day after such seizure
- (c) After 180th day any time
- (d) Anytime once the inspector is satisfied that no such the books and papers are likely to be destroyed.

Section 210

Q12: Central Government may order investigation into the affairs of the company on receipt of an intimation of _____ passed by a company that the affairs of the company ought to be investigated

- (a) Ordinary resolution
- (b) Special resolution
- (c) Unanimous resolution of board
- (d) Resolution by majority passed at a board meeting

Q13: The shareholders of Ravi Ltd. passed a special resolution that the affairs of the company ought to be investigated. The company submitted the special resolution to the Central Government.

(ICAI MCQ Booklet)

- (a) Power of the Central Government to order an investigation is discretionary.
- (b) Power of the Central Government to order an investigation is mandatory.
- (c) Central Government is not empowered to pass order of investigation in case of non-government companies.
- (d) None of the above

Q14: Central Government may order investigation into the affairs of the company in which of the following cases -

- (a) On receipt of inspection report from Registrar
- (b) On intimation of a special resolution passed by a company that the affairs of the company ought to be investigated
- (c) In public interest
- (d) All of the above

Q15: Ultra Ltd. was incorporated on 13th May 2019. After one year of its incorporation the shareholders of company came to know that some transaction inside the company was not in accordance with the provision of Companies Act and also prejudicial in the interest of company and its members, so some shareholder decided to make application to Central Government to conduct investigation into affairs of the

company by appointing inspector under the provision of Companies Act, 2013.

Does application of shareholder can be acceptable under the provision of Companies Act, 2013.

(MTP Nov 2020 & ICAI MCQ Booklet)

- (a) No, shareholder didn't have right to make application under Section 210 of Companies Act, 2013.
- (b) Yes, shareholder after passing special resolution can make application to Central government to conduct the investigation under section 210 of Companies Act, 2013.
- (c) Yes, shareholder can make application without special resolution as company business is not in interest of company and member.
- (d) No, shareholder even after passing special resolution cannot make application under Section 210 of Companies Act, 2013.

Section 211

Q16: Who amongst the following has the right to establish the Serious Fraud Investigation Office under the provisions of Companies Act, 2013?

- (a) Registrar of Companies
- (b) Central Government
- (c) NCLT
- (d) Special Court

Section 212

Q17: Under the garb of cement business, some of the directors of Royal Cement Limited, a company incorporated in the year 2001 and having its factories at Rohtak and Bhiwani, were involved in several illegal activities. In such a situation, on receipt of a report of the Registrar of Companies or inspector under Section 208 or in the public interest or on request from any Department of the Central Government or a State Government, the Central Government may, by order, assign the investigation into the affairs of Royal Cement Limited to the Serious Fraud Investigation Office (SFIO). In addition to the above bases, there is one more basis which may prompt the Central Government to assign the investigation to the Serious Fraud Investigation Office (SFIO). From the following four options, choose such appropriate basis for assigning the investigation to the SFIO.

(RTP Nov 2022)

- (a) On intimation through an Ordinary Resolution passed by the shareholders of Royal Cement Limited that the affairs of the company are required to be investigated.
- (b) On intimation through a Special Resolution passed by the shareholders of Royal Cement

Limited that the affairs of the company are required to be investigated.

- (c) On an intimation received from certain senior employees of Royal Cement Limited that the affairs of the company are required to be investigated.
- (d) On an intimation received from certain ex-directors of Royal Cement Limited that the affairs of the company are required to be investigated.

Q18: Mr. Wadhwan has been accused of fraudulent practises in case of DHFL Limited. Additional director, Serious Fraud Investigation Office, arrested Mr. Wadhwan after getting the necessary authorisation from Central Government. Within how much time Mr. Wadhwan should be presented before a Special court or Magistrate?

- (a) 24 hours
- (b) 48 hours
- (c) 72 hours
- (d) 1 month

Q19: The following persons have been accused of fraud under the provision of Section 447 of the Companies Act, 2013. Which one of them could be released on bail without being put to trial by the Public prosecutor?

- (a) Mr. Rohan, aged 15 years
- (b) Mrs. Kriti Mehta
- (c) Mr. Dipu, an infirm
- (d) All of the above

Q20: Offences covered under section 447 of this Act shall be cognizable and no person accused of any such offence shall be released on bail. However, on the direction of Special court, following person may be released on bail.

(ICAI MCQ Booklet)

- (a) under the age of 16 years
- (b) a women
- (c) sick or infirm person
- (d) any of the above

Q21: On completion of the investigation, the Serious Fraud Investigation Office shall submit its report to?

- (a) Registrar of Companies
- (b) Central Government
- (c) NCLT
- (d) Special Court

Section 213

Q22: Members of Weak Traders Limited, a company limited by shares, are suspicious that directors of the company have been indulged in unfair trade practices. They want to approach NCLT to

get an investigation being conducted into the affairs of the company. Choose the cored option as to how many members need to make such application.

- (a) 100 members
- (b) Members holding 1/10th of the total voting power
- (c) Either (a) or (b)
- (d) Neither (a) nor (b)

Q23: Members of PML Limited, a company limited by guarantee and not having a share capital, are suspicious that directors of the company have been indulged in unfair trade practices. They want to approach NCLT to get an investigation being conducted into the affairs of the company. Choose the cored option as to how many members need to make such application.

- (a) 1/5th of total number of members
- (b) 1/10th of total number of members
- (c) Minimum 100 members
- (d) Members having 1/10th of total voting power

Q24: Innovations Ltd. is a company engaged in the business of manufacturing and selling of electronic goods which are used for domestic purpose. The company is having its registered office at Mumbai with 500 members. Some of the members came to know that the business of the company is being conducted with intent to defraud its members. The promoters of the company are actually enjoying with the public money, siphoned the shareholders capital in purchasing the real estate in the names of the promoters During the course of the AGM of company in Mumbai, the members assembled there, planned to have an investigation of the affairs of its business.

In order to make an application to the National Company Law Tribunal, how many members are required?

(MTP Nov 2022)

- (a) Not less than 50 members or members holding not less than one-fifth of the total voting power
- (b) Not less than 100 members or members holding not less than one-tenth of the total voting power
- (c) Not less than 150 members or members holding not less than one-tenth of the total voting power
- (d) Not less than 200 members or members holding not less than one-tenth of the total voting power

Section 217

Q25: During the course of investigation, the inspector is entitled to take into his custody the books and papers produced before him for a maximum period of _____

- (a) 30 days
- (b) 60 days

- (c) 90 days
- (d) 180 days

Section 218

Q26: If during the course of an investigation into the affairs, a company intends to suspend its employee, the company must obtain the previous approval of _____

- (a) Central Government
- (b) NCLT
- (c) Registrar of Companies
- (d) No such approval is required

Q27: Central Government has appointed Mr. Rishikesh as an inspector to conduct investigation in the affairs of company of Overtake Ltd. in accordance with provision of the Companies Act, 2013. During investigation it was found that company has reduced the position of Mr. Gopal (who was senior employee of company earlier), within few days after start of investigation. Company didn't try to obtain order from tribunal before taking this action. Mr. Gopal wants to know whether company have right to reduce rank of employee during investigation.

(ICAI MCQ Booklet)

- (a) Yes, reduction of rank is internal matter of company, so no court should interfere in this matter.
- (b) Yes, Company if found employee is not suitable for position then can reduced the rank of employee.
- (c) No, Company cannot reduce the rank of employee during investigation without approval of tribunal within 30 days from date of application.
- (d) Yes, Company can reduce rank without approval from tribunal within 30 days from date of application

Section 219

Q28: Mr. Raman, an Inspector under section 212 of the Companies Act, 2013 investigates into the affairs of X Ltd. During the process of investigation, Mr. Raman evidenced relevant facts and information regarding the transactions made by Company X Ltd. with its subsidiary Y Ltd. During the course of investigation, Mr. Raman required to investigate the affairs of Y Ltd. Examine whether Mr. Raman can proceed with the investigation of the affairs of subsidiary company in the light of provisions of the Companies Act, 2013.

(ICAI MCQ Booklet & MTP May 2023)

- (a) Mr. Raman shall be able to proceed with the investigation into the affairs of subsidiary company after obtaining the prior approval of

the Director, Serious Fraud Investigation Office.

- (b) Mr. Raman shall not be able to proceed with the investigation into the affairs of subsidiary company as it is not within its powers under section 219 of the Companies Act, 2013.
- (c) Mr. Raman shall be able to proceed with the investigation into the affairs of subsidiary company after obtaining the prior approval of the Tribunal in whose jurisdiction the registered office of the subsidiary company is located.
- (d) Mr. Raman shall be able to proceed with the investigation into the affairs of subsidiary company after obtaining the prior approval of the Central Government.

Section 221

Q29: Where it appears to the NCLT that the transfer of assets of the company is likely to take place in a manner that is prejudicial to the interests of the company, shareholders or creditors or in public interest, NCLT may direct that such transfer shall not take place for a period not exceeding

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Section 222

Q30: In a company there is a serious apprehension of cornering the share of the company by a group of unscrupulous persons likely to result in change in the Board of Directors which may be prejudicial to the public interest. The company seeks your advice as to how it can impose restrictions on the transfer of shares of the company under the provisions of the Companies Act, 2013.

(ICAI MCQ Booklet)

- (a) Application can be made to Tribunal under section 222 for imposition of restriction on securities.
- (b) Application can be made to Central Government under section 222 for imposition of restriction on securities.
- (c) Application can be made to Tribunal under section 216 for investigation into ownership of company.
- (d) Application can be made to Central Government under section 216 for investigation into ownership of company.

Q31: An investigation was ordered by the Central Government under Section 216 of the Companies Act, 2016, against KKR Limited for determining the true membership of the Company. In connection with this investigation, it appears to

the Tribunal that there is good reason to find out the relevant facts about 9% Redeemable Cumulative Preference Shares (RCPS) issued by the Company on 14 September 2018 and the Tribunal is of the opinion that unless restriction is imposed on further issue of such shares, the purpose cannot be solved. For how much long, such restriction can be imposed by NCLT

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Q32: Mr. Atul is an employee of the company ABC Limited, and an investigation is going on him under the provisions of Companies Act, 2013. The company wants to terminate Mr. Atul as investigation is going against him. The company has filed the application with the Tribunal for approval of Mr. Atul's termination. The company has not received any reply from the Tribunal within 30 days of filling an application. After expiry of 30 days, the company considered it as deemed approval and terminated Mr. Atul. Analyse the given situation and decided whether ABC Limited can terminate Mr. Atul?

(MTP Nov 2023)

- (a) No, the termination of Mr. Atul is not valid, and company has attracted penal provisions under the Law.

- (b) No, the termination of Mr. Atul is not valid because the company cannot consider the non-reply of the Tribunal as deemed approval.
- (c) Yes, the termination of Mr. Atul made by the company is valid in law and the company can do so by considering deemed approval of Tribunal.
- (d) Yes, the termination of Mr. Atul made by the company is valid in law as filing an application to the Tribunal is not required in this case and the company on its own can terminate Mr. Atul.

Section 224

Q33: After perusal of the inspector's report it appears to the Central Government that a company is liable to be wound up under this Act, it may cause to be presented to the Tribunal,

(ICAI MCQ Booklet)

- (a) A petition for the winding up of the Company on the ground that it is just and equitable that it should be wound up
- (b) A petition for the restructuring of the Company on the ground that it is just and equitable that it should be restructured
- (c) A petition for the merger of the Company on the ground that it is just and equitable that it should be merged
- (d) None of the above

Answer Key

Q1.	(a)	Q2.	(d)	Q3.	(d)	Q4.	(c)	Q5.	(a)	Q6.	(a)	Q7.	(c)	Q8.	(d)	Q9.	(b)
Q10.	(c)	Q11.	(b)	Q12.	(b)	Q13.	(a)	Q14.	(d)	Q15.	(b)	Q16.	(b)	Q17.	(b)	Q18.	(a)
Q19.	(d)	Q20.	(d)	Q21.	(b)	Q22.	(c)	Q23.	(a)	Q24.	(b)	Q25.	(d)	Q26.	(b)	Q27.	(c)
Q28.	(d)	Q29.	(c)	Q30.	(a)	Q31.	(c)	Q32.	(c)	Q33.	(a)						

Case Study Based MCQs

Case Study (RTP Nov 20) - DEF Limited is an unlisted public company, incorporated under the provisions of the Companies Act, 2013 having its registered office in the state of Rajasthan.

The Registrar after the inspection of the books of account or an inquiry under section 206 and other books and papers of DEF Limited under section 207, submitted a report in writing to the Central Government including a recommendation that further investigation into the affairs of the company was necessary, giving his reasons in support.

The Central Government was of the opinion, that it was necessary to investigate into the affairs of the company by the Serious Fraud Investigation Office (SFIO).

The director, SFIO appointed an investigating officer who called on the directors of the company and arrested the directors of the company. The directors demanded the reasons for such arrest which were informed to them.

The directors of the company were produced before the jurisdictional Judicial Magistrate who released them on bail though the prosecution opposed the application of bail in the court.

On completion of the investigation of the director, SFIO submitted the investigation report to the Central Government. The Central Government, after examination of the report, directed the SFIO to initiate prosecution against the company and its officers or employees, who are or have been in employment of the company or any other person directly or indirectly connected with the affairs of the company.

A charge sheet was presented against the accused directors of the company before the Special Court and after the completion of the trial, the court convicted the directors and sentenced them with imprisonment for a term of six months and a fine of Rupees Two Thousand each. Given the above situation, your opinion is sought on the following matters:

Multiple Choice Questions (MCQs)

1. If the Central Government is of the opinion to order the investigation into affairs of a company on receipt of a report of the Registrar under section 208 of the Companies Act, state the correct statement as to the initiation of order of the investigation into affairs of a company -
 - (a) It cannot order investigation by inspectors under the provisions of section 210 of the Companies Act.
 - (b) It can order investigation by inspectors under the provisions of section 210 of the Companies Act.
 - (c) It cannot order investigation by SFIO under the provisions of section 212 of the Companies Act.
 - (d) It can order investigation by inspectors under section 210 or by SFIO under section 212 of the companies Act.
2. Is Director, SFIO a competent authority to arrest the directors of DEF Limited, an unlisted public company?
 - (a) Yes, Director, SFIO is competent authority to arrest the directors of the unlisted public company.
 - (b) Yes, Director, SFIO is competent authority subject to approval of Central Government.
 - (c) No, Director, SFIO cannot arrest the directors of the unlisted public company.
 - (d) Yes, Director, SFIO is competent authority subject to approval of special court to arrest the directors of the unlisted public company.
3. Is it the duty of the director, SFIO to inform the arrestee the grounds of arrest?
 - (a) Yes, it is the duty of the director, SFIO to inform the grounds of arrest and as well as right of arrestee to know the grounds of his arrest.
 - (b) No, it is not necessary to inform the grounds of arrest.
 - (c) No, the ground of arrest may be informed, if asked for.
 - (d) No, it is prerogative of the authority to arrest the accused, there is no need to inform the grounds of arrest.
4. Within how much time are the arrested directors of DEF Limited required to be produced before jurisdictional judicial magistrate by the director, SFIO after arrest?

- (a) Within 24 hours of such arrest.
 - (b) Within 48 hours of such arrest.
 - (c) Within 72 hours of such arrest.
 - (d) Within 80 hours of such arrest.
5. When do the directors of DEF Limited vacate the office of director in the company?
- (a) On the date when the directors were arrested by the SFIO.
 - (b) On the date when the charge sheet was submitted in the court by the SFIO.
 - (c) On the date when the directors were arrested and produced before jurisdictional Judicial Magistrate.
 - (d) On the date when the directors were convicted by the Special Court.

Answer Key

1.	(d)	2.	(a)	3.	(a)	4.	(a)	5.	(d)
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Case Study (ICAI MCQ Booklet) - Ullal Pharma Limited (UPL) is an unlisted company, with its Registered Office at Baidebettu, District Udupi, Karnataka. In addition to being the market leader in semi-synthetic penicillin, UPL has a presence in key therapeutic segments such as neurosciences, cardiovascular, antiretroviral, anti-diabetics, gastroenterology and anti-biotics, among others. UPL also has three group companies.

From time to time, UPL had duly filed its Annual Accounts, Annual Returns and other documents, if required to be filed, with the jurisdictional Registrar of Companies (ROC).

The ROC had the whistle-blower information that the business of UPL is being carried on for fraudulent and unlawful purposes. There was also an allegation that some illegal secret drug dealings were being carried out by the UPL in the disguise of pharma business. Year-wise comparison of data extracted from the Annual Accounts and Annual Returns filed by UPL indicated the possibilities of huge diversion of funds to the related parties and related entities. Questions were also raised within the company on the correctness of the accounts maintained by UPL.

Consequently, UPL received a written notice from the ROC on 10.06.2019 asking for the following information/explanations/papers. The notice required the UPL to produce the following documents before the Registrar in his office at Bengaluru within 30 days from the date of receiving the notice.

- (a) Hard and soft copies of 'Books of Accounts' from the years 2016-17 onwards up to date.
- (b) Ledger abstracts of all Inter-Company Accounts.
- (c) All the documents relating to sales.
- (d) All the 'Bank Statements' and 'Cash Books'.

The Registrar duly followed all other processes to call for the information, inspection of books and papers and conduct enquiries relating to UPL as specified under the Companies Act 2013. It is to be noted that Rajeev, Director (Finance) had the exclusive responsibilities to supervise both 'sales accounts' and 'inter-company transactions'. The information which Rajeev shared with ROC could not, to his dismay, convince the Registrar. He was also found to be evasive and willfully disobeying the directions given by the ROC.

The ROC also issued separate notices to Venkatesh, ex-Whole-time Director and Lokesh, ex-Chief Financial Officer (CFO) of the company. Both Venkatesh and Lokesh were in the employment of the UPL only up to 15.12.2017. Both of them through their separate representatives informed the ROC that the notice served on them was not valid since they are no longer associated with the company and while in service they had acted only in their capacity as the officers of the company. It was argued by both of them that they were independent of any obligations relating to the company and hence, not bound to furnish any information/explanations to the ROC.

The accounts of UPL were outsourced and maintained by a Chartered Accountant firm M/s. Ajay Jyotsana & Co. The accounts were maintained in Tally system by three staff members under the supervision of Ajay. The 'Reports' were periodically submitted to Rajeev in the required formats. Rajeev, in turn, submitted the requisite information to the Board of Directors of UPL.

Based on the information in his possession, the Registrar had reasonable ground to believe that the books and papers relating to UPL were likely to be either destroyed, mutilated, altered, falsified or secreted. Accordingly, the ROC decided to enter into the premises of M/s. Ajay Jyotsana & Co. with the required assistance and seized the books and papers which he considered necessary for inspection. However, before seizure, ROC allowed the CA firm to take copies of such books and papers.

The Registrar retained all the required books and papers for a period of 110 days from the date of seizure and ensured the necessary inspection. Before returning the said books and papers, ROC took copies of them and placed necessary identification marks on some of the papers. After the inspection of the books of accounts and other books and papers of UPL and after the requisite inquiries, ROC submitted a report in writing to the Central Government along with the necessary documents and recommendations.

Consequently, the necessary actions were taken. Rajeev, Director (Finance) was convicted and punished with imprisonment for a period of six months and also with fine of ₹ 70,000 under Section 207 (4) (i). It may be noted that Rajeev was also holding Directorships in two more companies as on that date.

Multiple Choice Questions (MCQs)

1. From the case scenario, it is noticed that the concerned Registrar of Companies (ROC) issued separate notices to Venkatesh, ex-Whole-Time Director and Lokesh, ex-Chief Financial Officer (CFO) of UPL. Both Venkatesh and Lokesh through their separate representatives presented that they were in employment of UPL only up to 15.12.2017 and therefore, the notice issued to them was not valid since they are no longer associated with UPL and while in service they had acted only in their capacity as the officers of the Company. It was argued by both of them that they were independent of any obligations relating to the Company and hence, not bound to furnish any information/explanation to the ROC.
 - (a) Contention of both Venkatesh and Lokesh is valid since both of them are no longer associated with UPL.
 - (b) Venkatesh and Lokesh can only voluntarily furnish information/explanations to the ROC, but they are under no legal obligation to do so.
 - (c) Venkatesh and Lokesh are under legal obligation to furnish to the best of their knowledge the required information or explanation as asked by the ROC through respective notices.
 - (d) Venkatesh and Lokesh being the past employees of UPL shall furnish information or explanation only through UPL after obtaining written consent of the Company to respond to the Registrar and not directly to the ROC.
 2. According to the case scenario, Rajeev, the Director (Finance) of UPL, was convicted and punished with imprisonment for a period of six months and with fine of ₹ 70,000 under 207(4) (i). It is further informed that Rajeev was also holding Directorships in two more other companies as on that date. From the following options, choose the correct one which suitably applies to the given situation:
 - (a) Rajeev can continue to hold the office of Director (Finance) of UPL, since he has acted as per the instructions of the company and he can also continue Directorships in other two companies of which he is currently Director.
 - (b) Rajeev shall be deemed to have vacated the office of Director (Finance) of UPL from the date he is so convicted, but can continue as a Director in the other two companies.
 - (c) Rajeev can continue to hold the office of Director (Finance) of UPL, but shall be disqualified from holding Directorship in any other company.
 - (d) Rajeev shall be deemed to have vacated the office of Directorship of UPL from the date he is so convicted and on such vacation of office, shall also be disqualified from holding an office in any other company.
- [Hint – Refer section 207]
3. From the case scenario, it is revealed that the Registrar, on the basis of information in his possession, had reasonable ground to believe that the books and papers relating to UPL were likely to be either destroyed, mutilated, altered, falsified or secreted. Accordingly, ROC entered the premises of M/s Ajay Jyotsana & Co. with the required assistance and seized such books and papers as he considered necessary. Which of the following options best suits the given situation:
 - (a) The Registrar had obtained an order from the Central Government before seizure of the books and papers.
 - (b) The Registrar had obtained an order from the Special Court before seizure of the books and papers.
 - (c) The Registrar had suo-moto proceeded with search and seizure of the books and papers.
 - (d) The Registrar had obtained an order of a Civil Court before seizure of the books and papers.
 4. From the case scenario, it is observed that the Registrar seized the books and papers of UPL from the premises of M/s Ajay Jyotsana & Co.

and retained them for a period of 110 days from the date of seizure and returned them thereafter. What is the maximum time limit within which the Registrar is required to return the seized books and papers.

- (a) The Registrar is required to return the seized books and papers maximum within 120 days from the date of seizure.
- (b) The Registrar is required to return the seized books and papers maximum within 150 days from the date of seizure.
- (c) The Registrar is required to return the seized books and papers maximum within 180 days from the date of seizure.
- (d) The Registrar is required to return the seized books and papers maximum within 270 days from the date of seizure.

5. The above case scenario states that the Registrar, after the inspection of the books of accounts and other books and papers of UPL and after the requisite inquiries, submitted a report in writing to the Central Government along with the necessary documents and recommendations. What action is contemplated under Section 210 of the Companies Act, 2013, that the Central Government may initiate in such a situation:

- (a) On receipt of a report of the Registrar, the Central Government may order an investigation into the affairs of the company by the Serious Fraud Investigation Office (SFIO).
- (b) On receipt of a report of the Registrar, the Central Government may order an investigation

into the affairs of the company by the Inspectors appointed by it.

- (c) On receipt of a report of the Registrar, the Central Government may order an investigation into the affairs of the Company by a Criminal Court.
- (d) On receipt of a report of the Registrar, the Central Government may order an investigation into the affairs of the Company by the jurisdictional Tribunal.

6. The case scenario states that the Registrar retained all the required accounts and papers for a period of 110 days from the date of seizure, ensured the necessary inspection and returned them to the UPL. After so return, if the Registrar again calls for the books and papers, then for maximum how many days he can retain them.

- (a) The Registrar cannot call for the books and papers once again since he has already returned them after seizure.
- (b) If the Registrar again calls for the books and papers, then he can retain them maximum for a period of 120 days.
- (c) If the Registrar again calls for the books and papers, then he can retain them maximum for a period of 180 days.
- (d) If the Registrar again calls for the books and papers, then he can retain them maximum for a period of 210 days.

Answer Key

1.	(c)	2.	(d)	3.	(b)	4.	(c)	5.	(b)	6.	(c)
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Case Study (ICAI MCQ Booklet & RTP May 2021) - Shri Hari Textiles Limited was incorporated in the year 2010. Its Registered Office is situated in Connaught Place, New Delhi. It filed its audited annual financial statements for the financial year 2019-20 well within time with the jurisdictional Registrar of Companies. The Registrar inspected the statements and after reviewing them, felt the need to seek clarifications on certain matters. Accordingly, a written notice was sent by the Registrar to the company and its officials directing them to comply with the notice within thirty days of its receipt. However, the company and its officials failed to reply within the time specified in the notice.

The Registrar initiated the inquiry and proceeded further for inspecting all the documents of the company. While conducting the inquiry, the Registrar on prudent grounds believed that some of the documents and other vital information in relation to the company would be destroyed or altered by the official of the company. With a view to safeguard the documents, the Registrar obtained an order from the Special Court and thereafter, seized all such material.

While inspecting some of the documents the Registrar came to know that the Board of Directors had passed a resolution in a Board Meeting held on 10-04-2019 and thereby, increased the remuneration payable to the Directors including two whole-time Directors and Managing Director to 12% of the net profits of the company which was a sharp increase of 5% from the preceding financial year.

Prior to the inquiry, two Directors of the company, namely, Mr. X and Mr. D got retired. The Registrar found from the inspection of the documents that they were involved in certain dealings which included selling of the assets of the company. On the basis of such information gathered from the inspected documents, the Registrar sought some clarifications from both of them regarding the dubious transactions.

However, both Mr. X and Mr. D refused to appear before him showing their non-availability in the town and also represented through a common representative that they were no more a part of the Board of Directors of Shri Hari Textiles Limited.

After the completion of inspection and inquiry, the Registrar submitted a written report to the Central Government in respect of his findings against the company. The reports mentioned that there were major discrepancies in the assets and liabilities as well as profit and loss statements filed by the company.

On receipt of report from the Registrar, the Central Government considered it necessary to investigate the affairs of the company by the Serious Fraud Investigation Office (SFIO). Accordingly, by an order SFIO was directed to conduct the investigation of Shri Hari Textiles Limited and submit its report within the stipulated time. As instructed by the Central Government, SFIO authorised some of its inspectors to investigate the affairs of the company. The team deputed by the SFIO included experts in the field of cost accounting, financial accounting, taxation, law and forensic auditing.

While inspecting the company, the team of SFIO came to know that the Income-tax authorities had already initiated investigation against Shri Hari Textiles Limited.

Multiple Choice Questions (MCQs)

1. Shri Hari Textiles Limited and its officials failed to submit any reply to the written notice issued by the Registrar within the time specified in the notice. How much fine can be imposed for such failure?
 - (a) The Company and every defaulting officer shall be punishable with a fine up to ₹ 1,00,000 and in case of continuing failure, with an additional fine up to ₹ 500 for every day after the first during which the failure continues.
 - (b) The Company and every defaulting officer shall be punishable with a fine up to ₹ 1,50,000 and in case of continuing failure, with an additional fine up to ₹ 1,000 for every day after the first during which the failure continues.
 - (c) The Company and every defaulting officer shall be punishable with a fine up to ₹ 1,00,000 and in case of continuing failure, with an additional fine up to ₹ 5,000 for every day after the first during which the failure continues.
 - (d) The Company and every defaulting officer shall be punishable with a fine up to ₹ 2,00,000 and in case of continuing failure, with an additional fine up to ₹ 5,000 for every day after the first during which the failure continues.
2. From the case scenario, it is observed that the Registrar seized certain important documents in the course of inquiry. After inspection what procedure is to followed pertaining to such documents?
 - (a) The Registrar is required to submit such documents in the Special Court which permitted seizure.
 - (b) The Registrar is required to forward all such documents along with the inquiry report to the Central Government.
 - (c) The Registrar is required to return such documents back to the company after making, if considered necessary, the copies of them.
 - (d) The Registrar is required to retain such documents until further instruction is received from the Special Court.
3. What is the requisite requirement for increasing the remuneration of Directors including Whole-Time Directors and Managing Director to 12% so that it shall be in accordance with the relevant provisions of the Companies, Act, 2013?
 - (a) Board Resolution increasing the remuneration to 12% needs to be authorised at the General Meeting and thereafter, duly sanctioned by the ROC.
 - (b) Board Resolution increasing the remuneration to 12% needs to be authorised at the General Meeting and thereafter, duly sanctioned by the Tribunal.
 - (c) Board Resolution increasing the remuneration to 12% needs to be authorised at the General Meeting subject to Schedule V.
 - (d) Board Resolution increasing the remuneration to 12% needs to be authorised at the General

Meeting and thereafter, duly sanctioned by the Central Government through Regional Director.

4. The case scenario states that the Registrar of Companies had called ex-Directors of the company for examining them during the inquiry. Is the Registrar empowered to call the ex-Directors:

- The Registrar cannot call ex-Directors of the company, without the order of the court.
- The Registrar may, by issuing a written notice, call the ex-Directors for seeking the requisite information.
- In case the Registrar is appointed by the Central Government to conduct investigation, then only he can call ex-Directors of the company.
- Except the Tribunal, no other authority is empowered to call ex-Directors of a company for any examination.

5. According to the case scenario, while inspecting the company, the team of SFIO came to know that the Income-tax authorities had already

initiated investigation against the company. From the given options, choose the correct one that indicates as to how amidst such a situation SFIO will be continuing with the investigation.

- SFIO has to put its investigation on hold so long as the company is being investigated by Income-tax authorities.
- SFIO will proceed with its investigation on the basis of report submitted by Income-tax authorities.
- SFIO will proceed with its investigation while Income-tax authorities shall keep on hold its investigation.
- SFIO will simultaneously continue its investigation along with the Income-tax authorities.

Answer Key

1.	(a)	2.	(c)	3.	(c)	4.	(b)	5.	(c)
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Case Study (MTP May 2021) - The Registrar of Companies (ROC) by a written notice had required for certain information from Retq Ltd., under section 206 of the Companies Act, 2013.

The ROC, through perusal of such information received in response to notice issued to Retq Ltd., observed that the complaints of the investors were not being redressed for a long time, from the statements filed by Grievance Redressal Department of Retq Ltd., established in compliance of Regulation 13 of the SEBI (LODR) Regulations, 2015, for the quarter ended March, 2020 and June, 2020, which showed that the number of complaints pending at the beginning of the quarter and received during the quarter, were much more than that disposed off during the said quarters as shown below -

Particulars	Quarter ended March, 2020	Quarter ended March, 2021
Complaints pending at the beginning quarter	120	130
Complaints received during the quarter	50	60
Complaints disposed of during the quarter	40	30
Complaints remaining unresolved at the end of the quarter	130	160

Also, the ROC, noticed from the reports called from the Audit Committee, that many complaints were filed with the Audit Committee by the employees under the Vigil Mechanism of the company, the details of establishment of vigil mechanism was disclosed in Retq Ltd.'s website and board report as well. However, the ROC also noticed that, one employee, Mr. Tapan, was reprimanded by the chairman of Audit Committee for complaints filed repeatedly without any purpose or were of no value.

The ROC, thus on the basis of information available with him, passed an order for carrying out inquiry by exercising its power under section 206 of the Companies Act, 2013, after informing the company the grounds of allegation against it.

After the inquiry was conducted, the ROC submitted its report to the Central Government which included a recommendation for further investigation into the affairs of Retq Ltd. but the reasons for the same were not mentioned.

Meanwhile, an Extra-ordinary General Meeting was conducted for passing a resolution for the purpose of conducting investigation by a statutory authority into the affairs of Retq Ltd. by the Central Government which could not materialize due to the reason that the votes were not adequate in favour of such resolution.

However, 8 members holding 20% shares in Retq Ltd., out of total 120 members, made an application to the tribunal as they were having good reason for seeking an order of investigation into the affairs of the company. Such application was supported by evidence to show that an investigation into the affairs of Retq Ltd. was necessary. The tribunal passed an order for conducting such investigation, as it was satisfied that it was necessary.

The Central Government, thereafter, passed an order for investigation into the affairs of Retq Ltd. and appointed 2 persons, Mr. Vipul and Mr. Mehul, as the inspectors. The said inspectors duly initiated the task of investigation as per the procedure prescribed under section 217 of the Companies Act, 2013, read with rule 6 of the Companies (Inspection, Investigation and Inquiry) Rules, 2014.

Multiple Choice Questions (MCQs)

1. Whether the details of establishment of vigil mechanism needs to be disclosed mandatorily on the website of Retq Ltd. and also whether reprimanding, Mr. Tapan, just for filing repeated complaints by the chairman of audit committee can be considered as a valid act?
 - (a) Yes, provided the company has a website. The act of reprimanding, Mr. Tapan, can be considered as valid as the complaints filed by him were frivolous in nature.
 - (b) No, as disclosing such details in the board report suffices the requirements. The act of reprimanding, Mr. Tapan, cannot be considered as valid as the chairman of audit committee does not have any authority to do so.
 - (c) Yes, even if the company does not have website, then it needs to create one and then disclose such details. The act of reprimanding, Mr. Tapan, can be considered as valid as the complaints filed by him were frivolous in nature.
 - (d) Yes, provided the company has a website. The act of reprimanding, Mr. Tapan, only on the grounds that the complaints filed by him were frivolous in nature, cannot be considered as valid.
2. Whether non-mentioning of reasons in his report recommending investigation by ROC, can be considered valid and what type of resolution was required to be passed by Retq Ltd. so that investigation could have been initiated into the affairs of Retq Ltd. by the Central Government?
 - (a) No, as reasons are required to be given in order to support the recommendations for investigation made by him. Special resolution was required to be passed by Retq Ltd.
 - (b) Yes, as giving reasons is optional as making recommendations for investigation itself depends upon the discretion of ROC. Resolution with members holding not less than 90% of the shares, was required to be passed by Retq Ltd.
 - (c) No, as reasons are required to be given in order to support the recommendations for investigation made by him. Resolution with majority of members representing 3/4th in value of the shares was required to be passed by Retq Ltd.
 - (d) Yes, as giving reasons is optional as making recommendations for investigation itself depends upon the discretion of ROC. Ordinary resolution was required to be passed by Retq Ltd.
3. Whether the application to tribunal was filed by adequate number of members for purpose of conducting investigation into the affairs of Retq Ltd. and whether the Central Government holds discretion for ordering investigation in case of order passed by Tribunal for the same or report received from the registrar recommending investigation?
 - (a) No, the application was not filed by adequate number of members. Central Government shall mandatorily order for investigation in case of order passed by Tribunal and it holds discretion for ordering investigation in case of report received from the registrar.
 - (b) Yes, the application was filed by adequate number of members. Also, the Central Government holds discretion for ordering investigation in case of order passed by Tribunal or report received from the registrar.

- (c) No, the application was not filed by adequate number of members. Central Government shall mandatorily order for investigation in case of order passed by Tribunal or in case of report received from the registrar.
- (d) Yes, the application was filed by adequate number of members. Central Government shall mandatorily order for investigation in case of order passed by Tribunal and it holds discretion for ordering investigation in case of report received from the registrar.
4. Whether opportunity of being heard is required to be given by ROC before issuing notice for information and also by the Tribunal, before passing order for investigation, to Retq Ltd., respectively?
- (a) Yes, opportunity of being heard is required to be given in case of ROC but not required to be given in case of tribunal.
- (b) Yes, opportunity of being heard is required to be given in case of both ROC as well as tribunal, respectively.
- (c) No, opportunity of being heard is not required to be given in case of both ROC in case of both ROC as well as tribunal, respectively.
- (d) No, opportunity of being heard is not required to be given in case ROC but in case of tribunal, it is required to be given.

Answer Key

1.	(a)	2.	(a)	3.	(d)	4.	(d)
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Case Study (MTP Nov 2021) - Quality Wines Ltd. is a public company engaged in the manufacturing of bears and wines.

Its factory premises and registered office, situated at Industrial Area of Jaipur. It supplies the wines to the retails merchants, who have license to operate and sale of wine from the respective State Governments.

However, the company was not maintaining the transparency in its production and turnover of wine business and fabricated figures were being recorded in the books of accounts and annual return submitted to the Registrar.

Many a times the company transported some cartons without invoicing them to other States and in the midway, were caught red-handed by the Police and next day became prominent headlines for news papers and TV Channels.

At the Rajasthan Gujarat Border, the Police searched and seized 10 trucks carrying wines without invoice, within a period of one month. In the mean time, the Excise Department also got altered.

This mal-practices came in to the knowledge of the Registrar. The Registrar after observing the appropriate formalities along with the police force, entered in to the premises and seized the books and relevant papers.

The income tax returns filed by the company during the last 3-4 years revealed that the company is continuously showing losses in the books of accounts, on account of the decline the sales volume. However, the other companies in the similar business were showing an increasing trend.

One of the person who was earlier an employee in the company in the account department made a written complaint directly to the Central Government about the mal-practices prevailing in the company such as scaling up the number of employees whereas no actual recruitment was done, not paying the excise duty on the production of wines by fabricating the production volume and other financial irregularities. The Central Government assigned the investigation into the affairs of the said company to the Serious Fraud Investigation Office (SFIO).

The Registrar, who have earlier seized the books of the company was asked to submit all such records to SFIO.

Multiple Choice Questions (MCQs)

1. When the Registrar can exercise the right of search and seizure:
- (a) The Registrar do not have the right of search and seizure.
- (b) Where the Registrar have reasonable ground to believe that the books and papers of a company are likely to destroyed by the company.
- (c) Where the Registrar have reasonable ground to believe that the books and papers of a company are likely to be destroyed by the company and after obtaining an order from the Special Court
- for the seizure of such books and papers can enter in the premises and seize such books and papers.
- (d) The Registrar can enter and seize the books and papers without obtaining permission of any court.
2. In the given case the Registrar can keep the seized books and papers with him for the period:
- (a) Not later than 45th day
- (b) Not later than 90th day

- (c) Not later than 135th day
- (d) Not later than 180th day

3. When an investigation into the affairs of the Quality Wines Ltd. can be made by SFIO:

- (a) When the Police seized the trucks carrying cartons of wines without invoice
- (b) When the ex-employee of the company made a written complaint on the financial irregularities.
- (c) When there was loss of revenue
- (d) The Central Government may assign the task of investigation of any company to SFIO, if it is in the public interest.

4. Can SFIO demand from the Registrar to hand over all the books so seized from the company:

- (a) The Registrar has initiated first, hence he will retain the books till his investigation is over.
- (b) The Registrar and SFIO will carry out the investigation simultaneously.
- (c) Once the case has been assigned by the Central Government to the SFIO, not other

investigating agency of Central or State Government shall process with the investigation and the concerned agency shall transfer the relevant documents and records in respect of such offences under this Act to Serious Fraud Investigation Office.

- (d) The SFIO may demand only the photo copies of the documents so seized by the Registrar.

5. Whether SFIO can gather information from the Registrar:

- (a) The Registrar shall not part with any information with the SFIO.
- (b) Any investigating agency shall provide all the relevant information or documents to the SFIO in respect of such offence.
- (c) The Registrar before providing any information to such offence, shall first inform the company.
- (d) Since the information may be confidential and competitions may take undue advantages, hence the sharing of information should be avoided.

Answer Key

1.	(c)	2.	(d)	3.	(d)	4.	(c)	5.	(b)
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Case Study (RTP May 2023) - The Central Government is empowered under Section 212(1)(c) to order investigation into the affairs of a company in public interest by the Serious Fraud Investigation Office (SFIO). For this purpose SFIO is established under section 211, comprising director, expert and other officers as Government consider necessary. Director of SFIO shall be officer of the Government of India having knowledge and experience in dealing with matters relating to corporate affairs.

Any person who is booked for offence investigated by SFIO is punishable under section 447. In order to bring ease for SFIO in conducting investigation, the power of inspector vested upon it, therefore SFIO may examine the person on oath.

An order issued by the Central Government for investigation in the Modern Furniture Limited. Sufficient and convincing evidences has been found against Ms. Smriti Shah, who is finance director, prima facie such evidences are enough to order the recovery through attachment of asset obtained by her out of fraud apart from other action. Ms. Smriti examined on oath, wherein she admit her involvement in fraud and misappropriation. Investigating officers are following this lead to identify who are all involved in trail thereof.

Officers and Employees are expected to provide required assistance to SFIO in investigation, but assistance as well as required information not provided. As a result delay in completion of investigation took place, therefore it is not possible to submit the report to government by the date specified in order issued by the Central Government. The director of SFIO approached to you 'a young professional, and functional expert at SFIO' and willing to know the recourse if they not able to complete investigation and submit the report specified in the order.

Your preliminary answer to Director is;

A question regarding the scope of Section 212 of the Companies Act, 2013 was considered by hon'ble Apex Court in matter of Serious Fraud Investigation Office v. Rahul Modi. Court observed that Section 212(3) provides that the investigation orders are required to be completed within the specified time. If it not so done, what should be the consequences and whether further proceedings or investigations shall be unlawful.

Court was of opinion that "the provision has to be seen in the context in which it occurs in the statute. Therefore, the stipulation of Section 212(3) regarding submission of the report 'within such period as may be specified in the

order' is not to be taken as mandatory, but as purely directory. On the objective interpretation of the statutory provision, it cannot be said that on the expiry of that period the mandate in favour of SFIO must come to an end. If it was to come to an end, the legislation would have contemplated certain results thereof. In the absence of any clear stipulation, an interpretation that with the expiry of the period, the investigation must come to an end, will cause great violence to the scheme of legislation and with the expiry of mandate SFIO would also be powerless which would lead to an incongruous situation that serious frauds would remain beyond investigation".

1. Director of Serious Fraud Investigation Office, shall be an officer to the Government of India having knowledge and experience in dealing with matters relating to corporate affairs, not below the rank of -
 - (a) Assistant Secretary
 - (b) Deputy Secretary
 - (c) Joint Secretary
 - (d) Additional Secretary
2. The investigation conducted under section 212(3) wherein investigation continues beyond the time prescribed in the order of investigation and report has not been submitted to central government, shall be -
 - (a) Void
 - (b) Valid
 - (c) Irregular
 - (d) Invalid
3. Considering the expression of Section 212(6), an offence under Section 447 of the Companies Act, 2013 shall be -
 - I. Cognizable
 - II. Non-cognizable
 - III. Bailable
 - IV. Non-bailable
 - (a) I and III
- (b) I and IV
- (c) II and III
- (d) II and IV
4. The expression 'officers and employees' under Section 212(5) denotes -
 - (a) Persons who are in employment of the company.
 - (b) Persons who have been in employment of the company during period for which investigation is taking place.
 - (c) Persons who are or have been in employment of the company.
 - (d) Persons who are deemed to be in employment of the company, in opinion of SFIO
5. The note of examination of Ms. Smriti Shah, wherein she admitted her involvement in fraud and misappropriation can be used as evidence against her if -
 - I. Taken down in writing
 - II. Read over to Mr. Smriti
 - III. Signed by Ms. Smriti
 - IV. A copy of same handed over to Ms. Smriti
 - (a) I and III is fulfilled
 - (b) I, II and III is fulfilled
 - (c) I, III and IV is fulfilled
 - (d) All of I, II, III and IV fulfilled.

Answer Key

1.	(c)	2.	(b)	3.	(b)	4.	(c)	5.	(b)
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Chapter 5

Compromises, Arrangements and Amalgamations

(Section 230 - 240)

Section 230

Q1: A scheme of arrangement is proposed between Aarti Drugs Limited and its shareholders. In the light of the provisions of Companies Act, 2013, which is the relevant authority for sanctioning this scheme of arrangement.

- (a) Central Government
- (b) High Court
- (c) NCLT
- (d) Special Court

Q2: A scheme of arrangement is proposed between BPCL Limited, a government company, and its shareholders. In the light of the provisions of Companies Act, 2013, which is the relevant authority for sanctioning this scheme of arrangement.

- (a) Central Government
- (b) High Court
- (c) NCLT
- (d) Special Court

Q3: A scheme of compromise and arrangement is proposed between Pidilite Industries Limited and its creditors. The compromise and arrangement involve a corporate debt restructuring scheme. This corporate debt restructuring scheme needs a consent of at least _____ creditors by value.

- (a) 51%
- (b) 66%
- (c) 75%
- (d) 90%

Q4: The Board of directors of Cera Limited have filed a petition with NCLT for proposing a scheme of compromise and arrangement between the company and its members. Some of the minority shareholders of the company are against the scheme of compromise & arrangement and intends to raise objection before the NCLT on the ground that the scheme is against the minority interest. Basis the provisions of Companies Act, 2013; the objection to the scheme of compromise & arrangement shall be made by persons holding not less than _____ of the shareholding.

- (a) 5%

- (b) 10%
- (c) 20%
- (d) 26%

Q5: The Board of directors of Cera Limited have filed a petition with NCLT for proposing a scheme of compromise and arrangement between the company and its creditors. Some of the creditors of the company are against the scheme of compromise & arrangement and intends to raise objection before the NCLT on the ground that the scheme is against the minority interest. Basis the provisions of Companies Act, 2013; the objection to the scheme of compromise & arrangement shall be made by persons holding not less than _____ of the total outstanding debt.

- (a) 5%
- (b) 10%
- (c) 20%
- (d) 26%

Q6: The scheme of compromise or arrangement should be approved by the members or class of members or creditors or class of creditors. What is the minimum requirement for the same:

(ICAI MCQ Booklet)

- (a) It shall be approved by more than 50% majority in number of members, class of members, creditors and class of creditors who are present and voting at the meeting.
- (b) It shall be approved by more than 75% majority in value of members, class of members, creditors or class of creditors who are present and voting at the meeting.
- (c) It shall be approved by more than 75% majority in number of members, class of members, creditors and class of creditors who are present and voting at the meeting.
- (d) Both (a) and (b) together

Q7: A meeting of members of Ariana Limited was convened under the orders of the NCLT to consider a scheme of compromise and arrangement. Notice of the meeting was sent in the prescribed manner to all the 700 members holding in the aggregate 30,00,000 shares. The meeting was attended by 400 members holding 20,00,000 shares. As per the provisions of

Companies Act, 2013; approval of how many members is required for sanctioning the scheme of compromise and arrangement. Assume that all members present at the meeting participated in the voting.

- (a) Approval of members holding at least 22,50,000 shares is required
- (b) Approval of 351 members holding at least 22,50,000 shares is required
- (c) Approval of members holding at least 15,00,000 shares is required
- (d) Approval of 201 members holding at least 15,00,000 shares is required

Q8: Court passes the order to Pento Laboratories Ltd. for conducting meeting of the member for considering the scheme of compromise and arrangement. Company sent notice of meeting to all of its 1000 members holding total 30 lakh shares. On the date of meeting only 580 members holding 18 lakh shares attend the meeting and 400 members holding 14 lakh voted in favour of the scheme of compromise and arrangement and remaining voted against the scheme. With reference to the provision of Companies Act, 2013, state whether scheme get proper required approval of members or not.

(ICAI MCQ Booklet)

- (a) Yes scheme of compromise and arrangement get proper approval of $3/4^{\text{th}}$ of value of members or class or members.
- (b) No, scheme of compromise and arrangement didn't get proper approval of $3/4^{\text{th}}$ of value of members or class or members.
- (c) Yes scheme of compromise and arrangement get proper approval of 50% of value of members or class or members.
- (d) No, scheme of compromise and arrangement didn't get proper approval of 50% of value of members or class or members

Q9: A meeting of members of Gladiator Limited was convened under the orders of the NCLT to consider a scheme of compromise and arrangement. Notice of the meeting was sent in the prescribed manner to all the 800 members holding in the aggregate 40,00,000 shares. The meeting was attended by 500 members holding 25,00,000 shares. Out of the members present in the meeting, 100 members holding 5,00,000 shares abstained from voting. As per the provisions of Companies Act, 2013; approval of how many members is required for sanctioning the scheme of compromise and arrangement.

- (a) Approval of members holding at least 18,75,000 shares is required
- (b) Approval of 251 members holding at least 18,75,000 shares is required

- (c) Approval of members holding at least 15,00,000 shares is required
- (d) Approval of 201 members holding at least 15,00,000 shares is required

Q10: The time limit within which the representation if any, of Sectoral regulators shall be made within _____ from the date of receipt of Notice of the meeting to be called, held and conducted by the Tribunal

(ICAI MCQ Booklet)

- (a) 45 days
- (b) 30 days
- (c) 60 days
- (d) 90 days

Q11: An amalgamation has been proposed between Magnum Limited and Micro Limited. A meeting of members of Micro Limited was convened under the orders of the Tribunal for the purpose of considering the scheme of amalgamation. The company has a paid up share capital of ₹ 1.50 crore consisting of 15,00,000 shares of ₹ 10 each. The meeting was attended by 500 members holding 10,00,000 shares. 300 members holding 7,00,000 shares in the aggregate voted for the scheme. 150 members holding 2,00,000 shares in aggregate voted against the scheme. 50 members holding 1,00,000 shares walked out of the meeting in protest from voting. Choose the correct statement regarding the validity of the approval of the Scheme based on the provisions of the Companies Act, 2013.

(MTP Nov 2021)

- (a) The scheme has not been validly approved because the requisite majority in number has not voted in favour of the scheme
- (b) The scheme has not been validly approved because the members who voted in favour of the scheme do not hold 7,50,000 shares ($3/4^{\text{th}}$ in value)
- (c) The scheme has not been validly approved because 50 members walked out in protest
- (d) The scheme has been validly approved.

Q12: In respect of a scheme of compromise submitted by Sridhar Portland Cement Limited to the jurisdictional National Company Law Tribunal (NCLT), a meeting of the shareholders was held on the specified date and time and at the designated place. The company had 1200 shareholders holding equity shares of ₹ 1,20,00,000 (12,00,000 equity shares of ₹ 10 each) who all voted using the prescribed modes. However, 1000 shareholders holding ₹ 36,00,000 worth of shares voted against the approval of the scheme of compromise. Choose

the correct option which is applicable in the given situation:

(MTP Nov 2023)

- (a) The scheme of compromise is not approved
- (b) The scheme of compromise is approved since shareholders holding more than one-half worth of shares in value voted in favour of the scheme
- (c) The scheme of compromise is approved since shareholders holding more than fifty-five percent worth of shares in value voted in favour of the scheme
- (d) The scheme of compromise is approved since shareholders holding more than sixty percent worth of shares in value voted in favour of the scheme

Q13: Under what circumstances the meeting of the creditors may be dispensed by the NCLT?

(Study Mat, ICAI Sample MCQ, ICAI MCQ Booklet & MTP Nov 2020)

- (a) if 70% of the creditors in value agree and confirm to the scheme by way of affidavit
- (b) if 80% of the creditors in value agree and confirm to the scheme by way of affidavit
- (c) if 90% of the creditors in value agree and confirm to the scheme by way of affidavit
- (d) None of the above

Q14: A-One Software Limited is facing continuous losses and financial crunch for the last four years or so. In order to save company from the impending liquidation, it proposed a scheme of compromise to its creditors worth ₹ 1,50,00,000 and accordingly filed the said Scheme with the jurisdictional Tribunal. Minimum how many creditors in value must agree and confirm to the scheme of compromise so that Tribunal may dispense with calling of a meeting of the creditors:

(RTP May 2022)

- (a) In order that the Tribunal may dispense with calling of a meeting of the creditors, it is required that creditors having value of minimum ₹ 1,35,00,000 must agree and confirm to the scheme of compromise.
- (b) In order that the Tribunal may dispense with calling of a meeting of the creditors, it is required that creditors having value of minimum ₹ 1,20,00,000 must agree and confirm to the scheme of compromise.
- (c) In order that the Tribunal may dispense with calling of a meeting of the creditors, it is required that creditors having value of minimum ₹ 1,27,50,000 must agree and confirm to the scheme of compromise.
- (d) In order that the Tribunal may dispense with calling of a meeting of the creditors, it is required that creditors having value of minimum

₹ 1,42,50,000 must agree and confirm to the scheme of compromise.

Section 232

Q15: PQR Limited and LMN Limited have proposed Scheme of Amalgamation between them under Section 232 of the Companies Act 2013. They are seeking your advice on which of the following approvals can be asked for in the petition to be filed before NCLT for the proposed scheme.

(Study Mat, ICAI Sample MCQ & ICAI MCQ Booklet)

- (a) Change in Main Object Clause of Memorandum of Association;
- (b) Reduction of Share Capital;
- (c) Dissolution of the Transferor Company without winding up;
- (d) All of the above.

Q16: Vinayak Pharmaceuticals Limited decided to amalgamate Super Medicines Limited and accordingly, an application for amalgamation was submitted to the jurisdictional National Company Law Tribunal (NCLT). If the Tribunal is satisfied that the specified procedure has been complied with, it may, by order, sanction the scheme of arrangement leading to amalgamation and may make provision for various matters. From the following options, choose the one which may find place in the order of arrangement leading to amalgamation made by the Tribunal:

(MTP May 2023)

- (a) Vinayak Pharmaceuticals Limited shall discontinue its legal proceedings pending against Super Medicines Limited after amalgamation
- (b) Super Medicines Limited shall be dissolved, without winding up
- (c) On dissolution of Super Medicines Limited, the fee paid by it on its authorised capital shall not be set off against any fees payable by Vinayak Pharmaceuticals Limited on its authorised capital subsequent to the amalgamation
- (d) Super Medicines Limited shall be dissolved, after winding up

Q17: Which amongst the following is a restriction on transferee company in event of merger or amalgamation?

(MTP May 19)

- (a) hold any shares in its own name
- (b) hold any shares in the name of any trust on its behalf
- (c) hold any shares in the name of any trust on behalf of any of its subsidiary
- (d) All of the above

Q18: The NCLT has passed an order approving the merger of RGL Pvt. Ltd and RVGL Limited. The order has been passed by the NCLT on 25th January, 2020. The order is effective from 1st March, 2020 and has been received by RGL Pvt. Limited on 27th January, 2020. Which of the following statements is most appropriate as regards submitting order to the Registrar of Companies?

(ICAI MCQ Booklet)

- (a) RGL Pvt. Ltd has to submit the order to the ROC by 24th February, 2020, being 1 month from the date of passing of order by the NCLT.
- (b) RGL Pvt. Ltd has to submit the order to the ROC by 26th February, 2020, being 30 days from the date of receipt of order passed by the NCLT.
- (c) RGL Pvt. Ltd has to submit the order to the ROC by 1st April, 2020, being 30 days from the date of receipt of order passed by the NCLT being effective.
- (d) RGL Pvt. Ltd has to submit the order to the ROC by 26th April, 2020, being 3 months from the date of receipt of order passed by the NCLT.

Q19: B. Real Estate Developers Limited was demerged to B. Reality Constructions and Developers Limited and B. Real Estate Developers Limited. Choose the correct option from those given below as to what type of demerger is this:

(ICAI MCQ Booklet & MTP May 2022)

- (a) Total demerger.
- (b) Partial demerger.
- (c) Internal reconstruction.
- (d) Demerger in the 'nature of purchase'

Q20: Somnath Ltd. proposed a scheme of compromise and arrangement with the creditors and members of the company on 22.03.2021. On the application, Tribunal ordered for the meeting to be conducted. Majority agreed to the scheme and was sanctioned by the Tribunal by an order passed on 23.4.2021 indicating a date 1.05.2021 for making effective the scheme. Identify the correct effective date for the said scheme.

(MTP Nov 2021)

- (a) From the proposed date of the scheme
- (b) From the date of application filed before the Tribunal
- (c) From the date of order passed by the Tribunal
- (d) From the appointed date given in the Scheme

Q21: A Ltd. was amalgamated into AB Ltd. AB Ltd had held 100 % shares in AC Ltd. Both AB Ltd and AC Ltd held 10000 shares in A Ltd. before the amalgamation took place. A Ltd had 100000 issued shares in total before amalgamation and 70000 shares therein were held by B Ltd who also later became shareholder in AB Ltd under amalgamation. But the shareholders apart from

B Ltd. (and excluding AB Ltd., and AC Ltd) holding 10000 shares did not become shareholders in the new AB Ltd. Assuming all other conditions for Amalgamation in the nature of merger are fulfilled, would this be:

(ICAI MCQ Booklet)

- (a) Amalgamation in Nature of Merger
- (b) Amalgamation in Nature of Purchase
- (c) Both of these
- (d) None of these

[Hint - As per AS-14, to qualify as "Amalgamation in the Nature of Merger", atleast 90% shareholders of the transferor company (other than the equity shares already held therein, immediately before the amalgamation, by the transferee company or its subsidiaries or their nominees) become equity shareholders of the transferee company by virtue of amalgamation.

In current case, holder of atleast 90% of (1,00,000 shares - 20,000 shares) = 72,000 shares should have become shareholders of AB Ltd.]

Section 233

Q22: ABHI Limited is a wholly owned subsidiary company of ETERNAL Limited. ETERNAL Ltd., makes an application for merger of Holding and Subsidiary Companies under the section 232 of the Companies Act, 2013. The Company Secretary of the ETERNAL Ltd., states that company cannot apply for merger under section 232 of the said Act. He further stated that the company shall have to apply for merger as per section 233 i.e. Fast Track Merger. State the correct statement in terms of the validity of the difference in the opinion of the Company secretary-

(Study Mat, ICAI Sample MCQ, ICAI MCQ Booklet & MTP May 19)

- (a) Opinion of the Company Secretary of the ETERNAL Ltd. is valid holding that merger shall be as per section 233.
- (b) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as merger shall be possible only as per section 232.
- (c) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 are of the optional nature.
- (d) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 can be made between only small companies.

Q23: Hindalco Limited is planning to merge in itself Hindalco Aluminium Limited, its wholly owned company. However, the company wants to resort to a fast-track route to implement the proposed

merger. To which authority the company needs to make the application for fast-track merger?

- (a) Regional Director
- (b) High Court
- (c) Special Court
- (d) NCLT

Q24: An application for a fast-track merger under the provisions of section 233 of the Companies Act, 2013 can be made in which of the following cases

- (a) A wholly owned company getting merged into the holding company
- (b) Holding company getting merged into the wholly owned subsidiary company
- (c) A partly owned subsidiary getting merged into the holding company
- (d) Both (a) and (b)

Q25: Kiara Limited holds 77% of the shares of Sunny Limited. Kiara Limited makes an application for merger of Holding and Subsidiary Company under section 233 - Fast Track Merger of the Companies Act, 2013. The legal counsel of Kiara Limited states that company cannot apply for merger under section 233 of the said Act. He further stated that company shall have to apply for merger as per section 232 of the Act i.e. Merger and Amalgamation of Companies. State the correct statement in terms of the validity of the difference in the opinion of the legal counsel.

(RTP Nov 2021)

- (a) Opinion of the legal counsel of Kiara Limited is valid as the provisions given for fast track merger in section 233 can be made between only small companies.
- (b) Opinion of the legal counsel of Kiara Limited is invalid as merger shall be possible only as per section 233 between Holding and Subsidiary Company.
- (c) Opinion of the legal counsel of Kiara Limited is valid as the provisions given for fast track merger in section 233 can be made between Holding and wholly owned subsidiary.
- (d) Opinion of the legal counsel of Kiara Limited is invalid as merger of Holding and Subsidiary company is possible under both section 232 and section 233.

Q26: Bose Limited is planning to merge in itself Bose India Limited, a wholly owned subsidiary of the company. The company wants to resort to fast-track merger under the provisions of section 233 of the Companies Act, 2013. The company wants to know whether the approval of creditors is required for this fast-track merger.

- (a) No, the approval of creditors is not required for fast-track merger

- (b) Yes, approval of the majority creditors is required for fast-track merger
- (c) Yes, approval of majority creditors representing 75% of the value is required for fast-track merger
- (d) Yes, approval of majority creditors representing 90% of the value is required for fast-track merger

Q27: Tiny Limited is planning a merger with Ultra-thin Limited. Both the companies are small companies within the meaning of section 2(85) of the Companies Act, 2013. Both the companies have decided to proceed for the merger under the provisions of section 233 of the Companies Act, 2013. The companies have to seek the approval of its members for the scheme of merger. The companies want to know the requisite threshold of members for approval of this scheme.

- (a) Approval of majority number of members representing 75% value needs to be obtained
- (b) Approval of majority number of members representing 90% value needs to be obtained
- (c) Approval of 75% members by value needs to be obtained
- (d) Approval of 90% members by value needs to be obtained

Q28: With whom will the Central Government file an application if it is of the opinion that such a scheme is not in public interest or in the interest of the creditors?

(ICAI Sample MCQ, ICAI MCQ Booklet & MTP May 19)

- (a) Cannot move an application
- (b) it may file an application before the Tribunal
- (c) it may file an application before the Parliament
- (d) it may be through special leave filed before Supreme Court

Q29: If after consideration of the application of fast-track merger under section 233 of the Companies Act, 2013; Regional Director is of the opinion that that such scheme is not in public interest, it may forward the application of merger for consideration of _____

- (a) High Court
- (b) NCLT
- (c) Special Court
- (d) Supreme Court

Section 236

Q30: Mr. Anand who was a minority shareholder, was offered a price for purchase of his shares by the majority. The same was disbursed within the stipulated time as per the Act. However, Mr. Anand was out of town, and returned only after 2 months of the stipulated deadline. Will he be

able to receive the amount? If yes, upto what period?

(ICAI MCQ Booklet)

- (a) Yes, upto 6 months
- (b) Yes, upto 9 months
- (c) Yes, upto 1 year
- (d) No, it's time barred

Section 237

Q31: _____ is empowered to order the amalgamation of 2 or more companies under the provisions of Companies Act, 2013; if it is satisfied that such amalgamation is essential in public interest

- (a) NCLT
- (b) Central Government
- (c) High Court
- (d) Registrar of Companies

Q32: In the public interest, Central Government is planning to merge Indian Airlines into Air India using the power provided under section 237 of the Companies Act, 2013. As per the terms of the scheme, the shareholders of Indian Airlines were at loss and accordingly Central Government announced a compensation of Rs. 540 per share. Shareholders of Indian Airlines are of the view that this compensation amount is very low. As per the provisions of Companies Act, 2013; any person aggrieved by an assessment of compensation may within _____ days prefer an appeal to _____

- (a) 30 days, High Court
- (b) 30 days, NCLT
- (c) 60 days, High Court
- (d) 60 days, NCLT

Section 239

Q33: Prior approval of _____ shall be required for disposal of the books and papers of a company which has been amalgamated with another company

- (a) NCLT
- (b) Central Government
- (c) High Court
- (d) Registrar of Companies

Q34: X Ltd. amalgamated with Y Ltd. The transferee company decided to dispose of the books and papers of the X Ltd. in order to come up with maintenance of revised book and papers under the name of the transferee company to bring all the financial details of the amalgamated company also in the records. State the correct statement as to decision of the transferee company on the disposal of the Books and papers of the X Ltd.

(RTP Nov 19)

- (a) Decision of Transferee Company is invalid, as books and papers of the amalgamated company shall be maintained for at least three years.
- (b) Decision of Transferee Company is invalid, as books and papers of amalgamated company shall be maintained for at least eight years.
- (c) Decision of Transferee Company will be valid only on the sanction of the prior permission of the Central Government.
- (d) Decision of Transferee Company will be valid only after seeking prior permission of the requisite number of the creditors/shareholders of the amalgamated company

Answer Key

Q1.	(c)	Q2.	(a)	Q3.	(c)	Q4.	(b)	Q5.	(a)	Q6.	(d)	Q7.	(d)	Q8.	(a)	Q9.	(d)
Q10.	(b)	Q11.	(d)	Q12.	(a)	Q13.	(c)	Q14.	(a)	Q15.	(d)	Q16.	(b)	Q17.	(d)	Q18.	(b)
Q19.	(b)	Q20.	(d)	Q21.	(b)	Q22.	(c)	Q23.	(a)	Q24.	(d)	Q25.	(c)	Q26.	(d)	Q27.	(d)
Q28.	(b)	Q29.	(b)	Q30.	(c)	Q31.	(b)	Q32.	(b)	Q33.	(b)	Q34.	(c)				

Case Study Based MCQs

Case Study (RTP Nov 20) - Hansraj Power Distribution Ltd. (HPDL) was incorporated in the year 2008. The annual turnover of the company is two crore rupees. Mr. Raj Purohit, a Director of the company was appointed by company four years back. Mr. Raj Purohit is eligible for retirement by rotation at this AGM. The AGM is scheduled to be held on 22nd August, 2020. He is also working as a director in Max International Limited and Trinity Infrastructure Limited. Trinity Infrastructure Limited did not file its financial statements for the last three years with the Registrar of Companies. Trinity Infrastructure Limited also defaulted in paying interest on loans taken from a Public Financial Institution in the last two years. The Board of HPDL has decided to propose Mr. Raj's name for re-appointment. Mr. Raj gave his consent for the same.

Application to the Tribunal for Compromise & Arrangement was submitted along with all the documents. The Tribunal fixed the time and place of the meeting and appointed a Chairperson for the meeting.

A meeting of members of the company was held as per the orders of the Court to consider a scheme of compromise and arrangement. Notice of the meeting was sent to all 1000 members. Notice of the meeting was also sent to all the creditors or class of creditors and to the debenture-holders of the company, individually at the address registered with the company which will be accompanied by a statement disclosing the details of the compromise or arrangement, a copy of the valuation report, if any, and explaining their effect on creditors, key managerial personnel, promoters and non-promoter members, and the debenture-holders and the effect of the compromise or arrangement on any material interests of the directors of the company or the debenture trustees.

In total, the 1000 members of the company holds in aggregate 10,00,000 equity shares. The meeting was attended by 800 members holding 7,00,000 shares. Out of which 460 members holding 4,70,000 shares voted in favour of the scheme; 190 members holding 1,25,000 shares voted against the scheme. The remaining 150 members holding 1,05,000 shares abstained from voting. All the members voted for the scheme either in person or through proxies.

As prescribed under this Act, a notice along with all the documents was also sent to the Central Government, the Income-Tax Authorities, the Reserve Bank of India, the Securities and Exchange Board, the Registrar, the respective stock exchanges, and the Competition Commission of India. The Securities and Exchange Board made objection to scheme of arrangements after 45 days of receiving all the documents.

According to the last audit financial report, the outstanding debt on the company is ₹ 50 lakh rupees. The creditors of the company is as follows -

X-One financial Company	200,000 rupees	4%
Mr. Mohan Shah	1,250,000 rupees	25%
Radhey Finance Company	200,000 rupees	4%
Soham Company	700,000 rupees	14%
Onex National bank	1,000,000 rupees	20%
DXY National bank	1,650,000 rupees	33%

So, from the above-mentioned Creditors' list, X-One financial Company raised its objection in the Tribunal, to the aforementioned scheme. The creditors file the petition in the Tribunal.

The Chairperson of the meeting submitted the report to the Tribunal within the time fixed by the Tribunal. After hearing the creditors, the Tribunal finally approve the scheme of compromise and arrangement between the company and its members. The order of the Tribunal is binding on the company, all its members and creditors.

Answer the following questions in the light of the given information:

Multiple Choice Questions (MCQs)

1. With reference to the provisions of the Companies Act, 2013, which value of the requisite majority will be considered to approve the scheme?
 - (a) $\frac{3}{4}$ th of the total value of shares held by 650 members.
 - (b) $\frac{3}{4}$ th of the total value of shares held by 800 members.
 - (c) $\frac{3}{4}$ th of the total value of shares held by 1000 members.
 - (d) $\frac{3}{4}$ th majority of 1000 shares holders present and voting.

[Hint - $3/4^{\text{th}}$ majority needs to be seen of members present and voting i.e. $460+190 = 650$]

2. According to the provision of the Companies Act, 2013, X-One financial company objected to the compromise held on the scheme in between the company and its shareholders? According to their respective percentage in debt owed to the company, choose the correct option?
 - (a) X-One Finance Company can raise the objection as aggregate loan amount needs to be more than 2% of debt.
 - (b) X-One Finance Company jointly with Radhey Finance company can raise the objection as the aggregate amount needs to be not less than 5%.
 - (c) Only X-One Finance Company along with Soham Finance company can jointly raise the objection as the aggregate amounts needs not to be less than 15%.
 - (d) Only X-One Finance Company jointly with Soham Finance company and Radhey Finance company can raise the objection the aggregate amounts needs not to be less than 20 %.
3. Evaluate the representation made by SEBI, after 45 days of receiving the notice and all the documents, is tenable or not?
 - (a) Not tenable. It is required to be made within 10 days
 - (b) Not tenable. It is required to be made within 15 days.
 - (c) Not tenable. It is required to be made within 30 days.
 - (d) Not tenable. It is required to be made within 45 days.
4. While finally approving the scheme of compromise and arrangements between the company and its members, which of the below mentioned certificate is necessary to be filed with the Tribunal?
 - (a) Certificate from the Central Government
 - (b) Certificate from the Registrar.
 - (c) Certificate from the audit and accounts committee of the company
 - (d) Certificate from the company's auditor.
5. According to the above-mentioned facts under the directorship of Mr. Raj Purohit, Trinity Infrastructure Limited, defaulted in filing statements and paying the interest due on the loans. How the default of Trinity Infrastructure Limited going to affect the directorship of Mr. Raj Purohit, in all the three companies?
 - (a) Mr. Raj has to immediately vacate his office as a director in all the three companies.
 - (b) Mr. Raj needs to vacate his office as a director in (HPDL).
 - (c) Mr. Raj needs to vacate his office as a director only in (HPDL) and in Max International Limited.
 - (d) Mr. Raj need not resign in any of the company, as the default makes him only ineligible for re-appointment.

Answer Key

1.	(a)	2.	(b)	3.	(c)	4.	(d)	5.	(c)
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Case Study (ICAI MCQ Booklet) - Kumar Beverages Limited (KBL), a 10-year old listed company, is a leading beverage manufacturer and trader whose all the brands are popular household names in India, Middle East, Europe and Africa. Being a fast-growing company, the turnover of KBL was ₹ 300 crore during the financial year 2018-19. The Registered Office and manufacturing plants of KBL are situated at Kolluru, Karnataka. Akshay Beverages Limited (ABL), an 18-year old unlisted company, is one among the leading competitors of KBL and has market presence mainly in South Asia, South East Asia, Japan as well as Australia. It had turnover of ₹ 700 crore during the financial year 2018-19. The Registered Office of ABL is in Kundapura and manufacturing units are in Hattiangadi, Karnataka.

Considering various factors like elimination of competition, scaling up of operations for competitive advantages, economies of large-scale business, increase in market share, cost reduction by reducing overheads, increasing the efficiencies of operations, tax benefits, access to foreign markets etc., both the companies have been in negotiation for the last several months and a proposal to merge KBL with ABL is in the waiting.

It is proposed that KBL shall transfer all of its assets and liabilities to ABL. It is estimated that around 95% of equity shareholders of KBL shall become shareholders of ABL. Further, purchase consideration shall be discharged wholly by issuing equity shares of ABL. The beverage business shall continue as earlier. The assets and liabilities taken over from KBL shall be recorded at existing carrying amounts except where adjustment is required to ensure uniformity of Accounting Policies.

The 'object clauses' contained in the Memorandums of Association of ABL and KBL empower both the companies to undergo merger. All the required Institutional and statutory approvals were taken for merger. A Draft Scheme of merger was approved in the Board Meetings of both the companies.

Both ABL and KBL filed an Application for merger in the form of petition along with the necessary documents and information as required under the Companies Act 2013 read with the relevant Rules, with the jurisdictional National Company Law Tribunal (NCLT) [in short 'Tribunal'] for the purpose of sanctioning the Scheme of Merger.

The Tribunal ordered for the required meeting and gave such directions as it felt necessary for conducting the meeting. For the purposes of the meeting, merging companies also circulated some additional documents/information, as required under the Companies Act 2013.

The Tribunal satisfied itself with the procedure followed including filing of the Auditor's Certificate on accounting treatment proposed in the Scheme of Merger certifying that it was in conformity with the prescribed Accounting Standards.

The Tribunal by Order sanctioned the arrangement leading to merger and made provisions for all the required matters which, inter-alia, included valuation of shares and payment to such shareholders of KBL, who decided to opt out of the transferee company ABL. A certified copy of the Order was also filed with the Registrar of Companies for registration within the due date. One of the earlier Directors of KBL, contended that the Scheme shall be effective from the date the certified copy is registered by the Registrar of Companies.

However, the Scheme had indicated an 'appointed date' being the completion of 15 days from the date of receipt of the certified copy of the Order of the Tribunal, from which the merger shall be effective. It is expected that the actual implementation of the Scheme of merger is going to take some time. The Board of Directors of ABL wanted to understand the implementation monitoring procedure by the authorities and the Company Secretary was directed to explain the same.

It was decided that once the required implementation procedure of merger is completed, the manner of disposing of the books and papers of KBL shall be discussed.

It came to light that Neelesh, one of the Directors of KBL, had committed various offences by contravening different provisions of the Companies Act, 2013. On merger with ABL, it was contended by Neelesh that the wrongful acts were committed before the merger and therefore, he should be relieved from all the liabilities, punishments and penalties for the offences earlier committed.

Multiple Choice Questions (MCQs)

1. From the case scenario, it is observed that KBL, a listed company is being merged with ABL which an unlisted company and under the scheme of merger, the KBL shall transfer all of its assets and liabilities to ABL. Decide as to when the ABL shall become a listed company after KBL is merged with it.
 - (a) ABL shall remain an unlisted company until it becomes a listed company.

- (b) ABL shall immediately become a listed company after merger since KBL, a listed company is being merged with it.
- (c) ABL shall become a listed company after merger of KBL, a listed company, with it once the certified copy of the merger is registered with ROC.
- (d) ABL shall become a listed company once the application for sanctioning the merger is filed with the Tribunal since the merger is proposed with KBL, a listed company.

2. According to the case scenario, the Tribunal by Order sanctioned the arrangement leading to merger and made provisions for all the required matters which, inter-alia, included valuation of shares and payment to such shareholders of KBL, who decided to opt out of the transferee company ABL. From the following options choose the appropriate one:

- (a) Amount of payment or valuation for any share shall not be less than what has been specified by the Registrar of Companies.
- (b) Amount of payment or valuation for any share shall not be less than what has been specified by the Reserve Bank of India (RBI).
- (c) Amount of payment or valuation for any share shall not be less than what has been specified by the Securities and Exchange Board of India (SEBI).
- (d) Amount of payment or valuation for any share shall not be less than what has been specified in the Valuation Report of the Registered Valuer.

3. According to the contention of one of the earlier Directors of KBL, the Merger Scheme shall be effective from the date the certified copy is registered by the Registrar of Companies. From the following options you are required to choose the one which indicates the correct 'effective date':

- (a) The Merger Scheme shall be deemed to be effective from the date of passing of an Order by the Tribunal.
- (b) The Merger Scheme shall be deemed to be effective from the date of receipt by ABL the certified copy of the Order as passed by the Tribunal.
- (c) The Merger Scheme, as contended by an earlier Director of KBL, shall be deemed to effective from the date the certified copy is registered by the Registrar of Companies.
- (d) The scheme shall be deemed to be effective from the 'appointed date' being the completion of 15 days from the date of receipt of the certified copy of the Order of the Tribunal.

4. It is expected that the actual implementation of the Scheme of merger is going to take some time. The Board of Directors of ABL wanted to understand the implementation monitoring procedure by the authorities and the Company Secretary was directed to explain the same. Which of the following options, do you think, the Company Secretary might have suggested:

- (a) ABL shall, until the completion of the scheme, file a statement in such form and within such time as may be prescribed, with the Tribunal every year, duly certified by a Chartered Accountant or a Cost Accountant or a Company Secretary in practice indicating whether the scheme is being complied with in accordance with the orders of the Tribunal or not
- (b) ABL shall, until the completion of the scheme, file a statement in such form and within such time as may be prescribed, with the Registrar every year duly certified by a Chartered Accountant or a Cost Accountant or a Company Secretary in practice indicating whether the scheme is being complied with in accordance with the orders of the Tribunal or not
- (c) ABL shall, only on completion of the implementation of the scheme, file a statement in such form and within such time as may be prescribed, with the Registrar, duly certified by a Chartered Accountant or a Cost Accountant or a Company Secretary in practice indicating whether the implementation of the scheme is complied with in accordance with the orders of the Tribunal or not
- (d) ABL shall, only on completion of the implementation of the scheme, file a statement in such form and within such time as may be prescribed, with the Tribunal, duly certified by a Chartered Accountant or a Cost Accountant or a Company Secretary in practice indicating whether the implementation of the scheme is complied with in accordance with the orders of the Tribunal or not.

5. According to the case scenario, Neelesh, one of the Directors of KBL, had committed various offences by contravening different provisions of the Companies Act, 2013. On merger with ABL, it was contended by Neelesh that the wrongful acts were committed before the merger and therefore, he should be relieved from all the liabilities, punishments and penalties for the offences earlier committed. From the following options choose the correct one:

- (a) The contention of Neelesh is not correct since the liability in respect of offences committed

under the Companies Act 2013 by the officers in default, of the transferor company prior to its merger, amalgamation or acquisition shall continue after such merger, amalgamation or acquisition.

- (b) The contention of Neelesh is correct since the liability in respect of offences committed under the Companies Act 2013 by the officers in default, of the transferor company prior to its merger, amalgamation or acquisition shall not be continued after such merger, amalgamation or acquisition.
- (c) The contention of Neelesh is partially correct since he is liable only for the wrongful acts which have a bearing on the merger.
- (d) The Board of Directors of ABL are permitted to relieve Neelesh from the liabilities in respect of offences committed earlier in KBL by passing a Board Resolution with the consent of all the

Directors present at a duly convened Board Meeting.

6. According to the case scenario, once the required implementation procedure of merger is complete, the manner of disposing of the books and papers of KBL shall be discussed. From the given options, choose the appropriate one:

- (a) The books and papers of KBL can be disposed of immediately on merger of KBL with ABL.
- (b) The books and papers of KBL can be disposed of not earlier than 8 years from the financial year to which they relate.
- (c) The books and papers of KBL can be disposed of only after obtaining permission from the Central Government.
- (d) The books and papers of KBL can be disposed of only after obtaining permission from the Tribunal, which had sanctioned the merger.

Answer Key

1.	(a)	2.	(c)	3.	(d)	4.	(b)	5.	(a)	6.	(c)
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Case Study (ICAI MCQ Booklet) - Hibiscus Powergear Limited (HPL), an unlisted company, is "One Stop Shop" for all the custom built electrical switchboards, battery chargers and bus ducts. It manufactures comprehensive range of products from small industrial distribution boards to the large state-of-the-art intelligent motor and power control centers. The Registered Office of the company is located in Belthangadi and two manufacturing plants are situated at Dabaspet Industrial Area near Bengaluru.

HPL has been incurring huge losses for the last three years. There were accumulated losses to the extent of ₹ 19 Crores as on 31.03.2019. The Board of Directors had been evaluating all the possible options to bring the company back on the track. One of the options considered was Corporate Debt Restructuring (CDR) with the creditors, through Compromise.

Following data was extracted from the latest Audited Financial Statements of HPL as on 31.03.2019:

S. No.	Particulars	Amount (₹ in crores)
1.	<u>Secured Creditors</u>	
	a. 8% Debentures (Secured by creating Charge on Freehold Property)	20.00
	b. Accrued Interest on 8% Debentures	1.60
	c. Cash Credit (availed from National Commercial Bank against hypothecation of stocks and book debts)	15.00
2.	<u>Unsecured Creditors</u>	
	Loan from Directors @ 8% p.a.	30.00
	Trade Payables	18.00
	Other Creditors	0.40
	Total outstanding debt payable by HPL	85.00

Consequently, a Scheme of Corporate Debt Restructuring was consented by 78% of the secured creditors and all other stake holders. Brief outlines of the Scheme are given below:

- 8% Debenture-holders were to take over the Freehold Property at the current valuation of ₹ 12 Crores (book value ₹ 8 Crores) in part payment of their dues and to provide additional ₹ 10 Crores @9% p.a. secured by a floating charge on the assets of HPL. Interest accrued on Debentures was to be paid immediately.
- National Commercial Bank agreed to reduce interest rate from 11% p.a. to 8% p.a. on Cash Credit till next one year. It also in principle agreed to provide ₹ 3 Crores as non-fund based limits for a period of two years.
- Directors were to waive off all the outstanding interest payable to them upto 31.3.2019 and also had no objection if interest rate on their loans was reduced to 6% p.a.
- Suppliers and other creditors consented to waiving off their debts to the extent of all the amounts outstanding for a period beyond 2 years as on 31.03.2019. In essence, HPL was required to pay only for the last 2 years to the suppliers and other creditors.
- Patents and goodwill were to be written off to the extent of ₹ 0.50 Crores. Value of obsolete items in the inventory was quantified to ₹ 0.80 Crores and was to be written off.
- Bad debts identified to the extent of ₹ 0.75 Crores were to be written off.
- Remaining Freehold property worth ₹ 15 Crores was revalued at ₹ 23 crore.

After the above exercise, an application for the Compromise was filed by HPL with the jurisdictional National Company Law Tribunal (in short 'Tribunal') and made the necessary disclosures by filing an Affidavit. The disclosures contained all the material facts in respect of HPL, a copy of the Scheme of Corporate Debt Structuring as consented to by the creditors, methodology on the basis of which creditors had been identified, creditors' responsibility statement in the prescribed form, safeguards for the protection of other secured and unsecured creditors, Auditor's Report, Valuation Report, etc.

After hearing the Application, the Tribunal gave necessary directions in respect of conducting of the meeting of the creditors, fixed the date and place of the meeting, gave directions for the appointment of the Chairperson and scrutinizer, fixed the quorum, stated the procedure to be followed at the meeting including methodology of voting which could be either in person or by proxy or by postal ballot or by voting through electronic means, the time within which the Chairperson was required to report the result of the meeting to the Tribunal, etc.

To ensure transparency that may facilitate all the stakeholders to take proper decisions, extensive disclosures were made by HPL along with the Notice for the Meeting and then the company, as per the directions of the Tribunal, sent Notices to all the creditors and to all those who were entitled to receive it. Further, it was also sent to all the

relevant Regulators seeking their representations. In addition, the Notice was advertised in English in Times of India and in the local Kannada Newspaper Udayavani in Kannada language. The company also published the Notice on its website.

It is worth noting that United Belts Private Limited (UBPL), supplying some of the components to HPL, had raised objections to the proposed Scheme of Compromise after receiving the Notice. As on 31.03.2019, HPL was required to pay ₹ 0.80 Crores to UBPL for the supply of various components.

The Meeting was duly convened and the majority representing 78% of the value of creditors agreed to the Scheme of Compromise. The Tribunal provided for the protection of minority creditors and by an Order sanctioned the Scheme of Compromise relating to Corporate Debt Structuring (CDR), after considering the Certificate issued by the Auditor of HPL. The order of the Tribunal was filed with the Registrar by HPL within the specified period of the receipt of the order.

However, in the due course of time, HPL faced many practical hurdles in the implementation of the Scheme of Compromise sanctioned by the Tribunal.

Multiple Choice Questions (MCQs)

1. The case scenario states that an Application for Compromise was filed by HPL with the jurisdictional National Company Law Tribunal (NCLT) along with all the necessary documents including Auditor's Report. From the following options, choose the one which the auditor must include in the Auditor's Report when the Application for Compromise relates to the Scheme of Corporate Debt Restructuring (CDR):
 - (a) That all the Fixed Assets of HPL have been properly revalued by the Registered Valuer for the purpose of Compromise and the Valuation Report being submitted to the Tribunal is true and correct;
 - (b) That the total value of creditors shown in the financial statements of HPL as on 31.03.2019 is true and correct and there are no material discrepancies.
 - (c) That the fund requirements of HPL after the corporate debt restructuring as approved shall conform to the liquidity test, based upon the estimates provided to the auditor by the Board of HPL.
 - (d) That all the contents of the Application and other documents submitted to the Tribunal are true and correct to the best of his knowledge and belief and reflect a true and fair position of HPL as on the date of submission of Application to the Tribunal.
2. According to the case scenario, with a view to ensure transparency that might facilitate all the stakeholders to take proper decisions, extensive disclosures were made by HPL along with the Notice for the Meeting and the notices were sent to all the creditors and all those who were entitled to receive it. As regards the adoption of the Compromise, the Notice needs to provide that the persons to whom the notice is sent may vote in the meeting either themselves or through proxies or by postal ballot:
 - (a) Within 21 days from the date of receipt of such Notice.
 - (b) Within one month from the date of receipt of such Notice.
 - (c) Within 14 days from the date of receipt of such Notice.
 - (d) Within 7 days from the date of receipt of such Notice.
3. It is stated in the case scenario that United Belts Private Limited (UBPL), supplying some of the components to HPL, had raised objections to the proposed Scheme of Compromise. For raising any objection to the Scheme of Compromise, the value of UBPL as trade creditor in the books of HPL must be:
 - (a) Not less than 5% of the total outstanding debt as per the audited financial statements as on 31.03.2019 of HPL.
 - (b) Not less than 10% of the total outstanding debt as per the audited financial statements as on 31.03.2019 of HPL.
 - (c) Not less than ₹ 1 Crore as per the audited financial statements as on 31.03.2019 of HPL.
 - (d) Not less than 25% of the total outstanding debt as per the audited financial statements as on 31.03.2019 of HPL.
4. The Notice was also sent to all the relevant Regulators seeking their representations which was to be made within the specified period from

the date of receipt of such notice. From the following options, choose the one which specifies the correct time period for making representations:

- (a) Representation needs to be made within 10 days from the date of receipt of notice.
- (b) Representation needs to be made within 15 days from the date of receipt of notice.
- (c) Representation needs to be made within 30 days from the date of receipt of notice.
- (d) Representation needs to be made within 45 days from the date of receipt of notice.

5. According to the case scenario, the Tribunal while providing for the protection of minority creditors, sanctioned by an order the Scheme of Compromise relating to Corporate Debt Structuring (CDR), after considering the Certificate issued by the Auditor of HPL. The Auditor's Certificate at the Sanctioning stage shall be to the effect that:

- (a) HPL has duly followed all the procedure required for the Compromise as required under the Companies Act 2013 and the relevant Rules thereunder.
- (b) All the documents submitted by HPL to the Tribunal for the purpose of Compromise are true and correct and the Auditors have duly verified them.
- (c) The accounting treatment, if any, proposed in the Scheme of Compromise by HPL is in

conformity with the prescribed accounting standards.

- (d) The Auditors have reasonable grounds to believe that HPL will continue its business as a going concern after the implementation of Compromise.

6. The given case scenario states that in due course of time, HPL faced many practical hurdles in the implementation of the Scheme of Compromise sanctioned by the Tribunal. Which of the following options is applicable, if the Tribunal is satisfied that the sanctioned Compromise cannot be implemented satisfactorily with or without modifications, and the company is unable to pay its debts as per the Scheme:

- (a) HPL and every officer of HPL who was in default shall be liable for fine of minimum ₹ one lac and maximum of ₹ ten lacs.
- (b) The Tribunal may make an order for winding up of HPL.
- (c) The company shall be liable to pay fine of ₹ twenty-five lacs and every Director and the defaulting officers of HPL shall be liable for imprisonment ranging between one year and 5 years and also fine not exceeding ₹ five lacs.
- (d) The Tribunal may order for confiscation and sale of properties of HPL to settle the debts to the creditors

Answer Key

1.	(c)	2.	(b)	3.	(a)	4.	(c)	5.	(c)	6.	(b)
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Case Study (ICAI MCQ Booklet) - RATA Motors is a leading global automobile manufacturing company listed on Bombay Stock Exchange. Its diverse portfolio includes an extensive range of cars, sports utility vehicles, trucks, buses and defense vehicles. Rata Motors is one of India's largest OEMs offering an extensive range of integrated, smart and e-mobility solutions.

RATA Motors is planning for expansion in India and overseas. It made a proposal with Jupiter Mauritius LLP, registered under the provisions of LLP Act of Mauritius and Pluto LLP, registered under per the provisions of Limited Liability Partnership Act, 2008, for merger with RATA Motors. It also proposed to Mars Ltd., listed on Kolkata Stock Exchange, having a paid up share capital of ₹ 8 crore, engaged in the business of tyres manufacturing and distribution, for merging with it. RATA Motors called a Board Meeting to draft the agreement for merger of the aforesaid LLPs and Mars Ltd.

During the Board Meeting, Mr. Rakesh, the Director of RATA Motors pointed out that Mr. Bhaskar, the Director of RATA Motors, is holding Directorship in 21 companies, out of which 11 are private companies, including Bright Pvt. Ltd., a subsidiary of Mars Ltd. and 10 public companies. The Board asked Mr. Bhaskar to resign his office in the company or in other company in which he is a Director, as per section 168 of the Companies Act, 2013. Mr. Bhaskar averred that he has not violated the provisions of section 165 as out of 11 private companies, Boost Pvt. Ltd. is a dormant company and out of 10 public companies, in Dull Ltd., he has been appointed as an alternate Director. As per section 165 of the Companies Act 2013, dormant company is not included within the limit of holding of Directorship in companies. He further added that, in no way, he has violated the provisions of section 165 and in fact he is eligible to be appointed in one more public company, as the alternate Directorship is not included in the threshold of 20 companies. He told the Board that, still if, RATA Motors wants to remove him from his Directorship, it can do so, but he is not going to give resignation in any other company as a Director. The Board of Directors agreed with Mr. Bhaskar's averments and dropped the plan of asking him to resign under section 168 of the Companies Act, 2013 or moving a resolution for his removal under section 169 of the Companies Act, 2013.

The paid up share capital of RATA Motors is ₹ 9 crore consisting of 900 members. It called the meeting of the members for the merger of Mars Ltd. The meeting was attended by 440 members in person, 60 members appointed proxies to attend and remaining 400 members holding ₹ 1.50 crore shares were absent. 320 members representing shares of ₹ 5.35 crore and 60 proxies representing shares of ₹ 2.1 crore, present in the meeting voted in favor of the scheme. The company Mars Ltd. was successfully amalgamated with RATA Motors as per the relevant laws applicable. Many officers, Directors and employees of the transferor company, Mars Ltd., lost their office after the amalgamation. Mr. Ram, the Managing Director, Mr. Laxman the Whole Time Director and Mr. Bharat, the part time Director of Mars Ltd. approached the company for compensation due to loss of office. However, Mr. Laxman on the basis of his merits was appointed as manager in RATA Motors. The company denied the compensation as they were not eligible for compensation as per section 202 of the Companies Act 2013. Few members of Mars. Ltd believed that transfer of funds and assets of the company will be affecting their interest. So, 120 members out of 1500 members decided to file an application before NCLT.

Multiple Choice Questions (MCQs)

1. Whether the decision of Board of not moving the resolution for removal of Mr. Bhaskar is valid?
 - (a) Yes, because as per the provisions of section 165, alternate Directorship is not included in 20 companies.
 - (b) Yes, because Directorship in dormant company shall be excluded while calculating the limit of 20 companies as per section 165 of the Companies Act 2013.
 - (c) No, because he can hold Directorship in maximum 10 public companies.
 - (d) Yes, because he holds Directorship in 20 companies whether it being public or private company.
 2. Whether Mars Ltd is correct, for not giving compensation for loss of office to its aforesaid Directors?
 - (a) Yes, compensation for loss of office is not available in case of amalgamation or reconstruction.
 - (b) No, Mr. Ram and Mr. Laxman are eligible for compensation as per section 202 of the Companies Act, 2013.
 - (c) No, only Mr. Ram is eligible for compensation as per section 202 of the Companies Act, 2013.
 - (d) No, Mr. Ram and Mr. Bharat are eligible for compensation.
- [Hint – Mr. Bharat, being a part time director, is not entitled to compensation as per section 202.]

Further, since Mr. Laxman was appointed as a manager in RATA Motors, he is also not entitled to compensation]

3. Choose the correct statement :-

- (a) Jupiter Mauritius LLP can amalgamate with Rata Motors. because section 234 of the Companies Act permits foreign LLP to merge with the company.
- (b) Pluto LLP and Jupiter Mauritius LLP can amalgamate with Rata Motors. because they do not come under the definition of company.
- (c) Pluto LLP can amalgamate with Rata Motors even after registered as a company under section 366 of the Companies Act, 2013.
- (d) Jupiter Mauritius LLP can amalgamate with Rata Motors because as per section 366 companies

capable of being registered do not include foreign limited liability partnership.

4. Whether the approval of the members for the merger of Mars Ltd. is valid or not?

- (a) Yes, as the majority of persons representing required value of shares was present and voted in the meeting has approved the arrangement.
- (b) No, as the majority of the members did not vote in favor because proxies will not be included while calculating the votes.
- (c) No, the majority who voted in the meeting should represent more than 90% of the total value of shares as per the requirements of the Companies Act 2013.
- (d) No, the majority of the members have not voted in the meeting because out of 900 members only 380 members have voted in favor.

Answer Key

1.	(c)	2.	(c)	3.	(a)	4.	(a)
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Case Study (ICAI MCQ Booklet) - ABC Limited was incorporated under the Indian Companies Act, 1913, on 21st March, 1918 as a public limited (non-government Company) company. The issued, subscribed and paid-up equity share capital of the company as on 31st March, 2020 is ₹ 25 crore, consisting of 25 crore equity shares of ₹ 1 each, which are listed on BSE Limited and National Stock Exchange of India Limited.

The company filed a scheme of arrangement before NCLT for issue of secured non-convertible redeemable fully paid-up debentures by way of bonus to its members as on record date out of the accumulated profits lying to the credit of Profit & Loss Account under sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

The scheme of arrangement is formulated for issue and allotment by way of bonus, one fully paid-up debenture of the face value of ₹ 30/- each, by utilizing its accumulated profits, for every one fully paid-up equity share of face value of ₹ 1/- each held by total 1,25,000 members as on the record date.

Pursuant to the order dated 10th April, 2020, passed by the Hon'ble National Company Law Tribunal, a Meeting of the equity shareholders of the company was convened at Bhasha Bhawan Auditorium, National Library, Belvedere Road, Alipore, Kolkata - 700 027 on Monday, 27th May, 2020, at 1:00 P.M.

In accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013, the scheme was agreed to by a majority of persons representing three fourth in value of the equity shareholders of the company, voting through (i) postal ballot or remote e-voting and (ii) ballot or polling paper at the venue of the meeting.

Multiple Choice Questions (MCQs)

1. What is the amount, which the company intends to utilise out of accumulated profits for issue of bonus debentures?
 - (a) 30 Crore
 - (b) 50 Crore
 - (c) 25 Crore
 - (d) 750 Crore
2. The scheme of arrangement is to be agreed by members of the company
 - (a) By way of ordinary resolution.
 - (b) By way of special resolution.
 - (c) By majority of members representing three-fourths in value of the members voting in person or by proxy or by postal ballot / e-voting.
 - (d) By majority of members voting in person or by proxy or by postal ballot / e-voting.
3. How many equity shares are required to be held by members voting in favour of the scheme for approving the scheme?
 - (a) More than 12.5 crore equity shares.
 - (b) 12.5 crore equity shares or more.
 - (c) More than 18.75 crore equity shares.
 - (d) 18.75 crore equity shares or more.
4. How many members must agree to the scheme of arrangement, if 40% of total members attend and 30% of the total members vote at the meeting?
 - (a) 18,751
 - (b) 37,501
 - (c) 18,750
 - (d) 62,501

Answer Key

1.	(d)	2.	(c)	3.	(d)	4.	(a)
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Case Study (ICAI MCQ Booklet) - DEF Limited was incorporated under the Companies Act, 2013 on 21st June, 2013 as a public limited company.

The issued, subscribed and paid-up equity share capital of the company as on 31st March, 2020, is ₹ 30 crore consisting of 30 crore equity shares of ₹ 1 each, which are listed on BSE Limited and National Stock Exchange of India Limited.

The company filed a scheme of arrangement before NCLT for issue of secured non-convertible redeemable fully paid-up debentures by way of bonus to its members as on the record date out of the accumulated profits lying to the credit of Profit & Loss Account under sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

The scheme of arrangement is formulated for issue and allotment by way of bonus, one fully paid-up debenture of the face value of ₹ 20/- each, by utilizing its accumulated profits, for every one fully paid-up equity share of face value of ₹ 1/- each held by total 50,000 members as on the record date.

In respect of the said scheme, there is no arrangement with the creditors of the company. No compromise is offered under the Scheme to any of the creditors of the company. The liability of the creditors under the Scheme, is neither being reduced nor being extinguished. Pursuant to the Order passed by the Hon'ble National Company Law Tribunal, a meeting of the equity shareholders of the company was convened at the registered office of the company. In accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013, the scheme was agreed to by the requisite members.

The order of the NCLT for approving the scheme of arrangement dated 2nd August 2020, received on 6th August 2020 was filed with the Registrar by the company.

Multiple Choice Questions (MCQs)

1. How many debentures are required to be issued by the company in pursuance of the scheme of arrangement?
 - (a) 25 crore
 - (b) 30 crore
 - (c) 50 crore
 - (d) 50,000
2. What is the amount which the company intends to utilise out of accumulated profits for issue of bonus debentures?
 - (a) 30 crore
 - (b) 50 crore
 - (c) 25 crore
 - (d) 600 crore
3. What is the last date for filing the order of NCLT with the registrar?
 - (a) 1st September, 2020
 - (b) 5th September, 2020
 - (c) 21st August, 2020
 - (d) 17th August, 2020
4. How many equity shares are required to be held by members voting in favour of the scheme for approving the scheme, if all the members attend and vote at the meeting?
 - (a) More than 15 crore equity shares.
 - (b) 15 crore equity shares or more.
 - (c) More than 22.50 crore equity shares.
 - (d) 22.50 crore equity shares or more.
5. How many members must agree to the scheme of arrangement, if 50% of total members of the company attend and 40% of the total members vote at the meeting?
 - (a) 10,001
 - (b) 37,500
 - (c) 25,001
 - (d) 37,501

Answer Key

1.	(b)	2.	(d)	3.	(b)	4.	(d)	5.	(a)
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Case Study (ICAI MCQ Booklet) - GHI Limited was incorporated under the Companies Act, 2013 on 27th July, 2013 as a public limited company. The issued, subscribed and paid-up equity share capital of the Company as on 31 March, 2020 is ₹ 50 crore consisting of 50 crore equity shares of ₹ 1 each, which are listed on BSE Limited and National Stock Exchange of India Limited.

The company filed a scheme of arrangement before NCLT for issue of secured, non-convertible, redeemable, fully paid-up debentures by way of bonus to its members as on record date out of the accumulated profits lying to the credit of Profit & Loss Account, under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

The scheme of arrangement is formulated for issue and allotment by way of bonus, one fully paid-up debenture of the face value of ₹ 10/- each, by utilizing its accumulated profits, for every one fully paid-up equity share of face value of ₹ 1/- each held by total 60,000 members as on the record date.

Pursuant to the order passed by the Hon'ble National Company Law Tribunal, a meeting of the equity shareholders of the company was convened at the registered office of the company. In accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013, the scheme was agreed to by the requisite members.

The certificate furnished by BLR & Co, LLP, Statutory Auditors, as regards to the accounting treatment, proposed in the scheme was in conformity with the accounting standards prescribed under Section 133 of the Act and was filed with the NCLT and was kept open for inspection by the equity shareholders of the Company at its registered office between 10.00 a.m. to 2.00 p.m. on all days (except Saturdays, Sundays and public holidays) up to the date of the meeting.

Multiple Choice Questions (MCQs)

1. How many debentures are required to be issued by the company in pursuance of the scheme of arrangement?
 - (a) 50 crore
 - (b) 30 crore
 - (c) 5 crore
 - (d) 60,000
2. What is the amount, which the company, intends to utilize out of accumulated profits for issue of bonus debentures?
 - (a) 50 crore
 - (b) 500 crore
 - (c) 25 crore
 - (d) 600 crore
3. Was it incumbent upon the company to obtain and file with NCLT, the certificate as regards to the conformity of accounting treatment with the Accounting Standards prescribed under Section 133 of the Act, proposed in the scheme from statutory auditors?
 - (a) No, it is better, if obtained.
 - (b) Yes, from the point of view of good corporate governance.
 - (c) Yes, from any practicing Chartered Accountant not necessarily from statutory auditors.
 - (d) Yes, from statutory auditors only.
4. How many equity shares are required to be held by members voting in favour of the scheme for approving the scheme, if all the members attend and vote at the meeting?
 - (a) More than 25 crore equity shares
 - (b) 25 crore equity shares or more.
 - (c) More than 37.50 crore equity shares.
 - (d) 37.50 crore equity shares or more.
5. How many members must agree to the scheme of arrangement, if 30% of total members of the company attend and 20% of the total members vote at the meeting?
 - (a) 6,001
 - (b) 9,001
 - (c) 45,000
 - (d) 30,001

Answer Key

1.	(a)	2.	(b)	3.	(d)	4.	(d)	5.	(a)
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Case Study (ICAI MCQ Booklet) - XYZ Private Limited was incorporated on 25.04.2003 as a private company limited by shares under the provisions of the Companies Act, 1956 as a wholly owned subsidiary of JKL Industries Limited and is currently engaged in the business of manufacturing, retailing and institutional sales of regular breads as well as a wide range of premium gourmet bakery products.

The issued, subscribed and paid-up capital is ₹ 10 crore divided into 1 crore equity shares of ₹ 10/- each fully paid up as at 31.03.2020. JKL Industries Limited was incorporated on 25.04.2000 as a public company limited by shares under the provisions of the Companies Act, 1956 and is a leading food company in India. Its issued, subscribed and paid up share capital is 50 crore divided into 5 crore equity shares of ₹ 10/- each as at 31.03.2020.

The scheme of arrangement is presented pursuant to sections 230 to 232 and other applicable provisions of the Companies Act, 2013, for demerger of the Manufacturing Business division and Retail Sales Business division of XYZ Private Limited into JKL Industries Limited. The Institutional sales business shall continue to belong to and be vested in and be continued to be owned and managed by XYZ Private Limited.

The appointed date of the scheme set out in its present form with any modification(s) approved or imposed or directed by NCLT shall be 01.04.2020.

Pursuant to the order passed by the Hon'ble National Company Law Tribunal, meetings of the equity shareholders of the both companies were called and held at the registered offices of the companies and the requisite members agreed to the scheme of arrangement on 30.04.2020.

NCLT passed the order approving the scheme of arrangement between the companies on 05.07.2020, and the copy of the order was filed with registrar of companies on 11.07.2020 which shall be the date on which the scheme of arrangement comes into effect.

Multiple Choice Questions (MCQs)

1. In accordance with the scheme of arrangement, XYZ Private Limited is?
 - (a) a transferee company.
 - (b) a transferor company.
 - (c) neither transferee nor transferor company.
 - (d) both transferee and transferor company.
2. In accordance with the scheme of arrangement, JKL Industries Limited is?
 - (a) a transferee company.
 - (b) a transferor company.
 - (c) neither transferee nor transferor company.
 - (d) both transferee and transferor company.
3. Whether any consideration is payable by JKL Industries Limited to XYZ Private Limited for transfer of its manufacturing and retail business?
 - (a) Yes, the no. of shares equal to the value of net assets transferred.
 - (b) Yes, in cash or its equivalent for the value of net assets transferred.
 - (c) Yes, the no. of shares equal to the value of gross assets transferred.
 - (d) No, as XYZ Private Limited is wholly owned subsidiary of JKL Industries Limited.
4. From which date, the scheme of arrangement, shall be effective?
 - (a) 30.04.2020
 - (b) 01.04.2020
 - (c) 05.07.2020
 - (d) 11.07.2020
5. Whether XYZ Private Limited shall be dissolved without winding up by virtue of approval of scheme of arrangement by NCLT?
 - (a) Yes, as it will get demerged into JKL Industries Limited.
 - (b) No, as its institutional sales business will continue to be owned and done by it.
 - (c) Yes, as its manufacturing and retail sales undertakings are transferred.
 - (d) Yes, as it is a wholly owned subsidiary of JKL Industries Limited.

Answer Key

1.	(b)	2.	(a)	3.	(d)	4.	(b)	5.	(b)
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Case Study (ICAI MCQ Booklet) - AAA Private Limited is wholly owned subsidiary of BBB Industries Limited and is currently engaged in the business of manufacture, retail and institutional sales of steel furniture. BBB Industries Limited was incorporated as a public company limited by shares under the provisions of the Companies Act, 1956 and is a leading furniture company in India. The equity shares of BBB Industries Limited are listed on BSE Limited and National Stock Exchange of India Limited.

The Scheme of Arrangement is formulated pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, for demerger of the Manufacturing Business division and Retail Sales Business division of AAA Private Limited into BBB Industries Limited.

The Institutional sales business shall continue to belong to and be vested in and be continued to be owned and carried out by AAA Private Limited.

The Hon'ble National Company Law Tribunal directed to hold the meetings of the equity shareholders of the both companies which were called and held at the registered offices of the companies and their respective requisite members agreed to the scheme of arrangement on 31/05/2020.

The notice of the meeting along with concerned documents was sent to the Income Tax department on 05/04/2020, requiring their representation, if any, on the scheme of arrangement, which was received by the department on 09/04/2020.

The appointed date of the scheme set out in its present form with any modification(s) approved or imposed or directed by the Hon'ble National Company Law Tribunal shall be 01/07/2020 whereas it approved the said scheme of arrangement between the companies by order dated 04/07/2020. The copy of the order was filed with registrar of companies on 12/07/2020 which shall be the date on which the scheme of arrangement comes into effect.

Multiple Choice Questions (MCQs)

1. In accordance with the scheme of arrangement, AAA Private Limited is?
 - (a) a Transferee company
 - (b) a Transferor company
 - (c) neither transferee nor transferor company
 - (d) both transferee and transferor company
2. In accordance with the scheme of arrangement, BBB Industries Limited is?
 - (a) a Transferee company
 - (b) a Transferor company
 - (c) neither transferee nor transferor company
 - (d) both transferee and transferor company
3. Whether any consideration is payable by BBB Industries Limited to AAA Private Limited for transfer of its manufacturing and retail business?
 - (a) Yes, the no. of shares equal to the value of net assets transferred.
 - (b) Yes, in cash or its equivalent for the value of net assets transferred.
 - (c) Yes, the no. of shares equal to the value of gross assets transferred
 - (d) No, as AAA Private Limited is wholly owned subsidiary of BBB Industries Limited.
4. From which date the scheme of arrangement shall be effective?
 - (a) 31.05.2020
 - (b) 01.07.2020
 - (c) 04.07.2020
 - (d) 12.07.2020
5. Within how many days is the Income Tax Department required to make representation on the scheme of arrangement sent by the companies?
 - (a) Within 30 days from the date of notice to the Income Tax Department
 - (b) Within 30 days from the date of receipt of notice by the Income Tax Department.
 - (c) Within 45 days from the date of receipt of notice by the Income Tax Department.
 - (d) Within 60 days from the date of receipt of notice by the Income Tax Department.

Answer Key

1.	(b)	2.	(a)	3.	(d)	4.	(b)	5.	(b)
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Case Study (ICAI MCQ Booklet) - Simran Software Solutions Ltd. is a subsidiary of Hardik Tech India Limited. Simran Software Solutions Ltd. is a listed company where as Hardik Tech India Ltd. is an unlisted public company. Simran Software Solutions Ltd. has a paid up share capital of ₹ 100 crore while Hardik Tech India Ltd., has a paid up share capital of ₹ 150 crore.

An application is made to the tribunal for the amalgamation of the subsidiary (transferor) company into its holding (transferee) company. The scheme of arrangement has been proposed for the amalgamation of the both the companies.

Application to the tribunal for amalgamation was submitted in form no. NCLT-1, along with following documents:

- (a) A notice of admission in Form No. NCLT-2
- (b) An affidavit in form no. NCLT-6
- (c) A copy of Scheme of M&A (Merger & Amalgamation)
- (d) A disclosure of all the material facts relating to the company.
- (e) It was also disclosed to the Tribunal in the application, that each class of members or creditors has been identified for the purposes of approval of the scheme.

A meeting was called in pursuance of the order of the tribunal. The notice of such meeting was sent to all the creditors or class of creditors and to all the members or class of members and the debenture holders of the company, individually, at the addresses registered with the company accompanied by a statement disclosing the details of the scheme of amalgamation, a copy of valuation report and explaining the effect of such arrangement on creditors, Key Managerial personnel, promoters, the debenture holders and Directors of the company.

Mr. Manjit is a Managing Director of Simran Software Solutions Ltd. whereas is Mr. Ram is a Whole Time Director of the said company. Due to amalgamation of Simran Software Solutions limited into Hardik Tech India Limited, Mr. Manjit lost his job. Mr. Ram was to be appointed as Director in Hardik Tech India Limited but he was not happy with such amalgamation and as a result he resigned from his office. Mr. Manjit was appointed for five years as a Managing Director of the company on 21st April, 2019. Mr. Ram was appointed Whole Time Director on 4th May, 2018. So due to loss of job, the company decided to compensate both Mr. Manjit as well as Mr. Ram. At the meeting, the company decided to pay, both of them the average compensation in proportion to their last three years remuneration.

5% shareholders of Simran Software Solutions Ltd. decided to opt out of the company. They were not satisfied with the scheme of amalgamation of Simran Software Solutions Ltd. with Hardik Tech India Ltd. So, according to value of their shares, the tribunal ordered to pay them, according to the pre-determined price formula based on the valuation of shares.

Simran Software Solutions Ltd. submitted to the tribunal details about a pending legal case against one of the Directors of the company, Mr. Mohan. Company has sued Mr. Mohan and has suspended him from the Directorship of the company. Mr. Mohan at present is being prosecuted for an offence under section 447 and section 452, respectively, of the Companies Act, 2013. Mr. Mohan has caused a loss of ₹ 20 lakh to the company through various bogus transactions due to which the company registered a case against Mr. Mohan and the case is still pending with the tribunal. The transferor company has communicated the same to the transferee company.

The Tribunal, after satisfying itself that the procedure specified in the Act has been followed, sanctioned the scheme of amalgamation. It was decided that 22nd January, 2021, shall be the effective date for amalgamation. The completion process will take one year from the effective date. The tribunal ordered the transferee company to transfer the whole of the undertaking, property and its liabilities to the transferor company, till the aforementioned date, as determined by the parties.

It was also held by the tribunal that when the transferor company gets dissolved, the fees, if any, paid by the transferor company on its authorized capital shall be set-off against any fees payable by the transferee company on its authorized capital, subsequent to the amalgamation. Both the companies, in relation to such order shall submit a certified copy of the order as prescribed, with the Registrar for registration within thirty days of the receipt of certified copy of the order.

Multiple Choice Questions (MCQs)

1. The tribunal decided that Simran Software Solutions Ltd should pay its 5% dissenting shareholders based on the predetermined formula on the valuation of shares. According to

the provisions of the Companies Act, 2013, what is the basic criteria which should be considered while deciding the valuation of the shares?

- (a) The valuation of the shares should not be less than the market price of the shares.
- (b) The valuation of the shares should not be less than what has been specified by the Security and Exchange Board of India.
- (c) The valuation of the shares, in any case, should not be less than that of the value of shares of Hardik Tech India Limited.
- (d) The market price of the share on the day of amalgamation of the companies will be taken into consideration.
2. What will be the consequences of amalgamation of Simran Software Solutions Ltd (listed company) into Hardik tech India Ltd (unlisted company)?
- (a) Amalgamation of a listed company into an unlisted company would itself convert the transferee company into a listed company.
- (b) Amalgamation of a listed company into an unlisted company, does not by itself, convert the transferee company into a listed company.
- (c) Irrespective of the status of the company, whenever amalgamation is done between a listed and unlisted company, it becomes a listed company.
- (d) According to the provisions of the Act, in case of amalgamation of a listed subsidiary company into an unlisted holding company, then subsidiary company has to become an unlisted company, after buy-back of shares from public.
3. According to the provisions of this Companies Act, 2013, what is the legal obligation imposed on the company which it has to follow until the completion of the scheme?
- (a) to file a statement in a prescribed form, with the registrar, certified by auditors of the companies, that the scheme is complied as per the tribunal directions.
- (b) to file a statement in a prescribed form, with the registrar, certified by Chartered Accountant/ Cost Accountant/ Company Secretary, that the scheme is complied as per the tribunal directions.
- (c) the annual financial statements along with a statement in a prescribed form with the registrar, certified by Chartered Accountant/ Cost Accountant/ Company Secretary, that the scheme is complied as per the tribunal directions.
- (d) to file a statement along with the report of Board of Directors in a prescribed form with the registrar, certified by Chartered Accountant/ Cost Accountant that the scheme is complied as per the tribunal directions.
4. According to the provisions of the Companies Act, 2013, do you think that Mr. Manjit and Mr. Mohan, both are eligible for receiving the compensation for the loss of their respective jobs?
- (a) Only Mr. Ram is eligible, as he was a Whole Time Director of the company.
- (b) Only Mr. Manjit is eligible is for compensation by the company.
- (c) Both Mr. Manjit and Mr. Ram are eligible for compensation by the company.
- (d) Neither Mr. Ram nor Mr. Manjit are eligible for compensation by the company.
5. Mr. Mohan was suspended as a Director of Simran Software Solution Ltd. for the alleged fraud under the Companies Act, 2013. How will the ongoing amalgamation of the companies, impact the pending legal proceedings against Mr. Mohan?
- I. The case will be continued as before, between Mr. Mohan and transferor company
- II. The case will be continued as before, against Mr. Mohan, but not with transferor company but with transferee company, after amalgamation.
- III. As Mr. Mohan was a Director in transferor company, so by the time the case is not finally decided, the process of amalgamation cannot be completed.
- IV. The ongoing prosecution of Mr. Mohan would not affect the amalgamation of the companies.
- (a) I & III
- (b) II & III
- (c) II & IV
- (d) I & IV

Answer Key

1.	(b)	2.	(b)	3.	(b)	4.	(b)	5.	(c)
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Case Study (ICAI MCQ Booklet) - For a takeover of control of Swati International Ltd. (the 'transferor company') by XYZ Ltd. (the 'transferee company'), XYZ Ltd. (the 'transferee company'), made an offer to the shareholders of Swati International Ltd. open for a period of four months. Both the companies deal in manufacturing of garments. The companies were of view that such a merger will help to address the growing demand and to meet the expectations for high quality products in the country.

The said offer was approved by the shareholders holding not less than nine-tenth in value of the shares. Thereafter, a notice was issued to the dissenting shareholders by XYZ Ltd.

The dissenting shareholders within one month from the date on which the notice was served to them, made an application to the Tribunal against the scheme, so finalized. After considering the application, the Tribunal disposed off the application giving order in favour of XYZ Ltd. As per the order, the shares of the dissenting shareholders were to be transferred to the transferee company.

XYZ Ltd. again send a copy of the notice to the Swati International Ltd. together with an instrument of transfer, to be executed on behalf of the dissenting shareholder by a person appointed by the transferor company on its own behalf. XYZ Company Ltd. paid to Swati International Ltd., the consideration representing the price payable by it, for the shares of the dissenting shareholders which it was entitled to acquire.

Swati International Ltd. thereupon registered the XYZ Company Ltd as the holder of those shares and informed the dissenting shareholders about such registration and of the receipt of the amount or other consideration representing the price payable to them by XYZ Ltd.

The sum received by XYZ Ltd. was paid into a separate bank account, and the consideration so received was held by Swati International Ltd. as a trustee for the dissenting shareholders and was disbursed to them within the prescribed time limit.

Mr. Manoj was a Managing Director in Swati International Ltd. Mr. Manoj was appointed as a Managing Director on 15th April, 2015. Due to expertise in finance and better track records, the company had re-appointed Mr. Manoj on 2nd April, 2020, for the next five years with a condition that he will get compensation in case of early vacation from his job in case of merger or amalgamation. So due to merger of companies, Mr. Manoj lost his job. The company wanted to compensate him as per the agreement.

Mr. Manoj got following remuneration during the last five financial years.

<u>F.Y.</u>	<u>₹</u>
2015-16	20 lakh
2016-17	25 lakh
2017-18	30 lakh
2018-19	35 lakh
2019-20	40 lakh

Mr. Manoj is also a Director in Top Electricals Limited. It is an unlisted public company with a turnover of ₹ 150 crore. The present Managing Director of Top Electricals Limited is going to retire within next two months. So, as of now, as Mr. Manoj is no more a Managing Director in Swati International Ltd., so the Board of Directors of Top Electricals Ltd. decided to appoint Mr. Manoj as a Managing Director of the company.

The terms and conditions as well as the remuneration payable with respect to Mr. Manoj's appointment got approval of the Board subject to approval at the next General Meeting of the company. Mr. Manoj was finally appointed as the Managing Director of Top Electricals Limited.

Including Mr. Manoj, now the total number of Directors in Top Electricals Limited is 14 with two independent Directors. After some time, the company felt the need and decided to raise funds. The company raised funds of ₹ 10 crore by issuing its equity shares to public after listing its stock with BSE. Hence-forth, the company will be considered as a listed company, after it gets listed in the stock exchange.

Multiple Choice Questions (MCQs)

- After the scheme is approved by majority shareholders, the dissenting shareholders reply is awaited. As per the provisions of the Companies Act, 2013, within how much time, the company shall communicate to the dissenting shareholders of its intent to acquire their shares?
 - At anytime within two months after the expiry of the four months period open for offer, Swati International Ltd. shall give notice to the

- dissenting shareholders about its desire to acquire their shares.
- (b) At anytime within two months after the expiry of the four months period open for offer, XYZ Ltd. shall give notice to the dissenting shareholders about its desire to acquire their shares.
- (c) At anytime within four months after the expiry of the two months period open for offer, XYZ Ltd. shall give notice to the dissenting shareholders about its desire to acquire their shares.
- (d) At anytime within three months after the expiry of the two months period open for offer, Swati International Ltd. shall give notice to the dissenting shareholders about its desire to acquire their shares.

2. Swati International Ltd. need to park the funds received from XYZ Ltd. in a separate bank account, to which the dissenting shareholders are entitled to. According to the provisions of the Companies Act, 2013, within how many days, the said funds should be dispersed to the dissenting shareholders?

- (a) 30 days
(b) 40 days
(c) 60 days
(d) 90 days

3. Due to merger in the company Mr. Manoj lost his job. The company wants to compensate Mr. Manoj for the loss of job. According to the provision of this Act how much compensation the company should pay to Mr. Manoj?

- (a) 75 lakh
(b) 105 lakh
(c) 120 lakh
(d) 130 lakh

[Hint - As per section 202

Average remuneration earned by him during the 3 years or lesser	(30+35+40)
=	lakhs

period (in case he held office for less than 3 years), preceding the date on which he ceases to hold office	3 years
His remaining term or 3 years, whichever is less	= 3 years
Compensation	= 35 lakhs X 3 years
	= ₹ 105 lakhs

4. Mr. Manoj's appointment as a Managing Director of the company is subjected to the approval of passing a resolution at the General Meeting of the company. According to the provisions of the Act, within how many days, the return needs to be filed with the Registrar in the prescribed form?

- (a) 30 days
(b) 45 days
(c) 60 days
(d) 90 days

[Hint - Refer section 196]

5. Top Electrical Ltd., has listed its stock with BSE. After becoming a listed company what changes the company needs to make in its Board of Directors?

- (a) The company, now needs to appoint 1 more Independent Director.
(b) The company, now needs to appoint 2 more Independent Directors.
(c) The company, now needs to appoint 3 more Independent Directors.
(d) There is need to appoint any new Independent Director/(s).

[Hint - ID in Listed company = $1/3^{\text{rd}}$ of TNOD

Total ID required = $14 \times 1/3^{\text{rd}} = 5$

Existing ID = 2

Thus, additional ID = 3]

Answer Key

1.	(b)	2.	(c)	3.	(b)	4.	(c)	5.	(c)
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Case Study (RTP Nov 2022) – Toy Steel Limited (TSL), a famous steel manufacturing company sharing good ethical values with good clientele in the market. Following were the financial position as on March 31, 2017, the company had a paid-up share capital of ₹ 20 crores with 1150 shareholders and after-tax net profit to the tune of ₹10.25 crores. However, a shocking event took place in May 2017 which led to the downfall of the company. It so happened that, Mr. Pratap, the owner of the company was diagnosed with serious disease due to which he was unable to manage the rising business and consequently, the reins of the business slipped into the hands of his two young but inexperienced sons V and S.

In an attempt to raise the company to further heights, the Gen-Next management took a heavy loan of ₹ 70 crores from National Bank Limited. The funds so borrowed were not properly utilized due to the weak managerial skills of the new leadership and for want of guidance from Mr. Pratap; and it caused the company to fall to such an extent that in just four years after Mr. Pratap's illness it was felt expedient to go for some kind of compromise or arrangement if the company had to survive in the near future.

The top management of the company decided to provide for the following scheme of arrangement:

"Sale of a part of plant and machinery and also a vacant plot for appropriating the proceeds so received for repayment of 70% of the outstanding term loan availed from National Bank Limited. The remaining 30% of loan shall be rescheduled for repayment in installments spread over next five years."

It is noteworthy that National Bank Limited had given in-principle approval to the above repayment plan, if sanctioned.

Accordingly, TSL made an application in the specified Format along with requisite documents to the jurisdictional National Company Law Tribunal (NCLT).

The Tribunal ordered for a meeting of the shareholders to be held on 10th October, 2021 at 11.00 A.M. at the registered office of the company situated at Connaught Place, New Delhi and the company was directed to issue a suitable notice for conducting the meeting of the shareholders. Some of the shareholders raised objections against the said arrangement.

Multiple Choice Questions (MCQs)

1. The Case Scenario states that some of the shareholders raised objections against the said arrangement. Since the compromise or arrangement is to be agreed in compliance to majority of persons (without considering the value) as prescribed in the Companies Act, 2013, who attend and vote at the meeting through specified modes. State the Compliance requirement of majority required for approval:
 - (a) Simple majority where votes cast in favour of compromise or arrangement exceed the votes cast against it.
 - (b) Sixty percent or more majority where votes cast in favour of compromise or arrangement are 60% or more.
 - (c) Seventy five percent or more majority where votes cast in favour of compromise or arrangement are 75% or more.
 - (d) Full majority where all the votes are cast in favour of compromise or arrangement.
2. It is observed from the above Case Scenario that the Tribunal has ordered for a meeting of the shareholders to consider the scheme of arrangement. The notice of such meeting shall provide that the persons to whom the notice is sent may vote on the scheme of compromise or arrangement:
 - (a) Only by themselves keeping in view the importance of meeting.
 - (b) By themselves or through proxies appointed by them.
 - (c) By themselves or through proxies appointed by them but any such appointed proxy must hold minimum one share in the company.
 - (d) By themselves or through proxies appointed by them or by postal ballot.
3. In the said Case Scenario, some of the shareholders raised objections against the said arrangement. Since the compromise or arrangement is to be agreed by specified majority of persons (considering the value they hold) who attend and vote at the meeting through specified modes, then which kind of majority in value is required for approval of the scheme:
 - (a) Specified majority of persons who cast votes in favour of compromise or arrangement must hold fifty one percent or more in value.
 - (b) Specified majority of persons who cast votes in favour of compromise or arrangement must hold sixty percent or more in value.

- (c) Specified majority of persons who cast votes in favour of compromise or arrangement must hold seventy five percent or more in value.
- (d) Full majority where all the votes are cast in favour of compromise or arrangement
4. A reading of the above Case Scenario reveals that some of the shareholders raised objections against the said arrangement. From the legal point of view who is eligible to raise an objection to the scheme of compromise or arrangement if he is a shareholder of the company:
- (a) Persons holding not less than 10% of the shareholding as per the latest audited financial statement.
- (b) Persons holding not less than 5% of the shareholding as per the latest audited financial statement.
- (c) Persons holding not less than 7.5% of the shareholding as per the latest audited financial statement.
- (d) Persons holding not less than 15% of the shareholding as per the latest audited financial statement.

Answer Key

1.	(a)	2.	(d)	3.	(c)	4.	(a)
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Case Study (ICAI MCQ Booklet) - Mr. Singh, Mr. Khurana and Mr. Dhillon are best friends. Mr. Singh has been working as bank manager since last 15 years. He took VRS from the bank, as he wanted to start his own company. Mr. Khurana has been working as a financial adviser, since last so many years so he has a good experience and knowledge in finance. Mr. Dhillon is an engineer in an auto company for last 14 years. Mr. Dhillon also took VRS to join Mr. Singh in the formation of the company. So, finally in 2014, the three best friends, incorporated a company, called Mehta Auto India Pvt. Ltd.

After two years of the formation of the company, Mr. Rawat showed interest in the company. Mr. Rawat was one of the esteemed customers of the bank in which Mr. Singh was working, who bought 5% shares of the company. Mr. Khurana, Mr. Singh and Mr. Dhillon were holding in total 95% shares of the Mehta Auto India Pvt. Ltd, whereas Mr. Rawat held 5% shares of the company.

Thereafter in the year 2019, a company called Jagat Electric Limited (JEL) acquired 70% stake in Mehta Auto India Pvt. Ltd. by way of a shareholder's agreement with it. As per the agreement, the remaining 30% shares were to be held jointly by Mr. Khurana, Mr. Singh, Mr. Rawat and Mr. Dhillon.

Mr. Rawat had some serious kidney issues and doctor had advised him for kidney transplant. Mr. Rawat wanted to go to USA, as his son was also living there. So, Mr. Rawat sold his 5% stake to Jagat Electric Limited and after buying such shares, JEL's total holding in the company increased to 75%.

Gradually, the shareholding of JEL in Mehta Auto India Pvt. Ltd. increased to 92% by way of various agreements between them and the three friends were left with 8% shareholding in the company. As a result, JEL had an upper hand in running the affairs of the company due to which, the day to day affairs of the company got affected to a great extent.

Mr. Khurana, Mr. Singh and Mr. Dhillon decided to file an application for oppression and mismanagement in the company.

Later on, JEL wanted to execute an agreement with Mr. Khurana, Mr. Singh and Mr. Dhillon for buying their remaining shares. Pursuant to this, JEL had sent a notice to Mr. Khurana, Mr. Singh and Mr. Dhillon to sell their shares on a sale consideration rather than an agreed price. As there was no response, JEL sent another notice to the petitioners invoking the previous one, calling upon them to sell at an agreed price which was to be decided in accordance with the valuation done by a Chartered Accountant.

Thereafter, JEL issued a notice to Mehta Auto Pvt. Ltd. for purchasing the minority shareholding as per section 236 of the Companies Act, 2013. Mehta Auto India Pvt. Ltd. gave notice to Mr. Khurana, Mr. Singh and Mr. Dhillon asking them to deliver their shares within 21 days. However, Mr. Khurana, Mr. Singh and Mr. Dhillon refused to transfer their shares. Mehta Auto Pvt. Ltd., cancelled the shares held by Mr. Khurana, Mr. Singh and Mr. Dhillon under section 236 of the Companies Act and communicated the same to them.

Mr. Singh's wife, Mrs. Usha Singh, owes a finance company called Singh Finance Company. The turnover of the company is ₹ 5 crore. Mr. Singh is also a Director in Mrs. Singh's company. The sole purpose of the company is to give loans to other companies and corporate houses for business purpose. A company called M/s Charansingh & Son's

took ₹ 5 lakhs from Singh Finance Company. Out of the said loan of ₹ 5 lakhs, ₹ 3 lakhs has been repaid to Singh Finance Company. The outstanding dues of the company is ₹ 2 lakhs.

An investigation was conducted into the affairs of Charan Singh & Son's, as it came to the knowledge of Central Government that the business of the company was being done in a fraudulent or unfair manner. Singh Finance Company and one other company called Arpita traders decided to file an application in the tribunal to impose restriction on the company which is likely to transfer its assets in a manner that will prejudicially affect their interests. Singh finance company is a secured creditor where as Arpita traders is an unsecured creditor who holds a debt of ₹ 75,000 against Charan Singh and Son's.

Mr. Khurana's son, Mr. Hritik, is working as a CFO in XYZ Company for last two years. The Central Government has appointed inspectors to investigate into the affairs of XYZ Company, on intimation of a special resolution passed by a company that the affairs of the company ought to be investigated under section 210. The main aim of the investigation is to obtain any evidence or facts regarding any malpractice in the course of business and also to identify the profits and losses in the business. During the ongoing investigation, XYZ Company decided to discharge Mr. Hritik from his duty.

Multiple Choice Questions (MCQs)

1. Mr. Khurana, Mr. Singh and Mr. Dhillon had filed an application for oppression & mismanagement under section 244 of the Companies Act, 2013, against Jagat Electric limited to NCLT? Do you think NCLT will entertain such application?
 - (a) JEL acquired share under section 236, so they were no longer shareholders in Mehta Auto India and hence such a petition cannot be maintained.
 - (b) The application is maintainable as they had fulfilled the criteria under Section 244.
 - (c) NCLT will finally decide, if it wants to entertain the application or not.
 - (d) Application for oppression and mismanagement cannot be maintained, as the three of them holds less than 10% shares.
 2. JEL sent notice under section 236(1) of the Companies Act, 2013, to Mr. Khurana, Mr. Singh and Mr. Dhillon, respectively, to sell their shares at an agreed price decided by a Chartered Accountant. Do you think the minority shareholders, in such a case, are liable to do so?
 - (a) Yes, because a Chartered Accountant has both legal as well financial knowledge.
 - (b) No, because its optional for them and also the price should be determined on the basis of valuation done by a registered valuer
 - (c) Yes, because JEL is buying the shares by mutual understanding on an agreed price.
 - (d) Yes, because they don't have any choice but to sell it to the majority shareholder.
 3. Mehta Auto Pvt. Ltd. cancelled the shares held by minority holders under section 236 of the Companies Act, 2013. Whether such cancellation of shares by Mehta Auto Pvt. Ltd. can be considered as valid?
 - (a) Yes, in case any person or group of persons becomes 90% majority or holds 90% of the issued equity share capital of a company, then such person or group of persons is eligible and can acquire the remaining shares irrespective of the response of the minority shareholders.
 - (b) No, as the minority shareholders may agree to sell their shares and cancellation of shares by Mehta Auto Pvt. Ltd. cannot be considered as valid.
 - (c) Yes, for the benefit and efficient running of the company, Mehta Auto Pvt. Ltd. can cancel the shares of minority shareholders
 - (d) Yes, because within the time specified by the company, the share certificates shall be deemed to be cancelled, and the transferor company shall be authorised to issue shares in lieu of the cancelled shares.
 4. Singh Finance Company and Arpita traders were of view that Charan Singh & Son's is likely to transfer its assets in a manner that will prejudicially affect their interests. As being the creditors of the company, whether they are eligible to file such an application to the Tribunal?
 - (a) Both Singh Finance Company and Arpita Traders are eligible to file the application.
 - (b) Only Singh Finance Company is eligible to file the application.
 - (c) Only Arpita Traders is eligible to file the application.
 - (d) All the creditors of the company jointly need to file such an application.
- [Hint - Refer section 221. Only creditor having outstanding amount of ≥ ₹ 1 lakh can file]

5. The investigation being pending, XYZ Company wants to discharge Mr. Hritik from his duty. According to the provisions of the Companies Act, 2013, whether the company can do so?
- (a) The company cannot discharge Mr. Hritik till the ongoing investigation.
- (b) The company shall seek approval of the tribunal before discharging Mr Hritik.
- (c) The investigation officer shall inform the tribunal and only after that the company can discharge Mr Hritik
- (d) Mr Hritik is the Key Managerial Personnel of the company and so, the company cannot discharge him while the investigation is going on.
- [Hint – Refer section 218]

Answer Key

1.	(b)	2.	(b)	3.	(b)	4.	(b)	5.	(b)
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Case Study (MTP May 2023) - Mr. Raj, a director of Gem Ltd. (Transferor Company) prepared a circular, addressed to all the members of Gem Ltd., disclosing the offer made by Diamond (Transferee Company) to the members of Gem Ltd.

The total members of Gem Ltd. are 40,000, holding total 3,00,000 shares of the company, with face value of ₹ 5 per share, out of which 25,000 shares are held by Diamond Ltd. and 5,000 shares are held by Silver Ltd., a subsidiary of Diamond Ltd.

The said circular was presented to the Registrar, Mr. Ramesh, for registration on 24th May, 2022, who refused to register the said circular and he communicated such refusal at the registered address of both the companies on 24th June, 2022.

Mr. Raj filed an appeal with the NCLT against such refusal order of Mr. Ramesh on the grounds that, in the impugned order, the reasons for rejection were not mentioned and also the order was communicated to the parties after the expiry of the prescribed time limit.

The Tribunal allowed the appeal and in its appellate order, it directed the Registrar, Mr. Ramesh, to register the said circular. The said circular was then registered by Mr. Ramesh on 14th July, 2022 and accordingly, the said circular, containing the offer, was issued on 15th July, 2022, to all the members of Gem Ltd., which was kept open as per the statutory time limit. In response to the same, the responses of its members were as follows:

- 30,000 members, holding shares valued ₹ 12,50,000, agreed to the offer made by Diamond Ltd. The consent was given by such members by 10th November, 2022.
- 8,500 members, holding shares valued ₹ 70,000, did not give their assent on the said offer.
- 1,000 members, holding shares valued ₹ 20,000, refused to transfer their shares to Diamond Ltd.
- 500 members, holding shares valued ₹ 10,000, failed to transfer their shares to Diamond Ltd.

Diamond Ltd. gave notice of acquisition to the dissenting shareholders on 20th November, 2022.

5000 of such dissenting shareholders made application to the Tribunal on 5th December, 2022. However, the other dissenting shareholders didn't file an application with the Tribunal within the prescribed time limit.

The Tribunal dismissed the applications made by 2000 shareholders, holding total 4,500 shares, and allowed the application made by 3000 shareholders, holding total 3000 shares.

Diamond Ltd. again issued notice of acquisition earlier send to the dissenting shareholders along with transfer deed. The transfer deed was executed by Gem Ltd., on behalf of the dissenting shareholders, with the person authorised by Diamond Ltd. to do so.

On execution of the aforesaid transfer deed, Diamond Ltd. paid to Gem Ltd., the consideration amount, in respect of the shares of the dissenting shareholders acquired by it, on 5th January, 2023. The said consideration amount was deposited by Gem Ltd. in a separate bank account opening with a branch of State Bank of India.

Gem Ltd. registered the shares of dissenting shareholders in the name of Diamond Ltd. on 8th January, 2023 and it informed the same to the dissenting shareholders on 23rd January, 2023. Also, the consideration received from Diamond Ltd. was paid to such dissenting shareholders on 9th February, 2023.

1. On what grounds, Tribunal would have allowed the appeal filed Mr. Raj?
 - (a) For non-recording of reasons of such refusal, in writing, in the order. However, the said order was communicated within the prescribed time limit i.e. on or before 24th June, 2022.
 - (b) For non-recording of reasons of such refusal, in writing, in the order and also communicating the same beyond the prescribed time limit i.e. after 23rd June, 2022.
 - (c) For not giving an opportunity of being heard to the concerned parties before making such refusal.
 - (d) For communicating the said order beyond the prescribed time limit i.e. after 23rd June, 2022. Recording of reasons, in writing, is not necessary, in this case.
2. By what percentage, the offer would have been considered to be approved and what shall be the total number of dissenting shareholders?
 - (a) 92.59% and total number of dissenting shareholders shall be 9,500.
 - (b) 93.33% and total number of dissenting shareholders shall be 9,500.
 - (c) 92.59% and total number of dissenting shareholders shall be 10,000.
 - (d) 93.33% and total number of dissenting shareholders shall be 10,000.
3. What shall the last date available with Diamond Ltd. for giving notice of acquisition to the dissenting shareholders and what shall be the last date for the dissenting shareholders to make an application with the tribunal against the same?
 - (a) 15th November, 2022 and 20th December, 2022, respectively.
 - (b) 15th January, 2023 and 15th December, 2022, respectively.
 - (c) 15th November, 2022 and 15th December, 2022, respectively.
 - (d) 15th January, 2023 and 20th December, 2022, respectively.
4. What shall the last date available with Gem Ltd. to inform to the dissenting shareholders with the respect to registration of their shares in the name of Diamond Ltd. as well as to pay consideration to the dissenting shareholders received by it from Diamond Ltd.?
 - (a) 8th February, 2023 and 5th March, 2023, respectively.
 - (b) 7th February, 2023 and 5th March, 2023, respectively.
 - (c) 8th February, 2023 and 6th March, 2023, respectively.
 - (d) 7th February, 2023 and 4th February, 2023, respectively.
5. How many shares Diamond Ltd. shall be entitled to take and not entitled to take, respectively?
 - (a) Diamond Ltd. shall be entitled to take 2,67,000 shares and not entitled to take 7,500 shares, respectively.
 - (b) Diamond Ltd. shall be entitled to take 2,72,000 shares and not entitled to take 3000 shares, respectively.
 - (c) Diamond Ltd. shall be entitled to take 2,67,000 shares and not entitled to take 3000 shares, respectively.
 - (d) Diamond Ltd. shall be entitled to take 2,72,000 shares and not entitled to take 7,500 shares, respectively.

Answer Key

1.	(b)	2.	(c)	3.	(d)	4.	(c)	5.	(c)
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Chapter 6

Prevention of Oppression and Mismanagement

(Section 241 - 246)

Section 241

Q1: The "Rule of Majority" was laid down in the case of

- (a) Salomon vs. Salomon Company Limited
- (b) Foss vs. Harbottle
- (c) Cook vs. Deeks
- (d) Lee vs. Lee Air Farming Limited

Q2: The shareholders of Marino Limited appointed new directors on the Board in January 2019. Members are not happy with the conduct of new directors and are suspicious that the affairs of the company will be conducted in a manner prejudicial to the interest of members. They have approached you know as to before which authority, they can file a case of mismanagement.

- (a) Central Government
- (b) High Court
- (c) National Company Law Tribunal
- (d) National Company Law Appellate Tribunal

Q3: Which of the following cases does not amount to oppression and mismanagement?

- (a) Not holding general meetings for decades
- (b) Wrongfully transferring shares to reduce shares of other group
- (c) Non-declaration of dividend even after huge profits
- (d) Continuously depriving a member of his right to dividend

Q4: On which of the following grounds, Central Government may file an application for oppression and mismanagement in case of any company.

- (a) A director of the company is guilty of fraud
- (b) The business of the company is not being conducted with sound business principles
- (c) The business of the company is being carried on with the intent to defraud its creditors
- (d) All of the above

Q5: With whom will the Central Government file an application if it is of the opinion that such a scheme is not in public interest or in the interest of the creditors?

(Study Mat)

- (a) Cannot move an application
- (b) it may file an application before the Tribunal
- (c) it may file an application before the Parliament
- (d) It may be through Special Petition before Supreme Court.

Q6: "Allotment of shares by the directors of the company by which the existing majority is reduced to minority." As per provisions of the Companies Act, 2013, the above act of the company should be classified as _____?

(MTP Nov 2020)

- (a) Oppression
- (b) Mismanagement
- (c) Material change in the company
- (d) All of the above

Q7: The profits of Keep Growing Limited for the financial year 2018-2019 goes down considerably due to recession. Therefore, Board of Directors bona-fide didn't recommend any dividend for the year. At the annual general meeting of the company, a group of members objected to the Board's decision. On refusal by the Board, the members who feel oppressed move to the Tribunal and complain against the Board. In the given scenario examine which of the following(s) is/are true?

(ICAI MCQ Booklet)

- (a) Contention of the members shall be tenable.
- (b) The act of Board of Directors, not to recommend any dividend shall amount to oppression and mismanagement.
- (c) The act of Board of Directors who acted bona fide, not to recommend any dividend shall not amount to oppression and mismanagement.
- (d) (a) and (b)

Q8: The majority of the shareholders of Vegan Industries Limited passed a resolution to alter its Article of Association and give the Director a power to transfer the shares of any shareholder who compete with the company's business. Mr. Akshat who is a shareholder of Vegan Industries Limited also carried on a competing business, challenged the validity of the alteration and claimed it as oppression against minority. State the validity of contention of Mr. Akshat?

(ICAI MCQ Booklet)

- (a) Not valid, because alteration of Article of Association is done as per the provisions of the Act.
- (b) Not Valid, because it was done in the interest of the company.
- (c) Valid, because the act complained of are oppressive and prejudicial to the interest of the company
- (d) (a) and (b)

Section 242

Q9: Upon an application of oppression and mismanagement, NCLT may set aside any transfer, delivery of goods, payment, execution or other act relating to property made or done by or against the company within _____ before the date of the application under this section, which would, if made or done by or against an individual, be deemed in his insolvency to be a fraudulent preference

- (a) 1 month
- (b) 3 months
- (c) 6 months
- (d) 1 year

Q10: The shareholders of Accelya Limited filed a case of oppression and mismanagement before NCLT. Hon'ble NCLT passed its requisite order under section 242 of the Companies Act, 2013 on 31st August 2020. Till which date, a certified copy of the NCLT's order shall be filed by the company with Registrar?

- (a) 15th September 2020
- (b) 20th September 2020
- (c) 30th September 2020
- (d) 15th October 2020

Q11: As per the provisions of section 241 of the Companies Act, 2013; the shareholders of HPCL Limited filed a case of mismanagement before NCLT. NCLT passed its order on 6th July 2020 and altered the Objects clause of Memorandum of Association of the company. But in September 2020, directors of the company intend to again alter the objects clause of the Memorandum. Choose the correct statement.

- (a) Objects clause can be altered by passing a special resolution under section 13 of the Companies Act, 2013
- (b) Objects clause can be altered by passing an ordinary resolution under section 13 of the Companies Act, 2013
- (c) Objects clause can be altered by passing a special resolution under section 13 of the Companies Act, 2013 but only after previous approval of Central Government
- (d) Objects clause can be altered by passing a special resolution under section 13 of the

Companies Act, 2013 but only after previous approval of NCLT

Section 243

Q12: Using the powers rendered under the provisions of section 242 of the Companies Act, 201; NCLT (Mumbai) terminated the agreement of Mr. Mistry with Tata Sons Limited and removed him from the post of Managing Director. After the order of NCLT, Mr. Mistry seeks fresh appointment as the director of Tata Sons Limited. Choose the correct statement.

- (a) Mr. Mistry can be appointed for a fresh term but he will have to give his candidature for election as a director under section 160
- (b) Mr. Mistry can be appointed for a fresh term only after a unanimous resolution of the remaining directors
- (c) Mr. Mistry cannot be appointed as a director of the company for a period of 3 years without the leave of the NCLT
- (d) Mr. Mistry cannot be appointed as a director of the company for a period of 5 years without the leave of the NCLT

Q13: The members of H Limited apply to the National Company Law Tribunal under section 241 of the Companies Act, 2013 on grounds of oppression and mismanagement by the Board of Directors. The NCLT passed an order removing the Managing Director of the Company, Mr. M. One year later, Mr. M is now a changed man and the Board of Directors want Mr. M back, as Manager of the company. The Board of Directors seek your expert opinion as to what they should do to get Mr. M appointed as the Manager of the Company. State your opinion, in light of the relevant provisions of the Companies Act, 2013.

(MTP May 2021)

- (a) Mr. M cannot be appointed as the Manager of the company for a period of 5 years from the date of order of the NCLT and the only solution available in this regard to the Board is to wait for 4 more years.
- (b) Mr. M can be appointed as Manager if the special approval of the Central Government is obtained.
- (c) Mr. M can be appointed by way of making an application to the NCLT.
- (d) None of the above.

Section 244

Q14: Astistav Private Limited is a company with ten shareholders. A member holding less than one-tenth of the share capital of the company apply to the Tribunal for relief against oppression and mismanagement? State whether a member have a right to apply to the tribunal in above situation (Study Mat, ICAI MCQ Booklet & MTP May 19)

- (a) A single Member can't apply to the Tribunal for relief against oppression and mismanagement
- (b) A member cannot apply as he is holding less than one-tenth of the share capital of the company
- (c) A member can apply being one-tenth of the total number of members
- (d) A member cannot apply as the requirement of atleast hundred members is not complied with

Q15: ABC Private Limited is a company with 10 shareholders. Mr. X, a member holding less than 1/10th of the share capital applied to the Tribunal for relief against oppression and mismanagement. State the correct answer according to the provisions of the Companies Act, 2013.

(MTP Nov 2021)

- (a) Mr. X singly cannot apply for relief against oppression and mismanagement.
- (b) Mr. X holding less than 1/10th of share capital, cannot apply for relief against oppression and mismanagement
- (c) Mr. X, being single and holding less than 1/10th of share capital, therefore cannot apply for relief against oppression and mismanagement
- (d) Mr. X can apply for relief as condition of the requirement of holding of 1/10th of the total number of members is satisfied.

Q16: The issued share capital of Hindalco Limited is ₹ 10,00,000. There are total 500 members in the company. The members of the company want to make a plea of oppression and mismanagement before NCLT. Comment as to how many members are required for making this application.

- (a) An application for oppression and mismanagement needs to be made by at least 100 members
- (b) An application for oppression and mismanagement needs to be made by at least 50 members
- (c) An application for oppression and mismanagement needs to be made by members holding issued share capital of at least ₹ 1,00,000
- (d) Either (c) or (b)

Q17: Monster Private Limited is a company in which there are 9 shareholders. The issued and paid up share capital of the said company is 1 Crore Consisting of 1 Lakhs Shares of ₹ 100 each. They want to file an application before the National Company Law Tribunal alleging various acts of fraud and mismanagement. State who can apply to the National Company Law Tribunal for relief against oppression and mismanagement under section 244 of the Companies Act, 2013?

(ICAI MCQ Booklet)

- (a) Atleast hundred member
- (b) Atleast two members
- (c) Atleast ten members
- (d) At least one member

Q18: Granules India Limited is a company limited by guarantee and not having any share capital. There are total 600 members in the company. The members of the company want to make a plea of oppression and mismanagement before NCLT. Comment as to how many members are required for making this application.

- (a) An application for oppression and mismanagement needs to be made by at least 100 members
- (b) An application for oppression and mismanagement needs to be made by at least 60 members
- (c) An application for oppression and mismanagement needs to be made by at least 120 members
- (d) An application for oppression and mismanagement needs to be made by at least 301 members

Q19: Ram who was holding 500 shares of Delta Ltd. having issued share capital of 5,00,000 comprises of 50,000 shares of ₹ 10 each. Ram came to know that some material changes has been taken place in company which is prejudicial in interest of members and also towards company. He wants to make application to tribunal under section 241 of the Companies Act, 2013. Due to death of Ram, petition is filled by his legal heir to tribunal who was in the position minority. Choose the correct option whether the petition filled is in accordance of provision of the Companies Act, 2013.

(ICAI MCQ Booklet)

- (a) No, as Ram was not eligible under section 244 of the Companies Act, 2013 to make application to tribunal nor legal heir being minority can make application.
- (b) Yes, Since Ram was eligible under section 244 of the Companies Act, 2013 to make application to tribunal.
- (c) No, as Ram was eligible to make application, his legal heir who is minority cannot apply to tribunal under section 241 of the Companies Act, 2013.
- (d) No, as Ram was not eligible under section 244 of the Companies Act, 2013 to make application to tribunal, but for any case legal heir being minority can make application to tribunal.

Q20: A group of members of XYZ Limited has filed a petition before the Tribunal alleging various acts of oppression and mismanagement by the majority shareholders of the company. The

Petitioner group holds 12% of the issued share capital of the company. During the pendency of the petition, some of the petitioner group holding about 5% of the issued share capital of the company wish to disassociate themselves from the petition and they along with the other majority shareholders have submitted before the Tribunal that the petition may be dismissed on the ground of non-maintainability. Examine their contention having regard to the provisions of the Companies Act, 2013.

- (a) The application of oppression and mismanagement continues to be maintainable
- (b) The application of oppression and mismanagement shall be dismissed
- (c) The application of oppression and mismanagement continues to be maintainable if approval of at least 100 members is obtained
- (d) The application of oppression and mismanagement continues to be maintainable if approval of member(s) holding at least 10% issued share capital is obtained

Q21: Mr Derek, a majority shareholder represented himself to be Managing Director of Floyd Ltd., and discharged the functions of the Managing Director. However, he was not appointed as Managing Director of the Company. A group of 7 members, holding 1/12th of issued share capital, which amounted to 1/10th of paid-up capital of the company filed an application with the NCLT claiming that such an act of Mr Derek was an act of oppression. The total no of members of Floyd Ltd are 72. Which of the following statement is most appropriate?

(ICAI MCQ Booklet)

- (a) The members cannot file a application with NCLT as the strength of members is less than 1/10th of total no of members of the company. However, on filing application to NCLT, the NCLT may allow the application to be filed even with fewer number of members.
- (b) The members cannot file an application with NCLT since the members hold less than 1/10th of the issued share capital of the Company.
- (c) The members cannot file an application with the NCLT since the given fact pattern does not comprise oppression.
- (d) The members hold more than 1/10th of the paid-up share capital of the company. Hence, they can file an application with the NCLT.

Section 245

Q22: An application of class action suit under section 245 of the Companies Act, 2013 is made before

- (a) Central Government
- (b) NCLT
- (c) Registrar of Companies

- (d) High Court

Q23: The issued share capital of Tata Steel Limited, a listed company, is ₹ 10,00,000. There are total 50,000 members in the company. The members of the company want to file a class action suit before NCLT under section 245 of the Companies Act, 2013. Comment as to how many members are required for making this application.

- (a) The application needs to be made by at least 100 members or members holding issued share capital of atleast ₹ 20,000
- (b) The application needs to be made by at least 2,500 members or members holding issued share capital of atleast ₹ 50,000
- (c) The application needs to be made by at least 2,500 members or members holding issued share capital of atleast ₹ 20,000
- (d) The application needs to be made by at least 100 members or members holding issued share capital of atleast ₹ 1,00,000

Q24: SRF India Limited is a company limited by guarantee and not having any share capital. There are total 600 members in the company. The members of the company want to file a class action suit before NCLT under section 245 of the Companies Act, 2013. Comment as to how many members are required for making this application.

- (a) An application for oppression and mismanagement needs to be made by at least 100 members
- (b) An application for oppression and mismanagement needs to be made by at least 60 members
- (c) An application for oppression and mismanagement needs to be made by at least 120 members
- (d) An application for oppression and mismanagement needs to be made by at least 301 members

Q25: Hawkins Cookers Limited has 400 depositors. Some of the depositors of the company want to file a class action suit before NCLT under section 245 of the Companies Act, 2013. Comment as to how many depositors are required for making this application.

- (a) 20
- (b) 40
- (c) 80
- (d) 100

Q26: The members of Shukla Ltd. filed a class action suit to restrain the company from taking action contrary to a resolution passed by the members. After following due process, the NCLT passed

an order restraining the company from taking action. Despite this, the company took action contrary to resolution passed by members. What can be the penal consequences of the same on the company?

(ICAI MCQ Booklet)

- (a) The company is punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees.

- (b) The company is punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.
- (c) The company is punishable with fine which shall not be less than ten thousand rupees but which may extend to one lakh rupees.
- (d) The NCLT is not the appropriate body for ruling on this case, as it falls under the jurisdiction of special courts. Hence action taken by Shukla Limited will not attract penal liability.

Answer Key

Q1.	(b)	Q2.	(c)	Q3.	(c)	Q4.	(d)	Q5.	(b)	Q6.	(a)	Q7.	(c)	Q8.	(d)	Q9.	(b)
Q10.	(c)	Q11.	(d)	Q12.	(d)	Q13.	(d)	Q14.	(c)	Q15.	(d)	Q16.	(d)	Q17.	(d)	Q18.	(c)
Q19.	(d)	Q20.	(a)	Q21.	(c)	Q22.	(b)	Q23.	(a)	Q24.	(c)	Q25.	(a)	Q26.	(a)		

Case Study Based MCQs

Case Study (RTP May 2021) - Balfor Ltd., is an unlisted company, having total 70 members, with a paid-up capital of ₹ 42,00,000, having turnover of ₹ 200 crore, as per the audited financial statements for the year ended on 31st March, 2020.

5 members holding in total 4% stake in the company, met in person to discuss about the oppression and mismanagement going on in Balfor Ltd. and to do something about it. One of the members, Mr. Ravi, suggested that we five members should file a class action application to the Tribunal to get a resolution in this matter, to which another member, Mr. Jay, told that he is in contact with 3 other members of the company, holding in total 3% stake, who are also finding the activities going on in the company to be unjust. So, five plus three other members i.e. 8 members in total, will be able to file an application to the Tribunal under section 244 of the Companies Act, 2013.

The application of complaint for oppression and mismanagement was filed to the Tribunal on 4th June, 2020, with the consent of aforesaid 8 members of the company. The said application provided the details of an agreement made by Balfor Ltd. with Mr. Dev, a relative of director of Balfor Ltd., Mr. Raj, with respect to continuous supply of raw materials to Balfor Ltd., for which Mr. Raj, had received certain commission from Mr. Dev, in cash, for offering the contract to him. Also, another director, Mr. Jayesh, had improperly transferred a property of Balfor Ltd. on 6th March, 2020, to Mr. Prakash.

The Tribunal on receipt of such application, made an order, directing investigation into the affairs of Balfor Ltd. Also, the agreement made with Mr. Dev was ordered to be terminated after giving notice to Mr. Dev and obtaining his consent. However, no compensation was ordered to be paid to Mr. Dev for such cancellation of agreement. The contract with respect to property transferred by Mr. Jayesh was also ordered to be set aside, as it would have been deemed to be a fraudulent preference, in case such transaction was made by an individual in his insolvency.

Simultaneously, the Central Government ordered for the investigation into the affairs of Balfor Ltd., on receipt of the order from the Tribunal and the task of such investigation was assigned to the Serious Fraud Investigation Office. The Director of Serious Fraud Investigation Office, on getting such order from the Central Government, designated 3 inspectors for such investigation and soon, the investigation got started by the designated persons.

One of the Investigating officers, Mr. Vaibhav, issued summons, to 2 employees, of Balfor Ltd., Mr. Karan and Mr. Arjun, respectively, as well as, to Mr. Daya, an employee of Kafor Ltd., an associate company of Balfor Ltd., after taking the requisite approvals.

The aforesaid persons attended at the place at which they were summoned by Mr. Vaibhav and were examined on oath, one after the other. During the said examination, Mr. Vaibhav, took down notes in writing and he read over the notes taken by him, to all the persons examined, after the end of examination. After hearing the said notes, Mr. Karan and Mr. Arjun, signed the document on which such notes were written but Mr. Daya, refused to sign such document without any reasonable cause for the same, on the same day, but then he thought there would be no issue in signing and so he signed the same after 20 days.

Mr. Vaibhav, forwarded the notes taken by him to the Assistant Director of Serious Fraud Investigation Office, Mr. Ramanuj, and on the basis of such notes, he derived that Mr. Arjun has committed an offence under section 447 of the Companies Act, 2013 which Mr. Ramanuj reconfirmed with Mr. Vaibhav, via email.

Mr. Ramanuj, accordingly, passed an order for arrest of Mr. Arjun, after recording in writing the reasons for such arrest and he immediately forwarded the copy of order of such arrest to the concerned authority along with the document containing notes taken by Mr. Vaibhav at the time of examination of Mr. Arjun, which indicated that he has committed an offence under section 447 of the Companies Act, 2013.

Balfor Ltd., on coming to know of such arrest of Mr. Arjun, wanted to give termination to him and also wanted to demote Mr. Karan to position of junior assistant from his position of senior assistant in the company, during the pendency of investigation and for that purpose it made an application to the Tribunal for the same on 10th October, 2020.

In response to the said application from Balfor Ltd., the Tribunal passed an order on 26th October, 2020 allowing the termination to be given to Mr. Arjun but it objected to the decision of the company for reduction in rank of Mr. Karan from his current position, against which Balfor Ltd. filed an application with the appellate tribunal on 15th November, 2020.

Multiple Choice Questions (MCQs)

1. State in the light of the given facts, whether, the five members holding in total 4% stake in Balfor Ltd., or the eight members, holding in total 7% stake in Balfor Ltd., were eligible for filing application for class action or/ and u/s 244, respectively, of the Companies Act, 2013?
 - (a) For filing application for class action, 5 members were eligible and also for filing application u/s 244 of the Companies Act, 2013, 8 members were eligible.
 - (b) For filing application for class action, 5 members were not eligible and also for filing application u/s 244 of the Companies Act, 2013, 8 members were not eligible.
 - (c) For filing application for class action, 5 members were eligible but for filing application u/s 244 of the Companies Act, 2013, 8 members were not eligible.
 - (d) For filing application for class action, 5 members were not eligible but for filing application u/s 244 of the Companies Act, 2013, 8 members were eligible.
2. Whether the decision of Tribunal can be considered as valid with respect to termination of agreement made by Balfor Ltd. with Mr. Dev as well as setting aside the contract of transfer of property, respectively?
 - (a) The decision of tribunal for termination of agreement made by Balfor Ltd. with Mr. Dev can be considered as valid. Also, the decision of setting aside the contract of transfer of property, can be considered as valid as such transfer was made within 6 months before the date of making application to the tribunal.
 - (b) The decision of tribunal for termination of agreement made by Balfor Ltd. with Mr. Dev cannot be considered as valid as no compensation was ordered to be paid to Mr. Dev. Also, the decision of setting aside the contract of transfer of property, cannot be considered as valid as such transfer was not made within 90 days before the date of making application to the tribunal.
 - (c) The decision of tribunal for termination of agreement made by Balfor Ltd. with Mr. Dev can be considered as valid. Also, the decision of setting aside the contract of transfer of property, can be considered as valid as such transfer was made within 3 months before the date of making application to the tribunal.
 - (d) The decision of tribunal for termination of agreement made by Balfor Ltd. with Mr. Dev cannot be considered as valid as no compensation was ordered to be paid to Mr. Dev. However, the decision of setting aside the contract of transfer of property, can be considered as valid as such transfer was made within 3 months before the date of making application to the tribunal.

3. Prior approval of which authority would have been sufficient for Mr. Vaibhav for examining Mr. Daya, on oath, and how much maximum amount of fine could be levied on Mr. Daya for refusing to sign the document containing the notes taken down by Mr. Vaibhav?
- (a) Prior approval of Director of Serious Fraud Investigation Office would have been sufficient for Mr. Vaibhav and maximum amount of fine that could be levied on Mr. Daya is ₹ 1,00,000.
- (b) Prior approval of Central Government would have been sufficient for Mr. Vaibhav and maximum amount of fine that could be levied on Mr. Daya is ₹ 40,000.
- (c) Prior approval of Director of Serious Fraud Investigation Office would have been sufficient for Mr. Vaibhav and maximum amount of fine that could be levied on Mr. Daya is ₹ 1,40,000.
- (d) Prior approval of Central Government would have been sufficient for Mr. Vaibhav and no fine that could be levied on Mr. Daya as he has signed the said document within days of being examined on oath.

[Hint - Refer section 217]

Fine = INR 1,00,000 + (INR 2,000 X 20 days)]

4. Whether Mr. Ramanuj was having the authority to exercise power to make an order of arrest of Mr. Arjun on the basis of notes of examination received from Mr. Vaibhav and to which authority, Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes?
- (a) No, as such notes can't be considered as a material or evidence in his possession to be used against Mr. Arjun and Mr. Ramanuj would have

forwarded the copy of arrest order along with the document containing notes to the Serious Fraud Investigation Office.

- (b) Yes, as such notes constitute valid evidence to be used against Mr. Arjun and Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes to the Central Government.
- (c) No, as such notes can't be considered as a material or evidence in Mr. Ramanuj's possession to be used against Mr. Arjun and Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes to NCLT.
- (d) Yes, as such notes constitute valid evidence to be used against Mr. Arjun and Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes to the Serious Fraud Investigation Office.

[Hint - Refer section 212]

5. What was the last date available with Tribunal to give response to the application made by Balfor Ltd. with respect to its employees as well as with Balfor Ltd. to file appeal with the appellate tribunal?

- (a) 10th November, 2020 and 26th November, 2020, respectively.
- (b) 9th November, 2020 and 25th November, 2020, respectively.
- (c) 10th November, 2020 and 25th December, 2020, respectively.
- (d) 9th November, 2020 and 26th November, 2020, respectively.

[Hint - Refer section 218]

30 days from 10th Oct 2020 = 9th Nov 2020

30 days from 26th Oct 2020 = 25th Nov 2020]

Answer Key

1.	(a)	2.	(c)	3.	(c)	4.	(d)	5.	(b)
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Case Study (MTP May 2022) - Chirag Air-conditioners Ltd. is producing quality air-conditioners. It has 10 lakh shareholders having face value of ₹ 10/- each. The company had called first call of ₹ 5/- per share in January 2019. Now, in December 2020, it demanded the second and final call of ₹ 5/-. Out of 10 lakh shareholders, 15% shareholders did not pay the second and final call.

The company demanded the second and final call from the shareholders to meet out its cost of project for establishing second unit in Industrial Area, Jaipur. The land was already allotted by the RIICO to the company and the capital was raised in order to import the machinery from Germany. However, the company, instead of importing the machinery, utilised the money so raised, in purchasing the land near by Jaipur, to develop it as a Resort, for the use of promoters of the company. This news was widely published in the Economic Times, Business Standard and Business Line.

Some of the shareholders of the company sought opinion from a professional, what to do, where the company's affairs are being conducted in a manner prejudicial to the public interest.

Multiple Choice Questions (MCQs)

1. The members of the Chirag Air-conditioners Ltd., wanted to make a complaint that the affairs of the company are being conducted in a manner prejudicial to the public interest. It may:
 - (a) Bring the matter in the knowledge of the Audit Committee of Board of the Company
 - (b) Bring the matter in the knowledge of the Investor's Grievances Committee of the Company
 - (c) Apply to the Tribunal
 - (d) Cannot make complaint, as act of the company was made with intent to benefit the shareholders and the company itself.
2. The Central Government, after taking cognizance of the news published in the business newspapers, is of the opinion that the affairs of the company are being conducted in a manner prejudicial to the public interest, it may:
 - (a) Inform the Registrar
 - (b) Apply to the Tribunal
 - (c) Dismiss the Board of Directors of the company
 - (d) Ask the SEBI to banned the company from raising any further issue of capital
3. Which members are eligible to apply to the Tribunal under section 241:
 - (a) All the members of the company
 - (b) Only the members who have full amount due on the shares
 - (c) The Tribunal have the powers to waive the condition of fully paid shares
 - (d) The members who have fully paid the shares can apply to the Tribunal, however the Tribunal have powers to waive such requirements as mentioned in sub-section (1) and (2) of section 241.
4. How many members are required to apply to the Tribunal:
 - (a) One hundred members only
 - (b) Not less than one hundred members only
 - (c) Not less than one-tenth of the total number of its members
 - (d) Not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less.
5. How many members may apply to the Tribunal, in case the company is not having any share capital:
 - (a) All the members of the company
 - (b) One-fifth of the total number of members of the company
 - (c) Not less than one-fifth of the total number of members of the company
 - (d) Not less than one-tenth of the total number of members of the company

Answer Key

1.	(c)	2.	(b)	3.	(d)	4.	(d)	5.	(c)
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Case Study (MTP May 2023) - Daily Needs Ltd. is a unlisted public company, engaged in the business of supplying the daily needs of the house hold. It receives orders, on online basis and make supplies to the customers at their door steps.

As on 31.03.2021, the total number of shareholders were 500. The share capital of the company is 100 lakh rupees. Gyan Singh is the Managing Director of the company. He joined this company in April 2020. Prior to joining this company, Gyan Singh was the General Manager in a NBFC. From the media sources, it came into picture that Gyan Singh was involved in sanctioning the proposal of big loans without insisting the security from the borrowers and many of the loan accounts during his tenure turned into NPA. It shows the intention of Gyan Singh that he might have been involved in accepting the bribe in sectioning the clean loans.

After joining this company, Gyan Singh started ordering his employees to supply the goods at the shops of the retailers also on credit. Whereas the company's policy was to supply the essential daily needs at the door steps of consumers only. Many of retailers used to visit the MD's office to supply the goods on credit. In some of the cases the recovery from that retailers became difficult and the company had to write -off these debts while finalising the annual accounts as of 31.03.2021.

Aggrieved from this, some 10 members of the company made an application before the Tribunal making the company and its MD as respondents, that the affairs of the company are being conducted in a manner prejudicial to the public interest and requested for removal of the Managing Director.

The Tribunal turned down the application of the members mentioning therein that the members who applied for are not eligible to apply.

When Dharmesh, one of the shareholder came into the knowledge that the Tribunal has turned down the application of 10 member, he himself alone applied to the Tribunal making the company and its MD as respondent. Dharmesh is holding 2 lakh of shares, consisting the face value of ₹ 20 lakh. He is also the Member of the Parliament.

After accepting the application, the Tribunal heard both the parties and observed that Gyan Singh was involved in mal-practices, on the basis of his past track record and the present working. It opined that this person is not a fit and proper person to continue as MD of the company and ordered for removal of Gyan Singh from the post of Managing Director. The Managing Director claimed for the compensation for removal of the office from the company, from the date of removal to the remaining period.

1. In case of oppression and mismanagement, how many members can apply to the Tribunal:

- (a) Not less than 100 members are required to file an application with the Tribunal.
- (b) Not less than one-tenth of the total number of members i.e. 50 members (500/10= 50) are required to file an application with the Tribunal
- (c) Not less than 100 members of the company or not less than one-tenth of the total number of its members, whichever is less. i.e. 50 members are required to file an application with the Tribunal.
- (d) Not less than 100 members of the company or not less than one-tenth of the total number of its members, whichever is higher i.e. 100 members are required to file an application with the Tribunal.

2. On what grounds the application of Dharmesh was accepted by the Tribunal:

- (a) Dharmesh is the reputed person in the society.
- (b) Dharmesh is having the majority of shares in the company.
- (c) Dharmesh is having more than one-tenth share in the share capital of the company.

- (d) Dharmesh is Member of Parliament.

3. Whether Tribunal have powers to remove the Managing Director, who was appointed by the Board and the shareholders in the General Meeting:

- (a) No, Tribunal do not have the powers to remove any official.
- (b) The Tribunal can only order for the winding up of the company if it is just and equitable for the company.
- (c) The Tribunal may after observing the mal-practices of the MD, can ask not to repeat it.
- (d) The Tribunal can terminate the service agreement arrived at between the company and the MD.

4. Whether Gyan Singh, the Managing Director can demand compensation from the company from the date of removal to the remaining period:

- (a) The MD can demand the compensation from the date of removal to the remaining period.
- (b) The MD can be relieved by notice with three month's salary.

- (c) The MD can be relieved by notice with one month's salary.
- (d) The MD cannot demand any compensation for loss of office.
5. Whether Gyan Singh after being terminated from this company, can apply to any other company for the post of director or any other office:
- (a) After termination from this company, Gyan Singh can apply to any other company for the post of director or any other office.
- (b) After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of one year.
- (c) After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of three years.
- (d) After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of five years.

Answer Key

1.	(c)	2.	(c)	3.	(d)	4.	(d)	5.	(d)
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Chapter 7

Winding Up

Section 271 - Circumstances in which a Company may be wound up

Q1: Which of the following is not a ground for winding up by the Tribunal under the provisions of Companies Act, 2013?

- (a) The company has by a special resolution resolved to be wound up by the Tribunal
- (b) The company has acted against the sovereignty and integrity of India
- (c) The company is unable to pay its debts
- (d) The company has defaulted in filing its financial statements for the immediately preceding 5 consecutive financial years

Q2: A company may be wound up by the Tribunal under the provisions of Companies Act, 2013; if the company has defaulted in filing with the Registrar its financial statements or annual returns for immediately preceding _____ consecutive financial years.

- (a) 2 years
- (b) 3 years
- (c) 5 years
- (d) 7 years

Q3: Accurate Arms and Ammunitions Ltd. is a company engaged in manufacturing of ultra - powered sophisticated guns. The company has tie-up arrangement of supply of 100% of its production to the Central Government. The production capacity and the actual number of guns manufactured is required to be shown to the Central Government. During the course of the audit, it was revealed that the company was actually manufacturing more guns whereas less quantity was being declared. The undeclared manufactured guns were being sold to a group of persons having connections with terrorist groups. On what ground the Central Government can make an application to the NCLT:

(MTP Nov 2022)

- (a) The company has mis-reported the count of the manufactured guns
- (b) The manufacturing of the guns is against the public policy and only the Government owned company can manufacture the guns
- (c) The company has acted against the interests of the sovereignty and integrity of India

- (d) The Company has supplied lesser number of guns to the Central Government

Section 272 - Petition for Winding up

Q4: Mr. Amitesh, a contributory, of Excel Limited wants to file a petition for winding up before the Tribunal. He shall be entitled to file the petition if he has held the shares for at least _____ months during the _____ months immediately preceding the commencement of winding up.

- (a) 3; 12
- (b) 6; 15
- (c) 6; 18
- (d) 9; 18

Q5: Under the provisions of Companies Act, 2013; the previous approval of Central Government is required before a petition for winding up is made up by _____

- (a) The company
- (b) Any contributory
- (c) The Registrar
- (d) All of the above

Section 273 - Powers of Tribunal

Q6: On receipt of the winding up petition under section 272, the Tribunal shall pass its order within _____ from the date of presentation of the petition.

- (a) 30 days
- (b) 60 days
- (c) 90 days
- (d) 120 days

Section 277 - Initiation to Company, Liquidator, Provisional Liquidator and RoC

Q7: Who shall make an application to the Tribunal for constitution of a winding up committee to assist and monitor the progress of liquidation proceedings by the Company Liquidator in carrying out the function?

(MTP May 19)

- (a) No application required
- (b) Company Liquidator

- (c) Management
- (d) Members

Q8: When can an application be made to Tribunal for constitution of a winding up committee to assist and monitor the progress of liquidation proceedings by the Company Liquidator in carrying out the function?

(Study Mat, ICAI Sample MCQ & MTP May 20)

- (a) Within two weeks from the date of passing of winding up order
- (b) Within three weeks from the date of passing of winding up order
- (c) Within four weeks from the date of passing of winding up order
- (d) None of the above.

Q9: The winding up committee shall comprise of

- (a) Official liquidator attached to the Tribunal
- (b) Nominee of secured creditors
- (c) Professional nominated by the Tribunal
- (d) All of the above

Q10: When can a winding up order not be called a notice of discharge?

(Study Mat, ICAI Sample MCQ & MTP May 19)

- (a) when the business of the company is continued
- (b) when the business of the company is closed since 2 years.
- (c) On the discretion of the management
- (d) till a provisional Liquidator is appointed

Section 281 - Initiation to Company, Liquidator, Provisional Liquidator and RoC

Q11: Where the Tribunal has made a winding up order, the company liquidator shall submit a report to the Tribunal within _____ from the order of winding up.

- (a) 30 days
- (b) 60 days
- (c) 90 days
- (d) 120 days

Section 282 - Directions of NCLT

Q12: The entire proceedings of winding up by the Tribunal, under the provisions of Companies Act, 2013; shall be completed and the company shall be dissolved within _____

- (a) 1 year of commencement of winding up
- (b) 2 years of commencement of winding up
- (c) 3 years of commencement of winding up
- (d) Such time as may be fixed by the Tribunal

Section 285 - Settlement of list of contributories

Q13: Under the provisions of Companies Act, 2013; a person who has been a member shall not be liable as a contributory if he has ceased to be a member for the preceding _____ or more before the commencement of the winding up.

- (a) 6 months
- (b) 1 year
- (c) 18 months
- (d) 2 years

Section 287 - Advisory Committee

Q14: The Tribunal while passing an order of winding up of a company, for advising the company liquidator and to report to the Tribunal on winding up matters may direct for constitution of -

(MTP May 2021)

- (a) Audit committee
- (b) Advisory committee
- (c) Standing committee
- (d) Liquidation committee

Section 288 - Submission of periodical reports to Tribunal

Q15: What is the periodicity of submission of report by company liquidator with respect to the progress of winding up of the company to the Tribunal:

(MTP May 2021)

- (a) Monthly
- (b) Bi-monthly
- (c) Quarterly
- (d) Half yearly

Section 292 - Control of Company's Liquidator Powers

Q16: The Company Liquidator shall summon meetings of creditors or contributories whenever requested to do so by not less than _____ in the value of the creditors or contributories, as the case may be.

- (a) 1/5th
- (b) 1/10th
- (c) 51%
- (d) 3/4th

Section 302 - Control of Company's Liquidator Powers

Q17: Whenever the Tribunal passes the final order of dissolution of the company, the Tribunal shall within a period of _____ direct the company liquidator to forward a copy of the order to the Registrar who shall record in the register relating to the company a minute of the dissolution of the company

- (a) 15 days
- (b) 30 days
- (c) 45 days
- (d) 60 days

Q18: Saurabh, after winding up the affairs of Shobhna Plastics Limited in the capacity as company liquidator, made an application to the jurisdictional National Company Law Tribunal (NCLT), for its dissolution. Taking note of the dissolution application, NCLT proceeded to make an order that Shobhna Plastics Limited be dissolved from the date of the order. From the given options, choose the one that shall be applicable in the given situation

(MTP May 2023)

- (a) Within a period of fifteen days from the date of the order, NCLT shall forward a copy of the order to the Registrar and to Saurabh
- (b) Within a period of thirty days from the date of the order, NCLT shall forward a copy of the order to the Registrar and also direct Saurabh to forward a copy of the order to the Registrar.
- (c) Within a period of forty-five days from the date of the order, NCLT shall forward a copy of the order to the Registrar or direct Saurabh to forward a copy of the order to the Registrar.
- (d) Within a period of thirty days from the date of the order, Saurabh shall forward a copy of the order to the Registrar.

Section 326 - Overriding Preferential Payments

Q19: In the winding up of the company under the provisions of Companies Act, 2013; which of the following debts qualify as overriding preferential payments?

- (a) Workmen's dues
- (b) Secured creditor
- (c) Taxes payable to the Government
- (d) Both (a) and (b)

Q20: The aggregate amount of dues to the secured creditors and workmen is ₹ 16,00,000 and collateral security given to the secured creditors is ₹ 12,00,000. The proportionate amount of workmen portion will be -

(MTP May 2022)

- (a) 10%

- (b) 20%
- (c) 25%
- (d) 30%

Section 327 - Preferential Payments

Q21: All revenues, cesses and rates due from the company to Central Government or a State Government or to a local authority at the relevant date, and payable within _____ immediately before that date, shall amount to preferential payments

- (a) 3 months
- (b) 6 months
- (c) 12 months
- (d) 18 months

Q22: All wages and salaries or commissions due to any employee for a period not exceeding _____ within 12 months immediately preceding the relevant date shall amount to preferential payments.

- (a) 1 month
- (b) 2 months
- (c) 4 months
- (d) 6 months

Section 328 - Fraudulent Preference

Q23: During the proceedings of winding up under the provisions of Companies Act, 2013, if the Tribunal is satisfied that there is a preference in transfer of property within _____ before making winding up application, the Tribunal may make such order as it may think fit and may declare such transaction as invalid and restore the position.

- (a) 3 months
- (b) 6 months
- (c) 12 months
- (d) 18 months

Q24: Infra Ltd. was wound up by an order of Tribunal dated 10th March, 2019 by the Tribunal. The appointed official liquidator of the company noticed that the MD of the Infra Ltd. had sold certain properties belonging to the company to a Supra Pvt. Ltd. in which his brother was interested on 15th October, 2018. This caused loss to the Infra Ltd. to the extent of INR 60 lakhs. Examine the course of action, the official liquidator can take in this matter.

- (1) The official liquidator can recover the sale of assets of the company as per the Section 328 of the Companies Act, 2013
- (2) The transaction made will be regarded as invalid and restore the position of the company.

(3) This transaction made will be regarded as valid as being made under ordinary course of its business.

(MTP Nov 19 & MTP May 20)

- (a) Only statement (1) is correct
- (b) Only statement (2) is correct
- (c) Only statement (3) is correct
- (d) Statements (1) & (2) are correct

Section 329 - Transfers not in good faith to be Void

Q25: During the proceedings of winding up under the provisions of Companies Act, 2013, any transfer of property or any delivery of goods made by a company shall be void against the Company Liquidator, if it was made within a period of _____ before the presentation of a petition for winding up by the Tribunal.

- (a) 3 months
- (b) 6 months
- (c) 1 year
- (d) 18 months

Section 332 - Effect of Floating Charge

Q26: During the proceedings of winding up under the provisions of Companies Act, 2013; any floating charge on the undertaking or property of the company created within _____ immediately preceding the commencement of winding up shall be invalid.

- (a) 3 months
- (b) 6 months
- (c) 12 months
- (d) 18 months

Section 333 - Disclaimer of Onerous Property

Q27: During the proceedings of winding up under the provisions of Companies Act, 2013, the company liquidator may disclaim the onerous property within _____ after the commencement of the winding up or such extended period as may be allowed by the Tribunal.

- (a) 3 months
- (b) 6 months
- (c) 12 months
- (d) 18 months

Section 352 - Company Liquidation and Undistributed Assets Account

Q28: Where any company is being wound up and the liquidator has in his hands or under his control any money representing the dividends payable to

any creditor but which had remained unpaid for _____ after the date on which they were declared, the liquidator shall forthwith deposit the said money into a separate special account to be known as the Company Liquidation Dividend and Undistributed Assets Account maintained in a scheduled bank.

- (a) 3 months
- (b) 6 months
- (c) 12 months
- (d) 18 months

Q29: If any money paid into the Company Liquidation Dividend and Undistributed Assets Account remained unclaimed for a period of _____, it shall be transferred to the general revenue account of the Central Government.

- (a) 7 years
- (b) 10 years
- (c) 15 years
- (d) 20 years

Section 356 - Power of Tribunal to declare dissolution of company void

Q30: Where a company has been dissolved, the Tribunal may at any time within _____ of the date of the dissolution, on application by the Liquidator or by any other person who appears to the Tribunal to be interested, make an order, declaring the dissolution to be void.

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Q31: ABC Limited was dissolved on January 1, 2020. After two years, on January 1, 2022, the company creditor, Mr. Patel, applies to the Tribunal to declare the dissolution void. Mr. Patel, had an outstanding amount of ₹ 1 crore owed by ABC Limited. However, before the dissolution of ABC Limited, the company write off the outstanding amount in its books of accounts.

Requirement: Suggest your opinion, what will the Tribunal do as per the provision of the Companies Act, 2013 from amongst the given act:

- I. The Tribunal will make an order declaring the dissolution to be void.
- II. Ask the Liquidator to forward a copy of the order, within thirty days from the date thereof, to the Registrar who shall record the same.
- III. Certified copy of the dissolution order is to be filed by Mr. Patel with the Registrar.
- IV. The Tribunal will not grant the application.

(b) II only
(c) I and III
(d) IV only

- (a) I and II

Q1.	(c)	Q2.	(c)	Q3.	(c)	Q4.	(c)	Q5.	(c)	Q6.	(c)	Q7.	(b)	Q8.	(b)	Q9.	(d)
Q10.	(a)	Q11.	(b)	Q12.	(d)	Q13.	(b)	Q14.	(b)	Q15.	(c)	Q16.	(b)	Q17.	(b)	Q18.	(b)
Q19.	(d)	Q20.	(c)	Q21.	(c)	Q22.	(c)	Q23.	(b)	Q24.	(d)	Q25.	(c)	Q26.	(c)	Q27.	(c)
Q28.	(b)	Q29.	(c)	Q30.	(b)	Q31.	(d)										

Case Study Based MCQs

Case Study (ICAI MCQ Booklet) - Binny Textiles is a company incorporated in the year 2010. It is a company limited by shares. The company has in total twelve Directors including Mr. Singh, who is a Managing Director of the company.

The petition for winding up was presented by the contributories to the tribunal on the grounds of mismanagement and fraud committed by two of its Directors in the company. Mr. Rohan and Mr. Sharad are sons of late Mr. Ram who died three months ago. Mr. Ram held 500 shares of the company for the past 4 years. The value of each share is ₹ 2000.

They both inherited equal amount of shares after his father's death. So, as being shareholders of the company, they have also signed the petition for winding up of the company. On being satisfied, the Tribunal passed the order for winding up of the company.

Due to the winding up of the company, the company decided to compensate Mr. Singh for loss of his office, as otherwise he would have retired in 2022, had the company not wound up. The company decided to pay one year remuneration, which he would have earned if he had been in the office for the remainder of his term. So, finally the company decided to pay Mr. Singh, after settlement of all the debts.

As per the provisions of the Companies Act, 2013, the tribunal need to send an intimation of winding up to the liquidator and the registrar within a stipulated time mentioned in the Act. So, for the purposes of winding up of a company, the Tribunal appointed a Company Liquidator, Mr. Dilip, on 21st December, 2020. But Mr. Dilip had conflict of interest with the company. So, as per the provisions of the said Act, on appointment as a Liquidator, he filed a declaration from the date of his appointment in the prescribed form disclosing the conflict of interest in respect of his appointment, with the Tribunal.

As per Section 281 of the Companies Act, 2013, the Liquidator of the company, submitted to the Tribunal, a report containing the following particulars, namely -

Contents of Liquidator's Report

- The nature and details of the assets of the company including their location and value, stating separately the cash balance in hand and in the bank, if any, and the negotiable securities, if any, held by the company. The valuation of the assets shall be obtained from registered valuers for this purpose. The nature and details of the assets of the company including their location and value, stating separately the cash balance in hand and in the bank, if any, and the negotiable securities, if any, held by the company.
- Amount of capital issued, subscribed and paid-up.
- The existing and contingent liabilities of the company including names, addresses and occupations of its creditors, stating separately the amount of secured and unsecured debts.
- All the details of secured debts including their value and the dates on which they were given.
- The debts due to the any company or persons from whom they are due and the amount likely to be realised on account thereof.
- Guarantees, extended by the company.
- List of contributories and dues, if any, payable by them and details of the unpaid call.
- Details of subsisting contracts.
- Details of legal cases filed by or against the company. The Liquidator finally submitted all the documents to the Tribunal. The Tribunal settled a list of contributories and cause rectification of register of members in all cases where rectification is required in pursuance of this act. The Tribunal reviewed all the assets of the company to be applied for the discharge of this winding up liability.

While settling the list of contributories, the Tribunal included every person, who is or has been a member and who shall be liable to contribute to the assets of the company an amount sufficient for payment of the debts and liabilities and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, subject to the provisions of the Act.

Out of total 1000 members, 500 members have paid only 50% of the amount of their shares. The company can clear its entire debt, if the unpaid amount is received from these 500 shareholders. 2/3rd of such share-holders paid their remaining contributions towards their share consequent to which the remaining 1/3rd shareholders decided for not paying the unpaid amount on the shares held by them.

Multiple Choice Questions (MCQs)

1. Mr. Rohan and Mr. Sharad both signed the petition of winding up, as the contributories of the company. According to the provisions of the Companies Act, 2013, whether they were eligible to sign the petition?
 - (b) After becoming contributories of the company (i.e. they inherited from Mr. Ram), they were legally eligible to sign the petition, only if the shares held by them were fully paid up.
 - (c) From the first day itself, when their names were registered as contributories, they have all the rights to be part of company's business.
 - (d) Mr. Rohan and Mr. Sharad were only eligible to sign the petition if they had held the shares in their name for at least six months.
 - (e) Mr. Rohan and Mr. Sharad were eligible to sign the petition as the shares of which they are contributories have devolved upon them upon the death of a former holder i.e. Mr. Ram.
2. Do you think the amount paid by 2/3rd of the 500 shareholders will absolve the remaining 1/3rd shareholders from their liabilities?
 - (a) If the amount needed to settle the debts of the company is collected from the 2/3rd shareholders than the remaining shareholders need not pay.
 - (b) All the shareholders need to respond individually to the notice whether they wish to pay the unpaid amount or not.
 - (c) The Tribunal has the discretion to decide that whether the 1/3rd shareholders need to contribute or not.
 - (d) Every shareholder being a contributory is liable to pay to the extent of unpaid amount on his shares, irrespective of his shareholding.
3. The company decided to compensate the loss which Mr. Singh has to bear for the loss of his job as the Managing Director of the company. Is the company justified in giving compensation to Mr. Singh?
 - (a) The company, as per the provision of the Companies Act, 2013, may make payment to its Managing or Whole-Time Director or Manager.
 - (b) The company cannot give compensation to Mr. Singh as it is wound up by an order of tribunal.
 - (c) The company can give compensation to Mr. Singh after the shareholders pass a special resolution.
 - (d) The company can pay the compensation to Mr. Singh only if he was involved in any fraud or mismanagement.
4. Mr. Dilip had some conflict of interest with the company. So, by what date he should file declaration with the tribunal.
 - (a) 28th December, 2020
 - (b) 31st December, 2020
 - (c) 5th January, 2021
 - (d) 10th January, 2021
5. What is the role of registrar on receipt of intimation order from the tribunal for winding up of the company?
 - (a) The registrar will keep the vigilance over the winding up process.
 - (b) The registrar will assist the Liquidator in the winding up process of the company.
 - (c) The registrar shall make an endorsement to that effect in his records relating to the company and notify it in the Official Gazette.
 - (d) The registrar will strike off the company's name from the register of companies.

Answer Key

1.	(d)	2.	(d)	3.	(b)	4.	(a)	5.	(c)
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Case Study (MTP May 2021) - Mr. Sameer, holding 15% shares of Towe Ltd., an unlisted company, since 30th September 2019, is unpaid to the extent of Rs. 10 lakh, filed a petition with Tribunal on 5th April, 2020, for winding up of Towe Ltd. and a copy of the same was filed with Registrar of Companies (ROC).

The Registrar of Companies (ROC) submitted his views to the National Company Law Tribunal (NCLT) on 18th May, 2020. The ROC mentioned in his views that it was just and equitable that Towe Ltd. should be wound up, on analyzing the information available with him with respect to the affairs of Towe Ltd.

The Tribunal appointed provisional liquidator, Mr. Raj, on 20th May, 2020, without giving notice of the same as well as without affording opportunity for making representations, to the company. Mr. Raj is registered as an insolvency professional under the Insolvency and Bankruptcy Code, 2016 and he filed the declaration with respect to his independence to the Tribunal on 25th May, 2020.

Tribunal passed its order for winding up of Towe Ltd. on 16th June, 2020 and the provisional liquidator, Mr. Raj was appointed as the Company Liquidator. The Tribunal directed Mr. Sameer to deposit an amount of Rs. 1 lakh as security for costs as a precondition to issue directions to Towe Ltd.

The intimation thereof, of passing such order was sent to Mr. Raj as well as to the Registrar of Companies, by the Tribunal. The ROC on receipt of such order from Tribunal made an endorsement to that effect in his records relating to Towe Ltd. and also made a notification in the Official Gazette that such order of winding up has been made by the Tribunal.

Mr. Raj calculated that the outstanding liabilities and debts of Towe Ltd. which amounted to Rs. 70 lakh and the expenses of winding up were estimated at Rs. 3 lakh.

Towe Ltd. has at present 8 members which are holding shares unpaid to the extent of Rs. 40 lakh, in total.

Following were the past members of the company -

- (1) Mr. Kishan ceased to be member on 23rd March, 2019, from whom Towe Ltd. had unpaid calls on shares amounting to Rs. 8 lakh. At the time when, Mr. Kishan ceased to be a member, the outstanding liabilities of the company were only Rs. 5 lakh.
- (2) Mr. Dhawan ceased to be member on 28th May, 2019, from whom Towe Ltd. had unpaid calls on shares amounting to Rs. 16 lakh. At the time when, Mr. Dhawan ceased to be a member, the outstanding liabilities of the company were only Rs. 13 lakh.
- (3) Mr. Tanmay who ceased to be member on 17th June, 2019, was having unpaid calls on shares of Towe Ltd. amounting to Rs. 15 lakh. At the time when, Mr. Tanmay ceased to be a member, the outstanding liabilities of the company were only Rs. 10 lakh.

Towe Ltd. created a floating charge, as agreed, on the stock of the company on 23rd August, 2019, to secure a current account with Munim Bank which was in debit by Rs. 12 lakh from 1st May, 2019 and thereafter the bank also advanced Rs. 15 lakh on 1st September, 2019, for meeting the operating expenses of the company.

Munim Bank charged Rs. 1,18,500 as interest for financial year ended on 31st March, 2020, by debiting the said current account of Towe Ltd. on the total amount of Rs. 27 lakh (Rs.12 lakh + Rs. 15 lakh). Towe Ltd. remained solvent during the financial year 2019-20.

Multiple Choice Questions (MCQs)

1. Whether Mr. Sameer was eligible to file petition for winding up against Towe Ltd.?
 - (a) No, as he is not holding fully paid-up shares of Towe Ltd.
 - (b) No, as he is not holding shares for 12 months or more prior to presenting such petition for winding up.
 - (c) Yes, as he is holding not less than 10% of the shares of Towe Ltd.
 - (d) Yes, as he is holding shares for 6 months or more prior to presenting such petition for winding up.
2. What was the last date available with ROC to submit his views to NCLT on the petition filed by Mr. Sameer and with the NCLT to pass order for winding up, respectively?
 - (a) 5th June, 2020 and 5th July, 2020 respectively.
 - (b) 4th June, 2020 and 4th July, 2020 respectively.
 - (c) 5th May, 2020 and 5th July, 2020 respectively.
 - (d) 5th May, 2020 and 4th July, 2020 respectively.
3. Whether the act of Tribunal can be considered valid for not giving notice of appointment of provisional liquidator, Mr. Raj as well as opportunity for making representations, to Towe Ltd.?
 - (a) Partially invalid, as giving notice of appointment of provisional liquidator, Mr. Raj, is mandatorily for the tribunal. However, whether to afford opportunity to Towe Ltd. for making representations is upon the sole discretion of the tribunal.
 - (b) Valid, if in the opinion of the tribunal, there were some special reasons, whether recorded in

- writing or not, for not giving notice as well as opportunity for making representations, if any, to Towe Ltd.
- (c) Valid, if in the opinion of the tribunal, there were some special reasons, recorded in writing, for not giving notice as well as opportunity for making representations, if any, to Towe Ltd.
- (d) Not valid, as giving notice of appointment of provisional liquidator, Mr. Raj as well as opportunity for making representations, to Towe Ltd., is mandatorily required to be given by the tribunal.
4. How much amount, Mr. Kishan, Mr. Dhawan and Mr. Tanmay, would be liable to pay as a contributory, if in case tribunal calls past members to satisfy the contributions?
- (a) Mr. Kishan shall not be liable to pay any amount, Mr. Dhawan and Mr. Tanmay shall be liable to pay Rs. 16 lakh and Rs. 10 lakh, respectively.
- (b) Mr. Kishan, Mr. Dhawan and Mr. Tanmay shall be liable to pay Rs.5 lakhs, Rs. 13 lakh and Rs. 10 lakh, respectively.
- (c) Mr. Kishan shall not be liable to pay any amount, Mr. Dhawan and Mr. Tanmay shall be liable to pay Rs. 13 lakh and Rs. 10 lakh, respectively.
- (d) Mr. Kishan and Mr. Dhawan shall not be liable to pay any amount and Mr. Tanmay shall be liable to pay Rs. 10 lakh.
5. How much amount of floating charge created on the stocks of Towe Ltd. shall be valid and how much of interest shall be allowed if no other rate is notified by the Central Government, other than the rate of interest prescribed in the Act?
- (a) Rs. 27 lakh and Rs. 1,18,500, respectively.
- (b) Rs. 15 lakh and Rs. 98,750, respectively.
- (c) Rs. 27 lakh and Rs. 98,750, respectively.
- (d) Rs. 12 lakh and Rs. 1,18,500, respectively.

Answer Key

1.	(d)	2.	(b)	3.	(c)	4.	(c)	5.	(c)
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Case Study (MTP Nov 2021) The Tribunal on an application made by the Central Government under section 271(c) of the Companies Act, 2013, made a winding up order of Chal Chaiya-Chaiya Entertainment Co. Ltd., since the company was formed for purpose of making movies, having adult contents and exploiting the youth under the minority age, to act in the film making, which is not permitted under the existing Indian Laws.

The Tribunal appointed Mr. X, as a liquidator under section 275 of the Act, for submission of report on the details of Assets of the Company. Mr. X included in his report his opinion that fraud has been committed by an officer of the company in relation to the company since the formation thereof and any other matters which, in his opinion, it is desirable to bring to the notice of the Tribunal.

And also made a report on the viability of the business of the company which, in his opinion, are necessary for maximising the value of the assets of the company.

Mr. Raman a creditor of the company wanted to inspect the above report submitted under this section. Since he was not available there, so he authorised Mr. Agent to inspect the report and take extracts therefrom on payment of the prescribed fees.

Multiple Choice Questions (MCQs)

1. In the given scenario of the winding up of the company ordered by the Tribunal, who amongst the following shall be appointed as company liquidator:
 - (a) Official Liquidator & Insolvency Professional
 - (b) Provisional Liquidator & Company Liquidator
 - (c) Company Liquidator & Official Liquidator
 - (d) Insolvency Professional, Company Liquidator & Official Liquidator
2. On appointment of Mr. X as a Company Liquidator in the given case, such liquidator shall file a declaration disclosing his conflict of interest or lack of independence within a period of:
 - (a) 7 days
 - (b) 10 days
 - (c) 15 days
 - (d) 30 days
3. Who shall apply to Tribunal for monitoring of progress of liquidation proceedings by the Company Liquidator -
 - (a) Company liquidator himself
 - (b) creditors
 - (c) Contributories
 - (d) winding up committee
4. Who shall be comprising winding up committee under the Companies Act, 2013 to assist the Company liquidator in performance of winding up functions:
 - (a) Official Liquidator attached to the Tribunal
 - (b) nominee of secured creditors
 - (c) a professional nominated by the Tribunal
 - (d) All of the above
5. Who is entitled to inspect the report submitted in accordance with section 281 of the Companies Act, 2013 and take copies thereof -
 - (a) Any person
 - (b) Creditor
 - (c) Agent of creditor
 - (d) Both (b) and (c)

Answer Key

1.	(a)	2.	(a)	3.	(a)	4.	(d)	5.	(d)
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Chapter 8

Miscellaneous

Registered Valuer

Q1: A valuer in a company will be appointed by the _____ or in its absence, by the _____ of that company.

(MTP May 2021)

- (a) Board of directors, Shareholders
- (b) Board of Directors, Audit committee
- (c) Shareholders, Audit committee
- (d) Audit Committee, Board of Directors

Q2: What shall not be the duties of a Registered Valuer?

(MTP May 19)

- (a) to make an impartial, true and fair valuation of any assets which may be required to be valued
- (b) to exercise due diligence while performing the functions as valuer
- (c) to undertake valuation of any assets in which he has a direct or indirect interest or becomes so interested at any time during or after the valuation of assets.
- (d) to make the valuation in accordance with such rules as may be prescribed

Q3: Mr. Raman, is appointed as valuer in April, 2018 in ABC Ltd. He undertook the valuation of the assets of the company in 2018. In case Mr. Raman becomes interested in any property, stock etc of the company, he may be not be eligible to undertake valuation in such property of the company till

(Study Mat, ICAI Sample MCQ & RTP May 19)

- (a) 2019
- (b) 2020
- (c) 2021
- (d) He will never be appointed as Registered Valuer of ABC Ltd.

Q4: In case a Valuer becomes interested in any property, stock etc. of the company, he may be appointed as Registered Valuer of the company after a cooling off period of

(ICAI Sample MCQ & MTP May 19)

- (a) 3 years
- (b) 5 years
- (c) 1 year

- (d) He will never be appointed as Registered Valuer of the company

Q5: Where a valuer has been convicted, he shall be liable to _____

(MTP Nov 19)

- (a) Refund of the remuneration received
- (b) Pay damages to the company and to any person bearing loss by incorrect or misleading statements of particulars made in his report
- (c) Both (a) & (b)
- (d) Only refund of remuneration to the company and no payment of damages to the company and to any person

[Note - Suggested answer in MTP is clause (b)]

Q6: A registered valuer needs to maintain records of each assignment undertaken by him for at least _____ from the completion of such assignment

- (a) 3 years
- (b) 5 years
- (c) 7 years
- (d) 8 years

[Hint - Rule 7]

Q7: Mr. X, director of BRT Ltd. entered into an arrangement with his friend and acquired asset on the name of the BRT Ltd. Prior approval for such arrangement was required by a resolution of the company in general meeting. The notice for approval of the resolution by the company included the particulars of the arrangement along with the value of the assets duly calculated by a registered valuer. Later the Board of company discovered the loss arising out of incorrect statement in the report made the valuer. State the liability of the valuer in the given situation-

(MTP May 19)

- (a) valuer can claim immunity stating that company is not bound to accept his opinion being an expert.
- (b) the valuer shall be punishable with fine only for the incorrect statement given in the report
- (c) valuer is liable to be convicted for the incorrect statement given in the report made with an intent to defraud the company or its members.

- (d) valuer cannot be held liable for damages to the company as the company have seek the prior approval of company in general meeting

Q8: The Board of Directors of Highlight Ltd. proposes to appoint Mr. Bright, as the valuer for carrying out valuation of the immovable property pertaining to the company. He was having a post-graduate degree from a recognized University in India. State on the validity of appointment of Mr. Bright as valuer as per provisions of the Companies Act, 2013.

(MTP Nov 2021)

- (a) Appointment of Mr. Bright is valid as he is appointed by Board of Directors of Highlighted Ltd.
 (b) Appointment of Mr. Bright is valid as he fulfills the eligibilities requirement.
 (c) Appointment of Mr. Bright is invalid as he does not fulfills the eligibilities requirements.
 (d) Appointment of Mr. Bright is invalid due no experience defined.

Q9: Which among the following is NOT the eligibility criteria for appointment of a registered valuer:

(MTP May 2022)

- (a) The person has passed the valuation examination conducted by the IBBI
 (b) The person is a valuer member of Registered Valuers Organisation (RVO)
 (c) The person has been recommended by the RVO for registration as a valuer
 (d) The person has been levied a penalty under section 271J of the Income-tax Act, 1961.

Q10: The cooling period for re-appointment of a registered valuer for a company is -

(MTP May 2022)

- (a) 1 year
 (b) 2 years
 (c) 3 years
 (d) No period has been prescribed in section 247 of the Companies Act, 2013.

[Note - As per author the answer is (d), but answer of the institute is option (b)]

Striking-off of Name

Section 248

Q11: Under Section 248 of the Companies Act, 2013; who has the power to remove the name of the company from register of companies?

- (a) Registrar of Companies
 (b) Central Government
 (c) NCLT
 (d) High Court

Q12: Where the Registrar has reasonable cause to believe, he shall send a notice to the company and all the directors of the company, of his intention to remove the name of the company from the register of companies and requesting them to send relevant details within a period of ____ days from the date of the notice.

(MTP May 19)

- (a) 15
 (b) 30
 (c) 45
 (d) 21

Q13: If a company fails to commence its business within _____ of its incorporation, then the Registrar may initiate the action for removing the name of the company from the Register of companies

- (a) 180 days
 (b) 1 year
 (c) 2 years
 (d) 3 years

Q14: If a company is not carrying on its business for a period of _____ and has not made any application for obtaining the status of a dormant company, then the Registrar may initiate the action for removing the name of the company from the Register of companies

- (a) 180 days
 (b) 1 year
 (c) 2 years
 (d) 3 years

Q15: IPCA Labs Limited is incorporated on 1st January 2020, Till which date the subscribers have to pay the subscription money against the shares agreed to be subscribed by them, failing which the Registrar may initiate the action for removing the name of the company from the Register of companies

- (a) 31st January 2020
 (b) 31st March 2020
 (c) 29th June 2020
 (d) 31st December 2020

Q16: Andrew Yule Limited was incorporated in the year 2018. During the year 2020, the company has extinguished all its liabilities and intends to apply to Registrar for striking-off its name from the Register of companies. Does the company need any approval before applying for the striking-off?

- (a) The company needs to pass an ordinary resolution of its members
- (b) The company needs to pass a special resolution of its members
- (c) The company needs previous approval of NCLT
- (d) The company needs no approval and directors can directly apply for striking-off

Q17: State the required majority in the case where a company wants to file an application to the registrar for removal of names of the company from the register of companies for its failure to commence its business within one year of its incorporation

(MTP Nov 19)

- (a) Required consent of fifty-one per cent members holding shares in the company
- (b) Required consent of ninety per cent members holding shares in the company
- (c) Required consent of seventy-five per cent members present in the meeting approving for filing of an application for removal of names
- (d) Required consent of seventy-five per cent members in terms of paid-up share capital

Q18: Bhola Ltd. is a company that was registered on 1st January, 2015. However, the company has not been carrying on any business or operation since the financial year ending on 31st March, 2021. The Registrar is of view, that if a company does not carry on any business or operation and has not applied for obtaining the status of a dormant company, he has the right to issue a notice to the company and all its directors regarding the intention to remove the company's name from the register of companies. Hence, the Registrar issued the so called notice on 21st February, 2023.

Requirement - Choose the correct option, as regards issue of notice to the Bhola Ltd.

(RTP Nov 2023)

- (a) The Registrar need to issue such notice only after financial year ending on 31st March 2023.
- (b) The Registrar need to issue such notice within thirty days, after financial year ending on 31st March 2021.
- (c) The Registrar can issue such notice immediately after the financial year ending on 31st March 2021.

- (d) The Registrar can issue such notice within ninety days, after the financial year ending on 31st March 2022.

Section 249

Q19: Considering the provisions of Section 249 of the Companies Act, 2013; a company is not entitled to make an application for striking off if, at any time in the preceding 3 months, the company

- (a) Has changed its registered office from one city to another within the same state
- (b) Has filed its income-tax return
- (c) Has made an application to the NCLT for sanctioning a scheme of compromise or arrangement and the matter is not finally concluded
- (d) Any of the above

Q20: A company which has changed its name or shifted its registered office from one state to another at any time during the previous _____, shall not be eligible to file an application to the Registrar for removing its name from the register of companies.

- (a) 1 months
- (b) 3 months
- (c) 6 months
- (d) 1 year

Section 252

Q21: Under Section 248 of the Companies Act, 2013; Registrar of companies has the power to strike-off the name of the company from the register of companies. However, if the name of the company has to be restored, an application of restoration shall be made to _____

- (a) Registrar of Companies
- (b) Central Government
- (c) NCLT
- (d) High Court

Q22: An order dissolving the name of Ericsson Limited was published in the official gazette on 20th April 2018. The Registrar of companies is satisfied that the name of the company requires restoration in the register of companies. He wants to know the last date by which an application for seeking restoration of name can be made.

- (a) 19th April 2020
- (b) 19th April 2021
- (c) 19th April 2028
- (d) 19th April 2038

Q23: An order dissolving the name of Bhushan Steels Limited was passed on 8th December 2017. The members of the company intend to make an application to NCLT for restoration of the name

of the company. They want to know the last date by which an application for seeking restoration of name can be made.

- (a) 7th December 2018
- (b) 7th December 2019
- (c) 7th December 2020
- (d) 7th December 2037

Q24: Who amongst the following may file an application for the restoration of the name of the company in the register of company and within the period of:

(MTP Nov 2022)

- (a) The Company itself and within 2 years from the date of passing of the order dissolving the company
- (b) The authorised officials of the company and within 2 years from the date of passing of the order dissolving the company
- (c) NCLT and within 3 years from the date of passing of the order dissolving the company
- (d) Registrar and within 3 years from the date of passing of the order dissolving the company

Dormant Company

Q25: As per the provisions of Section 455 of the Companies Act, 2013; which of the following is a "significant accounting transaction"?

- (a) Payment to the creditors for purchase of raw material
- (b) Payment made to file Income-tax return
- (c) Payment of annual maintenance costs for maintenance of its office
- (d) All of the above

Q26: Nanny Marcons Private Limited was incorporated on 9th June, 2017. For the financial year 2017-2018, it did not file its financial statements and annual returns. For the time being the company desires to be treated as 'inactive company' since it does not intend to carry on any business permitted by its Memorandum. As to when ROC can issue certificate of status of dormant company to 'Nanny Marcons' on the basis of non-submission of financial statements if the company makes an application to the Registrar in this respect.

(Study Mat, ICAI Sample MCQ, ICAI MCQ Booklet & MTP May 19)

- (a) After non-submission of financial statements for the two financial years i.e. 2018-19 and 2019-20.
- (b) After non-submission of financial statements for the next financial year i.e. 2018-19.

- (c) After non-submission of financial statements for the three financial years i.e. 2018-19, 2019-20 and 2020-21.
- (d) After non-submission of financial statements for the four financial years i.e. 2018-19, 2019-20, 2020-21 and 2021-22.

Q27: In which of the following cases, a company is considered to be an "inactive company" as per the provisions of section 455 of the Companies Act, 2013?

- (a) A company which has not been carrying on any business or operation
- (b) A company has not made any significant accounting transaction during the last 2 financial years
- (c) A company has not filed financial statements and annual returns during the last 2 financial years
- (d) All of the above

Q28: Aakaar Solar Energy Private Limited was allowed the status of a 'dormant company' after a certificate to this effect was issued on 1st July 2018 by the Registrar of Companies, Delhi and Haryana. Mention the latest date after which the Registrar is empowered to initiate the process of striking off the name of the company if Aakaar Solar Energy continues to remain as a dormant company.

(Study Mat, ICAI Sample MCQ, ICAI MCQ Booklet & MTP May 19)

- (a) After 30th June, 2019
- (b) After 30th June, 2020
- (c) After 30th June, 2021
- (d) After 30th June, 2023

Q29: Easter Limited was incorporated in the year 2017. During the year 2020, the company intends to obtain the status of dormant company. Does the company need any approval before applying for the striking-off?

- (a) The company needs to pass an ordinary resolution of its members
- (b) The company needs to pass a special resolution of its members
- (c) The company needs previous approval of NCLT
- (d) The company needs no approval and directors can directly apply for striking-off

Q30: A dormant company shall file a "Return of dormant company", indicating financial position duly audited by a chartered accountant in practice within a period of _____ from the end of the financial year

- (a) 30 days
- (b) 60 days
- (c) 90 days
- (d) 180 days

Q31: The Registrar of Companies has reasonable cause to believe that XYZ Ltd, registered as 'dormant company' under his jurisdiction has been functioning. State course of action that can be taken by the Registrar against XYZ Ltd.

(MTP May 20)

- (a) Registrar may serve the notice stating that it is a dormant company and so cannot function, so all its acts will be considered as void.
- (b) Registrar may initiate proceedings thereby making the company and its officers liable to be punished for the functioning of the company under the status of dormant company.
- (c) Registrar may initiate enquiry and if found that XYZ Ltd. has actually been functioning, the Registrar may remove the name of such company from register of dormant companies and treat it as an active company.
- (d) Registrar may initiate enquiry under section 206, if found to be functioning, for non-compliance with the Companies Act, 2013.

Q32: Adheera Limited, a company incorporated under the Companies Act, 2013, has not entered into significant accounting transaction during the last one financial year. Accordingly, the management of the company was thinking to obtain the status of the dormant company under section 455 of the Companies Act, 2013. The Registrar on the filings made during the last financial year found some irregularities and ordered inspection of the books of accounts under section 207 of the Companies Act, 2013. Now the management of the Company consults you, to advise on the application to be made to Registrar for obtaining the status of the dormant company considering the provisions of the Companies Act, 2013.

- (1) The company shall be able to obtain the status of the dormant company after passing special resolution to this effect in the general meeting of the company.
- (2) The company shall not be able to obtain the status of the dormant company as company shall be inactive i.e. not carrying significant accounting transactions during the last 2 financial years.
- (3) The company shall be able to obtain the status of the dormant company after issuing notice to all the shareholders of the company for this purpose and obtaining consent of at least 3/4th shareholders in value.
- (4) The company shall not be able to obtain the status of the dormant company as inspection u/s 207 of the Act is going on against the Company.

(RTP Nov 2021)

- (a) Only (3)
- (b) Either (2) or (4)
- (c) Either (1) or (3)
- (d) Both (2) and (4)

[Note - As per the author the question is not drafted properly, Further the correct option should have been (d) but institute has suggested (c) as the correct option]

Government Company

Q33: A Government company is a company in which _____ paid-up share capital is held by Government

- (a) 50% or more
- (b) More than 50%
- (c) 51% or more
- (d) More than 51%

Q34: BPCL Limited is an oil marketing company. In past it has issued equity shares with differential voting rights to some of its promoters. Now, or the purpose of Companies Act, 2013; it will be considered a Government company when

- (a) More than 51% paid-up share capital is held by Central Government
- (b) Not less than 51% paid-up share capital is held by Central Government
- (c) More than 51% total voting power is held by Central Government
- (d) Not less than 51% total voting power is held by Central Government

Q35: Central Government must place before both the houses of Parliament the annual report of a Government company within _____ of AGM

- (a) 30 days
- (b) 60 days
- (c) 3 months
- (d) 6 months

Q36: A subsidiary of a government company is a

- (a) Government company
- (b) Dormant company
- (c) Statutory corporation
- (d) Non-profit company

Nidhi Co.

Q37: Krishna Kant, Surya Kant and other persons known to them from close quarters formed Gopala Money Nidhi Limited with a paid-up capital of Rs. 20,00,000 in Gujarat. Choose the correct option from those given below that indicates the nature of activity in which Gopala Money Nidhi Limited would be involved in:

(MTP May 2023)

- (a) Gopala Money Nidhi Limited was formed with the object to deal with savings amongst its members and others
- (b) Gopala Money Nidhi Limited was formed with the object of receiving deposits from its members and others
- (c) Gopala Money Nidhi Limited was formed with the object of lending money to its members only
- (d) Gopala Money Nidhi Limited was not formed with the object to deal with savings amongst its members but for deposit of money from others

Q38: What is the requirement of minimum number of members in case of Calfin Nidhi Limited?

- (a) 2 members
- (b) 3 members
- (c) 7 members
- (d) 200 members

Q39: Every Nidhi shall have the last words _____ as part of its name

- (a) Nidhi Limited
- (b) Nidhi Private Limited
- (c) Either (a) or (b)
- (d) Either 'Limited' or 'Private Limited'

Q40: A Nidhi company may provide locker facilities on rent to its members subject to the condition that the rental income from such facilities shall not exceed _____ of the gross income of the Nidhi company at any point of time during the financial year

- (a) 10%
- (b) 15%
- (c) 20%
- (d) 25%

Q41: What is the requirement of minimum paid-up capital in case of Samriddhi Nidhi Limited?

- (a) ₹ 5 lakh
- (b) ₹ 10 lakh
- (c) ₹ 20 lakh
- (d) There is no requirement of minimum paid-up capital

Q42: What is the requirement of minimum Net-owned funds in case of Virat Nidhi Limited?

- (a) ₹ 5 lakh
- (b) ₹ 10 lakh
- (c) ₹ 20 lakh
- (d) There is no requirement of minimum net-owned funds

Q43: Under the provisions of Companies Act, 2013; what is the requirement of the ratio of net owned funds to deposits?

- (a) 2:1
- (b) 1:10
- (c) 1:20
- (d) 20:1

Q44: For the financial year 2019-20, Calfin Nidhi Limited can distribute dividend at a maximum rate of _____

- (a) 15%
- (b) 25%
- (c) 30%
- (d) 50%

Q45: Best Nidhi Limited has been incorporated on 01/04/2020 as a Nidhi Company under section 406 of the Companies Act, 2013 with 250 members. Its main object is to accept deposits from members and lend loans to members for the mutual benefit of the members. It also provides locker facilities to members. For FY 2020-2021, the income of the company (before deducting any expense) was Rs. 40,00,000. Expenses incurred during the year amounted to Rs.10,00,000. Calculate the maximum amount of rental income that could have been earned during the FY 2020-2021 by the company.

(MTP May 2021)

- (a) Rs. 10,00,000
- (b) Rs. 7,50,000
- (c) Rs. 8,00,000
- (d) Rs. 6,00,000

Q46: Pankaj Nidhi Limited, incorporated under section 406 of the Companies Act, 2013. Pankaj Nidhi Limited wants to enter into an agreement for acquiring another company by purchase of its securities. Now the management of the Pankaj Nidhi Limited is in dilemma with respect to the requirement of entering into such an agreement. Pankaj Nidhi Limited approached you to provide with the best course of action considering the provisions of the Companies Act, 2013.

(RTP Nov 2021)

- (a) As per the Nidhi Rules, 2014, Nidhi company can enter into an agreement for acquiring other company by purchase of its securities provided the Nidhi company has passed a special resolution in its general meeting or have

- obtained the previous approval of the Regional Director having jurisdiction over such Nidhi.
- (b) As per the Nidhi Rules, 2014, Nidhi company can enter into an agreement for acquiring other company by purchase of its securities provided the Nidhi company has passed a special resolution in its general meeting and also obtained the previous approval of the Regional Director having jurisdiction over such Nidhi.
 - (c) As per the Nidhi Rules, 2014, Nidhi company can enter into an agreement for acquiring other company by purchase of its securities provided the Nidhi company has passed a special resolution in its general meeting and have obtained the previous approval of the Registrar of Companies (Roc) having jurisdiction over such Nidhi.
 - (d) As per the Nidhi Rules, 2014, Nidhi company can enter into an agreement for acquiring other company by purchase of its securities provided the Nidhi company has passed a special resolution in its general meeting or have obtained the previous approval of the Registrar of Companies (Roc) having jurisdiction over such Nidhi.

Q47: Mr. High with his friends and relatives incorporated a Nidhi company under the name

Dhan Laxmi Nidhi Limited, on 20th August, 2017. As on 31st March 2023, the paid-up share capital of Dhan Laxmi Nidhi Limited was ₹ 95,00,000 (9,50,000 equity shares of ₹ 10 each). Its deposits were to the extent of ₹ 315 crore with 12,000 members. The loans aggregated to ₹ 275 crore. Keeping in view the sufficiency of profits, the company declared a dividend of ₹ one per share.

Requirement - Enumerate, how much the excess paid-up share capital Dhan Laxmi Nidhi Limited had when it started its operations in 2017 and what shall be maximum amount of dividend that Dhan Laxmi can declare for the Financial Year 2022-23.

(MTP Nov 2023)

- (a) Dhan Laxmi Nidhi Limited had excess paid-up share capital of ₹ 75,00,000 when it started its operations and can declare maximum permitted dividend of ₹ two per share.
- (b) Dhan Laxmi Nidhi Limited had excess paid-up share capital of ₹ 85,00,000 when it started its operations can declare maximum permitted dividend of ₹ two and fifty paise per share.
- (c) Dhan Laxmi Nidhi Limited had excess paid-up share capital of ₹ 90,00,000 when it started its operations can declare maximum permitted dividend of ₹ three per share.
- (d)

Answer Key

Q1.	(d)	Q2.	(c)	Q3.	(c)	Q4.	(a)	Q5.	(c)	Q6.	(a)	Q7.	(c)	Q8.	(c)	Q9.	(d)
Q10.	(d)	Q11.	(a)	Q12.	(b)	Q13.	(b)	Q14.	(c)	Q15.	(c)	Q16.	(b)	Q17.	(d)	Q18.	(a)
Q19.	(c)	Q20.	(b)	Q21.	(c)	Q22.	(b)	Q23.	(d)	Q24.	(d)	Q25.	(a)	Q26.	(b)	Q27.	(d)
Q28.	(d)	Q29.	(b)	Q30.	(a)	Q31.	(c)	Q32.	(c)	Q33.	(c)	Q34.	(d)	Q35.	(c)	Q36.	(a)
Q37.	(c)	Q38.	(d)	Q39.	(a)	Q40.	(c)	Q41.	(b)	Q42.	(c)	Q43.	(c)	Q44.	(b)	Q45.	(c)
Q46.	(b)	Q47.	(b)														

Case Study Based MCQs

Case Study (ICAI MCQ Booklet) - Sunshine Software Private Limited having its Registered Office at Hyderabad was incorporated on 28th May, 2017 with Authorised Capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The main object of the company is to develop customised business software and provide software consulting services to various business houses.

Mr. Sumit, Mr. Samadhan, Mr. Saumitra and Mr. Aniket, the subscribers to the Memorandum of Association are also the Directors of the company. The company allotted the shares to the subscribers within the stipulated time. It is worth noting that the Directors are part of the core team for development of the software. However, due to some internal misunderstanding among all the Directors, more particularly serious disagreement in relation to working schedules, the company could not start its working since incorporation and therefore, no revenue was generated from operations. In fact, the Directors were busy pursuing their own business interests and seemingly, had no intention to devote any time for the company.

Following information has been extracted from the financial statements of the Sunshine Software Private Limited from the date of its incorporation:

Particulars	2017-18 (Amount in ₹)	2018-19 (Amount in ₹)
Paid-up share capital	10,00,000	10,00,000
Revenue from operations	NIL	NIL
Expenses incurred towards fulfillment of various legal obligations	55,000	65,000

The company did not recruit even a single employee and therefore, no expenses on account of salary or on other material transactions were incurred. However, the company has complied with all the filing requirements under the Companies Act, 2013 and the Income Tax Act, 1961 since its incorporation. It incurred the following expenses:

- a. Payment of fees to the Registrar.
- b. Payments made to fulfil the requirements of the Companies Act, 2013 and any other applicable laws.
- c. Some payments were made for maintenance of office and records.

Mr. Saumitra also holds Directorship in Surya Energy Private Limited against which National Company Law Tribunal had passed an order under Section 420 of the Companies Act, 2013. After receipt of the order of Tribunal, Surya Energy is contemplating to file an appeal with National Company Law Appellate Tribunal (NCLAT).

Multiple Choice Questions (MCQs)

1. On the basis of the facts mentioned in the case scenario, determine the status of the Sunshine Software Private Limited.
 - (a) It is an inactive company since no significant accounting transactions have been undertaken for the last two financial years.
 - (b) It is a defunct company since no significant accounting transactions have been undertaken for the last two financial years.
 - (c) It is an active company since it makes regular payments to ROC.
 - (d) None of the above.
2. Which Form needs to be used by a 'Dormant Company' for obtaining the status of an 'active company'.
 - (a) MSC- 1
 - (b) MSC- 2
 - (c) MSC- 3
 - (d) MSC- 4
3. Choose from the following options the number of minimum Directors which a dormant company shall have, if it is a public limited company.
 - (a) Seven
 - (b) Two
 - (c) Three
 - (d) One
4. Assuming that the ROC issued a certificate to Sunshine Software Private Limited allowing it the status of a 'dormant company' w.e.f. 1st October, 2019, then what will be the date after which ROC is empowered to initiate the process

of striking off the name of the company if it continues to remain as a dormant company.

- (a) After 30th September, 2020.
- (b) After 30th September, 2021.
- (c) After 30th September, 2023.
- (d) After 30th September, 2024.

5. From the case scenario, it is observed that Surya Energy Private Limited, aggrieved by the order of the Tribunal, wants to file an appeal with NCLAT. Within how much time from the date of receipt of the order of Tribunal it can file such appeal with NCLAT:

- (a) Surya Energy Private Limited can file an appeal with NCLAT within a period of 15 days from the date of the receipt of the order of Tribunal.
- (b) Surya Energy Private Limited can file an appeal with NCLAT within a period of 30 days from the date of the receipt of the order of Tribunal.
- (c) Surya Energy Private Limited can file an appeal with NCLAT within a period of 45 days from the date of the receipt of the order of Tribunal.
- (d) Surya Energy Private Limited can file an appeal with NCLAT within a period of 60 days from the date of the receipt of the order of Tribunal.

Answer Key

1.	(a)	2.	(d)	3.	(c)	4.	(d)	5.	(c)
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Case Study (MTP Nov 2023 & ICAI MCQ Booklet) - GenTech Engineering and Consultancy Limited (GECL), having its Registered Office in Kolkata, West Bengal, was incorporated way back in January, 2011. The Central Government holds 21% of its paid-up share capital while the State Government of Gujarat and Navyug Engineering Limited, a government company, hold 23% and 10% respectively.

As GECL was interested in ascertaining the market value of its assets, it invited tenders and after thorough scrutiny it shortlisted the following Registered Valuers:

- (1) **Mr. Anant:** He has set up his valuation practice in London for the last 5 years. He came to visit India on 25th November, 2019 for a short span of around one month during which, in terms of the tender submitted by him, he was proposed by GECL to undertake the assignment relating to valuation of its assets.
- (2) **Mr. Alok Nath:** He is a valuer member of a registered valuers' organisation and is one of the partners of M/s ALP & Associates, a Kolkata based valuation firm. Mr. Alok Nath was given second preference by GECL if Mr. Anant refused the assignment relating to the valuation of assets.
- (3) **M/s MNC Valuers & Associates, LLP:** It is a Limited Liability Partnership, based at Kolkata, and all the partners of the firm are valuer members of a registered valuers' organisation. It was given third preference by GECL for undertaking of valuation of assets.

GECL holds 15% paid-up share capital of Prayas Marketing Limited (PML). However, the Registrar, having reasonable cause to believe that the PML was not carrying on any business or operations, ordered a physical verification of the Registered Office of PML.

After physical verification of the Registered Office of PML, the Registrar formed an opinion that the company, in actuality, was not carrying on any business or operations and therefore, he issued a notice to the company and all of its Directors indicating his intention to remove the name of the company from the Register of Companies, if no explanation along with copies of relevant documents were filed within a period of 30 days from the date of the notice. Since no cause to the contrary was shown by the company and its Directors, the Registrar, after following the requisite procedure, removed the name of the PML from the Register of Companies and a notice dated 30.10.2020 to this effect was published in the Official Gazette. On publication of this notice in the Official Gazette and also its placement on the official website of the Ministry of Corporate affairs, PML was dissolved.

After dissolution as above of the PML effective from 30.10.2020 under Section 248 of the Companies Act, 2013, it ceased to operate as a company and Certificate of Incorporation was deemed to have been cancelled from such date.

Multiple Choice Questions (MCQs)

1. From the case scenario, it is observed that the share of the Central Government in the paid-up share capital of GECL is 21% while the State Government of Gujarat and Navyug Engineering

Limited, a government company, respectively hold 23% and 10% of its paid-up capital. Which one of the following options is applicable in such a situation:

- (a) GECL is a Government Company since both the Central Government and the State Government of Gujarat hold more than 25% of its paid-up share capital.
- (b) GECL is not a Government Company since the Central Government, the State Government of Gujarat and Navyug Engineering Limited, a Government Company, hold only 54% of its paid-up share capital which is less than the threshold limit of 55%.
- (c) GECL is a Government Company since the Central Government, the State Government of Gujarat and Navyug Engineering Limited, a Government Company, hold 54% of its paid-up share capital which is more than the threshold limit of 51%.
- (d) GECL is not a Government Company since the Central Government and the State Government of Gujarat together hold 44% of its paid-up share capital which is less than the threshold limit of 51%.
2. Which one of the following options is applicable in case Mr. Anant was preferred to be given the valuation assignment of valuing the assets of GECL.
- (a) Mr. Anant cannot act as a valuer being a person not resident in India.
- (b) Mr. Anant cannot act as a valuer since process of valuation of goodwill is a tedious and time-consuming task.
- (c) Mr. Anant can act as a valuer being a valuer member of a registered valuers' organisation in London and is more knowledgeable than others.
- (d) Mr. Anant can act as a valuer being a valuer member of a registered valuers' organisation in London and is out of India for less than seven years.
3. In case PML is aggrieved by the order dated 30-10-2020 of the Registrar that led to the removal of its name from the Register of Companies and its dissolution and therefore, it desires to file an appeal to the Tribunal, which one of the following options shall be applicable in such a situation:
- (a) PML is permitted to file an appeal to the Tribunal within a period of one year from the date of the order of the Registrar.
- (b) PML is permitted to file an appeal to the Tribunal within a period of two years from the date of the order of the Registrar.
- (c) PML is permitted to file an appeal to the Tribunal within a period of three years from the date of the order of the Registrar.
- (d) PML is permitted to file an appeal to the Tribunal within a period of five years from the date of the order of the Registrar.
4. Which one of the following options is applicable in case PML denies to discharge its liabilities and other obligations contending that after dissolution it has ceased to operate.
- (a) The contention of the PML is valid since after dissolution it cannot enter into any contract.
- (b) The contention of the PML is valid since once the company stands dissolved, the shareholders of the company are liable to discharge all its liabilities and obligations.
- (c) The contention of the PML is invalid since the dissolution shall not affect the realisation of amount due to it and for the discharge of its liabilities or obligations.
- (d) The contention of the PML is valid since once the company stands dissolved, it is not liable to discharge any of its liabilities and obligations because the shareholders of the company are to be given back the money invested by them as shareholders.
5. Suppose PML, on its own, decides to file an application to the Registrar for removal of its name from the Register of Companies. From the given options, choose the one which shall be applicable in such a situation:
- (a) PML is not permitted to file an application to the Registrar for removal of its name from the Register of Companies.
- (b) All the Directors of PML at the Board Meeting can pass a resolution to file an application to the Registrar for removal of name of PML from the Register of Companies but only after extinguishing all the liabilities of PML.
- (c) PML after extinguishing all its liabilities and by passing an ordinary resolution or by obtaining consent of 51% of its members in terms of paid-up share capital may file an application to the Registrar for removal of its name from the Register of Companies.
- (d) PML after extinguishing all its liabilities and by passing a special resolution or by obtaining consent of 75% of its members in terms of paid-up share capital may file an application to the Registrar for removal of its name from the Register of Companies.

Answer Key

1.	(d)	2.	(a)	3.	(c)	4.	(c)	5.	(d)
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Case Study (MTP Nov 2020) - Mela Nidhi Ltd. provides following information from its financial statements as on 31.03.2021, which are audited by QR LLP, an audit firm which has completed 3 years of its 2nd term, in the company:

Particulars	(₹ in lakhs)
Total Deposits	260
Gross Income	90
Profits	40

One of the directors, Mr. Raj has completed his 10 years term in the company and Mr. Yash is willing to propose his own candidature for directorship in the company through a notice.

The company accepted new deposits from 12 persons as follows

Number of People who made deposit	Type of Deposit made
6	Term Deposit
4	Savings Deposit
2	Recurring Deposit

Apart from the aforementioned persons, Mr. Dev, an Indian citizen, wanted to make a term deposit for ₹ 1 lakh, who recently returned from US after staying for 4 years, for carrying on business in India, whose proposal is on hold with company.

Based on the above case scenario, answer the following questions

Multiple Choice Questions (MCQs)

- What should be the minimum value of net owned funds and unencumbered term deposits that Mela Nidhi Ltd. should have, considering the amount of total deposits?
 - ₹ 13 lakhs and ₹ 26 lakhs respectively
 - ₹ 26 lakhs and ₹ 26 lakhs respectively
 - ₹ 10 lakhs and ₹ 26 lakhs respectively
 - ₹ 20 lakhs and ₹ 13 lakhs respectively
 - If Mela Nidhi Ltd. provides locker facilities to its members then how much maximum income it could have earned from such facilities and what maximum amount of dividend it can declare, if there was a default in payment of interest by Mela Nidhi Ltd.?
 - ₹ 22.5 lakhs and ₹ 10 lakhs respectively
 - ₹ 18 lakhs and ₹ 8 lakhs respectively
 - ₹ 9 lakhs and ₹ 4 lakhs respectively
 - ₹ 18 lakhs and ₹ 10 lakhs respectively
 - For how many years, Mr. Raj is not eligible for reappointment as director in Mela Nidhi Ltd. and what amount of deposit Mr. Yash should make along with the notice of his candidature for directorship?
 - 2 years and ₹ 10,000 respectively
 - 2 years and no deposit is required in case of Nidhi company
 - 5 years and ₹ 10,000 respectively
 - 2 years and ₹ 1,00,000 respectively
 - What shall be the aggregate figure of minimum number of shares that would have been issued to the afore-mentioned 12 persons and minimum number of shares that savings account holder and recurring account holder should atleast held, if face value of shares is ₹ 10 each?
 - 66 and 6 respectively
 - 96 and 12 respectively
 - 120 and 6 respectively
 - 66 and 12 respectively
- [Note - As per the author, the answer should be "66 and 6 respectively"]

Answer Key

1.	(a)	2.	(d)	3.	(a)	4.	(c)
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Case Study (ICAI MCQ Booklet) - Paavan Nidhi Limited having its Registered Office at Karol Bagh, New Delhi, has been declared as Nidhi by notification published in the Official Gazette. The company is incorporated with the object of cultivating the habit of thrift and savings among its members, receiving deposit from, and lending to, its members only, for their mutual benefit.

Paavan Nidhi Limited has six Directors, namely, Padam, Prakash, Puneet, Pratima, Poorva and Piyush and two hundred fifty members. All the Directors are shrewd businessmen having full dedication to the cause of the company. They are committed to run the company in accordance with the Nidhi Rules, 2014 and being law-abiding persons shall not do anything which is not permitted in case of a Nidhi like carrying on the business of chit fund or hire-purchase finance or leasing finance or insurance, etc. Padam is the senior-most Director with vast experience in the field of finance and therefore, he has been honoured by the company to hold Directorship for a term up to ten consecutive years.

The company offers following services for the benefit of its members:

1. Fixed Deposit Plans of different maturities;
2. Recurring Deposit Plans for members who do not wish to deposit lump-sum;
3. Opening of Savings Accounts in the name of members;
4. Gold Loans to the needy members on easy terms;
5. Mortgage Loans, etc.

PQR Private Limited, having its Registered Office at Munirka, New Delhi, was incorporated last year. It had a chance to go through the operations of Paavan Nidhi Limited and finding them to be on sound footing, it applied for becoming its member.

Further, Mr. Tom, a resident of Switzerland and one of the Directors of PQR Private Limited, is also interested in investing his funds in Paavan Nidhi Limited. The Nidhi company is analysing the proposals received from both the investors.

During the current year, Mr. Kshitij, a member of Paavan Nidhi Limited deposited ₹ 1,00,000 in the name of his minor son Rudra who is of 12 years of age. Mr. Kshitij also desires that Rudra becomes a member of Paavan Nidhi and for that purpose he is negotiating with the company. As regards the validity of this matter, Piyush, one of the Directors has raised some objections. The company wants to sort out the issue amicably.

Multiple Choice Questions (MCQs)

1. From the case scenario, it is observed that PQR Private Limited has applied for becoming a member of Paavan Nidhi Limited. From the following options, choose the one which is applicable in such a situation:
 - (a) PQR Private Limited cannot become a member of Paavan Nidhi Limited.
 - (b) PQR Private Limited can become a member of Paavan Nidhi Limited by investing minimum ₹ 5,00,000 as capital.
 - (c) PQR Private Limited can become a member of Paavan Nidhi Limited by including a clause in its Articles of Association which permits it to become a member of a Nidhi company.
 - (d) PQR Private Limited must be in existence for a minimum period of three years to be eligible for becoming member of a Nidhi company.
2. Piyush, one of the Directors of Paavan Nidhi Limited has raised objection on acceptance of deposit amounting to ₹ 1,00,000 in the name of Rudra, a minor, and negotiations initiated by his father Mr. Kshitij to make him a member of the Paavan Nidhi. From the following options choose the one which is applicable in the given situation:
 - (a) Paavan Nidhi Limited can neither accept deposit in the name of Rudra, a minor, nor can make him a member.
 - (b) Paavan Nidhi Limited may accept deposit in the name of Rudra, a minor, since it is made by Mr. Kshitij, a member and the father of Rudra but being minor, he cannot be made a member.
 - (c) Paavan Nidhi Limited cannot accept deposit in the name of Rudra exceeding ₹ 25,000 but he can become a member by contributing minimum amount.
 - (d) Paavan Nidhi Limited can accept deposit in the name of Rudra up to ₹ 2,00,000 and he can become a member of the company.
3. From the case scenario, it is evident that Padam, the senior-most Director, has been honoured by Paavan Nidhi Limited to hold Directorship for a term up to ten consecutive years. After relinquishing his office as Director at the expiry of ten years, when can Padam be re-appointed as Director of the company.

- (a) Padam shall be eligible for re-appointment only after the expiry of two years of ceasing to be a Director.
- (b) Padam shall be eligible for re-appointment only after the expiry of one year of ceasing to be a Director.
- (c) Padam shall be eligible for re-appointment only after the expiry of six months of ceasing to be a Director.
- (d) Padam shall not be eligible for re-appointment once he ceases to be a Director.
4. If M/s. A & A Associates, a firm of auditors, has been appointed as auditors of Paavan Nidhi Limited for a term of five years commencing from FY 2015-16 to FY 2019-20 and if the company is desirous of re-appointing the said firm of auditors for another term of five years commencing from FY 2020-21, then which of the following options is applicable in such an eventuality:
- (a) M/s A & A Associates cannot be re-appointed as auditors for another term of five years since no Nidhi company shall appoint or reappoint any auditing firm for two terms of five consecutive years.
- (b) M/s A & A Associates can be re-appointed as auditors for another term of five years since a Nidhi company is permitted to appoint or reappoint any auditing firm for two terms of five consecutive years.
- (c) M/s A & A Associates cannot be re-appointed as auditors for another term of five years since no Nidhi company is permitted to re-appoint any auditing firm before the expiry of two years if an auditing firm ceases to be its auditors after completion of the term of five years.
- (d) M/s A & A Associates cannot be re-appointed as auditors for another term of five years since no Nidhi company is permitted to re-appoint any auditing firm before the expiry of one year if an auditing firm ceases to be its auditors after completion of the term of five years.
5. The above case scenario states that Mr. Tom, a resident of Switzerland and one of the Directors of PQR Private Limited is interested in investing his funds in Paavan Nidhi Limited. From the options given below, choose the one which is applicable in such a situation:
- (a) Paavan Nidhi Limited can accept investment proposal of Mr. Tom with the approval of Reserve Bank of India (RBI).
- (b) Paavan Nidhi Limited can accept the investment proposal of Mr. Tom with the approval of Reserve Bank of India (RBI) for receipt of foreign exchange if the Registrar of Companies (ROC) has given his consent for such acceptance.
- (c) Paavan Nidhi Limited can accept the investment proposal of Mr. Tom with the approval of Reserve Bank of India (RBI) for receipt of foreign exchange if the Central Government through jurisdictional Regional Director has consented to such proposal.
- (d) Paavan Nidhi Limited cannot accept the investment proposal of Mr. Tom since a person resident outside India is prohibited from making investments in a Nidhi company.

Answer Key

1.	(a)	2.	(b)	3.	(a)	4.	(b)	5.	(d)
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Case Study (RTP May 2022) - Mr. Charan, with qualification in MBA Finance, thought of setting up a finance business. He discussed his thought process with his relatives and friends and decided to start a Nidhi company as this was the most easy and affordable way to start a loan business in India which required only seven members with easy documentation. No approval, whatsoever, was also required from Reserve Bank of India as in the case of other finance companies. Further, the Nidhi company would be able to accept deposits from members and lend to them as well, besides earning periodical interests on loans while its main expenditure would be to pay interests on deposits and establishment charges, etc.

Mr. Charan with his six other trusted friends and relatives incorporated a Nidhi company under the name Laxmi Nidhi Limited, on 20th August, 2015 at Indore (MP). It was duly notified as Nidhi in the Official Gazette. It was mentioned in the Memorandum that as Nidhi, the company would cultivate the habit of thrift and savings amongst its members, receive deposits from and lend to, its members only, for their mutual benefit and it shall comply with Nidhi Rules, 2014. The authorised capital of the company was ₹ 1,00,00,000 divided into 10,00,000 equity shares of ₹ 10 each.

All the members of the Board of Laxmi Nidhi Limited possessed a very strong background in terms of financial stability as also expertise in business. Mr. Charan was throughout supported by the extraneous efforts of his

younger brother, Mr. Param who was the executive president of Laxmi Nidhi Limited and possessed administrative talent to govern the organisation without compromising ethical practices.

With a dedicated team of staff, the company was on its growth path with utmost courteous services rendered with able management. The company encouraged rural savings habit and believed in rendering all financial assistance to its members by receiving both short-term and long-term deposits.

The deposits raised by Laxmi Nidhi Limited were in the form of fixed deposits, recurring deposits and savings deposits. While extending loans to its members, the Nidhi provided Laxmi Jewel Loan against pledge of gold jewellery for productive and consumption purposes with minimum documentation and utmost safety of their gold. It also provided mortgage loans and loans against deposits. In addition, it provided locker facilities to its members. As on 31st March 2021, the issued, subscribed and paid-up share capital of Laxmi Nidhi Limited was ₹ 95,00,000 (9,50,000 equity shares of ₹ 10 each). Its deposits were to the extent of ₹ 315 crore with 12,000 members. The loans aggregated to ₹ 275 crore. Keeping in view the sufficiency of profits, the company declared a dividend of ₹ one per share. In near future, Laxmi Nidhi Limited, plans to open its branches which proves the fact that they are securing trust of more and more members as the years go by.

Multiple Choice Questions (MCQs)

1. It is evident from the case scenario that Laxmi Nidhi Limited started its business with paid-up share capital of ₹ 95,00,000. Keeping in view the minimum paid-up share capital with which a Nidhi can be started, how much is the excess paid-up share capital Laxmi Nidhi Limited had when it started its operations with effect from 20th August, 2015 -
 - (a) Laxmi Nidhi Limited had excess paid-up share capital of ₹ 75,00,000 when it started its operations with effect from 20th August, 2015.
 - (b) Laxmi Nidhi Limited had excess paid-up share capital of ₹ 85,00,000 when it started its operations with effect from 20th August, 2015.
 - (c) Laxmi Nidhi Limited had excess paid-up share capital of ₹ 90,00,000 when it started its operations with effect from 20th August, 2015.
 - (d) Laxmi Nidhi Limited had excess paid-up share capital of ₹ 93,00,000 when it started its operations with effect from 20th August, 2015.
2. For the Financial Year 2021-22, Laxmi Nidhi Limited declared a dividend of ₹ one per share. What is the maximum amount of dividend it is permitted to declare? Choose the correct option from those given below:
 - (a) Since Laxmi Nidhi Limited has declared maximum permitted dividend of Re. one per share, it cannot declare dividend in excess of ₹ one per share
 - (b) Laxmi Nidhi Limited can declare maximum permitted dividend of ₹ two per share
 - (c) Laxmi Nidhi Limited can declare maximum permitted dividend of ₹ two and fifty paise per share
 - (d) Laxmi Nidhi Limited can declare maximum permitted dividend of ₹ three per share
3. The case scenario states that Laxmi Nidhi Limited also provided locker facilities to its members. What is the maximum rental income that the company can generate from locker facilities provided to its members.
 - (a) Laxmi Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto ten per cent of its gross income at any point of time during a financial year.
 - (b) Laxmi Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto twenty per cent of its gross income at any point of time during a financial year.
 - (c) Laxmi Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto twenty-five per cent of its gross income at any point of time during a financial year.
 - (d) Laxmi Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto thirty per cent of its gross income at any point of time during a financial year.
4. By declaring dividend of ₹ one per share, Laxmi Nidhi Limited is required to pay ₹ 9,50,000 as dividend amount to its members. How much amount it is required to transfer to General Reserve when it declares dividend of ₹ 9,50,000? Select the correct alternative from the following options:

- (a) Laxmi Nidhi Limited is not required to transfer any amount to General Reserve when it declares dividend of ₹ 9,50,000.
- (b) Laxmi Nidhi Limited is required to transfer minimum ₹ 9,50,000 (i.e. 100% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.
- (c) Laxmi Nidhi Limited is required to transfer minimum ₹ 4,75,000 (i.e. 50% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.
- (d) Laxmi Nidhi Limited is required to transfer minimum ₹ 14,25,000 (i.e. 150% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.
- [Note - The answer to Q.4 in RTP is option (b). But as per author, the answer should be (a)]

Answer Key

1.	(b)	2.	(c)	3.	(b)	4.	(a)
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Case Study (RTP Nov 2022) - Subh-Labh Savings and Investments (Nidhi) Ltd. was incorporated for the purpose of inculcating savings habits among its members on 31st July 2022. The company filed a prescribed Form with the Registrar, for declaration it as a Nidhi company. Just after the incorporation, the company issued 3 lakh shares of ₹ 10/- each and made a first call of ₹ 5/- only.

The company is paying interest on deposits to its members @ 6% p.a. whereas the interest on loan is charged @15%.

After the end of one year from the date of incorporation, the company's membership strength reached to 560 and its Net Owned Funds (NOF) ₹ 15 lakhs. The deposits mobilised through the members reached to ₹ 375 lakhs.

Multiple Choice Questions (MCQs)

- State in which of the business, Subh-Labh Ltd. can be engaged:
 - enter into any partnership arrangement in its borrowing or lending activities
 - raise loans from banks or financial institutions or any other source
 - business of borrowing or lending in its own name
 - carry on the business of leasing finance.
- By what time, Subh-Labh Ltd. is required to ensure that they may have atleast 200 members:
 - By 31st October 2022
 - 28th November 2022
 - 31st December 2022
 - 31st March 2023
- In the given case, if, the NOF is ₹ 15 lakh and deposits mobilised from members is ₹ 375 lakh, which gives ratio of NOF to deposit as 1: 25. State what shall be the correct answer with respect to the ratio of Net Owned Funds for deposits -
 - 1:10
 - 1:15
 - 1:20
 - 1:25
- What shall be the minimum paid up equity share capital requirement of Subh-Labh Ltd:
 - Five lakh rupees
 - Ten lakh rupees
 - Twenty lakh rupees
 - Twenty Five rupees
- A Subh-Labh Ltd. shall not accept deposits:
 - exceeding twenty times of its Net Owned Funds as per its last audited financial statements.
 - Not exceeding twenty times of its Net Owned Funds as per the last financial year.
 - Not less than twenty times of its Net Owned Funds as per the last financial year
 - more than twenty five times of its Net Owned Funds as per the last financial year

Answer Key

1.	(c)	2.	(b)	3.	(c)	4.	(b)	5.	(a)
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Case Study (MTP May 2023) - To provide banking services to the people living in Emakulam, Kerala, which still was a far off location and devoid of accessing finance from nationalised banks and Non-Banking Financial Companies (NBFCs), Nagarajan, his close friends Krishnamurti, Raghunath, Govindam, Radhakrishnan, Vijay Krishnan and Chaitanya, who were experienced and dedicated persons from the field of business, trade and industry, thought of opening a Nidhi company which would act as the safest and cheapest way of inviting deposits from them and granting them loans.

Vinayak Strotam Nidhi Limited was thus incorporated by Nagarajan along with this group of close friends on 10th July, 2014 in Emakulam District of Kerala.

The Authorised Capital of this Nidhi, which wanted to nurture the habit of caution and savings among the members by receiving deposits from them and lending money to them only for their mutual benefit, was ₹ 70,00,000 divided into 7,00,000 equity shares of ₹10 each while issued and paid-up capital stood at a figure of ₹60,00,000 with just eight employees.

Through this Nidhi, savings could be deposited in the form of Savings Account, Recurring Deposit Account, Fixed Deposit Account and Daily Deposit Accounts while Vinayak Strotam Nidhi Limited granted loans to the members only against securities of immovable properties and movables such as gold, silver, jewellery, deposits, National Saving Certificates, life insurance policies and other Government securities as per the prescribed rules for Nidhi companies.

Customer centricity was at the core of Managing Director Nagarajan and three executive directors Krishnamurti, Raghunath and Govindam and it was this belief that had led the business to build long term relationships.

Since its inception, the Nidhi was earning profits year by year. In anticipation of growing and rendering better services to their members and stabilizing it as a profit centre, Nagarajan and his dedicated team felt that there was a demand for opening some branches in the district itself. Thus, Vinayak Strotam Nidhi Limited opened three more branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala. These branches were inaugurated with more focus on deposit mobilization and lending which was a core business of this Nidhi.

The Nidhi brought within its fold experienced persons like retired senior executives from national and multi-national banks to seek guidance and build it as the pioneer in rendering best services by adopting latest technology.

By the end of March, 2021, Vinayak Strotam Nidhi Limited had 11,000 members and 200 employees. In the track of fast growth and with foresightedness in mind, Nagarajan desired to open a new branch in another district of Kerala. He chose Kannur district since he had a special bonding with this place because he was an alumnus of Kannur University, having graduated in commerce from this famous University. But instead of doing that way, he opened another Nidhi company by the name Vinayak Strotam Kannur Nidhi Limited in Kannur district of Kerala.

1. **What is the nature of the Vinayak Strotam Nidhi Limited :**
 - (a) It's a public company with a minimum share capital exceeding 5 crore
 - (b) It's a Public company with a minimum share capital not exceeding 5 crore
 - (c) It's a public company with a minimum share capital of 10 lakh
 - (d) It's a Public company with a maximum of share capital of 10 lakh
2. **Suppose Krishnamurti, was appointed as one of the directors of Vinayak Strotam Nidhi Limited in 2014 when the company was incorporated. He was eligible to hold the office for consecutive 10 Years. Determine when he shall be eligible for re-appointment as director? Choose the correct alternative from those stated below:**
 - (a) After expiry of six months of ceasing to be director of Vinayak Strotam Nidhi Limited, he shall be eligible for re-appointment as director (i.e., after 9th January 2025)
 - (b) After expiry of one year of ceasing to be director of Vinayak Strotam Nidhi Limited, he shall be eligible for re-appointment as director (i.e., after 9th July 2025)
 - (c) After expiry of two years of ceasing to be director of Vinayak Strotam Nidhi Limited, he shall be eligible for re-appointment as director (i.e. after 9th July 2026)
 - (d) After expiry of three years of ceasing to be director of Vinayak Strotam Nidhi Limited, he shall be eligible for re-appointment as director (i.e. after 9th July 2027)
3. **Maximum how much interest Vinayak Strotam Nidhi Limited can offer on fixed and recurring deposits accepted from its members? Select the correct option from those mentioned below:**
 - (a) Vinayak Strotam Nidhi Limited is permitted to offer interest on fixed and recurring deposits

at a rate not exceeding the maximum rate of interest that a Non-Banking Financial Company can pay on its public deposits.

- (b) Vinayak Strottram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a nationalised bank can pay on its public deposits.
- (c) Vinayak Strottram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Rural Regional Bank can pay on its public deposits.
- (d) Vinayak Strottram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Co-operative Bank can pay on its public deposits.

4. In which year at the earliest, Vinayak Strottram Nidhi Limited would have got the approval to

open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.

- (a) At the earliest, after 9th July, 2015, Vinayak Strottram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.
- (b) At the earliest, after 9th July, 2016, Vinayak Strottram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.
- (c) At the earliest, after 9th July, 2017, Vinayak Strottram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.
- (d) At the earliest, after 9th July, 2018, Vinayak Strottram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.

Answer Key

1.	(c)	2.	(c)	3.	(a)	4.	(c)
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Chapter 9

NCLT, NCLAT, Special Courts, Compounding & Adjudication

Section 419

Q1: Under the provisions of Companies Act, 2013; the power to constitute National Company Law Tribunals vests with

- (a) Central Government
- (b) NCLAT
- (c) Special Court
- (d) High Court

Q2: The principal bench of NCLT is at

- (a) New Delhi
- (b) Mumbai
- (c) Allahabad
- (d) Calcutta

Section 420

Q3: NCLT passed an order in the case of Accelya Kale Solutions Limited on 5th March 2020. There is a mistake apparent from record in NCLT's order. Company brought this to the notice of NCLT. Till which date NCLT is entitled to rectify this mistake

- (a) 4th March 2021
- (b) 4th March 2022
- (c) 4th March 2023
- (d) 4th March 2024

Q4: The shareholders of Vimaan Company Limited, incorporated under the Companies Act, 2013 have filed an application to the Tribunal under section 241 of the Act in relation to the mismanagement in the conduct of the affairs of the Company. Accordingly, the Tribunal has passed an order under section 420 of the Act providing relief to the shareholders of the Company on 28th April 2019. The Tribunal seeks to amend the said order passed by it. In what circumstances the Tribunal would be able to amend the order and within what maximum period the order shall be amended?

(ICAI MCQ Booklet & MTP Nov 2022)

- (a) The order passed by the Tribunal shall be amended to rectify mistakes apparent from the record at any time within a period of 60 days from date of such order provided no appeal has been made against the said order.

- (b) The order passed by the Tribunal shall be amended when there are mistakes apparent from the record at any time within a period of 1 years from date of such order provided no appeal has been made against the said order.
- (c) The order passed by the Tribunal shall be amended when there are mistakes apparent from the record at any time within a period of 2 years from date of such order provided no appeal has been made against the said order.
- (d) The order passed by the Tribunal shall be amended when there are mistakes apparent from the record at any time within a period of 90 days from date of such order provided no appeal has been made against the said order.

Section 421

Q5: Any person who is aggrieved by the order of Tribunal may approach to the Appellate Tribunal within -

- (a) 30 Days
- (b) 45 Days
- (c) 60 Days
- (d) 90 days

Q6: An application under section 9 of the Insolvency and Bankruptcy Code, 2016 was filed by the Raheja Housing Finance Limited (Operational Creditor) against Makhija Developers Limited (Corporate Debtor). The application got admitted by the order of National Company Law Tribunal - Mumbai (NCLT Mumbai) after giving a reasonable opportunity of being heard to Makhija Developers Limited. Mr. Ram was appointed as Interim Resolution Professional. Makhija Developers Limited wants to make an appeal against the order of the NCLT Mumbai. You, as a legal advisor to Makhija Developers Limited, are required to provide them with the best course of action available considering the provisions of the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016.

(ICAI MCQ Booklet)

- (a) Makhija Developers Limited cannot prefer an appeal against an order passed by NCLT Mumbai under section 9 of the Insolvency and

Bankruptcy Code as Interim Resolution Professional is already appointed.

- (b) Makhija Developers Limited may be able to prefer an appeal against the order passed by NCLT Mumbai within a period of 45 days from the date of order of copy made available to Makhija Developers Limited.
- (c) Makhija Developers Limited cannot prefer an appeal against an order passed by NCLT Mumbai under section 9 of the Insolvency and Bankruptcy Code as reasonable opportunity of being heard was given to Makhija Developers Limited.
- (d) Makhija Developers Limited may be able to prefer an appeal against the order passed by NCLT Mumbai within a period of 60 days from the date of order of copy made available to Makhija Developers Limited.

Q7: The Tribunal (NCLT) has passed an order on 18th December 2019 (with the consent of parties involved) for application filed before it. Mr. Rama aggrieved by the order filed an appeal before Appellate Tribunal (NCLAT) on 31st March 2020 showing sufficient cause of delay for not filling appeal upto 45 days from the date of order. Mention the correct answer whether the appeal is admissible before Appellate Tribunal after showing cause of delay.

(ICAI MCQ Booklet)

- (a) No, as even after sufficient cause of delay, Mr. Rama's appeal can be accepted only upto next 45 Days which has already expired on 16th March 2020.
- (b) No, as Mr. Rama has already made delay of 45 days further delay is not permissible.
- (c) Yes, after sufficient cause of delay appeal can be accepted even after 45 days.
- (d) No, appeal cannot be admissible as earlier order was passed with the consent of parties.

Section 422

Q8: Every application presented before the Tribunal shall be dealt with and disposed of by it as expeditiously as possible and every endeavour shall be made, for the disposal of such application within

(MTP Nov 2022)

- (a) 30 Days
- (b) 60 Days
- (c) 2 months
- (d) 3 months

Q9: Business of Rozgar Ltd. is not been conducted and managed by directors in accordance with sound business practices. On account of that shareholders of Company referred the same to the Tribunal on 15th September 2021 with a

request to the Tribunal to inquire into the case and take action against the director of company. The Tribunal has, after making proper inquiry, passed the order against the directors on 16th March 2022. Comment which is the correct statement as regards the validity of the order passed by the Tribunal.

(MTP May 2022)

- (a) In the given case order passed is valid, as Tribunal have to pass an order within 3 month from date of application and if not possible in 3 month, then further extension (on valid reason) by 90 days i.e., on 16th March, 2022.
- (b) In the given case order passed is not valid, as Tribunal have to pass order within 3 month from date of application, and if not possible in 3 month, then extension may be possible (if valid reason) for further 90 days i.e., latest by 15th March, 2022.
- (c) In the given case order passed is not valid, as Tribunal have to pass order within 3 month from date of application and if not possible in 3 month then extension may be possible (if valid reason) for further 30 days i.e., latest by 14th January, 2022.
- (d) In the given case order passed is not valid, as Tribunal have to pass order within 3 month from date of application and if not possible in 3 month then extension may be possible (if valid reason) for further 60 days i.e., latest by 13th February, 2022

Section 423

Q10: Any person who is aggrieved by the order of Appellate Tribunal may approach to the Supreme Court on any question of law within -

(Study Mat, ICAI Sample MCQ & MTP May 19)

- (a) 30 Days
- (b) 45 Days
- (c) 60 Days
- (d) 90 days

Section 435

Q11: Central Government for providing of speedy trial of offences under the Companies Act, 2013, shall establish/ designate such numbers of special courts in an area-

(Study Mat, MTP May 2020 & MTP May 2022)

- (a) Only 1
- (b) Not more than 2
- (c) More than 2
- (d) As many as may be necessary

Q12: Which of the following courts shall be deemed to be a special court for the prevailing of the provisions of the Code of Criminal Procedure to the proceedings before a Special Court -

- (1) Court of Session
- (2) Metropolitan Magistrate

- (3) Judicial Magistrate of the First Class
(4) Judicial Magistrate of the Second Class

Choose the correct options-

(Study Mat)

- (a) 1, 2 & 4
(b) 2, 3 & 4
(c) 1, 2, & 3
(d) 1, 3, & 4

Q13: In case of offence punishable under Companies Act, 2013 with imprisonment of not less than 2 years, Special Court shall consist of

- (a) Metropolitan Magistrate of first class
(b) Judicial Magistrate of first class
(c) Judicial Magistrate of second class
(d) Single Judge holding office as Session Judge or Additional Session Judge

Section 436

Q14: Red Star Ltd. committed an offence under the Companies Act, 2013. The offence falls within the jurisdiction of a special court of Jhajjar district in which the registered office of Red Star Ltd was situated. However, in that Jhajjar district, there were two special courts one in X place and other in Y place. Identify the jurisdiction of the special court for trial of offences committed by Red Star Limited.

- (a) The offence shall be triable by the nearest special court
(b) The offence shall be triable by any special court as per the choice of Red Star Limited
(c) The offence shall be triable by such one of them as may be specified by the High Court
(d) The offence shall be triable by such one of them as may be specified by Supreme Court

Q15: Notwithstanding anything contained in the Code of Criminal Procedure 1973, the Special court may try in a summary way any offence under Companies Act, 2013, which is punishable with imprisonment of not more than _____

(MTP Nov 2022)

- (a) 1 year
(b) 2 years
(c) 3 years
(d) 5 years

Q16: Notwithstanding anything contained in the Code of Criminal Procedure 1973, in case of a summary trial, special court cannot convict a person for imprisonment exceeding _____

- (a) 1 year
(b) 2 years
(c) 3 years
(d) 5 years

Section 439

Q17: Notwithstanding anything contained in the Code of Criminal Procedure 1973, every offence under Companies Act, 2013 shall be deemed to be a non-cognizable except the offence covered under

- (a) Section 14
(b) Section 42
(c) Section 447
(d) Section 450

Q18: Mr. Rudra, an employee of the company filed a complaint against the company for the illegal issue and transfer of securities before the special court. State the correct basis for rejection of the said complaint

(Study Mat & ICAI MCQ Booklet)

- (a) This is a non-cognizable offence, so out of the jurisdiction of the special court
(b) The court is barred to entertain such complaint as is out of the jurisdiction of the special court
(c) Employee is not a competent person to file a complaint against the company for an offence relating to issue and transfer of securities
(d) Complaint can be filed by the Registrar, a shareholder or a member of the company, or of a person authorised by the Central Government in respect to the same

Section 441

Q19: As per the provisions of Companies Act, 2013; which of the following offences are not compoundable

- (a) Offences punishable with fine only
(b) Offences punishable with fine or imprisonment
(c) Offences punishable with fine or imprisonment or both
(d) Offences punishable with fine and imprisonment

Q20: As per the provisions of section 441 Companies Act, 2013; where an offence is punishable with a maximum fine of INR 25 lakh, then it is compoundable by

- (a) Regional Director
(b) Registrar of Companies
(c) NCLT
(d) Special Court

Q21: As per the provisions of section 441 Companies Act, 2013; where an offence is punishable with a maximum fine exceeding INR 25 lakh, then it is compoundable by

- (a) Regional Director
(b) Registrar of Companies
(c) NCLT
(d) Special Court

Q22: If any offence is committed within ____ year(s) from the date on which a similar offence was compounded, then as per the provisions of Companies Act, 2013; it is not compoundable

- (a) 1
- (b) 2
- (c) 3
- (d) 5

Q23: Rhea Company Limited, incorporated under the Companies Act, 2013, has made political contributions amounting to ₹ 1,00,000 to a political party registered under section 29A of the Representation of the People Act, 1951. The statutory auditor of the company, while reviewing the area of donations made to political party, came across this transaction and found that no proper board resolution authorizing the donation was made. Accordingly, the Directors of the company will face punishment of imprisonment upto six months and with fine up to five times the amount of contribution so made. You are required to examine that under which of the following category the offence conducted by the Directors will fall considering the provisions of the Companies Act, 2013.

(ICAI MCQ Booklet & MTP May 2022)

- (a) Compoundable offence
- (b) Non-Compoundable offence
- (c) Compoundable and cognizable offence
- (d) Non-Compoundable and non-cognizable offence

Section 442

Q24: The Registrar of Companies (RoC), Mumbai has moved an application under section 272 of the Companies Act, 2013 to the Tribunal for winding up of the Yoddha Company Limited. The application has been pending before the Tribunal. The Tribunal considering the best interest of the parties to the application, has referred the matter of the proceeding pending before it to the Mediation and Conciliation Panel formed under section 422 of the Companies Act, 2013. You are required to state whether Tribunal can refer the proceeding pending before it to the Mediation and Conciliation Panel considering the provisions of the Companies Act, 2013.

(ICAI MCQ Booklet)

- (a) The Tribunal can Suo moto refer any matter pertaining to such proceedings to the Mediation and Conciliation Panel.
- (b) The Tribunal cannot Suo moto refer any matter pertaining to such proceedings to the Mediation and Conciliation Panel as only Central Government has the authority do so.
- (c) The Tribunal cannot Suo moto refer any matter pertaining to such proceedings to the Mediation

and Conciliation Panel without the consent of the parties to the proceeding before it.

- (d) The Tribunal can Suo moto refer any matter pertaining to such proceedings to the Mediation and Conciliation Panel only after obtaining prior approval from the Central Government in this regard.

Q25: Mr. Rashtra, one of the parties to the proceedings applied to the Tribunal, for referring the matter pertaining to such proceedings to the Mediation and Conciliation Panel. The Mediation and Conciliation Panel shall dispose of the matter referred to it within a period of _____

- (a) two months from the date of such reference
- (b) three months from the date of such reference
- (c) three months from the date applied to the Tribunal for reference
- (d) Six months from the date of applied to Tribunal

Section 446A

Q26: Which factors among the below given are taken into consideration while deciding the quantum of fine/ punishment levied under this Act:

- (1) failure in filing of any documents
- (2) size of the Company
- (3) injury to employees of the company
- (4) nature of business carried on by the company

(Study Mat)

- (a) 1 & 2 only
- (b) 2 & 4 only
- (c) 1 & 4 only
- (d) 3 & 4 only

Section 447

Q27: Mr. Prashant is an executive officer at Minda Industries Limited. Turnover of Minda Industries Limited is ₹ 8.5 crore. Mr. Prashant is found guilty of fraud amounting to ₹ 9 lakh. As per the provisions of section 447 of the Companies Act, 2013, what is the maximum term of imprisonment for which he can be convicted?

- (a) 6 months
- (b) 3 years
- (c) 5 years
- (d) 10 years

Q28: Mr. Prashant is an executive officer at Minda Industries Limited. Turnover of Minda Industries Limited is ₹ 18.5 crore. Mr. Prashant is found guilty of fraud amounting to ₹ 9 lakh. As per the provisions of section 447 of the Companies Act, 2013, what is the maximum amount of fine for which he can be convicted?

- (a) ₹ 9 lakh
- (b) ₹ 18 lakh

- (c) ₹ 27 lakh
(d) ₹ 50 lakh

- (c) NCLT; 30 days
(d) NCLT; 60 days

Section 451

Q29: As per the provisions of Companies Act, 2013; if the same offence is committed for the second or subsequent occasions within a period of ____ year(s), then a fine of up to ____ times of the fine provided for that offence can be imposed

- (a) 1 year; 2 times
(b) 2 years; 2 times
(c) 3 years; 2 times
(d) 3 years; 3 times

Section 454

Q30: The Adjudicating Officers for adjudicating penalty under the provisions of the Companies Act, 2013 is appointed by:

(MTP May 2022)

- (a) The Central Government
(b) The Registrar
(c) Chief Justice of India
(d) The Regional Director

Q31: As per the provisions of Companies Act, 2013; any person aggrieved by the order of Adjudicating officer, imposing a penalty, may file an appeal with _____ within _____

- (a) Regional Director; 30 days
(b) Regional Director; 60 days

Section 454A

Q32: As per the provisions Section 454A of Companies Act, 2013; if the same default is committed within a period of ____ year(s) from the date of order imposing penalty, then a penalty equal to ____ times of the penalty provided for such default can be imposed

- (a) 1 year; 2 times
(b) 2 years; 2 times
(c) 3 years; 2 times
(d) 3 years; 3 times

Q33: State whether, Mr. R, the director of Roma Ltd. who is already been subjected to a penalty for default under the Companies Act, 2013, repeats such default, shall be liable for subsequent defaults -

(MTP May 2021)

- (a) No
(b) Yes, if default is committed within period of 1 year from the date of commission of first default.
(c) Yes, if default is committed within period of 1 year from the date of order passed by NCLT
(d) Yes, if default is committed within period of 3 years from the date of order imposing such penalty passed by the Adjudicating officer.

Answer Key

Q1.	(a)	Q2.	(a)	Q3.	(b)	Q4.	(c)	Q5.	(b)	Q6.	(b)	Q7.	(d)	Q8.	(d)	Q9.	(b)
Q10.	(c)	Q11.	(d)	Q12.	(c)	Q13.	(d)	Q14.	(c)	Q15.	(c)	Q16.	(a)	Q17.	(c)	Q18.	(c)
Q19.	(d)	Q20.	(a)	Q21.	(c)	Q22.	(c)	Q23.	(d)	Q24.	(a)	Q25.	(b)	Q26.	(b)	Q27.	(d)
Q28.	(d)	Q29.	(c)	Q30.	(a)	Q31.	(b)	Q32.	(c)	Q33.	(d)						

Case Study Based MCQs

Case Study (MTP Nov 2021)

The NCLT made an order in favour of a company named as Ananya Computers Ltd (plaintiff company) on 5th March, 2020. He received the order on 7th March 2020. However, there was some clerical mistake, which can apparently be seen by reading few lines of the order mentioned at the last page under the head 'Conclusion and decision'.

The Plaintiff company approached the NCLT on 10th April, 2021 for rectification of such mistake. However, Sunayana Electronics Ltd (the defendant company) had already made an appeal before the NCLAT on 25th March, 2020.

The Appellate Tribunal gave a decision in favour of the Sunayana Electronics Ltd and reversed the decision given by the Tribunal.

Ananya Computers Ltd is now planning to move to the Supreme Court, since the matter involves the question of law.

Multiple Choice Questions (MCQs)

1. There was an apparent mistake in the order given by the Tribunal in favour of Ananya Computers Ltd., which was brought in the notice of the Tribunal. Whether Tribunal can amend its order passed on 5th March, 2020:
 - (a) Once the order has been made Tribunal cannot amend it.
 - (b) Only the Appellate Tribunal can amend or rectify the order made by the Tribunal.
 - (c) The Tribunal may amend / rectify its own order, which is apparent from the record within a period of two years from the date of the order.
 - (d) Only the High Court have to powers to amend/ rectify the orders passed by the Tribunal
2. As the order of the Tribunal has been appealed by before the NCLAT on 25th March, 2020 under dispute by Sunayana Electronics Ltd, whether such apparent mistake can be rectified by the NCLT:
 - (a) Yes, since it is a mistake apparent so it can be rectified at any time
 - (b) Yes, with the permission of the Appellate Tribunal at any time
 - (c) No, such apparent mistake can not be rectified, as appeal has been already been preferred in this case.
 - (d) No, neither the Tribunal nor the Appellate Tribunal can rectify such mistake
3. The appeal of the order of the Tribunal can be made before the Appellate Tribunal latest by
 - (a) Latest by 4th April, 2020
 - (b) Latest by 6th April, 2020
 - (c) Latest by 7th April, 2020
 - (d) Latest by 21st April, 2020
4. What can be the time period for disposal of the appeal filed by defendant in the given case scenario:
 - (a) the appeal should be disposed of as expeditiously as possible latest by 25th May 2020 months from the date of its presentation
 - (b) the appeal should be disposed of as expeditiously as possible latest 25th June 2020 from the date of its presentation
 - (c) the appeal should be disposed of as expeditiously as possible latest 25th July 2020 from the date of its presentation
 - (d) the appeal should be disposed of as expeditiously as possible latest 25th August 2020 from the date of its presentation
5. Ananya Computers Ltd aggrieved from the order of the Appellate Tribunal can file appeal to the Supreme Court -
 - (a) within 30 days from the date of receipt of the order of the Appellate Tribunal
 - (b) within 60 days from the date of receipt of the order of the Appellate Tribunal
 - (c) within 75 days from the date of receipt of the order of the Appellate Tribunal
 - (d) within 90 days from the date of receipt of the order of the Appellate Tribunal

Answer Key

1.	(c)	2.	(c)	3.	(d)	4.	(b)	5.	(b)
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Chapter 10

E-filing

Q1: What does MCA21 signifies?

- (a) It signifies that 21st Government is handling Ministry of Corporate Affairs
- (b) It signifies the 21st Registrar of Companies
- (c) It signifies the e-governance measures taken by MCA in 21st century
- (d) It signifies the e-governance measures taken by MCA in 2021

Q2: On the e-filing portal of Ministry of Corporate Affairs, "SRN" stands for ?

- (a) Service Request Number
- (b) Southern Regional Number
- (c) Service Reliability Number
- (d) Southern Reliability Number

Q3: "XBRL" stands for ?

- (a) Extended Business Reporting Language
- (b) Extendable Business Reporting Language
- (c) Extra Business Reporting Language
- (d) Extensible Business Reporting Language

Q4: Which amongst the following companies are mandatorily required to file their financial statements with the Registrar of Companies in XBRL format?

- (a) Indian subsidiary of a listed company
- (b) Company having a paid-up capital of ₹ 3 crores
- (c) Company with turnover of ₹ 52 crores
- (d) All of the above

Q5: Which amongst the following companies are exempt to file their financial statements with the Registrar of Companies in XBRL format?

- (a) Banking company
- (b) Insurance company
- (c) Housing Finance company
- (d) All of the above

Answer Key

<u>Q1.</u>	<u>(c)</u>	<u>Q2.</u>	<u>(a)</u>	<u>Q3.</u>	<u>(d)</u>	<u>Q4.</u>	<u>(a)</u>	<u>Q5.</u>	<u>(d)</u>
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Chapter IIA

SEBI Act, 1992

Section 3

Q1: The headquarter of SEBI is at

- (a) New Delhi
- (b) Mumbai
- (c) Calcutta
- (d) Ahmedabad

Section 4

Q2: The chairman of SEBI is appointed by

- (a) Central Government
- (b) Board of directors of SEBI
- (c) Reserve Bank of India
- (d) Ministry of Law & Justice

Q3: SEBI shall consist of a Chairman, 2 members nominated by CG, 1 by RBI and ____ other members

- (a) 5
- (b) 6
- (c) 8
- (d) 10

Section 5

Q4: On completion of the age of 60 years as on 31st March 2018, Mr. Parveen retired as professor from a university. From 1st April 2018, he was appointed as Chairman of the SEBI for a period of 3 years. His first term of 3 years is going to expire soon. Comment as to whether he can be reappointed as SEBI's chairman basis the provisions of SEBI Act, 1992.

- (a) No, he cannot be re-appointed as he has attained the age of 63 years
- (b) No, he cannot be re-appointed as a Chairman can serve maximum 1 term
- (c) Yes, he can be re-appointed but for maximum 5 more years
- (d) Yes, he can be re-appointed till he attains the age of 65 years

Q5: As per the provisions of SEBI Act, 1992, Central Government shall have a right to terminate the services of the Chairman or a member of SEBI by giving him a notice of _____ in writing

- (a) 1 month

- (b) 2 months
- (c) 3 months
- (d) 6 months

Q6: Central Government terminated the services of Mr. Vineet, the Chairman of SEBI with immediate effect. Mr. Vineet is entitled to receive salary and allowances for _____

- (a) 1 month
- (b) 2 months
- (c) 3 months
- (d) 6 months

Q7: As per the provisions of SEBI Act, 1992, the Chairman or a member of SEBI shall have a right to relinquish his office, by giving to Central Government to Central Government of not less than _____

- (a) 1 month
- (b) 2 months
- (c) 3 months
- (d) 6 months

Section 6

Q8: Who shall have the power to remove a member of SEBI?

- (a) Chairman of SEBI
- (b) Central Government
- (c) Reserve Bank of India
- (d) Securities Appellate Tribunal

Section 8

Q9: Suppose SEBI has constituted its board as per requirements of section 4 of SEBI Act, 1992 with 3 whole time members under Section 4(1)(d) of the SEBI Act, 1992, but one of them resigned and to refill his post, it took 1 month. Examine acts done in between the vacancy period, as per SEBI Act 1992.

(Study Mat)

- (a) All acts become void ab-initio as per section 8 of the SEBI Act, 1992.
- (b) Only financial acts are void ab initio as per section 8 of the SEBI Act, 1992.

- (c) All acts are valid as per section 8 of the SEBI Act, 1992.
- (d) All acts should be rectified after composition of proper board as per section 8 of the SEBI Act, 1992.

Q10: Raman is a member and director of a pharmaceutical company. The company proposed to raise capital for strengthening its structure and reputation in the market. Such matter came for approval before Board for consideration. Specify the correct statement in the light of the above situation as per the provision under the SEBI Act, 1992:

(MTP May 2023)

- (a) Member shall participate in the meeting of the Board to protect its interest in the Company.
- (b) Member shall not participate in the meeting of the Board being interested party.
- (c) Member, shall only participate in the meeting of the Board being interested party, after disclosure of his interest
- (d) Member being a director with pecuniary interest, shall disclose his interest but shall not take any part in any decision of the Board.

Section 11

Q11: ABC Corporation, a listed public company is engaged in the manufacturing sector. The company's shares are traded on a recognized stock exchange. The Securities and Exchange Board of India (SEBI), the regulatory authority for securities markets, receives credible information suggesting the involvement of certain key executives of ABC Corporation in insider trading activities. Based on the provisions of the Act, which amongst the stated measure can SEBI undertake, during the investigation:

- I. SEBI can suspend the trading of ABC Corporation's shares on the recognized stock exchange.
- II. SEBI can impound and retain the proceeds or securities related to the insider trading transactions.
- III. SEBI can attach the bank accounts of the intermediary & executives involved in insider trading for a period of two month.
- IV. SEBI can suspend the office bearer of ABC Corporation's involved in insider trading.

Choose the correct option-

(RTP Nov 2023)

- (a) I only
- (b) I & II
- (c) I, II & III
- (d) I, II & IV

Section 11AA

Q12: Any pooling of funds under any scheme or arrangement, which is registered with SEBI, involving a corpus of not less than _____ shall be deemed to be a CIS.

- (a) 10 crores
- (b) 50 crores
- (c) 100 crores
- (d) 500 crores

Section 15

Q13: The accounts of SEBI are audited by _____

- (a) Central Government
- (b) RBI
- (c) Comptroller & Auditor General
- (d) Securities Appellate Tribunal

Section 15B

Q14: Mr. Ingenious, registered as an Intermediary, fails to enter into an agreement with his client and hence penalised by SEBI under the SEBI Act. Advise Mr. Ingenious as to what remedies are available to him against the order of SEBI.

(ICAI Sample MCQ & MTP May 19)

- (a) He may be given extension on the basis of the reasonable ground for not entering into an agreement with his client
- (b) he shall be liable to a penalty for not entering into an agreement with his client which is required under this Act.
- (c) he shall be liable for imprisonment for not entering into an agreement with his client which is required under this Act.
- (d) Both (b) & (c)

[Note - Author has gone with the answer of ICAI i.e. (b) pursuant to Section 15B. However, considering the provisions of Section 24; option (d) is correct]

Section 15F

Q15: Mr. Rohit, an investor is not satisfied with the dealings of Angels Broking Limited, his stock broker. Later on, it was found out that the broker has been charging excess brokerage from Mr. Rohit and total amount of excess brokerage charged amounts to ₹ 30 lakh. As per the provisions of SEBI Act, 1992, Angels Broking Limited can be liable for a penalty of up to _____

- (a) ₹ 30 lakh
- (b) ₹ 1 crore
- (c) ₹ 1.5 crore
- (d) ₹ 10 crore

Section 15G

Q16: Mr. KG filed a complaint against Mr. P alleging that Mr. P has communicated unpublished price sensitive information to Mr. X. Mr. P took a plea that Mr. X requested him for such information and it was done bona-fidely. State the correct statement as to the liability of Mr. P in the given situation-

(Study Mat, ICAI Sample MCQ & MTP May 19)

- (a) Mr. P will not be liable as he communicated about unpublished price sensitive information on the request of Mr. X
- (b) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X, in the ordinary cause of business
- (c) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X as it was done without any mala-fide intention.
- (d) Mr. P will be liable as he communicated about unpublished price sensitive information to Mr. X, whether with or without his request for such information.

Q17: ABC & Co., Chartered Accountants, is a partnership firm, who is auditor of one of the listed company Z Ltd. for the financial year 2018-19. Mr. B is engaging partner of that audit with a team of 15 members. While doing audit of the financial statement of the company, two members of the team, who are chartered accountant, passed the information to their friends and relatives that this year company's profit is increasing by 25% as compared to last audited financial year, before this information came in to public domain through the company. They made profit from this information by purchase at low price and after financial statements came in public domain and share prices raised, they sold shares at enhanced price. Please state whether it is a case of insider trading. If yes, then how much penalty for this act, under SEBI Act, 1992.

(Study Mat & ICAI MCQ Booklet)

- (a) No, it is not insider trading, because that these persons are not restricted to use the information to benefit themselves.
- (b) No, it is not insider trading, because it is not price sensitive information.
- (c) Yes, it is insider trading and penalty u/s 15G would be minimum Rs. 10 lacs which may extend upto Rs. 25 cr. or 3 times of profit derived, whichever is higher.
- (d) Yes, it is insider trading and penalty u/s 12A would be Rs. 25 cr. or 3 times of profit derived, whichever is lower.

Section 15K to 15Z - SAT

Q18: SEBI has imposed a penalty on Hotel Leela Ventures Ltd. for violation of Takeover Code. The directors of Management is seeking your advice to apprise them with the time period for filing an appeal with SAT and Supreme Court? Suggest what will be the time period for filing appeal with SAT and Supreme Court?

(Study Mat)

- (a) In case of filing appeal with SAT: Within 45 days from the date of order of the copy made by SEBI or adjudicating officer and in case of filing appeal with Supreme Court: Within 60 days from the date of communication of the decision or order of SAT.
- (b) In case of filing appeal with SAT: Within 60 days from the date of order of the copy made by SEBI or adjudicating officer and in case of filing appeal with Supreme Court: Within 60 days from the date of communication of the decision or order of SAT.
- (c) In case of filing appeal with SAT: Within 30 days from the date of order of the copy made by SEBI or adjudicating officer and in case of filing appeal with Supreme Court: Within 60 days from the date of communication of the decision or order of SAT.
- (d) In case of filing appeal with SAT: Within 60 days from the date of order of the copy made by SEBI or adjudicating officer and in case of filing appeal with Supreme Court: Within 45 days from the date of communication of the decision or order of SAT.

Q19: Any person aggrieved by an order of SEBI, may prefer an appeal to

- (a) Central Government
- (b) Securities Appellate Tribunal
- (c) Reserve Bank of India
- (d) Insurance Regulatory & Development Authority

Q20: As per the provisions of SEBI Act, 1992, _____ shall establish a Tribunal to be known as Securities Appellate Tribunal.

- (a) Central Government
- (b) SEBI
- (c) Reserve Bank of India
- (d) Insurance Regulatory & Development Authority

Q21: Mr. Raghu is a member of SEBI. His term is expiring soon on 30th June 2019. Basis the provisions of SEBI Act, 1992, Mr. Raghu wants to know if, post retirement from SEBI, he can be appointed as a member of Securities Appellate Tribunal.

- (a) No, since he has been a member of SEBI, he is disqualified for being appointed on SAT

- (b) Yes, he can be appointed as a member of SAT with effect from 1st July 2019
- (c) Yes, he can be appointed as a member of SAT with effect from 1st July 2020
- (d) Yes, he can be appointed as a member of SAT with effect from 1st July 2021

Q22: Mr. Aditya was appointed as Judicial member of SAT on 1st April 2017 for a period of 3 years. On 1st December 2019, he intends to resign from the office of Judicial member. Basis the provisions of SEBI Act, 1992, comment as to the earliest date by which he may resign.

- (a) He can resign with effect from 1st December 2019
- (b) He can resign with effect from 31st December 2019
- (c) He can resign with effect from 1st March 2020
- (d) He can resign only on expiry of his term i.e. 31st March 2020

Q23: Which of the following are the appealable orders before Securities Appellate Tribunal as per the provisions of SEBI Act, 1992?

- (a) Orders passed by SEBI
- (b) Orders passed by Insurance Regulatory and Development Authority
- (c) Orders passed by Pension Fund Regulatory and Development Authority
- (d) All of the above

Q24: Any person aggrieved by the order of SEBI may prefer an appeal before Securities Appellate Tribunal within a period of _____ from the date on which a copy of the order is received by him

- (a) 30 days
- (b) 45 days
- (c) 60 days
- (d) 90 days

Q25: As per the provisions of SEBI Act, 1992; any person aggrieved by the order of Securities Appellate Tribunal may file an appeal to _____ within _____ days

- (a) High Court; 45
- (b) High Court; 60
- (c) Supreme Court; 45
- (d) Supreme Court; 60

Q26: On completion of the age of 64 years as on 31st March 2017, Mr. Tyagi retired from the post of Chief Justice of High Court. From 1st April 2017, he was appointed as the Presiding Officer of Securities Appellate Tribunal for a period of 3 years. His first term of 3 years is going to expire soon. Comment as to whether he can be reappointed as the Presiding Officer basis the provisions of SEBI Act, 1992.

- (a) No, he cannot be re-appointed as he has attained the age of 67 years
- (b) No, he cannot be re-appointed as the Presiding Officer can serve maximum 1 term
- (c) Yes, he can be re-appointed but for maximum 5 more years
- (d) Yes, he can be re-appointed till he attains the age of 70 years

Section 16 to 31 – Miscellaneous

Q27: On account of grave emergency, SEBI is unable to discharge its functions and duties. Under the provisions of SEBI Act, 1992; which authority can supersede the powers of SEBI?

- (a) Central Government
- (b) Securities Appellate Tribunal
- (c) Reserve Bank of India
- (d) Supreme Court

Q28: As per the provisions of SEBI Act, 1992; Central Government may supersede the powers of SEBI by notification in the official gazette for a period not exceeding _____

- (a) 2 months
- (b) 3 months
- (c) 6 months
- (d) 9 months

Q29: If any person contravenes the provisions of the SEBI Act, 1992; he shall be punishable with imprisonment for a term which may extend to _____ or with fine which may extend to _____ or both

- (a) 7 years; ₹ 1 crore
- (b) 10 years; ₹ 1 crore
- (c) 7 years; ₹ 10 crore
- (d) 10 years; ₹ 25 crore

Q30: Under the provisions of SEBI Act, 1992; which of the following authorities may grant immunity from prosecution for any offence with respect to alleged violation?

- (a) SEBI
- (b) Securities Appellate Tribunal
- (c) Central Government
- (d) Special Court

Extra MCQs

Q31: Aayush, Bipin, Carroll & Co., a firm of Chartered Accountants, was appointed as statutory auditor of Ruchika Flavours Limited, a listed company, for the financial year 2019-20. Mr. Bipin is the engaging partner of the said audit with a team of fifteen members. While conducting audit of the financial statements of Ruchika Flavours Limited, two members of Mr. Bipin's team, who are Chartered Accountants, passed the

information to their friends and relatives disclosing that the profits of Ruchika Flavours Limited for this year are increasing by 25% in comparison to the previous audited financial year. At the time of passing the information, it was not available in the public domain through the company. Certain persons who were in possession of this information, purchased the shares of Ruchika Flavours Limited at a low price. After the audited financial statements came into public domain, the market price of the shares increased sharply and they made profit by selling the shares, earlier purchased at low price, at the enhanced market price. You are required to select the correct option which indicates whether it is a case of insider trading or not and if it is a case of insider trading then the quantum of penalty that can be levied under the Securities and Exchange Board of India, Act, 1992.

(Study Material)

- (a) It is not a case of insider trading since both the Chartered Accountants are part of statutory audit team and therefore, are not restricted to use any information relating to Ruchika Flavours Limited.
- (b) It is not a case of insider trading since the information disclosed by both the Chartered Accountants of statutory audit team is not a price-sensitive information.
- (c) It is a case of insider trading and therefore, the penalty leviable would be not less than 10 lacs but which may extend to 25 crores or three times of profits made out of insider trading, whichever is higher.
- (d) It is a case of insider trading and therefore, the penalty leviable would be not less than 25 crores or three times of profits made out of insider trading, whichever is lower.

Answer Key

Q1.	(b)	Q2.	(a)	Q3.	(a)	Q4.	(d)	Q5.	(c)	Q6.	(c)	Q7.	(c)	Q8.	(b)	Q9.	(c)
Q10.	(d)	Q11.	(b)	Q12.	(c)	Q13.	(c)	Q14.	(b)	Q15.	(c)	Q16.	(d)	Q17.	(c)	Q18.	(a)
Q19.	(b)	Q20.	(a)	Q21.	(d)	Q22.	(c)	Q23.	(d)	Q24.	(b)	Q25.	(d)	Q26.	(d)	Q27.	(a)
Q28.	(c)	Q29.	(d)	Q30.	(c)	Q31.	(c)										

Chapter IIB

SEBI (Listing Obligations & Disclosure Requirements)

Regulations, 2015

Regulation 6

Q1: As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; every listed entity shall appoint a compliance officer. Who can be appointed as the compliance officer?

- (a) Chartered Accountant
- (b) Company Secretary
- (c) Cost Accountant
- (d) Any of the above

Regulation 17 - Board of Directors

Q2: BOD of the listed entity shall be composed of executive and non-executive directors. The optimum limit of non-executive directors shall be:

(MTP May 2022)

- (a) less than 50% of the BOD
- (b) not be more than 50% of the BOD
- (c) not less than 50% of the BOD
- (d) 75% of the BOD

Q3: State amongst the following options, the correct composition of the Board of Directors of ABC Ltd, the Listed entity:

(MTP Nov 2021)

- (a) Combination of executive and non-executive directors.
- (b) Combination of executive and non-executive directors with not less than 50% of the BOD
- (c) Executive directors with at least one-woman director
- (d) Executive and non-executive directors (not less than 50% of the BOD) with at least one-woman director.

Q4: Kajaria Ceramics Limited is listed on NSE as well as BSE. There are 10 directors on the board of the company. In compliance of SEBI (LODR) Regulations, 2015; minimum how many non-executive directors shall be there on the board of Kajaria Ceramics Limited?

- (a) 4
- (b) 5
- (c) 6
- (d) 8

Q5: Reliance Industries Limited (RIL) is a listed entity. Mr. Mukesh Ambani is the Chairman as well as Managing Director of RIL. If there are total 12 directors on the board of RIL, how many directors shall be independent as per the provisions of SEBI (LODR) Regulations, 2015?

- (a) 4
- (b) 6
- (c) 7
- (d) 8

Q6: Reliance Industries Limited (RIL) is a listed entity. Mr. Mukesh Ambani is the promoter as well as Managing Director of RIL. Mr. Sushil Modi is a Non-Executive director of RIL and is also holding the post of Chairman of RIL. If there are total 12 directors on the board of RIL, how many directors shall be independent as per the provisions of SEBI (LODR) Regulations, 2015?

- (a) 4
- (b) 5
- (c) 6
- (d) 7

[Hint - If question is silent, then assume that the Mr. Sushil Modi is neither related to promoter nor occupying any management positions]

Q7: Reliance Industries Limited (RIL) is a listed entity. Mr. Mukesh Ambani is the promoter as well as Managing Director of RIL. His wife, Mrs. Neeta Ambani, is a non-executive director on the board of RIL. If there are total 12 directors on the board of RIL, how many directors shall be independent as per the provisions of SEBI (LODR) Regulations, 2015?

- (a) 4
- (b) 6
- (c) 7
- (d) 8

[Hint - If Chairman is a Non-executive director but is related to the promoter, then atleast 50% directors shall be independent]

Q8: The minimum number of directors on the Board of TCS Limited (top 1000 listed entity) as per the provisions of SEBI (LODR) Regulations, 2015 is

- (a) 2
- (b) 3
- (c) 6
- (d) 7

Q9: CSEC Limited is a listed entity. There are 9 directors on the Board of CSEC Limited. The Chairman of CSEC Limited is a Non-Executive director. CSEC Limited has issued two class of equity shares including equity shares with differential voting rights. The company wants to know the minimum requirement of independent directors on its Board as per the provisions of SEBI (LODR) Regulations, 2015.

- (a) 3
- (b) 4
- (c) 5
- (d) 6

[Hint - If the company has issued SR equity shares, then at least half of the board shall be independent]

Q10: As per the provisions of SEBI (LODR) Regulations, 2015; no listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of 75 years unless

- (a) an ordinary resolution is passed at the general meeting
- (b) a special resolution is passed at the general meeting
- (c) a unanimous resolution is passed at the board meeting
- (d) the approval of SEBI has been obtained

Q11: Shrenik Ltd. is a listed entity and comes under the top 2000 listed entities (as of 1st April, 2020). The Board consists of 10 directors. Abhijit, one of the directors of the company has celebrated his 75th Birthday on 10th June 2022. By virtue of his rich qualifications and experiences, the company want to continue him. What procedure is to be followed by the company:

(MTP Nov 2022)

- (a) The Company has to pass a special resolution to this effect.
- (b) The Company has to pass a resolution in its Board's Meeting.
- (c) The requirement of passing a special resolution is only in case of Managing Director and not for the any other Director.
- (d) A person can continue to hold the directorship, as far as he is of good health and have willingness to continue.

Q12: As per the provisions of SEBI (LODR) Regulations, 2015; the board of directors of a listed entity shall meet at least ____ times a year with a maximum gap of ____ days between any 2 meetings

- (a) 2; 90
- (b) 4; 120
- (c) 6; 120
- (d) 6; 150

Q13: As per the provisions of SEBI (LODR) Regulations, 2015; the requirement of quorum for the meeting of Board of Directors in top 2000 listed entities is

- (a) 1/3rd of total strength or 2 directors, whichever is higher
- (b) 1/3rd of total strength or 2 directors, whichever is higher including at least 1 independent director
- (c) 1/3rd of total strength or 3 directors, whichever is higher
- (d) 1/3rd of total strength or 3 directors, whichever is higher including at least 1 independent director

Regulation 18 – Audit Committee

Q14: Arvind Limited is a listed public company engaged in manufacturing of fabrics. The company is having 10 directors on its Board out of which 4 directors are independent directors. Advice the company as to which composition of Audit Committee can be selected as per the provisions of SEBI (LODR) Regulations, 2015

- (a) The audit committee consisting of 3 directors out of which 1 shall be independent
- (b) The audit committee consisting of 3 directors out of which 2 shall be independent
- (c) The audit committee consisting of 5 directors out of which 2 shall be independent
- (d) The audit committee consisting of 6 directors out of which 3 shall be independent

Q15: Essar Limited is a listed public company. The company had issued Superior rights equity shares. The company is having 10 directors on its Board out of which 4 directors are independent directors. Advice the company as to which composition of Audit Committee can be selected as per the provisions of SEBI (LODR) Regulations, 2015

- (a) The audit committee consisting of 3 directors out of which 2 shall be independent
- (b) The audit committee consisting of 3 directors out of which all 3 shall be independent
- (c) The audit committee consisting of 5 directors out of which 2 shall be independent
- (d) The audit committee consisting of 6 directors out of which 3 shall be independent

Q16: As per the provisions of SEBI (LODR) Regulations, 2015; the Audit Committee of a listed entity shall meet at least ____ times a year with a maximum gap of ____ days between any 2 meetings

- (a) 2; 90
- (b) 4; 120
- (c) 6; 120
- (d) 6; 150

Q17: As per the provisions of SEBI (LODR) Regulations, 2015; the requirement of quorum in an audit committee is

- (a) 1/3rd of total members or 2 members, whichever is higher
- (b) 1/3rd of total members or 2 members, whichever is higher including at least 2 independent directors
- (c) 1/3rd of total members or 3 members, whichever is higher
- (d) 1/3rd of total members or 3 members, whichever is higher including at least 2 independent directors

Regulation 19 – NRC

Q18: Arvind Limited is a listed public company engaged in manufacturing of fabrics. The company is having 10 directors on its Board out of which 4 directors are independent directors. Advice the company as to which composition of Nomination & Remuneration Committee (NRC) can be selected as per the provisions of SEBI (LODR) Regulations, 2015.

- (a) The NRC consisting of 3 directors out of which 1 shall be independent
- (b) The NRC consisting of 3 non-executive directors out of which 2 shall be independent
- (c) The NRC consisting of 5 non-executive directors out of which 2 shall be independent
- (d) The NRC consisting of 6 directors out of which 3 shall be independent

Q19: Essar Limited is a listed public company. The company had issued Superior rights equity shares. The company is having 10 directors on its Board out of which 4 directors are independent directors. Advice the company as to which composition of Nomination & Remuneration Committee (NRC) can be selected as per the provisions of SEBI (LODR) Regulations, 2015.

- (a) The NRC consisting of 3 directors out of which 2 shall be independent
- (b) The NRC consisting of 3 non-executive directors out of which 2 shall be independent
- (c) The NRC consisting of 3 non-executive directors out of which all 3 shall be independent

- (d) The NRC consisting of 6 directors out of which 4 shall be independent

Q20: As per the provisions of SEBI (LODR) Regulations, 2015; the requirement of quorum in Nomination & Remuneration committee is

- (a) 1/3rd of total members or 2 members, whichever is higher
- (b) 1/3rd of total members or 2 members, whichever is higher including at least 1 independent director
- (c) 1/3rd of total members or 2 members, whichever is higher including at least 2 independent directors
- (d) 1/3rd of total members or 3 members, whichever is higher including at least 2 independent directors

Regulation 20 – SRC

Q21: Bubble Limited is a listed public company. The company is having 10 directors on its Board out of which 4 directors are independent directors. Advice the company as to which composition of Stakeholders Relationship Committee (SRC) can be selected as per the provisions of SEBI (LODR) Regulations, 2015.

- (a) The SRC consisting of 2 directors out of which 1 shall be independent
- (b) The SRC consisting of 3 directors out of which 1 shall be independent
- (c) Any of the above
- (d) None of the above

Regulation 21 – Risk Management Committee

Q22: As per the provisions of SEBI (LODR) Regulations, 2015, the requirement of Risk Management Committee is applicable only on top _____ listed entities

- (a) 100
- (b) 500
- (c) 1,000
- (d) 2,000

Q23: The risk management committee shall meet at least:

(MTP Nov 2023)

- (a) Once in year
- (b) Twice in a year
- (c) Thrice in year
- (d) Four times in year

Regulation 24 – Corporate Governance with respect to subsidiary

Q24: As per the provisions of SEBI (LODR) Regulations, 2015, except by _____, a

listed entity shall not cease to exercise the control over a material subsidiary

- (a) an ordinary resolution
- (b) a special resolution
- (c) a unanimous resolution of board
- (d) obtaining previous approval of stock exchange

Compliances under SEBI (LODR) Regulations, 2015

Q25: Every listed entity shall with ____ days from the close of each quarter, submit a quarterly compliance report on corporate governance.

(MTP May 2022)

- (a) 10 days
- (b) 15 days
- (c) 21 days
- (d) 30 days

Q26: For how much capital restructuring, the listed entity shall submit a statement showing holding of securities and shareholding pattern with the stock exchange

(Study Mat)

- (a) resulting in a change exceeding 1% of the total paid-up share capital
- (b) resulting in a change exceeding 2% of the total paid-up share capital
- (c) resulting in a change exceeding 2.5% of the total paid-up share capital
- (d) resulting in a change exceeding 2% of the total issued share capital

Q27: A Ltd., a listed company, wants to revise the rate of interest of its existing 12% bond by 1% i.e. 13% bond from 14th August 2019, the said proposal is to be laid before board meeting to be held on 14th July 2019. Upto which of the following date, A Ltd. has to intimate to stock exchange as per regulation 29 of SEBI (LODR), 2015

(Study Mat & ICAI MCQ Booklet)

- (a) 3rd July 2019.
- (b) 3rd August 2019.
- (c) 5th July 2019.
- (d) 5th August 2019.

Q28: Akshara Builders and Developers Ltd., a company listed on BSE Limited, is contemplating upper revision in the rate of interest of its existing 12% bonds by 1% so as to make them 13% bonds with effect from August 14, 2021. The said proposal is to be laid before the Board of Directors at a Board Meeting to be held on July 14, 2021. From the following options, choose the one which correctly indicates the latest date by which Akshara Builders and Developers Ltd. is required to intimate the BSE Limited about the Board Meeting where increase in rate of interest is being considered, keeping in view the

Regulation 29 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:

(Study Material, RTP May 2022 & MTP Nov 2022)

- (a) Akshara Builders and Developers Ltd. is required to intimate BSE Limited about the Board Meeting, where increase in rate of interest is being considered, latest by July 1, 2021.
- (b) Akshara Builders and Developers Ltd. is required to intimate BSE Limited about the Board Meeting, where increase in rate of interest is being considered, latest by July 3, 2021.
- (c) Akshara Builders and Developers Ltd. is required to intimate BSE Limited about the Board Meeting, where increase in rate of interest is being considered, latest by July 5, 2021.
- (d) Akshara Builders and Developers Ltd. is required to intimate BSE Limited about the Board Meeting, where increase in rate of interest is being considered, latest by July 7, 2021.

Q29: Basis the provisions of SEBI (LODR) Regulations, 2015; the listed entity shall give prior intimation to stock exchange about the meeting of board of directors in which financial results are due to be considered at least ____ in advance, excluding the date of intimation and date of the meeting

- (a) 2 days
- (b) 5 days
- (c) 7 days
- (d) 11 days

Q30: Basis the provisions of SEBI (LODR) Regulations, 2015; the listed entity shall give prior intimation to stock exchange about the meeting of board of directors in which the proposal of buy-back is due to be considered at least ____ in advance, excluding the date of intimation and date of the meeting

- (a) 2 days
- (b) 5 days
- (c) 7 days
- (d) 11 days

Q31: Alpha Industries Limited, a Listed Entity with good market image adhered the required corporate governance practices. The Company maintained its Website, in compliance to the provisions of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The Company having one material subsidiary company named as Beta Industries Limited. One of the Board Members of the Beta Industries Limited

is also Board Member of Alpha industries Limited. Being a consultant of the company, advise time period within which Alpha industries Limited shall submit quarterly and year-to-date standalone financial results to the stock exchange -

(MTP Nov 19)

- (a) Within 45 days of end of each quarter
- (b) Within 45 days of end of each month
- (c) Within 45 days of end of each quarter, other than the last quarter.
- (d) Within 45 days of end of half year

Q32: As per the provisions of SEBI (LODR) Regulations, every listed entity shall submit the annual standalone financial results for the financial year within ____ days from the end of financial year along with audit report

- (a) 30 days
- (b) 45 days
- (c) 60 days
- (d) 90 days

Q33: As per the provisions of SEBI (LODR) Regulations, every listed entity shall recommend or declare all dividend at least ____ working days in advance excluding the date of intimation and the record date

- (a) 3
- (b) 5
- (c) 7
- (d) 1

Q34: X Limited is a listed company which provided the grievance position of the investors' complaints for the financial year 2022-2023.

Referring to the applicable Regulation made under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, state within how many days X Limited is required to file a statement giving the status relating to Quarter 4 of the financial year 2022-2023 as to the investors complaints-

(MTP Nov 2023)

- (a) It has to file the detailed status as to the investors complaints, by 30th day of April, 2023.
- (b) It has to file the detailed status as to the investors complaints for the financial year 2022-2023 within 3 months from the end of the financial year.
- (c) It has to file the detailed status as to the investors complaints relating to the each Quarter of the financial year 2022-2023 within 15th day of the next quarter, hence for quarter 4 by 15th day of April, 2023.
- (d) It has to file the detailed status as to the investors complaints relating to Quarter 4 of

the financial year 2022-2023 within 21st day of April, 2023.

Extra MCQs

Q35: A person shall not be a director in more than: (MTP Nov 2023)

- (a) Five listed entities
- (b) Six listed entities
- (c) Seven listed entities
- (d) Eight listed entities

Q36: Aditi is a Managing Director in a listed entity. She is also on the Board of some listed companies as an Independent Director. In how many companies she can be an Independent Director in listed entities:

(MTP Nov 2023)

- (a) Not allowed
- (b) One
- (c) Two
- (d) Three

Q37: W Ltd. made the following compliances for the June 2022 quarter, as required by SEBI(LODR) Regulations, 2015 :-

- i. It submitted its unaudited quarterly financial statements to the recognised stock exchange on 31st July, 2022.
- ii. It submitted its quarterly compliance report on corporate governance on 10th July, 2022.

What shall be the last date of submission of quarterly financial statements to the stock exchange for W Ltd., in case W Ltd. was not able to submit the same on 31st July, 2022, and whether it can be submitted in unaudited form also?

(Study Material & RTP May 2023)

- (a) 15th August, 2022 and no, it needs to be submitted in audited form.
- (b) 31st August, 2022 and yes, it can be submitted in unaudited form.
- (c) 31st July, 2022 and no, it needs to be submitted in audited form.
- (d) 15th August, 2022 and yes, it can be submitted in unaudited form.

Q38: Mr. Amar is holding the post of directorship in following Listed entities- LE 1, LE 2, LE 3, LE 4, LE 5 LE 6, and LE 7 as on January 2020. He received an offer of directorship from LE 8 in April 2020. Whether Amar can join the LE 8?

(Study Material & MTP May 2023)

- (a) Yes, as per the SEBI(LODR) Regulation, directorship is restricted to 8 listed entities. Hence, Mr. Amar can.

- (b) Yes, as per the SEBI(LODR) Regulation read with the companies Act, 2013, Mr. Amar can accept directorship in 10 listed companies.
- (c) No, as per the SEBI(LODR) Regulation, directorship cannot be in more than seven listed entities with effect from April 1, 2020, Mr. Amar cannot.
- (d) Yes, as no restriction is marked on holding of directorship in the Listed companies.

Answer Key

Q1.	(b)	Q2.	(c)	Q3.	(d)	Q4.	(b)	Q5.	(b)	Q6.	(a)	Q7.	(b)	Q8.	(c)	Q9.	(c)
Q10.	(b)	Q11.	(a)	Q12.	(b)	Q13.	(d)	Q14.	(b)	Q15.	(b)	Q16.	(b)	Q17.	(b)	Q18.	(b)
Q19.	(b)	Q20.	(b)	Q21.	(b)	Q22.	(c)	Q23.	(b)	Q24.	(b)	Q25.	(c)	Q26.	(b)	Q27.	(a)
Q28.	(b)	Q29.	(b)	Q30.	(a)	Q31.	(c)	Q32.	(c)	Q33.	(b)	Q34.	(d)	Q35.	(c)	Q36.	(d)
Q37.	(d)	Q38.	(c)														

Case Study Based MCQs

Case Study (MTP May 2021) - Troy Ltd. is an unlisted public company, deriving its income mainly from trading in iron bars. It also derives some income from investments in immovable properties. It is the only subsidiary company of Wrim Ltd., a listed public company, which holds 55% equity in Troy Ltd. The shares of Wrim Ltd. are listed on the Bombay Stock Exchange as well as on the National Stock Exchange.

Net income of Troy Ltd. was Rs. 66 crore whereas the standalone income of Wrim Ltd. was Rs. 154 crore, as shown in the audited financial statements of both the companies for the financial year ended on 31st March, 2020. However, the net worth of Troy Ltd. was only 15% of the total net worth of both the companies as per the consolidated financial statements. Also, the contribution of Troy Ltd. in the consolidated turnover of both the companies was only 18%.

The Audit Committee of Wrim Ltd. has all the 7 directors of the company, as its members. The said Committee held a meeting on 25th April, 2020, for the purpose of reviewing the financial statements of Troy Ltd. which had been limited reviewed by the statutory auditors of Wrim Ltd. as required by Accounting Standard No. 21. Also, an omnibus approval was granted, in the said meeting, for some transactions to be entered by Wrim Ltd. with the related parties.

The meeting was scheduled 2nd time in the year and it was chaired by Mr. Suresh, an Independent Director of the company, who is also serving as an Independent Director on the Board of Troy Ltd. In the meeting, apart from Mr. Suresh, Mr. Dharmendra, another Independent Director and Mr. Vimal, an Executive Director with Chartered Accountancy qualification, were present.

On recommendation of Mr. Vaibhav, the Managing Director of Wrim Ltd., his brother, Mr. Jaimin, has been appointed as the regular non-executive chairperson of the company, as Mr. Jainim possess the requisite qualifications for the said post, as also opined by the chairperson of the Nomination and Remuneration Committee of the company, Mr. Dharmendra. Mrs. Meena, is a qualified Chartered Engineer who has been appointed as the Woman Director, in the Board of Directors of Wrim Ltd.

The Board of Directors of Wrim Ltd., in one of its meetings, made a proposal to dispose of 6% equity holding in Troy Ltd., as the company received attractive offer for such shares from a foreign company based in Netherland, also engaged in the business of iron bars trading. Also, the board made a proposal to sell 22% assets of Troy Ltd. under a scheme of arrangement approved by NCLT as most of the business of Troy Ltd. was going to be automated in the upcoming years and due to which, use of some of the assets, as requiring intervention of workers, may become obsolete.

In the same meeting, the Board discussed on the quarterly financial statements of the company which had been limited reviewed by the statutory auditors of the company. The minutes of the previous Board Meeting of its subsidiary company, Troy Ltd., were also discussed, as it was placed in the Board Meeting of Wrim Ltd. Wrim Ltd. made the following compliances for the June' 2020 quarter, as required by SEBI(LODR) Regulations, 2015 -

- (1) It submitted its unaudited quarterly financial statements to the recognised stock exchange on 31st July, 2020.
- (2) It submitted its quarterly compliance report on corporate governance on 10th July, 2020.
- (3) It submitted a statement showing holding of securities and shareholding pattern separately for each class of securities on 21st July, 2020. There was no capital restructuring done in the company during the said quarter, resulting in change exceeding 2% of the total paid up share capital.

Multiple Choice Questions (MCQs)

1. Whether Troy Ltd. can be considered as a material subsidiary of Wrim Ltd. and whether it will violate the law, if no more independent director of Wrim Ltd. is appointed on the board of Troy Ltd., as Mr. Suresh, an independent director, is already appointed there?
 - (a) Yes, it can be considered as a material subsidiary of Wrim Ltd. and as Mr. Suresh is on the board of Troy Ltd., statutory requirements are satisfied and it will not violate the law if no more independent director of Wrim Ltd. is appointed on the board of Troy Ltd.
 - (b) No, it cannot be considered as a material subsidiary of Wrim Ltd. and apart from Mr. Suresh, one more independent director of Wrim Ltd. needs to be appointed as independent director on the board of Troy Ltd., to satisfy the statutory requirements, otherwise it will violate the law.
 - (c) No, it cannot be considered as a material subsidiary of Wrim Ltd. and as Mr. Suresh is on the board of Troy Ltd., statutory requirements are satisfied and it will not violate the law if no more independent director of Wrim Ltd. is appointed on the board of Troy Ltd.
 - (d) Yes, it can be considered as a material subsidiary of Wrim Ltd. and apart from Mr. Suresh, one more independent director of Wrim Ltd. needs to be appointed as independent director on the board of Troy Ltd., to satisfy the statutory requirements, otherwise it will violate the law.
- [Hint - Refer Regulation 16 & 24]
2. How many directors and independent directors, apart from Mr. Suresh should have attended the meeting of audit committee to constitute a valid quorum present for the meeting and what in particular, the Audit Committee should have reviewed during the meeting at the time of reviewing the financial statements of Troy Ltd.?
 - (a) 1 director and one more independent director, apart from Mr. Suresh, should have attended the meeting of audit committee to constitute a valid quorum present for the meeting and the audit committee should have reviewed in particular, the loans advanced by and taken by Troy Ltd.
 - (b) 3 directors and one more independent director, apart from Mr. Suresh, should have attended the meeting of audit committee to constitute a valid quorum present for the meeting and the audit committee should have reviewed in particular, the investments made by Troy Ltd.
 - (c) 1 director and one more independent director, apart from Mr. Suresh, should have attended the meeting of audit committee to constitute a valid quorum present for the meeting and the audit committee should have reviewed in particular, the main income source of Troy Ltd. i.e. sales and operations of iron bars trading business.
 - (d) 2 directors and one more independent director, apart from Mr. Suresh, should have attended the meeting of audit committee to constitute a valid quorum present for the meeting and the audit committee should have reviewed in particular, the investments made by Troy Ltd.
3. What shall be the last date of submission of quarterly financial statements to the stock exchange for Wrim Ltd., in case Wrim Ltd. was not able to submit the same on 31st July, 2020, and whether it can be submitted in unaudited form also?
 - (a) 15th August, 2020 and no, it needs to be submitted in audited form.
 - (b) 31st August, 2020 and yes, it can be submitted in unaudited form.
 - (c) 31st July, 2020 and no, it needs to be submitted in audited form.
 - (d) 15th August, 2020 and yes, it can be submitted in unaudited form.
- [Hint - Refer Regulation 33(3)]
4. How many more independent directors and woman directors should be at least there on the board of Wrim Ltd., apart from Mr. Suresh and Mrs. Meena, respectively?
 - (a) 3 more independent directors are required and no more woman director is required to be appointed, as Mrs. Meena is already there.

- (b) 3 more independent directors are required and 1 more woman director is required to be appointed, apart from Mrs. Meena.
- (c) 2 more independent directors are required and no more woman director is required to be appointed, as Mrs. Meena is already there.
- (d) No more independent woman director is required to be appointed due to presence of 1 independent director and 1 woman director, in the board, already.

[Hint - Even though Jaimin is a regular non-executive chairperson, but since he is related to the MD (person occupying a management position), at least 50% of the Board shall consist of independent directors i.e. 50% of 7 directors = 4 directors. Thus, apart from Mr. Suresh, 3 more independent directors are required]

5. Whether special resolution shall be required to be passed by the company in the general meeting, to dispose of 6% equity holding in Troy Ltd., and also to sell 22% assets of Troy Ltd. under a scheme of arrangement approved by NCLT?

- (a) Yes, special resolution in the general meeting needs to be passed for disposing of 6% equity holding in Troy Ltd. However, for selling 22% assets of Troy Ltd., special resolution shall not be required.
- (b) Yes, special resolution in the general meeting needs to be passed for disposing of 6% equity holding in Troy Ltd. as well as for selling 22% assets of Troy Ltd.
- (c) There is no requirement of passing special resolution in the general meeting, only board resolution for the same is sufficient.
- (d) No, ordinary resolution in the general meeting is sufficient for disposing of 6% equity holding in Troy Ltd. However, for selling 22% assets of Troy Ltd., board resolution for the same is sufficient.

[Hint - Refer Regulation 24(5) and 24(6)]

Answer Key

1.	(a)	2.	(d)	3.	(d)	4.	(a)	5.	(a)
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Chapter 11C

SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018

Q1: What is the primary purpose of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018?

- (a) To regulate the functioning of stock exchanges in India
- (b) To govern the issuance of capital by companies and ensure disclosure requirements are met
- (c) To monitor the trading activities of brokers in the stock market
- (d) To promote the interests of foreign investors in Indian capital markets

Q2: SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 are applicable in case of rights issue by a listed issuer with aggregate value of issue _____

- (a) ₹ 1 crore or more
- (b) ₹ 10 crore or more
- (c) ₹ 50 crore or more
- (d) ₹ 100 crore or more

Q3: Under what circumstances is an issuer not eligible to make an initial public offer according to SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018?

- (a) If any of its promoters or directors are debarred from accessing the capital market by the Board
- (b) If the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower
- (c) If any of its promoters or directors is a fugitive economic offender
- (d) All of the above

Regulation 6

Q4: According to Regulation 6 of SEBI (ICDR) Regulations, 2018, what is the minimum net tangible assets required for an issuer to be eligible for an initial public offer?

- (a) At least one crore rupees
- (b) At least two crore rupees
- (c) At least three crore rupees
- (d) At least four crore rupees

Q5: Which of the following accurately describes the requirement concerning net tangible assets for an initial public offer under Regulation 6 of the SEBI (ICDR) Regulations, 2018?

- (a) Net tangible assets must be at least three crore rupees, with no restrictions on the composition of assets.
- (b) Net tangible assets must be at least three crore rupees, with not more than fifty per cent held in monetary assets unless utilized in business.
- (c) Net tangible assets must be at least three crore rupees, with at least fifty per cent held in monetary assets.
- (d) Net tangible assets must be at least five crore rupees, with no provisions regarding the composition of assets.

Q6: According to Regulation 6 of SEBI (ICDR) Regulations, 2018, minimum average operating profit during the preceding 3 years required for an issuer to be eligible for an initial public offer is _____

- (a) At least one crore rupees
- (b) At least ten crore rupees
- (c) At least fifteen crore rupees
- (d) At least fifty crore rupees

Q7: According to Regulation 6 of SEBI (ICDR) Regulations, 2018, minimum net worth in each of the preceding 3 years required for an issuer to be eligible for an initial public offer is _____

- (a) At least one crore rupees
- (b) At least ten crore rupees
- (c) At least fifteen crore rupees
- (d) At least fifty crore rupees

Q8: What is the consequence if an issuer has changed its name within the last one year, according to Regulation 6 of the SEBI (ICDR) Regulations, 2018?

- (a) No change in revenue requirements is necessary.
- (b) At least fifty per cent of the revenue should be from the activity indicated by the new name.
- (c) At least seventy-five per cent of the revenue should be from the activity indicated by the new name.

- (d) No revenue requirements are specified for name changes.

Q9: If an issuer does not satisfy the conditions stipulated in Regulation 6(1) of the SEBI (ICDR) Regulations, 2018, he shall be eligible to make an initial public offer if he allots at least _____ of the net offer to Qualified Institutional Buyers through book-building

- (a) 35%
(b) 50%
(c) 51%
(d) 75%

Q10: What is the maximum ratio of voting rights for SR equity shares compared to ordinary shares, as per the provided clauses?

- (a) 1:1
(b) 2:1
(c) 5:1
(d) 10:1

Q11: According to SEBI (ICDR) Regulations, 2018, what is a requirement for the authorization of issuing SR equity shares?

- (a) It must be approved by the Securities and Exchange Board of India (SEBI).
(b) It must be authorized by a special resolution passed at a general meeting of the shareholders of the issuer.
(c) It must be approved by the Reserve Bank of India (RBI).
(d) It must be authorized by ordinary resolution

Q12: Which of the following statements regarding SR equity shares is true based on the provided clauses?

- (a) SR equity shares have voting rights in proportion to their face value.
(b) SR equity shares are equivalent to preference shares.
(c) SR equity shares must have a higher face value than ordinary shares.
(d) SR equity shares are equivalent to ordinary equity shares in all respects except for having superior voting rights.

Regulation 7

Q13: According to Regulation 7 of the SEBI (ICDR) Regulations, 2018, what percentage of the stated means of finance for a specific project must an issuer arrange through verifiable means prior to the public issue?

- (a) 25%
(b) 50%
(c) 75%
(d) 100%

Q14: What is the maximum percentage of the amount being raised by the issuer that can be allocated for general corporate purposes, as per Regulation 7 of the SEBI (ICDR) Regulations, 2018?

- (a) 10%
(b) 15%
(c) 20%
(d) 25%

Q15: What is the maximum percentage of the amount being raised by the issuer that can be allocated for general corporate purposes and other unspecified objects, as per Regulation 7 of the SEBI (ICDR) Regulations, 2018?

- (a) 30%
(b) 35%
(c) 40%
(d) 45%

Regulation 8 & 8A

Q16: As per SEBI (ICDR) Regulations, 2018; only such fully paid-up equity shares may be offered for sale to the public, which have been held by the sellers for a period of at least _____ prior to the filing of the draft offer document

- (a) 6 months
(b) 1 year
(c) 2 years
(d) 18 months

Q17: What restriction is placed on the sale of shares to the public by shareholders holding more than twenty percent of pre-issue shareholding on a fully diluted basis?

- (a) They cannot offer more than twenty percent of their pre-issue shareholding to the public
(b) They cannot offer more than fifty percent of their pre-issue shareholding to the public
(c) They cannot offer more than ten percent of their pre-issue shareholding to the public
(d) There are no restrictions on the sale of shares by such shareholders

Q18: What is the limit on the sale of shares to the public by shareholders holding less than twenty percent of pre-issue shareholding on a fully diluted basis?

- (a) They cannot offer more than twenty percent of their pre-issue shareholding to the public
(b) They cannot offer more than fifty percent of their pre-issue shareholding to the public
(c) They cannot offer more than ten percent of their pre-issue shareholding to the public
(d) There are no restrictions on the sale of shares by such shareholder

Other key provisions

- Q19:** As per SEBI (ICDR) Regulations, 2018; the promoters of the issuer company shall hold at least _____ of the post-issue capital
- 10%
 - 20%
 - 25%
 - 51%
- Q20:** How long are specified securities held by promoters locked-in from the date of allotment in the initial public offer?
- Six months
 - One year
 - Eighteen months
 - Three years
- Q21:** Under what circumstances does the lock-in period for minimum promoters' contribution extend to three years from the date of allotment in the initial public offer?
- When the majority of the issue proceeds, excluding the portion of offer for sale, is proposed to be utilized for capital expenditure
 - When the majority of the issue proceeds, including the portion of offer for sale, is proposed to be utilized for capital expenditure
 - When the company experiences a financial crisis
 - When the company's shares perform exceptionally well in the market
- Q22:** What is the lock-in period for promoters' holding in excess of the minimum promoters' contribution from the date of allotment in the initial public offer?
- Six months
 - One year
 - Eighteen months
 - Three years
- Q23:** In case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period for the promoters' holding in excess of the minimum promoters' contribution shall be _____ from the date of allotment in the initial public offer
- Six months
 - One year
 - Eighteen months
 - Three years
- Q24:** The entire pre-issue capital held by persons other than the promoters shall be locked-in for a period of _____ from the date of allotment in the initial public offer
- Six months
 - One year
 - Eighteen months
 - Three years
- (c) Eighteen months
(d) Three years
- Q25:** What is the minimum permissible difference between the cap on the price band and the floor price in case of book-built public offer?
- 100%
 - 105%
 - 110%
 - 120%
- Q26:** What is the maximum permissible difference between the cap on the price band and the floor price in case of book-built public offer?
- 100%
 - 105%
 - 110%
 - 120%
- Q27:** What is the maximum permissible difference in the price offered to retail individual investors compared to other categories of applicants?
- 5%
 - 10%
 - 15%
 - 20%
- Q28:** How much of the offer through the offer document must be received to meet the minimum subscription requirement?
- At least 80%
 - At least 90%
 - At least 95%
 - At least 100%
- Q29:** What is the minimum period an initial public offer must be kept open according to Regulation 46?
- One working day
 - Two working days
 - Three working days
 - Four working days
- Q30:** What is the maximum period an initial public offer can be kept open according to Regulation 46?
- Five working days
 - Seven working days
 - Nine working days
 - Ten working days
- Q31:** How long must the bidding (issue) period be extended if there is a revision in the price band, according to Regulation 46?
- One working day
 - Two working days
 - Three working days
 - Four working days

Q32: What is the range for the minimum application value stipulated by the issuer according to Regulation 47?

- (a) Rs. 5,000 to Rs. 10,000
- (b) Rs. 10,000 to Rs. 15,000
- (c) Rs. 15,000 to Rs. 20,000
- (d) Rs. 20,000 to Rs. 25,000

Q33: What is the minimum sum payable on application per specified security according to Regulation 47 of the SEBI (ICDR) Regulations, 2018?

- (a) 10% of the issue price
- (b) 20% of the issue price
- (c) 25% of the issue price
- (d) 30% of the issue price

Q34: What is the payment requirement for an offer for sale according to Regulation 47 of the SEBI (ICDR) Regulations, 2018?

- (a) Payment of 50% of the issue price at the time of application
- (b) Payment of the full issue price at the time of application

- (c) Payment of 75% of the issue price at the time of application
- (d) Payment of the full issue price within 12 months from the date of allotment

Q35: According to Regulation 48 of the SEBI (ICDR) Regulations, 2018, what is the timeframe within which outstanding subscription money must be called after the date of allotment?

- (a) 6 months
- (b) 9 months
- (c) 12 months
- (d) 18 months

Q36: What is the minimum number of prospective allottees required for the issuer to make an allotment according to Regulation 49?

- (a) 500
- (b) 750
- (c) 1000
- (d) 1500

Answer Key

Q1.	(b)	Q2.	(c)	Q3.	(d)	Q4.	(c)	Q5.	(b)	Q6.	(c)	Q7.	(a)	Q8.	(b)	Q9.	(d)
Q10.	(d)	Q11.	(b)	Q12.	(d)	Q13.	(c)	Q14.	(d)	Q15.	(b)	Q16.	(b)	Q17.	(b)	Q18.	(c)
Q19.	(b)	Q20.	(c)	Q21.	(b)	Q22.	(a)	Q23.	(b)	Q24.	(a)	Q25.	(b)	Q26.	(d)	Q27.	(b)
Q28.	(b)	Q29.	(c)	Q30.	(d)	Q31.	(c)	Q32.	(b)	Q33.	(c)	Q34.	(b)	Q35.	(c)	Q36.	(c)

Case Study Based MCQs

Case Study (MTP May 2024)

Pawan Limited operates in the aerospace segment and is planning to roll out an Initial Public Offer. One of its 12 directors was barred from accessing the capital market by SEBI. Though restrictions were imposed upon the promoter group as well, they were later removed after representations made by them in this regard. A subsidiary company of Pawan Limited, Vayu Limited, defaulted on the repayment of the deposit around nine months ago, which is now rectified.

Fire Limited is among the major suppliers of Pawan Limited. It also offers consultancy services on energy management and space shuttle technology, in addition to trading in solar energy-based devices. Mr. Alok, CFO of Fire Limited, which is a listed entity, heard from someone that composite issues can be made on the Indian Stock Market.

He seeks input from Mr. Bhavesh, the Company Secretary, regarding the type of securities specified to be issued in this way and what nature of issue or placement can be composed together. He is also not sure and has promised to revert after consulting the expert on the matter.

Finally, Fire Limited issued the red prospectus on the stock exchange, where its securities were not listed earlier. But made revisions to the price band notified earlier. Mr. Bhavesh suggests to the Board that they need to extend the bidding period from the current tenor of 5 days. Mr. Alok asked him to do the needful to extend the bidding.

Unfortunately, Fire Limited fails to obtain listing or trading permission from the stock exchanges where the specified securities were to be listed. Mr. Bhavesh is aware of the regulation that it shall refund through verifiable means the entire monies received upon receipt of the intimation from stock exchanges rejecting the application for listing of the specified securities, hence, he started making the necessary arrangements.

Multiple Choice Questions (MCQs)

1. In regards to intent of Fire Limited which is listed issuer, to proceed with composite issue of specified securities. Advise Mr. Bhavesh and Mr. Alok what type of issue or placement can be composed together.
 - (a) Public cum private placement
 - (b) Public cum right allotment
 - (c) Bonus cum right allotment
 - (d) Public cum preferential allotment
2. Which of the following options is representing the correct set of reasons or disqualifications due to which Pawan Limited become ineligible to make an initial public offer?
 - i. if the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower.
 - ii. if the issuer, any of its promoters, promoter group or directors or selling shareholders are debarred from accessing the capital market by the SEBI.
 - iii. if any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by the SEBI.
3. Regarding the revision made by Fire Limited in the price band, it shall extend the bidding (issue) period disclosed in the red herring prospectus for;
 - (a) A minimum period of five working days
 - (b) A minimum period of three working days
 - (c) A minimum period of two working days
 - (d) No extension is required

Answer Key

1.	(b)	2.	(d)	3.	(b)
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Chapter IID

SEBI (Substantial Acquisition of Shares & Takeover)

Regulations, 2011

Q1: Adani Enterprises Limited wants to take over the control of a "target company". It wants to know as to in which of the following cases, the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 will apply.

- (a) in case of takeover of Ambuja Cements Limited, a listed company
- (b) in case of takeover of NDTV Limited, an unlisted company
- (c) both of the above
- (d) none of the above

Q2: As per the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, "Public sector undertaking" means a target company in which, directly or indirectly, control is held by

- (a) Central Government
- (b) Uttar Pradesh Government
- (c) Madhya Pradesh Government
- (d) Any of the above

Q3: Mr. Vinod Tripathi has acquired 5% shares of United Spirits Limited, a listed company, for the first time. He wants to understand if there is any legal requirement that he needs to comply under the securities law

- (a) No specific compliance is required
- (b) He has an obligation to make an open offer to acquire at least 2% more shares of the company
- (c) He has an obligation to make an open offer to acquire at least 26% more shares of the company
- (d) He just needs to intimate the acquisition of shares within 2 working days to the stock exchange and the target company

Q4: Mr. Sudhir Choudhary is holding 6% shares of a listed company, Hathway cables limited, for which he had given the requisite intimation to the stock exchanges. He can acquire an additional ____ shares without any need to further file any intimation to the stock exchanges

- (a) 1%
- (b) 2%
- (c) 5%

- (d) 19%

Q5: Ms. Shreya is the promoter of Infibeam Avenues Limited, a listed company. She has some urgent need of funds for which she pledged her shares with Bank of Baroda to borrow INR 4 crore. She needs to disclose the details of this encumbrance to the stock exchanges within

- (a) 2 working days
- (b) 5 working days
- (c) 7 working days
- (d) 15 working days

Q6: As per SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, no acquirer shall acquire shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, entitle them to exercise ____ of the voting rights in such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company:

(Study Material)

- (a) Ten percent or more
- (b) Twenty per cent or more
- (c) Twenty-five per cent or more
- (d) Fifty per cent or more

Q7: As per SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, no acquirer who has acquired and holds 25% or more of the voting rights in the target company, shall acquire within any financial year additional shares or voting rights in such target company entitling him to exercise more than ____ unless an open offer for acquiring shares of such target company:

- (a) Five percent
- (b) Ten percent
- (c) Twenty percent
- (d) Twenty six percent

Q8: As per SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, no acquirer shall acquire shares or voting rights in a target

company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, entitle them to exercise 25% of the voting rights in such target company unless the acquirer makes a public announcement of an open offer for acquiring minimum _____ of the share capital

- (a) 10%
(b) 25%
(c) 26%
(d) 51%

Q9: As per SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, any acquirer holding 25% or more shares a target company shall be entitled to voluntarily make a public announcement of an open offer to acquire atleast ____ of the share capital

- (a) 10%
(b) 25%
(c) 26%
(d) 51%

Q10: In the event the acquirer has not declared an intention in the detailed public statement and the letter of offer to alienate any material assets of the target company or of any of its subsidiaries whether by way of sale, lease, encumbrance or otherwise outside the ordinary course of business, the acquirer, where he has acquired control over the target company, shall be debarred from causing such alienation for a period of _____ after the offer period

- (a) 6 months

- (b) 1 year
(c) 2 years
(d) 3 years

Q11: An acquirer has not declared an intention in the detailed public statement and the letter of offer to alienate any material assets of the target company or of any of its subsidiaries whether by way of sale, lease, encumbrance or otherwise outside the ordinary course of business. The acquirer can cause such alienation within 2 years of the offer period only after an approval of shareholders of target company by way of _____

- (a) Ordinary resolution
- (b) Special resolution
- (c) Approval of 90% shareholder
- (d) Approval of majority of the shareholders holding 95% of the total voting power

Q12: Upon receipt of the detailed public statement, the board of directors of the target company shall constitute a committee of _____ to provide reasoned recommendations on such open offer, and the target company shall publish such recommendations

- (a) 3 or more director
- (b) Majority of the directors
- (c) Independent directors
- (d) Non-executive directors

Answer Key

Q1.	(a)	Q2.	(d)	Q3.	(d)	Q4.	(b)	Q5.	(c)	Q6.	(c)	Q7.	(a)	Q8.	(c)	Q9.	(a)
Q10.	(c)	Q11.	(b)	Q12.	(c)												

Chapter IIE

SEBI (Prohibition of Insider Trading)

Regulations, 2015

Regulation 2

Q1: According to Regulation 2(1) (n) of SEBI (PIT) Regulations, 2015, what does "Unpublished Price Sensitive Information (UPSI)" refer to?

- (a) Information that is generally available
- (b) Information that affects the price of securities after becoming public
- (c) Information that is only available to company executives
- (d) Information that is not related to financial matters

Q2: Which of the following is NOT included in the definition of Unpublished Price Sensitive Information as per SEBI (PIT) Regulations, 2015?

- (a) Financial results
- (b) Dividends
- (c) Changes in key managerial personnel
- (d) Routine operational updates

Q3: Under SEBI (PIT) Regulations, 2015, what type of information is considered as Unpublished Price Sensitive Information

- (a) Information about public holidays
- (b) Routine operational decisions
- (c) Information regarding change in capital structure
- (d) Information regarding office parties

Regulation 3

Q4: Under Regulation 3 of the SEBI (Prohibition of Insider trading) Regulations, 2015, when is it permissible for insiders to share unpublished price sensitive information?

- (a) Only when it is beneficial for the company's share price
- (b) In furtherance of legitimate purposes, performance of duties, or discharge of legal obligations
- (c) Only when directed by the board of directors
- (d) Only during annual general meetings

Q5: Which of the following is considered a "legitimate purpose" for sharing unpublished price sensitive information according to the regulations?

- (a) Sharing with anyone for personal gain
- (b) Sharing with competitors to gain an advantage
- (c) Sharing with partners, collaborators, lenders, etc., in the ordinary course of business
- (d) Sharing with family members for investment purposes

Q6: According to the regulations, who is responsible for maintaining a structured digital database for unpublished price sensitive information?

- (a) Shareholders
- (b) Compliance officers
- (c) Board of Directors or head(s) of the organization
- (d) External auditors

Q7: What information should be included in the structured digital database as per the regulations?

- (a) Financial statements of the company
- (b) Names of shareholders
- (c) Nature of unpublished price sensitive information and names of persons who have shared it
- (d) Marketing strategies of the company

Q8: How long must the structured digital database be preserved after the completion of relevant transactions?

- (a) 5 years
- (b) 8 years
- (c) 10 years
- (d) 12 years

Regulation 4

Q9: When an insider has traded in securities while possessing unpublished price sensitive information, what is presumed about their trades?

- (a) They were unaware of the information
- (b) They were motivated by the knowledge of the information
- (c) They were acting in the best interest of the company
- (d) They were following legal guidelines

(c) 5 years
(d) 7 years

- Q16:** When must initial disclosures of securities holdings be made by key managerial personnel or directors of a company?

(a) Within 30 days of appointment
(b) Within 14 days of appointment
(c) Within 7 days of appointment
(d) Within 10 days of appointment

Q17: What is the threshold value for making continual disclosures of securities transactions by the promoter to the company according to Regulation 7?

- Traded value in excess of five lakh rupees
- Traded value in excess of ten lakh rupees
- Traded value in excess of twenty lakh rupees
- Traded value in excess of fifty lakh rupees

Q18: How soon must a company notify the stock exchange of securities trading conducted by insiders, as per Regulation 7?

- (a) Within 5 trading days
(b) Within 1 trading day
(c) Within 2 trading days
(d) Within 3 trading days

Code of Fair disclosure & conduct

- Q19:** According to Regulation 8, how should the board of directors formulate the code of practices and procedures for fair disclosure?

(a) By consulting only with shareholders
(b) By adhering to each principle set out in Schedule A
(c) By consulting with industry competitors
(d) By diluting the provisions of the regulations

- (a) 3 months
(b) 6 months
(c) 9 months
(d) 12 months

Q20: Which schedules should be adopted while formulating the code of conduct for a listed company and an intermediary, respectively?

(a) Schedule A and Schedule B
(b) Schedule B and Schedule C
(c) Schedule C and Schedule D
(d) Schedule D and Schedule E

- (a) 1 year
(b) 3 years

Q1.	(b)	Q2.	(d)	Q3.	(c)	Q4.	(b)	Q5.	(c)	Q6.	(c)	Q7.	(c)	Q8.	(b)	Q9.	(b)
Q10.	(a)	Q11.	(d)	Q12.	(b)	Q13.	(c)	Q14.	(d)	Q15.	(c)	Q16.	(c)	Q17.	(b)	Q18.	(c)
Q19.	(b)	Q20.	(b)														

Chapter 12

The Foreign Exchange Management Act, 1999

Person Resident in India

Q1: As per the provisions of Foreign Exchange Management Act, 1999; 'Person resident in India' means a person residing in India for

- (a) 182 days or more during the relevant financial year
- (b) More than 182 days during the relevant financial year
- (c) 182 days or more during the preceding financial year
- (d) More than 182 days during the preceding financial year

Q2: Ms. Shruti resided in India during Financial Year 2018-19. She got employed by Amazon and left for USA on 6th June 2019. Choose the correct statement in light of the provisions of FEMA, 1999.

- (a) Shruti will be a Person Resident in India for Financial Year 2019-20
- (b) Shruti will be a Person Resident Outside India for Financial Year 2019-20
- (c) Shruti will be a Person Resident in India till 6th June 2019 and will become a Person Resident Outside India after that
- (d) Shruti will be a Person Resident Outside India till 6th June 2019 and will become a Person Resident in India after that

Q3: Peter a citizen and resident of India, in the year 2011, got a job in a MNC in Germany. He planned to shift. Due to travelling and shifting, studies of his daughter Lisa was affected a lot, so he decided to admit her into Mayo College at Ajmer for her further studies. On 23rd March 2017, Peter, along with his wife and daughter reached India from Germany. On 22nd April 2017, Lisa got admission in the college and since then she is living in India only. Peter and his wife returned Germany on 1st May 2017. Peter did not visit India during the financial year 2017-18, however his wife was in India from 2nd December 2017 to 2nd January 2018. During the financial year 2018-19, Peter was in India for 185 days due to his deployment and Lisa's ill health. From the following who will be treated as person resident in India for the financial year ended on 2018-19

(MTP May 19)

- (a) Lisa
- (b) Peter

- (c) Peter's wife
- (d) Lisa and Peter's wife

Q4: Mr. Ram had resided in India during the Financial Year 2017-2018 for less than 183 days. He again came to India on 1st May, 2018 for higher studies and business and stayed upto 15th July, 2019. State the correct answer as to the residential status of Mr. Ram in the light of the given fact as per the Foreign Exchange Management Act, 1999

- (1) Mr. Ram can be considered as 'Person resident in India' during the financial year 2018-2019
- (2) Mr. Ram cannot be considered as 'Person resident in India' during the financial year 2018-2019
- (3) Mr. Ram can be considered as 'Person resident in India' during the financial year 2019-2020

(Study Mat & RTP Nov 19)

- (a) Both the statement (1) & (3) are correct
- (b) Both the statement (2) & (3) are correct
- (c) Only statement (1) is correct
- (d) Only statement (2) is correct

Q5: Dhruv, is a pilot in Bangkok airways. He flies for 15 days in a month and thereafter takes a break for 15 days. During the break, he is accommodated in 'base', which is normally the city where the Airline is headquartered. However, for security considerations, he was based at Delhi. During the financial year, he was accommodated at Delhi for 182 days. Determine the legal position as regards the residential status of Dhruv under the given situation:

(MTP Nov 2021)

- (a) Dhruv cannot be considered to be a Person Resident in India.
- (b) Dhruv can be considered to be a Person Resident in India due to her stay for 182 days in India
- (c) Dhruv cannot be considered to be a Person Resident in India due to her stay for less than 183 days in India.
- (d) Dhruv can be considered to be a Person Resident in India due to her stay in Delhi for security consideration.

Q6: Hutchisson Essar Limited is a company incorporated in Hong Kong. The company has recently opened a branch office in Mumbai, India. Choose the correct statement considering the provisions of FEMA, 1999.

- (a) The Company and its Branch, both are Persons Resident in India
- (b) The Company and its Branch, both are Persons Resident outside India
- (c) The company is a Person Resident in India while the Branch is a Person Resident Outside India
- (d) The company is a Person Resident Outside India while the Branch is a Person Resident in India

[Hint – Refer section 2(v)(iii)]

Q7: Mr. Umesh arrived in India in the financial year 2019-2020 from USA on 2nd October 2019 after 5 years for the purpose of conducting business in India. Mr. Umesh started proprietary business of trading insulated handles and established a branch of his business in Minnesota, USA. In this regard, choose the appropriate option with respect to residential status for 2020-21 as per FEMA, 1999

(ICAI MCQ Booklet & RTP May 2022)

- (a) Mr. Umesh and the Branch in USA are persons resident outside India
- (b) Mr. Umesh is a resident in India and the Branch is a person resident outside India
- (c) Mr. Umesh and the Branch are both persons resident in India
- (d) Mr. Umesh is a person resident outside India and the Branch is a person resident in India

Q8: After five years of stay in USA, Mr. Umesh came to India at his paternal place in New Delhi on October 25, 2021, for the purpose of conducting business with his two younger brothers Rajesh and Somesh and contributed a sum of ₹ 10,00,000 as his capital. Simultaneously, Mr. Umesh also started a proprietary business of selling artistic brass ware, jewellery, etc. procured directly from the manufacturers based at Moradabad. Within a period of two months after his arrival from USA, Mr. Umesh established a branch of his proprietary business at Minnesota, USA. You are required choose the appropriate option with respect to residential status of Mr. Umesh and his branch for the financial year 2022-23 after considering the applicable provisions of the Foreign Exchange Management Act, 1999:

(Study Mat)

- (a) For the financial year 2022-23, Mr. Umesh and his branch established at Minnesota, USA, are both persons resident outside India.
- (b) For the financial year 2022-23, Mr. Umesh is a resident in India but his branch established at

Minnesota, USA, is a person resident outside India.

- (c) For the financial year 2022-23, Mr. Umesh and his branch established at Minnesota, USA, are both persons resident in India.
- (d) For the financial year 2022-23, Mr. Umesh is a person resident outside India but his branch established at Minnesota, USA, is a person resident in India.

Q9: Priti, on 1st September, 2021 went to UK for doing one year MBA course. Her MBA course completed on 31st August, 2022 and she returned India on the next day. What shall be her residential status for the FY 2022-23 and 2023-24:

(MTP Nov 2022)

- (a) Resident in India for FY 2022-23 and FY 2023-24
- (b) Resident in India for FY 2022-23 and Resident outside India for FY 2023-24
- (c) Resident outside India for FY 2022-23 and FY 2023-24
- (d) Resident outside India for FY 2022-23 and Resident in India for FY 2023-24

Q10: Mr. X, a person comes to India on 1st June 2019 for visiting his parents. However, his parents fall sick and he stays till 31st March 2020. Thereafter he continues to stay in India. He decided to live in India for next 6 months by the time his parents recover. In the light of the given case, determine the correct residential status of Mr. X from the given statements.

(RTP Nov 2022)

- (a) Mr. X is PRII as he did reside in India in the FY 2019-2020.
- (b) Mr. X is PRII as he resided in India for more than 182 days in the FY 2019-20.
- (c) Mr. X is PROI in the FY 2019-20, but will be treated as PRII from 1st April, 2020, as he resides in India for more than 182 days in the previous FY.
- (d) His stay in India is neither for employment, nor for business, nor for circumstances which show that his stay in India for an uncertain period. In FY 2019-20, he is a PROI as he did not reside in India for more than 182 in FY 2018-19.

Q11: Nilgiri Limited is a company incorporated in Himachal Pradesh, India. The company has recently opened a branch office in Russia. Choose the correct statement in light of the provisions of FEMA, 1999.

- (a) The Company and its Branch, both are Persons Resident in India
- (b) The Company and its Branch, both are Persons Resident outside India

- (c) The company is a Person Resident in India while the Branch is a Person Resident Outside India
- (d) The company is a Person Resident Outside India while the Branch is a Person Resident in India

[Hint - Refer section 2(v)(iv)]

Q12: Printex Computer' is a Singapore based company having several business units all over the world. It has a unit (Branch A) for manufacturing computer printers with its Headquarters in Pune. It has a Branch in Dubai (Branch B) which is controlled by the Headquarters in Pune. Choose the correct statement in light of the provisions of FEMA, 1999.

- (a) Both branches A and B are Person Resident in India
- (b) Both branches A and B are Person Resident Outside India
- (c) Branch A is Person Resident in India and Branch B is Person Resident Outside India
- (d) Branch A is Person Resident Outside India and Branch B is Person Resident in India

[Hint - Branch A is Person Resident in India as per Section 2(v)(iii). Accordingly, Branch B is controlled by Branch A, a Person Resident in India. Thus, Branch B will also be a Person Resident in India as per Section 2(v)(iv)]

Section 6 - Capital Account Transactions

Q13: Under the provisions of FEMA, 1999; which authority has the power to specify the permissible Capital Account Transactions involving Debt instruments

- (a) Reserve Bank of India
- (b) Central Government
- (c) SEBI
- (d) Enforcement Directorate

Q14: Under the provisions of FEMA, 1999; which authority has the power to specify the permissible Capital Account Transactions involving Non-Debt instruments

- (a) Reserve Bank of India
- (b) Central Government
- (c) SEBI
- (d) Enforcement Directorate

Q15: Mr. V, brother of Mr. R, is a resident of Singapore and he owns an immovable property in Chennai which he inherited from his father, who was a resident of India, Can Mr. V continue to hold the property?

(RTP May 2020 & MTP Nov 2021)

- (a) No, he cannot hold transfer or invest In India, since he is resident outside India.

- (b) Yes, he can continue to hold in India, since he is person of India Origin and the property is located in India
- (c) Yes, he can continue to hold the property, since this was inherited from a person who was resident in India.
- (d) Yes, he can continue to hold the property, since his brother (Mr. R) uses the property whenever he travels to Chennai.

Q16: Under the provisions of FEMA, 1999; on which of the following Capital Account Transactions, restrictions on drawal of foreign exchange cannot be imposed?

- (a) Payment due on amortisation of loans
- (b) Payment due on depreciation of direct investments
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

Q17: As per the provisions of Regulation 4 of FEM (Permissible Capital Account Transactions) Regulations, 2000; investments in which of the following activities are prohibited by a Person Resident Outside India?

- (a) Investment in the business of chit fund
- (b) Investment in agricultural activities
- (c) Trading in Transferable Development Rights
- (d) All of the above

Q18: As per the provisions of Regulation 4 of FEM (Permissible Capital Account Transactions) Regulations, 2000; investments in which of the following activities are prohibited by a Person Resident Outside India?

- (a) Development of townships
- (b) Construction of roads and bridges
- (c) Construction of farm houses
- (d) All of the above

Section 5 - Current Account Transactions

Q19: Current Account Transaction does not includes: (MTP Nov 2023)

- (a) Payments due in connection with foreign trade, other current business, services, and short-term banking and credit facilities in the ordinary course of business.
- (b) Payments due as interest on loans and as net income from investments.
- (c) Remittances for living expenses of parents, spouse and children residing abroad.
- (d) Expenses in connection purchase of property outside India by a person resident in India

Q20: Which amongst the following transactions, is not the current account transaction:

(MTP May 2022)

- (a) payments due in connection with short-term banking and credit facilities in the ordinary course of business.
- (b) payments due on loans.
- (c) remittances for living expenses of parents residing abroad
- (d) expenses in connection with foreign travel of spouse and children

Q21: Under the provisions of FEMA, 1999; which authority has the power to impose restrictions for Current Account Transactions

- (a) Reserve Bank of India
- (b) Central Government
- (c) SEBI
- (d) Enforcement Directorate

Q22: As per the provisions of FEM (Current Account Transactions) Rules, 2000; drawal of foreign exchange for which of the transactions is prohibited?

- (a) Remittance out of lottery winnings
- (b) Remittance for purchase of football pools
- (c) Payment related to call back services of telephone
- (d) All of the above

Q23: In September 2016, Mr. P, went to USA, London and Germany on a month-long business trip. For this trip he got exchanged US\$ 50000 from an authorized dealer. In December 2016 he remitted US\$ 50000 to his son in Canada, who was studying there. In January 2017 he sent his mother and wife to America for his mother's treatment and for the purpose he remitted US\$ 75000 to his younger brother, who was living there. In March 2017 his daughter got engaged and she opted for a destination marriage to be held in May 2017, in Switzerland. While on trip to Dubai in the March end, 2017, he spent US \$ 35000 for his daughter's shopping in Dubai. Later, the event manager gave an estimate of US \$ 250000 for the wedding. As per the provisions of FEMA, for how much remittance does he need to take prior approval of the Reserve bank of India.

(Study Mat, ICAI MCQ Booklet, MTP Nov 2021

& RTP May 2023)

- (a) He does not need any prior approval at all
- (b) For US \$ 210000
- (c) For US \$ 250000
- (d) For US \$ 15000

Q24: Nandeesh, a resident Indian, remitted USD 1,00,000 on 7th June, 2021, to his son Ishaan who is settled in California, USA, since he

urgently required funds. On 9th July, 2021, Nandeesh again remitted USD 71,000 to meet expenses to be incurred in respect of his ailing wife, Medhavi who had recently gone to USA to meet his son Ishaan but had developed serious coronary disease. For specialised treatment of Medhavi at a specialised hospital, a sum of USD 79,000 was remitted for the second time on 30th July, 2021 by Nandeesh. Within next 10 days, Medhavi recovered and was allowed to return to her son's residence from the hospital. Choose the correct option from those stated below as to when Nandeesh can send further foreign exchange to his son Ishaan for the purpose of purchasing a house without obtaining the prior approval of Reserve Bank of India:

(RTP May 2022)

- (a) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of April, 2022 or thereafter.
- (b) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of January, 2022 or thereafter.
- (c) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of July, 2022 or thereafter.
- (d) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of November, 2021 or thereafter

Q25: Mr. Z was appointed as representative of ABC Company for a corporate programme organized in USA. During the said period in USA, he was diagnosed with the severe kidney disease, so decided to have a kidney transplant done in USA. State the maximum amount that can be drawn by Mr. Z as foreign exchange for the medical treatment abroad.

(Study Mat & MTP May 20)

- (a) USD 1,25,000
- (b) USD 2,25,000
- (c) USD 2,50,000
- (d) As estimated by a medical institute offering treatment

Q26: Mr. Shashank, an Indian national, desires to obtain USD 1,00,000 for sending a cultural troupe on a tour of USA. Advise whether he can get foreign exchange for this purpose.

- (a) Drawal of foreign exchange for cultural tours is prohibited
- (b) Drawal of foreign exchange for cultural tour is freely permitted upto USD 2,50,000

- (c) Drawal of foreign exchange for cultural tour is allowed with the previous approval of RBI
- (d) Drawal of foreign exchange for cultural tour is allowed with the previous approval of Ministry of Human Resources Development

Q27: Mr. Prashant requires USD 15,000 for payment related to hiring charges of transponders. Advise whether he can get foreign exchange for this purpose.

- (a) Drawal of foreign exchange is prohibited
- (b) Drawal of foreign exchange is freely permitted upto USD 2,50,000
- (c) Drawal of foreign exchange is allowed with the previous approval of RBI
- (d) Drawal of foreign exchange is allowed with the previous approval of Ministry of Information & Broadcasting

Q28: Mr. Rashid has won a big lottery and wants to remit US Dollar 20,000 out of his winnings to his son who is in USA. Advise whether such remittance is possible under the Foreign Exchange Management Act, 1999.

- (a) Remittance of foreign exchange is prohibited
- (b) Remittance of foreign exchange is freely permitted upto USD 2,50,000
- (c) Remittance of foreign exchange is allowed with the previous approval of RBI
- (d) Remittance of foreign exchange is allowed with the previous approval of Ministry of Finance

Q29: Mr. Rohan, an Indian resident, desires to obtain USD 10,000 for remittance as gift to his cousin brother residing in USA. Advise whether such remittance is possible under the Foreign Exchange Management Act, 1999.

- (a) Remittance of foreign exchange as gift is prohibited
- (b) Remittance of foreign exchange as gift is freely permitted upto USD 2,50,000
- (c) Remittance of foreign exchange as gift is allowed with the previous approval of RBI
- (d) Remittance of foreign exchange as gift is allowed with the previous approval of Ministry of Finance

Q30: Mr. Dakash, an Indian resident, desires to obtain USD 1,000 for payment to be made for securing health insurance from a company abroad. Advise whether such remittance is possible under the Foreign Exchange Management Act, 1999.

- (a) Remittance of foreign exchange as gift is prohibited
- (b) Remittance of foreign exchange as gift is freely permitted upto USD 2,50,000
- (c) Remittance of foreign exchange as gift is allowed with the previous approval of RBI

- (d) Remittance of foreign exchange as gift is allowed with the previous approval of Ministry of Finance

Q31: L&T Infratech Limited, an Indian company, has obtained consultancy services from USA for one of its infrastructure projects in Chandigarh, Haryana. The company wants to know the maximum amount of foreign exchange that it can remit without the approval of RBI.

- (a) USD 1,00,000
- (b) USD 2,50,000
- (c) USD 10,00,000
- (d) USD 1,00,00,000

Q32: Milap Limited, a company incorporated in India, has obtained consultancy services from an entity based in France for setting up the software programme in their company. The consideration for such services is required to be paid in foreign currency. The compliance officer of Milap Limited requires your advice regarding threshold limit of remittance that can be made without prior approval of RBI. You as a qualified Chartered Accountant are required to advise the compliance officer considering the provisions of the Foreign Exchange Management Act, 1999 and regulations thereunder:

(ICAI MCQ Booklet)

- (a) USD 50,000,000
- (b) USD 10,000,000
- (c) USD 5,000,000
- (d) USD 1,000,000

[Note - Do note that the limit of remittance for any consultancy service in respect of infrastructure projects is USD 1,00,00,000 and for other projects is USD 10,00,000]

Q33: M/s Kedhar Sports Academy, a private coaching club provides coaching for cricket, football and other similar sports. It coaches sports aspirants all over India. It also conducts various sports events and campaigns, across the country. In 2019, to mark the 25th year of operation, a cricket tournament was organized in Lancashire, England. The prize money for the winning team is USD 40,000. For the runners up, it is USD 11,000. Now, M/s Kedhar Sports Academy wants to know what steps it should take for the remittance of the prize money of USD 51,000 to England from India. Decide, which of the following is correct in view of relevant provisions of FEMA, 1999:

(ICAI MCQ Booklet)

- (a) Prior permission is required to be taken from the Ministry of Human Resource Development (Department of Youth Affairs and Sports).

- (b) Prior permission is required to be taken from the Reserve Bank of India.
- (c) No permission is required - M/s Kedhar Sports Academy can proceed to make the remittance.
- (d) Prior permission is required to be taken from the Ministry of Finance (Department of Economic Affairs).

Q34: A highly reputed construction company of Mumbai, decided to launch an ultra-modern residential project in Goa especially for non-resident HNI Indians. For the purpose it appointed 4 agents worldwide to look for prospective buyers for 12 exclusive flats. The terms of their appointment clearly mentioned that they themselves will be responsible for inward remittance on the flats booked by them. As the project was one of its kind, so it got overwhelming response and all the flats got booked. However only 2/3 of the price of each flat could be remitted into India through proper channel during the financial year ended on 31st March 2019. Price of per flat was USD 1500,000 inclusive of all. From the following how much maximum commission can be given to each agent, without any intervention of any authority. Each agent booked 3 flats.

(MTP May 19)

- (a) 75,000 USD
- (b) 150,000 USD
- (c) 225,000 USD
- (d) 300,000 USD

[Note - Commission of USD 25,000 or 5% of inward remittance, whichever is more can be paid.

[i.e. $1500,000 \times 3 \text{ flats} \times 2/3^{\text{rd}} \text{ inward remittance} \times 5\%$]

Q35: A Limited, an Indian company holds a commercial plot in Chennai, India. It intends to sell the same. M/s Super Seller is a real estate broker with Head Office in the USA. M/s Super Seller is appointed to find buyers for the land. A company, Glory Inc., based out of USA is identified as a buyer. Glory Inc., is controlled from India and is hence a Person Resident in India under FEMA provisions. Glory Inc., agrees to buy the land for USD 600,000 (assume 1 USD = ₹70). M/s Super Seller is to be paid commission at the rate of 7% of the sale proceeds. The commission is to be paid to the H.O of M/s Super Seller in USA. Decide, in light of the relevant provisions of FEMA, 1999, which of the following is correct (Ignoring TDS implications arising under The Income Tax Act, 1961):

(ICAI MCQ Booklet & MTP May 2021)

- (a) Prior permission is not required for remittance of commission upto USD 25,000. For balance commission of USD 17,000, permission of RBI is to be sought by A Limited.

- (b) Prior permission is not required for remittance of commission upto USD 30,000. For balance commission of USD 12,000, permission of RBI is to be sought by A Limited.
- (c) Prior permission is not at all required for remittance of the entire commission.
- (d) Prior permission is required to be taken from the Reserve Bank of India for the entire amount of commission.

Section 3 - Dealing in foreign exchange, etc.

Q36: Mr. Raman, a non-resident, has a Special Investment Plan (SIP) with a mutual fund in India. Mr. Raman, due to some financial problems, requested his brother Mr. Raghav who is an Indian resident, to make the payment of few subsequent instalments of SIP on his behalf. You are required to advise Mr. Raghav whether such transaction is permitted considering the provisions of Foreign Exchange Management Act (FEMA), 1999.

(MTP Nov 2020 & ICAI MCQ Booklet)

- (a) Such transaction is not permitted as it amounts to payment for the credit of non-resident.
- (b) Such transaction is permitted as Mr. Raghav can enter into such transaction on behalf of his non-resident brother.
- (c) Such transaction is not permitted as Mr. Raghav cannot enter into such transactions on behalf of his non-resident brother.
- (d) Such transaction is permitted if Mr. Raghav obtains prior permission of the Reserve Bank of India.

[Note - As per the author, even clause (d) is correct]

Section 7 - Export

Q37: Under the provisions of FEMA, 1999; declaration stating the full export value of goods is not required to be made to RBI in case of gift of goods of value not exceeding _____

- (a) ₹ 50,000
- (b) ₹ 1 lakh
- (c) ₹ 5 lakh
- (d) ₹ 10 lakh

Penalties & Compounding

Q38: In case of contravention of FEMA, 1999; if the sum involved in the contravention is quantifiable then the person can be made liable for a penalty upto _____ of the sum involved.

- (a) 100%
- (b) 2 times
- (c) 3 times
- (d) 5 times

[Hint- Refer section 13]

Q39: In case of contravention of FEMA, 1999; if the sum involved in the contravention is not quantifiable then the person can be made liable for a penalty upto _____

- (a) ₹ 1 lakh
- (b) ₹ 2 lakh
- (c) ₹ 5 lakh
- (d) ₹ 10 lakh

[Hint- Refer section 13]

Q40: Mr. A is an authorized dealer holding a valid Authorization issued by the Reserve Bank of India under section 10 of the FEMA, 1999. During the course of his business, he violated one of the conditions subject to which the Authorization was granted to him. The Adjudicating Authority imposed a penalty of Rs. 1,50,000 under section 13 (being 3 times the amount involved in the violation, i.e. Rs. 50,000). Mr. A accepted the default. State the time limit before which Mr. A should pay the penalty, assuming he does not prefer an appeal to the Appellate Authority:

(MTP May 2021)

- (a) Within 30 days from the date of the Order imposing the penalty.
- (b) Within 45 days from the date of the Order imposing the penalty.
- (c) Within 60 days from the date of the Order imposing the penalty.
- (d) Within 90 days from the date of the Order imposing the penalty.

Q41: In case of contravention of FEMA, 1999; if the person fails to make the full payment of penalty imposed under section 13 within a period of 90 days, he shall be liable to civil imprisonment of up to _____ if sum involved is ₹ 5 crore.

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

[Hint- Refer section 14]

Q42: Any contravention under section 13 of FEMA, 1999; may be compounded by the compounding authority within a period of _____ from the date of receipt of the application

- (a) 30 days
- (b) 60 days
- (c) 90 days
- (d) 180 days

[Hint- Refer section 15]

Adjudication & Appeals

Q43: As per the provisions of FEMA, 1999; any person aggrieved by an order made by the Adjudicating Authority (being an Assistant Director of Enforcement or a Deputy Director of Enforcement) may file an appeal with _____

- (a) Special Director (Appeals)
- (b) Appellate Tribunal
- (c) Special Director
- (d) High Court

[Hint- Refer section 17]

Q44: As per the provisions of FEMA, 1999; any person aggrieved by an order made by the Adjudicating Authority (being an Assistant Director of Enforcement or a Deputy Director of Enforcement) may file an appeal with the Special Director (Appeals) within a period of _____

- (a) 30 days
- (b) 45 days
- (c) 60 days
- (d) 90 days

[Hint- Refer section 17]

Q45: As per the provisions of FEMA, 1999; any person aggrieved by an order made by the Adjudicating Authority (other than Assistant Director of Enforcement or a Deputy Director of Enforcement) may file an appeal with _____

- (a) Special Director (Appeals)
- (b) Appellate Tribunal
- (c) Special Director
- (d) High Court

Q46: As per the provisions of FEMA, 1999; any person aggrieved by an order made by the Special Director (Appeals) may file an appeal with _____

- (a) Deputy Director of Enforcement
- (b) Appellate Tribunal
- (c) Special Director
- (d) High Court

Q47: As per the provisions of FEMA, 1999; any person aggrieved by an order made by the Appellate Tribunal may file an appeal with _____

- (a) Deputy Director of Enforcement
- (b) Special Director (Appeals)
- (c) Special Director
- (d) High Court

Miscellaneous

Q48: If _____ is satisfied that circumstances have arisen rendering it necessary that any permission granted or restriction imposed by FEMA, 1999; should cease to be granted or imposed, it may suspend or relax to such extent either indefinitely or for such period as may be notified, the operation of all or any of the provisions of this Act.

- (a) RBI
- (b) Central Government
- (c) SEBI
- (d) Appellate Tribunal

Q49: Mr. Mahesh returned from abroad, was left unspent with the foreign currency USD 1,000. This amount can be retained with him -

(ICAI Sample MCQ)

- (a) for 60 days
- (b) for 90 days
- (c) for 120 days
- (d) for 180 days

Q50: Mr. X, a resident of India planned a tour of 15 days to visit Paris and to meet his niece living there. While returning to India, Mr. X was carrying with him INR 30,000. Her niece told him that limit is marked on bringing Indian currency notes at the time of return to India. Identify the correct limit

(RTP May 2021)

- (a) INR 2,000
- (b) INR 5,000
- (c) INR 10,000
- (d) INR 25,000

Q51: Rahul, Son of Mr. Manish was going to USA under cultural exchange programme of his college. For meeting Rahul's expenses in USA, Mr. Manish purchased 5000 USD from an authorized person on 15th February 2018. Rahul came back to India on 15th March 2018. At the time of his return to India he was having 1850 unspent USD with him. From the following which option is the best suited for the above situation -

(MTP May 19)

- (a) Unspent foreign exchange shall be surrendered to the authorized person within 180 days from the date of his return to India.
- (b) Unspent foreign exchange shall be surrendered to the authorized person within 180 days from the date of purchase of foreign exchange.
- (c) Unspent foreign exchange shall be surrendered to the authorized person within 90 days from the date of his return to India.

- (d) Unspent foreign exchange not exceeding 2000 USD may be retained by a person resident in India.

Q52: Which among the following is legally acceptable permissible source for funding overseas direct investment?

(RTP May 20)

- (a) Proceeds of External Commercial Borrowings
- (b) Proceeds of Real estate business
- (c) Proceeds of Banking business
- (d) Proceeds of foreign currency funds raised through other than ADR / GDR issues

Q53: Z Ltd, a Startup is permitted to raise ECB under the automatic route with the minimum average maturity period of

(MTP May 2021)

- (a) 1 years
- (b) 3 years
- (c) 5 years
- (d) 10 years

Q54: Minimum Average Maturity Period prescribed for ECB raised for working capital purposes or general corporate purposes under the ECB framework is:

(MTP May 2021)

- (a) 1 year
- (b) 5 year
- (c) 7 year
- (d) 10 year

Q55: Overseas Investment as per the Foreign Exchange Management (Overseas Investment) Rules, 2022 means:

(RTP May 2023)

- (a) Financial Commitment by a PRII
- (b) Overseas Portfolio Investment ('OPI') by a PROI
- (c) Financial Commitment or Overseas Portfolio Investment ('OPI') by a PROI
- (d) Financial Commitment and Overseas Portfolio Investment ('OPI') by a PRII

[Note] - Owing to the limited applicability for examination purposes, specific MCQs on the following Master Directions have not been covered -

- Overseas Direct Investment
- Import of Goods & Services
- Export of Goods & Services
- External Commercial Borrowings, Trade Credits & Structured Obligations

However, if MCQs on the above topics have been asked in the Exams or Study Material or RTPs or MTPs of ICAI, then the same have been covered above.]

Q1.	(d)	Q2.	(c)	Q3.	(a)	Q4.	(a)	Q5.	(a)	Q6.	(d)	Q7.	(c)	Q8.	(c)	Q9.	(a)
Q10.	(d)	Q11.	(a)	Q12.	(a)	Q13.	(a)	Q14.	(b)	Q15.	(c)	Q16.	(c)	Q17.	(d)	Q18.	(c)
Q19.	(d)	Q20.	(b)	Q21.	(b)	Q22.	(d)	Q23.	(a)	Q24.	(a)	Q25.	(d)	Q26.	(d)	Q27.	(d)
Q28.	(a)	Q29.	(b)	Q30.	(b)	Q31.	(d)	Q32.	(d)	Q33.	(c)	Q34.	(b)	Q35.	(d)	Q36.	(a)
Q37.	(c)	Q38.	(b)	Q39.	(b)	Q40.	(d)	Q41.	(c)	Q42.	(d)	Q43.	(a)	Q44.	(a)	Q45.	(b)
Q46.	(b)	Q47.	(d)	Q48.	(b)	Q49.	(d)	Q50.	(d)	Q51.	(d)	Q52.	(a)	Q53.	(b)	Q54.	(d)
Q55.	(d)																

Case Study Based MCQs

Case Study (ICAI MCQ Booklet) - Energy Food and Beverages Limited (EFBL), having its Registered Office at Bhikaji Cama Place, New Delhi, is a reputed manufacturer and exporter of different kinds of energy food, drinks and beverages. The market base of its products in India is much wider in comparison to so many other competitors. It is exploring more and more export markets all over the world.

The Board of Directors of EFBL comprises following Directors:

Functional Directors	Independent Directors
Mr. Praveen Kumar, Managing Director	Mrs. Hruta Varad
Ms. Ananya Vibor	Mrs. Vartika Soni
Mr. Jay Doshi	Mr. Shashi Vidur
Ms. Geetika Devi	Mr. Aniruddha
Mr. Amol Udit	
Mr. Abhimanyu	
Mr. Fernandis	
Mr. Robert	

Mr. Anil Kumar, well versed in legal and regulatory matters, is the Company Secretary of the company.

The information relating to foreign exchange earnings of EFBL in the previous four financial years is as under are:

Financial Year	Foreign Exchange Earnings (in USD)
2016-17	2,400,000
2017-18	2,500,000
2018-19	3,600,000
2019-20	4,00,000

With a view to enhance the production of beverages, EFBL imported a machinery costing ₹ 60,00,000 from a reputed manufacturer of Singapore. In accordance with the terms of payment, EFBL was required to repay the cost of machinery in five equal monthly installments which the company did satisfactorily. The machinery was delivered and thereafter, installed at the new factory site at Noida, UP.

The company is proposing to incur an amount of USD 7,500 on advertisement in foreign print media for the purpose of promotion of its beverages business globally. The company is also planning to donate USD 200,000 to a technical institution established in Chicago at USA for conducting advanced research in the field of beverages.

Mr. Jay Doshi along with his family had gone to Bhutan on a private visit. While returning to India, he brought with him Reserve Bank of India notes amounting to ₹ 75,000 in denomination of ₹ 100. Ms. Geetika Devi often visits her son Swapnil who is settled in Michigan, USA. She came back to India from Michigan on July 02, 2018, spent some time with her younger son Kartik and her mother in New Delhi and left India again on September 05, 2018. She came back to India on November 30, 2018 but left for Michigan with her mother on December, 04, 2018 to get her medically treated. After her mother recovered from the ailment she was suffering, Ms. Geetika Devi came back to India on April 25, 2019 and remained with her family in New Delhi till date.

Multiple Choice Questions (MCQs)

1. From the case scenario, it is evident that EFBL imported a machinery costing ₹ 60,00,000 from a reputed manufacturer of Singapore and repaid the cost of imported machinery in five equal monthly installments. From the following options, choose the one which will apply in the given circumstances:
 - (a) Import of machinery is a 'Capital Account Transaction' since the imported machinery is a fixed asset and shall be used for a long period by EFBL.
 - (b) Import of machinery is a 'Current Account Transaction' since machinery shall be used in the

production of saleable items like beverages, etc. by EFBL.

- (c) Import of machinery is a 'Current Account Transaction' since a short term credit facility in the ordinary course of business was availed by EFBL.
- (d) Import of machinery is a 'Capital Account Transaction' since a long term credit facility was availed by EFBL and the payment was made in more than three months.

2. According to the case scenario, Mr. Jay Doshi while returning to India, brought with him Reserve Bank of India notes amounting to ₹ 75,000 in denomination of ₹ 100. Which one of the following options is applicable in the given circumstances.

- (a) Mr. Jay Doshi is permitted to bring into India from Bhutan, Reserve Bank of India notes amounting to ₹ 75,000 in denomination of ₹ 100.
- (b) Mr. Jay Doshi is not permitted to bring into India from Bhutan, Reserve Bank of India notes exceeding ₹ 25,000 in denomination of ₹ 100.
- (c) Mr. Jay Doshi is permitted to bring into India from Bhutan, Reserve Bank of India notes of any amount without limit but only in denomination of ₹ 500.
- (d) Mr. Jay Doshi is not permitted to bring into India from Bhutan, Reserve Bank of India notes exceeding ₹ 10,000 in denomination of ₹ 100.

3. It is noticed from the case scenario that Ms. Geetika Devi, one of the Directors of EFBL, remained in India and also outside India on various dates. Which of the following options correctly determines her residential status in terms of the relevant provisions of the Foreign Exchange Management Act, 1999:

- (a) Ms. Geetika Devi is a person resident outside India for FY 2019-20 and a person resident in India for the FY 2020-21.
- (b) Ms. Geetika Devi is a person resident outside India for the FY 2019-20 and also for the FY 2020-21.
- (c) Ms. Geetika Devi is a person resident in India for the FY 2019-20 and also for the FY 2020-21.
- (d) Ms. Geetika Devi is a person resident in India for FY 2019- 20 and a person resident outside India for the FY 2020-21.

4. Suppose EFBL is a Public Sector Undertaking and it desires to spend USD 7,500 for advertisement in foreign print media so that it may promote its beverages business globally. In such a situation, which one of the following options is applicable:

- (a) EFBL is permitted to spend USD 7,500 for advertisement in foreign print media relating to the stated purpose but only with the prior approval of the Reserve Bank of India.
- (b) EFBL is permitted to spend USD 7,500 for advertisement in foreign print media relating to the stated purpose without seeking any approval.
- (c) EFBL is permitted to spend USD 7,500 for advertisement in foreign print media relating to the stated purpose with the prior approval of the Ministry of Finance, Department of Economic Affairs.
- (d) EFBL is permitted to spend USD 7,500 for advertisement in foreign print media relating to the stated purpose with the prior approval of the Central Government through Regional Director.

5. From the case scenario, it is evident that EFBL is planning to donate USD 200,000 to a technical institution established in Chicago at USA for conducting advanced research in the field of beverages. From the following options, choose the one which is applicable in the given situation:

- (a) EFBL, not being a Government Company, is not permitted to donate any amount outside India.
- (b) EFBL is not permitted to donate more than USD 50,000 in a financial year even after seeking approval of the Reserve Bank of India.
- (c) EFBL is permitted to donate USD 200,000 but only with the prior approval of the Reserve Bank of India.
- (d) EFBL is not permitted to donate more than USD 75,000 in a financial year even after seeking approval of the Reserve Bank of India.

Answer Key

1.	(c)	2.	(a)	3.	(a)	4.	(b)	5.	(c)
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Chapter 13

The Foreign Contribution (Regulation) Act, 2010

Basics of FCRA & Important Definitions

Q1: One of the objectives of the Foreign Contribution (Regulations) Act, 2010 is

- (a) To prohibit acceptance and utilisation of foreign contribution or foreign hospitality for any activities detrimental to the national interest
- (b) To consolidate and amend the law relating to foreign exchange and to facilitate external trade and payments
- (c) To promote the orderly development and maintenance of foreign exchange market in India
- (d) All of the above

Q2: As per the FCRA, 'foreign contribution' does not include

- (a) Donation of Indian currency of ₹ 2,00,000 from foreign source
- (b) Transfer of the shares of a foreign company from a foreign source
- (c) Receipt of a mobile phone worth ₹ 60,000 from a foreign source as a gift for personal use
- (d) Both (a) and (c)

Q3: As per the provisions of FCRA Act, 2010; a donation, delivery or transfer of an article made by any foreign source to any person as a gift for his personal use shall not be termed as 'foreign contribution' if the market value, in India, of such article, on the date of such gift, does not exceed _____

- (a) ₹ 25,000
- (b) ₹ 50,000
- (c) ₹ 1 lakh
- (d) ₹ 5 lakh

Q4: Anna, a foreign citizen has made donations in kind to various individuals of Indian resident for their personal use. When shall such donation in kind will be excluded from the definition of Foreign Contribution considering the provisions of Foreign Contribution (Regulation) Act, 2010?

(RTP Nov 20, RTP Nov 2021, ICAI MCQ Booklet & RTP May 2023)

- (a) If the market value, in India, of such article, on the date of such gift, is more than ₹ 1,00,000 but less than 5,00,000.

- (b) If the market value, in India, of such article, on the date of such gift, is more than ₹ 500,000 but less than 10,00,000.
- (c) Any donation in kind given for personal use is always excluded.
- (d) If the market value, in India, of such article, on the date of such gift, is not more than ₹ 100,000.

Q5: Mr. X receives an antique statue from his best friend (who resides abroad) as a gift on his 50th Birthday of worth ₹ 70,000. State the nature of the gift given to Mr. X in the light of the FCRA: (RTP May 2022)

- (a) It's not a foreign contribution as it is not in excess of one lakh rupees.
- (b) It's a foreign contribution being made by other than his relative
- (c) It's not a foreign contribution, as it is not informed to the Central Government
- (d) It's a foreign contribution as is within the limit of one lakh rupees.

[Note - The answer in RTP is option (b). But the author would recommend to go with option (a).]

Q6: Mr. Suraj, is an editor of Dailybird Newspaper. One of his relative Mr. Chand, who is residing abroad remitted foreign contribution of around ₹ 1.5 lakhs to him for arrangement of a Medical camp in a village for needy people. In what manner will you justify this remittance as per the provision of the FCRA, 2010?

(RTP Nov 2023)

- (a) The remittance shall be deemed as a foreign contribution and needs to be reported to the Central Government.
- (b) The remittance received from the relative cannot be deemed as a foreign contribution but needs to be reported to the Central Government.
- (c) The remittance received from the relative cannot be deemed as a foreign contribution and it is not required to be reported to the Central Government.
- (d) Being an editor of the newspaper, Mr. Suraj is not entitled to receive such remittance and it will be treated as foreign contributions.

Q7: As per the FCRA, 'foreign source' does not include

- (a) A foreign company
- (b) A subsidiary of a foreign company
- (c) World Bank
- (d) Government of a foreign country

Q8: As per the FCRA, the restrictions on 'foreign contribution' are applicable if the foreign contribution is from 'foreign source'. Who among the following are excluded from the purview of foreign source in the Act-

(Study Mat)

- (a) United nations
- (b) World Bank
- (c) International monetary Fund
- (d) All of the above

Q9: Surya Ltd., incorporated and registered in New Delhi with a foreign shareholding more than 50% due to liberalisation in Foreign Direct Investment (FDI) policy. State the correct statement as to the status of the Surya Ltd.

(Study Mat, ICAI Sample MCQ & MTP May 19)

- (a) Surya limited shall not be considered as foreign source because of its registration in India.
- (b) Surya Ltd would be 'foreign source' having foreign shareholding more than 50% of foreign company.
- (c) Surya Ltd would be 'foreign source' having foreign contribution through various international agencies.
- (d) Both (b) & (c)

[Note - Answer of the institute is option (b). But, as per author, Surya Ltd is not be a foreign source as the shareholding is within the limits of FEMA]

Q10: Mr. Arjun, an Indian citizen, has been residing in the United States for the past five years. He wishes to support an NGO in India that works for environmental conservation. To inquire about the NGO and its donation process, Mr. Arjun contacts his friend Mr. Sanjay, an NRI living in Singapore. Mr. Arjun transfers \$1000 to Mr. Sanjay, requesting him to donate the amount to the NGO on his behalf. Mr. Sanjay transfers the specified amount from his personal savings through authorized banking channels to the NGO's account.

Based on the facts, how would the donation made by Mr. Arjun through Mr. Sanjay be classified under the Foreign Contribution regulation?

(MTP Nov 2023)

- (a) The donation made by Mr. Arjun through Mr. Sanjay is considered a Foreign Contribution, even though the transaction is done through Mr. Sanjay account.

- (b) The donation made by Mr. Arjun through Mr. Sanjay is not considered a Foreign Contribution, as the transaction is done via NRI account.
- (c) The donation made by Mr. Arjun through Mr. Sanjay is considered a Foreign Contribution because both are residing outside India.
- (d) The donation made by Mr. Arjun through Mr. Sanjay is prohibited under the Foreign Contribution regulation.

Section 3 & 4 - Regulation of Foreign Contribution

Q11: As per the provisions of section 3 of the FCRA Act, 2010; which of the following persons are not prohibited to accept foreign contribution

- (a) candidate for election
- (b) columnist of Economic Times, a registered newspaper
- (c) editor of zee business, a media channel
- (d) teacher employed in private school

Q12: As per the provisions of the FCRA Act, 2010; a candidate for election may accept foreign contribution from his relative

- (a) Upto ₹ 50,000
- (b) Upto ₹ 1 lakh
- (c) Upto ₹ 5 lakh
- (d) of any amount, but he needs to intimate CG if amount exceeds the specified limit

Q13: As per the provisions of the FCRA Act, 2010; any person can receive foreign contribution from his relative of upto _____ without any intimation to Central Government

- (a) Upto ₹ 1 lakh
- (b) Upto ₹ 10 lakh
- (c) Upto ₹ 20 lakh
- (d) Upto ₹ 50 lakh

Q14: Mr. Avinash, an office bearer of a political party, has received a gift from his relative worth ₹ 12 lakh. He needs to inform the Central Government in form FC-1 within _____ from receipt of such contribution

- (a) 15 days
- (b) 30 days
- (c) 3 months
- (d) 6 months

Section 6 - Foreign Hospitality

Q15: As per the provisions of section 3 of the FCRA Act, 2010; which of the following persons does not require prior permission of Central Government before accepting the Foreign Hospitality

- (a) Members of a legislature
- (b) Government servants
- (c) Editor of zee business, a media channel
- (d) Judges

Q16: Mr. Singh, an office bearer of a political party, suddenly falls ill during his visit to France. He requires an emergency medical aid and a foreign source paid for his medical treatment amounting to ₹ 18 lakh. Mr. Singh is required to give intimation to Central Government as to the receipt of foreign hospitality within _____ from the date of receipt of such hospitality.

- (a) 15 days
- (b) 1 month
- (c) 45 days
- (d) 2 months

Q17: Mr. Anil, an office bearer of a political party, suddenly falls ill during his visit to France. He requires an emergency medical aid and a foreign source paid for his medical treatment. As per the provisions of FCRA Act, 2010, Mr. Anil exempted from giving intimation to the Central Government if the value of such hospitality is not more than _____

- (a) ₹ 50,000
- (b) ₹ 1 lakh
- (c) ₹ 5 lakh
- (d) ₹ 10 lakh

Q18: Kamlesh has got the admission in a US based University names as 'Illinois Institute of Technology', where he does the MS in Technology. The initial expenses for travelling and other miscellaneous expenses to US were born by the Kamlesh's father. After taking the formal admission in the course, the University provide scholarship to Kamlesh to cover the cost of education and stay. Other expenses are to be meet out by the candidate from his own source. In light of this fact, what shall be the treatment of receiving of the scholarship from the Foreign Source in reference to the Foreign Contribution (Regulation) Act, 2010:

(MTP Nov 2022)

- (a) Receiving of such foreign contribution is prohibited under the FCRA.
- (b) Receiving of such foreign contribution require prior registration with the Central Government.
- (c) Receiving of such foreign contribution in the nature of scholarship comes under the exempted category.
- (d) Receiving of scholarship from foreign university is not permitted activity since no reciprocal arrangement are present in India.

Section 7 - Transfer of FC

Q19: 'Old Age Foundation' is registered under section 12 of the FCRA Act, 2010. The company intends to transfer the foreign contribution received by it to 'New Age Foundation', which is not

registered under the Act. Choose the correct statement in light of the provisions of the FCRA Act, 2010.

- (a) Such transfer cannot be made since New age Foundation is unregistered
- (b) Such transfer cannot be made irrespective New age Foundation is registered or not
- (c) New Age Foundation can transfer any amount only after obtaining the prior approval of Central Government
- (d) New Age Foundation can transfer only upto 10% of the total value thereof after obtaining the prior approval of Central Government

Section 8 - Restriction to utilise FC

Q20: Every person, who is registered or given prior permission under the FCRA Act, 2010 and receives foreign contribution, shall not utilise more than _____ of such contribution received in a financial year for speculative business

- (a) 10%
- (b) 20%
- (c) 50%
- (d) Foreign contribution cannot be used for speculative business

Q21: Every person, who is registered or given prior permission under the FCRA Act, 2010 and receives foreign contribution, shall not defray more than _____ of such contribution received in a financial year, to meet the administrative expenses without the prior approval of Central Government.

- (a) 10%
- (b) 20%
- (c) 25%
- (d) 50%

Section 12 - Grant of Certificate of registration

Q22: The certificate of registration granted under section 12 of the FCRA Act, 2010 is valid for a period of _____

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Section 13 - Suspension of Certificate of registration

Q23: Pending consideration of the question of cancellation of the certificate of registration granted under section 12 of the FCRA Act, 2010; Central Government may suspend the certificate

of registration for ____ days or such further period not exceeding ____ days, as may be specified

- (a) 30 days; 30 days
- (b) 90 days; 90 days
- (c) 180 days; 90 days
- (d) 180 days; 180 days

Q24: The certificate of registration of 'Helpage India' (an entity registered under the FCRA Act) has been suspended by Central Government for 180 days. The entity has unutilised foreign contribution amounting to ₹ 10 crore. How much amount can the entity utilise till the suspension is in force?

- (a) ₹ 2.5 crore, without any approval
- (b) ₹ 2.5 crore but only with the prior approval of Central Government
- (c) ₹ 7.5 crore, without any approval
- (d) ₹ 7.5 crore but only with the prior approval of Central Government

Section 14 - Cancellation of Certificate of registration

Q25: Central Government may cancel the certificate of registration granted under section 12 of the FCRA Act, 2010 if the holder of certificate has not been engaged in any reasonable activity in its chosen field for the benefit of the society for ____ consecutive year(s)

- (a) 1
- (b) 2
- (c) 3
- (d) 4

Q26: The Central Government, after making inquiry, finds that the holder of the grant of certificate to accept foreign contribution, has violated the terms and conditions of the certificate. Therefore, by an order, cancelled the certificate. What shall be the cooling period for obtaining of a grant of certificate again?

(MTP May 2022)

- (a) Two years from the date of cancellation of such certificate.
- (b) Three years from the date of cancellation of such certificate.
- (c) Five years from the date of cancellation of such certificate
- (d) Once cancelled cannot be applied again.

Q27: An association was holding the certificate of registration making it eligible for acceptance of foreign contribution established for the betterment of poor children. Central Government later cancelled the certificate of the association for violation of the terms and conditions of certificate for being not engaged

in chosen activity for the poor children. Such association again applied for the registration. State whether the association is eligible for registration-

(Study Mat & MTP Nov 2020)

- (a) Yes, it can apply freshly at any time
- (b) No, permanently becomes disqualified
- (c) Yes, after 3 years from the date of cancellation of certificate
- (d) after reasonable opportunity of being heard, and on warning, same registration will be restored.

Section 16 - Renewal of Certificate

Q28: Every person who has been granted a certificate of registration under the FCRA Act, 2010; shall have such certificate renewed within ____ before the expiry of the period of the certificate.

- (a) 1 month
- (b) 3 months
- (c) 6 months
- (d) 1 year

Q29: Every person who has been granted a certificate of registration under the FCRA Act, 2010; shall have such certificate renewed within 6 months before the expiry of the period of the certificate. In case of failure of such renewal, he may still get his certificate renewed on sufficient grounds by making an application within ____ after the expiry of the original certificate of registration

- (a) 1 month
- (b) 3 months
- (c) 6 months
- (d) 1 year

Q30: Every person who has been granted a certificate of registration under the FCRA Act, 2010; shall make an application to Central Government for renewal of such certificate. The renewal shall be valid for ____

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Q31: X Ltd. Submitted an application on 31st August, 2020 for renewal of certificate to Central Government for acceptance of foreign contribution under FCRA, 2010, shall be renewed latest by:

(MTP May 2021)

- (a) 30th September 2020
- (b) 29th November 2020
- (c) 28th February 2021
- (d) 31st July 2021

Q32: A certificate of registration was granted to an NGO on the 1st January, 2018. A request for renewal of the certificate was received by the Central Government, by the 30th June, 2022. But the request was not accompanied by the renewal fee. Comment on the validity of the registration certificate issued on 1st January 2018.

(RTP Nov 2022)

- (a) A certificate of registration granted on the 1st January, 2018 shall be valid till 30th June, 2018.
- (b) A certificate of registration granted on the 1st January, 2018 shall be valid till 30th June, 2022.
- (c) A certificate of registration granted on the 1st January, 2018 shall be valid till 30th July, 2022.
- (d) A certificate of registration granted on the 1st January, 2018 shall be valid till the 31st December, 2022.

Section 17 – Foreign contribution through scheduled bank

Q33: A person who has been granted a certificate of registration or prior permission under section 12 of the FCRA Act, 2010 can open _____ bank account(s) for receiving the foreign contribution received by him.

- (a) Only 1
- (b) Maximum 2
- (c) Maximum 3
- (d) Any number of

Q34: As per the provisions of FCRA Act, 2010; for the purpose of receiving foreign contribution, the "FCRA Account" shall be opened with

- (a) Any branch of any bank
- (b) Any branch of any scheduled bank
- (c) Any branch of State Bank of India
- (d) Specified branch of State Bank of India at New Delhi

Q35: A person who has been granted a certificate of registration or prior permission under section 12 of the FCRA Act, 2010 can open _____ bank account(s) for utilising the foreign contribution received by him.

- (a) Only 1
- (b) Maximum 2
- (c) Maximum 3
- (d) Any number of

Section 18 – Intimation

Q36: Intimation of receipt of foreign contribution shall be given -

(MTP Nov 2021)

- (a) Within nine months of the closure of the financial year
- (b) Within six months of the closure of the financial year

- (c) Within nine months of the date of receipt of the amount
- (d) Within six months of the date of receipt of the amount

Adjudication

Q37: As per the provisions of FCRA Act, 2010; the Court of session shall be empowered to adjudicate the confiscation of any article or currency or security of the value exceeding _____

- (a) ₹ 1 lakh
- (b) ₹ 5 lakh
- (c) ₹ 10 lakh
- (d) ₹ 50 lakh

Q38: "Heath Age Foundation" applied to Central Government to obtain certificate of registration under the FCRA Act, 2010. Central Government rejected the application. The entity may file an appeal against such rejection with _____

- (a) Court of Session
- (b) Additional Session Judge
- (c) High Court
- (d) Parliament of India

Q39: "Heath Age Foundation" applied to Central Government to obtain certificate of registration under the FCRA Act, 2010. Central Government rejected the application. The entity may file an appeal against such rejection with High Court within _____

- (a) 30 days
- (b) 45 days
- (c) 60 days
- (d) 90 days

Q40: For the second time, Mr. Suresh has been convicted under the FCRA Act, 2010; for accepting foreign contribution in contravention of the provisions of the Act. He is not eligible to accept foreign contribution for a period of _____ from the date of the subsequent conviction.

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Compounding

Q41: As per the provisions of FCRA Act, 2010; compounding of offences shall not apply to an offence committed within a period of _____ from the date on which a similar offence was committed.

- (a) 1 year
- (b) 2 years

- (c) 3 years
(d) 5 years

Answer Key

Q1.	(a)	Q2.	(c)	Q3.	(c)	Q4.	(d)	Q5.	(a)	Q6.	(b)	Q7.	(c)	Q8.	(d)	Q9.	(b)
Q10.	(b)	Q11.	(d)	Q12.	(d)	Q13.	(b)	Q14.	(c)	Q15.	(c)	Q16.	(b)	Q17.	(b)	Q18.	(c)
Q19.	(b)	Q20.	(d)	Q21.	(b)	Q22.	(b)	Q23.	(d)	Q24.	(b)	Q25.	(b)	Q26.	(b)	Q27.	(c)
Q28.	(c)	Q29.	(d)	Q30.	(d)	Q31.	(b)	Q32.	(d)	Q33.	(a)	Q34.	(d)	Q35.	(d)	Q36.	(a)
Q37.	(c)	Q38.	(c)	Q39.	(c)	Q40.	(d)	Q41.	(c)								

Case Study Based MCQs

Case Study (MTP May 2022 & MTP Nov 2022) - Manit persuaded his B.Tech studies from IIT, Kanpur. He plans to do MS from US. Based on his qualification and ranking in the B.Tech, he got the scholarship from a US Company with a condition that he has to serve in that US company for a period of 3 years after completing of MS.

Manit's father Shyam Lal is a Member of Parliament (MP). The tenure of the Lok Sabha is going to end just after 6 months. The associated political party this time denied him to give ticket in the forthcoming election.

Therefore, Mr. Shyam Lal planned to fight election in his individual capacity. He contacted with his many friends of political backgrounds. He asked Mani over there, to contact them for providing of funds. These funds so collected will be utilised, at the time of election, for campaigning.

Mani's paternal aunt, (father's sister) is residing in US. She on the occasion of his 25th marriage anniversary sent USD 1000 to his brother as token of love.

Mr. Ram, a construction company, was assigned with a project on the development of model transportation system with many basic and latest facilities under the Ministry of Transportation. Being a good friend of Mr. Shyam, he asked Mr. Shyam to take with him, visit to US as he was to go on for official visit to study the road transportation system in US on behalf of transportation ministry. In US, Shyam Lal was also offered hospitality and was provided free travelling and hotel stay.

Multiple Choice Questions (MCQs)

1. Who amongst the following, shall not be prohibited to accept foreign contribution:
 - (a) Mani
 - (b) Mr. Shyam, being a candidature for coming election
 - (c) Mr. Shyam, being a member of legislature
 - (d) Mr. Ram, being a government representative
2. Mani collected funds on behalf of his father for the forthcoming elections, which he remitted to India. Whether such foreign contribution is permissible:
 - (a) Yes, as Mani is student in US so whatever the amount he is collecting is exempted, therefore such contribution is permissible.
 - (b) No, as Mani is collecting the money in USD as a foreign contribution for the election of his father, hence it is prohibited.
 - (c) Yes, it is permitted, if the Election Commission do not objects on the amount.
 - (d) Yes, if it is permitted by the RBI, having no objections on such collection of fund for the election purpose.
3. Mani's Aunt residing in US, sent USD 1000 to Mr. Shyam Lal. Whether Shyam Lal can receive such foreign contribution:
 - (a) No, as foreign contribution for a candidate for election is prohibited
 - (b) Yes, subject to the prior approval of the RBI
 - (c) Yes, subject to the prior approval of the Enforcement Directorate
 - (d) Yes, Foreign contribution from a relative is permitted
4. While on official visit with Mr. Ram, Shyam Lal availed hospitality from a transport company in US. Whether such activity is permitted:
 - (a) Shyam Lal has not accepted any cash and the hospitality was in kind so it is permitted
 - (b) Shyam Lal being a Member of Parliament, should not avail that hospitality since it is prohibited
 - (c) Shyam Lal can enjoy the US tour since the Government of India has sent him there
 - (d) Shyam Lal being a Member of Parliament should take prior permission of the Central Government before taking any foreign hospitality

Answer Key

1.	(a)	2.	(b)	3.	(d)	4.	(d)
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Case Study (MTP May 2023) - Sahayata Foundation is a company registered under section 8 of the companies Act, 2013, mainly engaged in the social activities of providing relief to poor people.

A Board Meeting was arranged on 30th April, 2022, which was attended by all the 10 directors of the company, to discuss on the formalities to be fulfilled with the respect to the amounts received or receivable by it, from various sources as under:

- (a) Jim Ltd. to contribute ₹ 10 lakhs, in which Government of US holds 50% and T-cap Ltd., an Indian Company, holds 49%, respectively, of the nominal value of its share capital. The foreign investment by US Government in Jim Ltd. was made beyond the limits specified under the FEMA, 1999.
- (b) Rasvil Ltd., in which Rasvil Inc., a UK company, holds more than 50% of nominal value of its share capital, to contribute ₹ 15 lakhs. The foreign investment by Rasvil Inc. in Rasvil Ltd. was made beyond the limits specified under the FEMA, 1999.
- (c) A specialized agency of the United Nations, to contribute ₹ 6 lakhs.
- (d) Mr. Christian, an Italian citizen, but a person resident in India, to contribute ₹ 9 lakhs. Also, Mr. Christian, gifted a wrist watch worth ₹ 60,000 each to two directors of Sahayata Foundation, as an acknowledgement to their efforts during the tough times of the pandemic Covid-19.
- (e) Care-covid Foundation, a Singapore based trust, to contribute ₹ 4 lakhs.
- (f) Saam Ltd., in which citizens of US and Canada, hold in aggregate 60% of nominal value of its share capital, to contribute ₹ 9 lakhs. The foreign investment by such citizens in Saam Ltd. was made within the limits specified under the FEMA, 1999.
- (g) Ksuit Inc., a French company, to contribute or pay ₹ 6 lakhs towards the cost of goods procured from Sahayata Foundation, in the ordinary course of business.
- (h) Interest of ₹ 3 lakhs has accrued on the earlier foreign contributions received by Sahayata Foundation, so deposited in the FCRA account with SBI.

One director of Sahayata Foundation, Mr. Jayesh, resigned from his offices on 20th May, 2022 and other director Mr. Mahesh, resigned from his office on 29th May, 2022, and the offices, both the directors, remained vacated for the remaining financial year.

On 1st June, 2022, a second half yearly board meeting of directors of Sahayata Foundation was called for, which was attended by 4 directors, with respect to discussion of the budget to be allocated for the expenses to be incurred for the purpose of administration of the company, which was decided at 30% of the total contributions received or receivable during the financial year 2022-23. The total contributions of ₹ 100 lakhs were estimated to be received during the financial year.

1. Which of the aforementioned persons can be considered as a 'Foreign source'?

- (a) Jim Ltd., Rasvil Ltd., Mr. Christian, Care-covid Foundation, Saam Ltd. and Ksuit Inc.
- (b) Jim Ltd., Rasvil Ltd., Mr. Christian, Care-covid Foundation and Ksuit Inc.
- (c) Jim Ltd., Rasvil Ltd., Mr. Christian and Care-covid Foundation
- (d) Jim Ltd., Rasvil Ltd., Care-covid Foundation and Ksuit Inc.

2. What shall be total amount of 'Foreign contribution' received or receivable by Sahayata Foundation during F.Y. 2022-23?

- (a) ₹ 41 lakhs
- (b) ₹ 50 lakhs
- (c) ₹ 38 lakhs
- (d) ₹ 47 lakhs

3. How much administrative expenses can be defrayed by Sahayata Foundation of the foreign contributions of ₹ 100 lakhs, received or receivable by it during F.Y. 2022-23, without prior approval and prior approval of which authority shall be required to defray admin expenses above the specified limit?

- (a) ₹ 50 lakhs and for defrayal of excess amount, prior approval of Central Government is necessary.
- (b) ₹ 20 lakhs and for defrayal of excess amount, prior approval of RBI is necessary.
- (c) ₹ 20 lakhs and for defrayal of excess amount, prior approval of Central Government is necessary.
- (d) ₹ 30 lakhs and for defrayal of excess amount, prior approval of its authorised dealer (i.e. SBI) is necessary.

Answer Key

1.	(b)	2.	(a)	3.	(c)
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Chapter 14

The Insolvency and Bankruptcy Code, 2016

Basics of IBC

Q1: Which of the following is not an objective of Insolvency and Bankruptcy Code, 2016?

- (a) Promoting availability of credit
- (b) Promoting entrepreneurship
- (c) Insolvency resolution of corporate persons
- (d) Recovery of loans by creditors

Q2: The Insolvency and Bankruptcy Code, 2016 has adopted _____ model for corporate insolvency resolution.

- (a) Debtor-in-possession
- (b) Debtor-in-control
- (c) Creditor-in-control
- (d) NCLT-in possession

Q3: The provisions relating to _____ in the Insolvency & Bankruptcy Code, 2016 are yet to come into force

- (a) Resolution of Personal Guarantors to Corporate Debtors
- (b) Resolution of Corporate Guarantors to Corporate Debtors
- (c) Fresh Start Process
- (d) Voluntary Liquidation Process

Section 3 - Important Definitions

Q4: RAB Bank Limited, a banking company, has defaulted in the payment of dues to their catering contractor. Can the contractor, as an operational creditor initiate insolvency process against the bank-

(Study Mat & ICAI Sample MCQ)

- (a) Yes, operational creditors are entitled
- (b) No, financial service providers are excluded
- (c) Yes, banking companies are covered under this code
- (d) No, catering is an excluded service under the Code

[Hint - Refer the meaning of 'Corporate Person']

Q5: New Era Financial Services Limited is registered with Reserve Bank of India. It defaulted in the payment of dues to its catering contractor. Is it possible for the contractor as an operational creditor to initiate insolvency process against the company:

(ICAI MCQ Booklet & MTP Nov 2022)

- (a) Yes, the catering contractor as operational creditor is entitled to initiate insolvency process.
- (b) No, because financial service providers are excluded and therefore, catering contractor as operational creditor is not entitled to initiate insolvency process.
- (c) Yes, because financial service providers are not excluded and therefore, catering contractor as operational creditor is entitled to initiate insolvency process.
- (d) No, because catering service provider is an excluded service.

Section 4 - Application of Part I

Q6: A creditor can initiate an insolvency proceeding when the debtor company has defaulted at least Rs. _____

- (a) ₹ 1,000
- (b) ₹ 10,000
- (c) ₹ 1 lakh
- (d) ₹ 1 crore

[Hint - Refer Notification dated 24th March 2020]

Section 5 - Important Definitions

Q7: _____ is the Adjudicating Authority in case of companies, LLPs and enforcement of personal guarantees related to the corporate debtors.

- (a) Debt Recovery Tribunal
- (b) National Company Law Tribunal
- (c) National Company Law Appellate Tribunal
- (d) Supreme Court

Q8: Person who has provided goods or services and the payment for same is due from the corporate debtor, is a:

(Study Mat)

- (a) Financial Creditor
- (b) Operational creditor
- (c) Corporate applicant
- (d) Both (a) & (b)

Q9: If you book a flat with a real estate company, and that company enters the corporate insolvency resolution process, you should be considered as _____

- (a) An operation creditor
- (b) A secured creditor
- (c) A financial creditor
- (d) A preferential creditor

Q10: Whether an operational creditor can assign or legally transfer any operational debt to a financial creditor

(Study Mat)

- (a) Yes. However, the transferee shall be considered as an operational creditor to such extent of transfer.
- (b) Yes, but the transferee shall be considered as a financial creditor in relation to such transfer.
- (c) No. An operational creditor cannot assign or legally transfer any operational debt to a financial creditor.
- (d) No. An operational creditor can assign or legally transfer an operational debt only to an operational creditor.

Q11: _____ means a person who submits a resolution plan to the resolution professional.

- (a) Financial creditor
- (b) Resolution Applicant
- (c) Resolution Professional
- (d) Interim Resolution Professional

Q12: A financial creditor, FC through an assignment agreement, assigned here the debt to the X trust. X trust filed the petition for initiation of corporate Insolvency resolution process (CIRP) against Corporate debtor, CR. State the correct statement with respect to the competency of the X trust in the filing of the petition in the above situation-

(ICAI Sample MCQ)

- (a) X Trust is not a competent applicant as per section 6 of the IBC, 2016
- (b) X Trust is being authorized by the FC to file an application
- (c) X Trust in the capacity of financial creditor can file a valid petition
- (d) None of the above

Section 6 - Persons who may initiate CIRP

Q13: Where any corporate debtor commits a default, which of the following persons may initiate CIRP

- (a) Financial creditor
- (b) Operational creditor
- (c) Corporate applicant
- (d) Any of the above

Section 7 - Initiation of CIRP by Financial Creditor

Q14: When can a bank file an application for initiation of corporate insolvency resolution process against a corporate debtor?

- (a) On determination of default by the Adjudicating Authority
- (b) On commission of default by the corporate debtor
- (c) On net-worth of the corporate debtor becoming negative
- (d) On classification of account of the corporate debtor as a Non-Performing Asset

Q15: When a financial creditor files an application before the Adjudicating Authority for initiating the corporate insolvency resolution process against the corporate debtor, the Adjudicating Authority shall within _____ of the receipt of the application, ascertain the existence of a default.

- (a) 7 days
- (b) 14 days
- (c) 21 days
- (d) 30 days

Q16: When a financial creditor files an application before the Adjudicating Authority for initiating the corporate insolvency resolution process against the corporate debtor, the Adjudicating Authority shall, before rejecting the application, give a notice to the applicant to rectify, within _____, the defect in the application.

- (a) 7 days
- (b) 14 days
- (c) 21 days
- (d) 30 days

Q17: When a financial creditor files an application before the Adjudicating Authority for initiating the corporate insolvency resolution process against the corporate debtor, the corporate insolvency resolution process shall commence from _____

- (a) The date on which application was filed by the financial creditor with the Adjudicating Authority
- (b) The date of admission of application by the Adjudicating Authority
- (c) The date on which the Adjudicating Authority communicated the financial creditor about submission of the application
- (d) The date of appointment of the Interim Resolution Professional

Section 8 & 9 - Initiation of CIRP by Operational Creditor

Q18: Granules India Limited defaulted in the payment of its trade creditor, Mr. Ashish. Ashish delivered a demand notice on the company. Under the provisions of the Insolvency & Bankruptcy Code, 2016; the company shall within _____ of the receipt of demand notice, bring to the notice to Mr. Ashish about the existence of the dispute.

- (a) 7 days
- (b) 10 days
- (c) 14 days
- (d) 30 days

Q19: When an operational creditor files an application before the Adjudicating Authority for initiating the corporate insolvency resolution process against the corporate debtor, the Adjudicating Authority shall within _____ of the receipt of the application, ascertain the existence of a default.

- (a) 7 days
- (b) 14 days
- (c) 21 days
- (d) 30 days

Q20: When an operational creditor files an application before the Adjudicating Authority for initiating the corporate insolvency resolution process against the corporate debtor, the corporate insolvency resolution process shall commence from _____

- (a) The date on which application was filed by the operational creditor with the Adjudicating Authority
- (b) The date of admission of application by the Adjudicating Authority
- (c) The date on which the Adjudicating Authority communicated the operational creditor about submission of the application
- (d) The date of appointment of the Interim Resolution Professional

Section 10 - Initiation of CIRP by Corporate Applicant

Q21: Where a corporate debtor has committed a default, a corporate applicant may file an application for initiating the corporate insolvency resolution process with the NCLT. The corporate applicant shall, along with the application, furnish _____, approving the application.

- (a) An ordinary resolution of the shareholders
- (b) A special resolution of the shareholders
- (c) A unanimous resolution of the Board

- (d) Prior approval of the Central Government

Section 11 - Persons not entitled to make application

Q22: A corporate debtor shall not be entitled to make an application to initiate corporate insolvency resolution process if it has completed corporate insolvency resolution process within _____ preceding the date of making of the application.

- (a) 3 months
- (b) 6 months
- (c) 9 months
- (d) 12 months

Section 12 - Time limit for completion of CIRP

Q23: The corporate insolvency resolution process shall be completed within a period of _____ from the date of admission of the application to initiate such process.

- (a) 90 days
- (b) 120 days
- (c) 180 days
- (d) 270 days

Q24: What is the mandatory period for completion of Corporate Insolvency Resolution Process (CIRP) against a corporate debtor?

(MTP Nov 2020)

- (a) 180 days which includes the time taken in legal proceedings in relation to such resolution process of the corporate debtor.
- (b) 270 days which includes the time taken in legal proceedings in relation to such resolution process of the corporate debtor.
- (c) 330 days which includes the time taken in legal proceedings in relation to such resolution process of the corporate debtor.
- (d) 365 days which includes the time taken in legal proceedings in relation to such resolution process of the corporate debtor.

Q25: The time line of 180 days for the Corporate Insolvency Resolution process commences from the _____

(Study Mat & ICAI Sample MCQ)

- (a) Date of Debt
- (b) Date of preferring the application
- (c) Date of admission of application by NCLT
- (d) 90 days after the debt is due

Q26: The resolution professional shall file an application to the NCLT to extend the period of Corporate Insolvency Resolution Process beyond 180 days, if instructed to do so by a resolution

passed at a meeting of the Committee of Creditors by a vote of ____ of the voting shares

- (a) 51%
- (b) 66%
- (c) 74%
- (d) 76%

Q27: The Adjudicating Authority is empowered to extend the duration of corporate insolvency resolution process beyond the stipulated period by such further period as it thinks fit, but not exceeding ____

- (a) 30 days
- (b) 60 days
- (c) 90 days
- (d) 180 days

Q28: How many times Corporate Insolvency Resolution Process period can be extended?
(RTP Nov 19)

- (a) shall not be granted more than once
- (b) shall be granted more than once
- (c) shall be granted more than twice on the reasonable cause
- (d) cannot be granted at all

Section 12A - Withdrawal of application

Q29: The Adjudicating Authority may allow the withdrawal of application admitted under section 7 or section 9 or section 10, on an application made by the applicant with the approval of ____ voting share of the committee of creditors, in such manner as may be specified.

- (a) 66%
- (b) 75%
- (c) 90%
- (d) 100%

Q30: The Adjudicating Authority may allow the withdrawal of application admitted under section 7 or section 9 or section 10, on an application made:

(MTP Nov 2021)

- (a) By the Interim Resolution Professional
- (b) By the applicant with the approval of 66% voting share of the committee of creditors.
- (c) By the applicant with the approval of 75% voting share of the committee of creditors.
- (d) By the applicant with the approval of 90% voting share of the committee of creditors

Section 14 - Moratorium

Q31: The moratorium is not declared by the Adjudicating Authority for:

(MTP Nov 2023)

- (a) Prohibiting the institution of any suit against the corporate debtor

- (b) Prohibiting any action to enforce any security interest created by the corporate debtor
- (c) Prohibit the recovery of any property by an owner where such property is occupied by the corporate debtor
- (d) Suspension of supply of essential goods or services to the corporate debtor

Section 15 - Public Announcement of CIRP

Q32: Mr. Romil was appointed as an IRP during the Corporate Insolvency Resolution Process on 3rd of March, 2019. He can make a Public announcement

(MTP May 2021)

- (a) latest by 6th March 2019
- (b) latest by 7th March 2019
- (c) latest by 10th March 2019
- (d) latest by 14th March 2019

Section 16 - Appointment & Tenure of IRP

Q33: Who appoints an Insolvency Professional to act as the Interim Resolution Professional for a corporate insolvency resolution process?

- (a) The committee of creditors
- (b) The corporate debtor
- (c) The National Company Law Tribunal
- (d) The Insolvency and Bankruptcy Board of India

Q34: NCLT shall appoint an interim resolution professional within how many days from the insolvency commencement date

(MTP Nov 19)

- (a) 7 days
- (b) 10 days
- (c) 14 days
- (d) 30 days

Section 17 - Management of affairs of corporate debtor

Q35: The powers of Board of Directors of a company undergoing corporate insolvency resolution process is exercised by

- (a) The Central Government
- (b) The Insolvency & Bankruptcy Board of India
- (c) The Interim Resolution Professional
- (d) The Registrar of Companies

Q36: ABC and Co, the tax consultants of X Limited for which an interim resolution professional - Mr. A, has been appointed under the Corporate Insolvency resolution process has refused to furnish information to Mr. A on the grounds of client confidentiality. Are they right?

(Study Mat, ICAI Sample MCQ & MTP May 19)

- (a) Yes, they are right
- (b) No, the Code provides powers to the IRP to access all information from various parties
- (c) Partly right, they can do so only after consent of the directors
- (d) Mr. A is not right in even asking for this information

Section 21 - Committee of Creditors

Q37: The committee of creditors constituted in a corporate insolvency resolution process comprises _____

- (a) Financial creditors
- (b) Financial creditors and operational creditors
- (c) Financial creditors and equity shareholders
- (d) Financial creditors and preferential shareholders

Q38: Save as otherwise provided in Insolvency and Bankruptcy Code, 2016, all the decisions of the committee of the creditors shall be taken by a vote of not less than _____ of voting share of the financial creditors.

(MTP Nov 19)

- (a) 51%
- (b) 66%
- (c) 75%
- (d) 90%

Q39: The IRP appointed for M Ltd. is seeking your views on the constitution of the Committee of creditors of M Ltd. M Ltd. does not have any financial debt other than loan obtained from Mr. A, son of Mr. B, the managing director of M Ltd. Considering the above, identify the appropriate constitution of the committee of creditors out of the following:

(RTP May 2020 & MTP Nov 2021)

- (a) Mr. A, 18 largest operational creditors, 1 representative of all workmen
- (b) 18 largest operational creditors, 1 representative of workmen and 1 representative of employees.
- (c) Only Mr. A since he is the only financial creditor
- (d) 18 largest operational creditors, 1 representative of workmen and 1 representative of employees and the resolution professional.

Section 24 - Meeting of CoC

Q40: Operational creditors are entitled to receive notice of meetings of Committee of creditors if their aggregate dues are not less than _____ % of the total debts of the corporate debtor

(ICAI Sample MCQ)

- (a) 20%
- (b) 10%
- (c) 15%
- (d) 5%

Q41: A meeting of Committee of Creditors shall quorate if members of Committee of Creditors representing at least _____ of the voting rights are present either in person or by audio/ video means

(MTP May 2021 & RTP Nov 2021)

- (a) 33%
- (b) 51%
- (c) 66%
- (d) 74%

Section 22 - Appointment of RP

Q42: Committee of creditors of Corporate debtors was constituted on 17.3.2020. Time limit, within which the first meeting of committee of creditors should be held, is _____

(ICAI Sample MCQ & MTP May 20)

- (a) 20.3.2020
- (b) 22.3.2020
- (c) 24.3.2020
- (d) 31.3.2020

Q43: The Committee of Creditors may, in the first meeting, by a majority vote of not less than _____ of the voting share of the financial creditors, either resolve to appoint the interim resolution professional as a resolution professional or to replace the interim resolution professional by another resolution professional.

- (a) 51%
- (b) 66%
- (c) 74%
- (d) 90%

Section 25 - Duties of RP

Q44: _____ shall be responsible for carrying out the entire Corporate Insolvency resolution process and managing the operations of the corporate debtor during the process.

(Study Mat)

- (a) Committee of creditors
- (b) Adjudicating Authority
- (c) Insolvency professionals
- (d) Resolution Professional

Q45: Who shall determine the amount of claim due to a creditor under the Insolvency and Bankruptcy Code during the Corporate Insolvency Resolution Process (CIRP)?

(MTP May 2021)

- (a) Committee of creditors
- (b) Resolution professional
- (c) Adjudicating Authority

- (d) Corporate debtor

Section 27 - Replacement of RP by CoC

Q46: The Committee of Creditors may, at a meeting, by a vote of ____ of voting shares, resolve to replace the Resolution Professional with another Resolution Professional.

- (a) 51%
(b) 66%
(c) 74%
(d) 90%

Section 29A - Persons not eligible to be Resolution Applicant

Q47: Which of the following persons is prohibited to submit a resolution plan in a corporate insolvency resolution process?

- (a) A promoter of the corporate debtor
(b) A wilful defaulter
(c) A creditor of the corporate debtor
(d) A competitor of the corporate debtor

Q48: A person shall not be eligible to submit a resolution plan, if he has been convicted for any offence punishable with imprisonment of ____ or more under any Act specified in the Twelfth Schedule

- (a) 1 year
(b) 2 years
(c) 5 years
(d) 7 years

Q49: A person shall not be eligible to submit a resolution plan, if he has been convicted for any offence punishable with imprisonment of ____ or more under any law for the time being in force.

- (a) 1 year
(b) 2 years
(c) 5 years
(d) 7 years

Section 30 - Submission of Resolution Plan

Q50: As per the Insolvency & Bankruptcy Code, 2016, resolution plan is prepared by _____ is submitted to _____

(ICAI Sample MCQ)

- (a) Committee of Creditors, Adjudicating Authority
(b) Resolution applicant, committee of creditors
(c) Resolution applicant, Resolution Professional
(d) Committee of Creditors, Resolution Professional

Q51: Under the IBC, the resolution plan shall be approved by the Committee of Creditors by a vote of not less than _____ percent of voting share of the financial creditors.

(RTP May 19)

- (a) 51%
(b) 66%
(c) 75%
(d) 95%

Section 33 - Initiation of Liquidation

Q52: Where the resolution professional, at any time during the CIRP but before confirmation of resolution plan, intimates the NCLT of the decision of the Committee of Creditors approved by not less than ____ of the voting share to liquidate the corporate debtor, the NCLT shall pass a liquidation order.

- (a) 51%
(b) 66%
(c) 74%
(d) 90%

Q53: MX Limited was admitted in the Corporate Insolvency Resolution Process (CIRP) under section 7 of the Insolvency and Bankruptcy Code (Code). The Resolution Professional (RP) of the MX Limited (Corporate Debtor) conducted the Committee of Creditors (CoC) meeting but the same was adjourned due to lack of quorum. Accordingly, in the adjourned meeting, a resolution was passed by the CoC members present, representing 51% of the voting rights for liquidation of the Corporate Debtor before the expiry of the Corporate Insolvency Resolution Process (CIRP). You as a qualified Chartered Accountant in the team of RP is required to advise RP whether the resolution of liquidation passed is valid in law considering the provisions of the Insolvency and Bankruptcy Code.

(ICAI MCQ Booklet)

- (a) The resolution passed for liquidation is not valid in law as it has not been approved by minimum of 90% of the voting shares of the financial creditors.
(b) The resolution passed for liquidation is not valid in law as it has not been approved by minimum of 66% of the voting shares of the financial creditors.
(c) The resolution passed for liquidation is not valid in law as it cannot be passed before the expiry of the CIRP.
(d) The resolution passed for liquidation is valid in law as it has been passed by 51% of the voting shares of the financial creditors.

Q54: In case of a contravention of the resolution plan, an application for liquidation can be made by
(MTP May 19 & MTP Nov 19)

- (a) Only the original applicant
- (b) Only by the corporate debtor
- (c) By any person other than the corporate debtor whose rights have been prejudicially affected
- (d) By the financial creditors only

Q55: Can an Adjudicating Authority order the liquidation of a corporate debtor even after approving the resolution plan:

(MTP May 2021)

- (a) Yes, if the resolution plan is contravened.
- (b) The Adjudicating Authority may order the liquidation of a corporate debtor even after approving the resolution plan on receiving an application from a third party who is unaffected by such liquidation
- (c) Yes, the Adjudicating Authority may order for the liquidation of a corporate debtor if the committee of creditor does not approve the resolution plan after its approval by the Adjudicating Authority
- (d) No, the Adjudicating Authority cannot order the liquidation of a corporate debtor after approving the resolution plan.

Section 36 – Liquidation Estate

Q56: Which of the following assets shall not be included in the liquidation estate of the corporate debtor?

- (a) Assets subject to determination of ownership by the court
- (b) Assets of the corporate debtor in respect of which a secured creditor has relinquished security interest
- (c) Assets in security collateral held by financial service providers
- (d) Assets subject to the determination of ownership by the NCLT

Q57: The Committee of Creditors (CoC) of Ashoka Cement Limited under the Corporate Insolvency Resolution Process (CIRP) have passed a resolution allowing the Resolution Professional (RP) of Company for initiating the process of liquidation before NCLT under section 33 of the Insolvency and Bankruptcy (Amendment) Code, 2019. Accordingly, the RP was appointed as liquidator of the Ashoka Cement Limited. While forming the liquidation estate, the liquidator was in dilemma regarding the inclusion and exclusion of the assets forming part of the liquidation estate. You as a Qualified Chartered Accountant are required to advise the liquidator regarding the issues faced by him with respect

to the exclusion to be made in the liquidation estate of Ashoka Cement Limited as per the provisions of the Code.

1. Assets in security collateral held by financial service providers.
2. Any asset of the corporate debtor in respect of which a secured creditor has relinquished security interest.
3. Assets owned by a third party which are in the possession of the corporate debtor.
4. Assets subject to the determination of ownership by the court or authority.

(RTP Nov 2021)

- (a) Only (3)
- (b) Both (2) and (4)
- (c) Only (1)
- (d) (1) and (3)

Section 38 – Consolidation of Claims

Q58: Under the provisions of IBC, 2016; the liquidator shall receive or collect the claims of creditors within a period of ____ from the date of commencement of the liquidation process.

- (a) 7 days
- (b) 14 days
- (c) 30 days
- (d) 60 days

Q59: Shivdeep submitted his claim as an operational creditor to the liquidator of Chiranjeevi Food Products Limited, a company under liquidation. If Shivdeep wants to vary his claim, state the time period within which he can do so after its submission.

(MTP Nov 2020, ICAI MCQ Booklet, MTP May 2021 & RTP May 2022)

- (a) Five days
- (b) Ten days
- (c) Fourteen days
- (d) Fifteen Days

Section 39 & 40 – Verification of Claims

Q60: Under the provisions of IBC, 2016; the liquidator shall communicate his decision of admission or rejection of claims to the creditor and corporate debtor within ____ of such admission or rejection of claims.

- (a) 7 days
- (b) 14 days
- (c) 30 days
- (d) 60 days

Section 43 – Preferential Transactions

Q61: Under the provisions of IBC, 2016; a preference shall be deemed to be given by the corporate

debtor at a relevant time if it is given to a related party during the period of _____ preceding the insolvency commencement date.

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Q62: Under the provisions of IBC, 2016; a preference shall be deemed to be given by the corporate debtor at a relevant time if it is given to a person other than a related party during the period of _____ preceding the insolvency commencement date.

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

Section 53 - Waterfall Arrangement

Q63: Who among the following has the highest priority in distribution of sale proceeds of liquidation estate in a liquidation process?

- (a) Workmen
- (b) Employees
- (c) Government
- (d) Tax dues

Section 59 - Voluntary Liquidation

Q64: If a company wishes to exit a business and can pay-off all its debts in full form from the sale proceeds of its assets, it may initiate _____

- (a) Compulsory liquidation process
- (b) Voluntary liquidation process
- (c) Corporate liquidation process
- (d) Fast-track liquidation process

Q65: For initiation of Voluntary liquidation, a declaration of solvency (no debts or assets are sufficient to discharge liabilities) should be given by

(MTP May 19)

- (a) Two directors
- (b) Two directors and 80% shareholders
- (c) Two directors and 80% shareholders and statutory auditors
- (d) Majority of the directors

Q66: Under the provisions of IBC, 2016; One of the conditions for the voluntary liquidation of a company which owes any debt to any person is that the creditors representing _____ in value of the debt of the company shall approve the resolutions passed by the members.

- (a) 1/3rd
- (b) 1/4th
- (c) 2/3rd
- (d) 3/4th

Section 55 & 56 - Fast Track CIRP

Q67: Under the provisions of IBC, 2016; the process of fast-track corporate insolvency resolution shall be completed within _____ from the insolvency commencement date.

- (a) 45 days
- (b) 90 days
- (c) 180 days
- (d) 270 days

Q68: Under the provisions of IBC, 2016; the adjudicating authority can extend the duration of fast-track insolvency resolution by such further period not exceeding _____

- (a) 45 days
- (b) 90 days
- (c) 180 days
- (d) 270 days

Q69: The Adjudicating Authority is empowered to extend the duration of fast track insolvency resolution process beyond the stipulated period only if resolution professional file an application with the Adjudicating Authority for such extension, if instructed to do so by a resolution passed at a meeting of the committee of creditors by a vote of _____ of the voting power

- (a) 51%
- (b) 66%
- (c) 75%
- (d) 90%

Q70: Ruby Ltd. filed an application to the NCLT stating that corporate insolvency resolution process against him, cannot be completed within the 90 days under the fast track insolvency resolution process. Considering application and on being satisfied, NCLT ordered to extend the period of such process by 30 days. Later, again Ruby Ltd. initiated an application for further extension of time period of insolvency process by 15 days. Decide in the given situation, whether NCLT, can extend timelines by further 15 days.

(Study Mat & ICAI Sample MCQ)

- (a) Yes, because extension of duration in toto, is not exceeding 45 days.
- (b) Yes, depends of the facts, if it is justified, NCLT may extend the timelines.
- (c) No, extension of the fast track insolvency resolution process shall not be granted more than once.
- (d) (a) & (b)

Q71: Ruby Petals Limited, a small company, files an application with the NCLT stating that the fast track corporate insolvency resolution process against it cannot be completed within the prescribed period of 90 days. On being

satisfied, NCLT orders to extend the period of such process by 30 days. However, Ruby Petals Limited again initiates an application for further extension of time period of insolvency process by another 10 days. Which of the following option is applicable to such a situation:

(ICAI MCQ Booklet & MTP May 2021)

- (a) NCLT can extend the period by another 10 days because total extension does not exceed 45 days.
- (b) NCLT is empowered to grant another extension of 10 days if Ruby Petals deposits ₹ 50,000 as penalty.
- (c) NCLT is empowered to grant another extension of 10 days if Ruby Petals deposits ₹ 100,000 as penalty.
- (d) NCLT cannot extend the period by another 10 days because such extension shall not be granted more than once.

Miscellaneous

Q72: Who regulates Insolvency Professionals?

- (a) Ministry of Corporate Affairs
- (b) National Company Law Tribunal
- (c) Insolvency and Bankruptcy Board of India
- (d) Indian Institute of Corporate Affairs

Q73: Which of the following is the first financial service provider to undergo corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016?

- (a) IL & FS
- (b) Punjab & Maharashtra Co-operative Bank Limited
- (c) DHFL
- (d) SRS Microfinance

Q74: Mr. Satya, file a petition for default of non-payment of the debt against Mr. X. The amount in default claimed by petitioner was ₹ 30 lakh. Mr. X (Respondent) pleaded before the adjudicating authority that the amount of claim was not belonging to the applicant. Mr. Satya, asserted that he himself with his son owes ₹ 26 Lakh to the respondent. Though nowhere in the petition he admitted that he himself with his Son owes ₹ 26 Lakh to the respondent. Considering the above facts in the light of the Insolvency and Bankruptcy Code, state the action to be taken by the Adjudicating Authority-

(Study Mat & RTP Nov 19)

- (a) NCLT will admit the application of Mr. Satya, as he jointly with his son owned the debt to the Mr. X, so he is a valid petitioner.
- (b) NCLT will admit the application filed by Mr. Satya on behalf of his son.

- (c) NCLT will reject the application considering that no default has occurred against Mr. Satya, and his stand as a financial creditor is not proved in the petition.
- (d) NCLT will dismiss the application on the ground of non-clarity as to existence of dispute.

PIRP

Q75: The PPIRP may be made in respect of a corporate debtor, who commits a default subject to the condition that the majority of the directors of the corporate debtor have made a declaration, stating inter alia, that the corporate debtor shall file an application for initiating pre-packaged insolvency resolution process within a definite time period of:

(MTP May 2022)

- (a) not exceeding 60 days
- (b) not exceeding 90 days
- (c) not exceeding 120 days
- (d) not exceeding 150 days

Q76: Mr. Raman gave a loan of amount 2 crore to a small enterprise, engaged in the manufacture and production of the articles belonging to metallurgical industries. Due to running in loss, it defaulted in payment of debt to Mr. Raman. So an insolvency process was initiated against it. Application was admitted on 31st January 2023. State which of the following is/are the correct statement/s in the light of the given facts as per the Insolvency and Bankruptcy Code:

- (I) Insolvency resolution process cannot be initiated against the Corporate debtor being a small enterprise in nature, which is out of scope of applicability of Code.
- (II) Pre-packaged Insolvency resolution process can be initiated and shall be completed latest by 31st May, 2023.
- (III) RP shall submit the resolution plan, whether approval of CoC is obtained or not, to the Adjudicating Authority.
- (IV) In case, no resolution plan is approved by the committee of creditors, the RP, shall, file an application with the Adjudicating Authority for termination of the pre-packaged insolvency resolution process.

(MTP May 2023)

- (a) Only (I)
- (b) (II) and (III)
- (c) (II) and (IV)
- (d) (II), (III) and (IV)

Q77: Jain Ltd., a corporate debtor classified as a Small Enterprise, is facing financial difficulties and owes ₹ 75 lakh to its creditors. Despite efforts, Jain Ltd. is unable to recover the mone

it lent to its debtors in times of need, leading to default in settling dues to its creditors. ABC Ltd. (a Financial Creditor) decides to initiate the Pre-Packaged Insolvency Resolution Process (PPIRP) under the provisions of the Insolvency and Bankruptcy Code, 2016 (IBC). The Financial Creditors, who are not related parties, proposed Mr. Q as the Resolution Professional (RP) to conduct the PPIRP. Such Financial Creditors of the corporate debtor, representing sixty-six per cent. in value of the financial debt due to such creditors, have approved such proposal.

Requirement - Based on the given scenario, is the act of Financial Creditors proposing and approving, Mr. Q as the Resolution Professional, valid for initiating pre-packaged insolvency resolution process under the Insolvency and Bankruptcy Code?

(RTP Nov 2023)

- (a) Yes, because the Financial Creditors approving the proposal of appointment of RP were representing the required percentage of financial debt due to them against the limit specified.
- (b) No, because the Corporate Debtor is classified as a Small Enterprise, and therefore, the PPIRP cannot be initiated.
- (c) No, because the Financial Creditors should propose the name of the Resolution Professional only if they are related parties.
- (d) Yes, because the Corporate Debtor has committed default as per Section 4 of the IBC, and the Financial Creditors have the authority to propose the Resolution Professional.

Answer Key

Q1.	(d)	Q2.	(c)	Q3.	(c)	Q4.	(b)	Q5.	(b)	Q6.	(d)	Q7.	(b)	Q8.	(b)	Q9.	(c)
Q10.	(a)	Q11.	(b)	Q12.	(c)	Q13.	(d)	Q14.	(b)	Q15.	(b)	Q16.	(a)	Q17.	(b)	Q18.	(b)
Q19.	(b)	Q20.	(b)	Q21.	(b)	Q22.	(d)	Q23.	(c)	Q24.	(c)	Q25.	(c)	Q26.	(b)	Q27.	(c)
Q28.	(a)	Q29.	(c)	Q30.	(d)	Q31.	(d)	Q32.	(a)	Q33.	(c)	Q34.	(c)	Q35.	(c)	Q36.	(b)
Q37.	(a)	Q38.	(a)	Q39.	(b)	Q40.	(b)	Q41.	(a)	Q42.	(c)	Q43.	(b)	Q44.	(d)	Q45.	(b)
Q46.	(b)	Q47.	(b)	Q48.	(b)	Q49.	(d)	Q50.	(c)	Q51.	(b)	Q52.	(b)	Q53.	(b)	Q54.	(c)
Q55.	(a)	Q56.	(c)	Q57.	(d)	Q58.	(c)	Q59.	(c)	Q60.	(a)	Q61.	(b)	Q62.	(a)	Q63.	(a)
Q64.	(b)	Q65.	(d)	Q66.	(c)	Q67.	(b)	Q68.	(a)	Q69.	(c)	Q70.	(c)	Q71.	(d)	Q72.	(c)
Q73.	(c)	Q74.	(c)	Q75.	(b)	Q76.	(c)	Q77.	(a)								

Case Study Based MCQs

Case Study (RTP Nov 2021)

Vivaan Contractors Limited, a public company incorporated under the Companies Act, 2013 is engaged in engineering and construction business. Over the past 2 years, the company has been struggling to pay dues to its various stakeholders such as lenders of working capital, suppliers of material, subcontractors, etc. The amount lend by the lenders for working capital is secured by first charge over current assets including receivables and stock and fixed assets are provided as collaterals. Mr. Ravi, CFO being an authorized person to make an application, files for Corporate Insolvency Resolution Process (CIRP) to the Adjudicating Authority at Mumbai on 29th March 2020. The Adjudicating Authority admitted the application and passed an order for initiating CIRP under section 10 of the Insolvency and Bankruptcy Code (IBC) and accordingly declared moratorium under section 14 of the Code. The order passed by the Adjudicating Authority did not provide for the appointment of Interim Resolution Professional (IRP) and thus, Mr. Rahul was appointed as IRP by a separate order dated 30th April 2020. The said order copy was however received to Mr. Ravi on 3rd May 2020 and on the very same day Mr. Rahul was informed regarding his appointment. Subsequently, Mr. Rahul made a public announcement and took over the control of the assets of the Corporate Debtor.

Multiple Choice Questions (MCQs)

1. As per the given facts in the case scenario, in which category the lenders for working capital would fall for the constitution of Committee of Creditors?
 - (a) Financial Creditors
 - (b) Secured Creditors
 - (c) Either (a) or (b)
 - (d) Both (a) and (b)
2. What amongst the following is necessary for filing an application for CIRP by the authorized representative of Vivaan Contractors Limited?
 - (a) Resolution passed by all the directors approving the filing of application.
 - (b) Special resolution passed by shareholders of Corporate Debtor approving the filing of application.
 - (c) Resolution passed by all the directors followed by approval through special resolution of shareholders of the Corporate Debtor.
 - (d) Ordinary resolution passed by shareholders of Corporate Debtor approving the filing of application.
3. Which date shall be considered as the insolvency commencement date for the purpose of computing the time period for Corporate Insolvency Resolution Process?
 - (a) 29th March 2020
 - (b) 30th April 2020
 - (c) 3rd May 2020
 - (d) 6th May 2020
4. Which date shall be the last date of the completion of the Corporate Insolvency Resolution Process including any extension granted under section 12 of the Code.
 - (a) 21st February 2021
 - (b) 25th March 2021
 - (c) 24th September 2020
 - (d) 28th March 2020

[Hint - 330 days from 30th April 2020. Also note, as per the author, technically the answer should have been 26th March 2021.]
5. Under the case scenario, by which date Mr. Rahul, Interim Resolution Professional should have made the public announcement under section 15 of the Code
 - (a) 3rd May 2020
 - (b) 30th April 2020
 - (c) 6th May 2020
 - (d) 5th May 2020

Answer Key

1.	(d)	2.	(b)	3.	(b)	4.	(b)	5.	(c)
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Case Study (RTP Nov 2022)

DS Jewellers Ltd., a recent launched showroom, have taken a loan of amount 4 crore from ABC Bank Ltd. It defaulted in repaying the dues and so, the ABC Bank initiated application for Corporate Insolvency Resolution Process (CIRP) in NCLT. The NCLT accepted the application for initiation of CIRP. It appointed Ms. Nimmi as Resolution Professional (RP) and the moratorium was declared.

The RP, after collation of all claims received against DS Jewellers Ltd, (the corporate debtor) and determination of the financial position of the corporate debtor, constituted a Committee of Creditors (CoC). There were 6 members.

The first meeting of the CoC was held within 7 days of the constitution of the CoC. The Quorum of the meeting was present throughout the meeting and the Chairperson presided over the meeting.

The Chairperson of the meeting of the CoC drafted the minutes and circulated to all the participants. The RP appointed two registered valuers to find out the fair value and liquidation value of the company.

Multiple Choice Questions (MCQs)

1. Ms. Nimmi, a Resolution Professional (RP) wants to convene CoC Meeting. State the requirement for valid holding of meeting of the Creditors:
 - (a) RP shall convene a meeting of the Creditors as and when she considers necessary and if requested by the members of the committee representing 33% of the voting rights
 - (b) RP shall convene a meeting of the Creditors if requested by the members of the committee representing 66% of the voting rights
 - (c) RP shall convene a meeting of the Creditors by the members representing 75% of the voting rights
 - (d) RP shall convene a meeting of the Creditors if requested by all of the members of the committee
2. What shall be the quorum of the meeting of creditors convened by the RP in the given scenario?
 - (a) At least 33% of the total number of creditors are present
 - (b) At least 33% of the voting right are present
 - (c) At least 66% of the total number of creditors are present
 - (d) At least 66% of the voting right are present
3. Who will act as Chairperson of the Committee of Creditors -
 - (a) The Managing Director of the DS Jewellers Ltd
 - (b) The Company Secretary of the DS Jewellers Ltd.
 - (c) The Financial Creditor having the highest voting rights
 - (d) Ms. Nimmi
4. What shall be notice period for calling of the CoC Meeting by Ms. Nimmi in the given case:
 - (a) three days' notice in writing.
 - (b) not less than five days' notice in writing.
 - (c) seven days' notice in writing.
 - (d) within 48 hours of the scheduled meeting.
5. For conduct of the CoC meeting, whom amongst the following shall be served the notice of the CoC meeting -
 - (a) members of Committee of creditors, including the authorized representatives
 - (b) members of the Board of Directors of the corporate persons,
 - (c) operational creditors or their representatives if the amount of their aggregate dues is less than ten per cent of the debt.
 - (d) Financial and Operational creditors both

Answer Key

1.	(a)	2.	(b)	3.	(d)	4.	(b)	5.	(a)
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Case Study (RTP May 2022)

Chitra Furnitures Ltd., is engaged in the business of manufacturing of wooden furniture and has been classified under the MSME sector. The company made a default under section 4 of the IBC.

The company put the matter of initiation of the pre-packaged insolvency resolution process (PPIRP) before the members for their approval, through a resolution.

The financial creditors of the company proposed the name of Vidisha, as Resolution Professional for conducting the pre-packaged insolvency resolution process (PPIRP).

The directors of the corporate debtor have made a declaration, stating inter alia, that the corporate debtor shall file an application for initiating pre-packaged insolvency resolution process within a definite time period.

An application for initiation of the PPIRP was made before the Adjudicating Authority, which was accepted.

Multiple Choice Questions (MCQs)

1. Which among the following is not the eligibility criteria for applying for initiation of PPIRP by the Corporate Debtor, if it:
 - (a) Is eligible to submit a resolution plan under section 29A of the IBC
 - (b) Has not undergone a PPIRP during the 3 years preceding the initiation date
 - (c) Has completed a CIRP during the 3 years preceding the initiation date
 - (d) Is not required to liquidated by an order under section 33 of the IBC
2. The PPIRP may be made in respect of a corporate debtor, who commits a default subject to the condition that the majority of the directors of the corporate debtor have made a declaration, stating inter alia, that the corporate debtor shall file an application for initiating pre-packaged insolvency resolution process within a definite time period:
 - (a) not exceeding 60 days
 - (b) not exceeding 90 days
 - (c) not exceeding 120 days
 - (d) not exceeding 150 days
3. An application for initiating PPIRP may be made in respect of a corporate debtor, who commits a default subject to the condition that the members of the corporate debtor have passed _____, approving the filing of an application for initiating pre -packaged insolvency resolution process:
 - (a) An Ordinary Resolution
 - (b) A Simple Resolution
 - (c) A Special Resolution
 - (d) A Concurrent Resolution
4. The corporate debtor shall obtain an approval from its financial creditors, not being its related parties, representing _____ due to such creditors, for the filing of an application for initiating pre-packaged insolvency resolution process, in such form as may be specified:
 - (a) less than 66% in value of the financial debt
 - (b) not less than 66% in value of the financial debt
 - (c) less than 66% in value of the operational debt
 - (d) not less than 66% in value of the operation debt
5. The Adjudicating Authority shall, within a period of _____ of the receipt of the application for initiation of PPIRP, by an order, admit the application, if it is complete; or reject the application, if it is incomplete:
 - (a) 7 days
 - (b) 14 days
 - (c) 21 days
 - (d) 28 days

Answer Key

1.	(c)	2.	(b)	3.	(c)	4.	(b)	5.	(b)
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Case Study (MTP Nov 2023)

Amrish Patel a renowned businessman of Gujarat started sport business after incorporating Ahmedabad Sport Limited (ASL). Due to stiff competition and lack of facilities/ incentive to sports goods manufacturers in the state, ASL became unprofitable and faced a cash crunch. Mr. Amrish is also director on board of ASL.

ASL was unable to serve the debt, hence financial creditor moved to NCLT with an application for corporate insolvency resolution process and suggested the name of CA. Ranjan (which is a qualified insolvency professional) as interim resolution professional on the first day of March, 2023. Adjudicating Authority after ascertaining the existence of default, accepted the application and appointed CA. Ranjan as Interim Resolution Professional on 12th March 2023.

The first meeting of the committee of creditor held on 28th March, 2023 where a simple majority of financial creditor, approved the appointment of CA. Rajan as Resolution Professional.

Moratorium is also declared in regard to ASL. One of creditor put claim against Mr. Amrish who is personal guarantor. Mr. Amrish, hold credence that section 14 of the Insolvency and Bankruptcy Code, 2016 (IBC) would apply to the personal guarantor as well, as a result of which proceedings against the personal guarantor and his property would have to be stayed, if moratorium declared.

He also has started Elite Real Estate Private Limited (EREPL) around 20 year back. Mr. Rajendra who is one among such allottee (of Ashiyana project of EREPL) even file the application under Insolvency and Bankruptcy Code 2016 against EREPL for intimation of CIRP because EREPL and took money from him against allotment of flat with commitment of interest payment if delay is observed in construction schedule, but failed to fulfill its promise. Legal consultant of EREPL are of opinion since he is operational creditor hence cannot file application under section 7.

EREPL in compliance to provision enumerated in the Companies Act, 2013, granted loan to ASL to bail out from eroded working capital situation but instead of preventing ASL from insolvency it also started witnessing cash crunch. It defaulted in payments to building material suppliers, who in result advanced an application under section 9 of Insolvency and Bankruptcy Code 2016 for initiation of CIRP. Mr. Amrish immediately conducted a meeting with such operational creditors and assured them payments but also requested them to resolve issue amicably as well as withdrawal of the application they advanced under section 9.

1. Is the appointment of CA Ranjan as the interim resolution professional at ASL is valid & if yes then what will be the latest possible date till when he can assume the office of interim resolution professional
 - (a) Invalid, because the action under IBC can't be initiated against ASL on mere application advanced under section 7 and existence of default.
 - (b) Valid, till the date of appointment of resolution professional
 - (c) Valid, till 30th March 2023
 - (d) Valid, till 30th April 2023
2. Can application advanced under section 9 by building material suppliers against EREPL for initiation of CIRP be withdrawn?
 - (a) Yes, but at the sole discretion of adjudicating authority, either on application or suo-moto
 - (b) Yes, but at the sole discretion of adjudicating authority in response to the application in writing from the applicant under section 9
 - (c) Yes, by adjudicating authority, but only at the application from the applicant under section 9
- with the approval of 66% of the voting share of the committee of creditors.
- (d) Yes, by adjudicating authority, but only at the application from the applicant under section 9 with the approval of 90% of the voting share of the committee of creditors.
3. Regarding the credence of Mr. Amrish (as personal guarantor) on effect of moratorium, identify the correct statement out of following:
 - (a) The credence that section 14 of the Insolvency and Bankruptcy Code, 2016 (IBC) would apply to the personal guarantor as well is valid.
 - (b) The credence that section 14 of the Insolvency and Bankruptcy Code, 2016 (IBC) would apply to the personal guarantor as well is valid, but in his case will not applicable as he is promoter director.
 - (c) The credence that section 14 of the Insolvency and Bankruptcy Code, 2016 (IBC) would apply to the personal guarantor as well is partially valid, as proceeding against the property of personal guarantor to be stayed but not against him.
 - (d) The credence that section 14 of the Insolvency and Bankruptcy Code, 2016 (IBC) would apply to the personal guarantor as well is invalid.

Answer Key

1.	(b)	2.	(d)	3.	(d)
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MODEL TEST PAPER
Self-Paced Online Modules
Set- A- Corporate and Economic Laws

Time Allowed: 3 Hours

Maximum Marks: 100

All Questions are compulsory. Each questions are of 2 Marks Each.

Section A-Company Law (50 Marks)

1. Pharma Limited is a company listed with Bombay Stock Exchange. The company is having 500 small shareholders. 50 shareholders with shareholding of 1200 equity shares of Rs. 10 each, have proposed to appoint Amar as a Director as their representative on the Board of Directors of the company. One of the director of the Board contended that appointment of Amar is not valid due to lack of holding of any shares in the company.

Based on the above details and referring to the provisions of the Companies Act, 2013, you are requested to answer the following MCQs: **(4 Marks)**

- 1.1 Whether the proposal to appoint Amar as a Small Shareholders' Director can be adopted?
- (a) The said proposal cannot be adopted as notice for his appointment shall be given by 1000 small shareholders.
 - (b) The said proposal cannot be adopted as notice for his appointment shall be given by more than 1/10 of total small shareholders and no shareholding of Amar is not in compliance.
 - (c) The said proposal can be adopted as 1/10th of 500 small shareholders comes to 50 and his holding in Pharma Limited is not necessitated mandatorily.
 - (d) The said proposal cannot be adopted as no nominal value of Rs. 20,000 shares held by Amar in Pharma Limited.
- 1.2 If there is no such proposal moved by the small shareholders, can Pharma Limited appoint Small Shareholders' Director on its own?
- (a) No, Pharma Limited cannot appoint a small shareholder director on its own.
 - (b) Yes, Pharma Limited can suo moto appoint small shareholders' director, even if there is no such proposal moved by the small shareholders.
 - (c) No, for appointment of small shareholders director, notice must come from atleast 1000 small shareholders.
 - (d) No, for the appointment of small shareholders director, notice must come from 1/10 of total small shareholders.
2. PCR Limited has appointed Mr. Vivek, a person resident in India, as a Managing Director who has taken a charge of the post on 1st June, 2021. The remuneration package sanctioned to him is as below:

Sr. No.	Particulars	Amount
1	Salary	60,00,000
2	Rent free accommodation	6,00,000
3	Children education allowance	3,00,000

4	Leave Travel Concession Package	3,00,000
5	Premium in respect of insurance taken for indemnification	5,00,000

It has, further, been informed that-

- (a) Mr. Vivek has availed the Leave Travel Concession Package which will not be pro-rated for 2021-22.
- (b) Mr. Vivek is not proved guilty during the financial year 2021-22 with respect to the above insurance policy.

Based on the above details and referring to the provisions of the Companies Act, 2013, you are requested to answer the following MCQs: **(6 Marks)**

2.1 What would be the amount of yearly remuneration for FY 2021-22 paid by PCR Ltd. to Mr. Vivek, the managing director who is appointed on 1st June, 2021?

- (a) Rs. 65,50,000
- (b) Rs. 60,50,000
- (c) Rs. 60,00,000
- (d) Rs. 77,00,000

2.2 If PCR Limited has incurred losses during the financial years 2020-21 and 2021-22 and the effective capital of the company as on 31st March 2021 is in negative, is there any excess remuneration paid to Mr. Vivek and if yes, what would be that excess remuneration?

- (a) Yes, excess remuneration is there of Rs. 10,00,000
- (b) Yes, excess remuneration is there of Rs. 10,50,000
- (c) Yes, excess remuneration is there of Rs. 15,50,000
- (d) Yes, excess remuneration is there of Rs. 27,00,000

2.3 Under what circumstances, PCR Limited can waive the excess remuneration paid to Mr. Vivek (if any)?

- (a) A waiver is approved by an ordinary resolution passed by the company within 1 year from the date the sum becomes refundable.
- (b) A waiver is approved by a special resolution passed by the company within 1 year from the date the sum becomes refundable.
- (c) A Waiver is approved by an ordinary resolution passed by the company within 2 years from the date the sum becomes refundable.
- (d) A Waiver is approved by a special resolution passed by the company within 2 years from the date the sum becomes refundable.

- 3.** Daily Needs Ltd. is a unlisted public company, engaged in the business of supplying the daily needs of the house hold. It receives orders, on online basis and make supplies to the customers at their door steps.

As on 31.03.2021, the total number of shareholders were 500. The share capital of the company is 100 lakh rupees.

Gyan Singh is the Managing Director of the company. He joined this company in April 2020. Prior to joining this company, Gyan Singh was the General Manager in a NBFC. From the media sources, it came into picture that Gyan Singh was involved in sanctioning the proposal of big loans without

insisting the security from the borrowers and many of the loan accounts during his tenure turned into NPA. It shows the intention of Gyan Singh that he might have been involved in accepting the bribe in sectioning the clean loans.

After joining this company, Gyan Singh started ordering his employees to supply the goods at the shops of the retailers also on credit. Whereas the company's policy was to supply the essential daily needs at the door steps of consumers only. Many of retailers used to visit the MD's office to supply the goods on credit. In some of the cases the recovery from that retailers became difficult and the company had to write-off these debts while finalising the annual accounts as of 31.03.2021.

Aggrieved from this, some 10 members of the company made an application before the Tribunal making the company and its MD as respondents, that the affairs of the company are being conducted in a manner prejudicial to the public interest and requested for removal of the Managing Director.

The Tribunal turned down the application of the members mentioning therein that the members who applied for are not eligible to apply.

When Dharmesh, one of the shareholder came into the knowledge that the Tribunal has turned down the application of 10 member, he himself alone applied to the Tribunal making the company and its MD as respondent. Dharmesh is holding 2 lakh of shares, consisting the face value of Rs 20 lakh. He is also the Member of the Parliament.

After accepting the application, the Tribunal heard both the parties and observed that Gyan Singh was involved in mal-practices, on the basis of his past track record and the present working. It opined that this person is not a fit and proper person to continue as MD of the company and ordered for removal of Gyan Singh from the post of Managing Director. The Managing Director claimed for the compensation for removal of the office from the company, from the date of removal to the remaining period.

Based on the above scenario, answer the following questions: **(10 Marks)**

- 3.1** In case of oppression and mismanagement, how many members can apply to the Tribunal:
- (a) Not less than 100 members are required to file an application with the Tribunal.
 - (b) Not less than one-tenth of the total number of members i.e. 50 members ($500/10 = 50$) are required to file an application with the Tribunal
 - (c) Not less than 100 members of the company or not less than one-tenth of the total number of its members, whichever is less. i.e. 50 members are required to file an application with the Tribunal.
 - (d) Not less than 100 members of the company or not less than one-tenth of the total number of its members, whichever is higher i.e. 100 members are required to file an application with the Tribunal.
- 3.2** On what grounds the application of Dharmesh was accepted by the Tribunal:
- (a) Dharmesh is one of the shareholder of the Company.
 - (b) Dharmesh is having the majority of shares in the company.
 - (c) Dharmesh is having more than one-tenth share in the share capital of the company.
 - (d) Dharmesh is Member of Parliament.
- 3.3** Whether Tribunal have powers to remove the Managing Director, who was appointed by the Board and the shareholders in the General Meeting:
- (a) No, Tribunal do not have the powers to remove any official.

- (b) The Tribunal can only order for the winding up of the company if it is just and equitable for the company.
- (c) The Tribunal may after observing the mal-practices of the MD, can ask not to repeat it.
- (d) The Tribunal can terminate the service agreement arrived at between the company and the MD.

3.4 Whether Gyan Singh, the Managing Director can demand compensation from the company from the date of removal to the remaining period:

- (a) The MD can demand the compensation from the date of removal to the remaining period.
- (b) The MD can be relieved by notice with three month's salary.
- (c) The MD can be relieved by notice with one month's salary.
- (d) The MD cannot demand any compensation for loss of office.

3.5 Whether Gyan Singh after being terminated from this company, can apply to any other company for the post of director or any other office:

- (a) After termination from this company, Gyan Singh can apply to any other company for the post of director or any other office.
- (b) After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of one year.
- (c) After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of three years.
- (d) After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of five years.

- 4.** Based at Shivamogga, Karnataka, Lotus Switchgears Limited (LSL) is a noted manufacturer, exporter and supplier of electrical products like Miniature Circuit Breakers (MCBs), Molded Case Circuit Breakers (MCCBs), Residual Current Circuit Breakers (RCCBs), Electric Leakage Circuit Breakers (ELCBs), Solar water Pumping Systems, Wires and Cables, etc. and has a good network of factories and distribution channels. The business grew by leaps and bounds due to the sincere and dedicated efforts of the said founding directors in the following capacity:

Arjun	Managing Director
Ramakrishnan	Promoter
Ravi Bhatt	Promoter
Ramesh	Whole-time Director
Ripudaman	Whole-time Director

However, the company is facing some difficult times for the past four years or so.

In a quest to overcome the difficulties faced by the company, Raghuram, a visionary, was appointed as the Executive Director at the EGM held on 12th January, 2020.

Shruthi Components Private Limited (SCPL) is one of the subsidiaries of LSL. The Board of Directors of LSL wished to exercise the power to dispose of its whole investment in SCPL. Accordingly, Mahadevan, whole-time Company Secretary of the company was directed to ascertain the procedure for disposing of company's investment in SCPL.

Following data was extracted from the Audited Financial Statements of LSL for the year ending 31.03.2023:

S. No.	Description	Amount (Rs. in Crore)
1	Paid -up Capital	50
2	General Reserves	54
3	Securities Premium Account	5
4	Accumulated Losses	7
5	Revaluation Reserves created out of revaluation of assets	30
6	Deferred Revenue Expenditure & Miscellaneous Expenditure not written off	2
7	Investment in SCPL	25

Based on the above data and considering Section 2 (57) of the Companies Act, 2013, Mahadevan calculated the 'net worth' of LSL as under:

Particulars	Amount (Rs. in Crore)
Paid-up Capital	50
Add: General Reserves	54
Add: Securities Premium Account	5
Less: Accumulated Losses	7
Less: Deferred Revenue Expenditure & Miscellaneous Expenditure not written off	2
Net Worth	100

In view of the 'net worth' of Rs. 100 crore, Mahadevan informed the Board that as per the relevant provisions, SCPL was an undertaking of LSL.

Earlier during April, 2022, in the course of normal business, LSL entered into a contract for the continuous supply of some consumables and components with Anant Supplies Private Limited (ASPL) for a period of 3 years to be renewed with mutual consent thereafter. Ramesh, the Whole-time Director of LSL, was not an interested party at the time of entering into this Supply Contract with ASPL. However, during the second year of the Supply Contract, Rajesh, son of Ramesh, purchased about 30% of the equity shares of ASPL through one of his family owned business entities and also lent Rs.25 lakh as unsecured loan to ASPL. Ramesh did not inform LSL or the Board of Directors regarding the new developments since he was of the opinion that there was no need for such disclosure. However, the Company Secretary and the Board had their own reservations, after the matter came to their knowledge from a third party.

During the statutory audit for the F.Y. 2022-23, while verifying the earlier years' documents in connection with certain matter, the newly appointed auditors observed that the appointment of Raghuram as an Executive Director was invalid by reason of certain defects and also disqualification. During the month of August, 2023, the statutory auditors discussed the issue of irregular appointment with the Board of Directors of LSL.

The Board apprised the auditors that since his appointment as Executive Director of the company, Raghuram had participated in several Board Meetings and assented to various decisions, which had both pecuniary and operational impact. In addition, the Board had also passed several resolutions during that period. Accordingly, the Board, in one of its meetings, decided by passing a resolution that the wrongfully appointed Director Raghuram shall make good the losses, if any, for the period he remained Executive Director but all the resolutions passed during his period shall be valid and stand good.

One of the investors, Raman had invested substantially in the equity shares of LSL. However, he was quite worried about his investment after going through the latest Audited Financial Statements of 2022-23, for he found that there was continuous downward trend in earning per share (EPS). He was of the opinion that the Directors of LSL have been getting exorbitant remuneration, resulting in lesser profits for the company.

Accordingly, he approached the Registered Office of the company at Shivamogga and requested for inspection of the copies of the recent Service Contracts of Arjun, the Managing Director as well as Ramesh and Ripudaman, the Whole-time Directors of the company. He was utterly surprised when he was informed by the official concerned that the Service Contracts with Arjun, Ramesh and Ripudaman were not in writing and therefore, could not be produced for inspection. However, he was also informed that only copies of the written Memorandum setting out the terms and conditions of the service could be provided for inspection. Raman was not convinced and thought it to be a fraudulent practice for which the company and every defaulting officer of the company must be punished.

LSL, after complying with the required legal formalities, had made some political contributions and had incurred certain expenses during the financial year 2022-23. The details are as under:

- (a) Payment of Rs.10,00,000 as contributions to LMS party.
- (b) Donation of Rs.2,00,000 for a public function and a dance program of Ravi Shankar, a film star and it can be reasonably presumed that his activities support Janta Welfare Party.
- (c) Publication cost of Rs. 1,00,000 incurred for inserting an advertisement in the Souvenir published on behalf of Janta Welfare Party.
- (d) Publication of pamphlets costing Rs.1,00,000 though not meant for any political party but incurred for promoting a candidate of political party who is going to contest in upcoming elections.

LSL disclosed in its financial statements Rs.11,00,000 as political contributions and Rs.3,00,000 as 'Advertisement and Business Promotion Expenses'.

Multiple Choice Questions

[10 Marks]

- 4.1** Raman, who had invested substantially in LSL, was informed that only copies of the written Memorandum setting out the terms and conditions of the service could be provided for inspection as no written Service Contracts with Arjun (Managing Director) as well as Ramesh and Ripudaman (Whole-time Directors) were available. Raman was not convinced and thought it to be a fraudulent practice for which the company and every defaulting officer of the company must be punished.

In the light of the requirement of the relevant legal provisions under the given circumstances, choose the most appropriate remedy available to Raman as per the Companies Act, 2013:

- (a) Raman can hold liable to the Company and its every officer who is in default, for non-production of Written Service Contracts for inspection.
- (b) Raman finds that availability of only copies of the written Memorandum setting out the terms and conditions of the service, for inspection, is in order.
- (c) Raman have remedy only against Arjun, Ramesh and Ripudaman, for non-production of Service Contracts for inspection.
- (d) Raman have no remedy, as to production of Service Contracts for inspection, as it is not necessitated.

4.2 According to Mahadevan, whole-time Company Secretary, SCPL was an undertaking of LSL. If the Board of Directors of LSL decided to dispose of its investment in SCPL, considering SCPL as an undertaking of LSL, which of the following options shall be applicable:

- (a) The Board of Directors of LSL shall exercise the power of disposing of its investment in SCPL, considering SCPL as an undertaking of LSL, by means of a Board Resolution assented to by all the Directors present at a duly convened Board Meeting.
- (b) The Board of Directors of LSL shall exercise the power of disposing of its investment in SCPL, considering SCPL as an undertaking of LSL, only with the consent of the company by an Ordinary Resolution.
- (c) The Board of Directors of LSL shall exercise the power of disposing of its investment in SCPL, considering SCPL as an undertaking of LSL, only with the consent of the company by a Special Resolution and thereafter, by seeking approval of the jurisdictional Registrar of Companies.
- (d) The Board of Directors of LSL shall exercise the power of disposing of its investment in SCPL, considering SCPL as an undertaking of LSL, only with the consent of the company by a Special Resolution.

4.3 According to the case scenario, the Board of Directors of LSL stated that since January, 2020 Raghuram had participated in several Board Meetings and assented to various decisions, which had both pecuniary and operational impact. In addition, the Board had passed several resolutions during that period. Accordingly, the Board, in one of its meetings, decided by passing a resolution that the wrongfully appointed Director, Raghuram shall make good the losses, if any, over the period he remained Executive Director and all the resolutions passed during his period and assented to by him shall be valid and stand good.

Specify which amongst the following decision taken by the Board is valid as per the requirement of the Companies Act, 2013:

- (a) The decision of the Board is correct because no act done by a person as a Director shall be deemed to be invalid if it was subsequently noticed that his appointment was invalid by reason of any defect or disqualification, etc.
- (b) The Board is required to get all the resolutions passed during the tenure of Raghuram and assented by him, ratified by an Ordinary Resolution at a General Meeting of the shareholders.
- (c) The Board is required to get all the resolutions passed during the tenure of Raghuram and assented by him, ratified by a Special Resolution passed at a General Meeting of the shareholders.
- (d) The Board is required to cancel all the resolutions passed during the tenure of Raghuram and assented by him since they were void and inoperative *ab-initio*.

4.4 The case scenario states that LSL, after complying with the required legal formalities, made some political contributions and incurred some expenses during the financial year 2022-23. LSL showed in its financial statements Rs.11,00,000 as political contributions and Rs.3,00,000 as 'Advertisement and Business Promotion Expenses'. From the following options choose the correct statement as regards the disclosure of political contribution :

- (a) The disclosure made by LSL in its financial statements showing Rs. 11,00,000 as political contributions and Rs. 3,00,000 as 'Advertisement and Business Promotion Expenses' is correct.

- (b) LSL was required to disclose Rs. 10,00,000 as political contributions and Rs. 4,00,000 as 'Advertisement and Business Promotion Expenses'.
- (c) LSL was required to disclose all the sums totaling Rs. 14,00,000 as political contributions.
- (d) LSL was required to disclose Rs.12,00,000 as political contributions and Rs. 2,00,000 as 'Advertisement and Business Promotion Expenses'.

4.5 Ramesh, the Whole-time Director of LSL, was not an interested party at the time of entering into this Supply Contract with ASPL. However, during the second year of the Supply Contract, Rajesh, (son of Ramesh) purchased about 30% of the equity shares of ASPL through one of his family owned business entities and also lent Rs.25 lakh as unsecured loan to ASPL. Then also Ramesh did not inform LSL or the Board of Directors regarding the new developments since he was of the opinion that there was no need for such disclosure.

Comment upon the validity of the statement as to the non- disclosure of interest of Ramesh in compliance with the Companies Act, 2013:

- (a) Ramesh opinion is correct stating that there is no need for such disclosure of the interest of his son, Rajesh, as compliance is only w.r.t the director of the company.
- (b) Ramesh need to disclose as he is indirectly (due to his shareholding and granting of loan by his son) concerned in a Supply Contract with ASPL at the meeting of the Board in which the contract or arrangement is discussed forthwith when he becomes concerned or interested. Statement of Ramesh as to non-disclosure is invalid.
- (c) Ramesh was not interested or concerned in a Supply Contract with ASPL at the time of entering into this Supply Contract. A non –disclosure of interest by him is the valid statement.
- (d) As Rajesh is the concerned or interested person in the Supply Contract to ASPL, being a shareholder of ASPL and also indebted Rs.25 lakh as unsecured loan to ASPL. A non -disclosure of interest is the invalid statement.

5. Paavan Nidhi Limited having its Registered Office at Karol Bagh, New Delhi, has been declared as Nidhi by notification published in the Official Gazette. The company is incorporated with the object of cultivating the habit of thrift and savings among its members, receiving deposit from, and lending to, its members only, for their mutual benefit.

Paavan Nidhi Limited has six Directors, namely, Padam, Prakash, Puneet, Pratima, Poorva and Piyush and two hundred fifty members. All the Directors are shrewd businessmen having full dedication to the cause of the company. They are committed to run the company in accordance with the Nidhi Rules, 2014 and being law-abiding persons shall not do anything which is not permitted in case of a Nidhi like carrying on the business of chit fund or hire-purchase finance or leasing finance or insurance, etc. Padam is the senior-most Director with vast experience in the field of finance and therefore, he has been honoured by the company to hold Directorship for a term up to ten consecutive years.

The company offers following services for the benefit of its members:

1. Fixed Deposit Plans of different maturities;
2. Recurring Deposit Plans for members who do not wish to deposit lump-sum;
3. Opening of Savings Accounts in the name of members;
4. Gold Loans to the needy members on easy terms;

5. Mortgage Loans, etc.

PQR Traders Private Limited, having its Registered Office at Munirka, New Delhi, was incorporated last year. It had a chance to go through the operations of Paavan Nidhi Limited and finding them to be on sound footing, it applied for becoming its member. The Nidhi company is analysing the proposals received.

During the current year, Mr. Kshitij, a member of Paavan Nidhi Limited deposited ₹ 1,00,000 in the name of his minor son Rudra who is of 12 years of age. Mr. Kshitij also desires that Rudra becomes a member of Paavan Nidhi and for that purpose he is negotiating with the company. As regards the validity of this matter, Piyush, one of the Directors has raised certain objections. The company wants to sort out the issue amicably.

Multiple Choice Questions:

(10 Marks)

- 5.1** From the case scenario, it is observed that PQR Traders Private Limited has applied for becoming a member of Paavan Nidhi Limited. From the following options, choose the one which is applicable in such a situation:
- (a) PQR Traders Private Limited cannot become a member of Paavan Nidhi Limited.
 - (b) PQR Traders Private Limited can become a member of Paavan Nidhi Limited by investing minimum ₹ 5,00,000 as capital.
 - (c) PQR Traders Private Limited can become a member of Paavan Nidhi Limited by including a clause in its Articles of Association which permits it to become a member of a Nidhi company.
 - (d) PQR Traders Private Limited must be in existence for a minimum period of three years to be eligible for becoming member of a Nidhi company.
- 5.2** Piyush, one of the Directors of Paavan Nidhi Limited has raised objection on acceptance of deposit amounting to ₹ 1,00,000 in the name of Rudra, a minor, and negotiations initiated by his father Mr. Kshitij to make him a member of the Paavan Nidhi. From the following options choose the one which is applicable in the given situation:
- (a) Paavan Nidhi Limited can neither accept deposit in the name of Rudra, a minor, nor can make him a member.
 - (b) Paavan Nidhi Limited may accept deposit in the name of Rudra, a minor, since it is made by Mr. Kshitij, a member and the father of Rudra but being minor, he cannot be made a member.
 - (c) Paavan Nidhi Limited cannot accept deposit in the name of Rudra exceeding ₹ 25,000 but he can become a member by contributing minimum amount.
 - (d) Paavan Nidhi Limited can accept deposit in the name of Rudra up to ₹ 2,00,000 and he can become a member of the company.
- 5.3** From the case scenario, it is evident that Padam, the senior-most Director, has been honoured by Paavan Nidhi Limited to hold Directorship for a term up to ten consecutive years. After relinquishing his office as Director at the expiry of ten years, when can Padam be re-appointed as Director of the company.
- (a) Padam shall be eligible for re-appointment only after the expiry of two years of ceasing to be a Director.

- (b) Padam shall be eligible for re-appointment only after the expiry of one year of ceasing to be a Director.
- (c) Padam shall be eligible for re-appointment only after the expiry of six months of ceasing to be a Director.
- (d) Padam shall not be eligible for re-appointment once he ceases to be a Director.

5.4 If M/s A & A Associates, a firm of auditors, has been appointed as auditors of Paavan Nidhi Limited for a term of five years commencing from FY 2016-17 to FY 2020-21 and if the company is desirous of re-appointing the said firm of auditors for another term of five years commencing from FY 2021-22, then which of the following options is applicable in such an eventuality:

- (a) M/s A & A Associates cannot be re-appointed as auditors for another term of five years since no Nidhi company shall appoint or reappoint any auditing firm for two terms of five consecutive years.
- (b) M/s A & A Associates can be re-appointed as auditors for another term of five years since a Nidhi company is permitted to appoint or reappoint any auditing firm for two terms of five consecutive years.
- (c) M/s A & A Associates cannot be re-appointed as auditors for another term of five years since no Nidhi company is permitted to re-appoint any auditing firm before the expiry of two years if an auditing firm ceases to be its auditors after completion of the term of five years.
- (d) M/s A & A Associates cannot be re-appointed as auditors for another term of five years since no Nidhi company is permitted to re-appoint any auditing firm before the expiry of one year if an auditing firm ceases to be its auditors after completion of the term of five years.

5.5 The rate of interest charged on loan given by Nidhi can be;

- (a) Five per cent above the highest rate of interest offered on deposits by Nidhi and shall be calculated on reducing balance method
- (b) Five per cent above the highest rate of interest offered on deposits by Nidhi and shall be calculated on as flat rate basis
- (c) Seven and half per cent above the highest rate of interest offered on deposits by Nidhi and shall be calculated on reducing balance method
- (d) Seven and half per cent above the highest rate of interest offered on deposits by Nidhi and shall be calculated on as flat rate basis

6. GenTech Engineering and Consultancy Limited (GECL), having its Registered Office in Kolkata, West Bengal, was incorporated way back in January, 2011. The Central Government holds 21% of its paid-up share capital while the State Government of Gujarat and Navyug Engineering Limited, a government company, hold 23% and 10% respectively.

As GECL was interested in ascertaining the market value of its assets, it invited tenders and after thorough scrutiny it shortlisted the following Registered Valuers:

- (1) **Mr. Anant:** He has set up his valuation practice in London for the last 5 years. He came to visit India on December 24, 2021, for a short span of around one month during which, in terms of the tender submitted by him, he was proposed by GECL to undertake the assignment relating to valuation of its assets.

- (2) **Mr. Aloknath:** He is a valuer member of a registered valuers' organisation and is one of the partners of M/s ALP & Associates, a Kolkata based valuation firm. Mr. Aloknath was given second preference by GECL if Mr. Anant refused the assignment relating to the valuation of assets.
- (3) **M/s MNC Valuers & Associates, LLP:** It is a Limited Liability Partnership, based at Kolkata, and all the partners of the firm are valuer members of a registered valuers' organisation. It was given third preference by GECL for undertaking the valuation of its assets.

GECL holds 15% paid-up share capital of Prayas Marketing Limited (PML). However, the jurisdictional Registrar of Companies (RoC), having reasonable cause to believe that the PML was not carrying on any business or operations, ordered a physical verification of the Registered Office of PML.

After physical verification of the Registered Office of PML, the Registrar formed an opinion that the company, in actuality, was not carrying on any business or operations and therefore, he issued a notice to the company and all of its Directors indicating his intention to remove the name of the company from the Register of Companies, if no explanation along with copies of relevant documents were filed within a period of 30 days from the date of the notice. Since no cause to the contrary was shown by the company and its Directors, the Registrar, after following the requisite procedure, removed the name of the PML from the Register of Companies and a notice dated 30.10.2021 to this effect was published in the Official Gazette. On publication of this notice in the Official Gazette and also its placement on the official website of the Ministry of Corporate affairs, PML was dissolved.

After dissolution as above of the PML effective from 30.10.2021 under Section 248 of the Companies Act, 2013, it ceased to operate as a company and Certificate of Incorporation was deemed to have been cancelled from such date.

Multiple Choice Questions:

(6 Marks)

- 6.1 From the case scenario, it is observed that the share of the Central Government in the paid-up share capital of GECL is 21% while the State Government of Gujarat and Navyug Engineering Limited, a government company, respectively hold 23% and 10% of its paid-up capital. Which one of the following options is applicable in such a situation:
- (a) GECL is a Government Company since both the Central Government and the State Government of Gujarat hold more than 25% of its paid-up share capital.
 - (b) GECL is not a Government Company since the Central Government, the State Government of Gujarat and Navyug Engineering Limited, a Government Company, hold only 54% of its paid-up share capital which is less than the threshold limit of 55%.
 - (c) GECL is a Government Company since the Central Government, the State Government of Gujarat and Navyug Engineering Limited, a Government Company, hold 54% of its paid-up share capital which is more than the threshold limit of 51%.
 - (d) GECL is not a Government Company since the Central Government and the State Government of Gujarat together hold 44% of its paid-up share capital which is less than the threshold limit of 51%.
- 6.2 Which one of the following options is applicable in case Mr. Anant was preferred to be given the valuation assignment of valuing the assets of GECL.
- (a) Mr. Anant cannot act as a valuer being a person not resident in India.
 - (b) Mr. Anant cannot act as a valuer since process of valuation of goodwill is a tedious and time-consuming task.

- (c) Mr. Anant can act as a valuer being a valuer member of a registered valuers' organisation in London and is more knowledgeable than others.
- (d) Mr. Anant can act as a valuer being a valuer member of a registered valuers' organisation in London and is out of India for less than seven years.

6.3 In case PML is aggrieved by the order dated 30-10-2021 of the Registrar of Companies that led to the removal of its name from the Register of Companies and its dissolution and therefore, it desires to file an appeal to the National Company Law Tribunal (NCLT), which one of the following options shall be applicable in such a situation:

- (a) PML is permitted to file an appeal to the National Company Law Tribunal (NCLT) within a period of one year from the date of the order of the Registrar of Companies.
- (b) PML is permitted to file an appeal to the National Company Law Tribunal (NCLT) within a period of two years from the date of the order of the Registrar of Companies.
- (c) PML is permitted to file an appeal to the National Company Law Tribunal (NCLT) within a period of three years from the date of the order of the Registrar of Companies.
- (d) PML is permitted to file an appeal to the National Company Law Tribunal (NCLT) within a period of five years from the date of the order of the Registrar of Companies.

7. Mr. Atul is an employee of the company ABC Limited, and an investigation is going on him under the provisions of Companies Act, 2013. The company wants to terminate Mr. Atul as investigation is going against him. The company has filed the application with the Tribunal for approval of Mr. Atul's termination. The company has not received any reply from the Tribunal within 30 days of filling an application. After expiry of 30 days, the company considered it as deemed approval and terminated Mr. Atul.

On the basis of the Companies Act, 2013, answer the following questions: **(4 Marks)**

7.1 Can ABC Limited terminate Mr. Atul, an employee of the company, if no reply is received from the Tribunal?

- (a) No, the termination of Mr. Atul is not valid, and company has attracted penal provisions under the Law.
- (b) No, the termination of Mr. Atul is not valid because the company cannot consider the non-reply of the Tribunal as deemed approval.
- (c) Yes, the termination of Mr. Atul made by the company is totally valid in law and the company can do so by considering deemed approval of tribunal.
- (d) Yes, the termination of Mr. Atul made by the company is totally valid in law as filing an application to the Tribunal is not required in this case and the company on its own can terminate Mr. Atul.

7.2 Regarding termination of employment of Mr. Atul by ABC Limited, what is the remedy available with Mr. Atul?

- (a) Mr. Atul can file an appeal to the Appellate Tribunal within 30 days of his termination.
- (b) Mr. Atul can file an appeal to the Appellate Tribunal within 45 days of his termination.
- (c) Mr. Atul can file an appeal to the Court having jurisdiction within 30 days of his termination.
- (d) Mr. Atul has no remedy available to him.

Section B: Securities Laws

8. FLY-FISH Limited is a listed company provided the following month-wise grievance position of the investors' complaints for the financial year 2022-2023.

Nos.	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23
Opening unresolved grievances	12	10	18	15	20	8	6	15	18	20	24	12
Grievances received during the month	16	14	12	14	18	12	20	17	15	14	15	14
Grievances redressed during the month	18	6	15	9	30	14	11	14	13	10	27	20
Closing unresolved grievances	10	18	15	20	8	6	15	18	20	24	12	6

Requirement: Referring to the applicable Regulation made under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, advise the Company about the grievance redressal position of investors' complaints to be filed during the month of April 2023 with the recognised stock exchanges where the securities of the Company are listed by answering the following Multiple Choice Questions: **(4 Marks)**

- 8.1** State within how many days FLY-FISH Limited is required to file a statement giving the status relating to Quarter 4 of the financial year 2022-2023 as to the investors complaints- mentioning number of complaints, pending complaints, disposed complaints and those remaining unresolved at the end of each quarter-
- It has to file the detailed status as to the investors complaints, by 30th day of April, 2023.
 - It has to file the detailed status as to the investors complaints for the financial year 2022-2023 within 3 months from the end of the financial year.
 - It has to file the detailed status as to the investors complaints relating to the each Quarter of the financial year 2022-2023 within 15th day of the next quarter, hence for quarter 4 by 15th day of April, 2023.
 - It has to file the detailed status as to the investors complaints relating to Quarter 4 of the financial year 2022-2023 within 21st day of April, 2023.
- 8.2** Ascertain how many complaints redressed during the relevant quarter of the financial year 2022-2023 as per the requirements of the mentioned quarter in above question -
- 10
 - 20
 - 27
 - 57
9. Pawan Limited operates in the aerospace segment and is planning to roll out an Initial Public Offer. One of its 12 directors was barred from assessing the capital market by SEBI. Though restrictions were imposed upon the promoter group as well, they were later removed after representations made by them in this regard. A subsidiary company of Pawan Limited, Vayu Limited, defaulted on the repayment of the deposit around nine months ago, which is now rectified.
- Fire Limited is among the major suppliers of Pawan Limited. It also offers consultancy services on energy management and space shuttle technology, in addition to trading in solar energy-based devices. Mr. Alok, CFO of Fire Limited, which is a listed entity, heard from someone that composite

issues can be made on the Indian Stock Market.

He seeks input from Mr. Bhavesh, the Company Secretary, regarding the type of securities specified to be issued in this way and what nature of issue or placement can be composed together. He is also not sure and has promised to revert after consulting the expert on the matter.

Finally, Fire Limited issued the red prospectus on the stock exchange, where its securities were not listed earlier. But made revisions to the price band notified earlier. Mr. Bhavesh suggests to the Board that they need to extend the bidding period from the current tenor of 5 days. Mr. Alok asked him to do the needful to extend the bidding.

Unfortunately, Fire Limited fails to obtain listing or trading permission from the stock exchanges where the specified securities were to be listed. Mr. Bhavesh is aware of the regulation that it shall refund through verifiable means the entire monies received upon receipt of the intimation from stock exchanges rejecting the application for listing of the specified securities, hence, he started making the necessary arrangements.

Multiple Choice Questions:

(6 Marks)

You are an expert on Securities Laws, and are professionally engaged to answer the following questions by identifying the most appropriate option based upon provisions contained in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

9.1 In regards to intent of Fire Limited which is listed issuer, to proceed with composite issue of specified securities. Advise Mr. Bhavesh and Mr. Alok what type of issue or placement can be composed together.

- (a) Public cum private placement
- (b) Public cum right allotment
- (c) Bonus cum right allotment
- (d) Public cum preferential allotment

9.2 Which of the following options is representing the correct set of reasons or disqualifications due to which Pawan Limited become ineligible to make an initial public offer?

- i. if the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower.
- ii. if the issuer, any of its promoters, promoter group or directors or selling shareholders are debarred from accessing the capital market by the SEBI.
- iii. if any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by the SEBI.

- (a) i and ii only
- (b) ii only
- (c) ii and iii only
- (d) All of i, ii, and iii

9.3 Regarding the revision made by Fire Limited in the price band, it shall extend the bidding (issue) period disclosed in the red herring prospectus for;

- (a) A minimum period of five working days
- (b) A minimum period of three working days

- (c) A minimum period of two working days
- (d) No extension is required

10. Venus Limited is a listed company that manufactures and trades in perfumes, attars, essential oils, natural extracts, and fragrance-based cosmetic and personal care items. It has the largest manufacturing plant for rose water extractions in Kannauj, the perfume capital of India and often referred to as the Grasse (France) of the East.

Venus Limited has 12 directors on its board, and Mr. Vinod Kapadia was appointed as managing director just a month ago. Mars Limited, another listed company, holds 12% of the equity shares and paid-up share capital of Venus Limited.

An Audit Committee was constituted, consisting of six directors, of whom three are independent and one is non-executive. Ms. Krishna, who is an independent director, was appointed as the chairperson of the Audit Committee. The Audit Committee of Venus Limited during 2021–22 and 2022–23 met on following dates:

Meeting	Date & Place of the meeting	No. of member of committee, who attended the meeting
A	18 th May 2021, RO	All 6 members
B	10 th August 2021, RO	All 6 members
C	30 th October 2021, RO	5 members including 3 independent directors
D	10 th Jan 2022, RO	All 6 members
E	15 th March 2022, RO	All 6 members
1	12 th April 2022, RO	All 6 members
2	17 th June 2022, RO	5 members including 3 independent directors
3	8 th July 2022, Shimla (HP, India)	4 members including 2 independent directors
4	11 th Nov 2022, RO	5 members including 2 independent and 1 non-executive directors
5	28 th December 2022, Kannauj (UP, India)	3 director including 1 independent and 1 non-executive directors
6	13 th Jan 2023, Grasse (France)	All 6 members
7	10 th March 2023, RO	1 independent and 1 non-executive director only

Since Mr. Vinod Kapadia is appointed as MD recently hence he is willing to know about the time within which the quarterly results need to be reported from end of the quarter in ordinary course of business.

Multiple Choice Questions:

(10 Marks)

You are an expert on securities laws, who is being professionally engaged to answer the following questions (specified as MCQs) by identifying the most appropriate option based upon provisions contained in the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.

- 10.1. Whether Mars Limited and Venus Company are related parties to each other?

- (a) No, because Mars Limited is not a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013.
- (b) No, because Mars Limited is not a related party to Venus limited under the applicable accounting standards.

- (c) No, because equity shares held by Mars Limited in Venus Limited is less than the threshold of 20%.
 - (d) Yes
- 10.2** Whether constitution of Audit Committee is in order in case of Venus Limited?
- (a) No, because Audit Committee shall consist of at least 3 directors with independent directors forming a majority.
 - (b) No, because Audit Committee shall consist of at least 3 directors out of which at least 2/3 shall be independent directors.
 - (c) Yes, because Audit Committee shall consist of at least 3 directors out of which at least 1/3 shall be independent directors.
 - (d) Yes, because Audit Committee shall consist of at least 3 directors with at-least 2 independent directors and/or non-executive directors.
- 10.3** Which of following is the correct option that represents those meetings of audit committee convened during 2022-23, which was supposed to be adjourned for want of quorum?
- (a) Only 7th meeting.
 - (b) 5th and 7th meetings only.
 - (c) 3rd, 5th and 7th meeting only.
 - (d) None of the meeting.
- 10.4** How many instances of default by Venus Limited in context to number of meetings of audit committee and time gap between such meetings took place during 2021-22 and 2022-23;
- (a) Not even once in both the years
 - (b) Once each during 2021-22 and 2022-23
 - (c) Once only in 2021-22
 - (d) Once only in 2022-23
- 10.5** Financial results of first quarter of 2023-24 need to be reported to stock exchange by Venus Limited within;
- (a) 15th July, 2023
 - (b) 30th July, 2023
 - (c) 14th August, 2023
 - (d) 29th August, 2023

Section C: Economic Laws (30 Marks)

- 11.** Mr. Raman resident in India had gone to London [UK] on a temporary visit in August 2022 and to Bhutan in February 2023. He brought in India at the time of his return, currency notes of Government of India and RBI Notes Rs. 20,000 from London in the denomination of Rs. 200 and Rs. 1,00,000 from Bhutan in the denomination of Rs. 500.

Referring to the provisions of the Foreign Exchange Management Act, 1999, answer the following questions: **(4 Marks)**

- 11.1** Whether import of Indian currency of Rs. 20,000 in the denomination of Rs. 200 from London by Mr. Raman is permissible under the provisions of FEMA?
- (a) Import of currency notes of Government of India and RBI notes of Rs. 20,000 is not permissible as it exceeds the limit of Rs. 10,000, denomination of currency is immaterial.

- (b) Import of currency notes of Government of India and RBI notes of Rs. 20,000 is permissible as it does not exceeds the limit of Rs. 25000, denomination of currency is immaterial.
- (c) Import of currency notes of government of India and RBI notes of Rs. 20,000 is not permissible as import of Indian currency can be done of denomination only upto Rs. 100.
- (d) Import of currency notes of government of India and RBI notes of Rs. 20,000 is not permissible as no import of Indian currency is allowed as per Regulations.

11.2 Whether import of Indian currency of Rs. 1,00,000 in the denomination of Rs. 500 from Bhutan by Mr. Raman is prohibited under the provisions of FEMA?

- (a) Import of currency notes of government of India and RBI notes of Rs. 1,00,000 is not prohibited as there is no ceiling limit as per Regulations
- (b) Import of currency notes of government of India and RBI notes of Rs. 1,00,000 is prohibited as import of Indian currency can be done of denomination only upto Rs. 100.
- (c) Import of currency notes of government of India and RBI notes of Rs. 1,00,000 is not prohibited as denomination of currency is immaterial.
- (d) Import of currency notes of government of India and RBI notes from Bhutan is prohibited.

12. Upalayam Old Student Association was formed with the object of providing Coaching & Hostel facilities to the students studying in the government school. Mr. Murugan, an Indian Origin, acquired American citizenship and settled in USA. However, he is an overseas citizen of India cardholders. Mr. Murugan donated Rs. 10 Lakh to the said Association from his personal savings earned in USA through the normal banking channel. Referring to the provisions of the Foreign Contribution (Regulation) Act, 2010, answer the following: **(4 Marks)**

12.1 Whether the donation made by Mr. Murugan is a Foreign Source?

- (a) No, as Mr. Murugan is a person of Indian Origin, the donation made by him is not a foreign source.
- (b) No, as Mr. Murugan is an overseas citizen of India cardholders, the donation made by him is not a foreign source.
- (c) No, as he has donated his personal savings, it is not a foreign source.
- (d) Yes, Donation from Mr. Murugan, a Person of Indian origin who has acquired American citizenship and also is an Overseas Citizen of India cardholder, will be treated as foreign contribution.

12.2 In case Mr. Murugan still holds Indian Citizenship, state whether the donation made by Mr. Murugan is a Foreign Source?

- (a) The said donation will be treated as foreign contribution as Mr. Murugan is settled in USA and he is a foreigner.
- (b) The said donation will not be treated as foreign contribution as Mr. Murugan holds Indian citizenship and he is not a foreigner.
- (c) The said donation will be treated as a foreign contribution as Mr. Murugan has donated from his personal savings earned in USA.
- (d) The said donation will be treated as a foreign contribution as it is received from any country other than India.

13. Narsee Monjee is among the leading management institute of country. It offers state of art facilities in addition to global learning opportunities to its pupils through students exchange programme, wherein student has option to complete maximum upto two final semesters of their study program from any one of Ivy League foreign universities with which it has MOUs. Even faculty exchange program also in place to offer best blend of knowledge and teaching.

Ramesh Dayal and Manish Kandpal, two students (who are friends as well) of master level management program decided to complete final semester of their degree from one such foreign university under student exchange program. Therefore both of them left India on 23rd December, 2021. Despite earlier they have plan to come back to mother land by the June 30th of 2022 i.e. after the end of the final semester, but Manish got good job placement there and decided to start working there only. He returned to India in X-mas holidays in 2022 to meet his family, while Mr. Ramesh Dayal who also got placement offer, denied to employment there and returned to India as per plan.

To support studies of his son, the father of Manish remit him USD 64,000 during 2021-22 and USD 17,800 during 2022-23, while his tuition fee at such Higher Educational Institutions (HEI) is only USD 27,500 (including all).

Canada chapter of alumni association of Narsee Monjee organised a re-union function. Narsee Monjee's alumni club (constituted internally as part of university organisation structure) remit sponsorship (100000 Canadian dollars approximately equal to USD 75,000) of cultural evening as part of such re-union function.

Narsee Monjee's faculty of management also offers consultancy and Ministry of Defence Polices (MDPs). Recently (11th May to 20th May 2022) it delivered one such professional development in UAE to train the professionals their prior to roll out of Direct Tax. The invoice raised by MDP department on 22nd May for USD 10,000. **(8 Marks)**

Multiple Choice Questions

- 13.1 In regard to remittance of an amount equivalent to USD 81,800 (USD 64,000 in 2021-22 and USD 17,800 in 2022-23) against the tuition fee of only USD 27,500 (including all), by father of Mr. Manish in foreign currency to his son (Mr. Manish), identify the correct option as per applicable law;
- (a) Violate the permissible limit during 2021-22
 - (b) Violate the permissible limit during 2022-23
 - (c) Violation in both the years 2021-22 as well as 2022-23
 - (d) There is no violation, neither in 2021-22 nor 2022-23
- 13.2 Regarding the realisation of proceed of Development Program Conducted in UAE the proceed of export of services (professional development program), in view of the changed economic scenario in the country, Vasuki, one of the Executive Directors of PISCO Electronics, requested the company for change in his borrowing terms *i.e.* to reduce the interest rate to 8% per annum from the existing 9% per annum and to increase the period of repayment from the present 20 instalments to 30 instalments. Which of the following options is applicable in such a situation:
- (a) The amount representing the full export value of services exported shall be realised within six months or within such period as may be specified by the Reserve Bank, in consultation with the Government, from time to time, from the date of export.
 - (b) The amount representing the full export value of services exported shall be realised and repatriated to India within six months or within such period as may be specified by the

Reserve Bank, in consultation with the Government, from time to time, from the date of export.

- (c) The amount representing the full export value of services exported shall be realised within nine months or within such period as may be specified by the Reserve Bank, in consultation with the Government, from time to time, from the date of export.
- (d) The amount representing the full export value of services exported shall be realised and repatriated to India within nine months or within such period as may be specified by the Reserve Bank, in consultation with the Government, from time to time, from the date of export.

13.3 Quantify the amount of penalty, if applicable, if father of Ramesh, Mr. Narottam remit him USD 275,000 in 2021-22 through authorised dealer. Ramesh also studied in same HEI, where his friend Manish did and required to pay same amount of tuition fee:

- (a) Mr. Narottam doesn't violate any provision, because he remitted the amount through authorised dealer.
- (b) Mr. Narottam violates the provisions, therefore liable for penalty up to USD 25000.
- (c) Mr. Narottam violates the provisions, therefore liable for penalty up to USD 75000.
- (d) Mr. Narottam violates the provisions, therefore liable for penalty up to USD 247500.

13.4 Regarding the residential status of Mr. Ramesh Dayal identify the correct statement out of following;

- (a) Mr. Ramesh is person resident in India for both FY 2021-22 and 2022-23.
- (b) Mr. Ramesh is person resident outside India for both FY 2021-22 but person resident in India for FY 2022-23.
- (c) Mr. Ramesh is person resident in India for FY 2021-22 but person resident outside India for FY 2022-23.
- (d) Mr. Ramesh is person resident outside India for both FY 2021-22 and 2022-23.

14. Amol Open University of Languages, is a private university established under a State Act. The objective behind the establishment of university was to provide degree/ diploma/ certificate course to the students, an online leaning platform to learn all the prominent languages, which are being spoken in the major part of the world. This will generate to the employability of the students in different part of the world, since they are familiar with the language of that country. Since this being an online learning platform, the students can pursue the programme simultaneously with doing their regular academic / professional course. The examination will also be held online, by sitting at home, through their PC/ Laptop in a protected environment, after completing certain hours of learning modules.

The University has made a tie up arrangements with experts in the foreign languages. They guide the students online and also through the pre-recorded videos.

Several Foreign Governments intend to offer donations / contributions for the development of their language. The respective countries have offered to give foreign currency contribution for the promotion of these languages.

Based on the above scenario, answer the following questions:

(4 Marks)

14.1 The Certificate of Registration to the University was given only for the purpose of preparing the educational material (print or soft copy), paying of honorarium to teachers and IT related

infrastructure for online classes only. Whether Certificate of Registration can be used for receiving foreign contribution for building the infrastructure of the University Campus:

- (a) The funds once received can be utilised for any other purposes.
- (b) The funds are being utilised for building construction i.e. for University's objective so it can be used.
- (c) No, the purpose for which the Certificate of Registration has been granted, cannot be diverted. The end use of the funds has to ensure to utilise in that purpose only.
- (d) It is on the discretion of the University Officials, how to utilise it.

14.2 Whether Foreign contribution so received by the University can be invested in any Mutual Fund Scheme:

- (a) Mutual Fund Scheme are safe, hence can be invested
- (b) All Mutual Fund Schemes are not safe and very volatile in nature.
- (c) The surplus funds can be invested only in debt based secure investments
- (d) It depends upon the discretion of the University officials.

15. Hangout Casa was a very prominent chain of Chinese restaurant with presence all around the nation. Most of its outlets/restaurants are operating on franchise model, but some are company owned as well and operating at lease-hold premises. Hangout Casa had a great reputation, its outlets have award-winning chefs and tastefully designed interiors. Much of its business came from weekend parties and get-to-gathers.

Due to health-related awareness among the people at large, the consumption level of fast food is declining. Covid also jolted the liquidity position badly. The competition from low price alternative options also dented the sales revenue of almost all the retail outlets. It tried to widen the range of items offered, likewise recently it started selling ice creams of Rim Jim Brand. Efforts to negotiate with lessor to reduce the rent were largely unsuccessful. Eventually the business became insolvent.

Suppliers of food, beverages and utilities were unpaid for supplies provided in the previous 45-60 days, amounting to around Rs. 9,50,000. There were lease rental arrears that included the rent for one month amounting to Rs. 50,000 towards landlord, Mr. Deepak (the landlord had received advance rent for three months, lease deed provided for one-month rent as security and one-month rent as advance). Amount of Rs. 78,000 is also due towards Rim Jim Limited, whose ice-cream it sells. Though somehow it managed to pay bank dues to avoid any legal actions.

Hangout Casa also had a secured creditor, 'Punji Bank'. The bank indicated that it did not wish to appoint a receiver/ file for insolvency as the accounts were regularly maintained. For most of its own outlets the salaries due to employees (chef, assistant chef, waiters and house-keeping staff) were paid in half since the past three months.

Hangout Casa went insolvent and CIRP was initiated. Ms. Naziya Khatoon was appointed as interim resolution professional and later as resolution professional. Ms. Naziya while forming committee of creditor was not sure about inclusion and exclusion of certain creditors who own both operational and financial debt.

Rim Jim Limited a cash rich outlet chain of Ice-cream Parlors is currently looking for expansion of their business and diversification thereof. Board of Rim Jim, decided to submit a resolution plan and being resolution applicant it submitted a resolution plan along with an affidavit stating that he is eligible under section 29A of the IBC, to the resolution plan prepared on the basis of the information memorandum. Some resolution plans also received by Resolution Professional.

A meeting of committee of creditor was convened a week later, wherein the selected resolution plans that confirm the conditions referred to in sub-section (2) to section 30 were to be considered. Rim Jim Limited is of view that it can through its representative attend such meeting of committee of creditor and is allowed to vote as well.

Multiple Choice Questions:

(10 Marks)

- 15.1** Regarding the view point of Rim Jim Limited, that it's representative shall also be allowed to attend the meeting of the committee of creditors in which the resolution plan of the applicant is considered. Identify the correct statement in the light of the Insolvency and Bankruptcy Code, 2016:
- (a) Rim Jim Limited may attend the meeting of the committee of creditors in which the resolution plan of the applicant is considered and allowed to vote.
 - (b) Rim Jim Limited may attend the meeting of the committee of creditors in which the resolution plan of the applicant is considered, but not allowed to vote.
 - (c) Rim Jim Limited shall not attend the meeting of the committee of creditors in which the resolution plan of the applicant is considered.
 - (d) Rim Jim Limited may attend the meeting of the committee of creditors in which the resolution plan of the applicant is considered, and vote if allowed by resolution professional.
- 15.2** Under IBC there are two types of debt, Operational and Financial. Identify the correct statement regarding the nature of lease rental arrears:
- (a) Lease rental arrear is financial debt in all cases, for the purpose of IBC, 2016.
 - (b) Lease rental arrear is financial debt only if lease period is more than 3 years, for the purpose of IBC, 2016.
 - (c) Lease rental arrear is operational debt in all cases, for the purpose of IBC, 2016.
 - (d) Lease rental arrear can be operational or financial debt as per mutual understanding between lessor and lessee, for the purpose of IBC, 2016.
- 15.3** It is specified in the fact of case scenario that the suppliers of food, beverages and utilities were unpaid for supplies provided in the previous 45-60 days, amounting to around Rs. 9,50,000. Largest among such suppliers is Man Mohan Diary to whom Rs. 2,11,390 is due, who gave notice two week back for payment but no payment was made by Hangout Casa. Can Man Mohan Diary file an application under section 9 of the Code?
- (a) Yes, because amount outstanding or in default is more than Rs.1 lakh.
 - (b) Yes, because he served the notice and 10 days has been elapsed but no payment has been made.
 - (c) No, because amount outstanding or in default is less than Rs. 10 lakh.
 - (d) No, because amount outstanding or in default is less than Rs. 100 lakh.
- 15.4** For most of its own-run (Owned and Operated Hangout Casa; other than franchised) outlets the salaries due to employees (chef, assistant chef, waiters and house-keeping staff) were paid in half since the past three months. What is nature of outstanding employee's dues?
- (a) These are neither operational debt nor financial debt
 - (b) These are financial debt in all the case for the purpose of IBC

- (c) These are operational debt in all the case for the purpose of IBC
- (d) These are operational debt if is in arrear for less than 3 month and beyond, classified as financial debt.

15.5 Ms. Naziya Khatoon, Resolution Professional for Hangout Casa, need your advice regarding constitution of committee of creditors. Advise her regarding correctness of following statements pertaining to committee of creditors.

- i. Committee of creditor shall be constituted by interim resolution professional after collation of all the claim received against corporate debtor and determination of financial position.
 - ii. Committee of creditor shall comprise of all the creditors.
 - iii. Related party shall not have right to representation at committee of creditors.
 - iv. Those who own both financial as well operational debt, shall also, included in committee of creditors; but only to the extent of financial debt owed by Hangout Casa to such creditors.
- (a) Only statement i, ii and iii are correct
 - (b) Only statement ii, iii and iv are correct
 - (c) Only statement i, iii and iv are correct
 - (d) All the statements are correct

Answer Key
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1.1	(c)	1.2	(b)	2.1	(b)	2.2	(b)
2.3	(d)	3.1	(c)	3.2	(c)	3.3	(d)
3.4	(d)	3.5	(d)	4.1	(b)	4.2	(d)
4.3	(a)	4.4	(c)	4.5	(a)	5.1	(a)
5.2	(b)	5.3	(a)	5.4	(b)	5.5	(c)
6.1	(d)	6.2	(a)	6.3	(c)	7.1	(c)
7.2	(d)	8.1	(d)	8.2	(d)	9.1	(b)
9.2	(d)	9.3	(b)	10.1	(d)	10.2	(b)
10.3	(b)	10.4	(d)	10.5	(c)	11.1	(b)
11.2	(b)	12.1	(d)	12.2	(b)	13.1	(d)
13.2	(d)	13.3	(c)	13.4	(a)	14.1	(c)
14.2	(c)	15.1	(d)	15.2	(c)	15.3	(d)
15.4	(c)	15.5	(b)				