

Questions & Answers from the Paper

1) IRP to make Public Announcement within ___ days to invite claims

Under Insolvency and Bankruptcy Code, 2016

✓ Answer: 3 days

IRP must make public announcement within 3 days from appointment.

✦ Exam Tip:

CIRP start → IRP appointment → Public announcement within 3 days

2) Which fund to be used for making ODI?

Under Foreign Exchange Management Act, 1999

✓ Answer:

Own funds / internal accruals or permitted borrowings

Sources generally allowed:

- Internal accruals
- Equity capital
- ADR/GDR proceeds
- ECB (subject to conditions)

3) Guarantee fee for extension

Under Foreign Exchange Management Act, 1999

✓ Answer:

Extension of guarantee for overseas investment allowed subject to RBI rules / AD bank approval.

4) Overdue interest on delayed payment up to?

Under Foreign Exchange Management Act, 1999

✓ Answer:

3 years

5) Purchase raw material instead of spare parts (declaration given) – FEMA violation?

✓ Answer: No violation if still current account transaction

If funds were permitted for import payment, change in type of goods normally not FEMA violation. (No need for Revised Declaration because, both are Current account transaction)

6) Insurance Premium – whether remuneration?

Under **Companies Act, 2013 Section 197(13)

✓ Answer

Normally NOT remuneration

If director proved guilty of negligence / breach → premium becomes remuneration

7) Last date of filing to fill casual vacancy

Under **Companies Act, 2013 Section 161

✓ Answer: Next Board Meeting or within 3 months

8) Calculation of Managerial Remuneration

Under **Companies Act, 2013 Section 197

✓ Overall limit: 11% of Net Profits

Key limits:

MD/WTD/Manager: 5% (one) / 10% (more than one)

Other directors:

1% (if MD/WTD exists)

3% (if none)

9) Constitution of IBC

Under **Insolvency and Bankruptcy Code, 2016

✓ Committee of Creditors (CoC) formed after verification of claims.

10) Independent Director in Listed Company

Under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

✓ At least 1/3rd of board must be Independent Directors

11) Age of NED

Under Companies Act, 2013

✓ Answer:

maximum age for Non-Executive Director - 75 years

12) NCLT power to pass interim order

Under **Companies Act, 2013 Section 242

✓ Answer:

NCLT can pass interim orders to regulate conduct of company affairs

13) Statement of Investor Grievance

Under **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 Regulation 13

Quarterly disclosure:

1. Pending at beginning
2. Received during quarter
3. Disposed during quarter
4. Unresolved at end

14) Change in interest rate – intimation to NSE

Under **National Stock Exchange rules & **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

✓ Answer:

Prior 11 working days inform to stock exchange

15) OC send application to Registered Office within ___ days

Under **Insolvency and Bankruptcy Code, 2016 Section 9
✓ Answer: 10 days

16) Provision of Section 236

Under **Companies Act, 2013
✓ Answer:

Purchase of minority shareholding (90% squeeze-out rule).

Part 2

Questions & Answers

Q1 – Class Action for Listed Company (Requirement)

Under Companies Act, 2013 Section 245

For a company having share capital (including listed):

Class action can be filed by:

Not less than 100 members, OR

Members holding at least 10% of issued share capital

For depositors:

100 depositors OR

10% of total depositors

✦ Exam Tip:

Remember “100 members or 10% capital”

Q2 – Residential Status in case of Education

Under Foreign Exchange Management Act, 1999

✓ Person going abroad for education is treated as a person resident outside India.

Even if stay < 182 days, the purpose of stay determines residential status.

Q3 – NRI leaving India timeline question

Principle tested:

✓ Residential status under FEMA depends on intention/purpose of stay, not only days.

Example purposes:

Education

Employment

Business

Uncertain period abroad

Such persons → Resident outside India

Q4 – Step Sister as Relative (IPO / Holding %)

Under Companies Act, 2013 Section 2(77)

Step sister is NOT included in the definition of relative.

✦ So step sister is NOT treated as relative.

Q5 – IBC and Companies Act – which prevails?

Under Insolvency and Bankruptcy Code, 2016 Section 238

✓ IBC overrides other laws.

Therefore:

IBC prevails over the Companies Act in case of conflict.

Q6 – Can Moratorium be challenged or modified?

Under Insolvency and Bankruptcy Code, 2016 Section 14

✓ Moratorium cannot be modified by creditors.

Only NCLT may modify / lift it in certain circumstances.

Q7 – Not appearing before ROC – Penalty

Under Companies Act, 2013 Section 207

Penalty:

The person shall be punishable with:

Imprisonment up to 1 year and

Fine not less than ₹25,000 but which may extend to ₹1,00,000.

Q8 – Certificate of Registration expired (FCRA)

Under Foreign Contribution Regulation Act, 2010

✓ FCRA Registration valid for 5 years.

Must apply for renewal at least 6 months before expiry.

Q9 – Section 16H Penalty

Under Foreign Exchange Management Act, 1999

✓ Penalty may extend to 3 times the amount involved or ₹2 lakh if amount not quantifiable.

Q10 – Which provision does NOT talk about evaluation?

Options mentioned:

Section 134(4)

Section 178(2)

Schedule IV

Section 134(3)

✓ Correct Answer: Section 134(4)

Q11 – Validity of Non-Cash Transaction

Under Companies Act, 2013 Section 192

✓ Non-cash transaction with director valid only if:

Approved by shareholders in General Meeting

Q12 – Resolution Plan approval vote

Under Insolvency and Bankruptcy Code, 2016 Section 30(4)

✓ Approval required:
66% voting share of financial creditors

Q13 – Radha – Siddhi Case Study

Likely concept tested:

✓ Related party / relative definition under Companies Act.

Q14 – When can a company obtain Dormant status?

Under Companies Act, 2013 Section 455

A company may apply for Dormant Company Status when:

1. Formed for future project, OR
2. No significant accounting transaction, OR
3. Inactive company

Q15 - FEMA limit for IMPORT of Service

Answer:

Remittance for import of services up to USD 500,000 per transaction

can be made by an Authorised Dealer (AD Bank) without requiring documentary evidence.

If the amount exceeds USD 500,000, the AD bank may require documentary evidence such as:

Invoice

Agreement

Supporting documents for the service received.

Repeated question - By kamesh (Chennai)

Actual Questions Asked – Answers

1 Disqualification of Director (Consultancy Income)

Under Companies Act, 2013 – Section 164(1)(g)

A person is disqualified if he is convicted of an offence dealing with related party transactions under Section 188 during the last 5 years.

☞ In this case:

Mr. X earned consultancy fees of ₹10 lakh (exceeding ₹5 lakh) from the company without approval → violation of Section 188.

✓ Therefore he is disqualified to be appointed as director.

2 Tenure and Cooling-off period of Independent Director

As per Companies Act, 2013 – Section 149

Term: Maximum 5 years

Reappointment: One more term of 5 years

Maximum tenure: 10 years

Cooling-off period: 3 years

During cooling-off period:

Cannot be associated with company as director or employee.

3 Regulations

(a) Appointment of Independent Director in listed companies

As per SEBI (LODR) Regulations, 2015:

If Chairperson is non-executive → At least 1/3 board should be Independent Directors

If Chairperson is executive or promoter related → At least 1/2 board should be Independent Directors

(b) Maximum number of directorships in listed companies

Under SEBI (LODR) Regulations, 2015:

A person can be director in maximum 7 listed companies.

If he is Whole-time Director / Managing Director in a listed company → maximum 3 listed companies.

4 Maximum number of committees

Under SEBI (LODR) Regulations, 2015 – Regulation 26

A director can be member of maximum 10 committees

and chairperson of maximum 5 committees.

(Only Audit Committee + Stakeholders Relationship Committee counted)

5 Minimum Maturity Period of ECB

Under FEMA – External Commercial Borrowing Framework

Purpose -Minimum Average Maturity

Normal ECB → 3 years

Capital expenditure loan repayment → 7 years

Other purposes (working capital etc.) → 10 year

6 Maximum remuneration if profits are inadequate

Under Companies Act, 2013 – Schedule V

Effective Capital = ₹100 crore

Maximum yearly remuneration:

☞ ₹120 lakh (₹1.2 crore)

If Special Resolution passed → ₹240 lakh (₹2.4 crore).

7 Ceiling of Managerial Remuneration (₹325 crore profits)

Under Companies Act, 2013 – Section 197

Maximum overall managerial remuneration:

☞ 11% of Net Profits

Calculation:

$11\% \times ₹325 \text{ crore}$

= ₹35.75 crore

8 Grievance Redressal Mechanism (SEBI LODR)

As per SEBI (LODR) Regulations, 2015 listed entities must:

Establish Stakeholders Relationship Committee

Redress investor grievances

Maintain SEBI SCORES system

Monitor complaints regarding:

transfer of shares

dividend

demat issues

9 Director disclosure of interest

Under Companies Act, 2013 – Section 164

(Actually disclosure is under Section 184)

Director must disclose:

Concern or interest in any company/firm/body corporate

At first Board Meeting of financial year

Whenever change occurs.

10 Reappointment after disqualification

Under Companies Act, 2013 – Section 164(2)

If disqualified due to default of company:

☞ He cannot be reappointed in that company or appointed in any other company for 5 years.

1 1 SEBI LODR provisions

(a) Consent of Directors – Related Party Transactions

Under SEBI (LODR) Regulations, 2015 – Regulation 23

Audit Committee approval required

Interested director cannot vote

(b) Period to maintain records

Listed entity must maintain records for minimum 8 years.

1 2 FEMA – Penalty for exceeding LRS limit

Under Foreign Exchange Management Act, 1999 – Section 13

If ₹2,60,000 sent abroad exceeding LRS limit:

Penalty may be:

☞ Up to 3 times the amount involved

or

☞ ₹2 lakh (if amount not quantifiable)

Plus ₹5,000 per day for continuing contravention.

Q13. Whether a Person Resident in India (PRI) can make ODI in real estate business involving construction of residential and commercial properties?

Answer

Under the Foreign Exchange Management Act, 1999 and FEMA ODI Rules, 2022:

✓ Permitted

ODI is allowed in construction development sector, which includes:

Construction of residential buildings

Construction of commercial properties

Development of townships

Infrastructure development

✓ Not permitted

ODI is prohibited in real estate business, meaning:

Trading in land

Buying and selling property without development

Conclusion

If the investment is for construction/development of residential or commercial projects, ODI is permitted.

Q14. Cancellation of FCRA Registration

Relevant law: Foreign Contribution (Regulation) Act, 2010

Grounds for cancellation

The Central Government may cancel registration if:

1. Registration obtained by fraud/misrepresentation

2. Violation of provisions of FCRA

3. Violation of conditions of registration

4. Organisation inactive for 2 years

5. Public interest

Effects of Cancellation

(a) Can receive foreign contribution?

✗ No. The organisation cannot receive foreign contribution.

(b) What happens to assets created out of FC?

Assets created from foreign contribution shall:

✓ Vest in an authority prescribed by Central Government

OR

✓ Be managed as directed by CG

(c) Can bank return unspent foreign contribution?

✓ Yes.

Bank may return unutilised foreign contribution to the donor with Central Government approval.

(d) Responsibility for custody and disposal

✓ Central Government will specify authority/person to manage:

Foreign contribution

Assets created from FC

until the organisation becomes eligible again.

Q15. Can a Corporate Debtor initiate CIRP after Financial Creditor already filed application?

Relevant law: Insolvency and Bankruptcy Code, 2016

Answer

If a **Financial Creditor** has already filed an application under Section 7, then:

✓ Corporate Debtor **cannot initiate separate CIRP under Section 10** once the first application is **admitted**.

Reason

Only **one CIRP proceeding** can exist for the same corporate debtor.

Conclusion

Corporate debtor **cannot initiate CIRP after admission of FC's application**.

Q16. Two cheques dishonoured during moratorium. Can criminal proceedings be initiated?

Relevant law:

Insolvency and Bankruptcy Code, 2016

Negotiable Instruments Act, 1881

Answer

During **Moratorium under Section 14 IBC**:

✓ Proceedings against **Corporate Debtor are prohibited**

However, Supreme Court held that:

✓ **Criminal proceedings under Section 138 NI Act can continue**

But:

Corporate Debtor is protected

Proceedings may continue against **directors/signatories**

Conclusion

Criminal proceedings **can be initiated against persons in charge, but not enforced against corporate debtor during moratorium**.

Q19. Independent Director in Unlisted Public Company

Under **Companies Act, 2013**

An **unlisted public company** must appoint **at least 2 Independent Directors** if it meets any condition:

1. Paid-up capital \geq ₹10 crore

2. Turnover \geq ₹100 crore

3. Outstanding loans/debentures/deposits \geq ₹50 crore

Q20. Can SFIO direct prosecution against guilty person?

Relevant law: **Serious Fraud Investigation Office**

Under **Companies Act, 2013**

✓ After investigation, **SFIO submits report to Central Government**.

✓ **Central Government decides prosecution**.

Conclusion

✗ **SFIO cannot directly prosecute**.

✓ **Central Government authorizes prosecution**.

Q21. Minor deposit money in Nidhi Company through father and become member?

Relevant law: **Companies Act, 2013**

Answer

✗ **Minor cannot become a member of Nidhi Company**.

But:

✓ **Minor may deposit money through natural guardian (father/mother)**.

Condition

Minor **cannot hold shares**.

Q22. Winding up Process of Company

Under **Companies Act, 2013**

Procedure

1 Petition filed before NCLT

2 Tribunal Order for Winding Up

3 Appointment of Company Liquidator

4 Public Notice of Winding Up

5 Take control of assets

6 Asset realisation

7 Payment of liabilities in priority order

8 Final report by Liquidator

9 Dissolution order by Tribunal

Q23. Disentangling Shareholders (Variation of Class Rights)

Relevant law: **Companies Act, 2013**

Variation of Class Rights requires:

✓ Consent of:

$\frac{2}{3}$ of issued shares of that class, OR

Special resolution at separate meeting

Protection

If **10% of shareholders of that class** object:

✓ They may **apply to Tribunal within 21 days**
Tribunal may **confirm or cancel variation**.

Q24. Mandatory Open Offer

Under **Securities and Exchange Board of India**
and **SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011**

Open Offer must be made when:

- 1 Acquisition of **25% or more voting rights**
- 2 Acquisition of **more than 5% in a financial year** when holding **25%–75%**

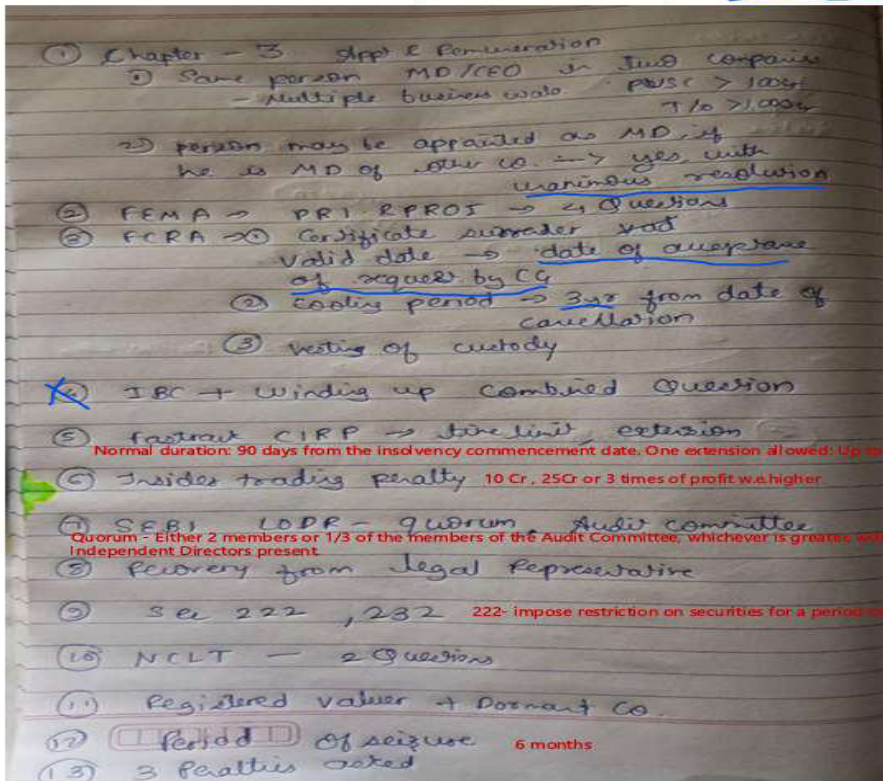
Offer Size

- ✓ Minimum **26% of total shares**
- ✓ If you want, I can also give ICAI-style memory tricks for these 12 questions so you can revise them in 5 minutes before exam. This will be extremely useful for CA Final SPOM/Law revision.

Actual Questions Asked: -

SET 1

For top listed companies where:
 Paid-up Share Capital \geq Rs100 Crore, AND
 Annual Turnover \geq Rs1000 Crore
 The Chairperson of the Board and the MD/CEO should not be the same person.



Set -2

1 Independent Director appointment based on turnover

As per Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 under Companies Act, 2013.

An unlisted public company must appoint at least 2 Independent Directors if it has:

- Paid-up Share Capital \geq ₹10 Cr, OR
- Turnover \geq ₹100 Cr, OR
- Outstanding loans/debentures/deposits \geq ₹50 Cr

✓ Answer: If turnover \geq ₹100 crore, 2 Independent Directors required.

ICAI Trap: They may give ₹90 Cr or ₹110 Cr.

2 Sec 149(6) – Gross turnover 10% from partnership

Under Section 149(6) an Independent Director must not have pecuniary relationship with company.

Exception:

☞ If he is partner in a firm that has transaction with company \leq 10% of gross turnover of that firm

Then he can still be Independent Director.

If $>$ 10% \rightarrow Not independent.

✓ Answer: Up to 10% allowed.

ICAI Trap: Students think no relationship at all.

3 All directors disqualified u/s 164 – can promoter appoint new directors?

Relevant section: Companies Act, 2013 Section 167(3).

If all directors become disqualified:

☞ Promoter OR

☞ Central Government

may appoint required number of directors to run the company.

These directors hold office until new directors are appointed in general meeting.

✓ Answer: Yes, promoter can appoint directors.

ICAI Trap: Students think board becomes invalid and company stops.

4 Private company Board meetings

As per Section 173 of Companies Act, 2013

First Board Meeting: within 30 days of incorporation

After that:

Private company must hold minimum 2 board meetings per year

Condition:

☞ Gap between two meetings \leq 90 days

✓ Answer: 2 meetings per year with max gap of 90 days.

ICAI Trap: Students write 4 meetings (for public companies).

5 Remuneration if Effective Capital = ₹325 Cr

Excess over ₹250 Cr
= 325 - 250 = ₹75 Cr
0.01% of ₹75 Cr
= 0.01/100 × 75 Cr
= ₹7.5 Lakhs
₹120 Lakhs + ₹7.5 Lakhs
= ₹127.5 Lakhs per year

6 Disclosure in Listed Company – which is NOT required

Under Section 197(12) and Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Disclosures required in Board Report:

- ✓ Ratio of remuneration of each director to median remuneration of employees
- ✓ % increase in remuneration of each director
- ✓ % increase in remuneration of CEO/CFO/CS

If options include something like:

- ✗ Remuneration of every employee individually

That is NOT required.

- ✓ Answer: Disclosure of every employee remuneration is not required.

ICAI Trap: Students mark CEO/CFO increase as not required (but it is required).

7 SFIO Question

Related to Serious Fraud Investigation Office

Under Section 212 of the Companies Act, 2013

If SFIO report shows fraud:

- ✓ Report filed before Special Court
- ✓ Persons involved can be prosecuted
- ✓ Court may order disbursement of property

But:

- ✗ SFIO is NOT required to report to Income Tax Authority

- ✓ Answer: Reporting to Income Tax Authority – incorrect.

ICAI Trap: Students think SFIO coordinates with all departments.

8 Section 235 – Dissenting Shareholders

Under Companies Act, 2013 Section 235

When scheme/contract for transfer of shares approved by 90% shareholders.

Remaining 10% dissenting shareholders:

- ☞ Transferee company can compulsorily acquire their shares.
- But dissenting shareholder may apply to Tribunal within 1 month.

- ✓ Answer: 90% approval allows compulsory acquisition.

ICAI Trap: Students write 75%.

9 Can Private Limited Company be member of Nidhi?

As per Nidhi Rules, 2014

Members of Nidhi must be individuals only.

- ✗ Companies cannot be members.

- ✓ Answer: No, private company cannot become member.

ICAI Trap: Students think any person including company can be member.

10 SEBI Section 15F – Penalty

Under SEBI Act, 1992 Section 15F

Penalty for failure by stock broker:

Example:

- Failure to issue contract note
- Failure to deliver securities
- Failure to make payment

Penalty:

- ☞ Minimum ₹1 lakh
- ☞ Maximum ₹1 crore
- (or 3 times amount of gain, whichever higher)

- ✓ Answer: ₹1 lakh – ₹1 crore

ICAI Trap: Students confuse 15F with insider trading penalty (15G).

1 1 Maximum Directorship as Independent Director in Listed Companies

As per Regulation 17A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

A person can be Independent Director in maximum 7 listed companies.

But if the person is Whole-Time Director or Managing Director in any listed company:

- ☞ Maximum Independent Directorship = 3 listed companies.

Answer

- Normal: 7
- If WTD/MD: 3

ICAI Trap: They mix total directorship (20) with ID limit (7).

1 2 Restriction on Committee Membership

Under SEBI LODR Regulation 26

A director can be member of:

- Maximum 10 committees
- Chairperson of maximum 5 committees

Committees counted:

- ✓ Audit Committee
- ✓ Stakeholders Relationship Committee

Other committees **not counted**.

Answer

Membership: 10

Chairperson: 5

ICAI Trap: Students count NRC committee also (not counted).

1 3 Alteration before IPO

Under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

If company wants to **alter terms of contracts mentioned in prospectus**:

☞ It can be done **after passing special resolution**

But notice must be given **at least 21 days before the meeting**.

Answer

21 days notice required before alteration.

ICAI Trap: Students write **14 days**.

1 4 Open Offer – Trigger

Under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

Open offer must be made when:

1 Acquisition \geq 25% voting rights

OR

2 If holding 25%–75%, acquisition of **more than 5% in a financial year**

Answer

25% initial trigger

5% creeping acquisition

ICAI Trap: Students mark 26% instead of 25%.

1 5 FEMA USD 250000 Case

Under Liberalised Remittance Scheme (LRS) of Foreign Exchange Management Act, 1999

Resident individual can remit:

☞ **USD 250,000 per financial year**

for:

education

travel

investment abroad

gift

maintenance of relatives

Answer

USD 250,000 per FY allowed without RBI approval.

ICAI Trap: Students write **calendar year** instead of **financial year**.

1 6 ECB used for Real Estate?

Under **External Commercial Borrowing** guidelines of Foreign Exchange Management Act, 1999

ECB **cannot be used for real estate activities**.

Exception:

✓ Affordable housing

✓ SEZ development

✓ Industrial parks

✓ Integrated township projects

Answer

X Normal real estate activities not allowed.

ICAI Trap: They give **housing project** (which may be allowed).

1 7 Exchange Rate for Conversion

Under ECB guidelines:

Conversion between **foreign currency and INR** must be:

☞ **At prevailing market rate on the date of settlement**

It **cannot be lower than the rate agreed at the time of ECB**.

Answer

Exchange rate = prevailing rate on settlement date.

ICAI Trap: Students choose rate at **borrowing date**.

1 8 Minimum Average Maturity Period (MAMP)

Under ECB framework:

Answer

Purpose - Minimum Average Maturity

General ECB - **3 years**

Working capital / general corporate purpose - **5 years**

Capital expenditure (Capex) - **5 years**

ICAI Trap: Students mark **3 years for all cases**.

Set -3

1 FEMA

Q1. Commission on sale of real estate to a non-resident

Under Foreign Exchange Management Act, 1999 rules for **immovable property**:

☑ **Commission payable to agent outside India**

Maximum = 5% of inward remittance / sale price

Exam Trap:

Students think FEMA prohibits it.

X Not prohibited — only capped at 5%.

Q2. Consultancy services for infrastructure projects – remittance limit

Under **Reserve Bank of India current account rules:

Type of Consultancy and Limit

General consultancy - USD 1 million per project

Infrastructure project consultancy - USD 10 million per project

No RBI approval required within this limit.

Q3. Section 6(4) – Asset outside India

Under Section 6(4) of Foreign Exchange Management Act, 1999:

If a person was resident outside India when asset was acquired, he can continue to hold / transfer / invest in that asset even after becoming resident in India.

Example

A person working in UK buys shares abroad → later returns to India → he can keep those shares.

✂ ICAI Trap:

Students think RBI approval needed after becoming resident.

2 FCRA

Under Foreign Contribution Regulation Act, 2010

Foreign Contribution means any donation, delivery or transfer by a foreign source.

Not treated as Foreign Contribution

Situation - FC ?

Salary from foreign employer - ✗ No

Gift from relative abroad - ✗ No

Foreign hospitality - ✗ Not FC (separate concept)

Treated as FC

Situation - FC ?

Donation from foreign NGO - ✓ Yes

Donation from foreign company - ✓ Yes

Donation from Indian company with >50% foreign shareholding - ✓ Yes

✂ ICAI Trap:

Gift from relative abroad = NOT FC.

3 IBC

Under Insolvency and Bankruptcy Code, 2016

Q1 CIRP Commencement Date

CIRP begins on date of admission of application by NCLT.

Authority: National Company Law Tribunal

Q2 Can NCLT order be challenged?

Yes.

Appeal lies before National Company Law Appellate Tribunal

Further appeal → Supreme Court of India

Q3 Trade union participation

Trade unions may represent workmen creditors in CIRP proceedings.

But they are not financial creditors.

4 Director Chapter

Under Companies Act, 2013

Q1 Managerial Remuneration – Effective Capital

If EC ≥ ₹250 Cr

Maximum remuneration:

₹120 lakh + 0.01% of EC exceeding ₹250 Cr

Example:

EC = ₹325 Cr

Excess = ₹75 Cr

0.01% = ₹7.5 L

Total = ₹127.5 L

✂ ICAI trap:

Students apply old slab (₹250–500 Cr).

5 Winding Up

Under Companies Act, 2013

Preferential Payments

Must be paid before unsecured creditors.

Examples:

Government dues

Wages

Employee compensation

Overriding Preferential Payments

Paid before all other debts including secured creditors.

Examples:

Workmen dues

Secured creditor portion

Time Periods

Item - Period

Workmen wages - 24 Months

Preferential taxes - 12 months

60 days / 90 days often tested in fraud reporting or insolvency timelines.

6 SEBI

Under Securities and Exchange Board of India

Insider Trading – when allowed?

Allowed when:

- Trading window open
- Pre-clearance taken
- No UPSI possession

Regulation: SEBI Insider Trading Regulations 2015

Book Building

Price discovery process in IPO where investors bid within price band.

Regulated by SEBI ICDR Regulations 2018

IPO Eligibility (Main Board)

Key condition:

Net tangible assets \geq ₹3 Cr for last 3 years

7 Registered Valuer Appointment

Under Section 247 of Companies Act, 2013

Appointment:

- Board of Directors appoints
- Valuer must be registered with Insolvency and Bankruptcy Board of India

8 Amalgamation

Cross Border Merger

Permitted between:

- Indian company
- Foreign company

With approval of Reserve Bank of India

Section 234 Companies Act.

Dissenting Workmen Compensation

Workmen who oppose merger may receive compensation determined under scheme approved by NCLT.

9 Oppression and Mismanagement

Application to National Company Law Tribunal

Minimum members required:

Company Type - Requirement

Company with share capital - 100 members OR 10% members OR 10% shareholding

Company without share capital - 1/5 of total members

Section 241–244 Companies Act.

🔗 ICAI Trap:

Students forget 10% shareholding alternative condition.

I'll frame probable CA Final exam-type questions + answers for each topic. I'll also add ICAI trap / exam tip for SPOM-type MCQ or case study.

Set -4

1 Managerial Remuneration Calculation

Question

A public company has the following details:

Net profit as per Sec 198 = ₹10 crore

Company has 1 Managing Director and 1 Whole-time Director

Compute maximum managerial remuneration payable.

2 Section 210 & 211

Question

What do Section 210 and Section 211 of the Companies Act deal with?

Answer

Section - Provision

Sec 210 -Form and contents of Balance Sheet and Profit & Loss Account

Sec 211 -Requirements as to Profit and Loss Account and Balance Sheet

Key idea:

These sections ensure financial statements present true and fair view.

ICAI Exam Tip 🎯

MCQ may ask:

Which section deals with form of financial statements?

Correct answer → Sec 210

3 FEMA – USD 250,000 Limit (LRS)

Question

An individual resident in India remits USD 250,000 abroad in a financial year under Liberalised Remittance Scheme. Is it permitted?

Answer

Yes.

Under Liberalised Remittance Scheme (LRS):

Resident individual can remit USD 250,000 per financial year for permitted capital and current account transactions.

Thus USD 250,000 = allowed without RBI approval.

ICAI Trap ⚠️

Limit is:

- ✗ per transaction
- ✗ per purpose

✓ Per financial year per individual

4 FEMA – Current Account Transaction

Question

What is a **Current Account Transaction** under FEMA?

Answer

As per **Section 2(j)** of FEMA:

Current account transaction means a transaction **other than capital account transaction**.

Examples:

- Payment for **imports / exports**
- Interest payments
- Remittance for **travel**
- Education expenses
- Medical treatment abroad

ICAI Exam Tip

Remember:

Current account = routine payments

Capital account = change in assets/liabilities abroad

5 FEMA Gift Limit

Question

What is the limit for **gift remittance abroad** under FEMA?

Answer

Gift remittance is allowed under **LRS limit**.

Maximum gift that can be sent abroad:

USD 250,000 per financial year

ICAI Trap

Students confuse with **₹50,000 gift under Income Tax**.

That rule **does NOT apply under FEMA**.

6 Insider Trading Penalty

Question

What is the penalty for insider trading under SEBI regulations?

Answer

Under **SEBI Act Section 15G**

Penalty:

Minimum = **₹10 lakh**

Maximum = **₹25 crore or 3 times profit made**, whichever is higher.

ICAI Exam Tip

Remember this pattern:

10 lakh → 25 crore → 3× profit

Very commonly asked MCQ.

7 Number of Independent Directors when Woman Director Exists

Question

How many independent directors are required in a listed company which already has a woman director?

Answer

Requirement for **listed public company**:

Independent directors must be **at least 1/3rd of total directors**.

Woman director requirement is **separate**.

Thus:

Even if woman director exists →

Independent directors = minimum 1/3rd

ICAI Trap

Students think:

Woman director counts as independent director.

Wrong.

A woman director **may or may not be independent**.

8 Non-Executive Director Remuneration Limit

Question

What is the maximum remuneration payable to Non-Executive Directors?

Answer

As per **Sec 197**:

Situation - Limit

Company with MD/WTD -1% of net profits

Company without MD/WTD -3% of net profits

ICAI Exam Tip

Easy memory trick:

MD present → 1%

No MD → 3%

9 FCRA Penalty

Question

What is the penalty for violation of FCRA provisions?

Answer

Under **Foreign Contribution Regulation Act (FCRA)**:

Penalty may include:

- Monetary penalty

Cancellation of registration
Confiscation of foreign contribution
Imprisonment up to **5 years**
Depending on nature of violation.

ICAI Trap ⚠

Individuals **cannot receive foreign contribution** without FCRA permission if it falls under definition.

10 CoC Meeting Timeline (IBC)

Question

Within how many days should the first **Committee of Creditors meeting** be held?

Answer

Under **Insolvency and Bankruptcy Code (IBC)**:

First CoC meeting must be held **within 7 days of constitution of CoC**.

ICAI Exam Tip 🧠

Key timeline sequence:

Step - Time

Public announcement **-3 days**

CoC constitution **-30 days**

First CoC meeting **-7 days**

1 1 Liquidator Salary

Question

Who fixes the remuneration of the liquidator in liquidation process?

Answer

Under **IBC**:

Remuneration of liquidator is fixed by:

✓ **Committee of Creditors**

If CoC does not fix →

✓ **Adjudicating Authority (NCLT)**

ICAI Trap ⚠

Students wrongly write **IBBI fixes remuneration**.

Correct answer:

CoC → NCLT (if not fixed).

Set -5

1 Directors Liable to Retire by Rotation

Question

Which directors are **liable to retire by rotation**?

Answer

As per **Companies Act, 2013 – Section 152(6)**:

Only the following directors are liable to retire by rotation:

✓ **Non-independent directors** of a public company.

Not liable:

Independent directors

Nominee directors

Additional directors

Woman directors (unless specifically appointed as rotational)

ICAI Trap ⚠

Students mark **Independent director** also as rotational.

✗ **Wrong — Independent directors do NOT retire by rotation.**

2 Which Directors Should Retire Out of Rotational Directors

Question

Among directors liable to retire by rotation, **which directors retire first**?

Answer

Rule:

1 **1/3rd of rotational directors retire at every AGM**

2 Directors **longest in office** retire first.

3 If multiple directors appointed on same day → retirement by lot.

ICAI Exam Tip 🧠

Key phrase examiner expects:

"Directors longest in office retire first."

3 Term of Independent Director & Disclosure

Question

What is the **term of an Independent Director** and what disclosure is required in Board Report?

Answer

Term:

5 years per term

Reappointment:

Eligible for **one more term of 5 years** by special resolution.

Cooling period:

3 years cooling-off after two terms.

Board Report disclosure:

Company must disclose:

✓ **Declaration of independence by Independent Directors**

ICAI Trap ⚠

Students write:

✗ Maximum term = 10 years

Correct concept:

✓ **Two terms of 5 years each**

4 Casual Vacancy of KMP

Question

Casual vacancy of **Key Managerial Personnel** must be filled within how many days?

Answer

Under **Section 203(4)**:

Casual vacancy must be filled by **Board within 6 months (180 days)**.

ICAI Trap ⚠

Students confuse with:

Director vacancy → immediate

Auditor vacancy → 3 months

Correct for **KMP = 6 months**

5 Woman Director Requirement

Question

Which companies must appoint a **Woman Director**?

Answer

Mandatory for:

1 **Listed companies**

2 **Public companies having:**

Paid-up capital ≥ ₹100 crore OR

Turnover ≥ ₹300 crore

ICAI Tip 🧠

Memory trick:

100 capital – 300 turnover

6 Appeal to NCLT – Time Limit

Question

Within how many days can appeal be made to NCLT?

Answer

Appeal must be filed **within 45 days** from the order.

Extension possible:

Additional **45 days** if sufficient cause.

ICAI Trap ⚠

Students mark **30 days**.

Correct → **45 days**

7 Appeal to SAT – Time Limit

Question

Within how many days can appeal be made to SAT?

Answer

Under ****Securities and Exchange Board of India Act:**

Appeal to **Securities Appellate Tribunal (SAT)**:

✓ **45 days**

SAT may condone delay.

8 SAT Disposal Time

Question

Within how many months should SAT dispose of appeal?

Answer

SAT should dispose the appeal **within 6 months**.

ICAI Tip 🧠

Remember:

SAT → **6 months**

9 Laying SEBI Report before Parliament

Question

Is the Central Government required to lay SEBI annual report before Parliament?

Answer

Yes.

Central Government must lay **SEBI report before both Houses of Parliament**.

10 Time Limit to Lay SEBI Report

Question

Within how many days should CG lay SEBI report before Parliament?

Answer

Report must be laid **as soon as possible after receiving it**.

No fixed number of days specified.

ICAI Trap ⚠

If MCQ gives **30 / 60 / 90 days** →

Correct answer: **No specific time limit**

1 1 Penalty for Insider Trading

Question

What is the penalty for insider trading?

Answer

Under **Securities and Exchange Board of India Act:

Penalty:

Minimum → ₹10 lakh

Maximum → ₹25 crore OR 3 times profit, whichever higher.

ICAI Tip

Remember:

10L → 25Cr → 3× profit

1 2 Are Past Officers Required to Cooperate with ROC?

Question

Are **past officers of a company** required to answer when ROC conducts inspection?

Answer

Yes.

Even **past officers** must:

✓ Provide information

✓ Produce documents

✓ Answer questions

During **inspection, inquiry or investigation**.

ICAI Trap

Students think obligation applies only to **present officers**.

Correct → **Past officers also liable**.

1 3 When Can ROC Call for Books & Information?

Question

When can ROC call for **further books of accounts and information**?

Answer

ROC can call for books when:

✓ He has **reasonable belief** that business is conducted fraudulently or unlawfully.

1 4 When Can ROC Make Inquiry?

Question

When can ROC initiate inquiry into company affairs?

Answer

ROC may conduct inquiry if:

Company business conducted **fraudulently**

Not complying with Companies Act

Investors' interests being harmed.

1 5 Can NCLT Modify Agreements in Oppression Case?

Question

Can NCLT modify or terminate agreements under oppression remedy?

Answer

Yes.

Under **Section 242**, NCLT can:

✓ Modify

✓ Terminate

✓ Set aside agreements

Between:

Company and directors

Company and managing director

Company and manager.

ICAI Exam Tip

Section 242 = **very wide powers of NCLT**.

1 6 Appeal under Section 32 of FCRA

Question

Where should aggrieved person appeal under Section 32 of FCRA?

Answer

Appeal lies to:

✓ **High Court**

ICAI Trap

Students mark **NCLT or Tribunal**.

Correct → **High Court**

1 7 Suspension of FCRA Registration

Question

Maximum period for suspension of FCRA certificate?

Answer

Under ****Foreign Contribution Regulation Act, 2010**:

Maximum suspension period:

✓ **180 days (+180 days)**

1 8 Utilisation of Funds During Suspension

Question

How much unutilised foreign contribution can be used during suspension?

Answer

With prior approval of Central Government:

✓ Up to 25% of unutilised funds

ICAI Trap ⚠

Students write:

✗ 50%

✗ Not allowed

Correct → 25%

1. Independent Director – Mr. X, a Chartered Accountant, is proposed to be appointed as an Independent Director. His firm earned ₹10 lakh from consultancy services out of a total income of ₹100 lakh from the company. Is he disqualified under the Companies Act, 2013?

Act / Regulation: Companies Act, 2013 – **Section 164(2), 149(6), 149(7)**

Answer:

Mr. X is disqualified if his firm **earned more than ₹1 lakh** from the company in the preceding financial year (Section 149(6)(a), Related Party criteria). Here, the firm earned ₹10 lakh → **disqualified**.

ICAI Trap: Students often forget that it's **firm income**, not individual income, that matters. Some assume consultancy fees are irrelevant.

2. State the provisions relating to the tenure and cooling-off period applicable to the Directors and Auditors of a Nidhi Company under the Companies Act, 2013 and the Nidhi Rules.

Act : Companies Act, 2013

Answer:

Directors: Maximum tenure **10 consecutive years**; reappointment possible; **2-year cooling-off**

Auditors: Appointment annually; **10 consecutive years for Firm** and **5 consecutive years for Individual**; **cooling-off 2 years** for reappointment.

ICAI Trap: Students assume Nidhi companies follow Schedule V limits for managerial remuneration – wrong.

3. Regulations regarding: (i) Appointment of an Independent Director in listed companies, and (ii) Maximum number of directorships a person can hold in listed entities.

Act / Regulation: Companies Act, 2013 – **Section 149**; SEBI (LODR) Regulations, 2015 – **Reg 17**

Answer:

Appointment: Board + Shareholders approval; independent status checked.

Maximum Directorships: 7 listed companies; only 3 as ID; whole-time director/MD counted separately.

ICAI Trap: Counting MD as independent director for max directorships – wrong.

4. As per SEBI regulations, what is the maximum number of committees in which a director can act as Chairman or Member across listed entities?

Act / Regulation: SEBI (LODR) Regulations, 2015 – **Reg 26(1) & 26(2)**

Answer:

Committee membership limits: 10 committees total across listed entities

Chairmanship limit: 5 committees.

ICAI Trap: Students confuse **membership vs chairmanship**.

5. State the minimum average maturity period prescribed for repayment of External Commercial Borrowings (ECB) raised for: (i) capital expenditure (capex), and (ii) other purposes

Act / Regulation: FEMA, 1999 – **External Commercial Borrowings Framework, RBI Guidelines**

Answer:

Capital expenditure: 3 years minimum

Other purposes: 3 years for **foreign currency loans**, 5 years for **INR loans**.

ICAI Trap: Mistaking LRS/FCNR borrowings as ECB.

6. Remuneration – Effective Capital ₹100 crore

Act / Regulation: Companies Act, 2013 – **Schedule V, Para I, II**

Answer:

If **profits inadequate**, managerial remuneration = 11% of net profits or ₹60 lakh p.a. (whichever is higher as per effective capital).

ICAI Trap: Students apply formula for listed companies with profits; ignore Schedule V limits.

7. Remuneration – Effective Capital ₹325 crore

Act / Regulation: Companies Act, 2013 – **Schedule V, Para II(A)(2)**

Answer:

Managerial remuneration (in absence of profit): Maximum ₹1.2 crore p.m. (as per Schedule V slab for capital ₹300–500 crore).

ICAI Trap: Forgetting to round off or directly applying slab for ₹300 crore instead of ceiling ₹325 crore.

8. Discuss the consequences and penalties under the SEBI (LODR) Regulations and the Companies Act, 2013 where a listed entity fails to address and redress shareholders' grievances.

Act / Regulation: SEBI (LODR) Regulations – **Reg 12, 13 & 14**; Companies Act, 2013 – **Section 447**

Answer:

SEBI: Monetary penalty; regulatory action; suspension of trading

Companies Act: Penal liability on officers; fine up to ₹5 lakh (Section 447).

ICAI Trap: Students confuse **grievance redressal vs investor complaint** → penalty differs.

9. State the effective date from which disqualification of a director under Section 164 of the Companies Act, 2013 takes effect.

Act / Regulation: Companies Act, 2013 – **Section 164(2)**

Answer:

Disqualification takes effect **from the date of order by NCLT / notification by Registrar**.

ICAI Trap: Confusing with **appointment date or default date**.

10. After a director is disqualified under Section 164 of the Companies Act, 2013, what is the period during which he cannot be reappointed?

Act / Regulation: Companies Act, 2013 – **Section 164(2)**

Answer:

Cannot be reappointed for **5 years from the date of disqualification**.

11. State the provisions relating to: (i) Consent of directors in respect of related party transactions, and (ii) The period for which a company is required to maintain records/documents relating to UPSI under SEBI regulations.

Act / Regulation:

Companies Act, 2013 – **Section 177(4)** (Consent of directors)

SEBI (Prohibition of Insider Trading) Regulations, 2015 – **Reg 9 & 30(10)** (UPSI)

Answer:

RPT Consent: **Audit committee** approval needed for related parties

UPSI Records: Maintain for **8 years** from creation.

ICAI Trap: Students confuse **board approval vs audit committee approval**.

12. A resident individual has remitted USD 2,60,000 under the Liberalised Remittance Scheme (LRS) in a financial year, exceeding the prescribed limit. Discuss the penalty provisions applicable under FEMA.

Act / Regulation: FEMA, 1999 – **Section 13, 15, 15A**

Answer:

Max permitted per FY = **USD 250,000**;

Exceeding → **penalty up to 3 times of amount(excess) (or) ₹2 lakh per default**, imprisonment not applicable.

ICAI Trap: Students assume criminal liability → only civil penalty applies under FEMA.

13. Whether a Person Resident in India (PRI) is permitted to make Overseas Direct Investment (ODI) in a foreign entity engaged in real estate business involving construction of residential and commercial properties?

Act / Regulation: FEMA, 1999 – **ODI Guidelines / RBI Notification**

Answer:

PRIs can **invest** in foreign entity engaged in **real estate construction**, provided it's for **own business purposes** and not speculative.

ICAI Trap: Students assume **any residential/commercial property abroad is prohibited**.

14. Discuss the provisions under FCRA, 2010 regarding surrender/cancellation of registration where unutilised foreign contribution remains. Also state:

(a) Whether they can apply for surrender if they have unutilized fc,

(b) What will happen to that fc after surrender to till cancellation

(c) Whether the bank can retain unspent foreign contribution, and

(d) Responsibility for custody and disposal of such funds

Act / Regulation: FCRA, 2010 – **Sections 14, 17 & 18**

Answer:

(a) Can apply for surrender even with unutilized FC

(b) FC to be transferred to **specified government fund** until cancellation

(c) Bank **cannot retain FC indefinitely**; must transfer to Government

(d) **Association responsible for custody & proper disposal** until transferred.

ICAI Trap: Confusing **unutilized FC can be spent during surrender** → **not allowed**.

15. Discuss whether a Corporate Debtor is entitled to initiate Corporate Insolvency Resolution Process under Section 10 of the IBC when an application under Section 7 has already been filed by a Financial Creditor..

Act / Regulation: IBC, 2016 – **Section 10(1)**

Answer:

CD can file under Section 10 **unless a Section 7 application is already admitted** by NCLT.

ICAI Trap: Students assume simultaneous filing allowed → not correct.

16. Where real estate allottees have paid advance amounts and the developer fails to fulfil the obligation, can they initiate proceedings under the Insolvency and Bankruptcy Code, 2016?

Act / Regulation: IBC, 2016 – **Section 7 & 9**; RERA context

Answer:

Yes, Allottees can initiate **financial creditor proceedings under Section 9**; failure of developer is default.

ICAI Trap: Confusing allottee - cannot file as operational creditor – wrong.

17. Two cheques were dishonoured on 15-01-2025 and 18-01-2025. Moratorium under IBC commenced on 17-01-2025.

What remedies are available to the supplier? Can criminal proceedings under Section 138 of the Negotiable Instruments Act be initiated for both cheques?

Act / Regulation: NI Act, 1881 – **Section 138**; IBC, 2016 – **Section 14**

Answer:

Cheque 1 (15-01-2025): Criminal proceedings **stays due to moratorium** (17-01-2025).

Cheque 2 (18-01-2025): Can proceed with **Section 138**.

ICAI Trap: Students ignore **moratorium date vs dishonour date**.

18. State the minimum number of Board Meetings required in a Private Company / Small Company / OPC and the minimum and Maximum permissible gap between two Board Meetings under the Companies Act, 2013.

Act / Regulation: Companies Act, 2013 – **Section 173(1) & 174(1)**

Answer:

Type	Min Meetings	Min Gap	Max gap
Private	2	90 days	120 days
Small Co	2	90 days	120 days
OPC	1	90 days	180 days

ICAI Trap: Students confuse **Private vs Small vs OPC limits**.

19. State the applicability of appointment of Independent Director in an Unlisted Public Company under the Companies Act, 2013..

Act / Regulation: Companies Act, 2013 – **Section 149(4) & Rule 4 of Companies (Appointment & Qualification of Directors) Rules**

Answer:

Mandatory if **public company with paid-up capital >= ₹10 crore or turnover >= ₹100 crore**.

ICAI Trap: Assume all unlisted public companies must have ID → wrong.

20. When can the Serious Fraud Investigation Office (SFIO) initiate investigation? Also, whether the Central Government can direct prosecution against directors if found guilty? Further, explain the meaning of 'just and equitable' ground.

Act / Regulation: Companies Act, 2013 – **Section 210, 212 & 213**

Answer:

SFIO can investigate **serious frauds affecting public interest**

CG can direct prosecution of guilty directors

Just & equitable: Fairness principle in winding up, reorganization, or mergers.

✗ No. SFIO cannot initiate investigation on its own. SFIO can investigate only after the Central Government orders an investigation.

ICAI Trap: Students confuse SFIO powers with ROC investigation → only serious fraud.

21. Can a minor deposit money in a Nidhi Company through his father and can he become a member?

Act / Regulation: Nidhi Rules, 2014 – **Rule 4**

Answer:

Minor **cannot be a member**; deposits allowed **through parent/guardian**, but membership rights not conferred.

Even though the minor's money is deposited, the Nidhi Company does not give them any voting or ownership rights.

Only the parent/guardian is recognized for any administrative purposes related to the deposit

ICAI Trap: Assume minor can hold membership → wrong.

22. Winding-up Flow

Act / Regulation: Companies Act, 2013 – **Section 271 & 302**

Answer:

Petition → Tribunal Order → Liquidator → Public Notice → Asset Realisation → Liability Payment → Final Report → Dissolution



23. . Discuss the provisions relating to dissenting shareholders in case of variation of class rights or compromise/arrangement under the Companies Act, 2013.

Act / Regulation: Companies Act, 2013 – **Section 48, 66 & 230**

Answer:

Shareholders not consenting → Right to **apply to Tribunal for relief**

Must be **fairly compensated / option to exit**

ICAI Trap: Students assume **minority cannot object** → wrong.

24. When is a mandatory open offer required to be made under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

Act / Regulation: SEBI (SAST) Regulations, 2011 – **Reg 3 & 4**

Answer:

Trigger: Acquisition of **≥25% shares or change in control**

Must **make open offer for at least 26%** of remaining shares.

ICAI Trap: Students assume **open offer triggered only on direct acquisition** → indirect acquisition also triggers.

1 Shareholder → Petition for winding up (Unpaid 10%/15%)

☑ Act:

Sec 272 Companies Act, 2013

Law:

A contributory includes a holder of partly paid shares also.

There is **NO requirement** that shares must be fully paid.

Past member can file only if:

1. He was member for **6 months during 18 months** before commencement of winding up, **OR**
2. Shares devolved on him through death of former member.

2 ROC to submit views to NCLT in winding up

☑ Act:

Sec 272 Companies Act, 2013

NCLT must give opportunity to ROC before passing winding up order. - ROC shall **within 60 days** submit its view to NCLT

💡 Trap:

Students assume **ROC recommendation mandatory**.

✗ No. Opinion invited, not binding.

3 For not giving notice to Provisional Liquidator and opportunity of making representation for co.

No notice to Provisional Liquidator: **Order valid**

No notice to Company before appointing PL and Not given opportunity of being heard: **Order defective / challengeable**

Act:

Sec 273 Companies Act, 2013

4 Contribution – Past members liability

Act:

Section 1 Companies Act (Winding up)

Past member liable if:

- **Ceased to be member within 1 year before winding up**
- **Debt incurred before cessation**
- **Present members insufficient**

💡 Trap:

Students forget 1-year rule.

5 Fast Track Insolvency

Act:

Insolvency and Bankruptcy Code, 2016

90 days + 45 extension.

Applicable to:

- Small companies
- Startups
- Unlisted with low assets

💡 Trap:

Students confuse with PPIRP.

6 Approval of Resolution Plan → Role of CoC?

CoC approves by **66%**.

Then NCLT approves.

Act:

IBC

💡 Trap:

Students write 75% (old provision).

7 Attachment by Recovery Officer – Liability of Legal Representative – Before & After Death ?

Act:

SEBI / Income Tax recovery style powers

Legal representative liable only to extent of inherited property.

Legal Representative:

✗ Not personally liable

✓ Liable only to extent of estate of deceased in his hands

Trap:

Students assume personal liability.

8 Penalty for not appearing before ROC – Sec 207

Act:

Companies Act

Sec 207 → Penalty for not appearing before ROC .

The person shall be punishable with:

Imprisonment up to 1 year and

Fine not less than ₹25,000 but which may extend to ₹1,00,000.

Big Trap:

206 → ROC calls information

207 → Conduct of inspection + Penalty

208 → Report after inspection

9 Section 222 – “Whose application? Who can impose?”

Act:

Companies Act, 2013

Purpose : uncover facts relating to ownership of securities during

- Investigation under section 216 or

- on complaint made by any person

Tribunal (NCLT) to impose restrictions on Securities (transfer, voting rights) for a period of not exceeding 3 years.

10 Period for seizure of books & calling again

Act:

→ Companies Act, 2013 (Sec 209)

ROC can:

Seize books if he believes they may be destroyed.

Retain for maximum 180 days (extendable - 180 days).

Approval required - Special court

Trap:

Students assume unlimited retention.

1 1 Independent Director – NPO limit? Can hold shares?

Act:

Companies Act, 2013 (Sec 149)

Independent Director (Share limit):

✓ Can hold shares

✗ Cannot hold 2% or more voting power

NPO limit

An ID shall not be:

A Chief Executive or Director of any NPO that receives 25% or more of its receipts from:

The company

Its promoters

Its directors

Its holding/subsidiary/associate company

So: ✓ 25% is the threshold.

Trap:

Students think ID cannot hold ANY shares.

Wrong. Small shareholding allowed.

1 2 LODR – “dictatorship”

Act:

→ Securities and Exchange Board of India

Regulation:

→ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Optimum combination of Executive and Non-Executive Directors

Non-Executive Directors (NEDs) = >= 50% of the Board

2 Independent Directors requirement

If Chairperson is Non-Executive and not related to promoter → At least 1/3 Independent Directors.

If Chairperson is Executive or related to promoter → At least 1/2 Independent Directors.

LODR overrides Articles if conflict exists.

ICAI Trap:

Students write Companies Act overrides LODR in listed companies.

For listed entities → LODR compliance mandatory.

1 3 Validity of non-cash transaction – effect if not approved

Act:

Companies Act – Sec 192

Non-cash transaction with director requires shareholder approval. (**Ordinary resolution**)

If not approved:

👉 **Voidable at option of company.**

💡 **Trap:**

Students write “void”.

It is VOIDABLE, not void.

1 4 Status of dormant company – dispute/inactive

Act:

Companies Act – Sec 455

Dormant company:

No significant accounting transaction and Inactive

✓ If company is only in internal shareholder dispute but no regulatory/prosecution issue → **May apply.**

✗ If dispute has resulted in pending investigation or prosecution → **Cannot apply.**

1 5 Registered Valuer – mistake in valuation → fraud?

Act:

Companies Act – Sec 247

If valuer:

Makes incorrect valuation knowingly → Penalty Rs.50,000

Fraud → imprisonment upto 1 year + fine (1Lakh to 5Lakh)

For Fraud - RV must Refund fees received and pay for damages caused to company due to wrong/ misleading valuation

💡 **Trap:**

Students ignore mens rea (intention matters).

1 6 Fraud by subsidiary → not in public interest → penalty?

Act:

Companies Act – Sec 447

Fraud amount < ₹10 lakh OR < 1% of turnover (whichever is lower)

AND

Does **NOT** involve public interest

👉 **Punishment:**

Imprisonment up to 5 years OR Fine up to ₹50 lakh or Both

1 7 Shareholder death → time for winding up petition?

Act:

Companies Act

Legal representative can file petition if shares transmitted.

There is **NO specific time limit** prescribed in the Act for filing winding-up petition by legal representative.

💡 **Trap:**

Students think death extinguishes right.

Rights transmit to legal heir.

1 8 MD appointment – by GM / Board / CG?

Act:

Companies Act – Sec 196

Appointment by:

✓ Board

✓ Approved by shareholders

✓ In some cases → Central Govt approval (if not in Schedule V)

💡 **Trap:**

Students write “only shareholders appoint MD”.

Board appoints first.

1 9 Interplay of IBC & Companies Act during CIRP

Act:

IBC overrides other laws (Sec 238)

→ **Insolvency and Bankruptcy Code, 2016**

If conflict:

IBC prevails.

💡 **ICAI favourite line:**

“Notwithstanding anything inconsistent...”

2 0 Moratorium under Sec 14, 2 body corporate – can be challenged?

Act:

IBC

Moratorium protects CD (Corporate Debtor)

Creditors including body corporates cannot initiate/recover during moratorium

Challenge only possible in these ways:

Adjudicating Authority (NCLT) may lift moratorium if:

Sec 14(2) exceptions: e.g., transactions allowed (like enforcement of certain security if permitted)

Appeal to NCLAT against order of moratorium if overreaching or wrongly applied

2 1 UPSI Database – Details by Co. or Fiduciary?

Act:

→ Securities and Exchange Board of India

Regulation:

→ SEBI (Prohibition of Insider Trading) Regulations, 2015

Every listed company must maintain a **Structured Digital Database (SDD)** of:

Persons with whom UPSI is shared

PAN/Aadhaar

Date & time of sharing

💡 ICAI Trap:

Students write “only company maintains”.

✗ Even fiduciaries (lawyers, auditors, bankers) must maintain database.

2 2 Section 245 – Scope of Tribunal (Class Action)

Act:

Companies Act, 2013

Members/depositors can file class action if:

Affairs conducted prejudicial to interest of company / members / depositors

Orders can include:

Restraining ultra vires acts

Claiming damages from auditor

Declaring resolution void

💡 Trap:

Students think only against directors.

✗ Can be against:

Company, Directors, Auditors and Experts

2 3 Demerger – Consideration & Effective Date

Act:

Companies Act (Sec 230–232)

Date

Appointed Date - **Date mentioned in the scheme**

Effective Date - **Date of filing NCLT order with ROC**

Not filing date

Not board date

2 4 WDV on Asset Transfer → Does successor continue depreciation?

Act:

Income Tax Act (but tested via Companies + IBC integration)

In slump sale/amalgamation:

Successor continues WDV as per IT Act provisions.

💡 Trap:

Students apply fresh market value.

2 5 Sec 134(3) – Which clause does NOT talk about evaluation?

Options - a. 134(4) b. 134(3) c. 178(2) d. schedule IV

Act:

Companies Act, 2013

134(4) = → Does not talk about evaluation

134(3) = **Disclosure only** - talk about evaluation, 178(2), Schedule IV = **Evaluation**

2 6 FCRA – Cooling Period after Cancellation

Act:

→ Foreign Contribution (Regulation) Act, 2010

After cancellation:

🔑 Organisation cannot apply for registration for **3 years**.

💡 Trap:

Students write 1 year or 5 years.

Correct = 3 years.

2 7 Clock of Action (Limitation in IBC) - Irrelevant question(wrong)

2 8 Withdrawal of CIRP (If you noted earlier)

Under Sec 12A:

90% CoC approval required.

Trap:
Students write 66%.

2 9 Holding more than 2 companies (Directorship limit)

Act:

Companies Act – Sec 165

Max:

20 companies

Out of which 10 public Co.

💡 Trap:

Students confuse with Independent Director limit (7 / 3 listed companies) - This is IBC provision

3 0 Moratorium vs Attachment by Authorities

Under Sec 14 IBC:

No suits

No recovery

No attachment

BUT

Moratorium = **Civil stay only**

Criminal / regulatory investigations → **continue**

💡 ICAI trap:

Students write "all proceedings stayed".