

GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

Syllabus 2022

DECEMBER 2025

GROUP 1



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

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The Guideline Answers contain information based on the Laws/Rules applicable at the time of preparation and should be treated as indicative rather than exhaustive. The Students may note that the applicability of amendments to laws for CS Examinations is as under:

December Session

upto 31 May of that Calendar year

June Session

upto 30 November of previous Calendar Year

JURISPRUDENCE, INTERPRETATION & GENERAL LAWS

GROUP 1 PAPER 1

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer All Questions.

Question 1

- (a) Mr. Sanjay owned a small factory in Pune. In 2023, he was fined ₹ 50,000 by the Pollution Control Board for releasing untreated waste water into a nearby river. At that time, the law was to fine for such violations. Sanjay paid the fine and the case was closed.

In 2024, the State Legislature amended the Environmental Law. Now the same offence carries mandatory imprisonment of one year along with fine. The authorities reopened Sanjay's old case and issued a warrant for his arrest under the new law even though the offence took place before the change. Police took Sanjay into custody and kept him in the police station for three days without producing him in front of a magistrate. During questioning, the officers forced him to give thumb impression and voice sample, arguing that it did not require his consent as they were not 'statements'.

Sanjay was suffering from severe asthma. While in custody, he had a serious asthma attack but no proper medical care was provided. He collapsed finally before being taken to a hospital.

Sanjay's family went to the High Court pleading that his fundamental rights under Article 20, 21 and 22 of the Constitution were violated. The State pleaded that the new law was necessary for public interest and environmental safety.

Based on the above situation answer the following questions :

- (i) Whether opening of Sanjay's old case under the amended law violates his fundamental rights under the Indian Constitution ? Explain.
- (ii) Does compelling Sanjay to provide thumb impression and voice sample amount to violation of Article 20(3) of the Constitution ? Explain.
- (iii) Sanjay was detained for three days without producing him before a magistrate. Decide whether this act of police would amount to violation of Article 22 of the Constitution ?
- (iv) Sanjay was denied emergency medical services while in custody. Discuss whether this is violation of fundamental rights guaranteed under the Indian Constitution.
- (v) If Sanjay's family directly approaches the High Court against his detention, what is the remedy available to them ?

(2 marks each)

- (b) Section 10 of the Indian Contract Act, 1872 provides "all agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void". To form a valid contract there must be an agreement which is based on the genuine consent of the parties, supported by a lawful consideration, for a lawful object between the competent parties.

One of the early steps in the formation of a contract lies in arriving at an agreement between

the contracting parties by means of an offer and acceptance. A proposal is also termed as an offer. The word 'proposal' is synonymous with the English word "offer". The person making the proposal or offer is called the proposer or offeror and the person to whom the proposal is made is called the offeree. There are several kinds of proposal.

An offer must be clear, definite, complete and final. It must not be vague. An offer must be communicated to the offeree. The communication of an offer may be made by express words—oral or written, or it may be implied by conduct.

A contract emerges from the acceptance of an offer. Acceptance is the act of assenting by the offeree to an offer. Under Section 2(b) of the Contract Act when a person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal, when accepted becomes a promise. An acceptance never precedes an offer. There can be no acceptance of an offer which is not communicated. In reference of the above statement answer the following questions :

- (i) Anil offered Brijesh to sell his house for a price of ₹ 1,00,000 but Brijesh offered to buy it for ₹ 95,000 only. Later, Anil sold the house to Pritam for ₹ 1,00,000. Brijesh filed a suit on Anil claiming for damages under the breach of contract. Discuss the legality of Brijesh's claim for damages for the breach of contract.

(2 marks)

- (ii) Discuss the provisions related to the acceptance of offer under the Indian Contract Act, 1872.

(3 marks)

- (iii) Discuss the provisions related to the mode of revocation of proposal under the Indian Contract Act, 1872.

(2 marks)

- (iv) Azaad ran away from his father's home. His father issued a pamphlet offering a reward of ₹ 50,000 to anyone who would bring the boy. Hari saw the boy at a hotel and informed his father. Azaad's father refused Hari the reward. Discuss with the help of relevant case law whether Hari is entitled to the reward ? What kind of offer is this ?

(3 marks)

Answer 1(a)(i)

Article 20(1) of the Constitution of India provides protection against *ex post facto* criminal laws. According to Article 20(1), no person shall be convicted of any offence except for violation of a law in force at the time of the commission of the act charged as an offence, nor be subjected to a penalty greater than that which might have been inflicted under the law in force at the time of the commission of the offence.

Therefore, Sanjay cannot be punished with imprisonment for an act that, when committed, only attracted a fine.

In view of this, it may be said that opening of Sanjay's old case under the amended law violates his fundamental rights under the Indian Constitution.

Answer 1(a)(ii)

Article 20(3) of the Constitution of India provides protection against self-incrimination. It states that "No person accused of any offence shall be compelled to be a witness against himself." This means that an accused person cannot be forced to give evidence that is of a testimonial nature,

i.e., evidence that requires the use of his mental faculties to disclose personal knowledge about facts that could incriminate him.

The Supreme Court in *State of Bombay v. Kathi Kalu Oghad and others (1961)* held that Article 20(3) protects only against testimonial compulsion. Physical evidence such as fingerprints, handwriting, blood samples, or voice samples can be lawfully obtained, even without consent, as they do not involve giving personal testimony.

Thus, compelling Sanjay to give thumb impression and voice samples does not violate Article 20(3) of the Constitution.

Answer 1(a)(iii)

According to Article 22(2) of the Constitution of India, every person who is arrested and detained in custody shall be produced before the nearest magistrate within a period of twenty-four hours of such arrest excluding the time necessary for the journey from the place of arrest to the court of the magistrate and no such person shall be detained in custody beyond the said period without the authority of a magistrate.

Therefore, the act police by detaining Sanjay for three days without producing him before the magistrate would amount to violation of Article 22 of the Constitution of India.

Answer 1(a)(iv)

Article 21 of the Constitution of India guarantees that "No person shall be deprived of his life or personal liberty except according to procedure established by law."

The Supreme Court has in many cases interpreted "right to life" broadly, to include the right to health and timely medical care, especially for persons in custody.

In the given situation, denying Sanjay proper treatment for his asthma attack while he was in police custody violates his fundamental right to life and personal liberty under Article 21 of the Constitution of India.

Answer 1(a)(v)

Under Article 226 of the Constitution of India, the High Court has the power to issue writs for the enforcement of fundamental rights, including the right to life and personal liberty guaranteed under Article 21.

In the case of illegal detention, the court can issue the writ of habeas corpus directing the authorities to produce Sanjay before the court and justify his detention. If the detention is found to be unlawful, the High Court may order his immediate release.

Thus, Sanjay's family can directly approach the High Court against his detention for the remedy by filing a Writ Petition under Article 226.

Answer 1(b)(i)

There are several kinds of offers. One of them is counter offer. A counter offer occurs when the offeree varies or modifies the terms of the original offer. A counter offer amounts to rejection of the original offer and puts forward a new offer. A contract can arise only if the counter offer is accepted. As per the settled principle of contract law, a counter-offer amounts to rejection of the original offer.

In the given situation, there was no concluded contract as Brijesh put forward a counter offer to Anil's offer. Here Anil can sell his property to Pritam. Brijesh will not be able to receive any damages due to breach of contract and his suit would fail.

Answer 1(b)(ii)

Provisions related to the acceptance of offer under the Indian Contract Act, 1872

- According to section 2(a) of Indian Contract Act, 1872(the Act), when one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to make a proposal.
- In general understanding the words "proposal" and "offer" are used interchangeably.
- According to section 2(b), when the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal, when accepted, becomes a promise.
- According to section 3, the communication of the acceptance of proposals is deemed to be made by any act or omission of the party accepting by which he intends to communicate such acceptance, or which has the effect of communicating it.
- According to Section 4, the communication of an acceptance is complete,
 - as against the proposer, when it is put in a course of transmission to him, so as to be out of the power of the acceptor;
 - as against the acceptor, when it comes to the knowledge of the proposer.
- Section 7 states that an Acceptance must be absolute and unqualified and must be expressed in some usual and reasonable manner, unless the proposal prescribes the manner in which it is to be accepted. If the proposal prescribes a manner in which it is to be accepted, and the acceptance is not made in such manner, the proposer may, within a reasonable time after the acceptance is communicated to him, insist that his proposal shall be accepted in the prescribed manner, and not otherwise; but if he fails to do so, he accepts the acceptance.
- According to section 9, an acceptance may be express *i.e.*, by words spoken or written or implied from the conduct of the parties.

Rules Governing Acceptance

- (a) Acceptance may be express *i.e.*, by words spoken or written or implied from the conduct of the parties.
- (b) If a particular method of acceptance is prescribed, the offer must be accepted in the prescribed manner.
- (c) Acceptance must be unqualified and absolute and must correspond with all the terms of the offer.
- (d) A counter offer or conditional acceptance operates as a rejection of the offer and causes it to lapse, e.g., where a horse is offered for ₹ 1,000 and the offeree counter-offers ₹ 990, the offer lapses by rejection.
- (e) Acceptance must be communicated to the offeror, for acceptance is complete the moment it is communicated. Where the offeree merely intended to accept but does not communicate his intention to the offeror, there is no contract. Mere mental acceptance is not enough.
- (f) Mere silence on the part of the offeree does not amount to acceptance.
- (g) If the offer is one which is to be accepted by being acted upon, no communication of acceptance to the offeror is necessary, unless communication is stipulated for in the offer itself.

- (h) Acceptance must be given within a reasonable time and before the offer lapses or is revoked. An offer becomes irrevocable by acceptance.

Answer 1(b)(iii)

A proposal may be revoked in different ways. Revocation may be done either by act or by omission. Section 6 of the Indian Contract Act, 1872 provides the following modes for revocation:

- (1) by the communication of notice of revocation by the proposer to the other party.
- (2) by the lapse of the time prescribed in such proposal for its acceptance, or, if no time is so prescribed, by the lapse of a reasonable time, without communication of the acceptance.
- (3) by the failure of the acceptor to fulfil a condition precedent to acceptance.
- (4) by the death or insanity of the proposer, if the fact of his death or insanity comes to the knowledge of the acceptor before acceptance.

Answer 1(b)(iv)

The offer made by Azaad's father through a pamphlet offering a reward of ₹50,000 to anyone who brings his son back is a general offer. This type of offer is made to the public at large and can be accepted by any person who performs the conditions of the offer.

The given situation is similar to the famous case of *Harbhajan vs Harcharan Lal (AIR 1925 All.539)*. In this case a young boy ran away from the home and his father issued a pamphlet offering a reward of ₹ 500 to anybody who would bring the boy home. The plaintiff saw the boy at a railway station and sent a telegram to his father. Later father refused to pay the reward. In this case it was held that the handbill or pamphlet was an offer to the world at large and was capable of acceptance by any person who fulfilled the conditions contained in the offer. The plaintiff substantially performed the conditions and was entitled to the reward offered.

Thus, on the basis of the decision of above mentioned case, Hari would be entitled to the reward announced by Azaad's father.

Question 2

- (a) The Municipal Governance Act, 2010 lays down general rules for property taxation on all buildings in the city including residential and commercial buildings. However, the Heritage Sites Preservation Act, 2012 specifically stated that heritage buildings maintained by recognized trusts shall be exempted from municipal property tax. In 2023, the municipal authorities imposed property tax on a historic building maintained by a registered heritage trust arguing that the general rules for property taxation will apply on all properties. The trust challenged the tax demand by the authority. Discuss with reference to the principles of interpretation of statutes.

(5 marks)

- (b) Ravi, an MBBS student at a reputed government medical college, was removed from the institution on the grounds of 'regular unsatisfactory academic performance' in the last three semesters. The college authorities passed a formal removal order based on his repeated failure to secure the minimum required grades. Ravi contended that he was neither given any prior notice nor an opportunity of being heard before the order was passed. He approached the High Court alleging violation of his right to principles of natural justice. Discuss.

(5 marks)

- (c) Sunshine Solar Systems Private Limited operated a solar panel manufacturing plant on the

outskirts of a city. As part of its operation, it stored large quantities of a dangerous chemical compound used in panel coating. It followed all the safety protocols and government regulations. One day a tank with this material ruptured causing the chemical to leak into a nearby field owned by Surya and destroyed its crops and contaminated the soil. Surya sued Sunshine solar systems private limited for damages. Discuss the applicability of the rule in Rylands v. Fletcher in this case and examine whether Surya can claim damages under the rule of strict liability ?

(5 marks)

Answer 2(a)

The facts of the question clearly indicates that Municipal Governance Act, 2010 provides the General provisions and Heritage Sites Preservations Act, 2012 provides the Special provisions for levy of taxes to the properties.

This case attracts the well-known rule of construction that general provisions yield to special provisions. This rule is not an arbitrary principle made by lawyers and judges but springs from the common understanding that when the same person gives two directions one covering a large number of matters in general and another to only some of them, his intention is that, the latter directions should prevail as regards all the rest of the earlier directions and should have effect.

It is the duty of the courts to avoid such repugnancy and wherever it is possible, construe provisions in such manner that they harmonise. Provisions of one section of a statute cannot be used to defeat those of another unless it is impossible to effect re-conciliation between them.

This principle is expressed in the Latin maxim *Generalia specialibus non derogant* (also known as the rule of implied exception) meaning general things do not derogate from special things; things general do not restrict or detract from things special. This well-known proposition of law says that when a matter falls under any specific provision, then it must be governed by that provision and not by the general provision. The general provisions must admit to the specific provisions of law. It is a basic principle of statutory interpretation.

Therefore, the special law will override the general law in matters relating to heritage properties. The municipal authorities' action of levying tax under the general act is legally unsustainable, as it ignores the specific exemption provided in the later and special legislation. The tax demand imposed on the heritage trust is thus invalid.

Answer 2(b)

Generally, principles of natural justice are applicable to administrative decisions that adversely affect a person's rights. However, the Supreme Court of India has recognized certain exceptions, one of which relates to academic evaluation. Where a student is removed from an educational institution on the ground of unsatisfactory academic performance, the requirement of pre-decisional hearing is excluded. The Supreme Court has made it clear that if the competent academic authority assesses the work of a student over a period of time and thereafter declare his work unsatisfactory, the rule of natural justice may be excluded but this exclusion does not apply in the case of disciplinary matters. In *J.N. University v. B.S. Narwal*, the Supreme Court held that where a student's performance is continuously assessed and found to be unsatisfactory by a competent academic body, no hearing is required, as the action is not punitive but academic in nature.

In the given situation, Ravi's removal was based on regular unsatisfactory academic performance assessed over three semesters. This decision appears to be academic in nature and not disciplinary. Therefore, the principles of natural justice with the requirement of a pre-decisional hearing do not apply in this case.

Alternate Answer

Natural justice is a foundational principle of administrative law and includes *Nemo iudex in causa sua* – no one should be a judge in his own cause and *Audi alteram partem* – the right of a person to be heard before an adverse decision is taken. These principles apply whenever an administrative or quasi-judicial decision affects the civil rights or prospects of an individual.

It is well settled that educational institutions, particularly government or government-aided institutions, are "State" or "instrumentalities of the State" under Article 12 of the Constitution, and their actions are subject to judicial review under Article 226. Moreover, the removal of a student from an educational institution affects the student's right to education, career prospects, and reputation. Hence, such action goes beyond a mere academic assessment.

In the present case, Ravi was removed from the medical college for "unsatisfactory" academic performance. The removal was not automatic but was the result of a decision taken by the college authorities. No show-cause notice or opportunity of hearing was given to him before passing the order. Even if the regulations permit removal for poor academic performance, the authority must inform the student of the deficiencies and give an opportunity to explain or improve, then pass a reasoned order.

On the basis of the above, it can be said that the removal of Ravi from the medical college without giving him prior notice or an opportunity of being heard may be arbitrary and violative of the principles of natural justice, particularly *audi alteram partem*. Although academic standards are within the domain of educational authorities, procedural fairness should not be dispensed with.

Answer 2(c)

In some torts, the defendant is liable even though the harm to the plaintiff occurred without intention or negligence on the defendant's part.

The leading case on this matter is *Rylands v. Fletcher (1868) L.R. 3 H.L. 330*. In this case B, a mill owner employed independent contractors, who were apparently competent to construct a reservoir on his land to provide water for his mill. There were old disused mining shafts under the site of the reservoir which the contractors failed to observe because they were filled with earth. The contractors therefore, did not block them. When the water filled in the reservoir, it bursts through the shafts and flooded the plaintiff's coal mines on the adjoining land. It was found as a fact that B did not know of the shafts and had not been negligent, though the independent contractors had been, B was held liable.

The rule stated in *Rylands v. Fletcher* was that: "If a person brings or accumulates on his land anything which, if it should escape, may cause damage to his neighbours, he does so at his own peril. If it escapes and cause damage, he is responsible, however careful he may have been and whatever precautions he may have taken to prevent damage. He is the insurer of the safety of his neighbour against accidental harm. Such duty is absolute because it is independent of negligence on the part of the defendant or his servants.

The facts of the given situation may be adjudicated on the basis of the principle laid down in the case of *Rylands v. Fletcher*. In these types of situations, such liability arises in cases where damage is done by the escape of dangerous substances brought or kept by anyone upon his land. In such cases, a man is made by law an insurer of others against the result of his activities.

Thus, Sunshine Solar Systems Private Limited can be held as responsible to Surya for the damages under the rule of strict or absolute liability.

Question 3

(a) Sunny filed a suit against Yogesh for the recovery of a valuable antique unlawfully taken by Yogesh. Sunny claimed that the sculpture was a rare and valuable artefact. During the hearing, Sunny alleged that Yogesh may dispose of the property to his benefit. Discuss the remedy available to Sunny under the provisions of the Civil Procedure Code 1908.

(5 marks)

(b) A gang of six persons raided a jewel shop owned by Soni at night. They had loaded guns and other weapons with them. After the loot while they were running away with their loot when Ramesh saw them and tried to stop them. He was shot down by one of them. With the help of the relevant provisions of the Bhartiya Nyaya Sanhita 2023, discuss the kind of offence committed by them. Also explain whether every offender is liable for the murder of Ramesh?

(5 marks)

(c) The State of Gujarat enacted the Social Harmony Act, 2021, which included a provision under Section 5 prohibiting citizens from organizing public meetings without prior police approval. Another provision of the Act under Section 8 promoted awareness programmes for communal harmony in schools. A citizen group challenged the validity of the Act itself in the High Court alleging that it violated the fundamental rights. The Government pleaded that the Act served a valid constitutional purpose and the complete act should not be declared void, only Section 5 should be severed. Referring to the provisions of Article 13 of the Indian Constitution explain whether a provision to an act be severed ?

(5 marks)

Answer 3(a)

According to Order XXXIX, Rule 1, where in any suit it is proved by affidavit or otherwise—

- (a) that any property in dispute in a suit is in danger of being wasted, damaged or alienated by any party to the suit, or wrongfully sold in execution of a decree, or
- (b) that the defendant threatens, or intends, to remove or dispose of his property with a view to defrauding his creditors,
- (c) that the defendant threatens to dispossess, the plaintiff or otherwise cause injury to the plaintiff in relation to any property in dispute in the suit,

the Court may by order grant a temporary injunction to restrain such act, or make such other order for the purpose of staying and preventing the wasting, damaging, alienation, sale, removal or disposition of the property or dispossession of the plaintiff, or otherwise causing injury to the plaintiff in relation to any property in dispute in the suit as the Court thinks fit, until the disposal of the suit or until further orders.

In this case, the sculpture was a rare and valuable artefact and if Yogesh disposed that property to his benefit it would be an irreparable loss to Sunny. Hence, Sunny may approach the Court and the court may grant temporary injunction in favour of Sunny because if not granted it would lead to an irreparable loss to him.

Answer 3(b)

According to Section 310(1) of the Bhartiya Nyaya Sanhita 2023, when five or more persons conjointly commit or attempt to commit a robbery, or where the whole number of persons conjointly committing or attempting to commit a robbery, and persons present and aiding such commission or attempt, amount to five or more, every person so committing, attempting or aiding, is said to commit dacoity.

According to section 310(2), whoever commits dacoity shall be punished with imprisonment for life, or with rigorous imprisonment for a term which may extend to ten years, and shall also be liable to fine.

According to section 310(3), if any one of five or more persons, who are conjointly committing dacoity, commits murder in so committing dacoity, every one of those persons shall be punished with death, or imprisonment for life, or rigorous imprisonment for a term which shall not be less than ten years, and shall also be liable to fine.

In this case as per Section 310 of the Bhartiya Nyaya Sanhita, 2023, there are more than five persons actively participating in the offence of dacoity and one of them shot down Ramesh while committing dacoity and hence they all may also be held liable for the offence under section 310(3).

Answer 3(c)

Doctrine of Severability

According to Article 13(2) of the Constitution of India the State shall not make any law which takes away or abridges the rights conferred by Part III and if such a law is made, it shall be void to the extent to which it curtails any such right. In *State of Punjab v. Dalbir Singh AIR 2012 SC 1040* the Supreme Court has held that article 13 (2) clearly prohibits the making of any law by the State which takes away or abridges rights, conferred by part III of the Constitution. In the event of such a law being made the same shall be void to the extent of contravention.

The doctrine has been applied invariably to cases where it has been found possible to separate the invalid part from the valid part of an Act. Article 13 only says that any law which is inconsistent with the fundamental rights is void "to the extent of inconsistency" and this has been interpreted to imply that it is not necessary to strike down the whole Act as invalid, if only a part is invalid. The other part can survive independently. In *A.K. Gopalan v. State of Madras, A.I.R. 1950 S.C. 27*, the Supreme Court ruled that where an Act was partly invalid, if the valid portion was severable from the rest, the valid portion would be maintained, provided that it was sufficient to carry out the purpose of the Act.

Thus, according to Article 13, it is not the entire law which is affected by the provisions in Part III, but the law becomes invalid only to the extent to which it is inconsistent with the Fundamental Rights. So only that part of the law will be declared invalid which is inconsistent, and the rest of the law will stand. However, on this point a clarification has been made by the Courts that invalid part of the law shall be severed and declared invalid if really it is severable, i.e., if after separating the invalid part the valid part is capable of giving effect to the legislature's intent, then only it will survive, otherwise the Court shall declare the entire law as invalid. This is known as the Rule of Severability.

In view of the above discussion, it can be said that the Section 5 of the Social Harmony Act, 2021, which imposes blanket restrictions on public meetings, can be said to be unconstitutional as violative of fundamental rights and can be severed, and the rest of the Act may continue to operate validly.

Attempt all parts of either Q. No. 4 or Q. No. 4A

Question 4

- (a) Amir and Bhanu were business partners. They had a serious dispute over profit-sharing. A week later to this dispute, Bhanu was found dead due to poisoning. Investigation revealed that Amir had purchased a rare poison shortly before Bhanu's death and was heard saying that he will regret this betrayal. After Bhanu's death, Amir was seen destroying several financial

records related to their business. Discuss the relevancy of the above facts in the light of Section 6 of the Bharatiya Sakshya Adhinyam, 2023.

(5 marks)

(b) Arjun and Reyansh entered into a business agreement containing an arbitration clause. Later, a dispute arose between them and Ramesh filed a civil suit in a District Court. Upon receiving notice of the suit, Reyansh applied to the judicial authority for referring the matter for arbitration before submitting his first statement. Reyansh could annex only a photocopy of the arbitration agreement with his application as the original arbitration agreement or certified copy was in Arjun's possession. Discuss the remedy available to Reyansh under Section 8 of the Arbitration and Conciliation Act, 1996.

(5 marks)

(c) Priya forced Neha to sign a cheque for ₹ 50,000 in her favour, else she will publish false and damaging information about Neha's family in the local newspaper. Neha afraid of the damage to her and her family's reputation did accordingly and signed a cheque. Discuss the offence committed by Priya under the Bharatiya Nyaya Sanhita, 2023. Distinguish between extortion and theft.

(5 marks)

Answer 4(a)

According to Section 6 of the Bhartiya Sakshya Adhinyam 2023, any fact is relevant which shows or constitutes a motive or preparation for any fact in issue or relevant fact.

The conduct of any party, or of any agent to any party, to any suit or proceeding, in reference to such suit or proceeding, or in reference to any fact in issue therein or relevant thereto, and the conduct of any person, an offence against whom is the subject of any proceeding, is relevant, if such conduct influences or is influenced by any fact in issue or relevant fact, and whether it was previous or subsequent thereto.

The word "conduct" in this section does not include statements, unless those statements accompany and explain acts other than statements; but this explanation is not to affect the relevancy of statements under any other section of this Adhinyam.

When the conduct of any person is relevant, any statement made to him or in his presence and hearing, which affects such conduct, is relevant.

Motive means which moves a person to act in a particular way. The substantive law is rarely concerned with motive, but the existence of a motive, from the point of view of evidence would be a relevant fact, in every criminal case. When the question is as to whether a person did a particular act, the fact that he made preparations to do it, would certainly be relevant for the purpose of showing that he did it.

In the given situation:

- Amir had a serious dispute over profits-sharing with Bhanu, which shows a motive for harming Bhanu, making it a relevant fact.
- The fact that Amir purchased a rare poison a week before Bhanu's death constitutes preparation, which is also a relevant fact under this section.
- Amir's statement, "He will regret this betrayal," though not a direct confession, reflects his mental state and conduct, and is therefore relevant.
- After Bhanu's death, Amir's act of destroying financial records related to their business

constitutes subsequent conduct, which may indicate an attempt to conceal evidence and is relevant to the investigation.

Answer 4(b)

Section 8(1) of the Arbitration and Conciliation Act, 1996 provides that a judicial authority, before which an action is brought in a matter which is the subject of an arbitration agreement shall, if a party to the arbitration agreement or any person claiming through or under him, so applies not later than the date of submitting his first statement on the substance of the dispute, then, notwithstanding any judgment, decree or order of the Supreme Court or any Court, refer the parties to arbitration unless it finds that prima facie no valid arbitration agreement exists.

Further sub-section (2) states that the application referred to in sub-section (1) shall not be entertained unless it is accompanied by the original arbitration agreement or a duly certified copy thereof.

It may be noted that where the original arbitration agreement or a certified copy thereof is not available with the party applying for reference to arbitration under sub-section (1), and the said agreement or certified copy is retained by the other party to that agreement, then, the party so applying shall file such application along with a copy of the arbitration agreement and a petition praying the Court to call upon the other party to produce the original arbitration agreement or its duly certified copy before that Court.

Sub-section (3) states that notwithstanding that an application has been made under sub-section (1) and that the issue is pending before the judicial authority, arbitration may be commenced or continued and an arbitral award made.

In the given situation, since the application by Reyansh was filed before the submission of the first statement on the substance of the dispute, the arbitration clause is admitted to exist, and a photocopy of the agreement was filed along with a request to direct the other party to produce the original. Therefore, in view of Section 8 of the Arbitration and Conciliation Act, 1996, the judicial authority may refer the matter to arbitration.

Answer 4(c)

According to Section 308 of the Bharatiya Nyaya Sanhita 2023, whoever intentionally puts any person in fear of any injury to that person, or to any other, and thereby dishonestly induces the person so put in fear to deliver to any person any property, or valuable security or anything signed or sealed which may be converted into a valuable security, commits extortion.

The essential elements of extortion are:

1. There should be an intention to put any person in fear of any injury.
2. By that fear of injury, dishonestly induces the person so put in fear to deliver any property, or valuable security or anything signed or sealed which may be converted into a valuable security.

Since, Priya intentionally created fear of reputational harm in Neha's mind and dishonestly induced her to sign a cheque. So, the essential ingredients of extortion under Section 308 BNS are fulfilled. Therefore, Priya can be held guilty for the offence of extortion.

Extortion and theft are different from in the following respects:

- i. Extortion is done by wrongfully getting the consent of the owner while there is no presence of consent in case of theft. Moreover, there is no role of consent in theft.
- ii. Both movable and immovable property may be the subject of an extortion whereas theft is limited to movable property.

OR (Alternate question to Q. No. 4)

Question 4A

(i) Ravi Enterprises issued a written instrument to Mehta Traders stating : "I owe you (I.O.U.). ₹ 500 and will pay you as soon as possible". Mehta Traders treated this document as a promissory note and sought to enforce it under the Negotiable Instruments Act, 1881. However, Ravi Enterprises contended that this is mere acknowledgment of debt and conditional, therefore, not enforceable as a promissory note. Based on the above facts explain the essential requirements of a promissory note under the Negotiable Instruments Act, 1881 ? Examine whether the instrument issued by Ravi Enterprises qualifies as a valid promissory note under the Act ?

(5 marks)

(ii) 'The main body of rules and principles of Indian law is an adaptation of English law'. Discuss the various sources of English Law.

(5 marks)

(iii) "Certain categories of information have been exempted from disclosure under Section 8 of the Right to Information Act, 2005." Discuss.

(5 marks)

Answer 4A(i)

According to Section 4 of the Negotiable Instruments Act, 1881 (the Act), a "promissory note" is an instrument in writing (not being a bank note or a currency note) containing an unconditional undertaking, signed by the maker to pay a certain sum of money to, or to the order of a certain person or only to bearer of the instrument.

Essentials of a Promissory Note

To be a promissory note, an instrument must possess the following essentials:

- (a) It must be in writing. An oral promise to pay will not do.
- (b) It must contain an express promise or clear undertaking to pay. A promise to pay cannot be inferred.
- (c) The promise or undertaking to pay must be unconditional. A promise to pay "when able", or "as soon as possible", or "after your marriage to D", is conditional. But a promise to pay after a specific time or on the happening of an event which must happen, is not conditional, e.g. "I promise to pay Rs. 1,000 ten days after the death of B", is unconditional.
- (d) The maker must sign the promissory note in token of an undertaking to pay to the payee or his order.
- (e) The maker must be a certain person, *i.e.*, the note must show clearly who the person is engaging himself to pay.
- (f) The payee must be certain. The promissory note must contain a promise to pay to some person or persons ascertained by name or designation or to their order.
- (g) The sum payable must be certain and the amount must not be capable of contingent additions or subtractions. If A promises to pay Rs. 100 and all other sums which shall become due to him, the instrument is not a promissory note.
- (h) Payment must be in legal money of the country. Thus, a promise to pay Rs. 500 and deliver 10 quintals of rice is not a promissory note.

- (i) It must be properly stamped in accordance with the provisions of the Indian Stamp Act, 1899. Each stamp must be duly cancelled by maker's signature or initials.
- (j) It must contain the name of place, number and the date on which it is made. However, their omission will not render the instrument invalid, e.g., if it is undated, it is deemed to be dated on the date of delivery.

In the given situation, Ravi Enterprises issued a written instrument to Mehta Traders stating: "I owe you (I.O.U.) ₹. 500 and will pay you as soon as possible". In this statement "I owe you (I.O.U.) ₹. 500", there is no promise to pay and this is mere acknowledgement of debt and "will pay you as soon as possible" is conditional. Hence, the instrument issued does not qualify as a valid promissory note under the Act.

Answer 4A(ii)

The main body of rules and principles of Indian law is an adaptation of English law. Following are the main sources of English law:

The chief sources of English law are:

- (i) Common Law:** The common law, in this context is the name given to those principles of law evolved by the judges in making decisions on cases that are brought before them. These principles have been built up over many years so as to form a complete statement of the law in particular areas. Thus, common law denotes that body of legal rules, the primary sources of which were the general immemorial customs, judicial decisions and text books on Jurisprudence. Common law is unwritten law of England which is common to the whole of the realm.
- (ii) Law Merchant:** The law merchant is the most important source of the mercantile law. Law merchant means those customs and usages which are binding on traders in their dealings with each other. But before a custom can have a binding force of law, it must be shown that such a custom is ancient, general, as well as commands universal compliance. In all other cases, a custom has to be proved by the party claiming it.
- (iii) Principle of Equity:** Equity is a body of rules, the primary source of which was neither custom nor written law, but the imperative dictates of conscience and which had been set forth and developed in the Courts of Chancery. The procedure of Common Law Courts was very technical and dilatory. Action at common law could be commenced by first obtaining a writ or a process. The writs were limited in number and unless a person was able to bring his case within one of those writs, no action could lie at common law.

In some cases, there was no remedy or inadequate remedy at common law. The King was considered as the fountain head of justice; when people were dissatisfied or aggrieved with the decision of the Common Law Court, they could always file a mercy petition with the King-in-Council. The King would refer these petitions to his Chancellor. The Chancellor, who was usually a Bishop, would dispose of these petitions not according to the rigid letter of the law but according to his own dictates of common sense, natural justice and good conscience. The law so administered by the Chancellor came to be known as 'equity' and such courts as 'Equity Courts'. These 'Equity Courts' acted on number of maxims, meaning of few is as under:

"He who seeks equity must do equity",

"He who comes to equity must come with clean hands".

The Equity Courts had their separate existence from the Common Law Courts in England until the passing of the Judicature Act of 1873, when the separate existence of such courts

was abolished and all High Courts were empowered to grant either or both the remedies (common law as well as equity) according to the circumstances of each case.

Some of the important principles and remedies developed by Equity Courts are recognition of the right of beneficiary to trust property, remedy of specific performance of contracts, equity of redemption in case of mortgages etc.

(iv) Statute Law: Statute law is that portion of law which is derived from the legislation or enactment of Parliament or the subordinate and delegated legislative bodies. It is now a very important source of Law. A written or statute law overrides unwritten law, *i.e.*, both common law and equity. Some of the important enactments in the domain of mercantile law are: The English Partnership Act, 1890, The English Sale of Goods Act, 1893, Bankruptcy Act, 1914, Carriers Act, 1830, The English Companies Act, 1948 etc.

Answer 4A(iii)

Section 8 of the Right to Information Act, 2005 provides the provisions relating to Exemption from disclosure of information.

According to section 8 (1), notwithstanding anything contained in this Act, there shall be no obligation to give any citizen,—

- (a) information, disclosure of which would prejudicially affect the sovereignty and integrity of India, the security, strategic, scientific or economic interests of the State, relation with foreign State or lead to incitement of an offence;
- (b) information which has been expressly forbidden to be published by any court of law or tribunal or the disclosure of which may constitute contempt of court;
- (c) information, the disclosure of which would cause a breach of privilege of Parliament or the State Legislature;
- (d) information including commercial confidence, trade secrets or intellectual property, the disclosure of which would harm the competitive position of a third party, unless the competent authority is satisfied that larger public interest warrants the disclosure of such information;
- (e) information available to a person in his fiduciary relationship, unless the competent authority is satisfied that the larger public interest warrants the disclosure of such information;
- (f) information received in confidence from foreign Government;
- (g) information, the disclosure of which would endanger the life or physical safety of any person or identify the source of information or assistance given in confidence for law enforcement or security purposes;
- (h) information which would impede the process of investigation or apprehension or prosecution of offenders;
- (i) cabinet papers including records of deliberations of the Council of Ministers, Secretaries and other officers;

Provided that the decisions of Council of Ministers, the reasons thereof, and the material on the basis of which the decisions were taken shall be made public after the decision has been taken, and the matter is complete, or over:

Provided further that those matters which come under the exemptions specified in this section shall not be disclosed;

- (j) information which relates to personal information.

Further according to section 8(2), notwithstanding anything in the Official Secrets Act, 1923 nor any of the exemptions permissible in accordance with sub-section (1), a public authority may allow access to information, if public interest in disclosure outweighs the harm to the protected interests.

Question 5

(a) Rajesh, a software developer, wanted to start offering secure digital contract services to his clients. For this purpose, he applied to a licensed Certifying Authority for the issuance of electronic signature certificate. He submitted the prescribed application form and paid the required fee. However, he did not attach a certification practice statement or any statement containing the particulars as per the regulations. The Certifying Authority, after preliminary examination, decided to reject his application without giving him an opportunity to present his case. Rajesh challenged this decision with the competent authority/Court arguing that the rejection was unlawful under the Information Technology Act, 2000. Explaining the procedure for obtaining electronic signature certificate as per the provisions of the Information Technology Act, 2000 decide whether Rajesh's application can be rejected without being heard ?

(5 marks)

(b) Ambuj, who was executor to the will of a deceased person Raj, dishonestly disobeyed the law which directed him to divide the effects according to the will and appropriated them to his own use. Discuss in detail the kind of offence committed by Ambuj under the Bhartiya Nyaya Sanhita, 2023. What are the punishments prescribed under the Act for various kinds of such offence ?

(5 marks)

(c) What is the period of limitation for the following suits and the time from which such period of limitation begins to run :

- (i) for compensation for slander
- (ii) for compensation for libel
- (iii) for compensation for a malicious prosecution
- (iv) any suit for which no period of limitation is provided elsewhere in this schedule
- (v) by a landlord to recover possession from a tenant.

(5 marks)

Answer 5(a)

As per section 35 of the Information Technology Act, 2000, the procedure of obtaining electronic signature certificate from the Certifying Authority is as follows:

- (1) Any person may make an application in prescribed form to the Certifying Authority for the issue of electronic signature certificate in such form as may be prescribed by the Central Government.
- (2) Every such application shall be accompanied by prescribed fees.
- (3) Every such application shall be accompanied by a certification practice statement or where there is no such statement, a statement containing such particulars, as may be specified by regulations.
- (4) On receipt of an application, the Certifying Authority may, after consideration of the

certification practice statement or the other statement and after making such enquiries as it may deem fit, grant the electronic signature certificate or for reasons to be recorded in writing, reject the application.

Provided that no application shall be rejected unless the applicant has been given a reasonable opportunity of showing cause against the proposed rejection.

In the given situation, Rajesh submitted the prescribed application form and paid the required fee but failed to attach the necessary certification practice statement or its substitute. While the absence of this statement could be a valid ground for rejection, the Certifying Authority was bound by the law to give Rajesh a reasonable opportunity to explain or rectify this omission before rejecting the application. By rejecting the application outrightly without giving such an opportunity, the authority violated the mandatory requirement of Section 35. Therefore, the rejection was procedurally invalid under the Information Technology Act, 2000.

Answer 5(b)

According to Section 316 of the Bhartiya Nyaya Sanhita, 2023(BNS), whoever, being in any manner entrusted with property, or with any dominion over property, dishonestly misappropriates or converts to his own use that property, or dishonestly uses or disposes of that property in violation of any direction of law prescribing the mode in which such trust is to be discharged, or of any legal contract, express or implied, which he has made touching the discharge of such trust, or wilfully suffers any other person so to do, commits criminal breach of trust.

In given situation, Ambuj has committed an offence of criminal breach of trust because he dishonestly disobeyed the law which directed him to divide the effects according to the will and appropriated them to his own use.

BNS provides different punishments for Criminal Breach of Trust under different circumstances. These situations and the punishments mentioned therefor are provided hereunder:

- Whoever commits criminal breach of trust shall be punished with imprisonment of either description for a term which may extend to five years, or with fine, or with both.
- Whoever, being entrusted with property as a carrier, wharfinger or warehouse-keeper, commits criminal breach of trust in respect of such property, shall be punished with imprisonment of either description for a term which may extend to seven years, and shall also be liable to fine.
- Whoever, being a clerk or servant or employed as a clerk or servant, and being in any manner entrusted in such capacity with property, or with any dominion over property, commits criminal breach of trust in respect of that property, shall be punished with imprisonment of either description for a term which may extend to seven years, and shall also be liable to fine.
- Whoever, being in any manner entrusted with property, or with any dominion over property in his capacity of a public servant or in the way of his business as a banker, merchant, factor, broker, attorney or agent commits criminal breach of trust in respect of that property, shall be punished with imprisonment for life, or with imprisonment of either description for a term which may extend to ten years, and shall also be liable to fine.

Answer 5(c)

- (i) The period of limitation is one year and the time from which such period of limitation begins to run is when the words are spoken, or if the words are not actionable in themselves, when the special damage complained of results.
- (ii) The period of limitation one year and the time from which such period of limitation begins to run is when the libel is published.

- (iii) The period of limitation is one year and the time from which such period of limitation begins to run is when the plaintiff is acquitted or the prosecution is otherwise terminated.
- (iv) The period of limitation is three years and the time from which such period of limitation begins to run is when the right to sue accrues.
- (v) The period of limitation is twelve years and the time from which such period of limitation begins to run is when the tenancy is determined.

Attempt all parts of either Q. No. 6 or Q. No. 6A

Question 6

- (a) Sameer gave a piece of cloth to Munshi, a tailor, to make a suit from it urgently within two days. Munshi promised to have the suit ready on time and managed to get it ready for delivery. Sameer refused to pay him the extra amount as agreed. In light of the relevant provisions of the Indian Contract Act 1872, discuss the remedy available to Munshi. Also discuss the difference between a general and a particular lien.

(5 marks)

- (b) Ravi maintains a current account with XYZ Bank in Delhi. On 15th March 2025, a cheque was issued in his favour by Meena for ₹ 2,50,000 towards payment of goods purchased. Instead of sending the physical cheque to Meena's bank for clearing, XYZ Bank scanned the cheque, created its electronic image, and transmitted it through the clearing house recognised by the Reserve Bank of India. The physical cheque remained with Ravi's bank branch. Meena claimed that no payment could be demanded by Ravi as only electronic image was sent by his bank. With the help of the provisions of the Negotiable Instruments Act, 1881 (as amended in 2002 and 2015), discuss whether Meena's objection based on the absence of physical movement has any merit ?

(5 marks)

- (c) The Parliament is not in session. Both the houses have been prorogued. Therefore, due to urgency, the President promulgates an ordinance on a subject of national importance. Discuss in detail referring to the ordinance-making power of the President under the Constitution of India.

(5 marks)

- (d) During the municipal council elections in Nagpur, Ramesh, a registered and eligible voter, reached the polling booth to cast his vote. However, the presiding officer refused to allow Ramesh to vote, despite him having valid identity documents. Later it was found that Ramesh's preferred candidate won the election and Ramesh suffered no financial loss. Ramesh filed a suit against the presiding officer claiming damages for violation of his legal right. Discuss the remedy available to Ramesh.

(5 marks)

Answer 6(a)

According to Section 170 of the Indian Contract Act 1872, where the goods are bailed for a particular purpose and the bailee in due performance of bailment, expands his skill and labour, he has in the absence of an agreement to the contrary a lien on the goods, *i.e.*, the bailee can retain the goods until his charges in respect of labour and skill used on the goods are paid by the bailor. The section expresses the common law principle that if a man has an article delivered to him on the improvement of which he has to bestow trouble and expenses, he has a right to detain it until his

demand is paid. The right of lien arises only where labour and skill have been used so as to confer an additional value to the article.

In the given situation Munshi, who is bailee here, in due performance of bailment expanded his skill and labour and in the absence of an agreement to the contrary has a lien on the goods, *i.e.*, he can retain the goods until his charges in respect of labour and skill used on the goods are paid by Sameer who is bailor here.

If Sameer still refuses to pay, Munshi may also file a civil suit to recover the agreed extra amount as consideration for the urgent service rendered.

Lien is of two kinds: Particular lien and General lien. A particular lien is one which is available only against that property of which the skill and labour have been exercised. A bailee's lien is a particular lien. A general lien is a right to detain any property belonging to the other and in the possession of the person trying to exercise the lien in respect of any payment lawfully due to him.

Thus, a general lien is the right to retain the property of another for a general balance of accounts but a particular lien is a right to retain only for a charge on account of labour employed or expenses bestowed upon the identical property detained.

Answer 6(b)

Section 6 of the Negotiable Instruments Act, 1881 (As amended in 2002 and 2015), provides that a 'cheque' is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form. Despite the amendment as is evident the basic definition of the cheque has been retained and the definition has only been enlarged to include cheques in the above form as well.

Here in this definition "a truncated cheque" means a cheque which is truncated during the course of a clearing cycle, either by the clearing house or by the bank whether paying or receiving payment, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing. The expression 'clearing house' means the clearing house managed by the Reserve Bank of India (RBI) or a clearing house recognised as such by RBI.

In the given situation, XYZ Bank scanned the cheque and transmitted its electronic image through a Reserve Bank of India's recognised clearing house. This squarely falls within the definition of a truncated cheque. Hence, the transmission of an electronic image by a recognised clearing house is legally valid. Meena's objection based on absence of physical movement of cheque has no merit and Ravi's account can be credited with the amount mentioned in the cheque.

Answer 6(c)

The most important legislative power conferred on the President is to promulgate Ordinances. Article 123 of the Constitution of India provides that the President shall have the power to legislate by Ordinances at any time when it is not possible to have a parliamentary enactment on the subject, immediately. This is a special feature of the Constitution of India.

The ambit of this ordinance-making power of the President is co-extensive with the legislative powers of Parliament, that is to say it may relate to any subject in respect of which Parliament has the right to legislate and is subject to the same constitutional limitations as legislation by Parliament.

According to Article 13(3)(a) "Law" includes an "ordinance". But an ordinance shall be of temporary duration. It may be of any nature, *i.e.*, it may be retrospective or may amend or repeal any law or Act of Parliament itself.

This independent power of the executive to legislate by ordinance has the following peculiarities:

- (i) The ordinance-making power will be available to the President only when both the Houses of Parliament have been prorogued or is otherwise not in session, so that it is not possible to have a law enacted by Parliament. However, ordinance can be made even if only one House is in Session because law cannot be made by that House in session alone. Both the Houses must be in session when Parliament makes the law. The President's ordinance making power under the Constitution is not a co-ordinate or parallel power of legislation along with Legislature.
- (ii) This power is to be exercised by the President on the advice of his Council of Ministers.
- (iii) The President must be satisfied about the need for the ordinance and he cannot be compelled.
- (iv) The ordinance must be laid before Parliament when it re-assembles, and shall automatically cease to have effect at the expiration of 6 weeks from the date of re-assembly or before resolutions have been passed disapproving the ordinance.
- (v) The period of six weeks will be counted from the latter date if the Houses re-assemble on different dates.

Answer 6(d)

It is not that every damage is a damage in the eye of the law. It must be a damage which the law recognises as such. In other words, there should be a legal injury or invasion of the legal right. In the absence of an infringement of a legal right, an action does not lie. Also, where there is infringement of a legal right, an action lies even though no damage may have been caused. As was stated in *Ashby v. White*, (1703) 2 Ld. Raym. 938 legal damage is neither identical with actual damage nor is it necessarily pecuniary.

Two maxims explain this proposition:

- (a) *Damnum sine injuria* (Damage without injury), and
- (b) *Injuria sine damnum* (injury without damage),

The given situation can be governed by the rule of *Injuria Sine Damnum*.

It means injury without damage, *i.e.*, where there is no damage resulted, yet it is an injury or wrong in tort, *i.e.*, where there is an infringement of a legal right not resulting in harm but plaintiff can still sue in tort. *Injuria sine Damnum* covers such cases and for which action lies where the right is violated even though no damage has occurred. Some rights or interests are so important that their violation is an actionable tort without proof of damage. Thus, when there is an invasion of an "absolute" private right of an individual, there is an *injuria* and the plaintiff's action will succeed even if there is no *damnum* or damages. An absolute right is one, the violation of which is actionable *per se*, *i.e.*, without the proof of any damage.

In the given situation, Ramesh's legal right to vote, being a registered voter, was denied by the presiding officer. Even though he suffered no monetary loss and the election result remained unchanged, the violation of this absolute right constitutes a complete tort. In the case of *Ashby v. White*, the court held that wrongful prevention from voting, even without monetary loss, is actionable. Therefore, Ramesh is entitled to claim damages under the Law of Torts as his absolute legal right to vote was infringed.

OR (Alternate question to Q. No. 6)

Question 6A

(i) What do you mean by 'body corporate', 'reasonable security practices and procedures', and 'sensitive personal data or information' under Section 43A of the Information Technology Act, 2000 ? Discuss as to when a body corporate is liable to pay compensation for failure to protect data.

(5 marks)

(ii) What are the provisions related to the determination of specified value of the subject matter of the commercial dispute in a suit, appeal or application under the Commercial Courts Act, 2015 ?

(5 marks)

(iii) "Where once time has begun to run, no subsequent disability or inability to institute a suit or make an application can stop it." Explain this statement under the Limitation Act, 1963.

(5 marks)

(iv) Discuss the provisions related to the removal of a member from the Arbitration Council of India established under the Arbitration and Conciliation Act, 1996.

(5 marks)

Answer 6A(i)

According to explanation to Section 43A of the Information Technology Act, 2000:

"Body corporate" means any company and includes a firm, sole proprietorship or other association of individuals engaged in commercial or professional activities;

"Reasonable security practices and procedures" means security practices and procedures designed to protect such information from unauthorised access, damage, use, modification, disclosure or impairment, as may be specified in an agreement between the parties or as may be specified in any law for the time being in force and in the absence of such agreement or any law, such reasonable security practices and procedures, as may be prescribed by the Central Government in consultation with such professional bodies or associations as it may deem fit;

"Sensitive personal data or information" means such personal information as may be prescribed by the Central Government in consultation with such professional bodies or associations as it may deem fit.

According to section 43A of Information Act, 2000 where a body corporate possessing, dealing or handling any sensitive personal data or information in a computer resource which it owns, controls or operates, is negligent in implementing and maintaining reasonable security practices and procedures and thereby causes wrongful loss or wrongful gain to any person, such body corporate shall be liable to pay damages by way of compensation to the person so affected.

Answer 6A(ii)

According to section 12(1) of the Commercial Courts Act, 2015, the Specified Value of the subject-matter of the commercial dispute in a suit, appeal or application shall be determined in the following manner:—

(a) where the relief sought in a suit or application is for recovery of money, the money sought to be recovered in the suit or application inclusive of interest, if any, computed up to the

date of filing of the suit or application, as the case may be, shall be taken into account for determining such Specified Value;

- (b) where the relief sought in a suit, appeal or application relates to movable property or to a right therein, the market value of the movable property as on the date of filing of the suit, appeal or application, as the case may be, shall be taken into account for determining such Specified Value;
- (c) where the relief sought in a suit, appeal or application relates to immovable property or to a right therein, the market value of the immovable property, as on the date of filing of the suit, appeal or application, as the case may be, shall be taken into account for determining Specified Value; and
- (d) where the relief sought in a suit, appeal or application relates to any other intangible right, the market value of the said rights as estimated by the plaintiff shall be taken into account for determining Specified Value

Alternate Answer

The Specified Value of the subject-matter of the commercial dispute in a suit, appeal or application under the Commercial Courts Act, 2015 shall be determined by –

- (a) In case of recovery of money – the value should include interest accrued so far, upto the date of filing of application or suit.
- (b) In case of movable property or right in it – the value shall be computed taking into account market value of the movable property as on the date of filing of the suit or application.
- (c) In case of immovable property or right in it - the value shall be computed taking into account market value of the immovable property as on the date of filing of the suit or application.
- (d) In case of other intangible right - the value shall be computed taking into account estimated market value of such right by plaintiff as on the date of filing of the suit or application.

Answer 6A(iii)

Section 9 of the Limitation Act, 1963 (the Act) should be understood in contrast with Sections 6, 7 and 8, which deal with the effect of disability on the running of limitation. Together, these provisions explain when limitation can be suspended and when it cannot.

According to Section 9 of the Limitation Act, 1963 where once time has begun to run, no subsequent disability or inability to institute a suit or make an application can stop it provided that where letters of administration to the estate of a creditor have been granted to his debtor, the running of the period of limitation for a suit to recover debt shall be suspended while the administration continues. This means that Sections 7 and 8 operate only if the disability exists at the time when limitation begins. Once limitation has started running, any later arising disability, such as insanity, imprisonment, or minority, will not stop or suspend the running of time.

Hence, Section 9 acts as an exception to Sections 7 and 8, by clearly stating that the benefit of disability is available only if the disability exists at the commencement of limitation, and not if it arises later.

The rule of this Section is based on the English dictum. "Time when once it has commenced to run in any case will not cease to be so by reason of any subsequent event". Thus, when any of the statutes of limitation is begun to run, no subsequent disability or inability will stop this running.

The applicability of this Section is limited to suits and applications only and does not apply to appeals unless the case fell within any of the exceptions provided in the Act itself.

For the applicability of Section 9, it is essential that the cause of action or the right to move the application must continue to exist and subsisting on the date on which a particular application is made. If a right itself had been taken away by some subsequent event, no question of bar of limitation will arise as the starting point of limitation for that particular application will be deemed not to have been commenced.

Thus, time runs when the cause of action accrues. True test to determine when a cause of action has accrued is to ascertain the time, when plaintiff could have maintained his action to a successful result first if there is an infringement of a right at a particular time, the whole cause of action will be said to have arisen then and there.

Answer 6A(iv)

Section 43G(1) of Arbitration and Conciliation Act, 1996 (Act) provides that the Central Government may, remove a Member from his office if he–

- (a) is an undischarged insolvent; or
- (b) has engaged at any time (except Part-time Member), during his term of office, in any paid employment; or
- (c) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or
- (d) has acquired such financial or other interest as is likely to affect prejudicially his functions as a Member; or
- (e) has so abused his position as to render his continuance in office prejudicial to the public interest; or
- (f) has become physically or mentally incapable of acting as a Member.

According to Section 43G(2), notwithstanding anything contained in sub-section (1), no Member shall be removed from his office on the grounds specified in clauses (d) and (e) of that sub-section unless the Supreme Court, on a reference being made to it in this behalf by the Central Government, has, on an inquiry, held by it in accordance with such procedure as may be prescribed in this behalf by the Supreme Court, reported that the Member, ought on such ground or grounds to be removed.

COMPANY LAW & PRACTICE

GROUP 1 PAPER 2

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer All Questions.

PART-I

Question 1

Case Study :

Five close school friends Deepanjan, Prosenjit, Srabani, Chandranath and Lipika having brilliant academic record completed thirty years of service in their respective organisations and after retirement decided to do something together which they were all passionate about throughout their life. With this motive they incorporated a private limited company in June, 2017 named Advanced Engineering Advisory Solutions Private Ltd. (AEASPL) to provide engineering advisory services to entities operating in fertiliser and chemical industry. The registered office of the company is situated in Pune.

In order to expand the operations, they gradually converted the private limited company into public limited company in May, 2021. As on date there are six directors of which Deepanjan is Executive Director and Srabani the Managing Director. Lipika has been appointed as Chief Executive Officer in last year. In February, 2023 the company purchased seventy percent equity shares of Bright Technologies Private Ltd. (BTPL), a Hyderabad based company, which had substantial market share in providing consulting engineering services and was recording consistent good profits for last few years.

You have been appointed as a Company Secretary in the company two months ago. Ahead of the board meeting in December, 2025, Deepanjan, Srabani and Lipika has placed the following case situations before you for noting, perusal and advice.

Case I : The company AEASPL has 10% preference share capital shown in its balance sheet. The company defaulted in repayment of interest on term loan taken from DHFC Bank (the Bank) though the principal part was duly paid in time. The Bank directed the company not to pay dividend to the shareholders including the preference shareholders. Due to such communication from the Bank the company failed to distribute the dividend on preference shares within the statutory time limit.

Case II : The company had closed its register of members in May, August and October in the year 2025 for twelve, ten and fifteen days respectively for corporate actions. The Board of Directors is considering closing the register in December, 2015 for another fourteen days for issue of bonus shares.

Case III : AEASPL has received a request from Jagdish, one of the legal representatives of a deceased member Jishu for transmission of 500 equity shares. In the meanwhile, Jesmine, spouse of Jishu, being a joint holder of shares along with Jishu also approached the company for transmission of those 500 equity shares in her favour.

Case IV : Deepanjan updated his colleagues that BCD Co., a LLP of Audit Firm is the present statutory auditor of Bright Technologies Private Ltd. (BTPL). The audit fee charged by them is Rs.85,000. The Board of Directors of AEASPL resolved to assign investment advisory services to BCD & Co. at a

fee of Rs. 50,000. Pulak, a secretarial advisor of the company objected to this resolution stating it is invalid.

Case V : The shareholders of AEASPL had passed a special resolution in their meeting held on 29th August, 2025 altering its articles of association empowering the directors to require any shareholder who is doing competing business with the company's business to transfer his shares as directed by the Board. Pradip, a shareholder carrying on a competing business, challenged the validity of the alteration of articles.

Based on the above information and referring to the provisions of the Companies Act, 2013 answer the following :

- (a) Explain, whether the company is liable for punishment for its failure to distribute the dividend on preference shares within the statutory time limit. (3 marks)
- (b) As regards to Case II, state whether the proposal for closure of register of members in December, 2025 is tenable ? (3 marks)
- (c) As regards to Case III, examine both the claims of transmission of shares and decide whose claim is valid under law. (3 marks)
- (d) As regards to Case IV, examine, if the objection of secretarial advisor regarding assignment of investment advisory services to BCD & Co. is justified. (3 marks)
- (e) As regards to Case V, decide, whether Pradip will succeed in challenging the amendment in articles of association of the company. (3 marks)

Answer 1(a)

As per Para 1.1.2 of SS-3, a company shall not declare any dividend, if it has defaulted in, *inter alia* – Repayment of any term loan to a bank or financial institution or interest thereon, till such time the default is subsisting.

The term “any dividend” used in the paragraph refers to declaration of dividend on both equity and preference shares. Accordingly, as a good governance practice, the restrictions in section 123 are equally made applicable to declaration of dividend on equity as well as preference shares. In such cases, the Board should neither declare nor recommend any dividend.

Here, the company AEASPL has paid the principal part of term loan taken from bank but it defaulted in repayment of interest on term loan. Hence, the decision of Board of directors not to pay preference dividend to preference shareholders owing to above is valid.

Answer 1(b)

By virtue of section 91(1) of the Companies Act, 2013, a company may close the register of members or register of debenture holders or register of other security holders for any period or periods not exceeding in the aggregate forty-five days in each year, but not exceeding thirty days at any one time.

In the case given in question AEASPL has closed its register of members for 12, 10 and 15 days in May,

August and October, 2025 respectively. Therefore, the closure is within the time limits prescribed in section 91(1) as each closure has not exceeded 30 days.

If the company closes the register again in December, 2025 for another 14 days, the aggregate closure during the year would be (12+10+15) plus 14 = 51 days which will exceed the prescribed time limit of 45 days.

Hence, the proposal of the Board of the company is not valid under Companies Act, 2013.

Answer 1(c)

Article 23(i) of Table F of Schedule I of the Companies Act, 2013, provides that on the death of a member, the survivor or survivors where the member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognised by the company as having any title to his interest in the shares.

Accordingly, in case of transmission of share, the Company Secretary should check whether:

- The shares have been transmitted to the legal representative of the deceased shareholder in the case of death of a sole shareholder; and
- In the case of joint holdings only to the survivor(s).
- Transmission of share is effected upon the production of succession certificate or probate or letter of administration or indemnity duly signed by the legal heirs of the deceased or as per procedure stipulated by the board and / or Articles of Association.

In the present case, Jishu was the deceased member who held 500 equity shares along with Jesmine, being the joint holder and the only survivor and for the transmission of share they were two claimants:

1. Jagdish, the legal representative of the deceased member;
2. Jesmine, the spouse of the deceased member who is also the joint share holder of 500 along with the deceased member.

Thus, in view of above, the shares shall be transmitted in favour of Jesmine, being the survivor of shares held by her jointly with the deceased member of the company subject to the fulfilment of other applicable conditions.

Answer 1(d)

Section 144 of the Companies Act, 2013 provides that an auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of directors or the audit committee, as the case may be, but which shall not include specified services, whether those services are rendered directly or indirectly to the company or its holding company or subsidiary company. Specified services include investment advisory services.

Thus, applying the provision into the given case, BCD Co. LLP, Chartered Accountants, shall not accept the said assignment, if offered by AEASPL, holding company of BTPL. The objection of secretarial advisor is correct.

Answer 1(e)

The alternation of Articles of Association is valid. A change in Articles made bonafide for the benefit of the company as a whole is justified. In this case, the directors were empowered to change the Articles of Association to ask a shareholder to transfer his shares in case he was found to be carrying on a business in competition with that of the company. It is possible for a person to take advantage in a competing business, of facts known to him or which he may know because of his shareholding

in the company. Such a member must be eliminated from the group of membership in the interests of the company as a company and therefore an alteration of Articles to this effect is valid. The facts of the given problem are similar to the facts of a decided English case of *Sidebottom v Kershaw, Leese & Co Ltd [1920]* in which Court held that alteration was valid in as much as it was made bonafide and in the interest of the company as a whole.

Hence, in the given case, shareholder Pradip will not succeed.

Question 2

- (a) Green Roots Organics Private Limited decides to raise funds by accepting deposits from its members. The Board proposes to offer a fixed interest rate of 9% per annum and plans to secure the deposits through a charge on certain movable assets. State, what are the terms and conditions of Deposits from its members under the provisions of the Companies Act, 2013.

(3 marks)

- (b) Examining judicial decisions, if any, state whether corporate veil can be lifted where the acts of the company are in avoidance of welfare legislation.

(3 marks)

- (c) Neptune Private Ltd. applied to Registrar of Companies for getting status of a dormant company and the application were approved. In this connection the company wants to know the following in light of the provisions of the Companies Act, 2013 :

- (i) Is it permissible for a dormant company to allot any security to any person and file a 'Return' therefor ?
- (ii) Is the company required to file any return annually within the prescribed time limit ?
- (iii) What is the relevance of Form MSC-5, if a dormant company wants to obtain a status of an active company ?

(3 marks)

- (d) Himmat Ltd. communicated with Sourav seeking information which the company has reasonable cause to believe that he has knowledge of the identity of a significant beneficial owner (SBO) of the company. Sourav is not a member of the company.

The company is not satisfied with the information given by Sourav. Advise in accordance with the provisions of Companies Act, 2013 whether the company can seek orders from the Tribunal and can its order be subject to certain restrictions.

(3 marks)

- (e) Dixit & Co. are the auditors of KVS Ltd. appointed at the annual general meeting (AGM) held on 19th September, 2024 for a period of five years. However, due to difference of opinion on certain important matters with the Director (Finance) of the company, Dixit & Co. decided not to seek re-appointment as auditors at the AGM held on 22nd September, 2025 but failed to inform their unwillingness in writing prior to AGM. The Company proceeded further and re-appointed them as auditors in the AGM. Post AGM, Dixit & Co. informed in writing their unwillingness to act as auditors. Analyse the situation and explain the further course of action KVS Ltd. should take under the provisions of the Companies Act, 2013.

(3 marks)

Answer 2(a)

The terms and conditions of deposits from members of the company pursuant to the provisions of Section 73(2) and relevant Rules are as below:

- (a) Issuance of a circular to its members including therein a statement showing the financial position of the Company, the credit rating obtained, the total number of depositors and the amount due towards deposits in respect of any previous deposits accepted by the Company and such other particulars in Form DPT-1 and in such manner prescribed under Rule 4 of the Companies (Acceptance of Deposits) Rules 2014;
- (b) Filing a copy of the circular along with such statement with the Registrar within 30 days before the date of issue of the circular.
- (c) Depositing on or before the 30th day of April each year, such sum which shall not be less than 20% of the amount of deposits maturing during the following financial year and kept in a scheduled bank in a separate bank account to be called deposit repayment reserve account;
- (d) Certifying that the company has not committed any default in the repayment of deposits accepted either before or after the commencement of this Act or payment of interest on such deposits and where a default has occurred, the company made good the default, and a period of five years had elapsed since the date of making good the default; and
- (e) Providing security, if any for the due repayment of the amount of deposit or the interest thereon including the creation of such charge on the property or assets of the company.

It is to be noted that where a company does not secure the deposits or secures such deposits partially, then, the deposits shall be termed as “unsecured deposits” and shall be quoted in every circular, form, advertisement or in any document related to invitation or acceptance of deposits.

Green Roots Organics Private Limited may accept the deposits from its members in compliance with the above said provisions.

Answer 2(b)

Lifting of Corporate Veil: The separate personality of a company is a statutory privilege and it must be used for legitimate business purposes only. Where a fraudulent and dishonest use is made of the legal entity, the individuals concerned will not be allowed to take shelter behind the corporate personality. The Court will break through the corporate shell and apply the principle/doctrine of what is called as “lifting of or piercing the corporate veil”. The Court will look behind the corporate entity and act as though no entity separates from the members existed and make the members or the controlling persons liable for debts and obligations of the company.

Avoidance of welfare legislation

Avoidance of welfare legislation is as common as avoidance of taxation and the approach in considering problems arising out of such avoidance has necessarily to be the same and, therefore, where it was found that the sole purpose for the formation of the new company was to use it as a device to reduce the amount to be paid by way of bonus to workmen, the Supreme Court upheld the piercing of the veil to look at the real transaction. (*The Workmen Employed in Associated Rubber Industries Limited, Bhavnagar v. The Associated Rubber Industries Ltd., Bhavnagar and another, A.I.R. 1986 SC 1*)

The corporate veil, therefore, can be lifted where the acts of the company are in avoidance of welfare legislation.

Answer 2(c)

- (i) Yes. As per proviso to rule 7 of the Companies (Miscellaneous) Rules, 2014, the company shall continue to file the return or returns of allotment and change in directors in the manner and within the time specified in the Act, whenever the company allots any security to any person or there is any change in the directors of the company.

Therefore, the dormant company can allot securities and shall continue to file returns of allotment on allotment of any security to any person.

- (ii) Yes. As per rule 7 of the Companies (Miscellaneous) Rules, 2014, a dormant company shall file a "Return of Dormant Company" annually, inter-alia, indicating financial position duly audited by a chartered accountant in practice in Form MSC-3 along with such annual fee as provided in the Companies (Registration Offices and Fees) Rules, 2014 within a period of thirty days from the end of each financial year.
- (iii) As per rule 8(2) of the Companies (Miscellaneous) Rules, 2014, the Registrar shall, after considering the application filed for obtaining the status of active company from the dormant company, issue a certificate in Form MSC-5 allowing the status of an active company to the applicant.

Answer 2(d)

As per Rule 7 of the Companies (Significant Beneficial Owners) Rules, 2018, the reporting company (Himmat Ltd.) shall apply to the Tribunal within a period of 15 days of the expiry of the period specified in Form No. BEN-4,

- i. where any person fails to give the information required by the notice in Form No. BEN-4, within the time specified therein; or
- ii. where the information given is not satisfactory.

In accordance with section 90(7) of the Companies Act, 2013, for order directing that the shares in question be subject to restrictions, including:

- a) restrictions on the transfer of interest attached to the shares in question;
- b) suspension of the right to receive dividend or any other distribution in relation to the shares in question;
- c) suspension of voting rights in relation to the shares in question;
- d) any other restriction on all or any of the rights attached with the shares in question.

Hence, the company can seek order from the Tribunal and the order may be subject to restrictions.

Answer 2(e)

The Auditors conveyed their unwillingness to act as Auditors after they were reappointed by the company in the AGM held on 22.09.2025. Hence, the re-appointment is valid.

The communication of unwillingness to act as an auditor after a valid re-appointment made in the AGM amounts to resignation of auditor causing a casual vacancy. As per section 139(8) of the Companies Act, 2013, any casual vacancy in the office of an auditor shall in the case of a company, be filled by the Board of directors within thirty days. Where such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the recommendation of the Board and such auditor shall hold the office till the conclusion of the next annual general meeting. Hence, the company should take the required steps to fill up the casual vacancy so caused.

Question 3

(a) Blink Tools Ltd. failed to pay 11% dividend declared in its annual general meeting to certain shareholders due to dispute over entitlement. Aggrieved shareholders filed a complaint against the company to the tribunal. Considering the provisions of the Companies Act, 2013 analyse whether the company is liable for the punishment on its failure to distribute the dividend within the prescribed time limit to certain shareholders.

(5 marks)

(b) Partho is the Manager (Marketing) of unlisted company Seesaw Machineries Ltd. The company was listed earlier but got delisted two years back. The company took 1 lakh from him under an employment contract @3% interest per annum. Partho is paid a salary of Rs.60,000 per month. It was ascertained that rate of interest offered by banks for temporary loan was 12%. Veer & Associates, internal auditors, in its draft Report for year ended 31st March, 2025 pointed out that the above transaction constitutes contravention of provisions of Companies Act, 2013 with grave consequences. Comment on the remark of the auditor in reference to the provisions of Companies Act, 2013.

(5 marks)

(c) Sohan intends to form a new company and wishes to know the concept of the C-PACE under the provisions of the Companies Act, 2013. Explain him what is the legal authority under which the C-PACE has been established ? Where is it located ? When did it come into effect ? What are the expected benefits through C-PACE ? (5 marks)

Answer 3(a)

Section 127 of the Companies Act, 2013, deals with punishment for failure to distribute dividends. It provides that where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any shareholder entitled to the payment of the dividend, every director of the company shall, if he is knowingly a party to the default, be punishable with imprisonment which may extend to two years and with fine which shall not be less than one thousand rupees for every day during which such default continues and the company shall be liable to pay simple interest at the rate of eighteen per cent per annum during the period for which such default continues.

Provided that no offence under this section shall be deemed to have been committed: —

- a) where the dividend could not be paid by reason of the operation of any law;
- b) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with and the same has been communicated to him;
- c) where there is a dispute regarding the right to receive the dividend;
- d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or
- e) where, for any other reason, the failure to pay the dividend or to post the warrant within the period under this section was not due to any default on the part of the company.

The company was unable to distribute the dividend owing to dispute over entitlement to receive the dividend. Hence, as per clause (c) of the proviso the company shall not be deemed to have committed an offence and shall not be liable for punishment.

Answer 3(b)

Rule 2(c)(x) of the Companies (Acceptance of Deposits) Rules, 2014 states that any amount received from an employee of the company not exceeding his annual salary under a contract of employment with the company in the nature of non-interest-bearing security deposit is not a deposit.

In the given case, company took ₹ 1 lakh from Partho under an employment contract @3% interest per annum. Partho is paid a salary of ₹ 60,000 per month i.e., ₹ 7.20 lakh per year. The amount taken by the company is less than the annual salary of the employee. Thus, one limb of the conditions of clause is fulfilled. However, the amount is interest bearing. The fact that rate of interest is less than the rate of external loans has no relevance.

Hence, the dual conditions under the rule are not complied with and the amount will fall within the meaning of the term 'deposit'. The comment by the internal auditors that there is non-compliance of provisions of the Companies Act, 2013 is correct.

Answer 3(c)

Sohan will be explained that-

- The legal authority for the establishment of the Centre for Processing Accelerated Corporate Exit (C-PACE) is Central Government. Section 396 of the Companies Act, 2013. Empowers the Central Government to establish offices for the registration of companies.
- Location: C-PACE is located at the Indian Institute of Corporate Affairs (IICA), Manesar, Gurugram (Haryana).
- Commencement: The establishment of C-PACE was notified via MCA Notification No. S.O. 1269(E) dated 17th March 2023. However, it became operational with effect from 1st April 2023.

Expected benefits:

The establishment of C-PACE is a key reform under the "Ease of Doing Business" initiative. Its main objective is to streamline and expedite the process of voluntarily striking off a company's name from the register. The expected benefits include:

- Accelerated Process: The centralized processing significantly reduces the time taken for a company's voluntary strike-off. Previously, this process could take over two years, but with C-PACE, the average time has been reduced to less than two months.
- Uniformity and Consistency: By centralizing the process, C-PACE ensures a uniform and consistent approach across the country, removing the variations that existed when applications were processed by various jurisdictional Registrars of Companies (ROCs).
- Hassle-Free Filing: The new process provides a simplified and hassle-free experience for stakeholders, with all communications (queries, approvals, or rejections) conducted through the central MCA portal, providing real-time updates.
- Reduced Burden on the Registry: C-PACE helps to reduce the workload on the ROCs, allowing them to focus on other core functions like inquiries, inspections, and investigations.
- Cleaner Registry: By speeding up the removal of defunct companies from the official register, C-PACE helps in keeping the corporate registry clean and updated, which provides more reliable and meaningful data to the public and stakeholders.

Attempt all parts of either Q. No. 4 or Q. No. 4A

Question 4

- (a) ABC Pvt. Ltd., incorporated under the Companies Act, 2013, recently conducted a right issue of equity shares to its existing shareholders. The Board of Directors through its resolution allotted equity shares on 15th July, 2025. The share certificates issued to shareholders, except for Raj, were signed by a director. The company does not have a Company Secretary. Raj, a shareholder, made a complaint to the company on 15th September, 2025 that he is still to receive a share certificate. In reply, the company took the excuse of administrative reasons for the same. Neha, another shareholder raised an issue that the share certificate does not bear the distinctive numbers of the shares held in dematerialised (DEMAT) form through a depository.

Considering the provisions of the Companies Act, 2013 assess the validity of the share certificates, complaint of Raj and issue raised by Neha.

(5 marks)

- (b) You are the founder partner of a firm of Practising Company Secretaries with huge client base. Ambarish is a director in seven companies. He has approached you on the applicability of XBRL mode of filing for three companies as per the information given below from their latest financial statements :

(Rs. in crore)

Particulars	Long Ltd. (listed)	Wide Private Ltd.	Sharp Ltd. (listed)
Turnover	45	75	150
Nature of business	Steel Manufacturing	Toys Manufacturing	General Insurance
Paid up capital	3	4	10
Loan	—	15	—

Advise Ambarish considering the provisions of the Companies Act, 2013.

(5 marks)

- (c) MNO Infrastructure Ltd., engaged in real estate development, avails a secured term loan of 50 crores from XYZ Bank Ltd. The loan is secured by a charge on the company's land assets. The loan agreement is signed on 1st January 2025, but due to internal delays, the company failed to file the particulars of charge with the Registrar of Companies (ROC) within the prescribed period under the Companies Act, 2013.

By the time the company approaches the ROC for registration after expiry of the overall prescribed period, the ROC refused to allow the registration of charge citing non-compliance with the statutory time limits. Consequently :

- The charge remains unregistered on the MCA portal.
- A third-party lender, relying on the MCA records, provided additional secured credit to MNO Infrastructure Ltd., assuming there is no prior charge on the property. The charge so created in favour of the third-party lender was registered with the ROC.
- A dispute arises between XYZ Bank Ltd. and the third-party lender over priority of claim when the company defaults on repayment.

Considering the above scenario and in light of the provisions of the Companies Act, 2013 decide whether the refusal of registration of charge by the ROC was valid. Also assess the priority of charge of XYZ Bank Ltd. over the charge of third-party lender referring to the consequences of non-registration of a charge.

(5 marks)

Answer 4(a)

Validity of share certificate:

According to Section 46(1) of the Companies Act, 2013, a share certificate must be issued under the common seal of the company, if any, and must be signed by at least two directors or by at least one director and the company secretary, if the company has one.

Since ABC Pvt. Ltd. does not have a company secretary, the share certificates should have been signed by at least 2 directors. However, they are signed by only one director. Hence, the share certificates issued are not valid.

Validity of objection of Raj: As per Section 56(4) of the Companies Act, 2013, a company is required to deliver the share certificates of all shares allotted within a period of two months from the date of allotment of share. Since the company failed to issue the share certificates on or before 14th September i.e. within 2 months of allotment of shares on 15th July, 2025, the complaint of Raj dated 15th September, 2025 is valid.

Validity of issue raised by Neha: Under Section 45 of the Companies Act, 2013, every share in a company having a share capital shall be distinguished by its distinctive number:

Provided that nothing in this section shall apply to a share held by a person whose name is entered as holder of beneficial interest in such share in the records of a depository. Hence, the issue raised by Neha is not valid

Answer 4(b)

As per rule 3 of the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, following class of companies shall file their financial statements in XBRL:

- i) all companies listed with any Stock Exchange(s) in India and their Indian subsidiaries; or
- ii) all companies having paid up capital of rupees five crore or above;
- iii) all companies having turnover of rupees one hundred crore or above; or
- iv) all Companies which are required to prepare their financial statement in accordance with companies (Indian Accounting standards) Rules, 2015.

Provided that the companies in banking, insurance, non-banking financial and housing finance companies need not file financial statements under this rule.

Hence, in the present case, conclusion is as under:

Long Ltd. – Required, as it is a listed company. Here turnover, paid up capital are immaterial.

Wide Private Ltd. – Not required as limits for paid-up capital and turnover not crossed. Here amount of borrowing is not relevant. However, if it is subject to clause (iv) above it shall file the statements using the Taxonomy provided in Annexure-IIA of the Companies (Filing of Documents and Forms in XBRL) Rules, 2015.

Sharp Ltd. – Not required as XBRL provisions are not applicable to insurance companies. Turnover and paid-up capital figures are irrelevant.

Answer 4(c)

As per Section 77 of the Companies Act, 2013, the particulars of the charge together with a copy of the instrument, if any, creating or modifying the charge shall be filed with the Registrar within a period of 30 days of the date of creation or modification of charge or the extended period up to 120 days. After amendments in Section 77 of the Companies Act, the provisions restrict the ability of the company to register charge after expiry of 120 days.

Consequences of Non-Registration of Charges

According to Section 77 of the Companies Act, 2013, all types of charges created by a company are to be registered by the ROC, where they are non-compliant and are not filed with the Registrar of Companies for registration, it shall be void as against the liquidator and any other creditor of the company. This does not, however, mean that the charge is altogether void and the debt is not recoverable. So long as the company does not go into liquidation, the charge is good and may be enforced.

Void against the liquidator means that the liquidator on winding up of the company can ignore the charge and can treat the concerned creditor as unsecured creditor. The property will be treated as free of charge i.e. the creditor cannot sell the property to recover its dues.

Void against any creditor of the company means that if any subsequent charge is created on the same property and the earlier charge is not registered, the earlier charge would have no consequence and the latter charge if registered would enjoy priority. In other words, the latter charge holder can have the property sold in order to recover its money.

Thus, non-filing of particulars of a charge does not invalidate the charge against the company as a going concern. It is void only against the liquidator and the creditors at the time of liquidation. The company itself cannot have a cause of action arising out of non-registration [*Independent Automatic Sales Ltd. v. Knowles & Foster (1962) 32 Comp Cas*].

Conclusion: Accordingly, the refusal of the ROC to register the charge on expiry of 120 days is valid as he is not empowered under the statute to register such delayed charge. Further, considering the consequences of non-registration of charge XYZ Bank Ltd. shall not have priority over the subsequent charge of third-party lender.

Or (Alternate Question to Q. No. 4)**Question 4A**

(i) Considering the provisions of the Companies Act, 2013 explain :

- (a) What is the minimum period for which the books and papers of amalgamated companies shall be preserved and what is the compliance requirement for their disposal ?
- (b) Whether the liability of officers in default for the offences committed prior to amalgamation shall cease to be continued after amalgamation.

(5 marks)

(ii) Analyse 'Negligence' and 'Forgery' as an exception to the 'Doctrine of Indoor Management' with reference to the Companies Act, 2013.

(5 marks)

(iii) Smooth Products Ltd. is a public company with 260 members as follows :

- Directors & their relatives

15

● Employees at registered office	10
● Employees at factory	32
● Ex-Employees [shares were allotted when they were employees]	28
● Others	175
Total	260

The Board of Directors have resolved to convert the company into a private company. The Executive Director seeks your advice to implement the board resolution. Advise him in light of the provisions of the Companies Act, 2013.

(5 marks)

Answer 4A(i)

(a) As per section 239 of the Companies Act, 2013, the books and papers of a company which has been amalgamated with, or whose shares have been acquired by, another company under Companies Act 2013 shall not be disposed of without the prior permission of the Central Government and before granting such permission, that Government may appoint a person to examine the books and papers or any of them for the purpose of ascertaining whether they contain any evidence of the commission of an offence in connection with the promotion or formation, or the management of the affairs, of the transferor company or its amalgamation or the acquisition of its shares. Thus, there is no fixed minimum period for preservation of books and papers of amalgamated companies. The compliance requirement for their disposal is to obtain the prior permission of the Central Government.

(b) As per section 240 of the Companies Act, 2013, notwithstanding anything in any other law for the time being in force, the liability in respect of offence 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. Hence, the liability of the officers in default of amalgamated companies shall not cease after amalgamation.

Answer 4A(ii)

Negligence – The 'doctrine of indoor management', in no way, rewards those who behave negligently. Thus, where an officer of a company does something which shall not ordinarily be within his powers, the person dealing with him must make proper enquiries and satisfy himself as to the officer's authority. If he fails to make an enquiry, he is estopped from relying on the rule. In the case of *Underwood v. Benkof Liverpool (1924)* 1 KB 775, a person who was a sole director and principal shareholder of a company deposited into his own account cheques drawn in favour of the company. Held, that, the bank should have made inquiries as to the power of the director. The bank was put upon an enquiry and was accordingly not entitled to rely upon the ostensible authority of director.

Similarly, in the case of *Anand Behari Lal v. Dinshaw & Co. (Bankers) Ltd. AIR 1942 Oudh 417*, an accountant of a company transferred some property of a company in favour of Anand Behari. On an action brought by him for breach of contract, the Court held that the transfer to be void. It was observed that the power of transferring immovable property of the company could not be considered within the apparent authority of an accountant.

Forgery – The rule of indoor management does not extend to transactions involving forgery or to transactions which are otherwise void or illegal ab initio. In the case of forgery, it is not that there is absence of free consent but there is no consent at all. The person whose signatures have been forged is not even aware of the transaction, and the question of his consent being free

or otherwise does not arise. Consequently, it is not that the title of the person is defective but there is no title at all. Therefore, howsoever clever the forgery might have been, the personates acquire no rights at all. Thus, where the secretary of a company forged signatures of two of the directors required under the articles on a share certificate and issued certificate without authority, the applicants were refused registration as members of the company. The certificate was held to be nullity and the holder of the certificate was not allowed to take advantage of the doctrine of indoor management [*Rouben v. Great Fingal Consolidated (1906) AC 439*].

Answer 4A(iii)

As per the provisions of section 2(68) of the Companies Act, 2013, a private company means a company, having a minimum paid up share capital as may be prescribed and which by its articles:

- (a) restricts the right to transfer of its shares
- (b) except in case of one-person company, limits the number of its members to two hundred, provided that:
 - (i) where two or more persons hold one or more shares in a company jointly, they shall be treated as a single member;
 - (ii) persons who are in the employment of the company and persons who having been in the employment of the company, were members of the company while in the employment and have continued to be members after the employment ceased, shall not be included in the number of members;
- (c) prohibits any invitation to the public to subscribe for any securities of the company.

In view of the above provisions, for conversion of Smooth Products Ltd. into a private company, no actions for reduction of number of members will be required to be taken as 42 (10+32) employees and 28 ex-employees will be excluded for consideration of the limit of 200 members. After excluding employees and ex-employees, there will be 190 (260 less 70) members as per the above provisions, which is within the limit of 200 members as provided under Section 2(68) of the Companies Act 2013. Hence, the board resolution can be implemented without reduction of numbers of members of the company. In addition, relevant provisions of the Companies Act, 2013 and Companies (Incorporation) Rules, 2014 have to be complied with.

Part-II

Question 5

Case Study :

Greenstone Cements Ltd. is an unlisted company (the company). The company achieved the turnover of Rs.300 crore during the year 2024-25. Malavika, the CFO of the company has put forward the following case scenarios for your perusal, consideration and solution being a practicing company secretary.

Case I :

The Board of Directors made the following appointments at its meeting held on 1st July, 2025 :

- (i) Anil, a director of its subsidiary company, Ruby Cements Ltd. was appointed as General Manager on a consolidated salary of Rs.1,80,000 per month with effect from 1st July, 2025.
- (ii) Parimal, a relative of Kamal was appointed as director of Greenstone Cements Ltd. on 1st July, 2025.

Further, the Managing Director appointed Kamal as Assistant Production Manager on a consolidated salary of Rs. 1,55,000 per month with effect from above date.

Case II :

The company is desirous of paying the following managerial remuneration :

- (i) Commission @ five percent of the net profits to its Managing Director.
- (ii) Directors other than the Managing Director are proposed to be paid a monthly remuneration of Rs. 2,50,000 and also commission @ one percent of the net profits subject to the condition that overall remuneration payable to ordinary directors including monthly remuneration payable to each of them shall not exceed two percent of the net profits. There will be equal distribution of commission among all the directors.

Case III :

The Board of Directors has decided to appoint an independent woman director and other independent directors, if so required at the upcoming Annual General Meeting (AGM). Case IV :

Case VI

The company has to convene its Annual General Meeting (AGM) on 25th September 2025. The notice for the AGM was issued by post on 1st September 2025. The managing director seeks clarification on certain issues relating to issuing notice of the AGM.

Based on the above information and referring to the provisions of Companies Act, 2013 answer the following :

- (a) Whether the appointment of Anil requires the approval of the shareholders of Greenstone Cements Ltd. at a general meeting ? Does the appointment of Parimal as a director in the company affect the continuation of Kamal as the production Manager in Greenstone Cements Ltd. ?

(5 marks)
- (b) Analyse the validity of the proposal of paying managerial remuneration to the managing director and other directors.

(5 marks)
- (c) With reference to the proposal of the Board to appoint an independent woman director and other independent directors advise whether the company is mandatorily required to make such appointments.

(5 marks)
- (d) Whether the length of the notice convening the AGM was valid ?

(5 marks)

Answer 5(a)

Section 188 of the Companies Act 2013 deals with related party transactions. As per section 2(76) of the Companies Act, 2013 related party with reference to a company includes any company which is holding, subsidiary or associate company of such company. According to section 188, except with consent of the Board of directors given by a resolution at a meeting of the board and subject to such conditions as prescribed under rule 15(1) of the Companies (Meeting of Board & its Powers) Rules, 2014, no company shall enter into any contract or arrangement with a related party with respect to such transaction where there is a related party's appointment to any office or place of profit in the company, its subsidiary or associate company.

Appointment of Anil:

In the given case Anil, a director of Ruby Cements Ltd., which is a subsidiary of Greenstone Cements Ltd. was appointed as a general manager on the salary of ₹ 180,000 per month. Accordingly, related party's appointment i.e. of Anil to an office or place of profit in Greenstone Cements Ltd. will not require approval of members in general meeting as the monthly remuneration is not exceeding ₹ 250,000. Such transactions as to a related party's appointment to any office or place of profit in the company, its subsidiary company or associate company shall require consent of the board of directors given by a resolution at a meeting of the board. Hence, the approval of the board for the appointment of Anil is necessary and appointment in general meeting is not required.

The effect on continuation of Kamal in the employment due to appointment of Parimal as a director

As per section 2(76) of the Companies Act, 2013 related party with reference to a company includes a director or his relative. So, Parimal appointed as a director of Greenstone Ltd. on 1st July, 2025 is a relative of Kamal who was appointed as assistant production manager by the managing director in Greenstone Ltd. on the same day. This falls within the purview of section 188 of the Companies Act, 2013 which relates to the related party transaction with related party.

Yes, continuation of Kamal as production manager will lead to conflict of interest and will affect the continuation unless approved / ratified by the Board under section 188(3).

Answer 5(b)

Greenstone Cements Ltd. being managed by a Managing director proposes to pay the following managerial remuneration:

Commission @ 5% of net profits to its Managing Director

Clause 1 of second proviso to section 197(1) provides that except with the approval of the company in general meeting by a special resolution, remuneration payable to any one managing director or whole-time director or manager shall not exceed 5% of the net profits of the company and if there is more than one such director then remuneration shall not exceed 10% of the net profits to all such directors and manager together.

In the present case since the company is managed by a managing director, commission proposed to be paid @5% of net profits to the managing director is permissible and no approval of company in general meeting is required, subject to any restrictions or compliance requirements in the Articles of Association. The said proposal is valid.

Remuneration to Other Directors:

Clause ii of second proviso to section 197(1) provides that except with the approval of the company in general meeting by a special resolution, remuneration payable to directors who are neither managing directors nor whole time directors shall not exceed –

- a) 1% of net profits of the company if there is managing or whole-time director or manager
- b) 3% of net profits in any other case

In the present case maximum remuneration allowed to directors other than managing or whole-time director is 1% of net profits of the company because the company is managed by a managing director. Hence, if the company wants to fix directors remuneration for more than 1% of the net profits of the company, approval of the company in general meeting is required by passing a special resolution. Therefore, the said proposal is not valid and can be said to be valid only if made in compliance with the said requirement.

Answer 5(c)

Woman Director

Second proviso to Section 149(1) read with Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014 following class of companies must have at least one Women Director:

- All listed companies,
- Public companies with paid-up capital of Rs. 100 crore or more; or

With turnover of Rs. 300 crore or more.

Independent Director:

As per Section 149(4) of Companies Act 2013 read with rule 4 of the Companies (Appointment and Qualifications of Directors) Rules, 2014, every listed public company and certain classes of unlisted public companies (with paid-up share capital equal to or more than ₹10 crore or turnover equal to or more than ₹100 crore or outstanding loans, debentures and deposits equal to or more than ₹50 crore) shall have at least two directors as independent directors.

Conclusion: In the given case the turnover of the company is Rs. 300 crore. Hence, the company is required to appoint at least 1 woman director and 2 independent directors. The company may appoint 1 independent-woman director. In that case it will have to appoint one more independent director.

Answer 5(d)

Length of notice of meeting

Section 101 of the Companies Act, 2013, a general meeting of a company may be called by giving not less than 21 clear days' notice either in writing or through electronic mode. Notice through electronic mode shall be given in such manner as may be prescribed.

Para 1.2.6 of SS-2-For the purpose of reckoning twenty-one days clear Notice, the day of sending the Notice and the day of Meeting shall not be counted. Further in case the company sends the Notice by post or courier, an additional two days shall be provided for the service of Notice.

The expression "twenty-one clear days", means that the date of service of Notice and the date of the Meeting are to be excluded when calculating the period of twenty-one days [N.V.R. Naggappa Chettair v. Madras Race Club (1949) 19 Comp. Cas. 175 (Mad)].

Further, fractions of days are not to be taken into account i.e. part of the day after the hour at which the Notice is posted cannot be combined with the part of the day before the Meeting commences, to form one day. Each of these days should be a full or a calendar day [Bharat Kumar Dilwali v. Bharat Carbon & Ribbon Mfg. Co. Ltd. (1973) 43 Comp. Cas. 197 (Del)]. Intervening holidays are counted within the period of Notice.

Where a notice of general meeting is sent by post, it shall be deemed to be served at the expiration of 48 hours after the letter containing the same is posted (Rule 35(6) of the Companies (Incorporation) Rules, 2014). Each of the 21 days must be full or complete days. The day on which the notice is deemed to be served on the member, and the day of the general meeting have to be in addition to the 21 days.

In this case the date of notice and the date of meeting plus 2 days for postal transit i.e. total 4 days will be excluded. In the instant case, the duration of notice from 4th to 24th September, inclusive of 4th and 24th comes to 21 clear days. Hence, the length of notice is valid.

Attempt all parts of either Q. No. 6 or Q. No. 6A

Question 6

(a) The Audit Committee of T2 Transport Limited has decided to convene its meeting to discuss the finalisation of the quarterly financial statements. You are requested to draft a specimen Notice of the Audit Committee Meeting considering the provisions of the Companies Act, 2013.

(5 marks)

(b) Draft a resolution for re-appointment of independent director—Sachin in a listed company namely Ambition Ltd. for second term of five years stating the kind of meeting and type of resolution.

(5 marks)

(c) The Board of Directors of your company is contemplating taking approval from members of the company for reduction of share capital. The Whole-time director has advised you, being the company secretary of the company, to show him a specimen Notice of Extraordinary general meeting containing the resolution for reduction of share capital along with an explanatory statement.

(5 marks)

(d) Draft a specimen of minutes of a board meeting of Que Private Ltd. in which the agenda item for alteration of object clause of Memorandum of Association was transacted.

(5 marks)

Answer 6(a)

Specimen Notice of the Audit Committee Meeting

Notice of the (insert sequence number of the meeting) Audit Committee Meeting of T2 Transport Limited to be held on on (day of the week), the (Date) day of (Month), (year) at (time) at (address of the venue of the meeting).

To,

Mr./ Ms. (Director and Member of the Audit Committee) .

..... (Address)

Dear Sir/Madam,

Notice is hereby given that (insert sequence number of the meeting) meeting of the members of the Audit Committee of the Board of Directors of the Company will be held on (day of the week), the (Date) day of (Month), (year) at (time) at(address of the venue of the meeting).

The committee will discuss the quarterly financial statements for the quarter ending---- at the meeting. The detailed notes thereon and requisite annexures is enclosed herewith. You are requested to make it convenient to attend the meeting.

Directors may attend the meeting in person or through Video Conferencing / Other Audio Video Means (VC/ OAVM). A Director desirous of attending the meeting through VC/ OAVM should inform well in time so as to make suitable arrangements accordingly.

For T2 Transport Limited

Sd/-

(Name)

(Designation)

DIN:/Mem No.:

Place:

Date:

Enclosure: Agenda Notes of the business to be transacted at the meeting.

Answer 6(b)

Kind of Meeting: General Meeting

Type of Resolution: Special Resolution

“RESOLVED THAT pursuant to the provisions of section 149, section 150 and section 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (the Act), as amended from time to time and the Companies (Appointment and Qualifications of Directors) Rules, 2014, (the Rules) including any statutory modification(s) or re-enactments thereof for the time being in force, read with the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations), the Articles of Association of the company and the recommendation of the Nomination and Remuneration Committee of the Board and the Board of Directors, Sachin (DIN:01234567), who was appointed as an Independent Director and who holds the office of Independent Director up-to the conclusion of this annual general meeting and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) the Act and applicable Rules of the Listing Regulations and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of the director pursuant to Section 160 of the Act and being eligible and willing, be and is hereby reappointed as an Independent Director of the company not liable to retire by rotation and to hold office for a second term of five consecutive years on the Board of directors of the company w.e.f._____ to hold office up to _____.

RESOLVED FURTHER THAT the Board of directors of the company be and is hereby authorised to do all acts, deeds and things including filings and take steps as may deemed necessary, proper or expedient to give effect to this Resolution and matters incidental thereto.”

Answer 6(c)

Name of the company.....

Registered address:

CIN.....Email.....Telephone.....Website.....

NOTICE is hereby given that an Extra ordinary General Meeting of the members of (Name of the Company) will be held on ----(day)----(date) at ----(time) at (address) to transact the following business:

SPECIAL BUSINESS

To consider, and if thought fit, to pass, with or without modification, the following Resolution as an Special Resolution:

“RESOLVED THAT pursuant to section 66(1) and other applicable provisions, if any, of the Companies Act, 2013, article of articles of association of the company and subject to confirmation by the National Company Law Tribunal at and subject to such other approvals, consents, permissions or sanctions of any other authority, body or institution (hereinafter collectively referred to as “the concerned authorities”) as may be required, and subject to such other conditions or guidelines, if any, as may be prescribed or stipulated by any of the concerned authorities, from time to time, while granting such approvals, consents, permissions or sanctions, the subscribed, issued and paid up equity share capital of the company be reduced from ₹ 40,00,00,000 (Rupees forty crore) divided into 4,00,00,000 (four crore) equity shares of ₹ 10 each to ₹ 20,00,00,000 (Rupees twenty crore) divided into 4,00,00,000 (four crore) equity shares of ₹ 5 each, and the surplus amount, i.e., ₹ 20,00,00,000 (Rupees twenty crore), being in excess of the wants of the company be paid to the shareholders.”

Explanatory Statement

As the members are aware, the company has a cash surplus which has resulted from the recent restructuring including merger of the erstwhile Ltd. with the company. The Board is of the view that the present economic environment in the country is not conducive to expansion or diversification. The Board of directors of the company discussed the matter in detail at its meeting held on and resolved to return the surplus cash to the members in recognition of their dedication, consistency and utmost faith reposed by them in the management of the company.

Hence the proposed special resolution is for consideration of and approval by the members of the company.

Directors of the company are interested in the proposed resolution to the extent of their respective shareholdings in the company.

Answer 6(d)

MINUTES OF THE ..BOARD MEETING OF QUE PRIVATE LTD., BOARD MEETING NO 3/2025 HELD ON (DAY), (DATE, MONTH AND YEAR), AT (VENUE), FROM (COMMENCEMENT TIME) TO (CONCLUSION TIME)

Present:

1.Director
2.Director
3.Director
4.Managing Director

In attendance: Company Secretary

1. Chairman of the Meeting
Mr. was unanimously elected the Chairman of the Meeting.
2. Leave of absence
Leave of absence was granted to
3. Confirmation of previous minutes
Minutes of the meeting of Board of directors held on was confirmed and signed.
4. Alteration of object clause of MOA

“RESOLVED THAT subject to the approval of the company, by a special resolution at a general

meeting and such other statutory approvals as may be necessary, the object clause of the memorandum of the company, be and is hereby altered by inserting new clauses in place of clause.....

(I)

(II)

RESOLVED FURTHER THAT a special resolution according approval to the proposed alterations by the members of the company be and is hereby proposed at the_____ annual general meeting/extraordinary general meeting to be convened and held on___ at___ at the registered office of the company and the Company Secretary be and is authorized to issue notice of the said meeting together with the related explanatory statement, in accordance with the draft placed before this meeting (as initialled by the Chairman), in accordance with the provisions of Companies Act, 2013, and the articles of association of the company”.

5. Vote of Thanks

There being no other business to transact the meeting was concluded with a vote of thanks to the Chair.

Chairman

Entered on

Date

OR (Alternate question to Q. No. 6)

Question 6A

(i) Northern Appliances Ltd. has five undertakings. The Deputy General Manager (Operations) has proposed to the Managing Director that one of the undertakings—MU303 be leased out for tactical reasons. It has been ascertained that MU303 generated around 23% of the total income in preceding financial year. The Board called a general meeting for passing an ordinary resolution to execute the proposal. Param, a shareholder challenged the action of the Board of Directors contending that a resolution was to be passed by members through postal ballot. With reference to the provisions of the Companies Act, 2013 examine, if the contention raised by the shareholder is valid.

(5 marks)

(ii) Manish and his wife Manisha are the shareholders of Vogue Ltd. holding jointly eight percent of equity shares. Manish is working in the company as executive Vice-President and draws a salary of Rs. 8 lakh per month. His son Mohan is an instrumentation engineer and is employed in the company drawing a salary of Rs. 9 lakh per month. The Manager of Vogue Ltd., Karan is paid an annual salary of Rs. 84 lakh.

Under the circumstances does the Board of Directors have any duty of disclosure requirement towards these employees under the Companies Act, 2013 ? Analyse.

(5 marks)

(iii) With reference to the provisions of the Companies Act, 2013 explain the filing requirement of annual return with the Registrar of Companies. Also specify whether the annual return is available for inspection under the Companies (Management & Administration) Rules, 2014.

(5 marks)

(iv) (a) Visesh is a shareholder of Image Ltd. As per past trends, he insists for inspection of minutes and different registers of the company every year and asks questions in every annual general meeting on future plans, acquisitions, bonus shares. Chief Financial Officer (CFO) of the company wants to know from you being the secretary of the company, how can the registers be kept open for inspection at the ensuing Annual General Meeting held by OAVM if the company has not maintained those in electronic form and has not scanned the same. Explain with reference to the provisions of the Companies Act, 2013.

(3 marks)

(b) Explain, what are the conditions, if satisfied, any remuneration for services rendered by any director in other capacity shall not be so included in the maximum remuneration payable to him under the Companies Act, 2013.

(2 marks)

Answer 6A(i)

Provision:

As per rule 22 of the Companies (Management and Administration) Rules, 2014, pursuant to clause (a) of sub-section (1) of section 110, the following item of business, *inter alia*, shall be transacted only by means of voting through a postal ballot –

Sale of the whole or substantially the whole of an undertaking of a company as specified under section 180(1)(a).

Section 180(1)(a) of the Companies Act 2013 provides that the Board of directors of a company shall exercise the following powers only with the consent of the company by a special resolution, namely, to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the undertaking owns more than one undertaking of the whole or substantially the whole of any of such undertakings. For the purpose of this clause, undertaking shall mean an undertaking in which the investment of the company exceeds twenty percent of its net worth or an undertaking which generates twenty percent of total income of the company during the previous financial year.

Analysis and Answer

In the given situation, an undertaking MU303 generated 23% of the total income of the company in the previous year which is more than twenty percent threshold limit. Therefore, Board can sell, lease or otherwise dispose of the undertaking only with the consent of the company by special resolution. Interestingly, 'lease' of undertaking does not fall within the purview of rule 22 of Companies (Management and Administration) Rules, 2014. Only 'sale' is covered there.

Thus, there is no requirement of passing of resolution by postal ballot and contention of shareholder challenging the action of the Board of directors is not valid. However, an ordinary resolution is not sufficient, a special resolution needs to be passed by the company for this purpose.

Answer 6A(ii)

According to section 197 of Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and amendment thereunder the following disclosure on particulars of employees are to be made:

The Board's report shall include a statement showing the names of top ten employees and the name of every employee of the company, who-

- i. if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees;

- ii. if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;
- iii. if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

Since Manish and Manisha jointly hold 8% (more than 2%) equity shares and Manish draws a salary more than that of the Manager (Rs. 96 lakh > 84 lakh), his name should be disclosed in the Board's report.

Further, since his son Mohan employed in company and drawing ₹ 9 lakh per month is more than ₹ 102 lakh per annum, his name should also be disclosed in the Board's report.

Answer 6A(iii)

Filing of Annual Return with Registrar

Under Section 92(4) of the Companies Act, 2013, every company is required to file with the Registrar a copy of the annual return, within sixty days from the date on which the AGM is held or where no AGM is held in any year within sixty days from the date on which the AGM should have been held together with the statement specifying the reasons for not holding the AGM in Form MGT-7, with such fees or additional fees as may be prescribed. From the financial year 2020-21 onwards, One Person Company and Small Company shall file return in Form MGT-7A.

For foreign company the filing is to be done in E-Form FC-4.

Inspection of Annual Return - Section 94 r/w Rule 14 of the Companies (Management & Administration) Rules, 2014

- Copies of Annual returns prepared pursuant to Section 92, shall be open for inspection during business hours, of not less than two hours on every working day as the board may decide, by any member, debenture holder, other security holder or beneficial owner without payment of fee and by any other person on payment of such fee as may be specified in the articles of association of the company but not exceeding 50 rupees for each inspection.
- Any such member, debenture holder, security holder or beneficial owner or any other person may require a copy of return on payment of such fee as may be specified in the articles of association of the company but not exceeding 10 rupees for each page. Such copy of return shall be supplied within 7 days of deposit of such fee.
- The Central Government may also, by order, direct an immediate inspection of the document, or direct that the extract required shall forthwith be allowed to be taken by the person requiring it.

Answer 6A(iv)

(a) In case the registers are not maintained in an electronic form the physical registers/documents should be scanned for uploading in a virtual data room established for the purpose. Login ID and password can be provided for inspection and to be ensured that only view rights are given for inspection and the registers, documents cannot be deleted, copied or downloaded or the registers/documents may be made available for inspection on a virtual platform like Zoom/Microsoft Teams etc and displayed in a presentation form. The registers / documents which shall be made available

for inspection in connection with the AGM, shall be made available from the time notice is given till the conclusion of the meeting.

(b) As per proviso to Section 197 (4) of the Companies Act, 2013, any remuneration for services rendered by any such director in other capacity shall not be so included in remuneration if following conditions are satisfied:

1. the services rendered are of a professional nature; and
2. in the opinion of the Nomination and Remuneration Committee, if the company is covered under sub-section (1) of section 178, or the Board of Directors in other cases, the director possesses the requisite qualification for the practice of the profession.

It is to be noted that both the conditions should be satisfied.

SETTING UP OF BUSINESS, INDUSTRIAL & LABOUR LAWS

GROUP 1 PAPER 3

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer All Questions.

PART-I

Question 1

Ananya, a mechanical engineer, and Ritu, an environmental scientist, first met during a government-funded clean water project in Assam. Both were committed to finding practical, sustainable solutions to address the lack of safe drinking water in disaster-hit regions. After several years of collaborative research, they developed a portable solar-powered water purification unit that could be quickly deployed in areas affected by floods, cyclones, or droughts.

Encouraged by the potential of their innovation, they decided to formalize their venture. They agreed to separate the research and commercial activities into different entities to ensure that risks from experimental work would not affect the manufacturing and sales arm. For the research unit, they chose the Limited Liability Partnership (LLP) structure for its operational flexibility, limited liability protection, and ease of management compared to a private company. The incorporation process through the Ministry of Corporate Affairs (MCA) portal was smooth, and the Certificate of Incorporation was issued promptly. However, while setting up the laboratory and procuring equipment, they overlooked executing and filing the LLP Agreement within the statutory time limit. This delay came to light when they approached a bank to open an account and the banker insisted on the LLP Agreement for KYC compliance.

For the commercial manufacturing business, they incorporated a private limited company. They applied for recognition under the Startup India initiative through the Department for Promotion of Industry and Internal Trade (DPIIT) portal to avail themselves of benefits such as income tax exemptions, access to government tenders without prior experience, and faster intellectual property processing. Their application was rejected on the grounds that the details provided in the "innovation" section were too generic and did not adequately demonstrate how the product was novel, scalable, or technologically superior to existing market solutions. Despite the setback, Ananya and Ritu continued their operations. Based on their investment in plant and machinery of ₹ 4 crore and annual turnover of ₹ 15 crore, they obtained Udyam Registration under the MSME Development Act, 2006, which classified them as a small enterprise. This registration later became significant when a large corporate customer failed to make payment for a bulk order within the agreed period. The payment delay extended beyond 50 days, creating cash flow difficulties and putting pressure on their ability to meet regular obligations such as salaries and supplier dues.

During this time, they were approached by a distributor from Singapore who expressed interest in marketing their product across Southeast Asia. After evaluating the proposal, they decided to establish a wholly owned subsidiary (WOS) in Singapore under the automatic route for overseas direct investment as permitted by the Foreign Exchange Management Act, 1999 and the Overseas Investment Rules, 2022. The Singapore entity was incorporated without difficulty, but they soon discovered that local regulations imposed ongoing requirements such as the appointment of a resident director, annual filings with the Accounting and Corporate Regulatory Authority (ACRA), and the maintenance of a registered local office. These obligations created an additional financial

burden that had not been factored into their original expansion budget.

To complicate matters, the cost of importing certain critical filtration components from Germany began to rise sharply due to currency fluctuations. These unexpected expenses further reduced their working capital, forcing them to consider financial strategies to manage both domestic operations and foreign compliance costs without disrupting production.

The situation had become more complex than either of them had anticipated. Their plans for expansion were now entangled with compliance requirements, financial pressures, and strategic decisions that could not be delayed. Each choice carried its own risks, and missteps could affect both their domestic operations and their new overseas venture. As they considered the way forward, Ananya and Ritu knew that their ability to navigate the evolving legal, regulatory, and market environment would decide the long-term future of their enterprise.

In view of the above, answer the following :

- (a) What is the statutory time limit for filing of LLP Agreement after incorporation and the importance of such document ?
- (b) What important points should be considered by Ananya and Ritu before they setup their Start-up ?
- (c) In case where there is a dispute with respect to payment due, what remedy is available to an MSME ?
- (d) What steps should be kept in view while setting-up business through subsidiary company in Singapore ?
- (e) What types of compliances to be complied with by Ananya and Ritu under Environment Laws ?

(3 marks each)

Answer 1(a)

After the incorporation, the designated partners must enter into an LLP agreement in prescribed format. It is not necessary to have the LLP Agreement signed at the time of incorporation, as the details of the same needs to filed in e-form 3 within 30 days of incorporation along with the Certificate of incorporation as LLP issued by the ROC but in order to avoid any dispute between the partners as to the terms & conditions of the agreement the same can be filed afterwards.

In the absence of a filed Agreement, the provisions of the LLP Act, 2008 and the First Schedule will automatically govern the relationship of partners, which may not reflect their intended arrangements.

Importance of LLP Agreement:

Section 2(1) (o) of the Act defines Limited liability partnership agreement which means any written agreement between the partners of the limited liability partnership or between the limited liability partnership and its partners which determines the mutual rights and duties of the partners and their rights and duties in relation to that limited liability partnership.

LLP itself decide the relationship between the partners through its agreement thus, give the liberty to the partners to set the terms and conditions for effective business; however, subject to the LLP Act and Rules made there under.

The LLP agreement defines the following significant elements with regards to LLP and its partners:

- Name of LLP

- Name of Partners & Designated Partners
- Form of contribution
- Profit Sharing ratio
- Rights & Duties of Partners
- Proposed Business
- Rules for governing the LLP
- Duration of LLP, if any, and winding-up provisions.

Answer 1(b)

Important Points for a Start-up-

1. Choose the right legal structure for your Startup
2. Registrations and business licenses
3. Intellectual Property Protection
4. Founder Equity – Split and Vesting
5. Founder agreements
6. Employment contracts
7. Employee Stock Option Pool (ESOP)
8. Third Party Agreements
9. Investment structuring
10. Compliance management

Answer 1(c)

Under section 18 of the MSMED Act, 2006, any party to a dispute may, with regard to any amount due to him make a reference to the Micro and Small Enterprises Facilitation Council. On receipt of such reference the Council shall either itself conduct conciliation in the matter or seek the assistance of any institution or centre providing alternate dispute resolution services by making a reference to such an institution or centre, for conducting conciliation.

Where the conciliation initiated is not successful and stands terminated without any settlement between the parties, the Council shall either itself take up the dispute for arbitration or refer it to any institution or centre providing alternate dispute resolution services for such arbitration.

The Micro and Small Enterprises Facilitation Council or the centre providing alternate dispute resolution services shall have jurisdiction to act as an Arbitrator or Conciliator in a dispute between the supplier located within its jurisdiction and a buyer located anywhere in India.

Every reference made under this section shall be decided within a period of 90 days from the date of making such a reference.

Answer 1(d)

Setting up a wholly owned subsidiary (WOS) in Singapore involves compliance with both Indian and Singaporean regulations. The following steps should be kept in view:

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business, public accountants and corporate service providers in Singapore. Therefore, the incorporation

process is regulated by ACRA in Singapore.

Incorporation is done through Bizfile+, an electronic filing system.

Following steps should be kept in view before setting up the business at Singapore-

1. Choose your business entity
2. Apply for name reservation
3. Set up your company within 120 days of name approval. File incorporation documents including details of directors, shareholders, registered office, and constitution.
4. Open a bank account and take necessary business registrations and licenses
5. Sign up for Employee Compensation Insurance at an insurance agency.
6. Appoint at least one resident director is mandatory under Singapore law. Can be a Singapore citizen, permanent resident, or holder of an eligible employment pass.
7. Sign up for Employee Compensation Insurance at an insurance agency. Required under the Work Injury Compensation Act (WICA) for employees

Answer 1(e)

Compliance under environment laws are:

- EC (Environment Clearances)
- FC (Forest Clearance)
- WC (Wild Life Clearance)
- CTE (Consent to Establish)
- CTO (Consent to Operate)
- Authorization (Waste Management & Hazardous and Other Wastes (Management and Transboundary Movement) Rules)
- HSM (Hazardous Substance Management)

Question 2

- (a) CK XH Inc., a Company incorporated in Hong Kong, engaged primarily in the manufacturing and international trading of telecom infrastructure components, proposes to establish a Branch Office (BO) in Guwahati, Assam, with the intent of marketing its products and offering post-sale technical services. The entity has demonstrated profitability in four out of the last five financial years, with the fifth showing a nominal net loss. The company has appointed a local consultancy firm in India to act as its authorized agent for filing the requisite application through an AD Category-I bank. In view of above situation, whether CK XH Inc. is eligible for setting up the Branch Office ?

(3 marks)

- (b) X Ltd. is a company incorporated under the Companies Act, 2013. Its Memorandum of Association (MoA) restricts the company from carrying out manufacturing of electrical appliances only. However, the Articles of Association (AoA) were recently amended by special resolution to include a provision allowing the company to enter into the business of real estate development, and based on this amendment, the Board of Directors passed a resolution to purchase land for a commercial mall project. A minority shareholder challenges this decision stating that it is ultra vires to the company. The Board contends that since the

Articles now allow it and the shareholders approved the amendment, the decision is valid. With reference to relevant case law and principles, examine the legal validity of the Board's action and advise :

- (i) Whether the amendment to the Articles enabling entry into real estate business is valid in light of the Memorandum ?
- (ii) Whether the shareholder's challenge is tenable in law ?
- (iii) Whether the Board's action can be ratified by the shareholders by passing another special resolution ?

(3 marks)

- (c) During the launch of a new line of eco-friendly homes, ABC Infra Ltd., a construction company, collaborates with XYZ Marketing, a marketing agency, where ABC Infra Ltd. provides product expertise and XYZ Marketing handles promotions and customer engagement. Identify the type of collaboration represented in this scenario and explain the benefits each partner derives from this collaboration.

(3 marks)

- (d) Sewa Foundation is a registered NGO for promoting Indian Culture. It organizes various cultural programmes in India as well as outside India. The founder members are retired from armed force service, Indian Army. Most of the members desired that the Foundation may be converted into a section 8 Company under the Companies Act, 2013 with 5 members as promoter. Further, they don't want to affix the word 'Limited' or 'Private Limited' after the proposed name 'Live with Culture'. They also desired to expand the object of the company.

In view of the above, answer the following :

- (1) Whether, proposed Company can be incorporated with affixing the word 'Limited' or 'Private Limited' as case may be ?
- (2) What are the other objectives that can be included in the object clause of the proposed Company ?

(3 marks)

- (e) BJS & Co., a registered LLP under LLP Act provides the legal and financial consultancy services through its 21 branches all over in India. All its partners are Practising Company Secretaries. The turnover for the financial year 2024-25 was ₹ 9.55 Crore.

The LLP recently engaged its trainees for preparation of statutory forms, return and other documents. Rahul, one of the trainees, during the preparation of Annual Return of LLP, opines that as Annual Return can be signed by any designated partner and all partners are Practising Company Secretary, hence there is no need to get certification from Company Secretary in Practice, who is not the member of LLP.

In above situation, whether view of Rahul is correct in light of provisions of LLP Act ?

(3 marks)

Answer 2(a)

The eligibility criteria for setting up a Branch Office in India are governed by the Foreign Exchange Management (Establishment in India of Branch Office or Liaison Office or Project Office or any other Place of Business) Regulations, 2016, issued under FEMA, 1999.

Eligibility for setting up a Branch Office

- The applicant company must be a body corporate incorporated outside India;
- The name of the Indian branch office must be the same as the parent company (if the branch office does not have revenue from India operations, its expenses must be met by the head office);
- The net worth of the branch office must not be less than US \$100,000; and
- The parent company should have a profit-making record in the immediately preceding five financial years in the home country.
- Application shall be submitted through an AD Category-I Bank.

In cases where the applicant foreign entity does not meet the financial criteria, the parent company may issue a Letter of Comfort (LoC), given the company satisfies the prescribed criteria for net worth and profit.

A person resident outside India permitted by the Reserve Bank under these Regulations to establish a branch or liaison office in India may undertake or carry on any activity specified in Schedule I or II), as the case may be, but shall not undertake or carry on any other activity unless otherwise specifically permitted by the Reserve Bank.

Yes, CK XH Inc. is eligible to set up a Branch Office in India under the automatic route, provided it meets the net worth requirement and submits the application through an AD Category-I bank. For fifth year nominal loss, Letter of Comfort may be filed. CK XH Inc.'s proposed Branch Office activity such as marketing telecom infrastructure components and offering post-sale technical services qualifies under Schedule I of the FEMA (Establishment of Branch Office) Regulations, 2016.

Answer 2(b)

(i) Articles are the internal regulations of a company and govern how the objects laid down in the memorandum are to be carried out. However, the Articles are subordinate to the Memorandum of Association and the Companies Act, 2013. This principle is supported by the landmark ruling in *Ashbury Railway Carriage and Iron Co. Ltd. v. Riche*, (1875) L.R. 7 H.L. 653, where it was held that the memorandum defines the outer limit of a company's powers, and any clause in the Articles going beyond the memorandum will be ultra vires. Therefore, the amendment to the Articles permitting the company to engage in real estate development, a business not authorized by the memorandum is invalid, as it seeks to extend the scope of the company beyond what the memorandum allows.

(ii) Yes, the shareholder's challenge is legally tenable. Since the Articles cannot override or expand the powers defined in the Memorandum, any action taken based on such an invalid clause in the Articles is ultra vires the company.

(iii) No, the action cannot be ratified merely by passing another special resolution to amend the Articles again. Any act done under the authority of an Article of Association that exceeds the company's memorandum is void and incapable of ratification, even by unanimous shareholder consent. Only after the Memorandum is amended to include real estate development within the company's objects can the Articles be validly amended, and actions taken pursuant to such powers be legally valid.

Answer 2(c)

The Collaboration referred in the given question is Vertical Collaboration. Vertical Collaboration is a collaboration wherein the business collaborates with companies in its supply chain either upward and/or downwards (its suppliers and/or distributors). Vertical collaboration often allows businesses to minimize risk in the supply chain and obtain lower prices in exchange for long-term commitment.

Benefits derived by each partner:

ABC Infra Ltd. (Construction Company)

- Gains access to specialized marketing expertise without building an internal team.
- Enhances brand visibility and customer engagement.
- Focuses on its core competency such as designing and building eco-friendly homes.
- Reduces promotional overhead through shared strategic execution.

XYZ Marketing (Marketing Agency)

- Gains a high-value client and expands its portfolio in the real estate sector.
- Earns revenue through service contracts or performance-based incentives.
- Builds domain expertise in sustainable housing marketing.
- Strengthens its market position by associating with an environmentally conscious brand.

Answer 2(d)

(1) Under Section 8(1) of the Companies Act, 2013, a company formed for charitable or not-for-profit objectives (such as promotion of culture) may be registered as a Section 8 Company. Such companies are exempt from using the suffix "Limited" or "Private Limited" in their name.

Thus, the proposed company in the question can be incorporated without affixing "Limited" or "Private Limited" in its name, subject to approval under Section 8.

(2) Section 8 company is a company established for promoting commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object', provided the profits, if any, or other income is applied for promoting only the objects of the company and no dividend is paid to its members.

Accordingly, the proposed Company can include any of the above objectives in its object clause

Answer 2(e)

As per Rule 25(2) of the LLP Rules, 2009, read with Section 35 of the LLP Act, 2008, every LLP whose turnover exceeds ₹5 crore in a financial year is required to file its Annual Return (Form LLP-11) and such Annual Return must be certified by a Company Secretary in Practice.

The term "Company Secretary in Practice" refers to an independent professional, not a partner of the LLP. Even if all partners are PCS, self-certification is not permitted for LLPs crossing the ₹5 crore threshold. The certification must be done by a PCS who is not a partner or designated partner in the LLP.

Therefore, Rahul's view is incorrect. Despite all partners being Practicing Company Secretaries, the LLP must obtain external certification of its Annual Return from a Company Secretary in Practice who is not a member of the LLP, as the turnover exceeds ₹5 crore.

Question 3

- (a) For welfare of farmers, a group of farmers in Gujarat decided to incorporate a Society. The main objective of the society is to provide scientific developed equipment for farming, education for modern farming and also to organize research & development programmes from time to time.

What are the documents to be submitted with Registrar for formation of such society ?

(3 marks)

- (b) Srinivasan Rao recently completed his degree in Law. After qualifying the examination, he got the membership of Bar Association and started practising as an Advocate.

His area of interest is Labour Laws.

In view of this, highlight the importance of Labour Laws.

(3 marks)

- (c) Maharaja Bhanu Pratap Pvt. Ltd. was incorporated as Private Limited Company in year 1943 under prevailing Companies Act. The main objective of the Company was to maintain the properties of the Maharaja and the revenue therefrom. However, after a long period, it was felt that the company became un-operational. Further, the younger generation decided to start advisory business. Hence, it was decided that Maharaja Bhanu Pratap Pvt. Ltd. will be converted into an LLP.

In view of the above situation, what conditions are to be fulfilled for such conversion.

Also describe the effect of conversion.

(3 marks)

- (d) Renowned Business House of India recently entered into a collaboration with a Germany-based company for manufacturing of defense equipment. There shall be production of explosives also with modern technology. The manufacturing plant is proposed to be set up in an industrial area situated near to Greater Noida. However, the management is not sure as to the requirement of Industrial license.

In view of the present situation, opine whether Industrial License will be required.

Also detail the procedure for obtaining Industrial License.

(3 marks)

- (e) A group of people in a slum area of Kolkata decided to start a chit fund to assist the daily wage labour. As per the scheme, a member of the chit fund has to deposit ₹ 50 per day. On the last day of the month, the fund can be used by the subscriber on bid basis. Highest discount would win the bid. Tenure of the scheme is 13 months. However, in mid of the month, a subscriber can avail the loan facility with fixed interest rate of 7% per annum.

One of the subscribers opines that such scheme should be registered with registrar of Chit Fund.

Check the validity of opinion of subscriber.

(3 marks)

Answer 3(a)

In order to incorporate a society for the welfare of farmers in Gujarat, the following documents must be submitted to the Registrar of Societies under the Societies Registration Act, 1860:

1. A letter requesting registration, signed by founding members. This letter will state the purpose of formation of the society and a requisition indicating that the society is registered under the Act. The signature of all members is mandatory.
2. A certified copy of the MoA, signed by the founding members, with a duplicate.
3. A certified copy of the rules and regulations, signed by the founding members, along with a duplicate copy.

4. A table with the names and address and occupation of all members of the society with their signatures.
5. Minutes of the meeting (general body meeting conducted to set the rules and regulations).
6. Declaration by the president of the society.
7. A sworn affidavit from the President or Secretary, declaring the relationship between the subscribers.
8. Address proof of registered office and no-objection certificate from the landlord.

The documents are to be filed with the Registrar along with the fees, and a suitable name (which should be unique and not suggest a relationship with the government or violate the provisions of the Emblem and Names Act, 1950). If the Registrar is satisfied with the application, the society will be registered.

Answer 3(b)

Labour Laws aim to correct the power disbalance between the employees and employers. It provides the employees with security so that they can't be unjustly dismissed. Therefore, they give the employees the power to negotiate and ensure a good working conditions. The most important factors that the Labour Laws aim to work on are:

- Productive Work & Adequate Earning
- Proper Working Hours
- Security to the Employees
- Employee Compensation
- Work-Life Balance
- Secure Working Environment
- Sickness and Accident benefits to the employees Social Security
- Labour Welfare
- Fair Treatment in the Workplace
- Prevention of Child & Adolescent at Work
- Forced Labour.

Answer 3(c)

Section 56 of the LLP Act, 2008 provides for conversion from private company into limited liability partnership. A private company may convert into a limited liability partnership in accordance with the provisions of the Chapter X and the Third Schedule.

According to Third schedule, a company may apply to convert into a limited liability partnership in accordance with this Schedule if and only if—

- (a) there is no security interest in its assets subsisting or in force at the time of application; and
- (b) the partners of the limited liability partnership to which it converts comprise all the shareholders of the company and no one else.

Upon such conversion, the company, its shareholders, the limited liability partnership into which the company has converted and the partners of that limited liability partnership shall be bound by the provisions of this Schedule that are applicable to them.

Effect of Conversion from Company to LLP:

As per Schedule III

6. Effect of registration.: On and from the date of registration specified in the certificate of registration issued under paragraph 4 (Registration of conversion).

- (a) there shall be a limited liability partnership by the name specified in the certificate of registration registered under this Act;
- (b) all tangible (movable or immovable) and intangible property vested in the company, all assets, interests, rights, privileges, liabilities, obligations relating to the company and the whole of the undertaking of the company shall be transferred to and shall vest in the limited liability partnership without further assurance, act or deed; and
- (c) the company shall be deemed to be dissolved and removed from the records of the Registrar of Companies.

Answer 3(d)

With progressive de-licensing of the industries, only four industries have been retained under compulsory licensing under the Industries (Development & Regulation) Act, 1951:

- Electronic Aerospace and Defence Equipment
- Industrial Explosives
- Specified Hazardous Chemicals
- Cigars and cigarettes of tobacco and manufactured tobacco substitutes

In the present case the collaboration with the German based Company is for manufacturing of defence equipment. Hence, Industrial License will be required.

Procedure to apply for Industrial License

1. All applications for Industrial License under IDR Act, 1951 can now be applied online on G2B Portal in Form FC-IL/FORM FC-IL - Composite form for Foreign Collaboration and Industrial License.
2. The Applications are scrutinized for their completeness. Information in respect of incomplete applications is sought from the applicants.
3. If the applications for grant of license are complete in all respect with necessary documents, DPIIT circulates them to concerned administrative ministries, Ministry of Home Affairs, Concerned State Government and other concerned agencies for their comments.
4. After receipts of Comments from the concerned Ministries/Agencies, files are processed and submitted to the Licensing committee for consideration.
5. Licensing committee can recommend for grant of license/rejection of proposal/deferment of the proposal, based on the comments received and deliberations in the Committee. After recommendation, the approval of the Minister in charge of DPIIT is obtained for grant of licenses or otherwise.

Answer 3(e)

The scheme described falls under the definition of a Chit Fund as per Section 2(b) of the Chit Funds Act, 1982, which defines a chit as:

“A transaction where a person enters into an agreement with a group of individuals that every one

of them shall subscribe a certain sum of money periodically and that each subscriber shall, in turn, be entitled to a prize amount determined by lot, auction or tender."

However, following restrictions imposed by RBI on chit fund business-

- Chit fund business can be conducted only by a registered company. Running of Chit business by family and partnership firms are restricted.
- Chit companies must register with the Registrar of Chit Company in every state, furnishing full particulars about their chit company.
- The maximum discount that could be taken in a bid was restricted to 30% of the total chit amount.
- Details of each and every chit must be furnished to Reserve Bank of India along with the personal particulars of the subscribers.
- It is mandatory to keep one month's chit amount of all the subscribers/members with the Reserve Bank of India till the end of a particular chit.

In view of this, except incorporation of Chit Company, in present case, the scheme cannot be registered with registrar of Chit Fund.

In view of the above, The subscriber's opinion that the scheme should be registered with the Registrar of Chits is valid under the Chit Funds Act, 1982, provided the scheme is conducted by an entity eligible for registration.

Attempt all parts of either Q. No. 4 or Q. No. 4A

Question 4

- (a) "Choosing a form of business entity is crucial to a successful organization." Based on the above statement, highlight the major factors and their relevance in choosing the form of a business.

(3 marks)

- (b) "The Shops and Establishments (S&E) Act is applicable on all the commercial establishments; viz, business centers, offices, warehouses, stores, hotels, eateries, amusement parks, theatres, etc., nationwide. It is one of the most important regulations required to be complied with for any business."

In view of above statement, enumerate the procedure for registration under the Shops & Establishments Act.

(3 marks)

- (c) "Payment banks is a new model of banks conceptualised by the Reserve Bank of India (RBI). These banks can accept a restricted deposit."

When can RBI grant full license to an entity as payment bank ?

(3 marks)

- (d) "The nature of a multidisciplinary firm fosters collaboration. The common office space, with professionals working in close proximity to one another, provides each professional with a strong set of resources in the firm. In addition, this spirit of working together creates greater opportunity for collaboration so the total needs of the client are best met."

What are the risks involved in forming of a multidisciplinary firm (MDF) ?

(3 marks)

- (e) "Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 was notified to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector."

In view of above statement, highlight the benefits provided to an enterprise having Udyam registration.

(3 marks)

Answer 4(a)

Choosing a form of business entity involves various factors such as Nature of business activity, Scale of operations, Capital requirements, Managerial Ability, Degree of control and management, Degree of risk and liability, Stability of business, Flexibility of administration, Division of profit, Costs, procedure, and government regulation, Tax implication, Geographical mobility, Transferability of ownership, Managerial Needs, Secrecy, Independence.

These factors do not exist in isolation, but are interdependent, and all these factors are important in their own right. Nevertheless, the factors of nature of business and scale of operations are the most basic ones in the selection of a form of ownership for setting up of a business organization. All other factors are dependent on these basic considerations.

The various factors listed above are only major factors, and in no case, they constitute an exhaustive list. Depending upon the requirements of the business, the demands of the situation and sometimes even the personal preference of the owner, the choice of a form of ownership is made.

There is a need to analyse and weigh the relative advantages and disadvantages to find the one that will yield the highest net advantage and for that, weights may be assigned to different factors depending upon their importance in each form of organization, and the type of organization that obtains the maximum weights may be ultimately selected.

Answer 4(b)

As a business owner of a shop or establishment, it is compulsorily required to get the same registered under the Shops and Establishment Act:

Procedure for Registration of Shops & Establishments

1. Submit an application in the prescribed form to the Inspector of the area within 30 days of starting any work in the shop/establishment. The application is to be submitted along with the prescribed fees and should contain the following information:
 - a. Name of the employer and the name of a manager, if any;
 - b. The postal address of your establishment;
 - c. The name of establishment;
 - d. Such other particulars as may be prescribed.
2. Upon receiving the application for registration and the fees, the Inspector shall verify the accuracy and correctness of the application. Once suitably satisfied, he shall enter the details in the Register of Establishments and issue a registration certificate for the establishment. This certificate will be valid for 5 years and has to be renewed thereafter.

It is important that the registration certificate has to be prominently displayed at the establishment.

The Labour Department of each state has authority for the registration process.

Many States have a 100% online process, while some states are still following the manual procedure for filing. The Registration certificate is required to be renewed periodically as mentioned in the state regulations.

Answer 4(c)

RBI follows a two-stage licensing process for Payments Banks under its Guidelines for Licensing of Payments Banks:

RBI issues initially 'in-principle' licences to the entity subject to fulfilment of terms and condition, which are includes

- To be registered as a public limited company under the Companies Act, 2013.
- Payment Banks cannot form subsidiaries.
- For the first five years, the promoter's stake to remain at 40% at minimum.
- Foreign shareholding will be allowed in these banks as per extant FDI norms.
- The voting rights will be regulated as per provisions of The Banking Regulation Act 1949. [Voting rights are restricted at 10% for any one share holder. RBI has the discretion to raise this to 26% on merits.].
- If there is any acquisition of more than 5% shares this will require prior RBI approval.
- The majority of the bank's board of directors should consist of independent directors, appointed according to RBI guidelines.
- The bank should be fully networked from the beginning.
- Initially, the deposits will be capped at Rs. 1,00,000 per customer, but later it may be raised on the basis of performance of the bank.
- No lending activity is permitted. Bank can accept utility bills.
- A quarter of its branches should be in unbanked rural areas.

After fulfilment of all terms and conditions during the prescribed time period, RBI issues the full license to the entity as payment bank.

Answer 4(d)

Risks Involved in Forming a Multidisciplinary Firm (MDF):

1. Lack of understanding and multiplicity of directions to the staff could be disastrous.
2. More cost on infrastructure and technology.
3. Dominance of senior partners over the younger partners.
4. Defining exit route is difficult.
5. Lack of transparency may lead to disputes.
6. If crack develops in mutual faith & trust, very difficult to cure.
7. Communication gap between partners.

Answer 4(e)

Benefits of Taking Udyam Registration under MSMED Act, 2006:

Udyam Registration is the official recognition of Micro, Small, and Medium Enterprises (MSMEs)

under the MSMED Act. It enables enterprises to access a wide range of financial, regulatory, and operational benefits.

- It will be a permanent registration and basic identification number for an enterprise.
- MSME Registration is paperless and based on self-declaration.
- There will be no need for renewal of Registration.
- Any number of activities including manufacturing or service or both may be specified or added in one Registration.
- The Udyam Registration may also help MSMEs in availing the benefits of Schemes of Ministry of MSMEs such as Credit Guarantee Scheme, Public Procurement Policy, additional edge in Government Tenders & Protection against delayed payments etc.
- Becomes eligible for priority sector lending from Banks.

OR (Alternate question to Q. No. 4)

Question 4A

- (i) Differentiate between Banks & NBFC's.
- (ii) Differentiate between Public Trust and Private Trust.
- (iii) Differentiate between Partnership & LLP.
- (iv) Differentiate between Entrepreneurship and Startup.
- (v) Differentiate between Special Purpose Vehicle (SPV) and Company.

(3 marks each)

Answer 4A(i)

Sl. No.	Particulars	Banks	NBFC
1	Definition	Banking is acceptance of deposits withdrawable by cheque or demand; NBFCs cannot accept demand deposits	NBFC is a financial Institution that is into Lending or Investment or collecting monies under any scheme or arrangement
2	Regulations	BR Act, 1949 and RBI Act, 1934 lay down stringent controls over banks	Governed by Companies Act, 2013 and RBI Act, 1934
3	Scope	Scope of business for banks is limited by sec 6 (1) of the BR Act	There is no bar on NBFCs carrying activities other than financial activities
4	Registration and Licensing	Licensing requirements are quite stringent. Transfer of shareholding is controlled by RBI.	Formation of NBFC is easy. Acquisition of NBFCs is procedurally regulated and are subject to approval
5	Loan Sanction Process	Comparatively Stringent	Easier and faster

Sl. No.	Particulars	Banks	NBFC
6	Restrictions on business	No non-banking activities can be carried	Cannot provide checking facilities
7	Overdraft Facility	Available in some banks	Not available
8	Privileges	Can exercise powers of recovery under SARFAESI and DRT law	None, except some NBFCs, specified by Central Government, have powers under SARFAESI or DRT law
9	Foreign investment	Up to 74% allowed to private sector banks	Up to 100% allowed (only 18 activities)
10	Maintenance of Reserve Ratios	It is compulsory for banks to maintain reserve ratios	NBFC-Ds have to maintain a certain ratio of deposits in specified securities; no such requirement for non-deposit taking companies
11	Priority sector lending requirements	Certain minimum exposure to priority sector required	Priority sector norms are not applicable to NBFCs

Answer 4A(ii)

- (a) Identification of the beneficiaries of the Trust is a simple way to differentiate between a public and a private trust. If the beneficiaries make up a large or substantial body of public, then the trust in question is public. A public trust exists “for the purpose of its objects, the members of an uncertain and fluctuating body,” and is managed by a board of trustee. If, however, the beneficiaries are a narrow and specific group such as the employees of a company, then the trust is private.
- (b) In a Public Trust, the interest is vested in an uncertain and fluctuating body. They are the general public or class thereof. In a Private Trust, beneficiaries are definite and ascertained individuals. (*Supreme Court in Deoki Nandan v. Murlidhar 1957 AIR 133 1956 SCR 756*)
- (c) Their domains are different; public trusts have larger and wider domain whereas private trusts have limited and narrow domain.

Answer 4A(iii)

- (1) Unlimited Liability: On account of unlimited liability, the partners in the business are liable for all of its debts. This means that if, for whatever reason, a partner is unable to repay a bank loan or is liable to pay a fine, this can be recovered from his or her personal possessions. So, the bank, institution or supplier would have right to their jewellery, house or car. Furthermore, aside from ease of set-up and minimal compliance, the partnership offers no benefits over the LLP. If one opts to register it, which is optional, it may not even be cheaper. Therefore, unless one is running a very tiny business, one should not opt for a partnership.
- (2) Easy to Start: If one chooses not to register the partnership firm, all that is needed to get started is a partnership deed. As compared with a LLP, the procedure for starting-up a partnership firm is much simpler.

- (3) Relatively Inexpensive: A General Partnership is cheaper to start than an LLP and even over the long-term, due to the minimal compliance requirements, is inexpensive. One need not to hire an auditor. This is why, despite its short comings, home businesses may opt for it.

Answer 4A(iv)

The primary distinction between the Startup and entrepreneurship is that an entrepreneur refers to all business ventures, new or old. It includes small businesses, partnerships, firms, sole-proprietorship and corporations which can be based on a new idea or on an existing idea. On the other hand, a Startup is a newly emerged business venture started by individual founders to meet a market gap. Startups mostly mean new businesses that are solving market's problems with unique ideas.

Answer 4A(v)

Special Purpose Vehicle (SPV) are mostly formed to raise funds from the market. Technically, an SPV is a company. It has to follow the rules of formation of a company laid down in the Companies Act. Like a company, the SPV is an artificial person. It has all the attributes of a legal person. It is independent of members subscribing to the shares of the SPV. The SPV has an existence of its own in the eyes of law. It can sue and be sued in its name. The SPV has to adhere to all the regulations laid down in the Companies Act. Members of an SPV are mostly the companies and individuals sponsoring the entity. An SPV can also be a partnership firm.

The company, as distinguished from an SPV, may be called a general-purpose vehicle. A company may do many things which are mentioned in the memorandum of association (MoA) or permitted by the Companies Act. An SPV may also do the same, but its scope of operation is limited and focused. If it is not so, the SPV had better be called a company. The MoA is quite narrow in the case of an SPV. This is primarily to provide comfort to lenders who are concerned about their investment.

PART II

Question 5

Vibhut Small Finance Ltd. is a registered NBFC under regulations issued by RBI. The Company was formed in 2010. As on date, market cap of the Company is ₹ 15,434.56 Crore with total customer base of 34,549 in 173 branches all over in India. The total employee's strength is 3,983 with 76 : 24 male and female ratio. Being one of the largest private sector NBFC, the Company offers various benefits to employees as well as welfare services.

There are various Internal Committees to investigate the matters related complaints under POSH Act. During the period from 1st April 2024 to 31st March 2025, total complaints received was 305, out of which 226 was disposed of within 3 months. It was observed that the Internal Committee prima-facia looked into the matter and based on the gravity of the matter, the employees were terminated immediately, where found guilty, as per recommendation of the Internal Committee. No departmental proceedings were conducted.

In one case, the Branch Manager denied leave to a woman who had adopted a 2-month- old child. The contention of the Management was that as there is no birth, hence maternity benefits can't be given. In certain cases, it was also observed that if the child dies during the maternity leave, prior to the delivery period, leave for the rest of the period were being cancelled as per internal policy.

Mrs. Lata, who was the cashier in a rural area branch, had met with an accident due to slippage. In absence of First-Aid Box, there was huge loss of blood and she couldn't survive. The view of the Management was that as there are only 22 employees in the Branch, which is less than 150, hence

there is no need to maintain a First-Aid Box.

Through outsourcing agency, the Company hires security personnel. The number of guards depends upon the size of the Branch. It was noticed that in a few branches, the drinking water facility was not available. The view of the Management was that such facilities are to be provided by the contractor, and not by the Company.

The matters in Vibhut Small Finance Ltd., therefore highlights the importance of strict adherence to labour laws in protecting the rights of workers, maintaining industrial harmony, and ensuring that businesses remain compliant with statutory obligations. It also shows that expansion and profit-making, while important for business growth, cannot come at the cost of ignoring legal responsibilities owed to employees.

In view of the above-mentioned facts, answer the following by mentioning the legal provisions of applicable laws :

- (a) Can Vibhut Small Finance Ltd. terminate employee on basis of finding of Internal Committee for POSH, without conducting any departmental inquiry ?
- (b) Can remaining Maternity leave be cancelled in case of death of the child prior to expected delivery date ?
- (c) Is the view of Vibhut Small Finance Ltd. correct that no first aid facility can be provided where the numbers of employee is less than 150 ?
- (d) Is Vibhut Small Finance Ltd. liable to provide the facility of drinking water to its contract labour ?

(5 marks each)

Answer 5(a)

In matter of '*Rayala Satyanarayana vs. SBI Funds Management Pvt. Ltd. and Ors.*', Andhra Pradesh High Court held that "the conclusions arrived at by the Committee cannot be the basis for imposing a major penalty of removal from service, mainly on the ground that the conclusions arrived at by the Committee shall not be treated as a mere preliminary investigation or inquiry leading to a disciplinary action, but shall be treated as a finding/ report in an enquiry into the misconduct of the delinquent. The impugned proceedings further suffer from severe illegality as the said proceedings were issued without there being any regular departmental enquiry and without giving any opportunity as per the Service Rules, which mandate that initiation of disciplinary proceedings is a mandatory requirement and without conducting any enquiry, no employee can be imposed any major penalties."

Hence, action taken by Vibhut Small Finance Ltd. for termination of employee is illegal.

Answer 5(b)

Section 5 of the Maternity Benefit Act, 1961 deals with Right to payment of maternity benefit.

The maximum period for which any woman shall be entitled to maternity benefit shall be twenty-six weeks of which not more than eight weeks shall precede the date of her expected delivery. However, the maximum period entitled to maternity benefit by a woman having two or more than two surviving children shall be twelve weeks of which not more than six weeks shall precede the date of her expected delivery. If a woman dies during this period, the maternity benefit shall be payable only for the days up to and including the day of her death.

Where a woman, having been delivered of a child, dies during her delivery or during the period immediately following the date of her delivery for which she is entitled for the maternity benefit,

leaving behind in either case the child, the employer shall be liable for the maternity benefit for that entire period. If the child also dies during the said period, then, for the days up to and including the date of the death of the child.

Thus, the Maternity leave cannot be cancelled in case of death of the child prior to expected delivery date.

Answer 5(c)

Section 45 of Factories Act, 1948 provides that there shall be provided and maintained so as to be readily accessible during all working hours' first-aid boxes or cupboards equipped with the prescribed contents.

It further provides that at least one such box or cupboard shall be provided and maintained for every one hundred and fifty workers ordinarily employed at any one time in the factory. It is also mandatory that nothing except the prescribed contents shall be kept in a first-aid box or cupboard.

Hence, Vibhut Small Finance Ltd. needs to maintain at least one First aid box at every branch irrespective of number of employees, as to provisions of the Factories Act are applicable to the Company. The contention of the Company is incorrect.

Answer 5(d)

According to section 18 of Contract Labour (Regulation and Abolition) Act, 1970, it shall be the duty of every contractor employing contract labour in connection with the work of an establishment to which this Act applies, to provide and maintain-

- (a) a sufficient supply of wholesome drinking water for the contract labour at convenient places;

Further, according to section 20, if any amenity required to be provided under Section 16, Section 17, Section 18 or Section 19 for the benefit of the contract labour employed in an establishment is not provided by the contractor within the time prescribed therefore, such amenity shall be provided by the principal employer within such time as may be prescribed. All expenses incurred by the principal employer in providing the amenity may be recovered by the principal employer from the contractor either by deduction from any amount payable to the contractor under any contract or as a debt payable by the contractor.

Therefore, there is statutory duty of Vibhut Small Finance Ltd. to provide the facility of Drinking Water.

Attempt all parts of either Q. No. 6 or Q. No. 6A

Question 6

- (a) Due to dissatisfaction among workers, wage-related concerns and working conditions, a group of employees formed a trade union and submitted a charter of demands seeking revision of wages and improvements in leave benefits to Managing Director of Maharaja Jet Airways. The management did not recognize the union, claiming that a welfare committee was already addressing grievances. In protest, the trade union approached the Labour Officer, who forward the matter to Conciliation Officers. Since long, there being no resolution, the state government, in the interest of the industry, referred the matter to the Industrial Tribunal for settlement of the disputes. The tenure of the tribunal is 2 months. Maharaja Jet Airways opposed the decision of the Government, contesting that as the proceeding for conciliation is pending, the matter cannot be referred to the Industrial Tribunal.

In view of above, answer the following :

- (i) Whether Government can refer the matter to Industrial Tribunal without waiting for conclusion of conciliation proceeding ?
- (ii) Can Industrial Tribunal continue office after expiry of 2 months, where the matter is unresolved ?

(5 marks)

- (b) Rekha was an employee of State Power Generation Ltd. As informed to her, the company has a Trust for Contributory Provident Fund, as provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952 are not applicable to it.

After working for more than 7 years, Rekha left State Power Generation Ltd. and joined XYZ Ltd., having more than 1000 employees on the roll. The HR department of XYZ Ltd. informed Rekha that the amount of the provident fund in State Power Generation Ltd. cannot be transferred to EPFO, as the provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952 are applicable to the company.

In above given situation, answer the following :

- (i) In which cases provision of Employees' Provident Funds and Miscellaneous Provisions Act, 1952 are not applicable ?
- (ii) How can Rekha receive the amount of Provident Fund from previous company ?

(5 marks)

- (c) Mohindra had joined PZ India Ltd. in 1994. After attaining of age of superannuation, he retired from the organization. PZ India Ltd. had allotted him residential facility in quarters of the organization. As per the policy of the organization, an employee has to vacate the quarter within 30 days of his retirement, but Mohindra didn't do so. Because of this, the amount of gratuity owed to him was withheld by the organization. Can PZ India Ltd. withhold the amount of gratuity on the above ground ?

Also suggest how the amount of gratuity can recovered.

(5 marks)

- (d) Ranjan is a graduate holding degree of BE (Mechanical). For career prospective, he joined the training in Gas and Oil Production Ltd. The period of his apprenticeship was 18 months. After completion of such training, he applied for a job of Technician in the organization. The qualifying criteria was at least 1 year post qualification experience of candidate. The period of his training was not considered and his application was rejected.

In view of such situation, answer the following :

- (i) Can an apprentice demand the employment ?
- (ii) What are the obligations of the employer under Apprentices Act, 1961 ?

(5 marks)

Answer 6(a)

Section 10(1) of the Industrial Disputes Act, 1947 provides the powers of appropriate Government to make a reference, has been the favoured subject of judicial interpretation.

- (i) In the case of *Western India Match Co. Ltd. v. Workmen*, it was held that it is not mandatory for the appropriate Government to wait for the outcome of the conciliation proceedings before making an order of reference. The expression "the appropriate Government at

any time may refer" takes effect in such cases where the Government decides to make a reference without waiting for conciliation proceedings to begin or to be completed.

Thus, the Government can refer the matter to the Industrial Tribunal without waiting for conclusion of conciliation proceedings.

- (ii) The Industrial Tribunal gets its jurisdiction on a reference by the appropriate Government under Section 10. The Government can nominate a person to constitute a Tribunal for adjudication of industrial disputes as and when they arise and refer them to it. The Tribunal may be constituted for any limited or for a particular case or area. If appointed for a limited period, it ceases to function after the expiry of the term even when some matters are still pending (*J.B. Mangharam & Co. v. Kher, A.I.R. 1956 M.B.113*).

Thus, the Industrial Tribunal cease to function after the expiry of 2 months.

Answer 6(b)

- (i) Section 16(1) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 provides that the Act shall not apply to certain establishments as stated thereunder. Such establishments include
- (a) establishments registered under the Co-operative Societies Act, 1912, or under any other law for the time being in force in any State relating to co-operative societies, employing less than 50 persons and working without the aid of power; or
 - (b) to any other establishment belonging to or under the control of the Central Government or a State Government and whose employees are entitled to the benefit of contributory provident fund or old age pension in accordance with any scheme or rule framed by the Central Government or the State Government governing such benefits; or
 - (c) to any other establishment set up under any Central, Provincial or State Act and whose employees are entitled to the benefits of contributory provident fund or old age pension in accordance with any scheme or rule framed under that Act governing such benefits.

According to Section 16(2), if the Central Government is of opinion that having regard to the financial position of any class of establishments or other circumstances of the case, it is necessary or expedient so to do, it may, by notification in the Official Gazette, and subject to such conditions as may be specified in the notification, exempt that class of establishments from the operation of this Act for such period as may be specified in the notification

- (ii) Section 17A(1) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 provides that :
- (1) where an employee employed in an establishment to which this Act applies leaves his employment and obtain re-employment in another establishment to which this Act does not apply, the amount of accumulations to the credit of such employee in the Fund, or as the case may be, in the Provident Fund of the establishment left by him shall be transferred within such time as may be specified by Central Government in this behalf to the credit of his account in the Provident Fund of the establishment in which he is re-employed, if the employee so desires and the rules in relation to that Provident Fund permit such transfer.

Sub-section (2) further provides that where as employee employed in an establishment to which this Act does not apply, leaves his employment and obtain re-employment in another establishment to which this Act applies, the amount of accumulations to the credit of such employee in the Provident Fund of the establishment left by him, may, if the employee so

desires and also rules in relation to such Provident Fund permit, be transferred to the credit of his account in the Fund or as the case may be, in the Provident Fund of the establishment in which he is re-employed.

Thus, Rekha can receive her Provident Fund amount by applying directly to the Contributory Provident Fund Trust of State Power Generation Ltd. for settlement of her dues.

Answer 6(c)

(i) Section 4(6)(b) of the Payment of Gratuity Act, 1972 deals with a case where the services of an employee have been terminated:

- (a) for riotous and disorderly conduct or any other act of violence on his part, or
- (b) for any act which constitutes an offence involving moral turpitude provided that such offence is committed by him in the course of his employment.

In such cases the gratuity payable to the employee may be wholly or partially forfeited. Where the service has not been terminated on any of the above grounds, the employer cannot withhold gratuity due to the employee. Where the land of the employer is not vacated by the employee, gratuity cannot be withheld (*Travancore Plywood Ind. v. Regional JLC, Kerala, 1996 LU-II-14 Ker.*). Assignment of gratuity is prohibited, it cannot be withheld for non-vacation of service quarters by retiring employees (*Air India v. Authority under the Act, 1999 CLA 34 Born. 66*).

In view of the above gratuity cannot be withheld by PZ India Ltd.

(ii) Section 8 of the Payment of Gratuity Act, 1972 provides that if the gratuity payable under the Act is not paid by the employer within the prescribed time, the Controlling Authority shall, on an application made to it in this behalf by the aggrieved person, issue a certificate for that amount to the Collector, who shall recover the same together with the compound interest thereon at such rate as the Central Government may be notification, specify, from the date of expiry of the prescribed time, as arrears of land revenue and pay the same to the person entitled thereto:

"Provided that the controlling authority shall, before issuing a certificate under this section, give the employer a reasonable opportunity of showing cause against the issue of such certificate:

Provided further that the amount of interest payable under this section shall, in no case, exceed the amount of gratuity payable under this Act"

Answer 6(d)

(i) As per section 22(1) of the Apprentices Act, 1961 every employer shall formulate its own policy for recruiting any apprentice who has completed the period of apprenticeship training in his establishment.

Section 22(2) states that notwithstanding anything in sub-section (1), where there is a condition in a contract of apprenticeship that the apprentice shall, after the successful completion of the apprenticeship training, serve the employer, the employer shall, on such completion, be bound to offer suitable employment to the apprentice, and the apprentice shall be bound to serve the employer in that capacity for such period and on such remuneration as may be specified in the contract. Provided that where such period of remuneration is not, in the opinion of the Apprenticeship Adviser, reasonable, he may revise such period or remuneration so as to make it reasonable, and the period or remuneration so revised shall be deemed to the period of remuneration agreed to between the apprentice and the

employer.

Thus, an apprentice can not demand the employment.

- (ii) Section 11 of the Apprentices Act, 1961 provides with the obligation of employers:
- (a) to provide the apprentice with the training in his trade in accordance with the provisions of this Act, and the rules made thereunder;
 - (b) if the employer is not himself qualified in the trade, to ensure that a person who possesses the prescribed qualifications is placed in charge of the training of the apprentice;
 - (bb) to provide adequate instructional staff, possessing such qualifications as may be prescribed, for imparting practical and theoretical training and facilities for trade test of apprentices; and
 - (c) to carry out his obligations under the contract of apprenticeship

OR (Alternate question to Q. No. 6)

Question 6A

- (i) Prepare a note on Local Complaint Committees constituted under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- (ii) What is the specific responsibility of occupier in relation to hazardous processes under Factories Act, 1948 ?
- (iii) What types of matters are decided by Employee Insurance (E.I.) Court ?
- (iv) Define the following terms under Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by certain Establishments) Amendment Act, 2014 :
 - (a) 'Employer'
 - (b) 'Establishment'
 - (c) 'Form'
 - (d) 'Small Establishment'
 - (e) 'Very Small Establishment'.

(5 marks each)

Answer 6A(i)

At the district level, the Government is required to set up a 'Local Committee' ("LC") to investigate and redress complaints of sexual harassment from the unorganized sector or from establishments where the Internal Committee (IC) has not been constituted on account of the establishment having less than 10 employees or if the complaint is against the employer. The LC has special relevance in cases of sexual harassment of domestic workers or where the complaint is against the employer himself or a third party who is not an employee. The provisions of the Act w.r.t. LC are as follows:

- (i) *Notification of District Officer* - According to section 5, the Appropriate Government may notify a District Magistrate or Additional District Magistrate or the Collector or Deputy Collector as a District Officer for every District to exercise powers or discharge functions under this Act.
- (ii) *Constitution and jurisdiction of Local Committee*- According to section 6, every District Officer shall constitute in the district concerned, a committee to be known as the "Local

Committee" to receive complaints of sexual harassment from establishments where the Internal Committee has not been constituted due to having less than ten workers or if the complaint is against the employer himself. The District Officer shall designate one nodal officer in every block, taluka and tehsil in rural or tribal area and ward or municipality in the urban area, to receive complaints and forward the same to the concerned Local Committee within a period of seven days. The jurisdiction of the Local Committee shall extend to the areas of the district where it is constituted.

- (iii) Composition, tenure and other terms and conditions of Local Committee Pursuant to section 7, the Local Committee shall consist of the following members to be nominated by the District Officer, namely:- —
- a. Chairperson to be nominated from amongst the eminent women in the field of social work and committed to the cause of women;
 - b. one Member to be nominated from amongst the women working in block, taluka or tehsil or ward or municipality in the district;
 - c. two Members, of whom at least one shall be a woman, to be nominated from amongst such non- governmental organisations or associations committed to the cause of women or a person familiar with the issues relating to sexual harassment, which may be prescribed: Provided that at least one of the nominees should, preferably, have a background in law or legal knowledge. It is provided further that at least one of the nominees shall be a woman belonging to the Scheduled Castes or the Scheduled Tribes or the Other Backward Classes or minority community notified by the Central Government, from time to time;
 - d. the concerned officer dealing with the social welfare or women and child development in the district, shall be a member ex officio.
- [Section 7(1)]

The Chairperson and every Member of the Local Committee shall hold office for such period, not exceeding three years, from the date of their appointment as may be specified by the District Officer. Where the Chairperson or any Member of the Local Committee commits any of the following acts, he shall be removed from the Committee and the vacancy so created or any casual vacancy shall be filled by fresh nomination in accordance with the provisions of this section:

- a. contravenes the provisions of section 16; or
- b. has been convicted for an offence or an inquiry into an offence under any law for the time being in force is pending against him; or
- c. has been found guilty in any disciplinary proceedings or a disciplinary proceeding is pending against him; or
- d. has so abused his position as to render his continuance in office prejudicial to the public interest, such Chairperson or Member, as the case may be.

The Chairperson and Members of the Local Committee other than the Members nominated under clauses (b) and (d) of sub-section (1) shall be entitled to such fees or allowances for holding the proceedings of the Local Committee as may be prescribed.

Answer 6A(ii)

Section 41C of the Factories Act, 1948 provides with the Specific responsibility of the occupier in relation to hazardous processes.

Every occupier of a factory involving any hazardous process shall maintain accurate and up-to-

date health records or, as the case may be, medical records, of the workers in the factory who are exposed to any chemical, toxic or any other harmful substances which are manufactured, stored, handled or transported and such records shall be accessible to the workers subject to such conditions as may be prescribed.

Such occupier shall appoint persons who possess qualifications and experience in handling hazardous substances and are competent to supervise such handling within the factory and to provide at the working place all the necessary facilities for protecting the workers in the manner prescribed. It is provided that where any question arises as to the qualifications and experience of a person so appointed, the decision of the Chief Inspector shall be final. Such occupier shall provide for medical examination of every worker-

- (i) before such worker is assigned to a job involving the handling of, or working with, a hazardous substance, and
- (ii) while continuing in such job, and after he has ceased to work in such job, at intervals not exceeding twelve months in such manner as may be prescribed.

Answer 6A(iii)

Section 75 of Employees' State Insurance Act, 1948 provides with the matters to be decided by Employees' Insurance Court

(i) Adjudication of disputes

The Employees' Insurance Court has jurisdiction to adjudicate disputes, namely, whether any person is an employee under the Act, rate of wages/contribution, as to who is or was the principal employer, right of a person to any benefit under the Act.

(ii) Adjudication of claims

The EI Court also has jurisdiction to decide claims for recovery of contribution from principal employer or immediate employer, action for failure or negligence to pay contribution, claim for recovery of any benefit admissible under the Act. Proceedings in both the above cases can be initiated by filing application in the prescribed form by the employee or his dependent or employer or the corporation depending who has cause of action. No Civil Court has power to decide the matters falling within the purview/ jurisdiction of E.I. Court.

Answer 6A(iv)

- (i) Section 2 (a) of Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by certain Establishments) Amendment Act, 2014

"Employer" in relation to a Scheduled Act, and in relation to any other Scheduled Act, means the person who is required to furnish returns or maintain registers under that Act

- (ii) Section 2 (b) of Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by certain Establishments) Amendment Act, 2014

Establishment has the meaning assigned to it in a Scheduled Act, and includes —

- (i) an "industrial or other establishment" as defined in Section 2 of the Payment of Wages Act, 1936;
- (ii) a "factory" as defined in Section 2 of the Factories Act, 1948;
- (iii) a factory, workshop or place where employees are employed or work is given out to workers, in any scheduled employment to which the minimum wages Act, 1948, applies.

- (iv) a “plantation” as defined in Section 2 of the Plantations Labour Act, 1951; and
 - (v) a “newspaper establishment” as defined in Sec. 2 of the Working Journalists and other Newspaper Employees (conditions of Service) and Miscellaneous Provisions Act, 1955
- (iii) Section 2 (c) of Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by certain Establishments) Amendment Act, 2014.

Form means a Form specified in the Second Schedule Following forms are specified in the second schedule. They are as under: –

Form I -Annual Return (To be furnished to the Inspector or the authority specified for this purpose under the respective Scheduled Act before the 30th April of the following year)

Form II -Register of persons employed-cum-employment card

Form III- Muster roll-cum-wage register

- (iv) Section 2 (e). Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by certain Establishments) Amendment Act, 2014.

Small establishment means an establishment in which not less than ten and not more than forty persons are employed or were employed on any day of the preceding twelve months

- (v) Section 2 (f)of Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by certain Establishments) Amendment Act, 2014

Very small establishment means an establishment in which not more than nine persons are employed or were employed on any day of the preceding twelve months.

CORPORATE ACCOUNTING AND FINANCIAL MANAGEMENT

GROUP 1 PAPER 4

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer All Questions.

PART-I

Question 1

Vikas Steel & Co. ("The Company") is a steel manufacturing company in existence since the past three decades. The Executive Chairman and Managing Director is Mr. Mohan. Mr. Mohan is a Mechanical Engineer and has constructed and operationalized the steel plant. The steel plant has achieved major success with the growing economy. Ms. Disha, Mr. Mohan's daughter, is an Executive Director at the Company. She oversees the operations of the Company. A study was done by the Operations team and it felt the need to modernize the Company's operations. The estimated budget for the modernization efforts is likely to be INR 75 lakh. The merchant bankers of the Company advise the Company to partially raise capital by issue of equity shares by way of an Initial Public offering.

The prospectus of Vikas & Co's equity issue for 50,000 equity shares of INR 100 each. (Issue price INR 120). Payment to be made is as follows :

On application	INR 25
On allotment (Including premium of INR 20)	INR 50
First Call	INR 20
Final Call	INR 25

Applications were received for 75000 shares. Shares were allotted to the applicants on pro rata basis.

Kamal who was allotted 500 shares did not pay the allotment money. He also failed to pay the first call. His shares were forfeited. Amar was holding 200 shares did not pay the first call. Final call was not made.

The Company had appointed four underwriters. The entire issue was underwritten as follows :

Underwriter	% share in underwriting
P	35%
Q	25%
R	20%
S	20%

The underwriting commission is paid @ 1.5%.

Required :

- Pass all the journal entries for issue and forfeiture of equity shares with necessary working notes.
- Calculate the underwriting commission for each underwriter.
- Pass all the journal entries for payment of underwriting commission.

(10+3+2=15 marks)

Answer 1(a)

Vikas Steel & Co.

Journal Entries

S. No.	Particulars	Amount in ₹ (Dr)	Amount ₹ (Cr)
1	Bank A/c Dr. To Share Application A/c (Being application money received on 75000 shares @ ₹25 per share)	18,75,000	18,75,000
2	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Application money of 50000 shares x ₹ 25 transferred to share Capital A/c and remaining adjusted towards shares allotment, 25000 x ₹ 25)	18,75,000	12,50,000 6,25,000
3	Share Allotment A/c Dr. To Share Capital A/c To Securities premium A/c (Allotment money due including premium 50000 x ₹ 50)	25,00,000	15,00,000 10,00,000
4	Bank A/c Dr. Call in Arrear A/c Dr. To Share Allotment A/c (Allotment money received as per working note)	18,56,250 18,750	18,75,000
5	Share First Call A/c Dr. To Share Capital A/c (First Call money due 50000 x ₹ 20)	10,00,000	10,00,000

S. No.	Particulars	Amount in ₹ (Dr)	Amount ₹ (Cr)
6	Bank A/c Dr. Calls-in-Arrears Dr To Share First Call A/c (First call money received of 49300 shares, and of 700 shares debited to Calls in Arrears)	9,86,000 14,000	10,00,000
7	Share capital A/c Dr. Securities premium A/c Dr. To Call in Arrear A/c To Share Forfeiture A/c (Forfeiture of 500 shares on non- payment of allotment and call money)	37,500 10,000	28,750 18,750

Working Note:

Shares applied for 75,000; Share Allotted 50,000 Ratio = 3: 2

Kamal –

Number of shares holding = 500

Number of shares applied= 750

Excess application money received = $250 \times ₹ 25 = ₹ 6,250$

Share allotment money due = $500 \times ₹ 50 = ₹ 25,000$

Net Amount due after adjustment of excess application money = $₹ 25,000 - ₹ 6,250 = ₹ 18,750$

Total allotment money due = ₹ 25,00,000

Less: Excess application money adjusted (₹ 6,25,000)

Less: Kamal's amount due on allotment (₹18,750)

Net Amount Received = ₹ 18,56,250

Answer 1(b)**Calculation of Underwriting Commission**

Number of shares offered	50,000
Issue Price	120
Total issue size	₹ 60,00,000
Commission paid	1.50%
Commission	₹ 90,000

Underwriter	% Share in underwriting	Commission share Amount in ₹
P	35%	31,500
Q	25%	22,500
R	20%	18,000
S	20%	18,000

Answer 1(c)

Date	Particulars		Debit (₹)	Credit (₹)
May 10	Underwriting Commission A/c To Bank A/c (Being Underwriting Commission paid)	Dr	90,000	90,000

Alternative answer

Date	Particulars		Debit (₹)	Credit (₹)
May 10	Underwriting Commission A/c To Underwriter P A/c To Underwriter Q A/c To Underwriter R A/c To Underwriter S A/c (Being Underwriting commission on Initial Public offering of shares of Vikas Steel & Co)	Dr	90,000	31,500 22,500 18,000 18,000
May 10	Underwriter P A/c Underwriter Q A/c Underwriter R A/c Underwriter S A/c To Bank A/c (Being underwriting commission paid)	Dr Dr Dr Dr	31,500 22,500 18,000 18,000	90,000

Question 2

- (a) The Human Resources team of Rama Ltd. has implemented an Employee Stock Option Plan for eligible employees one year after listing of the Company's share in stock exchange. On April 1, 2022, Options were granted for 20,000 equity shares at INR 40 when market price was INR 130. The employees exercised their options for 19,000 shares only between 15th March, 2023 and 31st March, 2023; the remaining options lapsed. The company closes its books on 31st March every year.

Show Journal Entries.

(5 marks)

- (b) ABC & Co. issued 5,000 debentures of INR 1,000/- each at a premium of 10%, payable INR 200 on application, INR 500 on allotment (including premium) and the balance on first and final call. Applications were received for 7,000 debentures. Applications for 4,500 debentures were accepted in full, applicants for 1,000 debentures were allotted 500 debentures and remaining applications were rejected. All money were duly received.

Pass all the journal entries.

(6 marks)

- (c) Kapoor Ltd. with subscribed capital of INR 7,50,000 consisting of 75,000 Equity shares of INR 10 each; called up capital INR 7.50 per share. A bonus of INR 1,87,500 declared out of General Reserve to be applied in making the existing shares fully paid up.

Pass Journal Entries in the books of Kapoor Ltd.

(4 marks)

Answer 2(a)

Rama Limited

Journal Entries

Date	Particulars	Amount in ₹ (Dr)	Amount in ₹ (Cr)
15th March 2023 to 31st March 2023	Bank A/c (19,000 x ₹ 40) Dr. Employee compensation expense A/c [19,000 x (₹ 130 - ₹ 40)] Dr. To Equity share capital A/c (19,000 x ₹ 10) To Securities premium A/c [19,000 x (₹130 - ₹ 10)] (Being allotment to employees of 19,000 equity shares of ₹ 10 each at a premium of ₹ 120 per share in exercise of stock options by employees) Note: Assuming Face value of equity share is ₹ 10	7,60,000 17,10,000	1,90,000 22,80,000
31st March 2023	Profit and Loss A/c Dr. To Employee compensation expense A/c (Being transfer of employee compensation expense to profit and loss account)	17,10,000	17,10,000

Answer 2(b)

ABC & Co.
Journal Entries

	Particulars		Debit (in ₹)	Credit (in ₹)
1	Bank A/c To Debenture Application A/c (Being application money for 7,000 debentures) (7,000 * ₹ 200/-)	Dr.	14,00,000	14,00,000
2	Debenture Application A/c To Debenture A/c To Debenture Allotment A/c To Bank A/c (Being application money adjusted and surplus being refunded)	Dr.	14,00,000	10,00,000 1,00,000 3,00,000
3	Debenture Allotment A/c To Debenture A/c To Securities Premium A/c (Being amount of allotment @ ₹ 500 on 5,000 debentures)	Dr	25,00,000	20,00,000 5,00,000
4	Bank A/c To Debenture Allotment A/c (Being balance amount on allotment due received)	Dr	24,00,000	24,00,000
5	Debenture Call A/c To Debenture A/c (Being amount due on call @ ₹ 400 on 5,000 debentures)	Dr	20,00,000	20,00,000
6	Bank A/c To Debenture Call A/c (Being amount due on call received)	Dr	20,00,000	20,00,000

Answer 2(c)

Kapoor Ltd.
Journal Entries

S. No.	Particulars		Dr. (in ₹)	Cr. (in ₹)
1	General Reserve A/c To Bonus to shareholders A/c (For making provision of bonus issue)	Dr.	1,87,500	1,87,500
2	Share final call A/c To Equity share capital A/c (For final calls of ₹2.50 per share on 75,000 equity shares due)	Dr.	1,87,500	1,87,500
3	Bonus to shareholders A/c To Share final call A/c (For bonus money applied for call)	Dr.	1,87,500	1,87,500

Question 3

(a) Below given is the Balance Sheet of Bharat Chemical Ltd. as on 31st March, 2025.

Balance Sheet of Bharat Chemical Ltd. as on 31st March, 2025

Liabilities :	Amount (INR)	Amount (INR)
2,00,000, 14% Preference shares of INR100 each, fully called	2,00,00,000	
Less : Calls in arrears @ INR 20 per share	4,00,000	1,96,00,000
10,00,000 Equity shares of INR 10 each, INR 8 per share called	80,00,000	
Less : Calls-in-arrears	20,000	
Add : Calls-in-advance	10,000	79,90,000
Securities premium		5,10,000
General reserve		1,50,00,000
10,000, 15% Debentures @ INR 1,000 each, fully paid		1,00,00,000
Current liabilities and provisions		10,00,000
Total		5,41,00,000

Liabilities :	Amount (INR)	Amount (INR)
Assets :		
Fixed Assets		1,30,00,000
Investments		28,00,000
Other current assets		2,15,00,000
Cash and bank balances		1,68,00,000
Total		5,41,00,000

On 1st April, 2025, the Board of Directors decided that :

- (i) The fully paid preference shares are to be redeemed at a premium of 4% on 1st May, 2025 and for that purpose 6 lakh equity shares of INR 10 each are to be issued at a premium of 5%.

Considering the information given above, pass the required journal entries in the books of the company.

(5 marks)

(b) Yash Ltd. recently reported the following income Statement :

Particulars	(INR in Crores)
Sales	600
Operating Cost	470
EBIT	130
Interest	40
EBT	90
Taxes @ 40%	36
EAT (Net Income)	54
Dividend	21.6
Retained Earnings	32.4

This year company is forecasting 25% increase in sales and it expects that its year end operating cost will be around 70% of sales. It is expected that tax rate, interest and dividend pay-out ratio will be constant.

Calculate the following :

- (i) Projected Net Income
 (ii) Expected growth rate in dividend.

(3+2=5 marks)

(c) The following information is given for Kabir Ltd., based on 360 days working in a year :

- Total revenue from operations INR 40,00,000/-
- Trade receivables as on April 2024 INR 4,15,000/-

- Trade receivables as on March 2025 INR 4,75,000/-
- Cash revenue from operations : 20% of revenues from operations

Calculate :

- Trade receivables turnover ratio
- Average credit period.

(3+2=5 marks)

Answer 3(a)

Bharat Chemical Ltd.

Journal Entries

Date	Particulars		Dr. (₹)	Cr. (₹)
May 1, 2025	Bank A/c To Equity Share Capital A/c To Securities Premium A/c (Being Equity Shares issued at premium)	Dr	63,00,000	60,00,000 3,00,000
	Securities Premium A/c To Premium on Redemption of Redeemable Preference Shares A/c (Being Premium on Redemption of Preference shares provided)	Dr	7,20,000	7,20,000
	General Reserve A/c To Capital Redemption Reserve A/c (Being capital redemption reserve account created)	Dr	1,20,00,000	1,20,00,000
	14% Preference Share Capital A/c Premium on Redemption A/c To Preference Shareholders A/c (Being amount due to preference shareholders)	Dr Dr	1,80,00,000 7,20,000	1,87,20,000
	Preference Shareholders A/c To Bank A/c (Being paid to preference shareholders)	Dr	1,87,20,000	1,87,20,000

Answer 3(b)

(i) Computation of Projected Net Income

Particulars	Amount (₹ in crore)
Sales (₹ 600+25%)	750

Particulars	Amount (₹ in crore)
Less: Operating cost (70% of ₹ 750)	525
EBIT	225
Less: Interest	40
EBT	185
Less: Tax @40%	74
EAT (Net Income)	111
Dividend (40%*111)	44.40
Retained Earnings	66.60

Note: 1

$$\begin{aligned} \text{Dividend Pay-out Ratio (Existing Year)} &= [\text{Dividend/Net Income}] * 100 \\ &= [₹ 21.6/₹ 54] * 100 = 40\% \end{aligned}$$

(ii) Expected Growth rate in Dividend

$$\begin{aligned} &= [(\text{₹ } 44.40 - \text{₹ } 21.6) / \text{₹ } 21.6] * 100 \\ &= 105.56\% \end{aligned}$$

Answer 3(c)

Trade receivable turnover ratio:

Revenue from operations	₹ 40,00,000
Less: Cash revenue (20%)	₹ 8,00,000
Credit revenue	₹ 32,00,000

Average Receivables

Trade Receivables April	₹ 4,15,000
Trade receivables March	₹ 4,75,000
Average receivables	₹ 4,45,000

$$\text{Debtors Turnover Ratio} = \frac{\text{Credit Revenue}}{\text{Average Receivables}} = \frac{₹ 32,00,000}{₹ 4,45,000} = 7.19 \text{ times}$$

$$\text{Average Credit Period} = \frac{360}{(\text{Debtors turnover ratio})} = \frac{360}{7.19} = 50 \text{ days}$$

Attempt all parts of either Q. No. 4 or Q. No. 4A**Question 4**

(a) Following is the Balance Sheet of XYZ & Co. as on March 31, 2024 :

Liabilities	INR in lakhs	Assets	INR in lakhs
Equity share capital (Fully paid-up shares of ₹ 10 each)	4,800	Machinery	7,200
Securities Premium	700	Furniture	904
General Reserve	1,860	Investments	296
Profit and Loss Account	680	Stock	2,400
12% Debentures	3,000	Debtors	1,040
Sundry Creditors	1,500	Cash at Bank	1,480
Sundry Provisions	780		
	13,320		13,320

On April 1, 2024, the company announce buyback of 25% of equity share capital at INR 13/- per share. For the purpose :

- Investments were sold for INR 300 lakhs
- Issued 4,00,000 preference shares of INR 100 each at par. Entire amount is payable at application.

The buyback was completed in due time. Show journal entries for above transactions.

(5 marks)

(b) On the basis of the following information provided by X Ltd. Prepare a Cash Flow Statement for the year ended on 31st March 2025 :

- (i) X Ltd. sold all the goods for cash only and purchased the goods in credit from suppliers only.
- (ii) The company has made a total purchase of INR 77,00,000.
- (iii) The company paid INR 45,00,000 as wages and INR 9,00,000 as office expenses during the year.
- (iv) Balance of Suppliers accounts on 31.03.2024 were higher than the balance on 31.03.2025 by INR 3,00,000.
- (v) Tax paid by the company amounts to INR 8,00,000 while provision for taxation was INR 7,00,000.
- (vi) The company repaid bank loan of INR 17,50,000 which included interest of INR 1,50,000.
- (vii) Dividend paid during the year INR 5,00,000 (including dividend distribution tax).

- (viii) X Ltd. sold investments of INR 60,00,000 at a profit of INR 4,00,000.
- (ix) Furniture purchased during the year INR 20,00,000.
- (x) Cash and Cash Equivalents as on 31.03.2024 was INR 10,00,000.
- (xi) Cash and Cash Equivalents as on 31.03.2025 was INR 49,50,000.

(5 marks)

(c) A Ltd. acquired assets worth INR 1,75,00,000/- from V Ltd. The consideration was paid as follows :

- Payment by cheque : INR 55,00,000/-
- Remaining by issue of shares to V Ltd. shares of INR 10/- are issued at a premium of 20%.

What will be the number of shares to be issued by A Ltd. to V Ltd ?

Pass all the journal entries.

(5 marks)

Answer 4(a)

Journal of XYZ & Co

S. No.	Particulars		Debit (₹)	Credit (₹)
1.	Bank A/c To Investments A/c To Profit and Loss A/c (Being sale of investments for profit)	Dr.	3,00,00,000	2,96,00,000 4,00,000
2.	Bank A/c To Preference Share Capital A/c (Being issue of Preference Share Capital)	Dr.	4,00,00,000	4,00,00,000
3.	Equity Share Capital A/c Security Premium A/c To Equity Shareholders A/c (Being Buyback of Equity Shares)	Dr. Dr.	12,00,00,000 3,60,00,000	15,60,00,000
4.	Equity Shareholders A/c To Bank A/c (Being payment to Equity Shareholders)	Dr.	15,60,00,000	15,60,00,000
5.	General Reserve A/c To Capital Redemption Reserve A/c (Being transfer to capital redemption reserve)	Dr.	8,00,00,000	8,00,00,000

Answer 4(b)**Cash Flow Statement for the year ended on 31.03.2025**

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Cash Sales		1,60,00,000*
(-) Cash payments		
Payment to suppliers	80,00,000	
Wages paid	45,00,000	
Office expenses paid	9,00,000	1,34,00,000
		26,00,000
(-) Income tax paid		8,00,000
		18,00,000
B. Cash Flow from Investing Activities		
Sale of Investments	64,00,000	
Purchase of furniture	(20,00,000)	44,00,000
C. Cash Flow from Financing Activities		
Bank loan repaid with interest	(17,50,000)	
Dividend paid with distribution tax	(5,00,000)	(22,50,000)
Cash Flow from all Activities (A+B+C)		39,50,000
D. Opening Cash and Cash Equivalent		10,00,000
E. Closing Cash and Cash Equivalent		49,50,000

* Calculation of missing Sales/Cash Inflow figure by using the Cash Flow Identity:

Opening Cash + Inflows - Outflows = Closing Cash

Difference between Opening and Closing Cash and Cash Equivalent (A)	₹ 39,50,000
Cash Flow from Investing Activities (B)	₹ 44,00,000
Cash Flow from Financing Activities (C)	₹ (22,50,000)
Cash Flow from Operating Activities (B+C) - A	₹ 18,00,000

Cash Outflows in Operating Activities	
Payment to suppliers	₹ 80,00,000
Wages paid	₹ 45,00,000
Office expenses paid	₹ 9,00,000
Income tax paid	₹ 8,00,000
Total	₹ 142,00,000
Cash Flow from Operating Activities (required)	₹ 18,00,000
Cash Sales	₹1,60,00,000

Answer 4(c)

	Particulars		INR	INR
1.	Sundry Assets A/c To V Ltd. (Being Sundry Assets acquired from V Ltd.)	Dr.	1,75,00,000	1,75,00,000
2.	V Ltd. A/c To Bank A/c (Being payment to V Ltd.)	Dr.	55,00,000	55,00,000
3.	V Ltd. A/c To Share Capital A/c To Share Premium A/c (Being share capital issued to V Ltd.)	Dr.	1,20,00,000	1,00,00,000 20,00,000

Working note:

	INR
Consideration to V Ltd.	1,75,00,000
Payment	(55,00,000)
Balance Consideration	1,20,00,000
Shares issued at	12/-
Number of shares issued	10,00,000

OR (Alternate question to Q. No. 4)

Question 4A

- (i) What are borrowing costs as per Accounting Standard 16 ? When would borrowing costs be capitalized ?
- (ii) Distinguish between free cash flow to firm and free cash flow to equity.

(iii) What are the five key features of Schedule III of the Companies Act, 2013, which prescribes the form and disclosures for the Balance Sheet and Statement of Profit and Loss ?

(5 marks each)

Answer 4A(i)

The objective of AS 16 is to prescribe the accounting treatment for borrowing costs.

Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization should be determined in accordance with this Standard. Other borrowing costs should be recognized as an expense in the period in which they are incurred.

The financial statements should disclose

- a. The accounting policy adopted for borrowing costs
- b. The amount of borrowing costs capitalized during the period.

Answer 4A(ii)

Particulars	Free Cash Flow to Firm ("FCFF")	Free Cash flow to Equity ("FCFE")
Meaning	FCFF is available to both equity and debt holders	FCFE is available to common equity shareholders
Leverage	FCFF excludes the impact of leverage	FCFE includes the impact of leverage
Application	FCFF is used to compute enterprise value	FCFE is used to compute equity value
Risk Factor	Weighted average cost of capital is used for FCFF	Cost of equity is used for FCFE
Formulae	<p>FCFF =</p> <p>Profit After Tax (PAT)</p> <p>Add: Depreciation and Non-Cash Charges</p> <p>Cash Flow After Tax</p> <p>Less: Working Capital Changes</p> <p>Less: Change in Investment</p> <p>FCFF</p> <p>Alternative Formula:</p> <p>FCFF =</p> <p>Cash Flow from Operation</p> <p>Add: Interest * (1 – tax rate)</p> <p>Less: CAPEX</p> <p>FCFF</p>	<p>FCFE =</p> <p>Profit After Tax (PAT)</p> <p>Add: Depreciation and Non-Cash Charges</p> <p>Cash Flow After Tax</p> <p>Less: Preference Dividend</p> <p>Less: Working Capital Changes</p> <p>Less: CAPEX</p> <p>Less: Repayment of Debt/Preference Shares</p> <p>Add: Proceeds from Debt/Preference Shares</p> <p>Add: New Debt issued</p> <p>FCFE</p>

Answer 4A(iii)

Schedule III of the Companies Act, 2013, for the preparation of financial statements of an accounting year. It has several new features like:

- A vertical format for presentation of Balance Sheet with classification of Balance Sheet items into current and non-current categories.
- A vertical format of Statement of Profit and Loss with classification of expenses based on nature.
- Elimination of the concept of “Schedules” and such information is now to be furnished in terms of “Notes to Accounts”.
- It does not contain any specific disclosure for items included in Schedule VI under the head, “Miscellaneous Expenditure”. As per Accounting Standard -16 borrowing cost and discount or premium relating to borrowing could be amortized over the loan period. Further, share issue expenses, discount on shares, discount/ premium on borrowing, etc. are excluded from AS-26. These items be amortized over the period of benefit, i.e., normally 3-5 years. The draft guidance note issued by ICAI suggests that unamortized portion of such expenses be shown under the head “Other Current/Non-current Assets” depending on whether the amount will be amortized in the next 12 months or thereafter.
- Debit Balance of Statement of Profit & Loss A/c will be disclosed under the head, Reserves & Surplus as the negative figure.
- No change in the format of cash flow statement as per revised schedule and therefore its preparation continues to be as per AS-3 i.e. cash flow statement.
- It gives prominence to Accounting Standards (AS), i.e., in case of any conflict between the AS and the Schedule, AS shall prevail.

PART-II**Question 5**

Tara & Co. (“The Company”) is a private sector electrical engineering company that is in existence for the past four decades. Mr. Bhushan is the founder of the company and is the existing Chairman and Managing Director. Geeta is a finance professional and brings rich experience to the company. Currently, Geeta is the Chief Financial Officer of the Company. Tara & Co is engaged in manufacturing, installation and maintenance of low voltage electricity cables. Their main customer base is Government and private sector electric utilities. The Company prefers taking short term projects with fast turnaround and payment cycles. Geeta is of the opinion that a change in strategy is required. The Company should consider bidding for longer term projects which have potential for earning higher return on invested capital, assured cash flows and known existing clients.

Four such projects are identified by the marketing team. The Company has the capacity to undertake all the four projects if they meet the required criteria.

- Cut-off rate of return is 18%
- Period of payback should not exceed 6 years.

Key financials are given below :

Proposal	Investment (INR in crore)	Annual Net Cash Inflows (after tax before depreciation) (INR in crore)	Service Life (In Years)	PVF @ 18%
A	300	73	11	6.18
B	850	95	18	19.67

Proposal	Investment (INR in crore)	Annual Net Cash Inflows (after tax before depreciation) (INR in crore)	Service Life (In Years)	PVF @ 18%
C	925	125	12	7.29
D	250	38	10	5.23

The marketing team of Tara & Co. also have a plan to expand in foreign territories. There are a number of goodwill projects being undertaken by the Government of India for smaller Nations. The marketing team has selected two projects for application. Both the projects are being financed by the Government of India and are identical. However, Geeta feels that the project that has less risk embedded in cash flows should be selected.

Yearly cash inflow and associated probability are given for the two projects.

Proposal X		Proposal Y	
Cash Inflow (INR crores)	Probability	Cash Inflow (INR crores)	Probability
4,000	0.2	4,000	0.1
8,000	0.3	8,000	0.4
12,000	0.4	12,000	0.2
16,000	0.1	16,000	0.3

Initial capital deployment is necessary given that additional projects will be executed in future. An investment of INR 1,000/- crore is estimated. The initial investment will be financed by 25% equity and 75% debt. The interest cost is 14% per annum. The income tax rate is 15%.

Based on the given facts and circumstances, you are required to :

- (a) Rank the proposals A to D according to payback period. Which proposals can be accepted ?
- (b) Rank the proposals A to D according to Present Value Index Method. Which proposals can be accepted ?
- (c) Calculate coefficient of Variation for Proposal X and Proposal Y.
- (d) Which proposal is riskier and which proposal should be accepted ?

(5+5+8+2=20 marks)

Answer 5(a)

1	2	3	4	5
Proposal	Investment ₹ in crore	Annual Net Cash Inflows (After tax before depreciation) ₹ crore	Payback Period (2)/ (3)	Rank
A	300	73	4.11	I
B	850	95	8.95	IV
C	925	125	7.40	III
D	250	38	6.58	II

Only Proposal A can be accepted as payback period exceeds six years for other proposals.

Answer 5(b)

1	2	3	4	5	6	7
Proposal	Investment ₹ in crore	Annual Net Cash Inflows (After tax before depreciation) ₹ crore	PVF @ 18%	PV of Cash Inflows	NPV Index (5)/ (2)	Rank
A	300	73	6.18	451.14	1.50	II
B	850	95	19.67	1,868.65	2.20	I
C	925	125	7.29	911.25	0.99	III
D	250	38	5.23	198.74	0.79	IV

Proposal B and A can be accepted as NPV Index is above 1.

Answer 5(c)

Calculation of Standard Deviation

Proposal X

1	2	3	4	5
Cash Inflow (₹ crores)	Probability	Difference from average cash flows (Average is ₹ 10,000)	Square of difference	Weighted Square of difference Col 2 * Col 4
4,000	0.2	-6,000	3,60,00,000.00	72,00,000
8,000	0.3	-2,000	40,00,000.00	12,00,000
12,000	0.4	2,000	40,00,000.00	16,00,000
16,000	0.1	6,000	3,60,00,000.00	36,00,000
				1,36,00,000

Average = $40,000/4 = 10000$

Standard deviation (Proposal X) = $\sqrt{1,36,00,000} = 3,687.82$ Or 3,688

Proposal Y

1	2	3	4	5
Cash Inflow (₹ crores)	Probability	Difference from average cash flows (Average is ₹ 10,000)	Square of difference	Weighted Square of difference Col 2 * Col 4
4,000	0.1	-6,000	3,60,00,000	36,00,000
8,000	0.4	-2,000	40,00,000	16,00,000

12,000	0.2	2,000	40,00,000	8,00,000
16,000	0.3	6,000	3,60,00,000	1,08,00,000
				1,68,00,000

Average = 40,000/4 = 10000

Standard Deviation (Proposal Y) = sqrt (1,68,00,000) = 4,098.78 Or 4,099

Calculation of Coefficient of Variation

Coefficient of Variation	=	<u>Standard Deviation</u> Average of Expected Cash Flows	
Proposal X	=	<u>3,688</u> 10,000	36.88%
Proposal Y	=	<u>4,099</u> 10,000	40.99%

Answer 5 (d)

Proposal Y is riskier as coefficient of variation of Proposal Y is higher than Proposal X.

Proposal X should be accepted

Attempt all parts of either Q. No. 6 or Q. No. 6A

Question 6

(a) Ganeshan Limited is evaluating a project that has the following cash flow stream associated with it :

Year	0	1	2	3	4	5	6
Cash Flow (INR)	-120	-80	20	60	80	100	120

The cost of capital is 15 percent. Calculate the terminal value of cash inflow of the company.

(5 marks)

(b) ABC & Co. is a contract manufacturer in the textile industry. It manufactures formal shirts under licence from brand owners. The installed capacity is 18,000 units. It is estimated that the current year sales will be 15,000 units.

Other details :

Variable cost per unit	INR
Raw materials	30/-
Labour cost	10/-
Other variable costs	20/-

Fixed costs are expected to be INR 4,80,000/-

You are required to calculate selling price to be quoted for a desired profit of INR 4,20,000/-

(5 marks)

(c) The following figures relate to the capital structure of ABC & Co.

Particulars	
EBIT	INR 10,00,000
Debentures	INR 30,00,000
Interest on debentures	10%
Cost of equity	14%

You are required :

- (i) Compute the total market value of ABC & Co.
- (ii) Overall cost of capital.

Ignore Taxation and assume Net Income Approach.

(3+2=5 marks)

(d) Calculate Market Value Added of Zinc Ltd., from the following information :

Number of shares issued	1,00,00,000
Number of shares held as treasury stock	5,00,000
Current share price (INR)	40/-
Total Invested Capital + Retained Earnings (INR)	25,57,00,000
Cost of treasury stock (INR)	2,00,00,000

Assume market value of debt equals its book value.

(5 marks)

Answer to Question No.6 (a)

The terminal value of cash inflow is:

$$\begin{aligned} & ₹ 20(1.15)^4 + ₹ 60(1.15)^3 + ₹ 80(1.15)^2 + ₹ 100(1.15) + 120 \\ & = ₹ 34.98 + ₹ 91.25 + ₹ 105.80 + ₹ 115 + ₹ 120 = ₹ 467.03 \end{aligned}$$

Answer to Question No.6 (b)

Calculation of selling price per unit

	Raw materials	₹ 30
	Labour cost	₹ 10
	Other variable costs	₹ 20
A	Total variable cost per unit	₹ 60
B	Units sold	15,000
C = A x B	Total variable cost	₹ 9,00,000

D	Total fixed cost	₹ 4,80,000
E=C+D	Total cost	₹ 13,80,000
F	desired profit	₹ 4,20,000
G=E+F	Desired sales	₹ 18,00,000
H	Units sold	15,000
G/H	Selling price per unit	₹ 120

Answer 6(c)

EBIT	₹ 10,00,000
Interest (Debt * Interest %) (₹ 30,00,000/- * 10%)	(₹ 3,00,000)
Shareholder earnings	₹ 7,00,000
Market value of equity Shareholder earnings = $\frac{₹ 7,00,000}{14\%}$ Cost of Equity	₹ 50,00,000
Market value of debt	₹ 30,00,000
Total market value Market value of equity + Market value of debt	₹ 80,00,000
Overall cost of capital (Interest + Shareholder Earnings) = $\frac{(₹ 300,000 + ₹ 7,00,000)}{₹ 80,00,000}$ Total market value	12.50%

Answer 6(d)**Market Value Added**

$$\begin{aligned} \text{Shares outstanding} &= \text{Total Shares Issued} - \text{Treasury Stock} \\ &= 1,00,00,000 - 5,00,000 \\ &= 95,00,000 \end{aligned}$$

$$\begin{aligned} \text{Market Capitalization} &= \text{Shares Outstanding} \times \text{Current share price} \\ &= 95,00,000 * ₹ 40 \\ &= ₹ 38,00,00,000 \end{aligned}$$

$$\begin{aligned} \text{Total Shareholders' Equity} &= \text{Share Capital} + \text{Retained Earnings} - \text{Cost of Treasury Stock} \\ &= ₹ 25,57,00,000 - ₹ 2,00,00,000 \\ &= ₹ 23,57,00,000 \end{aligned}$$

$$\begin{aligned} \text{MVA of equity} &= \text{Market Capitalization} - \text{Shareholder's equity} \\ &= ₹ 38,00,00,000 - ₹ 23,57,00,000 \\ &= ₹ 14,43,00,000 \end{aligned}$$

$$\begin{aligned} \text{MVA of debt} &= \text{Market Value of debt} - \text{Book Value of debt} \\ &= 0 \end{aligned}$$

$$\begin{aligned} \text{MVA for all investors} &= \text{MVA of equity} + \text{MVA of debt} \\ &= ₹ 14,43,00,000 + 0 \\ &= ₹ 14,43,00,000 \end{aligned}$$

OR (Alternate question to Q. No. 6)

Question 6A

(i) What is the Rule of 69 in the context of the doubling period ? Mention any two benefits and two limitations of this rule.

(5 marks)

(ii) Classify the following risks as systematic and unsystematic :

- Changes in laws/regulations
- A foreign government expropriates the assets of a specific company
- Interest rate hikes
- A company is forced to recall one of its products
- Changes in foreign policy
- Volatility in currency values
- The entry of a new competitor into a market
- A company is found to have prepared fraudulent financial statements
- Tax Reforms
- A union targets a company for an employee walk out.

(5 marks)

(iii) Discuss the concept of Relative Strength Index.

(5 marks)

(iv) What is the Hamada Equation in terms of Capital Structure ?

(5 marks)

Answer 6A(i)

According to the Rule of 69, the doubling period is equal to: $0.35 + (69/\text{Interest Rate})$

Example: If interest rate is 10%, the doubling period will be: $0.35 + (69 / 10) = 7.25$ years

The following are the benefits of the rule of 69.

- It assumes that the interest is continuously compounding. In fact, it is true to think in the case of equity valuation that is compounding on an instant basis.
- It provides an answer very close to the answer obtained by using a financial calculator.
- It is even considered the thumb rule of the investment return generating a cycle.
- Easy to calculate the time required.
- Even the retail investor or a non-finance person can easily determine the result.
- Can be used by any person without understanding the pure logic.
- Faster decision making and improve thought process.

The following are the limitations of the rule of 69.

- Difficult to explain the logic behind the number 69.
- Rule 69 does not apply to everything. Only the security like equity, which is compounding every minute, can provide the exact value.
- If the rate is too less like 2/3 % Per annum, than the result is not very accurate. Generally, the higher rate is well captured by this formula.
- Projects with a heavy investment need specially designed spreadsheets because a minuscule difference in time and rate of interest value can create a difference of millions.
- Difficult to absorb the value derived because of non-transparency of value derivation.
- This rule covers those instruments which compounds continuously like equity shares, but it ignores the dividend component which is also received by the equity holder, so overall the share did not increase by an exact multiple of 2, but the dividend amount makes the value of it.

Answer 6A(ii)**Systematic Risk:**

- Changes in laws/regulations,
- Interest rate hikes,
- Changes in foreign policy,
- Volatility in currency values,
- Tax reforms.

Unsystematic Risk:

- A foreign government expropriates the assets of a specific company,
- A company is forced to recall one of its products,
- The entry of a new competitor into a market,
- A company is found to have prepared fraudulent financial statements,
- A union targets a company for an employee walkout.

Answer 6A (iii)

Relative Strength Index: It is a momentum indicator used in technical analysis. RSI measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions in the price of the security. RSI is displayed as an oscillator (a line graph) on a scale of 0 to 100. It was developed by J. Welles Wilder Junior and was introduced in the seminal 1978 book titled *New Concepts in Technical Trading System*.

RSI can do more than just pointing to over bought and over sold securities. It can also indicate securities that may be primed for a trend reversal or corrective pull back price. It can even signal when to buy and when to sell. Traditionally, an RSI reading of 70 and above indicates an overbought situation. A reading of 30 or below indicates an oversold situation. RSI, used in conjunction with other technical indicators, can help traders make better-informed trading decisions.

RSI uses a two-part calculation, which are as follows:

$$RSI = 100 - \frac{100}{1 + \text{Relative Strength}}$$

$$\text{Relative Strength} = \frac{\text{Average Gain Per Day}}{\text{Average Loss Per Day}}$$

Answer 6A(iv)

The Hamada equation draws upon the Modigliani-Miller theorem on capital structure and extends an analysis to quantify the effect of financial leverage on a firm.

Beta is a measure of volatility or systematic risk relative to the overall market. The Hamada equation shows how the Beta of a firm changes with leverage. The higher the Beta coefficient, the higher the risk associated with the firm.

The significant aspects of the Hamada equation are as under:

- The Hamada equation is a method of analyzing a firm's cost of capital as it uses additional financial leverage.
- It draws upon the Modigliani-Miller theorem on capital structure.
- The higher the Hamada equation Beta coefficient, the higher the risk associated with the firm.

Formula for Hamada equation:

β_L	=	$\beta_U * [1 + (1 - T) * (D/E)]$	β_L = Levered Beta. β_U = Unlevered Beta (Market risk without the impact of debt) T = Tax rate. D/E = Debt to equity ratio. (Measure of financial leverage)
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