# PAPER – 2: CORPORATE AND OTHER LAWS

## PART – I: AMENDMENTS FOR MAY 2026 EXAMINATIONS

The Study Material (July 2024 edition-Reprint August 2025) is applicable for May 2026 examinations. This study material is updated for all amendments till 31st July, 2025.

All relevant amendments/ circulars/ notifications etc. in the Company law part for the period 1st May, 2025 to 31st October, 2025 are mentioned below:

**THE COMPANIES ACT, 2013**

**Chapter 9: Accounts of Companies**

### I. Notification G.S.R 357(E) dated 30th May, 2025

The Central Government has amended the Companies (Accounts) Rules, 2014, through the Companies (Accounts) Second Amendment Rules, 2025.

**Amendment:**

In the Companies (Accounts) Rules, 2014:

1. In rule 5, for the word, letter and figure "Form AOC-1" the word, letter and figure "e-Form AOC-1" shall be substituted.

2. In rule 8,-

   (i) in sub-rule (2), for the word, letter and figure "Form AOC-2", the word, letter and figure "e-Form AOC-2" shall be substituted.

   (ii) in sub-rule (5),-

   (A) in clause (x), after the words and figures, "Act, 2013", the following shall be inserted, namely:

   "along with the following details:

(a) number of complaints of sexual harassment received in the year;

(b) number of complaints disposed off during the year; and

(c) number of cases pending for more than ninety days."

(B) after clause (xii), the following clause shall be inserted, namely:

"(xiii) a statement by the company with respect to the compliance of the provisions relating to the Maternity Benefit Act, 1961."

3. In rule 12, after sub-rule (1B), the following sub-rule shall be inserted, namely:

"(1C) Every company, along with the relevant e-Form No. AOC-4, AOC-4 CFS, AOC-4 XBRL, AOC-4 NBFC (Ind AS) or AOC-4 CFS NBFC (Ind AS) and the respective attachments in portable document format as required, shall also file e-Form Extract of Board Report, Extract of Auditor's Report (Standalone) and Extract of Auditor's Report (Consolidated), as the case may be:

Provided that a copy of signed financial statements duly authenticated as per section 134 of the Act (including Board's report, auditors' report and other documents) in portable document format shall also be attached with XBRL Forms."

**[Enforcement Date:** Amendments effective from **14th July, 2025]**

**Old Law**

**Pg 9.13 (for Pt 1.)**

**Salient features of financial statement of Subsidiaries, Associates and JVs- Form [First proviso to Sub-section 3 read with rule 5]**

The statement containing the salient feature of the financial statement of a company's subsidiary or subsidiaries, associate company or companies and joint venture or ventures under the first proviso to sub-

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| section (3) of section 129 shall be in **Form AOC-1** as per Rule 5 of the Companies (Accounts) Rules, 2014. |
| **Pg 9.36 [for Pt 2(i)]** |
| Particulars of contracts or arrangements with related parties referred to in section 188 (1) (i.e., Related Party Transactions) in the **form AOC-2.** |
| **Pg 9.36 [for Pt 2(ii)(A)]** |
| The words are newly inserted in clause (x) |
| **Pg 9.36 [for Pt 2(ii)(B)]** |
| Clause (xiii) is newly inserted. |
| **Pg 9.70 [for Pt 3]** |
| Rule 12(1C) is newly inserted. |

**II. Notification G.S.R 371(E) dated 6th June, 2025**

The Central Government has amended the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, through the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Amendment Rules, 2025.

**Amendment:**

In the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, in rule 3, after sub-rule (1), the following sub-rule shall be inserted, namely:

"(1A) The companies which have filed their financial statements under sub-rule (1), shall also attach a copy of signed financial statements duly authenticated as specified in section 134 of the Act (including Board's report, auditors' report and other documents) in PDF format in eForm AOC-4 XBRL."

**[Enforcement Date:** Amendments effective from **$14^{th}$ July, 2025]**

| **Old Law** |
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| **Pg 9.70** |
| Rule 3(1A) is newly inserted. |

## Chapter 10: Audit and Auditors

**Notification G.S.R 359(E) dated 30th May, 2025**

The Central Government has amended the Companies (Audit and Auditors) Rules, 2014, through the Companies (Audit and Auditors) Amendment Rules, 2025.

In rule 13, in sub-rule (2),-

1. for clause (d), the following shall be substituted, namely:-

   "(d) the report shall be filed electronically in form ADT-4."

2. clauses (e) and (f) shall be omitted.

**[Enforcement Date:** Amendments effective from **14th July, 2025]**

**Old Law**

**Pg 10.38 [for Pt 1]**

**d. The report shall be sent to the Secretary, Ministry of Corporate Affairs (MCA) in a sealed cover by Registered Post with Acknowledgement Due or by Speed Post followed by an e-mail in confirmation of the same;**

**Pg 10.38 [for Pt 2]**

**e. The report shall be on the letter-head of the auditor containing postal address, e-mail address and contact telephone number or mobile number and be signed by the auditor with his seal and shall indicate his Membership Number; and**

**f. The report shall be in the form of a statement as specified in Form ADT-4.**

## PART – II: QUESTION AND ANSWERS

# QUESTIONS

## DIVISION A: Multiple Choice Questions

### Case Scenario 1

Utkarsh, a brilliant student who was pursuing the degree course in Pharmacy at Modern College of Pharmacy, Bengaluru, was inspired and motivated to install and produce the generic medicine. Keeping in view this vision he underwent a twelve months training course in a famous pharmaceutical company at Pune and thereby learnt essential medicinal formulae which were essential in the production of generic medicines.

To convert his vision in reality, he constantly thought of establishing his very own company and the same he did by incorporating a pharmaceutical company which went by the name 'Utkarsh Pharmaceutical Private Limited' (One Person Company) with registered office at New Delhi having ₹ 40 lakh as authorised share capital.

As an essential requirement to designate a nominee for his One Person Company, Utkarsh requested to his elder brother, Yashwant, who was a doctor in general medicine, to seek his consent for becoming nominee on which he agreed to the proposal. After completing the necessary requirements and submitting requisite documents, the Jurisdictional Registrar of Companies sanctioned and registered the above named company by issuing the Certificate of Incorporation.

Utkarsh's company satisfactorily produced, distributed and supplied the generic medicines constantly during the span of seven years. By this time, the company had a grand team of medical representatives, distributors and retailers who built and transformed business by customising market. In order to keep pace with the changing technology, growing production and business opportunities, Utkarsh, along with his wife Divya is willing to convert Utkarsh Pharmaceutical Private Limited (One Person Company) into a Private Limited Company.

On the other side, his brother Yashwant, nominee in Utkarsh Pharmaceuticals Limited (One Person Company), also started his own hospital along with Raghu, a renowned medical practitioner by incorporating a private limited company namely, Vinayak Multicare Hospital Private Limited, with an authorised share capital of ₹ 10 crore and paid up share capital of ₹ 5 crore, having its registered office at Savarkar Place, Pune. The total number of shareholders in this company is sixty of which three shareholders are in employment of the company, whereas other two shareholders who purchased the shares of the company while in employment of the same company, left the company before six months.

Admiring the success of Utkarsh's Pharmaceuticals, Yashwant requested his brother Utkarsh to be a director (Production), but Utkarsh wants to carry out Non-banking financial activities including investment in securities of body corporates.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following Multiple Choice Questions based upon the provisions of the Companies Act, 2013:

1. Yashwant, the elder brother of Utkarsh agreed to become nominee in his Utkarsh Pharmaceutical Private Limited (One Person Company). Which of the following regarding the formalities must be completed by Utkarsh while making Yashwant nominee?

   (A) Utkarsh must have obtained a written consent letter from Yashwant and stated his name as nominee in the Memorandum of Association under Nomination clause.

   (B) Utkarsh must have obtained a written consent letter from Yashwant and stated his name as a nominee, in the Articles of Association, under Nomination clause.

   (C) Utkarsh must have obtained a written consent letter from Yashwant and it should be filed without stating his name as a nominee either in Memorandum or Articles of Association, since there is no such requirement.

   (D) Utkarsh must have obtained a written consent letter from Yashwant within fifteen days after incorporation and must be kept in the records maintained at the registered office of the company.

2. It is clear from the case scenario that Yashwant has formed Vinayak Multicare Hospital Private Limited with sixty shareholders of which two shareholders are ex-employee and the other three are still the employees of the company. Which of the following is the correct option relating to maximum shareholders to whom the shares may be allotted in the company?

   (A) Vinayak Multicare Hospital Private Limited can issue shares to maximum one hundred fifty persons.

   (B) Vinayak Multicare Hospital Private Limited can issue shares to maximum one hundred forty persons.

   (C) Vinayak Multicare Hospital Private Limited can issue shares to maximum one hundred forty five persons.

   (D) Vinayak Multicare Hospital Private Limited can issue shares to maximum ninety persons.

3. Whether Utkarsh, the owner of Utkarsh Pharmaceutical Private Limited (One Person Company) can carryout Non-banking Financial Investment activities including investment in securities of anybody corporate?

   (A) Utkarsh, the owner of One Person Company can undertake to carry out such activities only when its paid up share capital is at least 1 crore.

   (B) Utkarsh, the owner of One Person Company can carry out such activities only when its paid up share capital is at least 2 crore.

   (C) Utkarsh, the owner of One Person Company can carry out such activities only when its paid up share capital is at least 5 crore.

   (D) Utkarsh, the owner of One Person Company cannot undertake carrying out non-banking financial investment activities including investment in securities of any body corporates irrespective of the quantum of its paid up share capital.

4. Vinayak Multicare Hospital is incorporated as a private company with 60 shareholders and 5 employee-shareholders. For determining if it breaches the statutory limit on the number of members in a private company, how should the employee-shareholders be counted under the Companies Act, 2013?

(A) All 60 shareholders plus the 5 employees must be counted, totaling 65 members for the limit calculation.

(B) Only the 5 employee-shareholders are counted as members, since employees are considered distinct from regular shareholders.

(C) Only the shareholders who are not employees are counted, because employee-shareholders are excluded.

(D) Neither the 60 shareholders nor the 5 employee-shareholders are counted, as private companies have no statutory member limit.

### Case Scenario 2

ABC Solutions LLP, registered under the Limited Liability Partnership Act, 2008, operates a software consultancy firm based in Punjab with two partners: Mr. X (as the Designated Partner) and Mr. Y. The LLP Agreement requires a 30-day notice for resignation, but Mr. Y skips notice to Mr. X and the firm and unilaterally files Form 6 with the Registrar of Companies (RoC) in January 2026, intimating cessation of his partnership interest with immediate effect.

The LLP fails to file the mandatory Form 4 with the Registrar within the prescribed time period, a attracting a penalty of ₹100 per day for each designated partner.

Mr. X, having knowledge of Mr. Y's cessation since January 2026, continues to run the business as the sole remaining partner, enters into new client contracts, and incurs supplier debts amounting to ₹50 lakh over the next eight months without admitting any new partner.

Suppliers now pursue recovery from Mr. X's personal assets, including his family home in Ludhiana, claiming the LLP's limited liability shield no longer applies.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

5. Under the Limited Liability Partnership Act 2008, what is the general consequence when an LLP is reduced to only one partner because the other partner leaves, and no new partner is admitted within the prescribed period?

(A) The LLP and the remaining partner may continue temporarily, but the remaining partner can become personally liable if a new partner is not admitted within the statutory period.

(B) The LLP may continue its business indefinitely as a single-partner entity with no additional consequences.

(C) The LLP is automatically converted into a traditional partnership with the remaining partner as sole proprietor.

(D) The LLP is required to immediately cease all business operations and is automatically dissolved on that day.

6. If the LLP continues business with only one partner beyond the statutory grace period without admitting a new partner, what is the typical nature of the remaining partner's liability for obligations incurred during that default period under the Act?

(A) The remaining partner continues to enjoy full limited liability, with no change in protection.

(B) The remaining partner may be held personally liable, similar to a partner in a traditional unlimited liability partnership, for obligations incurred during the non-compliant period.

(C) The remaining partner becomes personally liable only if the leaving partner consents in writing to such liability.

(D) The remaining partner becomes liable only for intentional wrongs, but not for contractual debts incurred during the period.

7. Assume Mr. Y has resigned from ABC Solutions LLP, and his cessation has been duly filed and recorded. A creditor supplies goods two months later, relying on old stationery still showing Mr. Y as partner. What is the most likely legal position of Mr. Y regarding this new debt?

(A) Mr. Y has no liability because he validly ceased to be a partner and proper notice was given.

(B) The remaining partner may be held personally liable, similar to a partner in a traditional unlimited liability partnership, for obligations incurred during the non-compliant period.

(C) The remaining partner becomes personally liable only if the leaving partner consents in writing to such liability.

(D) The remaining partner becomes liable only for intentional wrongs, but not for contractual debts incurred during the period.

8. Can suppliers proceed against Mr. X's personal property for recovery of ₹ 50 lakh?

(A) No, LLP liability is always limited

(B) Mr. Y and Mr. X share liability equally because partners are always jointly liable for LLP debts

(C) Mr. Y is automatically liable unless he personally informed each creditor in writing of his exit

(D) Mr. Y is liable as a partner for all such contracts where his name appeared on the stationery used for the transaction

### Independent MCQ

9. XYZ Limited is a company with 51% of its equity shares held by the State Government of Maharashtra and 49% by private investors. The Board of XYZ Limited seeks to appoint an auditor for the upcoming financial year. As per the Companies Act, 2013, which of the following statements is correct regarding the appointment of the auditor?

(A) The Board of XYZ Limited has the authority to appoint the auditor through a board resolution.

(B) The Comptroller and Auditor General (CAG) of India will appoint the auditor for XYZ Limited.

(C) The shareholders of XYZ Limited will appoint the auditor in the annual general meeting.

(D) The State Government of Maharashtra, holding the majority stake, will appoint the auditor.

10. A listed company has a net worth of ₹ 480 crore, turnover of ₹ 1200 crore, and net profit of ₹ 3 crore in the immediately preceding financial year. How does CSR provisions apply to this company?

(A) CSR provisions applies because it satisfies the turnover threshold, even though the net worth and net profit thresholds are not met.

(B) CSR provisions does not apply because the company must satisfy at least two of the three thresholds simultaneously.

(C) CSR provisions applies only if the company's shares are listed on a recognized stock exchange and it meets all three thresholds cumulatively.

(D) CSR provisions does not apply because the net worth is below ₹ 500 crore and net profit is below ₹ 5 crore

## Descriptive Questions

11. XYZ Limited issued a prospectus to raise funds for a new manufacturing project. After successfully raising the funds, the company identified an investment opportunity in a different industry six months later, requiring a significant portion of the funds. The proposed investment involved trading in equity shares of other listed companies.

    The board of directors suggested varying the original objectives for which the funds were raised to allow this new investment and recommended passing a special resolution in the company's general meeting. While the promoters and controlling shareholders supported this change, some shareholders expressed concerns, particularly regarding the deviation from the initially stated purpose of the funds.

    Based on the provisions of the Companies Act, 2013, advise on the validity of the proposal to redirect the funds toward this new investment.

12. John Pvt Ltd. is an unlisted company incorporated in the year 2012. The company have share capital of rupees fifty crores. The company has decided to issue sweat equity shares to its directors and employees. The company decided to issue 10% sweat equity shares (which in total will add up to 30% of its paid up equity shares), with a locking period of five years, as it is a start-up company. Explain the provision for issue of sweat equity shares by a start-up company, with reference to the provision of the Company Act, 2013.

13. RS Ltd. received share application money of ₹ 50 Lakh on 01.06.2019 but failed to allot shares within the prescribed time limit. The share application money of ₹ 5 Lakh received from Mr. Khanna, a customer of the Company, was refunded by way of book adjustment towards the dues payable by him to the company on 30.07.2019. The Company Secretary of RS Ltd. reported to the Board that the entire amount of ₹ 50 Lakh shall be deemed to be 'Deposits' as on 31.07.2019 and the Company is required to comply with the provisions of the Companies Act, 2013 applicable to acceptance of deposits in relation to this amount. You are required to examine the validity of the reporting of the Company Secretary in the light of the relevant provisions of the Companies Act, 2013.

14. PQR Limited, a manufacturing company, is in the process of expanding its operations. To support this expansion, PQR Limited has acquired a plot of land along with the buildings on it from ABC Limited, another company in the same industry. The property, however, is subject to an existing charge, created in favor of a bank as security for a loan taken by ABC Limited. This charge had been registered by ABC Limited at that time. The directors of PQR Limited are of the opinion that as the charge for the property was already created, there is no further obligation to be fulfilled from the side of PQR Limited.

    After negotiations, the bank, as the charge holder, consents to the sale and transfer of the property to PQR Limited with the condition that PQR Limited must register a new charge over the acquired property as security for its own loan obligations.

    Advise whether the contention of directors of PQR Limited is correct. Give your answer in terms of the provisions of the Companies Act, 2013.

15. Discuss the following in the light of the provisions of the Companies Act, 2013:

    (i) Mr. Prem and his wife, Mrs. Archna jointly hold shares of ABC Limited in a dematerialised (Demat) account. In such circumstances, which of the joint holders is entitled to exercise the voting right through the e-voting facility?

(ii) The Annual General Meeting of the company is scheduled to be convened on 10th September, 2025. Determine the duration of the remote e-voting period and specify the time at which such e-voting shall conclude.

16. Prime Industries Ltd., a public limited company with 800 members, convenes its Annual General Meeting (AGM) at 11:00 AM on 15th March 2027. The Articles of Association do not prescribe a higher quorum.

At the meeting, the following individuals are present:

Rahul Sharma, Priya Patel, and Vikram Singh (three individual members, present in person).

Arjun Mehta, authorized by Horizon Pvt. Ltd. (a corporate member) through a board resolution to represent it.

Neha Kapoor, authorized by Summit Ltd. (another corporate member) through a board resolution to represent it.

Karan Desai and Maya Reddy (two individual members, present only by proxy).

Arjun Mehta arrives at 11:15 AM. Discuss the quorum requirements as per the provisions of the Companies Act, 2013, addressing:

(i) Whether quorum is met at the start and during the meeting.

(ii) Whether the meeting will deemed to be validly conducted if Arjun Mehta arrived at the meeting at 11:15 AM.

### The Limited Liability Partnership Act, 2008

17. Bright Consultants LLP is facing temporary financial difficulties and proposes a compromise with its unsecured creditors for payment of 70% of the outstanding dues in full settlement.

An application is made before the Tribunal by one of the partners of the LLP seeking directions to convene a meeting of creditors. The Tribunal orders the meeting to be held.

At the meeting, creditors representing 75% in value of the total outstanding debt vote in favour of the proposed compromise. The LLP thereafter approaches the Tribunal for sanction of the scheme. However:

1. The LLP fails to disclose in its application that an investigation proceeding is pending against it under the Limited Liability Partnership Act, 2008.
2. After obtaining the Tribunal's sanction order, the LLP does not file the order with the Registrar within 30 days.

A dissenting creditor challenges the validity of the compromise on these grounds.

Examine as per the provisions of the Limited Liability Partnership Act, 2008:

(a) Whether the compromise can be sanctioned by the Tribunal despite non-disclosure of pending investigation proceedings?

(b) Whether the compromise becomes effective and binding if the Tribunal's order is not filed with the Registrar within the prescribed time?

### The General Clauses Act, 1897

18. The National Infrastructure Authority Act, 2005 (a Central Act enacted after the commencement of the General Clauses Act, 1897) provides that:

"The Chairperson of the National Infrastructure Authority shall have the power to grant licences for strategic highway projects."

In 2024, the designation of "Chairperson" was replaced by "Managing Director" through an amendment to the parent Act. The powers and functions earlier exercised by the Chairperson were formally vested in the Managing Director.

A dispute arose when a company challenged the validity of a licence granted by the Managing Director on the ground that the original provision of the Act referred only to the "Chairperson" and not to the "Managing Director."

The company contends that since the Act specifically mentions "Chairperson," only that office-holder could exercise the power and not any successor authority.

With reference to the provisions of the General Clauses Act, 1897 relating to "Successors," examine whether the licence granted by the Managing Director is valid.

## Interpretation of Statutes

19. The Central Government enacted the Industrial Regulation Act, 1985. One of the provisions of the Act uses the term "processing unit", but the term is not specifically defined in the statute.

    For the last 30 years, licensing authorities across the country have consistently treated small packaging units as "processing units" under the Act. Several industries have been granted licences on this basis. The Legislature has amended the Act multiple times over the years, but has never altered this interpretation. Further, in one case, a High Court also accepted this long-standing practice while deciding a dispute.

    Recently, a new regulatory authority has taken a different view and denied licence to a packaging unit, arguing that the term "processing unit" should be interpreted strictly as per its dictionary meaning and not according to past administrative practice.

    The affected company challenges the decision and contends that long-standing usage and practice should guide the interpretation of the statute.

    While interpreting a statute, what is the effect of usage, customs and long-standing practice? Explain with reference to relevant principles and Latin maxims.

## The Foreign Exchange Management Act, 1999

20. Golden Global Ltd. is a company incorporated and registered in Germany. On 1st April 2012, it established a branch office at Chennai, India. The Chennai branch subsequently began controlling the operations of another branch of Golden Global Ltd. situated in Dubai.

    With reference to the provisions of the Foreign Exchange Management Act, 1999, determine the residential status of:

    (i) Golden Global Ltd.

    (ii) The Chennai branch

    (iii) The Dubai branch controlled by the Chennai branch.

## SUGGESTED ANSWERS

### Multiple Choice Questions

| MCQ No. | Most Appropriate Answer |
|---|---|
| 1. | (A) |
| 2. | (C) |
| 3. | (D) |
| 4. | (C) |
| 5. | (A) |
| 6. | (B) |
| 7. | (A) |
| 8. | (C) |
| 9. | (B) |
| 10. | (A) |

### Descriptive Questions

**11.** **(a)** According to section 27(1) of the Companies Act, 2013, the terms of a contract referred to in the prospectus or objects for which the prospectus has been issued can be varied, but only with the authority of the company given by it in general meeting by way of special resolution.

The second proviso to sub-section (1) prescribes that such company is not to use any amount raised by it through the prospectus for buying, trading or otherwise dealing in equity shares of any other listed company.

In the given question, XYZ Limited, is planning to use the amount initially raised for investing in a different industry, which also involves trading in equity shares of other listed companies.

Though XYZ Limited has passed a special resolution for the said proposal but it cannot use any amount raised by it through the prospectus for buying, trading or otherwise dealing in equity shares of any other listed company. Hence, the said proposal for new investment is not valid.

**12.** Sweat Equity Shares is governed by Section 54 of the Companies Act, 2013 and Rule 8 of Companies (Share capital and debentures) Rules, 2014. According to Section 54 the company can issue sweat equity shares to its director and permanent employees of the company.

According to rule 8 (4) proviso, states that a start up company, is defined in a notification number Ministry of Commerce and industry Government of India, may issue sweat equity share not exceeding 50% of its paid up share capital up to 10 years from the date of its in incorporation or registration.

According to Rule 8(5), the sweat equity shares issued to directors or employees shall be locked in/ non transferable for a period of 3 years from the date of allotment and the fact that the share certificates are under lock-in too.

Hence, in the above case the company can issue sweat equity shares by passing special resolution at its general meeting. The company as a startup company is right in issue of 10% sweat equity share as it is overall within the limit of 50% of its paid-up share capital. But the lock in period of the shares is limited to maximum three years period from the date of allotment.

**13.** According to Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014, the following category of receipt is not considered as deposit: Any amount received and held pursuant to an offer made in accordance with the provisions of the Companies Act, 2013 towards subscription to any securities, including share application money or advance towards allotment of securities, pending allotment, so long as such amount is appropriated only against the amount due on allotment of the securities applied for. It is clarified by way of Explanation that if the securities for which application money or advance for such securities was received cannot be allotted within 60 days from the date of receipt of the application money or advance for such, securities and such application money or advance is not refunded to the subscribers within 15 days from the date of completion of 60 days, such amount shall be treated as a deposit under these rules. Further, it is clarified that any adjustment of amount for any other purpose shall not be treated as refund.

In the given question, RS Limited has received ₹ 50 Lakhs as share application money on 01.06.2019. It failed to allot shares within the prescribed limit. Further, on 30.07.2019 the company adjusted the amount of ₹ 5 Lakhs received from Mr. Khanna (a customer of the company), by way of book adjustment towards the dues payable by him to the company.

In the light of the facts of the question and provisions of Law:

(1) If such application money or advance is not refunded to the subscribers within 15 days from the date of completion of 60 days, such amount shall be treated as a deposit. In the question, the prescribed limit of 60 days will end on 31.07.2019 and the company has 15 more days to refund such application money to the subscribers. Otherwise, after lapse of such 15 days, the amount not so refunded will be treated as deposit. Hence, the Company Secretary of RS Limited is not correct in treating the entire amount of ₹ 50 Lac as 'Deposits' on 31.07.2019.

(2) Any adjustment of the amount for any other purpose shall not be treated as refund. Thus, the amount of ₹ 5 Lakhs adjusted against payment due to be received from Mr. Khanna, cannot be treated as refund.

**14.** The provisions of section 77 relating to registration of charges shall, so far as may be, apply to:

a. a company acquiring any property subject to a charge within the meaning of that section; or

b. any modification in the terms or conditions or the extent or operation of any charge registered under that section.

According to section 79(a) of the Companies Act, 2013, in case of a property where charge is already registered and if it is sold with the permission of the holder of charge, it shall be the duty of the company acquiring it to get the charge registered in accordance with section 77.

According to the provisions of section 77, when a company acquires property that is subject to an existing charge, it is the duty of the acquiring company (PQR Limited in this case) to register the charge as its own. This means that PQR Limited must create a fresh charge over the acquired property and register it with the Registrar of Companies (RoC) as per section 77.

Now upon acquisition, it is PQR Limited's responsibility to ensure that the previous charge is effectively discharged and that the new charge is registered in its name, reflecting PQR Limited as the current owner and debtor of the charge. Hence, the contention of directors of PQR Limited that since the charge for the property was already created, there is no further obligation on part of PQR Limited, is not correct.

**15. (i) Joint shareholders must concur in voting unless the articles provide to the contrary.**

The voting in case of joint shareholders is done in the order of seniority, which is determined on the basis of the order in which their names appear in the register of members/ shareholders. The joint- holders have a right to instruct the company as to the order in which their names are to appear in the register.

As per Rule 21 of the *Companies (Management and Administration) Rules, 2014*, the Scrutinizers shall arrange for Polling papers and distribute them to the members and proxies present at the meeting; in case of joint shareholders, the polling paper shall be given to the first named holder or in his absence to the joint holder attending the meeting as appearing in the chronological order in the folio.

Thus, in the given case, 'Mr. Prem' or his wife 'Mrs. Archna', whosoever names appear first in chronological order in the register of members/ shareholders shall be entitled to vote.

**(ii)** **Time period for e-voting:** The facility for remote e-voting shall remain open for not less than three days and shall close at 5.00 p.m. on the date preceding the date of the general meeting.

Thus, if the Annual General Meeting is going to be held on $10^{th}$ September 2025, the facility for remote e-voting shall open on $7^{th}$ September 2025 and close at 5.00 p.m. on $9^{th}$ September 2025.

**16.** As per the provisions of 103 of the Companies Act, 2013, unless the articles of the company provide for a larger number, the quorum for the meeting of a Public Limited Company shall be 5 members personally present, if number of members is not more than 1000.

(i) (1) Rahul Sharma, Priya Patel and Vikram Singh will be counted as three members.

(2) If a company is a member of another company, it may authorize a person by resolution to act as its representative at a meeting of the latter company, then such a person shall be deemed to be a member present in person and counted for the purpose of quorum. Hence, Arjun Mehta and Neha Kapoor representing Horizon Pvt. Ltd. and authorized by Summit Ltd. respectively will be counted as two members.

(3) Only members present in person and not by proxy are to be counted. Hence, proxies whether they are members or not will have to be excluded for the purposes of quorum. Thus, Karan Desai and Maya Reddy shall not be counted in quorum.

In the light of the provision of the Act and the facts of the question, it can be concluded that the quorum for Annual General Meeting of Prime Industries Ltd. is 5 members personally present. Total 5 members (P1, P2, P3, P4 and P5) were present. Hence, the requirement of quorum is fulfilled.

(ii) The section further states that, if the required quorum is not present within half an hour, the meeting shall stand adjourned for the next week at the same time and place or such other time and place as decided by the Board of Directors.

Since, Arjun Mehta is an essential part for meeting the quorum requirement, and he reaches at 11:15 AM (i.e. within half an hour of the starting of the meeting), the meeting will be valid.

**17.** According to section 60 of the Limited Liability Partnership Act, 2008,

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

Provided that no order sanctioning any compromise or arrangement shall be made by the Tribunal unless the Tribunal is satisfied that the limited liability partnership or any other person by whom an application has been made has disclosed to the Tribunal, by affidavit or otherwise, all material facts relating to the limited liability partnership, including the latest financial position of the limited liability partnership and the pendency of any investigation proceedings in relation to the limited liability partnership.

An order made by the Tribunal shall be filed by the limited liability partnership with the Registrar within thirty days after making such an order and shall have effect only after it is so filed.

(a) In the present case, Bright Consultants LLP failed to disclose the pendency of investigation proceedings. Such disclosure is mandatory.

Therefore, the Tribunal cannot validly sanction the compromise unless full and true disclosure of material facts is made.

The objection raised by the dissenting creditor is legally sustainable. Thus, the Tribunal cannot sanction the compromise without disclosure of all material facts, including pending investigations.

(b) In this case, the LLP failed to file the order within 30 days.

Accordingly, even if the Tribunal sanctions the compromise, it will not become effective or binding until the order is duly filed with the Registrar. The compromise does not take effect unless the Tribunal's order is filed with the Registrar within 30 days.

**18.** According to section 18 of the General Clauses Act, 1897, in any Central Act or Regulation made after the commencement of this Act, it shall be sufficient, for the purpose of indicating the relation of a law to the successors of any functionaries or of corporations having perpetual succession, to express its relation to the functionaries or corporations.

In the present case, the National Infrastructure Authority Act, 2005 is a Central Act enacted after the commencement of the General Clauses Act, 1897.

The Act originally conferred powers on the "Chairperson." Subsequently, the designation was changed to "Managing Director," and the same powers were vested in the new office.

Under section 18, when a statute refers to a particular functionary, it is not necessary to expressly mention "successors." The law automatically extends to the successor in office.

Therefore, even though the Act refers to "Chairperson," the power lawfully extends to the "Managing Director" as the successor authority.

The licence granted by the Managing Director is valid in law. Thereby, a reference to a functionary in a Central Act includes its successor in office. Hence, the contention of the company is not sustainable.

**19.** **Effect of usage:** Usage or practice developed under the statute is indicative of the meaning recognized to its words by contemporary opinion. A uniform notorious practice continued under an old statute and inaction of the Legislature to amend the same are important factors to show that the practice so followed was based on correct understanding of the law. When the usage or practice receives judicial or legislative approval it gains additional weight.

In this connection, we have to bear in mind two Latin maxims:

(i) '*Optima Legum interpres est consuetude*' (the custom is the best interpreter of the law); and

(ii) '*Contemporanea exposito est optima et fortissinia in lege*' (the best way to interpret a document is to read it as it would have been read when made).

Therefore, the best interpretation/construction of a statute or any other document is that which has been made by the contemporary authority. Simply stated, old statutes and documents should be interpreted as they would have been at the time when they were enacted/written.

Contemporary official statements throwing light on the construction of a statute and statutory instruments made under it have been used as *contemporanea expositio* to interpret not only ancient but even recent statutes in India.

Therefore, in the given case, the long-standing and uniform administrative practice, supported by legislative inaction and judicial approval, would carry significant persuasive value in interpreting the term “processing unit.”

**20.** According to section 2(u) of the Foreign Exchange Management Act, 1999, “Person” includes a company and any agency, office or branch owned or controlled by such person.

Section 2(v) defines a 'person resident in India'. As per this definition, the following shall be covered in the definition of a person resident in India:

(i) any person or body corporate registered or incorporated in India,

(ii) an office, branch or agency in India owned or controlled by a person resident outside India,

(iii) an office, branch or agency outside India owned or controlled by a person resident in India.

(i) As per the facts of the question and provisions of the Act, Golden Global Ltd. as well as Chennai branch of Golden Global Ltd. is a 'person'. Golden Global Ltd. (a foreign company) does not fall under any of the clauses of the definition of a 'person resident in India'. Therefore, Golden Global Ltd. is a person resident outside India.

(ii) The Chennai branch of Golden Global Ltd. is a 'Person resident in India' since it falls under the clause an office, branch or agency in India owned or controlled by a person resident outside India'.

(iii) The Dubai branch of Golden Global Ltd., though not owned, is controlled by the Chennai branch. The Dubai branch is a 'Person resident in India' since it falls under the clause 'an office, branch or agency outside India owned or controlled by a person resident in India'.