

PAPER – 2: BUSINESS LAW, ETHICS & COMMUNICATION

ANNOUNCEMENTS STATING APPLICABILITY FOR MAY, 2021 EXAMINATIONS

Applicability for May, 2021 examinations

The Study Material (July 2015 edition), along with the “Supplementary Study Paper for May 2019 examination and onwards” is relevant for May 2021 examinations.

Supplementary Study Paper contains the relevant amendments in the subject pertaining to business law for the period 1st May 2015 to 30th April, 2018. Further, Chapter 6 – The Companies Act, 2013, has been fully revised as per amendments upto 30th April, 2018. Hence, the students are advised that Module-2 (which is comprised of Chapter 6) of this paper is now to be read from this supplementary study paper.

Further, all relevant amendments/ circulars/ notifications etc. in the Business Law and Company law part for the period 1st May 2018 to 31st October 2020 are mentioned below:

Relevant Legislative amendments from 1 st May 2018 to 31 st October 2020		
The Companies Act, 2013		
Sl. No.	Relevant Amendments	Page no. #
I.	<u>Amendments related to- Companies (Amendment) Act, 2017</u> Following sections of the Companies Act, 2013 (hereinafter referred to as the principal Act) have been amended by the Companies (Amendment) Act, 2017 via Notifications: S.O. 1833 (E) dated 7 th May, 2018; S.O. 2422(E) dated 13 th June, 2018; SO. 3299(E) dated 5 th July, 2018; S.O. 3300(E) dated 5 th July, 2018; S.O. 3684(E) dated 27 th July, 2018; S.O. 3838(E) dated 31 st July, 2018; S.O. 3921(E) dated 7 th August, 2018 and S.O. 4907(E) dated 19 th September, 2018.	
	1. In section 2 of the Companies Act, 2013 (hereinafter referred to as the principal Act)-	
	(i) in clause (6) , for the Explanation, the following Explanation shall be substituted, namely:— 'Explanation.—For the purpose of this clause,— (a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement; (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;' Enforcement Date: 7th May, 2018	12

	(ii) in clause (87) , in sub-clause (ii), for the words "total share capital", the words "total voting power" shall be substituted; Enforcement Date: 7th May, 2018	28
	2. In section 7 of the principal Act, in sub-section (1), in item (c), for the words "an affidavit", the words "a declaration" shall be substituted. Enforcement Date: 27th July, 2018	61
	3. In section 12 of the principal Act,— (i) in sub-section (1), for the words "on and from the fifteenth day of its incorporation", the words "within thirty days of its incorporation" shall be substituted; (ii) in sub-section (4), for the words "within fifteen days", the words "within thirty days" shall be substituted. Enforcement Date: 27th July, 2018	65
	4. In section 26 of the principal Act, in sub-section (1),— (i) after the words "signed and shall", the following shall be inserted, namely:— "state such information and set out such reports on financial information as may be specified by the Securities and Exchange Board in consultation with the Central Government: Provided that until the Securities and Exchange Board specifies the information and reports on financial information under this sub-section, the regulations made by the Securities and Exchange Board under the Securities and Exchange Board of India Act, 1992, in respect of such financial information or reports on financial information shall apply."; Enforcement Date: 7th May, 2018	84
	5. In section 26 , in sub-section (1),— (ii) clauses (a), (b) and (d) shall be omitted. Enforcement Date: 7th May, 2018	84, 85 & 86
	6. For section 42¹ of the principal Act, the following section shall be substituted, namely:— '42. (1) A company may, subject to the provisions of this section, make a private placement of securities. (2) A private placement shall be made only to a select group of persons who have been identified by the Board (herein referred to as "identified persons"), whose number shall not exceed fifty or such higher number as	107, 108, 109, 110 & 111

¹ Read section 42 of the Companies Act, 2013 along with Rule 14 (Private Placement) of the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2018 dated 7th August, 2018.

may be prescribed [excluding the qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option in terms of provisions of clause (b) of sub-section (1) of section 62], in a financial year subject to such conditions as may be prescribed. (3) A company making private placement shall issue private placement offer and application in such form and manner as may be prescribed to identified persons, whose names and addresses are recorded by the company in such manner as may be prescribed: Provided that the private placement offer and application shall not carry any right of renunciation. <i>Explanation I.</i>—"private placement" means any offer or invitation to subscribe or issue of securities to a select group of persons by a company (other than by way of public offer) through private placement offer-cum-application, which satisfies the conditions specified in this section. <i>Explanation II.</i>—"qualified institutional buyer" means the qualified institutional buyer as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time, made under the Securities and Exchange Board of India Act, 1992. <i>Explanation III.</i>—If a company, listed or unlisted, makes an offer to allot or invites subscription, or allots, or enters into an agreement to allot, securities to more than the prescribed number of persons, whether the payment for the securities has been received or not or whether the company intends to list its securities or not on any recognised stock exchange in or outside India, the same shall be deemed to be an offer to the public and shall accordingly be governed by the provisions of Part I of this Chapter. (4) Every identified person willing to subscribe to the private placement issue shall apply in the private placement and application issued to such person alongwith subscription money paid either by cheque or demand draft or other banking channel and not by cash: Provided that a company shall not utilise monies raised through private placement unless allotment is made and the return of allotment is filed with the Registrar in accordance with sub-section (8). (5) No fresh offer or invitation under this section shall be made unless the allotments with respect to any offer or invitation made earlier have been completed or that offer or invitation has been withdrawn or abandoned by the company: Provided that, subject to the maximum number of identified persons under sub-section (2), a company may, at any time, make more than one issue of securities to such class of identified persons as may be prescribed.	
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	(6) A company making an offer or invitation under this section shall allot its securities within sixty days from the date of receipt of the application money for such securities and if the company is not able to allot the securities within that period, it shall repay the application money to the subscribers within fifteen days from the expiry of sixty days and if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent. per annum from the expiry of the sixtieth day: Provided that monies received on application under this section shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than— (a) for adjustment against allotment of securities; or (b) for the repayment of monies where the company is unable to allot securities. (7) No company issuing securities under this section shall release any public advertisements or utilise any media, marketing or distribution channels or agents to inform the public at large about such an issue. (8) A company making any allotment of securities under this section, shall file with the Registrar a return of allotment within fifteen days from the date of the allotment in such manner as may be prescribed, including a complete list of all allottees, with their full names, addresses, number of securities allotted and such other relevant information as may be prescribed. (9) If a company defaults in filing the return of allotment within the period prescribed under sub-section (8), the company, its promoters and directors shall be liable to a penalty for each default of one thousand rupees for each day during which such default continues but not exceeding twenty-five lakh rupees. (10) Subject to sub-section (11), if a company makes an offer or accepts monies in contravention of this section, the company, its promoters and directors shall be liable for a penalty which may extend to the amount raised through the private placement or two crore rupees, whichever is lower, and the company shall also refund all monies with interest as specified in sub-section (6) to subscribers within a period of thirty days of the order imposing the penalty. (11) Notwithstanding anything contained in sub-section (9) and sub-section (10), any private placement issue not made in compliance of the provisions of sub-section (2) shall be deemed to be a public offer and all the provisions of this Act and the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992 shall be applicable.’ Enforcement Date: 7th August, 2018	
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7. In section 54 , in sub-section (1), clause (c) shall be omitted. Enforcement Date: 7th May, 2018	123
8. In section 73 of the principal Act, in sub-section (2),— (i) for clause (c), the following clause shall be substituted, namely:— "(c) depositing, on or before the thirtieth day of April each year, such sum which shall not be less than twenty per cent. of the amount of its 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;"; (ii) clause (d) shall be omitted; (iii) in clause (e), for the words "such deposits;", the following shall be substituted, namely:— "such deposits and where a default had occurred, the company made good the default and a period of five years had lapsed since the date of making good the default;". Enforcement Date: 15th August, 2018	153
9. In section 74 , in sub-section (1), for clause (b), the following clause shall be substituted, namely:— "(b) repay within three years from such commencement or on or before expiry of the period for which the deposits were accepted, whichever is earlier: Provided that renewal of any such deposits shall be done in accordance with the provisions of Chapter V and the rules made thereunder." Enforcement Date: 15th August, 2018	160
10. In section 77 of the principal Act, in sub-section (1), after the third proviso, the following proviso shall be inserted, namely:— "Provided also that this section shall not apply to such charges as may be prescribed in consultation with the Reserve Bank of India." Enforcement Date: 7th May, 2018	165
11. In section 78 of the principal Act, for the words and figures "register the charge within the period specified in section 77", the words, brackets and figures "register the charge within the period of thirty days referred to in sub-section (1) of section 77" shall be substituted. Enforcement Date: 7th May, 2018	166
12. In section 82 of the principal Act, in sub-section (1),— (i) the words, brackets and figures "and the provisions of sub-section (1) of section 77 shall, as far as may be, apply to an intimation given under this section" shall be omitted; Enforcement Date: 5th July, 2018	169

	13. In section 82 of the principal Act, in sub-section (1),— (ii) the following proviso shall be inserted, namely:— "Provided that the Registrar may, on an application by the company or the charge holder, allow such intimation of payment or satisfaction to be made within a period of three hundred days of such payment or satisfaction on payment of such additional fees as may be prescribed." Enforcement Date: 5th July, 2018	169
	14. In section 89 of the principal Act,— (i) in sub-section (6), the words and figures, "within the time specified under section 403" shall be omitted; (ii) in sub-section (7), for the words and figures, "under the first proviso to sub-section (1) of section 403", the word "therein", shall be substituted; (iii) after sub-section (9), the following sub-section shall be inserted, namely:— "(10) For the purposes of this section and section 90, beneficial interest in a share includes, directly or indirectly, through any contract, arrangement or otherwise, the right or entitlement of a person alone or together with any other person to— (i) exercise or cause to be exercised any or all of the rights attached to such share; or (ii) receive or participate in any dividend or other distribution in respect of such share." Enforcement Date: 7th May, 2018 [for (i) and (ii)] 13th June, 2018 [for (iii)]	182
	14. For section 90 of the principal Act, the following section shall be substituted, namely:— '(1) Every individual, who acting alone or together, or through one or more persons or trust, including a trust and persons resident outside India, holds beneficial interests, of not less than twenty-five per cent. or such other percentage as may be prescribed, in shares of a company or the right to exercise, or the actual exercising of significant influence or control as defined in clause (27) of section 2, over the company (herein referred to as "significant beneficial owner"), shall make a declaration to the company, specifying the nature of his interest and other particulars, in such manner and within such period of acquisition of the beneficial interest or rights and any change thereof, as may be prescribed:	183

Provided that the Central Government may prescribe a class or classes of persons who shall not be required to make declaration under this sub-section. (2) Every company shall maintain a register of the interest declared by individuals under sub-section (1) and changes therein which shall include the name of individual, his date of birth, address, details of ownership in the company and such other details as may be prescribed. (3) The register maintained under sub-section (2) shall be open to inspection by any member of the company on payment of such fees as may be prescribed. (4) Every company shall file a return of significant beneficial owners of the company and changes therein with the Registrar containing names, addresses and other details as may be prescribed within such time, in such form and manner as may be prescribed. (5) A company shall give notice, in the prescribed manner, to any person (whether or not a member of the company) whom the company knows or has reasonable cause to believe— (a) to be a significant beneficial owner of the company; (b) to be having knowledge of the identity of a significant beneficial owner or another person likely to have such knowledge; or (c) to have been a significant beneficial owner of the company at any time during the three years immediately preceding the date on which the notice is issued, and who is not registered as a significant beneficial owner with the company as required under this section. (6) The information required by the notice under sub-section (5) shall be given by the concerned person within a period not exceeding thirty days of the date of the notice. (7) The company shall,— (a) where that person fails to give the company the information required by the notice within the time specified therein; or (b) where the information given is not satisfactory, apply to the Tribunal within a period of fifteen days of the expiry of the period specified in the notice, for an order directing that the shares in question be subject to restrictions with regard to transfer of interest, suspension of all rights attached to the shares and such other matters as may be prescribed. (8) On any application made under sub-section (7), the Tribunal may, after giving an opportunity of being heard to the parties concerned, make such order restricting the rights attached with the shares within a period of sixty days of receipt of application or such other period as may be prescribed.	
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	(9) The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under sub-section (8). (10) If any person fails to make a declaration as required under sub-section (1), he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to ten lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues. (11) If a company, required to maintain register under sub-section (2) and file the information under sub-section (4), fails to do so or denies inspection as provided therein, the company and every officer of the company who is in default shall be punishable with fine which shall not be less than ten lakh rupees but which may extend to fifty lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues. (12) If any person wilfully furnishes any false or incorrect information or suppresses any material information of which he is aware in the declaration made under this section, he shall be liable to action under section 447.' Enforcement Date: 13th June, 2018	
	15. In section 92 of the principal Act,— (i) in sub-section (4), the words and figures, "within the time as specified, under section 403" shall be omitted; ²(ii) in sub-section (5), for the words and figures, "under section 403 with additional fees" the word "therein" shall be substituted. Enforcement Date: 7th May, 2018	186
	16. Section 93 of the principal Act shall be omitted. Enforcement Date: 13th June, 2018	187
	17. In section 94 of the principal Act,— (i) in sub-section (1), in the first proviso, the words "and the Registrar has been given a copy of the proposed special resolution in advance" shall be omitted; (ii) in sub-section (3), the following proviso shall be inserted, namely:— "Provided that such particulars of the register or index or return as may be prescribed shall not be available for inspection under sub-section (2) or for taking extracts or copies under this sub-section." Enforcement Date: 13th June, 2018	188

² Sub-section 5 of section 92, has been fully substituted by the Companies (Amendment) Second Ordinance, 2019, with retrospective effect from 2.11.2018.

	18. In section 96 of the principal Act, in sub-section (2), in the proviso, for the words "Provided that", the following shall be substituted, namely:— "Provided that annual general meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance: Provided further that". Enforcement Date: 13th June, 2018	227
	19. In section 117 of the principal Act,— (i) in sub-section (1), the words and figures "within the time specified under section 403" shall be omitted; (ii) in sub-section (2),— (a) for the words and figures "under section 403 with additional fees", the word "therein" shall be substituted; (b) for the words "not be less than five lakh rupees", the words "not be less than one lakh rupees" shall be substituted; (c) for the words "one lakh rupees", the words "fifty thousand rupees" shall be substituted; (iii) in sub-section (3),— (a) clause (e) shall be omitted; (b) in clause (g), in the proviso, the word "and" shall be omitted and the following proviso shall be inserted, namely:— "Provided further that nothing contained in this clause shall apply to a banking company in respect of a resolution passed to grant loans, or give guarantee or provide security in respect of loans under clause (f) of sub-section (3) of section 179 in the ordinary course of its business; and." Enforcement Date: 7th May, 2018	220/ 221
	20. In section 121 of the principal Act,— (i) in sub-section (2), the words and figures "within the time as specified, under section 403" shall be omitted; ³(ii) in sub-section (3), for the words and figures "under section 403 with additional fees", the word "therein" shall be substituted. Enforcement Date: 7th May, 2018	229
	21. In section 447 of the principal Act,-	

³ Sub-section 3 of section 121, has been fully substituted by the Companies (Amendment) Second Ordinance, 2019, with retrospective effect from 2.11.2018.

	(a) after the words "guilty of fraud", the words "involving an amount of at least ten lakh rupees or one per cent. of the turnover of the company, whichever is lower" shall be inserted. Enforcement Date: 9th February, 2018	
	22. In section 447 of the principal Act,- (b) after the proviso, the following proviso shall be inserted, namely:— "Provided further that where the fraud involves an amount less than ten lakh rupees or one per cent. of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ⁴ twenty lakh rupees or with both." Enforcement Date: 9th February, 2018	104
II.	<u>Amendments related to - Notification G.S.R. 433(E) dated 7th May, 2018</u> The Central Government has amended the Companies (Specification of Definitions Details) Rules, 2014, by the Companies (Specification of Definitions Details) Amendment Rules, 2018. It shall come into force on 7 th May, 2018. In the Companies (Specification of Definitions Details) Rules, 2014, in rule 2, in sub-rule (1), clause (r) shall be omitted. Please note: The said clause (r) deals with 'Total Share Capital'	12 & 28
III.	<u>Amendments related to - Notification G.S.R. 434(E) dated 7th May, 2018</u> The Central Government has amended the Companies (Share Capital and Debentures) Rules, 2014, by the Companies (Share Capital and Debentures) Second Amendment Rules, 2018. It shall come into force on 7 th May, 2018. In the Companies (Share Capital and Debentures) Rules, 2014, in the principal rules, in rule 8, in sub-rule (1), in the Explanation, in clause (i) in sub-clause (a), the words "for at least last one year" shall be omitted.	124
IV.	<u>Amendments related to - Notification G.S.R. 560(E) dated 13th June, 2018</u> The Ministry of Corporate Affairs vide G.S.R. 560 (E) dated 13 th June, 2018, has amended the Companies (Management and Administration) Rules, 2014 through the Companies (Management and Administration) Second Amendment Rules, 2018. Accordingly, in the Companies (Management and Administration) Rules, 2014, 1. rule 13 shall be omitted	1. 188 2. 188 3. 189 4. 226 5. 213

⁴ The amount of "twenty lakh rupees" has been replaced with "fifty lakh rupees" as per the Companies (Amendment) Second Ordinance, 2019.

	2. the "Form No.MGT-10" shall be omitted. 3. in rule 15, the sub-rule (6), shall be omitted 4. in rule 18, in sub-rule (3), Explanation after clause (ix), shall be omitted 5. in rule 22, in sub-rule (16) for the proviso, the following shall be substituted, namely:- "Provided that any aforesaid items of business under this sub-rule, required to be transacted by means of postal ballot, may be transacted at a general meeting by a company which is required to provide the facility to members to vote by electronic means under section 108, in the manner provided in that section: Provided further that One Person Companies and other companies having members upto two hundred are not required to transact any business through postal ballot"	
V.	<u>Amendments related to - Notification G.S.R. 612 (E) dated 5th July, 2018</u> The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Amendment Rules, 2018. It shall come into force on 15th August, 2018. In the Companies (Acceptance of Deposits) Rules, 2014 in rule 14, in sub-rule (1), clause (k) shall be omitted;	158
VI.	<u>Amendments related to - Notification G.S.R. 708(E) dated 27th July, 2018</u> The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Third Amendment Rules, 2018. It shall come into force on 27th July, 2018. In the Companies (Incorporation) Rules, 2014: In rule 3, for Explanation to sub-rule (1), the following shall be substituted, namely:- "Explanation I. - For the purposes of this rule, the term "resident in India" means a person who has stayed in India for a period of not less than one hundred and eighty two days during the immediately preceding financial year. Explanation II.- For the purposes of this rule, while counting the number of days of stay of a director in India for the financial year 2018-2019, any period of stay between 01.01.2018 till the date of notification of this rule shall also be counted"	47
VII.	<u>Amendments related to - Companies (Amendment) Act, 2019</u> Following sections of the Companies Act, 2013 (hereinafter referred to as the principal Act) have been amended by the Companies (Amendment) Second Ordinance, 2019 dated 21st February, 2019. [Deemed to have come into force on 2nd November, 2018.] and by the S.O. 2947(E) dated	18

	14th August, 2019 [the sections contained therein shall deemed to have come into force on 15th August, 2019] 1. In clause (41) of section 2, (a) for the first proviso, the following provisos shall be substituted namely: “Provided that where a company or body corporate, which is a holding company or a subsidiary or associate company of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Central Government may, on an application made by that company or body corporate in such form and manner as may be prescribed, allow any period as its financial year, whether or not that period is a year: Provided further that any application pending before the Tribunal as on the date of commencement of the Companies (Amendment) Ordinance, 2019, shall be disposed of by the Tribunal in accordance with the provisions applicable to it before such commencement.” [Enforcement Date: 2nd November, 2018]	
	1. In clause (41) of section 2, (b) for the second proviso, the for the words “Provided further that”, the words “Provided also that” shall be substituted. [Enforcement Date: 2nd November, 2018]	18
	2. After section 10, the following section shall be inserted, namely: “10A. Commencement of business etc. (1) A company incorporated after the commencement of the Companies (Amendment) Ordinance, 2019 and having a share capital shall not commence any business or exercise any borrowing powers unless— (a) a declaration is filed by a director within a period of one hundred and eighty days of the date of incorporation of the company in such form and verified in such manner as may be prescribed, with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration; and (b) The company has filed with the Registrar a verification of its registered office as provided in sub-section (2) of section 12. (2) If any default is made in complying with the requirements of this section, the company shall be liable to a penalty of fifty thousand rupees and every officer who is in default shall be liable to a penalty of one thousand rupees for each day during which such default continues but not exceeding an amount of one lakh rupees. (3) Where no declaration has been filed with the Registrar under clause (a) of sub-section (1) within a period of one hundred and eighty days of the date of incorporation of the company and the Registrar has reasonable cause to believe that the company is not carrying on any business or	64

	operations, he may, without prejudice to the provisions of sub-section (2), initiate action for the removal of the name of the company from the register of companies under Chapter XVIII.” [Enforcement Date: 2nd November, 2018]	
	3. In section 12 , after sub- section (8), the following sub- section shall be inserted, namely: “(9) If the Registrar has reasonable cause to believe that the company is not carrying on any business or operations, he may cause a physical verification of the registered office of the company in such manner as may be prescribed and if any default is found to be made in complying with the requirements of sub-section (1), he may without prejudice to the provisions of sub-section (8), initiate action for the removal of the name of the company from the register of companies under Chapter XVIII.” [Enforcement Date: 2 nd November, 2018]	65
	4. In section 14 , (i) in Sub- section (1), for the second proviso, the following provisos shall be substituted namely: “Provided further that any alteration having the effect of conversion of a public company into a private company shall not be valid unless it is approved by an order of the Central Government on an application made in such form and manner as may be prescribed: Provided also that any application pending before the Tribunal, as on the date of commencement of the Companies (Amendment) Ordinance, 2019, shall be disposed of by the Tribunal in accordance with the provisions applicable to it before such commencement.” (ii) in sub- section (2), for the word “Tribunal”, the words “Central Government” shall be substituted. [Enforcement Date: 2 nd November, 2018]	72
	5. In section 26 - (i) in sub-sections (4), (5) and (6), for the word “registration”, the word “filing” shall be substituted; (ii) sub-section (7) shall be omitted [Enforcement Date: 15 th August, 2019]	87
	6. In section 29 - (i) in sub-section (1), in clause (b), the word “public” shall be omitted; (ii) after sub-section (1), the following sub-section shall be inserted, namely:- “(1A) In case of such class or classes of unlisted companies as may be prescribed, the securities shall be held or transferred only in dematerialised	89

	form in the manner laid down in the Depositories Act, 1996 and the regulations made thereunder.”. [Enforcement Date: 15th August, 2019]	
	7. In section 35 , in sub-section (2), in clause (c), for the words “delivery of a copy of the prospectus for registration”, the words “filing of a copy of the prospectus with the Registrar” shall be substituted. [Enforcement Date: 15th August, 2019]	101
	8. In section 53 , for sub – section (3), the following sub- section shall be substituted, namely: “(3) Where any company fails to comply with the provisions of this section, such company and every officer who is in default shall be liable to a penalty which may extend to an amount equal to the amount raised through the issue of shares at a discount or five lakh rupees, whichever is less, and the company shall also be liable to refund all monies received with interest at the rate of twelve per cent. per annum from the date of issue of such shares to the persons to whom such shares have been issued.” [Enforcement Date: 2nd November, 2018]	123
	9. In section 64 , for sub- section (2), the following sub- section shall be substituted, namely: “(2) Where any company fails to comply with the provisions of sub-section (1), such company and every officer who is in default shall be liable to a penalty of one thousand rupees for each day during which such default continues, or five lakh rupees whichever is less.” [Enforcement Date: 2nd November, 2018]	137
	10. In section 77 , in sub- section (1), for the first and second provisos, the following provisos shall be substituted, namely: “Provided that the Registrar may, on an application by the company, allow such registration to be made- (a) in case of charges created before the commencement of the Companies (Amendment) Ordinance, 2019, within a period of three hundred days of such creation; or (b) in case of charges created on or after the commencement of the Companies (Amendment) Ordinance, 2019, within a period of sixty days of such creation, on payment of such additional fees as may be prescribed: Provided further that if the registration is not made within the period specified- (a) in clause (a) to the first proviso, the registration of the charge shall be made within six months from the date of commencement of the Companies (Amendment) Ordinance, 2019, on payment of such additional fees as may	165

	be prescribed and different fees may be prescribed for different classes of companies; (b) in clause (b) to the first proviso, the Registrar may, on an application, allow such registration to be made within a further period of sixty days after payment of such <i>advalorem</i> fees as may be prescribed.” [Enforcement Date: 2nd November, 2018]	
	11. Section 86 of the Companies Act, 2013, shall be numbered as sub-section (1) thereof and after sub- section (1) as so numbered, the following sub- section shall be inserted, namely: “(2) If any person wilfully furnishes any false or incorrect information or knowingly suppresses any material information, required to be registered in accordance with the provisions of section 77, he shall be liable for action under section 447.” [Enforcement Date: 2nd November, 2018]	171
	12. For section 87, the following sections shall be substituted, namely: “87. The Central Government on being satisfied that — (a) the omission to give intimation to the Registrar of the payment or satisfaction of a charge, within the time required under this Chapter; or (b) the omission or misstatement of any particulars, in any filing previously made to the Registrar with respect to any such charge or modification thereof or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83, was accidental or due to inadvertence or some other sufficient cause or it is not of a nature to prejudice the position of creditors or shareholders of the company, it may, on the application of the company or any person interested and on such terms and conditions as it deems just and expedient, direct that the time for the giving of intimation of payment or satisfaction shall be extended or, as the case may require, that the omission or misstatement shall be rectified.” [Enforcement Date: 2nd November, 2018]	171
	13. In section 90, (i) after sub-section (4), the following sub-section shall be inserted, namely:-	⁵ 183

⁵ Section 90 (Investigation of Beneficial Ownership of Shares in Certain cases) has been replaced with section 90 (Register of Significant Beneficial Owners in a Company) via Companies (Amendment) Act, 2017 [w.e.f. 13th June, 2018].

	“(4A) Every company shall take necessary steps to identify an individual who is a significant beneficial owner in relation to the company and require him to comply with the provisions of this section.”; [Enforcement Date: 15th August, 2019] (ii) for sub- section (9), the following sub- section shall be substituted, namely: “(9) The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under sub-section (8), within a period of one year from the date of such order: Provided that if no such application has been filed within a period of one year from the date of the order under sub-section (8), such shares shall be transferred, without any restrictions, to the authority constituted under sub-section (5) of section 125, in such manner as may be prescribed.” [Enforcement Date: 2nd November, 2018] (iii) after sub-section (9), as so substituted, the following sub-section shall be inserted, namely:- “(9A) The Central Government may make rules for the purposes of this section.”; [Enforcement Date: 15th August, 2019] (iv) in sub- section (10),- (a) after the word “punishable”, the words “with imprisonment for a term which may extend to one year or” shall be inserted; (b) after the words “ten lakh rupees”, the words “or with both” shall be inserted. [Enforcement Date: 2nd November, 2018] (v) in sub-section (11), after the word, brackets and figure “sub-section (4)”, the words, brackets, figure and letter “or required to take necessary steps under sub-section (4A)” shall be inserted. [Enforcement Date: 15th August, 2019]	
	14. In section 92, for sub- section (5), the following sub- section shall be substituted, namely: “(5) If any company fails to file its annual return under sub-section (4), before the expiry of the period specified therein, such company and its every officer who is in default shall be liable to a penalty of fifty thousand rupees and in case of continuing failure, with further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of five lakh rupees.” [Enforcement Date: 2nd November, 2018]	187

15. In section 102, for sub- section (5), the following sub- section shall be substituted, namely: “(5) Without prejudice to the provisions of sub-section (4), if any default is made in complying with the provisions of this section, every promoter, director, manager or other key managerial personnel of the company who is in default shall be liable to a penalty of fifty thousand rupees or five times the amount of benefit accruing to the promoter, director, manager or other key managerial personnel or any of his relatives, whichever is higher.” [Enforcement Date: 2nd November, 2018]	195
16. In section 105, in sub- section (3), for the words “punishable with fine which may extend to five thousand rupees”, the words “liable to a penalty of five thousand rupees” shall be substituted. [Enforcement Date: 2nd November, 2018]	199
17. In section 117, for sub- section (2), the following sub- section shall be substituted, namely: “(2) If any company fails to file the resolution or the agreement under sub-section (1) before the expiry of the period specified therein, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of twenty-five lakh rupees and every officer of the company who is in default including liquidator of the company, if any, shall be liable to a penalty of fifty thousand rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees.” [Enforcement Date: 2nd November, 2018]	221
18. In section 121, for sub- section (3), the following sub- section shall be substituted, namely: “(3) If the company fails to file the report under sub-section (2) before the expiry of the period specified therein, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees and every officer of the company who is in default shall be liable to a penalty which shall not be less than twenty-five thousand rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of one lakh rupees.” [Enforcement Date: 2nd November, 2018]	229

	19. In section 447, in the second proviso, for the words “twenty lakh rupees”, the words “fifty lakh rupees” shall be substituted. [Enforcement Date: 2nd November, 2018]	104
VIII.	<u>Amendments related to</u> - Notification dated 7th August, 2018 The Central Government has amended the Companies (Prospectus and Allotment of Securities) Rules, 2014, by the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2018. It shall come into force on 7th August, 2018. In the Companies (Prospectus and Allotment of Securities) Rules, 2014, for Rule 14, the following rule shall be substituted, namely:- (1) For the purposes of sub-section (2) and sub-section (3) of section 42, a company shall not make an offer or invitation. to subscribe to securities through private placement unless the proposal has been previously approved by the shareholders of the company, by a special resolution. for each of the offers or invitations: Provided that in the explanatory statement annexed to the notice for shareholders' approval, the following disclosure shall be made:- (a) particulars of the offer including date of passing of Board resolution; (b) kinds of securities offered and the price at which security is being offered; (c) basis or justification for the price (including premium, if any) at which the offer or invitation is being made; (d) name and address of valuer who performed valuation; (e) amount which the company intends to raise by way of such securities; (f) material terms of raising such securities, proposed time schedule, purposes or objects of offer, contribution being made by the promoters or directors either as part of the offer or separately in furtherance of objects; principle terms of assets charged as securities: Provided further that this sub-rule shall not apply in case of offer or invitation for. non-convertible debentures, where the proposed amount to be raised through such offer or invitation does not exceed the limit as specified in clause (c) of sub section (1) of section 180 and in such cases relevant Board resolution under clause (c) of subsection (3) of section 179 would be adequate: Provided also that in case of offer or invitation for non-convertible debentures, where the proposed amount to be raised through such offer or invitation exceeds the limit as specified in clause (c) of sub-section (1) of section 180, it shall be sufficient if the company passes a previous special resolution only once in a year for all the offers or invitations for such debentures during the year.	

(2) For the purpose of sub-section (2) of section 42, an offer or invitation to subscribe securities under private placement shall not be made to persons more than two hundred in the aggregate in a financial year: Provided that any offer or invitation made to qualified institutional buyers, or to employees of the company under a scheme of employees stock option as per provisions of clause (b) of sub-section (1) of section 62 shall not be considered while calculating the limit of two hundred persons. Explanation.- For the purposes of this sub-rule it is hereby clarified that the restrictions aforesaid would be reckoned individually for each kind of security that is equity share, preference share or debenture. (3) A private placement offer cum application letter shall be in the form of an application in Form PAS-4 serially numbered and addressed specifically to the person to whom the offer is made and shall be sent to him, either in writing or in electronic mode, within thirty days of recording the name of such person pursuant to sub-section (3) of section 42: Provided that no person other than the person so addressed i. the private placement offer cum application letter shall be allowed to apply through such application form and any application not conforming to this condition shall be treated as invalid (4) The company shall maintain a complete record of private placement offers in Form PAS-5. (5) The payment to be made for subscription to bank account of the person subscribing to such keep the record of the bank account from where been received: Provided that monies payable on subscription to securities to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application: Provided further that the provisions of this sub-rule shall not apply in case of issue of shares for consideration other than cash. (6) A return of allotment of securities under section 42 shall be filed with the Registrar within fifteen days of allotment in Form PAS-3 and with the fee as provided in the Companies (Registration offices and Fees) Rules, 2014 along with a complete list of all the allottees containing- (i) the full name, address, permanent Account Number and E-mail ID of such security holder; (ii) the class of security held; (iii) the date of allotment of security; (iv) the number of securities held, nominal value and amount paid on such securities; and particulars of consideration received if the securities were issued for consideration other than cash. (7) The provisions of sub-rule (2) shall not be applicable to -	
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	(a) non-banking financial companies which are registered with the Reserve Bank of India under the Reserve Bank of India Act, 1934 and (b) housing finance companies which are registered with the National Housing Bank under the National Housing Bank Act, 1987, if they are complying with regulations made by the Reserve Bank of India or the National Housing Bank in respect of offer or invitation to be issued on private placement basis: Provided that such companies shall comply with sub-rule (2) in case the Reserve Bank of India or the National Housing Bank have not specified similar regulations. (8) A company shall issue private placement offer cum application letter only after the relevant special resolution or Board resolution has been filed in the Registry: Provided that private companies shall file with the Registry copy of the Board resolution or special resolution with respect to approval under clause (c) of subsection (3) of section 179	
IX.	<u>Amendments related to</u> - Notification G.S.R. 1219(E) dated 18th December, 2018 The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Fourth Amendment Rules, 2018. It shall come into force on 18th December, 2018. In the Companies (Incorporation) Rules, 2014 (hereinafter referred to as the said rules), after rule 23, the following rule shall be inserted, namely:- “23A. Declaration at the time of commencement of business.- The declaration under section 10A by a director shall be in Form No.INC-20A and shall be filed as provided in the Companies (Registration Offices and Fees) Rules, 2014 and the contents of the said form shall be verified by a Company Secretary or a Chartered Accountant or a Cost Accountant, in practice: Provided that in the case of a company pursuing objects requiring registration or approval from any sectoral regulators such as the Reserve Bank of India, Securities and Exchange Board of India, etc., the registration or approval, as the case may be from such regulator shall also be obtained and attached with the declaration.”	64
X.	<u>Amendments related to</u> - Notification G.S.R. 42(E) dated 22nd January, 2019 The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Amendment Rules, 2019. It shall come into force on 22nd January, 2019. In the Companies (Acceptance of Deposits) Rules, 2014 (hereinafter referred to as the said rules):	1. 151 2. 158 3. 158 / 159

	1. In rule 2, in sub-rule (1), in clause (c), in sub-clause (xviii), after the words “Infrastructure Investment Trusts,” the words “Real Estate Investment Trusts” shall be inserted. 2. In the said rules, in rule 16, the following Explanation shall be inserted, namely:- “Explanation.- It is hereby clarified that Form DPT-3 shall be used for filing return of deposit or particulars of transaction not considered as deposit or both by every company other than Government company.”. 3. In rule 16(A), after sub-rule (2), the following sub-rule shall be inserted, namely:- “(3) Every company other than Government company shall file a onetime return of outstanding receipt of money or loan by a company but not considered as deposits, in terms of clause (c) of sub-rule 1 of rule 2 from the 01st April, 2014 to *[the date of publication of this notification in the Official Gazette], as specified in Form DPT-3 within **[ninety days from the date of said publication of this notification] along with fee as provided in the Companies (Registration Offices and Fees) Rules, 2014.”.	
XI.	Amendments related to - Notification G.S.R. 341(E) dated 30th April, 2019 The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Second Amendment Rules, 2019. In the Companies (Acceptance of Deposits) Rules, 2014, in rule 16A, in sub-rule (3), - *(a) for the words “the date of publication of this notification in the Official Gazette”, the figures, letters and word “31st March, 2019” shall be substituted; ** (b) for the words “ninety days from the date of said publication of this notification”, the words, figures and letters “ninety days from 31st March, 2019” shall be substituted.	159
XII.	Amendments related to - Notification dated 30th April, 2019 The Central Government has amended the Companies (Registration of Charges) Rules, 2014, by the Companies (Registration of Charges) Amendment Rules, 2019. In the Companies (Registration of Charges) Rules, 2014: 1. In Rule 4, the following rules shall be substituted, namely: “4. Application to Registrar (1) For the purposes of the first proviso and clause (b) of the second proviso to sub-section (1) of section 77, the Registrar may, on being	1. 165 2. 172

	satisfied that the company had sufficient cause for not filing the particulars and instrument of charge, if any, within a period of thirty days of the date of creation of the charge including modification thereto, allow the registration of the same after thirty days but within the period as specified in the said provisos, on payment of fee, additional fee or <i>advalorem</i> fee, as may be applicable, as prescribed in the Companies (Registration Offices and Fees) Rules, 2014. (2) The application under sub-rule (1) shall be made in Form No. CHG-I and Form No. CHG-9 supported by a declaration from the company signed by its company secretary or a director that such belated filing shall not adversely affect the rights of any other intervening creditors of the company." 2. For Rule 12, the following rule shall be substituted, namely: "12. Rectification in register of charges on account of omission or misstatement of particulars in charge previously recorded and extension of time in filing of satisfaction of charge .- The Central Government may on an application filed in Form No. CHG-8 in accordance with section 87- (a) direct rectification of the omission or misstatement of any particulars, in any filing, previously recorded with the Registrar with respect to any charge or modification thereof, or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83, (b) direct extension of time for satisfaction of charge, if such filing is not made within a period of three hundred days from the date of such payment or satisfaction."	
XIII.	Amendments related to - Notification G.S.R. 357(E) dated 10th May, 2019 The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Fifth Amendment Rules, 2019. In the Companies (Incorporation) Rules, 2014, Rule 8 has been fully substituted by Rule 8, Rule 8A and Rule 8B.	55
XIV.	Amendments related to - Notification G.S.R. 574(E) dated 16th August, 2019 The Central Government has amended the Companies (Share Capital and Debentures) Rules, 2014, by the Companies (Share Capital and Debentures) Amendment Rules, 2019. In the Companies (Share Capital and Debentures) Rules, 2014: 1. In Rule 4, in sub-rule (1), (i) for clause (c), the following clause shall be substituted, namely:-	1. 115 2. 144

“(c) the voting power in respect of shares with differential rights of the company shall not exceed seventy four per cent. of total voting power including voting power in respect of equity shares with differential rights issued at any point of time;”; (ii) clause (d) shall be omitted. 2. In the principal rules, in rule 18, for sub-rule (7), the following sub-rule shall be substituted, namely:- “(7) The company shall comply with the requirements with regard to Debenture Redemption Reserve (DRR) and investment or deposit of sum in respect of debentures maturing during the year ending on the 31st day of March of next year, in accordance with the conditions given below:- (a) Debenture Redemption Reserve shall be created out of profits of the company available for payment of dividend; (b) the limits with respect to adequacy of Debenture Redemption Reserve and investment or deposits, as the case may be, shall be as under:- (i) Debenture Redemption Reserve is not required for debentures issued by All India Financial Institutions regulated by Reserve Bank of India and Banking Companies for both public as well as privately placed debentures; (ii) For other Financial Institutions within the meaning of clause (72) of section 2 of the Companies Act, 2013, Debenture Redemption Reserve shall be as applicable to Non –Banking Finance Companies registered with Reserve Bank of India. (iii) For listed companies (other than All India Financial Institutions and Banking Companies as specified in sub-clause (i)), Debenture Redemption Reserve is not required in the following cases- (A) in case of public issue of debentures – A. for NBFCs registered with Reserve Bank of India under section 45-IA of the RBI Act, 1934 and for Housing Finance Companies registered with National Housing Bank; B. for other listed companies; (B) in case of privately placed debentures, for companies specified in sub-items A and B. (iv) for unlisted companies, (other than All India Financial Institutions and Banking Companies as specified in sub-clause (i)) – (A) for NBFCs registered with RBI under section 45-IA of the Reserve Bank of India Act, 1934 and for Housing Finance Companies registered with National Housing Bank, Debenture Redemption Reserve is not required in case of privately placed debentures. (B) for other unlisted companies, the adequacy of Debenture Redemption Reserve shall be ten percent. of the value of the outstanding debentures;	
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	⁶(v) In case a company is covered in item (A) or item (B) of sub-clause (iii) of clause (b) or item (B) of sub-clause (iv) of clause (b), it shall on or before the 30th day of April in each year, in respect of debentures issued by a company covered in item (A) or item (B) of sub-clause (iii) of clause (b) or item (B) of sub-clause (iv) of clause (b), invest or deposit, as the case may be, a sum which shall not be less than fifteen per cent., of the amount of its debentures maturing during the year, ending on the 31st day of March of the next year in any one or more methods of investments or deposits as provided in sub-clause (vi): Provided that the amount remaining invested or deposited, as the case may be, shall not at any time fall below fifteen percent. of the amount of the debentures maturing during the year ending on 31st day of March of that year. (vi) for the purpose of sub-clause (v), the methods of deposits or investments, as the case may be, are as follows:— (A) in deposits with any scheduled bank, free from any charge or lien; (B) in unencumbered securities of the Central Government or any State Government; (C) in unencumbered securities mentioned in sub-clause (a) to (d) and (ee) of section 20 of the Indian Trusts Act, 1882; (D) in unencumbered bonds issued by any other company which is notified under sub-clause (f) of section 20 of the Indian Trusts Act, 1882: Provided that the amount invested or deposited as above shall not be used for any purpose other than for redemption of debentures maturing during the year referred above. (c) in case of partly convertible debentures, Debenture Redemption Reserve shall be created in respect of non-convertible portion of debenture issue in accordance with this sub-rule. (d) the amount credited to Debenture Redemption Reserve shall not be utilized by the company except for the purpose of redemption of debentures.”	
XV.	<u>Amendments related to</u> - Notification G.S.R. 372(E) dated 5th June 2020 The Central Government has amended the Companies (Share Capital and Debentures) Rules, 2014, by the Companies (Share Capital and Debentures) Amendment Rules, 2020. In the Companies (Share Capital and Debentures) Rules, 2014:	

⁶ This sub- clause [i.e. sub-clause (v) of clause (b), in Rule 18(7)], has been substituted by the Companies (Share Capital and Debentures) Amendment Rules, 2020.

	In Rule 18, in sub-rule (7), in clause (b), for sub- clause (v), following sub-clause shall be substituted, namely: (v) In case a company is covered in item (A) or item (B) of sub clause (iii) of clause (b) or item (B) of sub-clause (iv) of clause (b), it shall on or before the 30th day of April in each year, in respect of debentures issued by a company covered in item (A) or item (B) of sub-clause (iii) of clause (b) or item (B) of sub-clause (iv) of clause (b), invest or deposit, as the case may be, a sum which shall not be less than fifteen per cent., of the amount of its debentures maturing during the year, ending on the 31st day of March of the next year in any one or more methods of investments or deposits as provided in sub clause (vi): Provided that the amount remaining invested or deposited, as the case may be, shall not at any time fall below fifteen per cent, of the amount of the debentures maturing during the year ending on 31st day of March of that year.	
XVI.	<u>Amendments related to</u> - Notification G.S.R. 548(E) dated 7 September 2020 The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Amendment Rules, 2020. In the Companies (Acceptance of Deposits) Rules, 2014: 1. In Rule 2, in sub-rule (1), in clause (c), for sub- clause (xvii),- (i) for the words “five years”, the words “ten years” shall be substituted. (ii) in the Explanation, in clause I, for the letters, figures, brackets and words “G.S.R. 180 (E), dated 17th February, 2016 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry,” the letters, figures, brackets and words “G.S.R. 127 (E), dated 19-02-2019 issued by the Department for Promotion of Industry and Internal Trade” shall be substituted. 2. In Rule 3, in sub – rule (3), in the second proviso, in clause (i), for the words “five years”, the words, “ten years” shall be substituted.	1. Pg 151 2. Pg 155
The Indian Contract Act, 1872		
	Amendment via the Jammu and Kashmir Reorganisation Act, 2019, dated 9th August, 2019. The amendment is effective with effect from 31st October, 2019. As per the Jammu and Kashmir Reorganisation Act, 2019, in the Indian Contract Act, 1872, in sub-section (2) of section 1, words, "except the State of Jammu and Kashmir" shall be omitted. Now, Section 1 will be read as under, ‘Short title- This Act may be called the Indian Contract Act, 1872. Extent, Commencement- It extends to the whole of India and it shall come into force on the first day of September, 1872.	-

	Saving- Nothing herein contained shall affect the provisions of any Statute, Act or Regulation not hereby expressly repealed, nor any usage or custom of trade, nor any incident of any contract, not inconsistent with the provisions of this Act.'	
The Negotiable Instruments Act, 1881		
	<u>Amendments related to - The Negotiable Instruments (Amendment) Act, 2018</u> The Ministry of Law and Justice has made amendments to the Negotiable Instruments Act, 1881 through the Negotiable Instruments (Amendment) Act, 2018. This Amendment Act received the assent of the President and published in the Official Gazette on 2 nd August, 2018.	
	In the Negotiable Instruments Act, 1881 (hereinafter referred to as the principal Act), after section 143, the following section shall be inserted, namely:— “143A. Power to direct interim compensation. (1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, the Court trying an offence under section 138 may order the drawer of the cheque to pay interim compensation to the complainant— (a) in a summary trial or a summons case, where he pleads not guilty to the accusation made in the complaint; and (b) in any other case, upon framing of charge. (2) The interim compensation under sub-section (1) shall not exceed twenty per cent. of the amount of the cheque. (3) The interim compensation shall be paid within sixty days from the date of the order under sub-section (1), or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the drawer of the cheque. (4) If the drawer of the cheque is acquitted, the Court shall direct the complainant to repay to the drawer the amount of interim compensation, with interest at the bank rate as published by the Reserve Bank of India, prevalent at the beginning of the relevant financial year, within sixty days from the date of the order, or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the complainant. (5) The interim compensation payable under this section may be recovered as if it were a fine under section 421 of the Code of Criminal Procedure, 1973. (6) The amount of fine imposed under section 138 or the amount of compensation awarded under section 357 of the Code of Criminal	- The section is newly inserted

	Procedure, 1973, shall be reduced by the amount paid or recovered as interim compensation under this section.”.	
	(2) In the principal Act, after section 147, the following section shall be inserted, namely:— “148. Power of Appellate Court to order payment pending appeal against conviction. (1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, in an appeal by the drawer against conviction under section 138, the Appellate Court may order the appellant to deposit such sum which shall be a minimum of twenty per cent. of the fine or compensation awarded by the trial Court: Provided that the amount payable under this sub-section shall be in addition to any interim compensation paid by the appellant under section 143A. (2) The amount referred to in sub-section (1) shall be deposited within sixty days from the date of the order, or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the appellant. (3) The Appellate Court may direct the release of the amount deposited by the appellant to the complainant at any time during the pendency of the appeal: Provided that if the appellant is acquitted, the Court shall direct the complainant to repay to the appellant the amount so released, with interest at the bank rate as published by the Reserve Bank of India, prevalent at the beginning of the relevant financial year, within sixty days from the date of the order, or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the complainant.”	- The section is newly inserted
The Employees' Provident Funds and Miscellaneous Provisions Act, 1952		
	Amendment via the Jammu and Kashmir Reorganisation Act, 2019, dated 9th August, 2019 (amendment effective from 31st October, 2019) and Notification No. S.O. 3962(E) (effective from 1.1.2020) In sub section (2) of section 1 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the words, "except the State of Jammu and Kashmir" are omitted by the Jammu and Kashmir Reorganisation Act, 2019 and extended to the Union territory of Jammu and Kashmir and Union territory of Ladakh by notification No. S.O. 3962(E), Part II-section 3-Sub-section (ii) dated 31-10-20 (w.e.f. 1-1-2020) Now, Section 1(2) will be read as under, (2) 'It extends to the whole of India.'	

Here, SM means Study Material and SSP means Supplementary study paper (i.e. Page number of the Study material/ Supplementary study paper in reference to relevant provisions)

PART II: QUESTIONS AND ANSWERS**QUESTIONS****Division A: Case scenario/ Multiple choice questions**

- 1 Mr. Ajay is a renowned finance professional with wide experience in banking operations. Due to his experience, he has been appointed as director on the Board of various companies. He is working as the Executive Director - Finance of Doon Carbonates Limited (DCL) for the past 4-5 years and heading the finance department there. As per the object clause of the Memorandum of Association of DCL, it can raise funds by way of loans for the advancement of its business. Articles of Association of DCL authorizes the directors to borrow up to INR 50 lakhs on behalf of the company after passing a valid board resolution and any loans for amounts exceeding the above limit can be raised only after approval at a general meeting.

Board of Directors of DCL raised INR 80 lakhs from Srikant Finance Services after passing a board resolution and out of this amount, INR 60 lakhs was used to pay a legitimate liability of DCL by the directors. DCL is a widely held company with around 5600 members as per the members register. The 21st AGM of DCL is convened on 1st September 2020. A total of 34 members attended the meeting out of which 7 members attended through proxy. 6 of such members are represented by single proxy, Mr. Das. The articles of DCL is silent about the quorum.

Mr. Ajay is also director of Padmani Silk Limited (PSL). PSL was established around 25 years back as a private company operating as a micro business with 10 employees in a three- room building. During these years, the company grew exceptionally and went public and was also listed on SME exchange. PSL declares the interim dividend out of the previous year's undistributed profit on 31st August 2020 on the occasion of the 25th anniversary of the company. PSL deposited the amount of said dividend in a separate bank account with a NBFC on 4th of September, 2020.

Mr. Ajay hails from a farming family and carries on the business of cultivation and milling of paddy. He is also the sole member of New-Deal Limited (NDL), a one person company. NDL is operated as rice sheller and also deals in trading of high quality basmati rice. Mr. Ajay's father is operating as a nominee for the purposes of this OPC. The accounts department of NDL prepared and published only Profit and Loss Account and Balance Sheet as a financial statement and did not prepare cash flow statements and explanatory notes to accounts. A statement of changes in equity is not required in the case of NDL.

Multiple Choice Questions

- 1.1 Which of the following statements is correct, with reference to the requirement for financial Statements of 'New Deal Limited' (One Person Company)
- (a) NDL fails to meet the requirement because its financial statement do not include explanatory notes to accounts

- (b) NDL fails to meet the requirement because its financial statements do not include cash flow statement
 - (c) NDL fails to meet the requirement because its financial statements do not include explanatory notes to account and cash flow statement
 - (d) NDL has complied with the requirements related to financial statements
- 1.2 The borrowing of the sum of INR 80 lakhs by the directors of DCL is
- (a) Void-ab-initio
 - (b) Void
 - (c) Voidable
 - (d) Valid
- 1.3 Regarding the validity of the 21st Annual General Meeting of DCL, which of the following statements is correct?
- (a) The meeting doesn't have a quorum, because 30 members need to be present in person at the meeting.
 - (b) The meeting is valid and has a quorum because 30 members are present at meeting either personally or through a proxy.
 - (c) The meeting is valid and has a quorum, because only 5 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand
 - (d) The meeting is valid and has a quorum, because only 15 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand
2. Mr. M. Mishra is a director of Superior Carbonates and Chemicals Limited (SCCL). SCCL was incorporated by Mr. S. K. Mishra (father of Mr. M. Mishra) on 05th July 1995 as a public company. SCCL accepts a loan of ₹ 1.5 crores from Mr. M. Mishra for short term purpose and the loan is expected to be repaid after twenty four months. SCCL in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. M. Mishra affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of his loan transactions are furnished in the boards' report.
- DBSL which is an unlisted public company, also accept the deposits from the public as on 1st November 2018, which is due for repayment on 30th September 2023. DBSL also accepts a LAP (Loan against property) for a term of 10 years from a financial institution on 18th June 2020. Charge was created on that day, but DBSL has neglected to register the

charge with the registrar. Finally, the application for registration of charge is furnished on 18th August 2020.

SCCL has registered office in Paonta-sahib (Himachal Pradesh) and corporate office is situated in Dehradun (Uttarakhand) but around 15% of members whose name is entered in members register are residents of Nainital (Uttarakhand). SCCL has a liaison Office at Nainital. Management of the company is willing to place, the Register of Members at the Nainital Liaison Office.

DBSL convene its 7th AGM on 10th September 2020 at the registered office of the company. Notice for same was served on 21st August 2020. 78% of members gave consent to convening AGM at shorter notice due to ambiguity and possibility of another lockdown starting from 11th September 2020 on account of the second wave of COVID-19.

Multiple Choice Questions

2.1 Pick the right statement regarding SCCL's willingness to keep and maintain the register of members at the Nainital liaison office.

- (a) Register of members shall be kept at either registered office or within the same city that too after passing the resolution, hence SCCL is not correct in placing it at the Nainital liaison office
- (b) Register of members cannot be kept at any other place by SCCL, without passing an ordinary resolution
- (c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10th of the total members entered in the register of members reside there
- (d) Register of members cannot be kept at Nainital liaison office, even after passing a special resolution, because less than 1/5th of the total members entered in the register of members reside there

2.2 With reference to deposit accepted by DBSL and its duration, you are required to identify which of the following statements is correct:

- (a) There is no requirement relating to the duration of deposit, DBSL can accept a deposit for any duration.
- (b) Since DBSL is an unlisted company, provision relating to the duration of the deposit is not applicable.
- (c) There is a provision of a minimum duration of six months, but no upper cap to length is provided. Hence deposit accepted by DBSL is in compliance to provisions of Law.
- (d) Acceptance of deposits by DBSL is in violation of provision of law, because the maximum period of acceptance of deposit cannot exceed thirty-six months.

- 2.3 With reference to application to the registrar for registration of charge by DBSL, which of the following statements is correct?
- (a) The charge cannot be registered now, even if the Registrar permits the same.
 - (b) The charge can be registered, if registrar permits with payment of ad-valorem fee.
 - (c) The charge can be registered, if registrar permits but with payment of an additional fee.
 - (d) The charge can be registered, with payment of a standard fee.
- 2.4 With reference to the loan advanced by Mr. M. Mishra to SCCL, state whether the same is to be classified as a deposit or not?
- (a) Deposit, because any sum advanced by the director whether loan or otherwise is always classified as a deposit.
 - (b) Deposit, because the tenor of the loan is for a period of more than six months.
 - (c) Not a deposit, because such amount is recorded as loan in books of account of SCCL.
 - (d) Not a deposit, because the written declaration is provided by Mr. M. Mishra, who was a director when the loan was advanced that the loan is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others.
- 2.5 Considering the provision relating to length of Notice for AGM, pick out the right option:
- (a) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by all the members entitled to vote at AGM.
 - (b) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by at-least 95% of members entitled to vote thereat.
 - (c) Notice served by DBSL is valid because the shorter length has been consented to by 75% of members entitled to vote thereat.
 - (d) Notice served by DBSL is not valid, because notice given within a shorter length duration needs has to by at-least 50% of the members entitled to vote at AGM that too in writing.
3. Which of the following statement is contrary to the provisions of the Companies Act, 2013?
- (a) A private company can make a private placement of its securities.
 - (b) The company has to pass a special resolution for private placement.
 - (c) Minimum offer per person should have Market Value of ₹ 20,000.

- (d) A public company can make a private placement of its securities.
4. Vishal lends a horse to Preet. The horse is vicious, which is known to Vishal but he does not disclose the fact to Preet. The horse runs away. Preet is thrown and injured. As per the provisions of the Contract Act, 1872, which is the correct statement:
- (a) Preet is responsible for his injury.
- (b) Though the horse belonged to Vishal but he cannot be held responsible
- (c) Vishal is responsible to Preet for damage sustained
- (d) No one can be held responsible for the damage sustained as no one can take guarantee for the horse
5. As per the Indian Contract Act, 1872, any guarantee which has been obtained by the means of misrepresentation made by the creditor concerning a material part of the transaction, is:
- (a) Valid
- (b) Invalid
- (c) outside the ambit of the Indian Contract Act, 1872
- (d) not revocable if the damage sustained is less than 10% of the amount for which the guarantee is given

Division B: Descriptive Questions

Part A: Business Laws

The Indian Contract Act, 1872

1. Akash is a famous manufacturer of leather goods. He appoints Prashant as his agent. Prashant is entrusted with the work of recovering money from various traders to whom Akash sells leather goods. Prashant is paid a monthly remuneration of ₹ 15,000. Prashant during a particular month recovers ₹ 40,000 from traders on account of Akash. Prashant gives back ₹ 25,000 to Akash, after deducting his salary.
- Examine with reference to relevant provisions of the Indian Contract Act, 1872, whether act of Prashant is valid.
2. V entered into a contract with A for the purchase of 1000 bags of rice at the rate of ₹ 1,000 per bag. A has not supplied the goods within the due date and due to this A suffered a loss of ₹ 1,00,000 as he has to purchase these bags at the rate of ₹ 1,100 per bag from the market to deliver the same to its customers.
- Decide how much compensation can be claimed by V from A?
3. 'Raja' and 'Suresh' were engaged in business having same nature. 'Raja' stands surety for 'Suresh' for any amount which 'Kala' may lend to 'Suresh' from time to time during the next 6 months subject to a maximum of ₹ 2,85,000. 3 months later, 'Raja' revokes the guarantee, when 'Kala' had lent to 'Suresh' ₹ 2,35,000. Decide whether 'Raja' is

discharged from all the liabilities to 'Kala' for any subsequent loan under the provisions of the Indian Contract Act, 1872. Would your answer differ in case 'Suresh' makes a default in paying back to 'Kala' the money already borrowed i.e. ₹ 2,35,000?

The Negotiable Instruments Act, 1881

4. (i) Calculate the date of maturity of bill of exchange drawn on 1.6.2019, payable 120 days after considering the relevant provisions of the Negotiable Instruments Act, 1881.
- (ii) Chandra issues a cheque for ₹ 50,000/- in favour of Daye. Chandra has sufficient amount in his account with the Bank. The cheque was not presented within reasonable time to the Bank for payment and the Bank, in the meantime, became bankrupt. Decide under the provisions of Negotiable Instruments Act, 1881, whether Daye can recover the money from Chandra?

The Payment of Bonus Act, 1965

5. Nishtha Ltd. is a manufacturing company situated in Kanpur. The company is manufacturing shoes for school going kids. It wants to declare bonus to its employees for the year ended 31st March, 2020. The company has a Gross Profit of ₹ 6,00,00,000. Enumerate to the company the sums that shall be deducted from gross profit as prior charges. Give your answer as per the provisions of the Payment of Bonus Act, 1965.

The Provident Fund and Miscellaneous Provisions Act, 1952

6. Mr. Kunder retired from the services of Azzure Limited, on 31st March, 2019. He had a sum of ₹ 5 lac in his Provident Fund Account. It has become due for payment to Satish on 30th April, 2019 but the company made the payment of the said amount after one year. Mr. Kunder claimed for the payment of interest on due amount at the rate of 15% per-annum for one year. Decide, whether the claim of Mr. Kunder is tenable under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952?

The Payment of Gratuity Act, 1972

7. Mr. Avdesh is an employee with Ameesha Limited which is governed by the Payment of Gratuity Act, 1972. One day the head of the accounts department observed that Mr. Avdesh has been committing theft of large amounts from the company in the course of employment. An enquiry was made into the matter wherein he was found guilty and consequently, his services were terminated. State in this connection, whether the gratuity payable to him shall wholly or partly be forfeited.

The Companies Act, 2013

8. Pristine Limited, a listed public company, conducted its Annual General Meeting on 31st August, 2020. However, 10 days have passed since 31st August, 2020, but it has still not filed report on Annual General Meeting. The Accountant of the company has approached you to advise them whether Pristine Limited is required to file report on Annual General Meeting?

9. Keya Limited decides to issue 1,00,000 securities of the company. The company decides to publish an advertisement of the prospectus. Enumerate to the company about necessary contents of its memorandum to be specified therein.
10. Nadeem incorporated a "One Person Company" making his sister Nisha as the nominee. Nisha is leaving India permanently due to her marriage abroad. Due to this fact, she is withdrawing her consent of nomination in the said One Person Company. Taking into considerations the provisions of the Companies Act, 2013 answer the questions given below.
- (A) If Nisha is leaving India permanently, is it mandatory for her to withdraw her nomination in the said One Person Company?
- (B) If Nisha maintained the status of Resident of India after her marriage, then can she continue her nomination in the said One Person Company?
11. A General Meeting was scheduled to be held on 15th April, 2019 at 3.00 P.M. As per the notice the members who are unable to attend a meeting in person can appoint a proxy and the proxy forms duly filled should be sent to the company so as to reach at least 48 hours before the meeting. Mr. X, a member of the company appoints Mr. Y as his proxy and the proxy form dated 10-04-2019 was deposited by Mr. Y with the company at its registered Office on 11-04-2019. Similarly, another member Mr. W also gives two separate proxies to two individuals named Mr. M and Mr. N. In the case of Mr. M, the proxy dated 12-04-2019 was deposited with the company on the same day and the proxy form in favour of Mr. N was deposited on 14-04-2019. All the proxies viz., Y, M and N were present before the meeting.
- According to the provisions of the Companies Act, 2013, who would be the persons allowed to represent as proxies for members X and W respectively?
12. The Articles of Dinesh Limited clearly stated that Mr. Artha will be the solicitor of the company. The company in its general meeting of the shareholders resolved unanimously to appoint Mr. Nivesh in place of Mr. Artha as the solicitor of the company by altering the articles of association. Examine, whether the company can do so? State the reasons clearly as per the provisions of the Companies Act, 2013.
13. At a General meeting of a company, a matter was to be passed by a special resolution. Out of 40 members present, 20 voted in favour of the resolution, 5 voted against it and 5 votes were found invalid. The remaining 10 members abstained from voting. The Chairman of the meeting declared the resolution as passed.
- With reference to the provisions of the Companies Act, 2013, examine the validity of the Chairman's declaration.
14. The Board of Directors of a company decide to pay 5% of issue price as underwriting commission to the underwriters. On the other hand, the Articles of Association of the company permit only 3% commission.

The Board of Directors further decide to pay the commission out of the proceeds of the share capital.

Are the decisions taken by the Board of Directors valid under the Companies Act, 2013?

Part B: Ethics

15. Explain the practices widely recognized as discriminatory in employment?
16. What is Corporate Social Responsibility? Why it is needed in Indian Business environment?
17. Explain the fundamental principles relating to ethics.

Part C: Communication

18. What is an Indemnity Bond? Draft a format for Indemnity Bond.
19. What is formal communication? Explain in brief its major advantages.
20. What is meant by "Negotiation"? Name the various steps which can be identified in the process of negotiation from start to the completion of the process.

SUGGESTED ANSWERS/HINTS**DIVISION A - ANSWER TO CASE SCENARIO / MULTIPLE CHOICE QUESTIONS**

- 1.1 (a)
- 1.2 (c)
- 1.3 (a)
- 2.1 (c)
- 2.2 (d)
- 2.3 (b)
- 2.4 (d)
- 2.5 (b)
3. (c)
4. (c)
5. (b)

DIVISION B - ANSWER TO DETAILED QUESTIONS

1. The given problem is based on the provision related to 'agency coupled with interest'. According to Section 202 of the Indian Contract Act, 1872 an agency becomes irrevocable where the agent has himself an interest in the property which forms the subject-matter of

the agency, and such an agency cannot, in the absence of an express provision in the contract, be terminated to the prejudice of such interest.

In the given instance, Akash appointed Prashant as his agent to recover money from various traders to whom Akash sold his leather goods, on a monthly remuneration of ₹ 15,000. Prashant during a month recovers ₹ 40,000 from traders on account of Akash. Prashant after deducting his salary give the rest amount to Akash. In the said case, interest was created in favour of Prashant and the said agency is not revocable, therefore, the act of Prashant is valid.

2. The given problem is related to compensation for loss or damage caused by breach of contract covered under section 73 of the Indian Contract Act, 1872.

According to the provision, when a contract has been broken, the party who suffers by such breach is entitled to receive, from the party who has broken the contract, compensation for any loss or damage caused to him thereby, which naturally arose in the usual course of things from such breach, or which the parties knew, when they made the contract, to be likely to result from the breach of it.

In estimating the loss or damage arising from a breach of contract, the means which existed of remedying the inconvenience caused by the non-performance of the contract must be taken into account.

Given facts states that V entered into contract with A for purchase of 1000 bags of rice at the rate of ₹ 1,000 per bag. A breaks his promise as to supply of goods within the due date. This act of A resulted in loss to V of ₹ 1,00,000 as he has to purchase these bags @ of ₹ 1,100 per bag from market to deliver it further to its customers.

Accordingly, as per the provision in the given situation, V is entitled to receive from A by way of compensation, the sum, by which the contract price falls short of the price (i.e., @ ₹ 100 per bag) from the market price on the day of default. The amount of damages will be ₹ 1,00,000 (i.e., 1000 of rice bags x ₹ 100).

3. **Revocation of continuing guarantee:** The problem asked in the question is based on section 130 of the Indian Contract Act, 1872 relating to the revocation of a continuing guarantee as to future transactions which can be done mainly in the following two ways:

1. **By Notice:** A continuing guarantee may at any time be revoked by the surety as to future transactions, by giving notice to the creditor.
2. **By death of surety:** The death of the surety operates, in the absence of any contract to the contrary, as a revocation of a continuing guarantee, so far as regards future transactions. (Section 131)

So far as the transactions before revocation are concerned, the liability of the surety for previous transactions (i.e. before revocation) remains.

Thus, applying the above provisions in the given case,

- (i) 'Raja' is discharged from all the liabilities to 'Kala' for any subsequent loan.
 - (ii) Answer in the second case would differ i.e. 'Raja' is liable to 'Kala' for ₹ 2,35,000 on default of 'Suresh' since the loan was taken before the notice of revocation was given to 'Kala'.
4. (i) Date of maturity of the bill of exchange: In this case the day of presentment for sight is to be excluded i.e. 1st June, 2019. The period of 120 days ends on 29th September, 2019 (June 29 days + July 31 days + August 31 Days + September 29 days = 120 days). Three days of grace are to be added. It falls due on 2nd October, 2019, which happens to be a public holiday. As such it will fall due on 1st October, 2019 i.e., the next preceding Business Day.
- (ii) Section 84(1) of the Negotiable Instruments Act, 1881 provides that cheque should be presented to Bank within reasonable time. If cheque is not presented within reasonable time, meanwhile the drawer suffers actual damage, the drawer is discharged to the extent of such actual damage. This would be so if the cheque would have been passed if it was presented within reasonable time. As per section 84(2), in determining what is a reasonable time, regard shall be had to (a) the nature of the instrument (b) the usage of trade and of bankers, and (c) facts of the particular case. The drawer will get discharged, but the holder of the cheque will be treated as creditor of the bank, in place of drawer. He will be entitled to recover the amount from Bank [section 84(3)].
- In the above case drawer i.e. Chandra has suffered damage as cheque was not presented by Daye within reasonable time. Hence, Chandra will be discharged but Daye will be the creditor of bank for the amount of cheque and can recover the amount from the bank.
5. The following sums shall be deducted from gross profit as prior charges:
- Depreciation: Any amount by way of depreciation admissible under the Income Tax Act or under the provisions of the agriculture income tax law.
 - Development Rebate or Allowance: Any amount by way of development rebate, or investment allowance or development allowance which the employer is entitled to deduct from his income under the Income-tax Act.
 - Direct Taxes: Subject to the provisions of Section 7, any direct tax which the employer is liable to pay for the accounting year in respect of his income, profits and gains during that year.
 - Return on Capital etc.: Such further sums as are specified in respect of the employer in the Third Schedule. This schedule prescribes the categories of employer (company, banking company, corporations, cooperative society etc.) who are entitled for permissible deductions. Further sums to be deducted, in the case of company, are:

- The dividends payable on its preference share capital for the accounting year calculated at the actual rate at which such dividends are payable;
 - 8.5 per cent of its paid up equity share capital as at the commencement of the accounting year;
 - 6 per cent of its reserves shown in its balance sheet as at the commencement of the accounting year, including any profits carried forward from the previous accounting year.
6. According Section 7Q of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 the employer shall be liable to pay simple interest @ of 12% per annum or at such higher rate as may be specified in the Scheme on any amount due from him under this Act from the date on which the amount has become so due till the date of its actual payment:

Provided that higher rate of interest specified in the Scheme shall not exceed the lending rate of interest charged by any scheduled bank.

As per above provision, Mr. Kunder can claim for the payment of interest on due amount @ 12 percent per annum or at the rate specified in the Scheme, whichever is higher, for one year. Here, in the absence of specified rate Mr. Kunder can claim only 12 percent per annum interest on the due amount.

Thus, claim of Mr. Kunder for interest rate of 15% is not tenable.

7. **Reduction and forfeiture of Gratuity:** Under Section 4(6)(a) of the Payment of Gratuity Act, 1972, in the case of damage, loss or destruction of property of employer, due to the willful omission or negligence of the employee, the amount of gratuity to the extent of loss or damage shall be forfeited by the employer.

Further, under section 4(6)(b), the gratuity payable to an employee may be wholly or partially forfeited, where the services of an employee are terminated on the ground of:

- (i) riotous or disorderly conduct or act of violence; or
- (ii) committing an offence involving moral turpitude in the course of his employment.

Theft is an offence involving moral turpitude and consequently, if the services of an employee had been terminated for committing theft in the course of his employment, the gratuity payable to him under the provisions of the Act shall be wholly forfeited in view of Section 4(6)(b)(ii). [*Bharat Gold Mines Ltd. Vs Regional Labour Commissioner (Central)*]

In the given question, Mr. Avdesh has committed theft. Theft leads to indiscipline and is an offence involving moral turpitude. Also, Mr. Avdesh was found guilty of theft of large amounts and hence his services has been terminated. Thus, the gratuity payable to him can be wholly forfeited.

8. According to Section 121, every listed public company shall prepare a report on each annual general meeting including the confirmation to the effect that the meeting was convened held and conducted as per the provisions of the Act and the rules made thereunder. A copy of the report is to be filed with the Registrar in Form No. MGT. 15 within thirty days of the conclusion of AGM along with the prescribed fee. If the company does not file such report on Annual General Meeting within 30 days of the conclusion of the Annual General Meeting then the company and defaulting officers are liable for prescribed penalties.

Since, Pristine Ltd. is a listed company, hence it has to file a copy of Annual Report with the Registrar within 30 days from 31st August, 2020.

9. According to Section 30, where an advertisement of any prospectus of a company is published in any manner, it shall be necessary to specify therein the contents of its memorandum as regards the following:

- (i) the objects,
- (ii) the liability of members and the amount of share capital of the company,
- (iii) the names of the signatories to the memorandum,
- (iv) the number of shares subscribed for by the signatories, and
- (v) the capital structure of the company.

10. As per Rule 3 & 4 of the *Companies (Incorporation) Rules, 2014* following the answers:

(A) Yes, it is mandatory for Nisha to withdraw her nomination in the said OPC as she is leaving India permanently as only a natural person who is an Indian citizen and resident in India shall be a nominee in OPC.

(B) Yes, Nisha can continue her nomination in the said OPC, if she maintained the status of Resident of India after her marriage by staying in India for a period of not less than 182 days during the immediately preceding financial year.

11. A Proxy is an instrument in writing executed by a shareholder authorizing another person to attend a meeting and to vote thereat on his behalf and in his absence. As per the provisions of Section 105 of the Companies Act, 2013, every shareholder who is entitled to attend and vote has a statutory right to appoint another person as his proxy. It is not necessary that the proxy be a member of the company. Further, any provision in the articles of association of the company requiring instrument of proxy to be lodged with the company more than 48 hours before a meeting shall have effect as if 48 hours had been specified therein. The members have a right to revoke the proxy's authority by voting himself before the proxy has voted but once the proxy has voted the member cannot retract his authority.

Where two proxy instruments by the same shareholder are lodged of in such a manner that one is lodged before and the other after the expiry of the date fixed for lodging proxies, the former will be counted.

Thus, in case of member X, the proxy Y will be permitted to vote on his behalf as form for appointing proxy was submitted within the permitted time.

However, in the case of Member W, the proxy M (and not Proxy N) will be permitted to vote as the proxy authorizing N to vote was deposited in less than 48 hours before the meeting.

12. According to Section 10(1) of the Companies Act, 2013, the memorandum and articles shall, when registered, bind the company and the members thereof to the same extent as if they respectively had been signed by the company and by each member and contained covenants on its and his part to observe all the provisions of the memorandum and articles.

Further, under Section 14 (1) subject to the provisions of this Act and to the conditions contained in the Memorandum, a company may, by a special resolution, alter its Articles.

Moreover, under section 14 (2) the company will be required to file with the Registrar every alteration of the Articles and a copy of the order of the Central Government approving the alteration, together with the printed copy of the altered Articles, within 15 days. On receipt of all documents the Registrar shall register the same.

Section 14 (3) further provides that any alterations in the Articles registered will be valid as if they were originally in the Articles.

In the present case, the company has altered the Articles by a unanimous resolution of the members passed at a general meeting. Hence, the alteration is valid and after registration of the altered Articles, the appointment of Mr. Nivesh will stand and Mr. Artha will be terminated.

13. Under Section 114(2) of the Companies Act, 2013, a resolution shall be a special resolution when—
- (i) The intention to propose the resolution, as a special resolution must have been specified in the notice calling the general meeting or other intimation given to the members;
 - (ii) The notice required under the Companies Act must have been duly given of the general meeting; and
 - (iii) The votes cast in favour of the resolution (whether by show of hands or electronically or on a poll, as the case may be) by members present in person or by proxy or by postal ballot are not less than 3 times the number of votes, if any, cast against the resolution by members so entitled and voting.

Thus, in terms of the requisite majority, votes cast in favour have to be compared with votes cast against the resolution. Abstentions or invalid votes, if any, are not to be taken into account.

Accordingly, in the given problem, the votes cast in favour (20) being more than 3 times of the votes cast against (5), and presuming other conditions of Section 114(2) are satisfied, the decision of the Chairman is in order.

14. Under the *Companies (Prospectus and Allotment of Securities) Rules, 2014* the rate of commission paid or agreed to be paid shall not exceed, in case of shares, five percent (5%) of the price at which the shares are issued or a rate authorised by the articles, whichever is less.

The same rules allow the commission to be paid out of proceeds of the issue or the profit of the company or both.

- (i) The Board of directors could pay 5% (maximum as prescribed under the Act) or 3% (as prescribed in Articles of Association), whichever is less as underwriting commission to the underwriters. Hence, the decision of the Board of Directors to pay 5% commission to the underwriters is invalid.
 - (ii) The decision of the Board of directors to pay out of the proceeds of the share issue is valid.
15. **Discriminatory Practices in Employment:** Discrimination in employment is wrong because it violates the basic principle of justice by differentiating between people on the basis of characteristics (race or sex) that are not relevant to the tasks they must perform.

It is consequently understandable that the law has gradually been changed to conform to these moral requirements, and that there has been a growing recognition of the various ways in which discrimination in employment occurs. Among the practices now widely recognized as discriminatory are the following:

Recruitment Practices: Firms that rely solely on the word-of-mouth referrals of present employees to recruit new workers tend to recruit only from those racial and sexual groups that are already represented in their labor force. Also, when desirable job positions are only advertised in media that are not used by minorities or women or are classified as for men only, recruitment would also tend to be discriminatory.

Screening Practices: Job qualifications are discriminatory when they are not relevant to the job to be performed (e.g., requiring a high school diploma or a credential for an essentially manual task.). Job interviews are discriminatory if the interviewer routinely disqualifies certain class of people - for example assumptions about occupations "suitable for women" or the propriety of putting women in "male" environments.

Promotion Practices: Promotion, job progression, and transfer practices are discriminatory when employers place males on job tracks separate from those open to women and minorities. When promotions rely on the subjective recommendations of immediate supervisors.

Conditions of Employment: Many times wages and salaries are discriminatory to the extent that equal wages and salaries are not given to people who are doing essentially the same work. Another issue is related to fair wages and treatment to workers. Companies subcontracting manufacturing operations abroad are now aware of the ethical issues associated with supporting facilities like child labour that abuse and/or underpay their work forces. Such facilities have been termed "sweatshops."

Dismissal: Firing an employee on the basis of his or her race or sex is a clear form of discrimination. Less blatant but still discriminatory are layoff policies that rely on a seniority system, in which women and minorities have the lowest seniority because of past discrimination.

16. The concept of Corporate Social Responsibility (CSR) focuses on the idea that beyond making profit, a business has social obligations. It is the responsibility of the companies to produce an overall positive impact on the society. CSR is pursued by business to balance their economic, environmental and social objectives while at the same time addressing stakeholders' expectations and enhancing shareholders' values. Stakeholders, including shareholders, analysts, regulators, labour unions, employees, community organisations and mass media expect companies to be accountable not only for their own performance but for the performance of their entire supply chain. Issues such as peace, sustainable development, security, poverty alleviation, environmental quality and human rights have a profound effect on business and its environment.

Corporate Social Responsibility is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Need for social responsibility:

1. The iron law of responsibility
 2. To fulfil long term self-interest
 3. To establish a better public image
 4. To avoid government regulation and control
 5. To avoid misuse of National Resources and Economic Power
 6. To convert Resistances into Resources
 7. To minimise Environmental damage.
17. The fundamental principles relating to ethics may be summarized as under:
1. **The Principle of Integrity:** It calls upon all accounting and finance professionals to adhere to honesty and straightforwardness while discharging their respective professional duties.
 2. **The Principle of Objectivity:** This principle requires accounting and finance professionals to stick to their professional and financial judgment.
 3. **The Principle of Confidentiality:** This principle requires practitioners of accounting and financial management to refrain from disclosing confidential information related to their work.

4. **The Principle of Professional Competence and due care:** Finance and accounting professionals need to update their professional skills from time to time in order to provide competent professional services to their clients.
5. **The Principle of Professional Behaviour:** This principle requires accounting and finance professionals to comply with relevant laws and regulations and avoid such actions which may result in discrediting the profession.

18. Indemnity Bond

A contract of indemnity as defined under Section 124 of the Indian Contract Act, 1872 is a contract by which one party promises to save the other from loss caused to him by the conduct of the promissory himself or by the conduct of any other person. A person who gives the indemnity is called indemnifier and a person for whom protection is given is called the indemnity holder. The model form of indemnity bond is given below:

Name of the Assessee:

PAN.....Assessment Year:

I..... son/ wife/ daughter of Resident of do hereby agree to indemnify the Government of India for any loss that may occur on giving credit for the Certified Photostat copies of the TDS Certificates//...../ for a sum of ₹..... being ... % of my share in the total TDS of ₹ of I further declare that the credit for consolidated TDS Certificate was not claimed in the hands of the Association of Persons, ...

Date:

Signature

Place:

19. **Formal Communication:** A formal communication flows along prescribed channels which all organizational members desirous of communicating with one another are obliged to follow. Every organisation has a built-in hierarchical system that can be compared to a pyramid. It can, therefore, be understood that communication normally flows from top-downwards. But it is not always so. Communication in an organisation is multidimensional or multidirectional.

Following are the directions in which communications are sent:

- (i) Downward
- (ii) Upward
- (iii) Horizontal or Lateral
- (iv) Diagonal or Crosswise

Advantages of Formal Communication:

- (i) The formal channels account for most of the effectiveness of communication. A great care has to be taken in sending across any letter or report through the 'proper' formal channel.
 - (ii) Formal channels cover an ever – widening distance as organizations grow. Through them, it is easier to reach out to the branches of an organisation spread far and wide.
 - (iii) The formal channels, because of their tendency to filter information, keep the higher level managers from getting bogged down.
 - (iv) Formal channels of communication consolidate the organisation and satisfy the people in managerial position.
- 20.** When two or more persons meet together and talk/ discuss on any business or non business matter, it is known as negotiation. When same persons discuss specific proposals in order to come to a mutually accepted solutions; whether it is with an employer, family member or business partner. It can be said that negotiation is a common way of settling things in business.

Steps in the negotiation process

1. Preparing
2. Arguing
3. Signaling
4. Packaging
5. Bargaining
6. Closing and arguing.