

## PAPER – 2: BUSINESS LAW, ETHICS & COMMUNICATION

### PART – I: ANNOUNCEMENTS STATING APPLICABILITY FOR MAY, 2020 EXAMINATIONS

#### Applicability for May, 2020 examinations

The Study Material (July 2015 edition), along with the “Supplementary Study Paper for May 2019 examination and onwards” is relevant for May 2020 examinations.

Supplementary Study Paper contains the relevant amendments in the subject pertaining to business law for the period 1<sup>st</sup> May 2015 to 30<sup>th</sup> April, 2018. Further, Chapter 6 – The Companies Act, 2013, has been fully revised as per amendments upto 30<sup>th</sup> 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 1<sup>st</sup> May 2018 to 31<sup>st</sup> October, 2019 are mentioned below:

Relevant Legislative amendments from 1 <sup>st</sup> May 2018 to 31 <sup>st</sup> October, 2019		
The Companies Act, 2013		
Sl. No.	Relevant Amendments	Page no. #
I.	<b>Amendments related to- COMPANIES (AMENDMENT) ACT, 2017</b> 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 <sup>th</sup> May, 2018; S.O. 2422(E) dated 13 <sup>th</sup> June, 2018; SO. 3299(E) dated 5 <sup>th</sup> July, 2018; S.O. 3300(E) dated 5 <sup>th</sup> July, 2018; S.O. 3684(E) dated 27 <sup>th</sup> July, 2018; S.O. 3838(E) dated 31 <sup>st</sup> July, 2018; S.O. 3921(E) dated 7 <sup>th</sup> August, 2018 and S.O. 4907(E) dated 19 <sup>th</sup> September, 2018.	
	<b>1. In section 2</b> of the Companies Act, 2013 (hereinafter referred to as the principal Act)-	
	<b>(i) in clause (6)</b> , for the Explanation, the following Explanation shall be substituted, namely:— <i>Explanation.</i> —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;' <b>Enforcement Date: 7<sup>th</sup> May, 2018</b>	12

	(ii) in <b>clause (87)</b> , in sub-clause (ii), for the words "total share capital", the words "total voting power" shall be substituted; <b>Enforcement Date: 7<sup>th</sup> May, 2018</b>	28
	<b>2.</b> In <b>section 7</b> of the principal Act, in sub-section (1), in item (c), for the words "an affidavit", the words "a declaration" shall be substituted. <b>Enforcement Date: 27<sup>th</sup> July, 2018</b>	61
	<b>3.</b> In <b>section 12</b> 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. <b>Enforcement Date: 27<sup>th</sup> July, 2018</b>	65
	<b>4.</b> In <b>section 26</b> 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."; <b>Enforcement Date: 7<sup>th</sup> May, 2018</b>	84
	<b>4.</b> In <b>section 26</b> , in sub-section (1),— (ii) clauses (a), (b) and (d) shall be omitted. <b>Enforcement Date: 7<sup>th</sup> May, 2018</b>	84, 85 & 86
	<b>5.</b> For <b>section 42<sup>1</sup></b> 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

<sup>1</sup> 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 7<sup>th</sup> August, 2018.

<p>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.</p> <p>(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:</p> <p>Provided that the private placement offer and application shall not carry any right of renunciation.</p> <p><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.</p> <p><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.</p> <p><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.</p> <p>(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:</p> <p>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).</p> <p>(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:</p> <p>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.</p>
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<p>(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:</p> <p>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—</p> <p>(a) for adjustment against allotment of securities; or</p> <p>(b) for the repayment of monies where the company is unable to allot securities.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.'</p> <p><b>Enforcement Date: 7<sup>th</sup> August, 2018</b></p>	
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	<p><b>6.</b> In <b>section 54</b>, in sub-section (1), clause (c) shall be omitted. <b>Enforcement Date: 7<sup>th</sup> May, 2018</b></p>	123
	<p><b>7.</b> In <b>section 73</b> 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;" . <b>Enforcement Date: 15<sup>th</sup> August, 2018</b></p>	153
	<p><b>8.</b> In <b>section 74</b>, 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." . <b>Enforcement Date: 15<sup>th</sup> August, 2018</b></p>	160
	<p><b>9.</b> In <b>section 77</b> 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." . <b>Enforcement Date: 7<sup>th</sup> May, 2018</b></p>	165
	<p><b>10.</b> In <b>section 78</b> 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. <b>Enforcement Date: 7<sup>th</sup> May, 2018</b></p>	166
	<p><b>11.</b> In <b>section 82</b> 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; <b>Enforcement Date: : 5<sup>th</sup> July, 2018</b></p>	169

	<p><b>11.</b> In <b>section 82</b> of the principal Act, in sub-section (1),—</p> <p>(ii) the following proviso shall be inserted, namely:—</p> <p>"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."</p> <p><b>Enforcement Date: : 5<sup>th</sup> July, 2018</b></p>	169
	<p><b>12.</b> In <b>section 89</b> of the principal Act,—</p> <p>(i) in sub-section (6), the words and figures, "within the time specified under section 403" shall be omitted;</p> <p>(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;</p> <p>(iii) after sub-section (9), the following sub-section shall be inserted, namely:—</p> <p>"(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—</p> <p>(i) exercise or cause to be exercised any or all of the rights attached to such share; or</p> <p>(ii) receive or participate in any dividend or other distribution in respect of such share."</p> <p><b>Enforcement Date: 7<sup>th</sup> May, 2018 [for (i) and (ii)]</b> <b>13<sup>th</sup> June, 2018 [for (iii)]</b></p>	182
	<p><b>13.</b> For <b>section 90</b> of the principal Act, the following section shall be substituted,</p> <p>namely:—</p> <p>'(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:</p>	183

<p>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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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—</p> <p>(a) to be a significant beneficial owner of the company;</p> <p>(b) to be having knowledge of the identity of a significant beneficial owner or another person likely to have such knowledge; or</p> <p>(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,</p> <p>and who is not registered as a significant beneficial owner with the company as required under this section.</p> <p>(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.</p> <p>(7) The company shall,—</p> <p>(a) where that person fails to give the company the information required by the notice within the time specified therein; or</p> <p>(b) where the information given is not satisfactory,</p> <p>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.</p> <p>(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</p>	
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	<p>sixty days of receipt of application or such other period as may be prescribed.</p> <p>(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).</p> <p>(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.</p> <p>(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.</p> <p>(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.'</p> <p><b>Enforcement Date: 13<sup>th</sup> June, 2018</b></p>	
	<p><b>14.</b> In <b>section 92</b> of the principal Act,—</p> <p>(i) in sub-section (4), the words and figures, "within the time as specified, under section 403" shall be omitted;</p> <p><sup>2</sup>(ii) in sub-section (5), for the words and figures, "under section 403 with additional fees" the word "therein" shall be substituted.</p> <p><b>Enforcement Date: 7<sup>th</sup> May, 2018</b></p>	186
	<p><b>15.</b> <b>Section 93</b> of the principal Act shall be omitted.</p> <p><b>Enforcement Date: 13<sup>th</sup> June, 2018</b></p>	187
	<p><b>16.</b> In <b>section 94</b> of the principal Act,—</p> <p>(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;</p>	188

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

	<p>(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." <b>Enforcement Date: 13<sup>th</sup> June, 2018</b></p>	
	<p><b>17.</b> In <b>section 96</b> 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". <b>Enforcement Date: 13<sup>th</sup> June, 2018</b></p>	227
	<p><b>18.</b> In <b>section 117</b> 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." <b>Enforcement Date: 7<sup>th</sup> May, 2018</b></p>	220/221
	<p><b>19.</b> In <b>section 121</b> of the principal Act,— (i) in sub-section (2), the words and figures "within the time as specified, under section 403" shall be omitted;</p>	229

	<sup>3</sup> (ii) in sub-section (3), for the words and figures "under section 403 with additional fees", the word "therein" shall be substituted. <b>Enforcement Date: 7<sup>th</sup> May, 2018</b>	
	<b>20.</b> In <b>section 447</b> of the principal Act,- (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. <b>Enforcement Date: 9<sup>th</sup> February, 2018</b>	104
	<b>20.</b> In <b>section 447</b> 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 "twenty lakh rupees or with both." <b>Enforcement Date: 9<sup>th</sup> February, 2018</b>	104
<b>II.</b>	<b>Amendments related to</b> - Notification G.S.R. 433(E) dated 7 <sup>th</sup> May, 2018 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 <sup>th</sup> May, 2018. In the Companies (Specification of Definitions Details) Rules, 2014, in rule 2, in sub-rule (1), clause (r) shall be omitted. <b>Please note:</b> The said clause (r) deals with 'Total Share Capital'	12 & 28
<b>III.</b>	<b>Amendments related to</b> - Notification G.S.R. 434(E) dated 7 <sup>th</sup> May, 2018 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 <sup>th</sup> 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

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

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

IV.	<p><b>Amendments related to</b> - Notification G.S.R. 560(E) dated 13<sup>th</sup> June, 2018</p> <p>The Ministry of Corporate Affairs vide G.S.R. 560 (E) dated 13th June, 2018, has amended the Companies (Management and Administration) Rules, 2014 through the Companies (Management and Administration) Second Amendment Rules, 2018.</p> <p>Accordingly, in the Companies (Management and Administration) Rules, 2014,</p> <ol style="list-style-type: none"> <li>1. rule 13 shall be omitted</li> <li>2. the "Form No.MGT-10" shall be omitted.</li> <li>3. in rule 15, the sub-rule (6), shall be omitted</li> <li>4. in rule 18, in sub-rule (3), Explanation after clause (ix), shall be omitted</li> <li>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"</li> </ol>	<p>1. 188</p> <p>2. 188</p> <p>3. 189</p> <p>4. 226</p> <p>5. 213</p>
V.	<p><b>Amendments related to</b> - Notification G.S.R. 612 (E) dated 5<sup>th</sup> July, 2018</p> <p>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 15<sup>th</sup> August, 2018.</p> <p>In the Companies (Acceptance of Deposits) Rules, 2014 in rule 14, in sub-rule (1), clause (k) shall be omitted;</p>	158
VI.	<p><b>Amendments related to</b> - Notification G.S.R. 708(E) dated 27<sup>th</sup> July, 2018</p> <p>The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Third Amendment Rules, 2018. It shall come into force on 27<sup>th</sup> July, 2018.</p> <p>In the Companies (Incorporation) Rules, 2014:</p> <p>In <b>rule 3</b>, 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.</p>	47

	<b>Explanation II.</b> - 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”	
<b>VII.</b>	<p><b>Amendments related to - COMPANIES (AMENDMENT) ACT, 2019</b></p> <p>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 14<sup>th</sup> August, 2019 [the sections contained therein shall deemed to have come into force on 15<sup>th</sup> August, 2019]</p> <p><b>1. In clause (41) of section 2,</b></p> <p>(a) for the first proviso, the following provisos shall be substituted namely:</p> <p>“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:</p> <p>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.”</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	18
	<p><b>1. In clause (41) of section 2,</b></p> <p>(b) for the second proviso, the for the words “Provided further that”, the words “Provided also that” shall be substituted.</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	18
	<p><b>2. After section 10, the following section shall be inserted, namely:</b></p> <p><b>“10A. Commencement of business etc.</b></p> <p>(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—</p> <p>(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</p>	64

	<p>(b) The company has filed with the Registrar a verification of its registered office as provided in sub-section (2) of section 12.</p> <p>(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.</p> <p>(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 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.”</p> <p><b>[Enforcement Date: 2nd November, 2018]</b></p>	
	<p><b>3.</b> In <b>section 12</b>, after sub- section (8), the following sub- section shall be inserted, namely:</p> <p>“(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.”</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	65
	<p><b>4.</b> In <b>section 14</b>,</p> <p>(i) in Sub- section (1), for the second proviso, the following provisos shall be substituted namely:</p> <p>“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:</p> <p>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.”</p> <p>(ii) in sub- section (2), for the word “Tribunal”, the words “Central Government” shall be substituted.</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	72
	<p><b>5.</b> In <b>section 26-</b></p>	87

	<p>(i) in sub-sections (4), (5) and (6), for the word “registration”, the word “filing” shall be substituted;</p> <p>(ii) sub-section (7) shall be omitted</p> <p><b>[Enforcement Date: 15<sup>th</sup> August, 2019]</b></p>	
	<p><b>6. In section 29-</b></p> <p>(i) in sub-section (1), in clause (b), the word “public” shall be omitted;</p> <p>(ii) after sub-section (1), the following sub-section shall be inserted, namely:-</p> <p>“(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 form in the manner laid down in the Depositories Act, 1996 and the regulations made thereunder.”</p> <p><b>[Enforcement Date: 15<sup>th</sup> August, 2019]</b></p>	89
	<p><b>7. In section 35,</b> 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.</p> <p><b>[Enforcement Date: 15<sup>th</sup> August, 2019]</b></p>	101
	<p><b>8. In section 53,</b> for sub – section (3), the following sub- section shall be substituted, namely:</p> <p>“(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.”</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	123
	<p><b>9. In section 64,</b> for sub- section (2), the following sub- section shall be substituted, namely:</p> <p>“(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.”</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	137
	<p><b>10. In section 77,</b> in sub- section (1), for the first and second provisos, the following provisos shall be substituted, namely:</p> <p>“Provided that the Registrar may, on an application by the company, allow such registration to be made-</p>	165

	<p>(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</p> <p>(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-</p> <p>(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 be prescribed and different fees may be prescribed for different classes of companies;</p> <p>(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.”</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	
	<p><b>11. Section 86</b> 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:</p> <p>“(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.”</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	171
	<p><b>12. For section 87</b>, the following sections shall be substituted, namely:</p> <p>“87. The Central Government on being satisfied that —</p> <p>(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</p> <p>(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,</p> <p>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.”</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	171

<p><b>13. In section 90,</b></p> <p><b>(i)</b> after sub-section (4), the following sub-section shall be inserted, namely:- “(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.”; <b>[Enforcement Date: 15<sup>th</sup> August, 2019]</b></p> <p><b>(ii)</b> 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.” <b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p> <p><b>(iii)</b> 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.”; <b>[Enforcement Date: 15<sup>th</sup> August, 2019]</b></p> <p><b>(iv)</b> 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. <b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p> <p><b>(v)</b> 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. <b>[Enforcement Date: 15<sup>th</sup> August, 2019]</b></p>	<p>(ii) <sup>5</sup>183</p> <p>(iv) <sup>6</sup>183</p>
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<sup>5</sup> 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. 13<sup>th</sup> June, 2018].

<sup>6</sup> Same as footnote 4.

<p><b>14.</b> In <b>section 92</b>, 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.”  <b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	187
<p><b>15.</b> In <b>section 102</b>, 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.”  <b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	195
<p><b>16.</b> In <b>section 105</b>, 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.  <b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	199
<p><b>17.</b> In <b>section 117</b>, 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.”  <b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	221
<p><b>18.</b> In <b>section 121</b>, 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</p>	229

	<p>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.”</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	
	<p><b>19.</b> In <b>section 447</b>, in the second proviso, for the words “twenty lakh rupees”, the words “fifty lakh rupees” shall be substituted.</p> <p><b>[Enforcement Date: 2<sup>nd</sup> November, 2018]</b></p>	104
<b>VIII.</b>	<p><b><u>Amendments related to - Notification dated 7<sup>th</sup> August, 2018</u></b></p> <p>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 7<sup>th</sup> August, 2018.</p> <p>In the Companies (Prospectus and Allotment of Securities) Rules, 2014, for Rule 14, the following rule shall be substituted, namely:-</p> <p>(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:</p> <p>Provided that in the explanatory statement annexed to the notice for shareholders' approval, the following disclosure shall be made:-</p> <p>(a) particulars of the offer including date of passing of Board resolution;</p> <p>(b) kinds of securities offered and the price at which security is being offered:</p> <p>(c) basis or justification for the price (including premium, if any) at which the offer or invitation is being made;</p> <p>(d) name and address of valuer who performed valuation;</p> <p>(e) amount which the company intends to raise by way of such securities;</p> <p>(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:</p> <p>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</p>	

<p>relevant Board resolution under clause (c) of subsection (3) of section 179 would be adequate:</p> <p>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.</p> <p>(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:</p> <p>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.</p> <p>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.</p> <p>(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:</p> <p>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</p> <p>(4) The company shall maintain a complete record of private placement offers in Form PAS-5.</p> <p>(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:</p> <p>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:</p> <p>Provided further that the provisions of this sub-rule shall not apply in case of issue of shares for consideration other than cash.</p> <p>(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-</p>	
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	<p>(i) the full name, address, permanent Account Number and E-mail ID of such security holder;</p> <p>(ii) the class of security held;</p> <p>(iii) the date of allotment of security;</p> <p>(iv) the number of securities held, nominal value and amount paid on such securities; and particulars of consideration received if these securities were issued for consideration other than cash.</p> <p>(7) The provisions of sub-rule (2) shall not be applicable to -</p> <p>(a) non-banking financial companies which are registered with the Reserve Bank of India under the Reserve Bank of India Act, 1934 and</p> <p>(b) housing finance companies which are registered with the National Housing Bank under the National Housing Bank Act, 1987,</p> <p>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:</p> <p>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.</p> <p>(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:</p> <p>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</p>	
IX.	<p><b><u>Amendments related to</u></b> - Notification G.S.R. 1219(E) dated 18<sup>th</sup> December, 2018</p> <p>The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Fourth Amendment Rules, 2018. It shall come into force on 18<sup>th</sup> December, 2018.</p> <p>In the Companies (Incorporation) Rules, 2014 (hereinafter referred to as the said rules), after rule 23, the following rule shall be inserted, namely:-</p> <p>“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:</p> <p>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</p>	64

	registration or approval, as the case may be from such regulator shall also be obtained and attached with the declaration.”.	
<b>X.</b>	<p><b><u>Amendments related to</u></b> - Notification G.S.R. 42(E) dated 22<sup>nd</sup> January, 2019</p> <p>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 22<sup>nd</sup> January, 2019. In the Companies (Acceptance of Deposits) Rules, 2014 (hereinafter referred to as the said rules):</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.”.</li> <li>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 01<sup>st</sup> 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.”.</li> </ol>	<p>1. 151 2. 158 3. 158/ 159</p>
<b>XI.</b>	<p><b><u>Amendments related to</u></b> - Notification G.S.R. 341(E) dated 30<sup>th</sup> April, 2019</p> <p>The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Second Amendment Rules, 2019.</p> <p>In the Companies (Acceptance of Deposits) Rules, 2014, in rule 16A, in sub-rule (3), -</p> <p>*(a) for the words “the date of publication of this notification in the Official Gazette”, the figures, letters and word “31<sup>st</sup> March, 2019” shall be substituted;</p>	159

	** (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.	
<b>XII.</b>	<p><b>Amendments related to</b> - Notification dated 30<sup>th</sup> April, 2019</p> <p>The Central Government has amended the Companies (Registration of Charges) Rules, 2014, by the Companies (Registration of Charges) Amendment Rules, 2019.</p> <p>In the Companies (Registration of Charges) Rules, 2014:</p> <p>1. In <b>Rule 4</b>, the following rules shall be substituted, namely:</p> <p><b>"4. Application to Registrar</b></p> <p>(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 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.</p> <p>(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."</p> <p>2. For <b>Rule 12</b>, the following rule shall be substituted, namely:</p> <p><b>"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.-</b></p> <p>The Central Government may on an application filed in Form No. CHG-8 in accordance with section 87-</p> <p>(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,</p> <p>(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."</p>	1. 165 2. 172
<b>XIII.</b>	<p><b>Amendments related to</b> - Notification G.S.R. 357(E) dated 10<sup>th</sup> May, 2019</p> <p>The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Fifth Amendment Rules, 2019.</p>	55

	In the Companies (Incorporation) Rules, 2014, Rule 8 has been fully substituted by Rule 8, Rule 8A and Rule 8B.	
<b>XIV.</b>	<p><b><u>Amendments related to</u></b> - Notification G.S.R. 574(E) dated 16<sup>th</sup> August, 2019</p> <p>The Central Government has amended the Companies (Share Capital and Debentures) Rules, 2014, by the Companies (Share Capital and Debentures) Amendment Rules, 2019.</p> <p>In the Companies (Share Capital and Debentures) Rules, 2014: In <b>Rule 4</b>, in sub-rule (1),</p> <p>(i) for clause (c), the following clause shall be substituted, namely:- “(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;”;</p> <p>(ii) clause (d) shall be omitted.</p>	115
<b>The Indian Contract Act, 1872</b>		
	<p>Amendment via the Jammu and Kashmir Reorganisation Act, 2019, dated 9<sup>th</sup> August, 2019. The amendment is effective with effect from 31<sup>st</sup> October, 2019.</p> <p>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.</p> <p>Now, Section 1 will be read as under,</p> <p><b>‘Short title-</b> This Act may be called the Indian Contract Act, 1872. Extent, <b>Commencement-</b> It extends to the whole of India and it shall come into force on the first day of September, 1872.</p> <p><b>Saving-</b> 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.’</p>	-
<b>The Negotiable Instruments Act, 1881</b>		
	<p><b><u>Amendments related to</u></b> - THE NEGOTIABLE INSTRUMENTS (AMENDMENT) ACT, 2018</p> <p>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<sup>nd</sup> August, 2018.</p>	

	<p>In the Negotiable Instruments Act, 1881 (hereinafter referred to as the principal Act), after section 143, the following section shall be inserted, namely:—</p> <p><b>“143A. Power to direct interim compensation.</b></p> <p>(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—</p> <p>(a) in a summary trial or a summons case, where he pleads not guilty to the accusation made in the complaint; and</p> <p>(b) in any other case, upon framing of charge.</p> <p>(2) The interim compensation under sub-section (1) shall not exceed twenty per cent. of the amount of the cheque.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(6) The amount of fine imposed under section 138 or the amount of compensation awarded under section 357 of the Code of Criminal Procedure, 1973, shall be reduced by the amount paid or recovered as interim compensation under this section.”.</p>	<p>- (The section is newly inserted)</p>
	<p>(2) In the principal Act, after section 147, the following section shall be inserted, namely:—</p> <p><b>“148. Power of Appellate Court to order payment pending appeal against conviction.</b></p> <p>(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:</p>	<p>- (The section is newly inserted)</p>

	<p>Provided that the amount payable under this sub-section shall be in addition to any interim compensation paid by the appellant under section 143A.</p> <p>(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.</p> <p>(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:</p> <p>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.”</p>	
<b>The Employees’ Provident Funds and Miscellaneous Provisions Act, 1952</b>		
	<p>Amendment via the Jammu and Kashmir Reorganisation Act, 2019, dated 9th August, 2019. The amendment is effective with effect from 31st October, 2019.</p> <p>As per the Jammu and Kashmir Reorganisation Act, 2019, in the Employees Provident Funds and Miscellaneous Provisions Act, 1952, in sub-section (2) of section 1, words, "except the State of Jammu and Kashmir" shall be omitted.</p> <p>Now, Section 1(2) will be read as under,</p> <p>(2) ‘It extends to the whole of India.’</p>	

**# 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 - MULTIPLE CHOICE QUESTIONS

1. GHWX Private Limited was incorporated in the year 2009. The registered office of the company GHWX Private Limited was situated in city T of state V. The Board of Directors of GHWX Private Limited comprised of five directors namely Mr. K, Mr. N, Mr. R, Mr. U and Mr. W.

During the financial year beginning on 01/04/2018 and ending on 31/03/2019 the second meeting of Board of Directors of GHWX Private Limited was held on 7 September, 2018. Out of 5 directors, Mr. K, Mr. N, Mr. R and Mr. W were present for the said meeting. During the meeting of Board of Directors a resolution on one of the important matters was passed. While three directors namely Mr. K, Mr. N and Mr. R agreed with the resolution and voted in favour of resolution, however, Mr. W did not agree with the resolution and voted against the resolution.

The minutes of the second meeting of Board of Directors of GHWX Private Limited held on 7 September, 2018 were prepared and they were entered in Minutes Book of meeting of Board of Directors of GHWX Private Limited. One of the director Mr. K was of the opinion that minutes of second meeting of Board of Directors of GHWX Private Limited must be prepared and entered in Minute Book of meeting of Board of Directors of GHWX Private Limited by end of October, 2018. The remaining four directors namely Mr. N, Mr. R, Mr. U and Mr. W did not agree with the opinion of Mr. K because they thought that it was not within the time limit as prescribed by the law.

One of the directors, Mr. N. opined that minute books of meetings of Board of Directors of GHWX private limited for the years starting with 2009 to 2015 should be shredded to ruins as these papers were taking a lot of space. He further added that since the Companies Act, 2013 is silent as to maintaining the minute book of meetings of Board of Directors, it is not necessary to maintain such minute books.

The Board of Directors of GHWX Private Limited did not decide any place where minute book of meetings of Board of Directors of GHWX Private Limited will be kept.

Keeping the provisions of minutes and minutes book in mind answer the following multiple choice questions:

- (A) The second meeting of Board of Directors of GHWX Private Limited was held on 7 September, 2018 for the financial year 2018-19. The minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 must contain:
- (a) Name of director Mr. U who was absent from the meeting of Board of Directors held on 7 September, 2018.

- (b) Names of all the directors Mr. K, Mr. N, Mr. R, Mr. U and Mr. W comprising Board of Directors of GHWX Private Limited.
  - (c) Name of one director Mr. U who was absent and one director Mr. K who was present in the meeting of Board of Directors held on 7 September, 2018.
  - (d) Names of directors Mr. K, Mr. N, Mr. R and Mr. W who were present in the meeting of Board of Directors held on 7 September, 2018.
- (B) The minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 held on 7 September, 2018 must contain:
- (a) Name of four directors Mr. K, Mr. N, Mr. R and Mr. W who were present in meeting and voted in the resolution.
  - (b) Name of director Mr. W who voted against the resolution.
  - (c) Name of directors Mr. K, Mr. N and Mr. R who voted in favour of the resolution.
  - (d) Names of all the directors Mr. K, Mr. N, Mr. R, Mr. U and Mr. W who all had the right to attend the meeting and vote in the resolution.
- (C) The opinion of one of the director Mr. K was that minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 must be prepared and entered in minutes book of meeting of Board of Directors of GHWX Private Limited by the end of October, 2018 is incorrect. The opinion of Mr. K is incorrect because:
- (a) Minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 must be entered in minute book of meeting of Board of Directors within thirty days of the conclusion of meeting on 7 September, 2018.
  - (b) Minutes of second meeting of Board of Directors of GHWX Private Limited for the financial year 2018-19 must be entered in minute book of meeting of Board of Directors within sixty days of the conclusion of meeting on 7 September, 2018.
  - (c) Minutes of second meeting of Board of Directors of GHWX Private Limited for the financial year 2018-19 must be entered in minute book of meeting of Board of Directors within ninety days of the conclusion of meeting on 7 September, 2018.
  - (d) Minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 must be entered in minute book of meeting of Board of Directors within one twenty days of the conclusion of meeting on 7 September, 2018.
2. The minute book of General meetings of Alpha Limited will be kept at:
- (a) That place where members of Alpha Limited will decide.
  - (b) That place where all employees of Alpha Limited will decide.

- (c) Registered office of the company Alpha Limited.
  - (d) That place where senior officials of Alpha Limited will decide.
3. R purchases some goods on credit from S, payable within 3 months. After 2 months, R makes out a blank cheque in favour of S, signs and delivers it to S with a request to fill up the amount due, as R does not know the exact amount payable by him. S fills up fraudulently the amount larger than the amount payable by R and endorses the cheque to C in full payment of S's own due. R's cheque is dishonoured. Referring to the provisions of the Negotiable Instruments Act, 1881, C:
- (a) Can claim the full amount from R
  - (b) Can claim the full amount from S
  - (c) Cannot claim the amount either from R or S
  - (d) Can claim from S only the exact amount due from R
4. Shelf prospectus remains valid upto-
- (a) 6 months
  - (b) 1 year
  - (c) 2 years
  - (d) 5 years
5. An eligible company as per section 76, which is accepting deposits within the limits specified under section 180 (1) (c) may accept deposits by means of \_\_\_\_\_.
- (a) ordinary resolution
  - (b) unanimous resolution
  - (c) Special resolution
  - (d) Special resolution and approval of Central Government

#### **DIVISION B - DETAILED QUESTIONS**

##### **PART – A: BUSINESS LAWS**

##### **The Indian Contract Act, 1872**

1. Pankaj appoints Shruti as his agent to sell his estate. Shruti, on looking over the estate before selling it, finds the existence of a good quality Granite-Mine on the estate, which is unknown to Pankaj. Shruti buys the estate herself after informing Pankaj that she (Shruti) wishes to buy the estate for herself but conceals the existence of Granite-Mine. Pankaj allows Shruti to buy the estate, in ignorance of the existence of Mine. State giving reasons in brief the rights of Pankaj, the principal, against Shruti, the agent. Give your answer as per the provisions of the Contract Act, 1872.

What would be your answer if Shruti had informed Pankaj about the existence of Mine before she purchased the estate, but after two months, she sold the estate at a profit of ₹ 10 lac?

2. Ashley stands surety for 'Bommy' for any amount which 'Chand' may lend to 'Bommy' from time to time during the next three months subject to a maximum amount of ₹ 1,00,000 (one lakh only). One month later 'Ashley' revokes the surety, when 'Chand' had already lent to 'Bommy' ₹ 10,000 (ten thousand). Referring to the provisions of the Indian Contract Act, 1872. Decide:
  - (i) Whether 'Ashley' is discharged from all the liabilities to 'Chand' for any subsequent loan given to 'Bommy'?
  - (ii) What would be your answer in case 'Bommy' makes a default in paying back to 'Chand' the already borrowed amount of ₹ 10,000?

#### **The Negotiable Instruments Act, 1881**

3. Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881:
  - (i) X who obtains a cheque drawn by Y by way of gift.
  - (ii) A, the payee of the cheque, who is prohibited by a court order from receiving the amount of the cheque.
  - (iii) M, who finds a cheque payable to bearer, on the road and retains it.
  - (iv) B, the agent of C, is entrusted with an instrument without endorsement by C, who is the payee.
  - (v) B, who steals a blank cheque of A and forges A's signature.

#### **The Payment of Bonus Act, 1965**

4. In 2016, P Electronics Corporation, an establishment in public sector starts to sell mobile sets manufactured by it, in addition to Air conditioners, so as to compete with private sector establishments of mobile sets in the market. The income from sale of mobile sets is 28 percent of the gross income of the P Electronics Corporation. The employees of the Corporation went to strike for demand of bonus.

Decide, whether the demand of the employees is tenable under the provisions of the payment of Bonus Act, 1965. Would your answer be different if the income from sale of mobile sets is only 18 percent of the gross income of the Corporation?

#### **The Employees' Provident Funds and Miscellaneous Provisions Act, 1952**

5. Annie retired from the service of Modern Cosmetics Ltd. on 31<sup>st</sup> March, 2017. She had a sum of 5 lacs in her provident fund account. It became due for payment to Annie on 30th April, 2017 but the company made the payment of the said amount after two years. Annie claimed interest on the amount due to her, at the rate of 15% p.a. for two years. Decide

whether the claim of Annie is tenable under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

#### **The Payment of Gratuity Act, 1972**

6. Azee Steels Ltd. decided to forfeit the amount of gratuity of its employees 'Artha' and 'Sun' on account of disorderly conduct and other acts which caused loss to the property belonging to the Company.

'Artha' and 'Sun' committed the following acts:

- (i) 'Artha' refused to surrender the occupied land belonging to the Company.
- (ii) 'Sun' after superannuation continued to occupy the quarter of the Company for six months.

Against the decision of the Company, 'Artha' and 'Sun' applied to the appropriate authorities for relief. The Company contented that the right to gratuity is not a statutory right and the forfeiture of the amount of gratuity was within the law. Examine the contention of the Company and the decision taken by the Company to forfeit the amount of gratuity in the light of the Payment of Gratuity Act, 1972.

#### **The Companies Act, 2013**

7. The Articles of Association of Ajad Ltd. require the personal presence of 7 members to constitute quorum of General Meetings. The company has 965 members as on the date of meeting. The following persons were present in the extra-ordinary meeting to consider the appointment of Managing Director:

- (i) A, the representative of Governor of Uttar Pradesh.
- (ii) B and C, shareholders of preference shares,
- (iii) D, representing Y Ltd. and Z Ltd.
- (iv) E, F, G and H as proxies of shareholders.

Can it be said that the quorum was present in the meeting?

8. K Limited, a subsidiary of Old Limited, decides to give a loan of ₹ 4,00,000 to the Human Resource Manager, who is not a Key Managerial Personnel of K Limited, drawing salary of ₹ 30,000 per month, to buy 500 partly paid-up equity Shares of ₹ 1000 each in K Limited. Examine the validity of company's decision under the provisions of the Companies Act, 2013.
9. Yadav Dairy Products Private limited has registered its articles along with memorandum at the time of registration of company in December, 2014. Now directors of the company are of the view that provisions of articles regarding forfeiture of shares should not be changed except by a resolution of 90% majority. While as per section 14 of the Companies Act, 2013 articles may be changed by passing a special resolution only. Hence, one of the

directors is of the view that they cannot make a provision against the Companies Act, 2013. You are required to advise the company on this matter.

**PART – B: ETHICS**

10. What is meant by 'Corporate Governance'? State the 'Measures of Corporate Governance' with reference to Indian companies.
11. Explain the reasons for unethical behaviour among finance and accounting professionals.
12. Discuss practices widely recognized as discriminatory at the workplace.

**PART – C: COMMUNICATION**

13. Explain the factors which are responsible for the growing importance of communication of an organization.
14. State with reasons whether following statements are correct or incorrect.
  - (i) Rumours and gossips are synonymous.
  - (ii) Lying breaks down the trust between individuals.
15. Mr. Swamy has not received a dividend warrant of ₹ 1,500 for 150 shares of Tirupati Ltd. Draft an indemnity bond, to be given to the company for seeing release of Dividend.

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

1. (A) (d)  
(B) (b)  
(C) (a)
2. (c)
3. (b)
4. (b)
5. (a)

**DIVISION B - ANSWER TO DETAILED QUESTIONS**

1. **Agent's duty to disclose all material circumstances & his duty not to deal on his own account without principal's consent.** The problem is based on Sections 215 & 216 of the Indian Contract Act, 1872. According to Section 215, if an agent deals on his own account in the business of the agency, without obtaining the consent of his principal and without acquainting him with all material circumstances, then the principal may repudiate the transaction. On the other hand, section 216 provides that, if an agent, without the knowledge of his principal, acts on his own account in the business of the agency, then the

principal may claim any benefit which may have accrued to the agent from such a transaction. Hence in the first instance, though Pankaj had given his consent to Shruti permitting the latter to act on his own account in the business of agency, Pankaj may still repudiate the sale as the existence of the mine, a material circumstance, had not been disclosed to him.

In the second instance, Pankaj had knowledge that Shruti was acting on her own account and also that the mine was in existence; hence, Pankaj cannot repudiate the transaction under section 215. Also, under Section 216, he cannot claim any benefit from Shruti as he had knowledge that Shruti was acting on her own account in the business of the agency.

**2. Revocation of continuing guarantee:** The problem as asked in the question is based on the provisions of the Indian Contract Act 1872, as contained in Section 130 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 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.

- (i) Thus, applying the above provisions in the given case, Ashley is discharged from all the liabilities to Chand for any subsequent loan.
- (ii) Answer in the second case would differ i.e. Ashley is liable to Chand for ₹ 10,000 on default of Bommy since the loan was taken before the notice of revocation was given to Chand.

**3. Person to be called as a holder:** As per section 8 of the Negotiable Instruments Act, 1881 'holder' of a Negotiable Instrument means any person entitled in his own name to the possession of it and to receive or recover the amount due thereon from the parties thereto.

On applying the above provision in the given cases—

- (i) Yes, X can be termed as a holder because he has a right to possession and to receive the amount due in his own name.
- (ii) No, he is not a 'holder' because to be called as a 'holder' he must be entitled not only to the possession of the instrument but also to receive the amount mentioned therein.
- (iii) No, M is not a holder of the Instrument though he is in possession of the cheque, so is not entitled to the possession of it in his own name.

(iv) No, B is not a holder. While the agent may receive payment of the amount mentioned in the cheque, yet he cannot be called the holder thereof because he has no right to sue on the instrument in his own name.

(v) No, B is not a holder because he is in wrongful possession of the instrument.

4. Sub Section (1) of Section 20 of the Payment of Bonus Act, 1965 provides that, if in any accounting year, an establishment in public sector sells any goods produced or manufactured by it or if it renders any services in competition with an establishment in private sector and if the income from such sale or service or both is not less than 20% of the gross income of such establishment, then, the provisions of this Act shall apply in relation to such establishment in public sector as they apply in relation to a like establishment in private sector.

Sub Section (2) of Section 20 of the Payment of Bonus Act, 1965 provides that, save as otherwise provided in sub-section (1), nothing in this Act shall apply to the employees employed by an establishment in public sector.

In the instant case, P Electronics Corporation, an establishment in public sector starts selling mobile sets manufactured by it, in addition to Air conditioners, so as to compete with private sector establishments of mobile sets in the market.

In the first case, the income from sale of mobile sets is 28% of the gross income of P Electronics Corporation. The employees of the Corporation went on strike for demand of bonus. The demand of the employees is tenable in this case due to the fact that income from sale of mobile sets is not less than 20% of the gross income of the establishment.

In the second case, the income from sale of mobile sets is only 18% of the gross income of the corporation; hence, demand of the employees is not tenable since income from sale of mobile sets is less than 20% of the gross income of the establishment.

5. According to 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.

However 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, Annie 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 two years. Here, in the absence of specified rate Annie can claim only 12 percent per annum interest on the due amount.

Hence, claim of Annie for interest rate of 15% is not tenable.

6. As per the provisions of section 4(1) of the Payment of Gratuity Act, 1972, gratuity is payable to an employee on termination of his employment after he has rendered continuous service for not less than five years, -
- (a) on his superannuation, or
  - (b) on his retirement or resignation, or
  - (c) on his death or disablement due to accident or disease:

Provided that the completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death or disablement.

**Forfeiture of Gratuity:** In accordance with the provisions of Section 4(6) of the Payment of Gratuity Act, 1972, if the services of any employee have been terminated for any act, willful omission, or negligence causing any damage or loss to or destruction of property belonging to the employer, the gratuity shall be forfeited to the extent of the damage or loss so caused.

Further, if the services of such an employee have been terminated for any act which constitutes an offence involving moral turpitude, provided that such offence is committed by him in the course of his employment, the gratuity payable to the employee may be wholly or partially forfeited.

The correctness of the decision taken by Azee Steel Ltd. in the given case, regarding forfeiture of gratuity to its employees Artha and Sun may be tested in the light of Section 4(6) of the Payment of Gratuity Act, 1972 as referred above.

- (i) Artha, as per the given facts, refused to surrender the occupied land belonging to the company. This reflects unauthorized occupation or holding of land and deliberate appropriation of the company's property by him. This may be termed as disorderly conduct on the part of Artha. Hence, his gratuity may be forfeited by the company as per the provisions of section 4(6) the Payment of Gratuity Act, 1972.
- (ii) Sun had wrongfully continued to occupy the company's quarter for six months after superannuation. Sun may have caused a deliberate loss to the company by his wrongful occupation for 6 months as the quarter could not be provided to another employee and the company may have incurred the cost of rent in such case. Hence, the company is entitled to charge rent from him and after adjusting other dues the remaining amount of gratuity if any, should be paid.

In a similar case to the situation given in the question, [*Wazir Chand vs. Union of India, 2001, LLR172 (SC)*], the court has taken view that there is no illegality in those rental dues being adjusted against the death-cum-retirement dues of the appellant.

7. According to section 103 of the Companies Act, 2013, unless the articles of the company provide for a larger number in case of a public company, five members personally present if the number of members as on the date of meeting is not more than one thousand, shall be the quorum.

In this case the quorum for holding a general meeting is 7 members to be personally present (higher of 5 or 7). For the purpose of quorum, only those members are counted who are entitled to vote on resolution proposed to be passed in the meeting.

Again, only members present in person and not by proxy are to be counted. Hence, proxies whether they are members or not will have to be excluded for the purposes of quorum.

If a company is a member of another company, it may authorize a person by resolution to act as its representative at a meeting of the latter company, then such a person shall be deemed to be a member present in person and counted for the purpose of quorum. Where two or more companies which are members of another company, appoint a single person as their representative then each such company will be counted as quorum at a meeting of the latter company.

Further the President of India or Governor of a State, if he is a member of a company, may appoint such a person as he thinks fit, to act as his representative at any meeting of the company. A person so appointed shall be deemed to be a member of such a company and thus considered as member personally present.

In view of the above there are only three members personally present.

'A' will be included for the purpose of quorum. B & C have to be excluded for the purpose of quorum because they represent the preference shares and since the agenda being the appointment of Managing Director, their rights cannot be said to be directly affected and therefore, they shall not have voting rights. D will have two votes for the purpose of quorum as he represents two companies 'Y Ltd.' and 'Z Ltd.' E, F, G and H are not to be included as they are not members but representing as proxies for the members.

Thus, it can be said that the requirements of quorum has not been met and it shall not constitute a valid quorum for the meeting.

**8. Restrictions on purchase by company or giving of loans by it for purchase of its share:** As per section 67 (3) of the Companies Act, 2013 a company is allowed to give a loan to its employees subject to the following limitations:

- (a) The employee must not be a Key Managerial Personnel;
- (b) The amount of such loan shall not exceed an amount equal to six months' salary of the employee.
- (c) The shares to be subscribed must be fully paid shares

In the given instance, Human Resource Manager is not a Key Managerial Personnel of the K Ltd. He is drawing salary of ₹ 30,000 per month and loan taken to buy 500 partly paid up equity shares of ₹ 1000 each in K Ltd.

Keeping the above provisions of law in mind, the company's (K Ltd.) decision is invalid due to two reasons:

- i. The amount of loan being more than 6 months' salary of the HR Manager, which should have restricted the loan to ₹ 1.8 Lakh.
  - ii. The shares subscribed are partly paid shares whereas the benefit is available only for subscribing fully paid shares.
9. As per section 5 of the Companies Act, 2013 the article may contain provisions for entrenchment to the effect that specified provisions of the articles may be altered only if more restrictive conditions than a special resolution, are met.

The provisions for entrenchment shall only be made either on formation of a company, or by an amendment in the articles agreed to by all the members of the company in the case of a private company and by a special resolution in the case of a public company.

Where the articles contain provisions for entrenchment, whether made on formation or by amendment, the company shall give notice to the Registrar of such provisions in prescribed manner.

In the present case, Yadav Dairy Products Private Limited is a private company and wants to protect provisions of articles regarding forfeiture of shares. It means it wants to make entrenchment of articles, which is allowed. But the company will have to pass a resolution taking permission of all the members and it should also give notice to Register of Companies regarding entrenchment of articles.

**10. Meaning and Measures of Corporate Governance:**

**Meaning:** "Corporate governance is about promoting corporate fairness, transparency and accountability. It is concerned with the structures and processes for decision-making, accountability, control and behavior at the top level of organizations. It influences how the objectives of an organization are set and achieved, how risk is monitored and assessed and how performance is optimized.

**Measures:** In general, corporate governance measures include appointing non-executive directors, placing constraints on management power and ownership concentration, as well as ensuring proper disclosure of financial information and executive compensation. Many companies have established ethical and/or social responsibility committees on their Boards to review strategic plans, assess progress and offer guidance on social responsibilities of their business. In addition to having committees and Boards, some companies have adopted guidelines governing their own policies around such issues like board diversity, independence, and compensation. Indian companies are also required to comply with Clause 49 of the listing agreement.

11. The reasons which lead to unethical behaviour are as follows:

**(i) Emphasis on short term results.**

This is one of the primary reasons which has led to the downfall of many companies like Enron and Worldcom.

**(ii) Ignoring small unethical issues.**

It is a known fact that most of the compromises we make are small but however they lead us into committing large infractions. And ignoring minor lapses, lead to bigger and more huge mistakes.

**(iii) Economic cycles.**

In good times, companies are relaxed in their accounting procedures or disclosures, as there is a pervasive feel-good effect. But when times of hardship follow, then the hit taken by them is almost fatal, as was proved in the Enron case. So, companies need to watch out for economic cycles and be vigilant in good times as well as bad.

**(iv) Accounting rules.**

In the era of globalization and massive cross border flow of capital, accounting rules are changing faster than ever before. The rules have become more complex and it is difficult to identify deviations from these complex set of requirements. The complexity of these principles and rules and the difficulty associated with identifying abuse are reasons which may promote unethical behaviour.

**12. 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:

- 1. 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. In such a case, recruitment would tend to be discriminatory.
- 2. 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.
- 3. 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.
- 4. 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.”

5. **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.
13. The importance of communication in the industrial organization has increased immensely in these days. The following factors are responsible for the growing importance of communication:
- (a) **Growth in the size and multiple locations of organizations:** Most of the organizations are growing larger and larger in size. The people are working in the country and abroad, of these organizations. Keeping in touch, sending directions across and getting feedback is possible only when communication lines are kept working effectively.
  - (b) **Growth of trade unions:** Over the last so many decades, trade unions have been growing strong. No management can be successful without taking the trade unions into confidence. Effective communication will create relationship between the management and the workers.
  - (c) **Growing importance of human relations:** Workers in an organization are not like machines. They have their own hopes and aspirations. Management has to recognize them and should work with the spirit of integration so that human relations may be maintained. This may only be achieved though effective communication.
  - (d) **Public relations:** Every organization has a social responsibility towards customers, government, suppliers and the public at large. Communication is the only way an organization can project a positive image of itself.
  - (e) **Advances in behavioral sciences:** Modern management is deeply influenced by exciting discoveries made in behavioral sciences like psychology, sociology, transactional analysis etc. All of them throw light on suitable aspects of human nature and help in developing a positive attitude towards life and building up meaningful relationship. This is possible only through communication.
  - (f) **Technological advancement:** The world is changing very fast, owing to scientific and technological advancements. These advancements deeply affect not only the methods of work but also the compositions of groups. In such a situation, proper communication between superiors and subordinates becomes very necessary.
14. (i) The given statement “Rumour and gossip are synonymous” is INCORRECT.

Rumours and gossip seem to be an inevitable part of everyday corporate life. Even though rumours and gossip often travel through the same network, there is a distinction between the terms. Rumours tend to focus on events and information, whereas gossip focuses on people. Even though managers usually treat the information as “yet to be confirmed”, it may cloud judgments about the employee. The information has a way of creeping into performance evaluations and promotion decisions, even if unintended.

(ii) The given statement “Lying breaks down the trust between individuals” is CORRECT.

A lie is a false statement intended to deceive. Of all the ethical dilemmas, lying would appear to be the least morally perplexing. Most would agree that “one ought not to lie”. Yet lies in business are more common than many would care to admit. Lying breaks down the trust between individuals, shaking the foundation of ethical communication.

15. Mr. Swamy S/o ..... resident ..... do hereby agree to indemnify the Tirupati Ltd. for any loss that may occur for seeking release of dividend for 150 shares of ₹ 1500.

I further declare that personally I have not received the dividend warrant in question.

Mr. Swamy

Date:

Signature

Place: