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- 7+ years of experience
- CA + Diploma in International Taxation
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- Question Bank
- Notes & Chart Book with classes
- Diverse case scenarios for deeper understanding
- Summary videos of all chapters.



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What Our Students have to say....

Divinne

I am very much glad to tell that I have cleared my exam in first attempt
I would like to express my gratitude to all the lectures and moderators
Thankyou so much for everything!

Nisha Mathusoothana

I took ca inter group 1 classes from indigolearn and I have cleared it in my first attempt..Heartfelt thanks to the faculties of indigolearn who makes me to learn the subjects conceptually and also with indigolearn classes I can easily understand complex concepts with more practical examples.. Thankyou indigolearn for your support throughout my ca inter journey.

Anusha Sankararaman

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Najeemudeen Abdul Kader

A big thank you to the entire IndigoLearn team! Your videos, materials, and teaching style made a huge difference in my journey. The concepts were explained so clearly, and the constant support and motivation kept me going. Really grateful for the effort and passion you all put into making learning easier and more effective. Wouldn't have made it this far without you!

Sri Marakatham

First of all I would like to thank Indigo team and faculties for providing great teaching with simpler examples especially in law which made me easier to understand and remember.

Karthikeyan S

Thank you 1FIN. Thank you to all the faculties.
Great learning experience

Hema

At the very outset, I would like to extend my gratitude to each and every teacher of indigolearn team. I liked the law classes of Aslesha ma'am very much because she taught in a way that it was easy for me to remember the sections and provisions. Overall, indigolearn team helped me in my journey... Thank you indigolearn..

Our Rankers

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Sudeepta Benya
CA Final Nov-24

AIR 5



Sarthak Aggarwal
CA Inter May-23

AIR 19



Aman Mahajan
CA Inter Dec-21

AIR 33



Sundar B
CA Inter Dec-21

AIR 49



Ria Gupta
CA Inter May-22

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Edition 1 – Sep 2025

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The Companies Act, 2013

Companies Act, 2013 received assent on 29th August 2013 notified on 30th August 2013

Rule based Legislation with 470 Sections & 7 Schedules divided into 29 chapters

This Act extends to whole of India

Applicability of the Act [Section 1(4)]

All companies incorporated under this Act or any **previous company law**.

Insurance companies, unless a provision conflicts with the **Insurance Act, 1938** or **IRDA Act, 1999**

Banking companies, unless a provision conflicts with the **Banking Regulation Act, 1949**

Electricity companies, unless a provision conflicts with the **Electricity Act, 2003**

Companies governed by any Special Act, to the extent there is no inconsistency with that Special Act

Any other body corporate, notified by the **Central Government**, subject to specified exceptions or modifications.

Articles [Sec 2(5)] - Articles of Association (AoA)
Original / altered / applied under previous law / applied under this Act

Associate Company [Sec 2(6)] - Significant influence (≥20% voting power / participation in business decisions)
Not a subsidiary; Includes Joint Venture (JV → joint control, rights to net assets)

Body Corporate [Sec 2(11)] - Includes company incorporated outside India
Excludes: Co-operative society, other bodies corporate notified by CG

Company [Sec 2(20)] - Incorporated under this Act or any previous company law

Company Limited by Guarantee [Sec 2(21)] - Liability limited to amount undertaken in MoA at winding up

Company Limited by Shares [Sec 2(22)] - Liability limited to unpaid amount on shares held

Financial Year [Sec 2(41)] - Year ending 31st March
If incorporated after 1 Jan → ends next 31st March

Government Company [Sec 2(45)] - ≥51% share capital held by CG/SGs or both
Includes subsidiary of such a Govt. company

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Holding Company [Sec 2(46)] - Company having one or more subsidiaries

Key Managerial Personnel [Sec 2(51)] - CEO, MD, Manager, CS, WTD, CFO, Officer <= 1 level below directors, designated by Board, Others as prescribed

Listed Company [Sec 2(52)] - Securities listed on Recognised Stock Exchange, Not treated as listed - Public Co. with only NCD/NCRPS listed, Pvt Co. with NCDs listed, Public Co. only on foreign exchanges

Member [Sec 2(55)] - Subscriber to MOA, Person agreeing in writing + entered in Register of Members, Beneficial Owner in depository records

Net Worth [Sec 2(57)] - Paid-up Capital + reserves (out of profits) + P&L balance Minus - Acc. losses, deferred/misc. exp Exclude - Revaluation reserves, write back, amalagmation reserves

Private Company [Sec 2(68)] - Restrict transfer of shares, maximum 200 members(excl. employees & ex-employees), prohibits public invitation of securities

Public Company [Sec 2(71)] - Not a private company; subsidiary of public company deemed public company

Share [Sec 2(84)] - share in share capital, includes stock

Subsidiary Company [Sec 2(87)] - Holding Co. controls Board Composition or >50% voting power, includes indirect control via subsidiaries, company includes 'Body Corporate'.

Total Voting Power [Sec 2(89)] - Total votes possible on poll if all members/proxies present

Unlimited Company [Sec 2(92)] - No limit on members' Liability

Incorporation of a company and matters incidental thereto

Promoter [Sec 2(69)] - Person who:
(a) Named as promoter in **prospectus** or **annual return** **(Sec 92)**, or
(b) Has **control** over company's affairs (direct/indirect), or
(c) Board acts on his **advice/directions/instructions**.

Minimum Number of Member	• Public Company - 7 or more • Private Company - 2 or more • OPC - 1 person
Types of companies based on liability	• Limited by shares - limited to the extent of unpaid value on share • Limited by Guarantee - Limited to the amount of agreed contribution • Unlimited
One Person Company	• Only a Natural person, Indian Citizen can become a member and nominee in OPC • Nominee mandatory, consent required and can also withdraw consent • 1 person can become a member/nominee in only 1 OPC

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If company runs **>6 months** with members below legal minimum, aware members are personally liable for debts incurred.

Memorandum [2(56)] means the MOA of a company as originally framed or as altered from time to time in pursuance of any previous company law or of this Act.

Contents of MOA

Name Clause — Suffix in the name of a company: Ltd or Pvt Ltd

- Company name must be unique, non-offensive and not mislead as government link.
- **Name Reservation**: New Company - 20 days; Existing Company(Name Change) - 60 days
- **Wrong Information in name application**: Before Incorporation - cancel + Rs. 1 Lakh penalty; After Incorporation - change name in 3 months / strike off / winding up

Situation Clause — MOA must state the State of Registered Office

- Important for jurisdiction, records, meetings & notices
- Must be setup within **30 days** of incorporation

Object Clause — State the main + ancillary objects

- Acts beyond objects = **ultra vires & void**, cannot be ratified even by all shareholders

Liability Clause — State the Liability of members of the company

- Limited by shares – liability only upto unpaid amount
- Limited by guarantee – liability upto guaranteed amount for debts & winding-up costs(if member or ceased within 1 year)

Capital Clause — In case of company having share capital, MOA shall state

- The Authorised Share Capital
- Division of shares of fixed amount

Subscription Clause — State the number of shares each subscriber to MOA takes

Nomination Clause — State the name of nominee in case of OPC

Articles of Association (AOA):

- Contains **rules for company management** + prescribed matters; extra matters may be added.

Entrenchment Provisions: - Make amendment of certain articles **difficult/impossible**. Can be added **at incorporation** or later → **Private Co.** = by consent of **all** members; **Public Co.** = by **special resolution**

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Notice to ROC: At incorporation → in **SPICe (INC-32)**; Later amendment → in **Form MGT-14 within 30 days.**

Doctrine of Constructive Notice: Outsiders **deemed to know MOA & AOA**. **Doctrine of Indoor Management:** Outsiders can assume internal rules followed. Exceptions in case of knowledge of irregularity, negligence & forgery.

MOA, AOA, agreements, or resolutions **cannot override the Act**. If inconsistent → **Act prevails** and contrary provisions are **void**.

Section 7 - Incorporation of a Company

Step	Details / Documents	Outcome
1. Filing with ROC	• MOA & AOA (signed) • Declaration by professional & subscribers • Affidavit of subscribers/1st directors (no fraud/conviction) • Address of registered office • Particulars of directors (DIR-12), ID & address proofs	Application for incorporation submitted
2. Scrutiny by ROC	ROC verifies all documents filed	Ensures compliance
3. Certificate of Incorporation	On satisfaction, ROC registers company & allots CIN	Company legally incorporated
4. Effect of Incorporation	Company exists as a separate legal entity from date of COI	Full legal status with perpetual succession

Section 8 – Formation of companies with charitable objects

Step	Details / Documents	Outcome
1. Purpose	Company formed for promoting commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment, etc.	Non-profit motive
2. Application to ROC with approval of CG	File MOA & AOA + declarations (that profits will be applied for objects only; no dividend to members)	Application for licence under Sec 8
3. Licence by Central Government	CG satisfied → grants licence to operate as Section 8 company	Company allowed to incorporate as Section 8
4. Incorporation	On licence, ROC registers & issues Certificate of Incorporation with CIN	Company formed with charitable objects
5. Privileges & Conditions	Exemptions from certain provisions (e.g., minimum capital). Must use income only for stated objects.	Special status but strict compliance
6. Revocation of Licence	If conditions violated, CG may revoke licence → company may be wound up or converted to another type	Loss of Section 8 status

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Section 10A – Commencement of Business:

- New co. with share capital (post 2 Nov 2018) must file **INC-20A within 180 days** (subscribers' capital paid + office verified).
- Till then → **no business/borrowing allowed**.
- Penalty: Co. ₹50k; officers ₹1k/day (max ₹1L). ROC may strike off.

Section 12 – Registered Office of Company

Provision	Details	Compliance / Consequence
1. Establishment	Company must have a registered office within 30 days of incorporation.	Ensures proper communication & jurisdiction.
2. Verification	Company to file verification of registered office with ROC in Form INC-22 within 30 days.	ROC records office details.
3. Display of Information	• Paint/affix name & address of registered office outside office, in legible letters. • Print company's name, CIN, registered office address, email, etc., on business letters, billheads, notices, publications.	Penalty if not displayed correctly.
4. Change of Office (same city/town/village)	Board resolution + notice to ROC (Form INC-22) within 30 days.	Simple filing.
5. Change of Office (outside city but within same ROC jurisdiction)	Special resolution + notice to ROC.	Approval & filing required.
6. Change of Office (from one ROC to another within same state)	Requires Regional Director approval + special resolution.	RD approval compulsory.
7. Change of Office (from one state to another)	Requires Central Government approval (application in Form INC-23), special resolution, alteration of MOA.	Biggest compliance burden.
Penalty	Company & Officer in default – ₹1,000/day (max ₹1 lakh).	Strict enforcement by ROC.

Section 13 – Alteration of Memorandum

Aspect	Details
General Rule	MOA can be altered by special resolution + filing with ROC.
Name Clause	Change of name requires Central Govt. approval (except when changing from Private→Public or vice versa).
Registered Office	- Within same city/town: Board resolution + notice to ROC. - Within same state (different ROC jurisdiction): Regional Director approval. - From one state to another: Central Govt. approval (Form INC-23), special resolution, alteration of MOA.
Objects Clause	Change requires special resolution + filing with ROC (Form MGT-14 + INC-28).



Liability Clause	Cannot be altered to make liability unlimited for existing members (without their consent).
Capital Clause	Alteration allowed if Articles authorize, via ordinary resolution (Form SH-7).
Effectiveness	Alteration effective only after ROC registration of altered MOA.

Section 14 – Alteration of Articles of Association

- AOA may be altered by **special resolution**.
- **Conversion:**
    - Private → Public → SR + ROC filing.
    - Public → Private → SR + ***CG* (RD) approval** via e-Form RD-1 (apply within 60 days).
- **Application must include:** Draft MOA/AOA, GM minutes (with voting details), Board resolution/POA, declaration by KMP.
- **Filing:** Order of CG + altered AOA to be filed with ROC within **15 days**.
- **Note:** Every alteration must be recorded in **all copies of AOA**.

Every alteration in MOA and AOA shall be updated in all copies whether electronic or physical.

Section 16 – Rectification of Name of Company

Aspect	Details
When Applicable	If CG (via Regional Director) finds company's name identical/too similar to an existing company or registered trademark (within 3 years).
Order by CG	CG may direct the company to change its name.
Time Limit	Company must change name within 3 months by passing an ordinary resolution.
Filing with ROC	After change, inform ROC within 15 days along with CG order. ROC updates Certificate of Incorporation (COI) & MOA.
Default	If company fails, CG can allot a new name and ROC issues fresh COI (company must use it).
Further Change	Company may later change this name under Section 13.

On request + fee, company must send **MOA, AOA & Sec 117 agreements/resolutions** within **7 days**.

Default: Penalty ₹1,000/day (max ₹1,00,000) on company & officers.

Section 18 – Conversion of Companies

Aspect	Details
Conversion	A company may convert itself from one class to another (e.g., public→private, private→public, etc.) by altering its MOA & AOA.
Process	Special resolution + approval of Tribunal/Government wherever required + filing with ROC.
Registration	ROC registers altered MOA & AOA and issues fresh Certificate of Incorporation.
Effect	Conversion does not affect debts, liabilities, obligations, or contracts incurred prior to conversion.

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Section 19 – Subsidiary Company not to Hold Shares in Holding Company

Aspect	Details
Prohibition	Subsidiary company cannot hold shares in its holding company.
Exceptions	Allowed only in following cases: • Holding company is a legal representative of a deceased member. • Subsidiary holds shares as trustee. • Subsidiary already held shares before becoming subsidiary (can continue but no voting rights).
Effect	Any shares held by subsidiary have no voting rights in holding company.

Section 20 – Service of Documents

- Company may serve documents to members/debenture holders/ROC by post, hand delivery, or electronic mode.
- Member may request documents in a particular mode → must pay prescribed fees.

Section 21 – Authentication of Documents

Documents, proceedings, contracts of company may be signed by:

- Any Key Managerial Personnel (KMP), or
- Any officer/employee duly authorised by the Board.

Section 22 – Execution of Bills of Exchange, etc.

- Company may execute bills of exchange, hundis, promissory notes, etc. in its name.
- Must be signed by an authorised officer/employee on behalf of the company.
- Such execution binds the company as if it were a natural person.

Prospectus and allotment of Securities

Section 23 – Issue of Securities

- Public Co. → Public offer, Private placement, Rights/Bonus issue, Direct overseas listing
- Private Co. → Rights/Bonus issue, Private placement.
- CG may exempt certain public cos. (Sec 23(4)).

Section 24 – Regulation

- SEBI regulates issue & transfer for listed/intending-to-list cos.
- Other matters → CG/ROC/Tribunal.

Prospectus (Sec 2(70))

- Any document inviting public to subscribe/purchase company's securities (equity, debentures, etc.).
- Includes red herring, shelf prospectus, information memorandum

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Deemed Prospectus

When: If company allots/agrees to allot securities with intention to offer them for sale to the public.
Effect: Offer document treated as a **prospectus** of the company.
Legal Consequence: All rules of prospectus apply (contents, liability for misstatements).
Objective: Protect investors from fraud & misleading offers.

Section 26 – Prospectus Requirements

Aspect	Details
Basic Requirements	• Prospectus must be dated & signed. • Must state SEBI-specified information & reports. • Must declare compliance with Companies Act, SCRA 1956, SEBI Act 1992 & rules.
Exceptions	• Issue to existing members/debenture holders. • Further issue of uniform securities already quoted on recognised stock exchange.
Date of Prospectus	• Date mentioned = deemed date of publication. • Valid for issue only if within 90 days of filing with ROC.
Filing with Registrar	• Signed copy must be filed with ROC on/before publication date. • Every copy signed by each named/proposed director or authorised attorney.
Expert's Statement	• Allowed only if expert not connected with formation/promotion/management. • Expert has given written consent (not withdrawn before filing). • Statement of such consent included in prospectus. • Expert = engineer, valuer, CA, CS, CMA, or authorised certifying person.
Disclosure on Face	• Must state copy filed with ROC u/s 26(4). • Mention required documents – attached/referred with details.
Validity	• Prospectus valid only within 90 days of filing. • After 90 days → fresh filing required to avoid penalties.
Penalty for Contravention	• Company & every person knowingly party to issue liable. • Fine: ₹50,000 – ₹3,00,000.

Section 27 – Variation in Terms of Prospectus or Objects

Aspect	Details
When Applicable	Company has raised money from public through prospectus but wants to change objects or terms mentioned.
Approval	Requires special resolution through postal ballot + specific notice to shareholders.
Disclosure	Notice must indicate details of variation, reasons, and effect of such change.

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Exit Option	Dissenting shareholders must be given exit offer by promoters/controlling shareholders as per SEBI regulations.
Filing	Resolution to be filed with ROC.

Section 28 – Offer of Sale of Shares by Shareholders

Aspect	Details
When Applicable	Existing shareholders (incl. promoters) offer their shares to the public through a prospectus.
Prospectus	Company must file prospectus with ROC, signed by all directors, as if issued by the company.
Application Money	Received by company but handed over to selling shareholders after allotment.
Regulation	Governed by SEBI regulations for public offer of sale.

Section 29 – Public Offer in Demat Form

- All public offers and prescribed classes of public companies → securities must be issued only in dematerialised form (as per Depositories Act, 1996).
- Private companies may issue in demat or physical form (unless rules require otherwise).
- Objective: Transparency, safety, easy transfer & trading.

Section 30 – Advertisement of Prospectus

- When a prospectus is issued as an advertisement, it must state the contents of MOA, share capital, names of directors, signatories, and number of shares subscribed.
- Must specify where the full prospectus can be obtained.

Section 31 – Shelf Prospectus

- Certain classes of companies (like public financial institutions, scheduled banks, or SEBI-notified cos.) may file a shelf prospectus with ROC.
- Valid up to 1 year → no need to issue fresh prospectus for each offer.
- Before each subsequent offer, file an Information Memorandum updating changes.

Section 32 – Red Herring Prospectus (RHP)

- A prospectus without complete particulars of quantum or price of securities.
- Filed with ROC before public issue.
- Must contain disclosures as per SEBI.
- Before allotment, company files final prospectus with ROC including all details.

Abridged Prospectus (Sec 2(1), Sec 33):

- Meaning: Summarised prospectus with key features, specified by SEBI.
- Need: Cuts cost of printing full prospectus for each application form.
- Requirement [Sec 33(1)]: Every application form for shares/debentures must be with abridged prospectus.
- Exceptions: Underwriting agreement, private issue, or offer to existing members.

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- Right [Sec 33(2)]: Full prospectus must be available on request before closing of subscription.
- Penalty [Sec 33(3)]: ₹50,000 per default.

Sections 34, 35 & 36 – Misstatements and Fraud in Prospectus

Section	Aspect	Detailed Explanation
34	Criminal Liability for Misstatement in Prospectus	• Scope: Applies to every person who authorises the issue of a prospectus containing: - Untrue or misleading statements, OR - Omission of material facts likely to mislead. • Liability: Treated as fraud under Sec 447. - Imprisonment: Minimum 6 months, up to 10 years. - Fine: At least equal to the amount involved, may extend up to 3 times the fraud amount. • Exceptions/Defences: - Statement was immaterial. - Person had reasonable grounds to believe and did believe statement was true. - Relied on expert's opinion given in good faith.
35	Civil Liability for Misstatement in Prospectus	• Scope: Directors, promoters, experts, and all who authorised issue are liable to compensate investors. • Investor's Right: Any person who subscribed securities relying on misstatement can claim damages. • Persons Liable: - Director at time of issue. - Promoter of company. - Any person authorising prospectus issue. - Expert whose statement is included. • Defences: - Prospectus issued without knowledge/consent, and on becoming aware, public notice given before allotment. - Statement withdrawn/consent withdrawn before issue. - Investor knew of misstatement. - Reasonable grounds to believe statement was true at time of issue. • Nature of Liability: Civil – compensation for loss, not imprisonment.
36	Punishment for Fraudulently Inducing Investment	• Scope: Applies when any person knowingly or recklessly: - Makes false, deceptive, misleading statements, promises, or forecasts. - Creates false impression of trading in securities (market manipulation). - Conceals material facts to induce investment. • Objective: To prevent fraudulent practices that mislead investors and manipulate securities market. • Punishment: Treated as fraud under Sec 447. - Imprisonment (6 months–10 years).

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		- Fine: Not less than amount involved, up to 3 times that amount. • Examples: - Circulating rumours of high profits to attract investors. - Fake trading to create artificial demand or higher price. - Concealing major losses while inviting investment.

Section 38 – Personation for Acquiring Securities

- If any person makes multiple applications under different names, in fictitious names, or otherwise impersonates to acquire securities → guilty of fraud.
- Punishable under Sec 447 (Fraud) → imprisonment (6 months to 10 years) + fine (≥ fraud amount, up to 3×).
- Allotment made in such fictitious names is void.

Section 39 – Allotment of Securities by Company

- A company cannot allot securities unless the amount stated in prospectus as minimum subscription is received.
- Application money must be at least 25% of nominal value (as SEBI prescribes).
- If minimum subscription not received within 30 days of prospectus issue → all application money refunded within 15 days, else refund with interest.
- Return of allotment to be filed with ROC in Form PAS-3 within 30 days.
- Penalty for default: Company & officers liable to fine.

Section 40 – Securities Listing & Application Money

- Every company making a public offer must apply to at least one recognized stock exchange for permission to deal in its securities.
- Prospectus must state the name of the stock exchange(s).
- All application monies must be kept in a separate bank account in a scheduled bank.
- Money can be used only for:
    - Adjustment against allotment of securities, or
    - Refund of money if securities not allotted.

If permission is not granted by the stock exchange → all application money must be refunded within the prescribed time.

Penalty for default: Company – fine ₹5 lakh to ₹50 lakh; Officers in default – fine ₹50,000 to ₹3 lakh.

Sections 41 & 42 – Share Capital and Private Placement

Section	Aspect	Details
41	Global Depository Receipt (GDR)	• Companies may issue GDRs in any foreign country as per prescribed conditions. • GDR = instrument in foreign currency representing company shares, issued by overseas depository bank. • Enables Indian companies to raise funds abroad.



42	Private Placement of Securities	• Offer of securities to a select group of persons (identified by Board). • Max 200 persons in a financial year (excluding QIBs & ESOPs). • Must be approved by special resolution for each offer. • Company to maintain record of offers in Form PAS-5 and file return of allotment in Form PAS-3 within 15 days. • Application money to be kept in separate bank account, used only for allotment/refund. • No public advertisements allowed. • Penalty for contravention: Company – amount raised or ₹2 crore (whichever higher); Officers – ₹25 lakh each.

Share Capital and Debentures

Definition of Share (Sec 2(84): Share = a unit of share capital; includes stock.

Stock = aggregation of fully paid-up shares converted into one fund (not originally issued).

Kinds of Share Capital (Sec 43):

Equity Share Capital – all share capital that is not preference. May have differential rights (voting, dividend, etc.).

Preference Share Capital – preferential rights for: Dividend payment & Capital repayment in winding up.

Equity Shares with Differential Rights (DVRs): Conditions to be satisfied

- Authorised by AOA.
- Ordinary resolution (Postal Ballot for listed cos.).
- Voting power of DVRs ≤ 74%.
- No default in filings (last 3 FYs).
- No default in dividends, deposits, redemption, loans, statutory dues, IEPF, etc.
- No penalty by Court/Tribunal in last 3 yrs under RBI, SEBI, SCRA, FEMA, etc.

Other Provisions (Rule 4):

- Explanatory statement must disclose issue details.
- No conversion of normal equity into DVRs.
- Board's Report to disclose particulars of DVRs issued.
- DVR holders enjoy all other rights (bonus, rights issue, etc.).
- Register of Members to record DVR details.

Share Certificates (Sec 46 & Rules):

Proof of ownership; signed by 2 directors or 1 director + CS; seal optional, Distinctly numbered; Form SH-1; recorded in Register of Members.

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Renewed/Duplicate:

- Renewed if torn/mutilated; duplicate if lost/destroyed (fee ≤ ₹50)Must mention "Issued/Duplicate in lieu of Certificate No. …".
- Timeline: Unlisted – 3 months; Listed – 45 days.
- Record in Form SH-2; cancelled certificates destroyed after 3 yrs.

Fraudulent Duplicate:

Company fine: 5× to 10× FV or ₹10 cr (whichever higher).

Officer → action u/s 447.

Demat (Rule 9A):

Listed cos → compulsory demat.

Unlisted public cos → must issue/convert to demat (except notified exemptions).

Section 47 – Voting Rights

1. **Equity Shareholders**
    - 1 share = 1 vote (on a poll).
    - On show of hands → 1 vote per member (irrespective of shares).
2. **Preference Shareholders**
    - Right to vote **only on matters affecting their rights**.
    - Can vote on all resolutions if: Dividend on preference shares unpaid for **2+ years**.

Section 48 – Variation of Shareholders' Rights

Aspect	Details
When Applicable	Where share capital is divided into different classes of shares, rights of any class may be varied.
Consent Required	• Written consent of holders of ≥ 3/4th of issued shares of that class, OR • Special Resolution at separate class meeting.
Other Class Impact	If variation affects rights of another class, consent of 3/4th of such other class also required.
Conditions	• MOA/AOA must contain provision for variation, OR • If not, terms of issue of shares must not prohibit variation.
Right to Object	• Holders of ≥ 10% of issued shares of class who did not consent may apply to Tribunal within 21 days of consent/resolution.
Effect of Application	Variation has no effect unless confirmed by Tribunal; Tribunal's decision binding.
Filing Requirement	Copy of Tribunal order to be filed with Registrar within 30 days.

Sec 49: Calls on same class shares → must be uniform.

Sec 50: Members may pay calls in advance; interest allowed; no extra voting rights.

Sec 51: Dividend paid in proportion to amount actually paid-up.



Section 52 – Issue of Shares at premium

- Amount received on issue of shares above face value = **Securities Premium**.
- Must be transferred to **Securities Premium Account** (treated like share capital).

Can be used only for:

1. Issue of fully paid bonus shares.
2. Writing off preliminary expenses.
3. Writing off commission/discount on issue of shares or debentures.
4. Providing for premium on redemption of preference shares/debentures.
5. Buy-back of shares (u/s 68).

Misuse prohibited; default punishable.

Section 53 – Prohibition on Issue of Shares at Discount (Companies Act, 2013)

- A company **cannot issue shares at a discount**.
- **Exception:** Issue of **sweat equity shares** (u/s 54) to employees/directors.
- If a company issues shares at discount in violation → it is void

Section 54 – Sweat Equity Shares

Aspect	Details
Meaning	Sweat equity shares are issued by a company to its directors or employees at a discount or for consideration other than cash, in recognition of their contribution (intellectual property rights, know-how, value additions).
Conditions	• Authorised by a special resolution in GM. • Resolution specifies number, current market price, consideration, and class of recipients. • Issued at least 1 year after commencement of business.
Listed Companies	Must comply with SEBI regulations.
Unlisted Companies	Must comply with Companies (Share Capital & Debentures) Rules, 2014.
Limit	• Cannot exceed 15% of existing paid-up equity capital in a year or ₹5 crore (whichever is higher). • Overall limit: 25% of paid-up equity capital. • For startups: up to 50% for first 10 years.
Lock-in Period	Sweat equity shares issued to directors/employees are locked-in for 3 years.
Valuation	Valued by a registered valuer for IPR/know-how and also for fair price of shares.
Register	Company must maintain a register of sweat equity shares in Form SH-3 at the registered office.

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Section 55 – Issue and Redemption of Preference Shares

Aspect	Details
Issue	A company limited by shares may issue preference shares if authorised by its Articles.
Redeemable Preference Shares	All preference shares must be redeemable within a maximum period of 20 years from issue (except for infrastructure projects where redemption allowed up to 30 years with annual redemption from 21st year).
Conditions for Redemption	• Redemption only out of profits available for dividend or out of proceeds of fresh issue of shares. • Shares must be fully paid-up before redemption. • Premium payable on redemption must be provided out of profits or securities premium account.
Capital Redemption Reserve (CRR)	If redemption is out of profits, an amount equal to nominal value of shares redeemed must be transferred to CRR. CRR can be used for issuing fully paid bonus shares.
Prohibition	Company cannot issue irredeemable preference shares.
Conversion	With approval of shareholders, company may issue preference shares convertible into equity shares.
Filing	Details of redemption to be filed with Registrar as per prescribed rules.

Section 56 – Transfer and Transmission of Securities

Aspect	Details
Transfer of Securities	• Executed by transferor & transferee using proper instrument of transfer (Form SH-4). • Must be duly stamped, dated, and specify name, address & occupation of transferee. • Delivered to company along with certificate/letter of allotment within 60 days of execution.
Transmission of Securities	• Arises on death, succession, insolvency, etc. • Requires proof such as succession certificate, probate, or other evidence. • Company must transfer securities to legal representative/heir.
Time Limit	Company must register transfer/transmission within 1 month from date of receipt of instrument/proof.
Loss of Instrument	If instrument lost or not delivered in time, company may register transfer on terms of indemnity decided by Board.
Penalty for Default	• Company: ₹25,000 fine. • Officer in default: ₹10,000 fine. • Depository/Participant: penalty ₹25,000 to ₹5 lakh.

Section 57 – Punishment for Personation of Securities

- If any person falsely personates another to acquire/transfer securities, he is guilty of fraud.

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- **Punishment:** Action under **Sec 447 (Fraud)** → imprisonment (6 months to 10 years) + fine (≥ fraud amount, up to 3×).

Sections 58 & 59 – Refusal of Registration and Rectification of Register

Section	Aspect	Details
58	Refusal of Registration & Appeal	• Applies to private & public companies. • Private Co. – can refuse transfer if AoA permits. • Public Co. – cannot refuse transfer unless valid reasons. • Time limit to refuse: 30 days from receipt of transfer. • Aggrieved party may appeal: - Private Co. → Tribunal within 30 days of refusal. - Public Co. → Tribunal within 60 days of refusal/expiry of period.
59	Rectification of Register	• If a company wrongfully enters or omits a name in Register of Members, Tribunal can order rectification. • Person aggrieved (incl. depository/investor) may apply. • Tribunal may also direct company to pay damages. • Application to be filed within 2 years of transfer, or within limitation period as applicable.

Section 61 – Alteration of Share Capital



Section 62 - Further Issue of Share Capital

Company proposes further issue of shares (rights issue, ESOP, or preferential allotment).
Rights Issue:

- Offer to existing shareholders in proportion to their holding.
- Notice must specify number of shares, time (min 15 days, max 30 days).
- If declined/expired → Board may dispose of shares not disadvantageous to company.
- Private/IFSC public co. → Shorter time allowed if 90% consent.



Employees' Stock Option (ESOP)

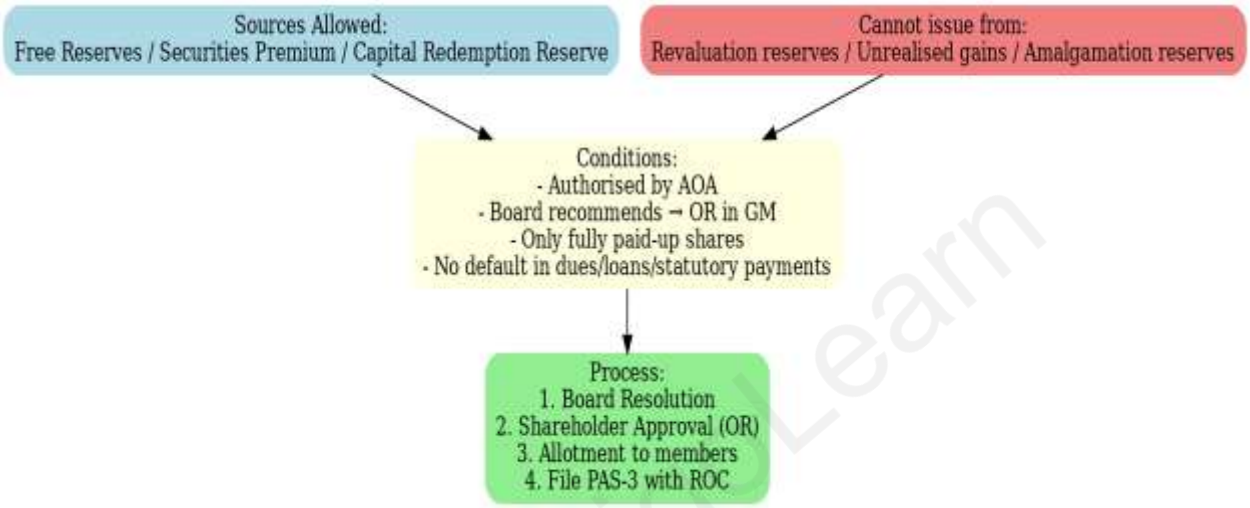
- Special resolution required.
- Must be in accordance with prescribed rules.

Preferential Allotment

- Must be authorised by Articles.
- Special resolution required.
- Pricing & other conditions governed by SEBI/Rules.

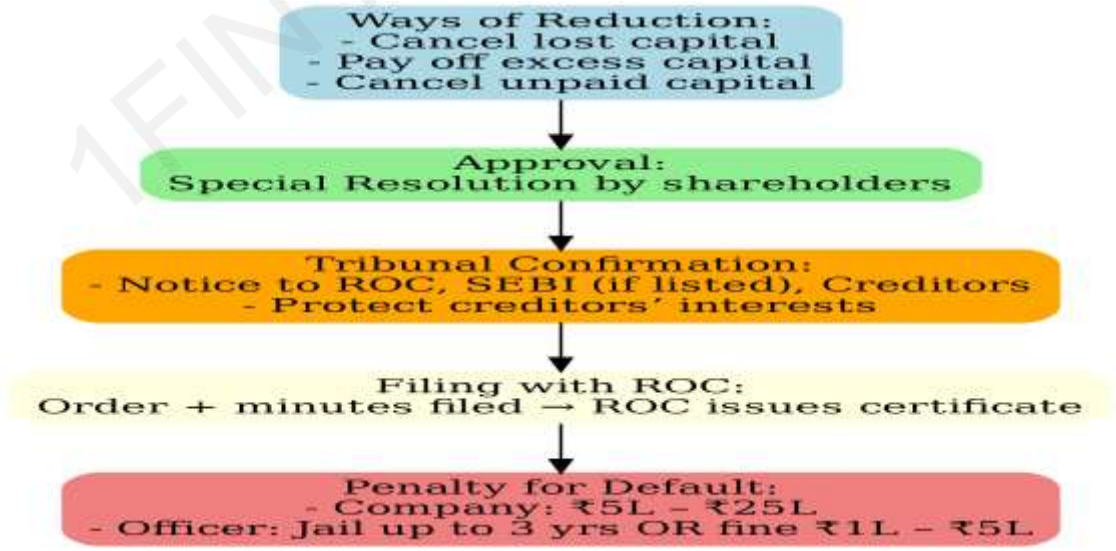
File return of allotment with ROC in Form PAS-3.

Section 63 – Issue of Bonus Shares



Filing after Alteration/Redemption
Company must file **Form SH-7 with ROC within 30 days** of share capital alteration (Sec 61/62) or redemption of preference shares.
Penalty: ₹500 per day of default → max ₹5L (company) & ₹1L (officer).

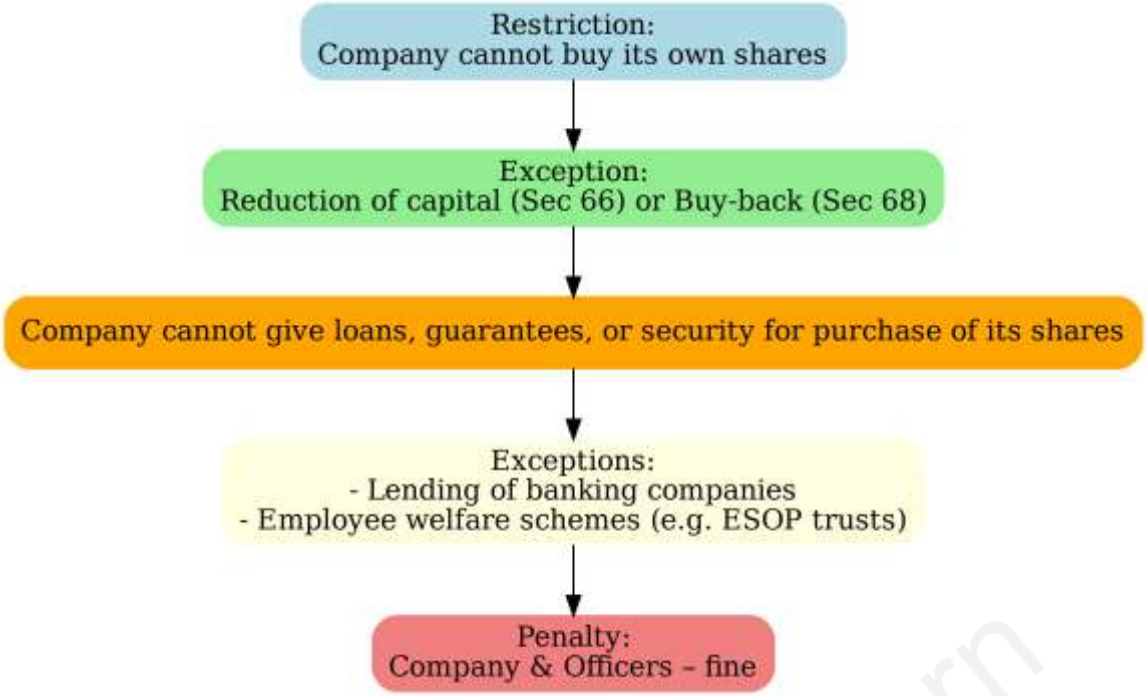
Section 66 – Reduction in share Capital



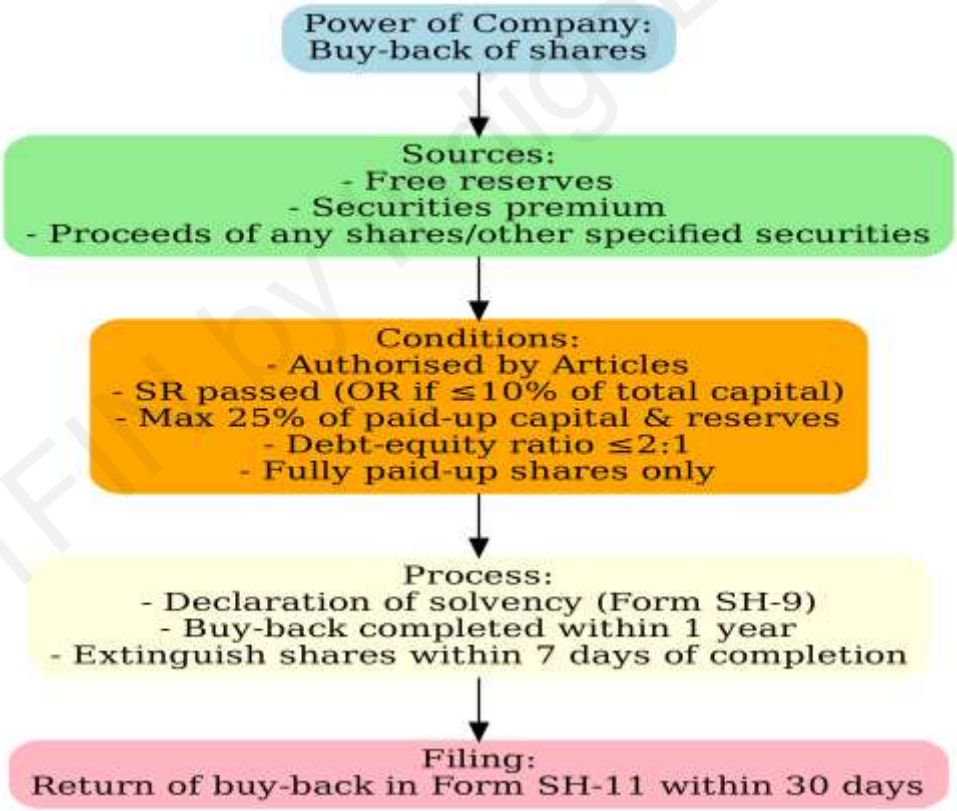
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Section 67 – Restriction on Purchase of own shares



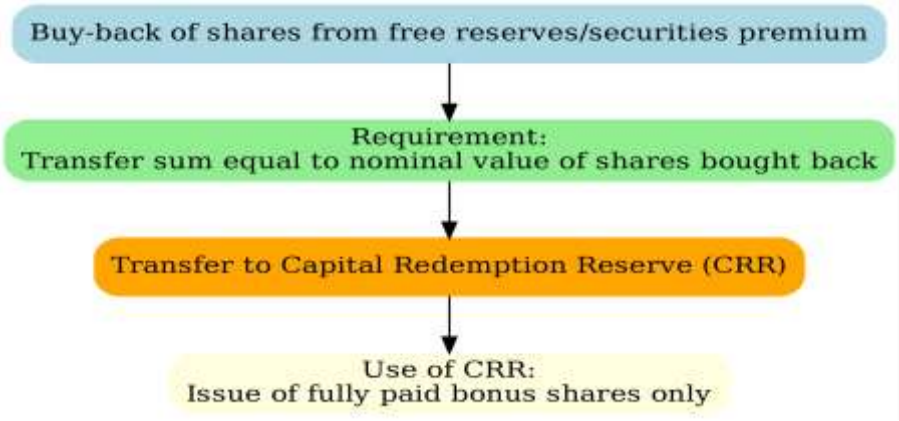
Section 68 – Buy-back of shares



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Section 69 – Transfer to Capital Redemption Reserve



Section 70 – Prohibition on Buy-back



Section 71 – Debentures

- Company may issue debentures with or without voting rights.
- Secured debentures allowed if: charge created on assets, redemption ≤10 years (30 yrs for infrastructure cos).
- Debenture Redemption Reserve (DRR): Certain companies must create reserve from profits for redemption.
- Debenture Trustees: Mandatory if debentures offered to public/ >500 members; protect debenture holders' interests.
- Company cannot issue debentures carrying voting rights.
- On default in repayment → debenture holders/ trustees may apply to Tribunal for relief.

Acceptance of Deposits

Deposit [Sec 2(31)] = Any money received (loan/deposit/other form) by company, except excluded categories (as per RBI rules).



Types: Secured & Unsecured.

Key Features:

- Repayable within fixed time.
- Can be joint (max 3 persons).
- Nomination allowed.
- Must be repaid with interest.
- Premature repayment possible.
- Private Co. → can accept from members only.
- Public Co. → can accept from members + public (if prescribed conditions met).

Amounts Not Treated as Deposits

- Money from CG/SG, local/statutory authority, or repayment guaranteed by CG/SG.
- From foreign govts, banks, institutions, collaborators, or foreign residents (per FEMA).
- Loans from banks, SBI, co-op banks, PFIs, insurance companies, scheduled banks.
- Commercial papers / RBI-approved instruments.
- Inter-company loans.
- Securities application money (if shares allotted within 60 days, else refund within 15 days).
- Money from director (with declaration) or relative of director (in private company).
- Secured debentures / convertible debentures (within 10 years), or listed NCDs without charge.
- Employee deposits (≤ annual salary, non-interest bearing).
- Non-interest bearing trust money.
- Business advances (supply of goods/services, property deals, security deposits, warranties, long-term projects, regulator-approved advances).
- Promoter loans as per bank/financial institution stipulation (only till repayment).
- Deposits by Nidhi companies, chit funds, collective investment schemes.
- Convertible notes (≥ ₹25L) by start-ups, repayable/convertible within 10 yrs.
- From AIFs, VCFs, InvITs, REITs, Mutual Funds (registered with SEBI).

Depositor [Rule 2(1)(d)]

- Member depositing under Sec 73(2), OR
- Any person depositing with a public company under Sec 76.

Eligible Company [Rule 2(1)(e)]

- Public company (Sec 76(1)) with:
  - Net worth ≥ ₹100 Cr OR
  - Turnover ≥ ₹500 Cr
- Must obtain special resolution (SR) approval in GM + file with ROC before inviting public deposits.

Section 73 – Acceptance of Deposits

Aspect	Provision
Section 73(1): Public Deposits	No company shall invite/accept/renew deposits from public except as per Chapter V.



Exempted Companies	- Banking company - NBFC (RBI Act, 1934) - HFC (registered with NHB) - Any other company as notified by CG after consultation with RBI
Section 73(2): Deposits from Members	A company may accept/renew deposits from members if conditions are fulfilled:
Conditions	- Resolution passed in General Meeting - Issue circular to members containing: • Company's financial position • Credit rating obtained • Total number of depositors • Amount due on earlier deposits • Other prescribed particulars
Filing Requirement	Copy of circular to be filed with Registrar 30 days before issue.

Rule 4 – Circulars/Advertisements for Deposits

- **Form Used**: DPT-1.
- **Mode of Issue**: Sent to all members (Regd. Post/Speed Post/Electronic).
- **Publication**: In English newspaper + vernacular newspaper (wide circulation in state of registered office).
- **Auditor's Certificate**: Attached with DPT-1:
- Certify no default in repayment of deposits/interest, OR
- If default occurred, confirm it was rectified and 5 years lapsed since.
- **Validity of Circular**:
    - Up to 6 months from closure of FY, OR
    - Date of AGM where FS are laid, OR
    - Last due date of AGM (if not held).
- **Renewal**: Fresh circular required every FY for inviting deposits.

Deposit Repayment Reserve

- Deposit ≥20% of next FY's maturing deposits in bank A/c by 30th April.
- Must always maintain ≥20%.
- No default in repayment/interest (else rectified + 5 yrs passed).
- Deposits may be secured/unsecured.

Private Company Exemptions

Exempt from Sec 73(2) if –

- Deposits ≤100% of paid-up capital + reserves + premium, OR
- Start-up (≤5 yrs), OR
- Not sub./associate + borrowings <2 times capital or ₹50 Cr & no default.

Repayment of Deposits

Aspect	Provision
Repayment	Every deposit repaid with interest as per terms; Reserve A/c used only for repayment.

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Default	Depositor may apply to Tribunal for repayment/loss recovery.
Tenure	No deposits repayable on demand or <6 months; Max 36 months. Exception: Short-term ≤10% of capital+reserves, repayable ≥3 months.
Limit from Members	Max 35% of capital+reserves+premium. Exception: IFSC public co. & certain private cos. → up to 100%.
Exempt Private Cos.	- Start-ups (10 yrs) - Cos. not sub/associate, borrowings <2× capital or ₹50 Cr, no default.
Trustee for Depositors	Required; must call meeting if ≥1/10th depositors request or default arises.
Interest & Brokerage	Cannot exceed RBI limits; brokerage only to authorised persons.
Application	Deposits only via form with declaration (not borrowed funds).
Joint Deposits	Max 3 joint holders; nomination allowed.
Deposit Receipt	Issued within 21 days with details (amount, rate, maturity).
Return (DPT-3)	Audited return by 30th June every year.
Disclosure	Public co: deposits from directors. Private co: from directors/relatives.
Penal Interest & Punishment	18% p.a. penal interest on overdue deposits. Fine up to ₹5,000 + ₹500/day for continuing default (if no specific penalty).

Acceptance of Deposits by Eligible Companies (Sec 76, Rules)

Aspect	Provision
Eligibility	Only eligible companies can accept deposits from public (besides members).
Resolution	Special Resolution in GM filed with ROC; if deposits within Sec 180(1)(c) limits → Ordinary Resolution sufficient.
Credit Rating	Must obtain annually from recognized agency; file with DPT-3.
Security	For secured deposits → create charge on tangible assets within 30 days.
Trustees	Appoint trustees (consent in advance); execute Trust Deed (Form DPT-2) ≥7 days before circular.
Trustee's Duties	Call meeting if ≥1/10th depositors request OR default/event affecting interest arises.
Trustee Disqualification	Cannot be company's officer/employee, depositor, indebted, materially interested, guarantor, or related.
Removal of Trustee	Only by Board with unanimous directors; if company needs independent directors → at least one must be present.
Deposit Limits (Rule 3)	From members: up to 10% of capital + reserves + premium. From public: up to 25%. Govt company: up to 35%.
Circular/Advt. (Rule 4)	DPT-1; publish in English + vernacular newspaper + on website. File copy with ROC ≥30 days before issue. Valid till earlier of: 6 months after FY close / AGM date / due date of AGM. Fresh circular needed every FY.

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Deposit Receipt (Rule 12)	Furnish receipt within 21 days of money/cheque/renewal; signed by authorised officer; must state depositor details, amount, rate, maturity.

Section 76A - Punishment for Contravention of Deposit Provisions

If a company accepts/ invites deposits in contravention of Sec 73 or 76, or fails to repay deposits/interest:

- Company: Fine not less than ₹1 crore, up to ₹10 crores
- Every Officer in Default: Imprisonment up to 7 years AND fine between ₹25 lakhs to ₹2 crores
- Fraudulent Intent: Person also liable under Section 447 (Fraud provisions)

Filing & Repayment of Deposits

- File statement with ROC within 3 months.
- Repay within 3 years or original maturity, whichever earlier.
- Tribunal may extend time (based on financials & deposit details).
- Penalty: Company – ₹1–10 Cr; Officer – up to 7 yrs jail / ₹25 L–2 Cr / both.
- CG + RBI decide applicability of rules.

Registration of Charges

Meaning [Sec 2(16)]

- Interest/lien on company property/assets as security → includes mortgage.
- Created for repayment of loans (term/working capital, etc.).

Types of Charges

- Fixed Charge – on specific permanent assets (land, building, machinery); cannot sell without lender's consent; vacated on repayment.
- Floating Charge – on fluctuating assets (stock, debtors, raw materials); crystallises into fixed charge when:
  - Terms violated / business ceases / liquidation / enforcement.

Duty to Register (Sec 77–79)

- By Company: Must register charge (within/outside India; tangible/intangible assets).
- By Charge-holder: If company fails, lender may register.
- By Purchaser Company: Must register in its own name if property bought with existing charge.

Registration

- File particulars in Form CHG-1 (general) or CHG-9 (debentures) within 30 days + fee.
- Attach instrument of charge signed by company & charge-holder.

Verification:

- Property outside India → copy certified by company/CS/director/charge-holder.

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- Property in India → certified by company/CS/director/charge-holder.

Exception

Charges in favour of RBI for loans under RBI Act, 1934 Sec 17(4)(d).

Extension of Time

→ Before 2-11-2018: Register within 30 days → else 300 days (with fee) → else 6 months from 2-11-2018.
→ After 2-11-2018: Register within 30 days → +30 days with fee → +60 days with ad valorem fee.
→ Application: Form CHG-1/CHG-9 with declaration (no prejudice to creditors).
→ ROC issues CHG-2 (creation) / CHG-3 (modification).

Consequences of Non-Registration

→ Charge void against liquidator/creditors.
→ Debt valid, but security & priority lost.

Registration by Charge-holder [Sec 78]

→ If company defaults, charge-holder may apply.
→ ROC gives notice → if no objection, registers within 14 days.
→ Fees recoverable from company.

Acquisition/Modification [Sec 79]

→ Buyer company must register charge afresh.
→ Modification (change in terms, limits, interest, schedule, partial release, pari passu ceding) → register & get CHG-3.

Register of Charges – Registrar [Sec 81]

→ ROC keeps register on MCA portal.
→ Open to public inspection (on fee).

Register of Charges – Company [Sec 85]

→ Company to maintain Register at RO (all charges, modifications, satisfaction).
→ Copy of instrument also to be kept.
→ Entries authenticated by director/CS.
→ Inspection: free for members/creditors; fee for others.
→ Preservation: Register → permanent; instruments → 8 years post satisfaction.

Section 82 – Satisfaction of Charge

→ Company must intimate ROC in Form CHG-4 within 30 days (extendable to 300 days).
→ ROC issues CHG-5 if satisfied; else records note of dispute.
→ Charge documents preserved for 8 years after satisfaction.

Section 83 – Registrar's Power

→ ROC may record satisfaction/release even without company's intimation.

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→ Must inform parties within 30 days; issue CHG-5 if fully satisfied.

Section 84 – Receiver/Manager

→ Appointment to be reported in Form CHG-6 within 30 days to company & ROC.
→ ROC updates Register of Charges; cessation also to be reported.

Section 85 – Register of Charges (Company)

→ Company keeps register at RO with all charges/modifications/satisfaction.
→ Inspection: Members/creditors free; others with fees.
→ Register permanent; instruments preserved 8 years post satisfaction.

Section 86 – Punishment & Rectification

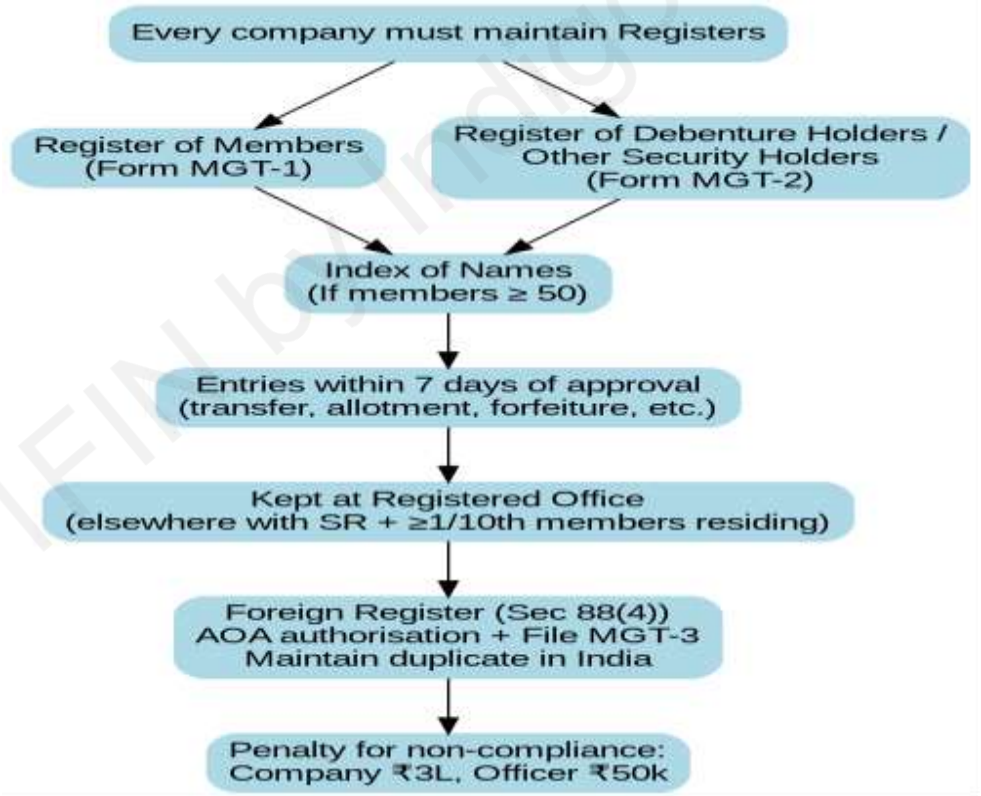
→ False/incorrect info or suppression → Company penalty ₹5L; Officer liable u/s 447.
→ CG may allow rectification (Form CHG-8) if omission/mistake was accidental, inadvertent, or with sufficient cause & no prejudice to creditors/shareholders.

Special Rule

→ For companies under resolution/liquidation, CHG-1, CHG-4, CHG-8, CHG-9 must be signed by IRP/RP/Liquidator.

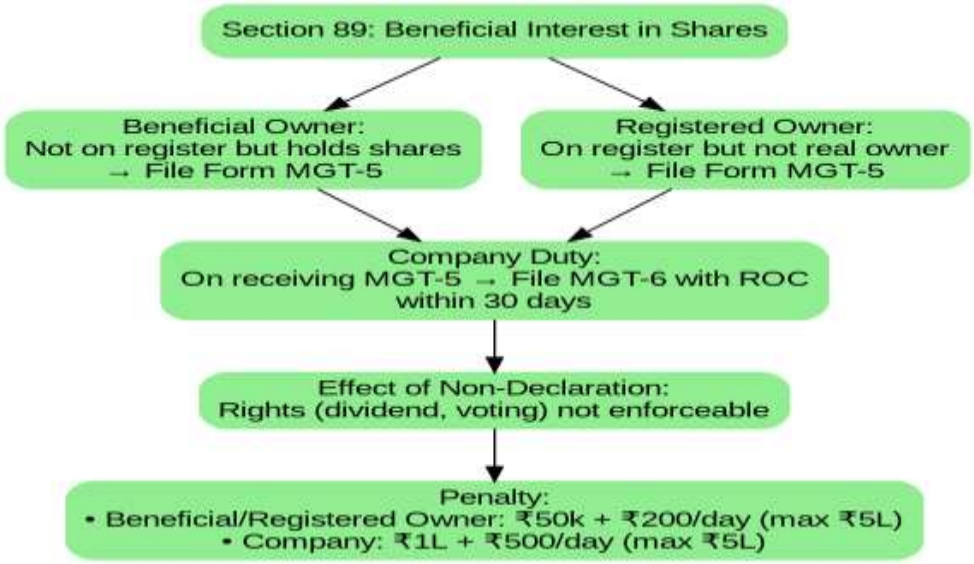
Management and Administration

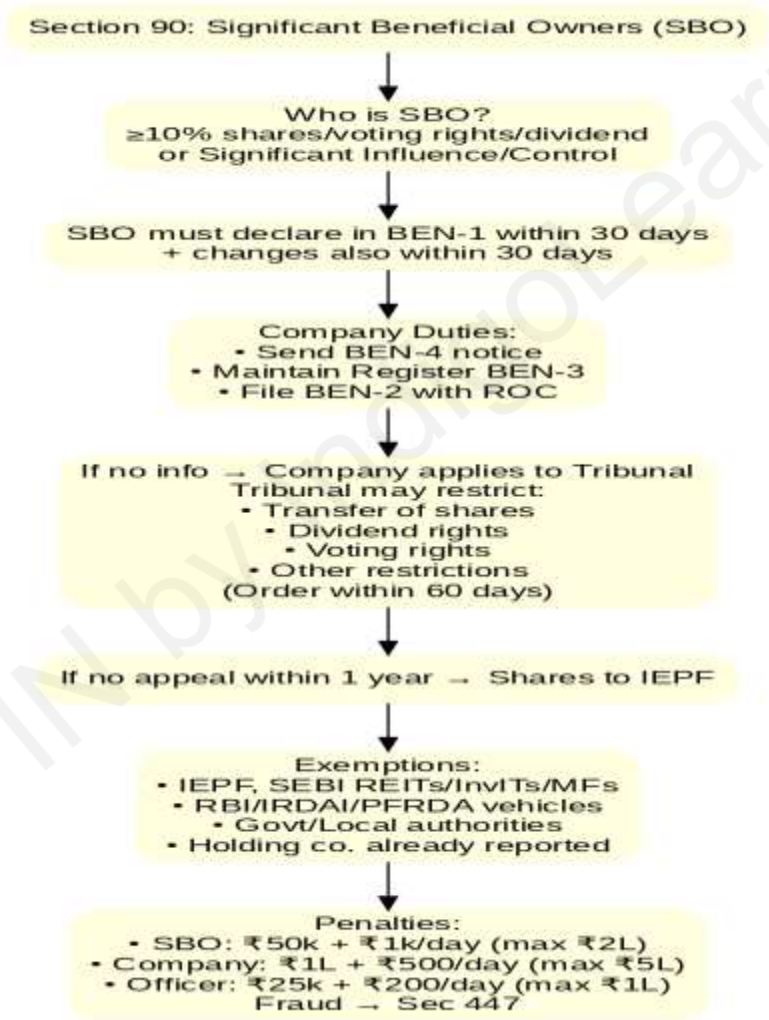
Section 88 - Register of members



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Section 91 – Closure of Register of Members/Debenture Holders/Security Holders

Power to Close Registers - A company may close the Register of Members, Debenture Holders, or other Security Holders.

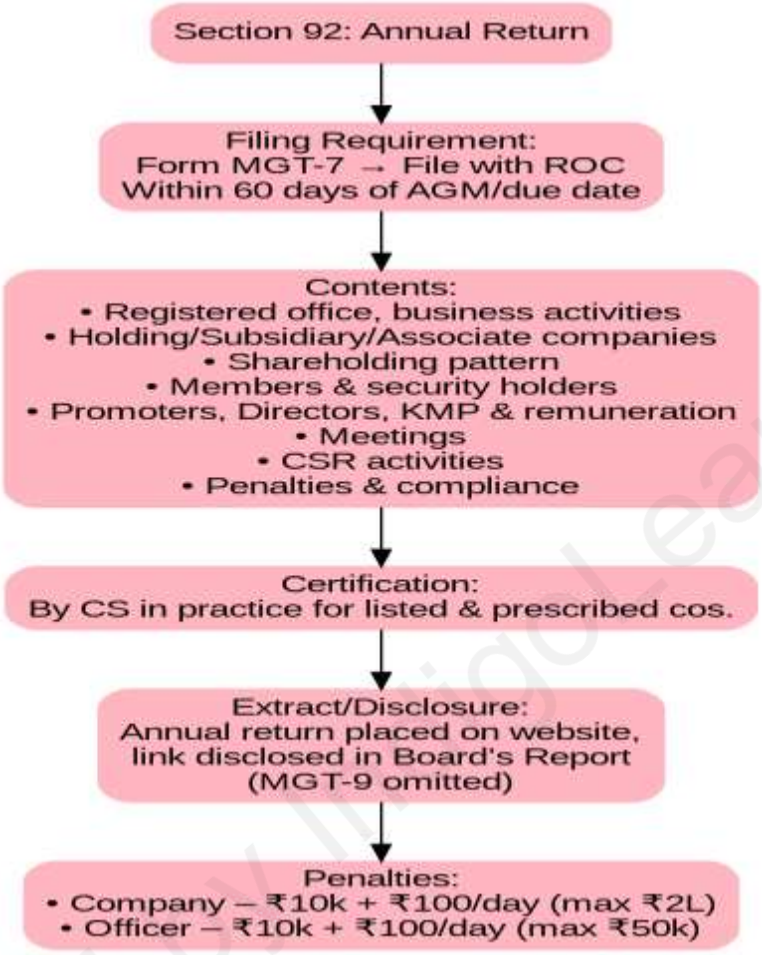


Time Limit - Can be closed for **maximum 30 days at a time**, and **not exceeding 45 days in total in a year**.

Notice Requirement - At least **7 days' prior notice** must be given:

- By advertisement in at least **one English and one vernacular newspaper** circulating at the place of registered office.

- Also publish on the **company's website**, if any.



Section 94 – Registers & Returns

Where to Keep - Registers of members, debenture-holders, other security holders & annual return → kept at Registered Office.

May be kept at any other place in India if:

- Approved by a Special Resolution in general meeting, and
- That place is where ≥1/10th of total members reside.

Inspection Rights - Registers, indices, and annual return open for inspection:

- By members, debenture-holders, security holders → free of cost.
- By others → on payment of prescribed fee.



Copies

Copies of registers, indices, or return must be provided within 7 working days of request (on payment of prescribed fees).

Penalty - Company: ₹1 lakh; Officer in default: ₹25,000

Section 96 – Annual General Meeting (AGM)

Applicability - Every public company must hold an AGM.

First AGM - Within 9 months from the end of the first financial year.

If held within this period → no need for another AGM in that year.

Subsequent AGMs - Within 6 months from end of financial year, but not later than 15 months from the previous AGM.

Notice & Timing - Clear 21 days' notice (by hand delivery, post, or electronic mode), meeting during business hours (9 am–6 pm) on a day that is not a National Holiday, at the registered office or in the same city/town/village.

Section 97 – Power of Tribunal to call AGM

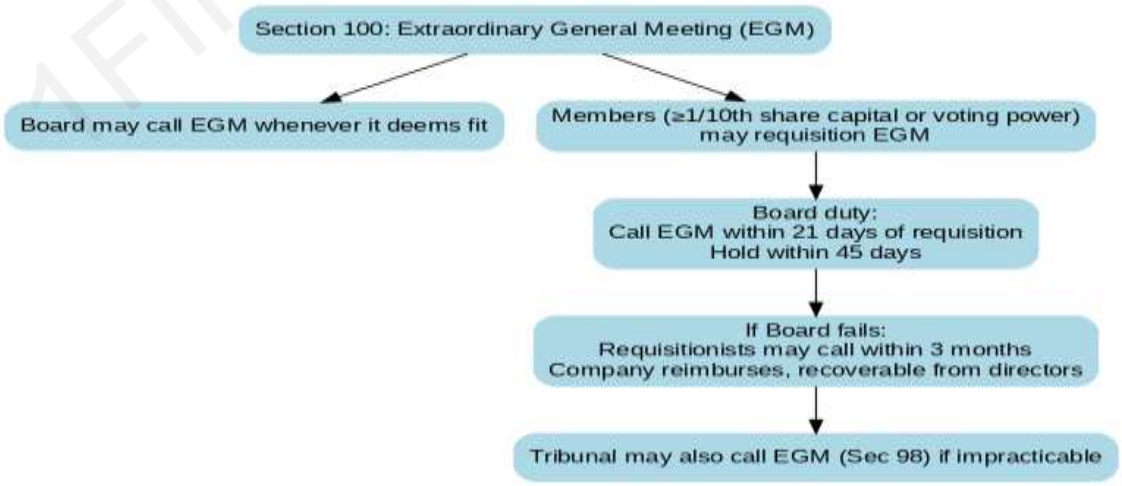
- If a company fails to hold an AGM under Section 96, the Tribunal may order:
- That the meeting be held,
    - Give directions for conducting the meeting (incl. time/place/members entitled).
    - AGM so called shall be deemed an AGM of the company.

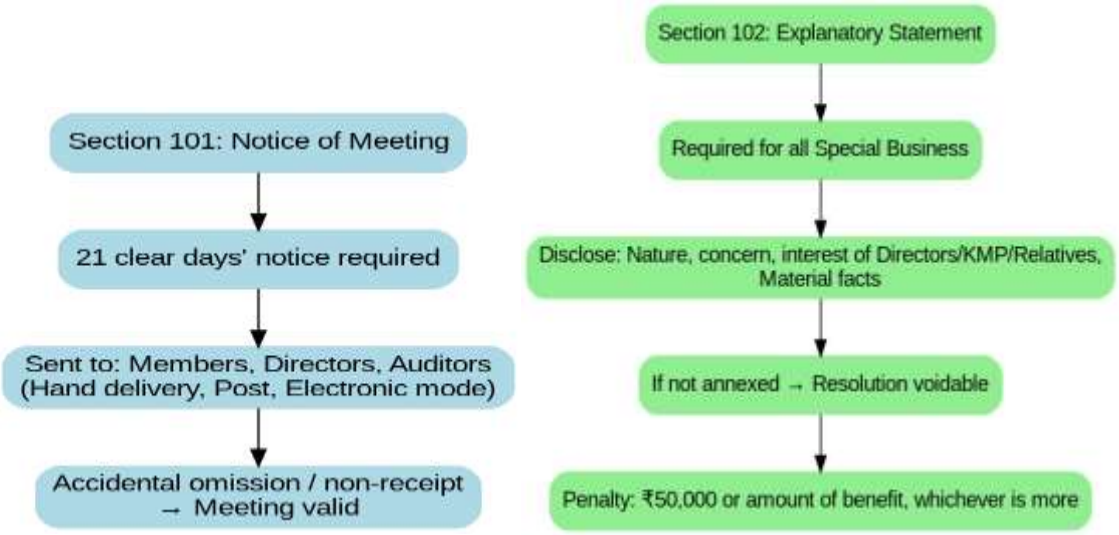
Section 98 – Power of Tribunal to call meetings of members (other than AGM)

- If it is impracticable to call/hold a meeting of company members (other than AGM):
    - Tribunal may order a meeting on application by a member or director.
    - Tribunal gives necessary directions (including quorums, time, place).
    - Meeting so held shall be deemed valid.

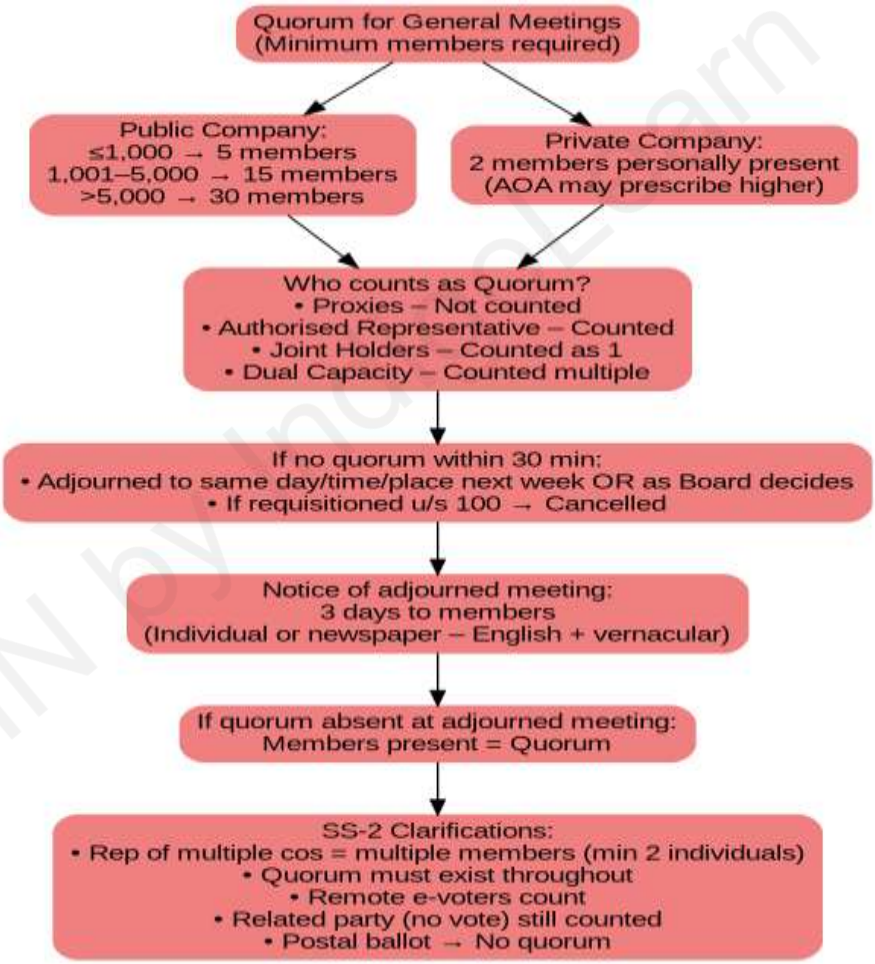
Section 99 – Punishment for default in holding meetings

- Company: Fine ₹25,000
- Every officer in default: Fine ₹5,000





Section 103 – Quorum for meetings



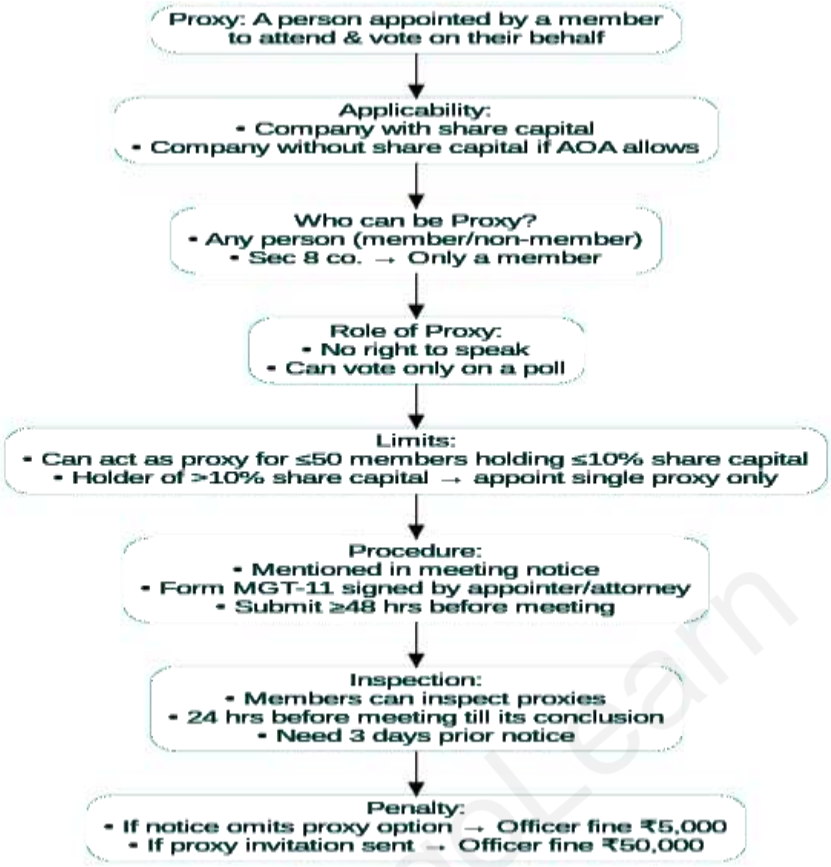
Section 104 – Chairman of Meetings

- Members elect a Chairman unless Articles specify otherwise.
- If a poll is demanded → held immediately or within 48 hrs → person elected chairs the meeting.



- Chairman ensures fair conduct of meeting & voting.

Section 105 - Proxy



Section 106 – Restriction on Voting Rights

- A company may restrict voting rights of a member if:
  - Calls on shares not paid.
  - Company's AOA imposes restrictions.

Sec 106(2): Public company cannot prohibit a member from voting on grounds other than unpaid calls.

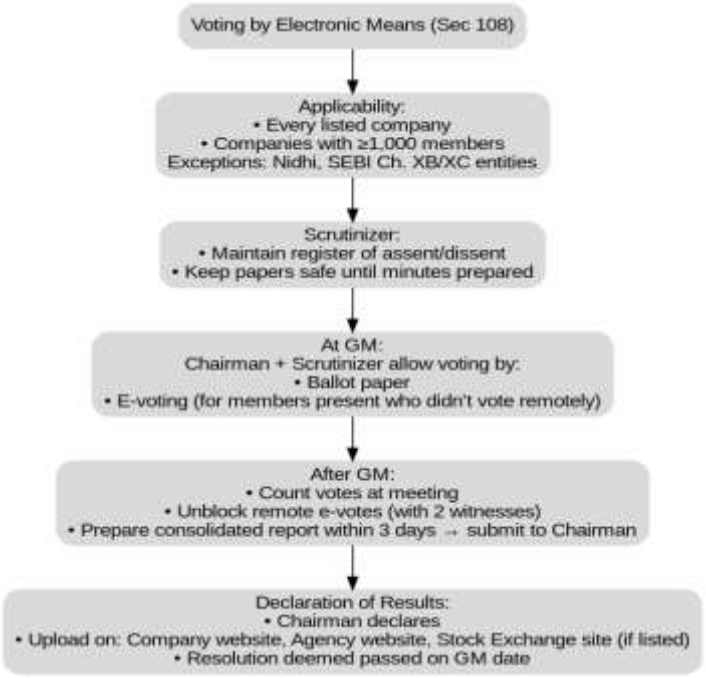
Penalty for contravention: Company + every officer in default → ₹5,000 each.

Section 107 – Voting by Show of Hands

- Default method: Every resolution at a general meeting is decided by show of hands (1 member = 1 vote).
- Poll demand: Allowed before/after show of hands:
  - By Chairman (on his own motion), OR
  - By at least 5 members, OR
  - By members holding ≥1/10th of total voting power, OR
  - By members holding shares with value ≥₹5 lakh.

Unless a poll is demanded → Chairman's declaration of result by show of hands is conclusive.





Section 109 – Demand for Poll

When Poll Can Be Demanded - Before or after declaration of result by show of hands.

Who Can Demand a Poll - Chairman, on his own motion; Members: At least 5 members with voting right, OR Members holding ≥1/10th of total voting power, OR Members holding shares with an aggregate value of ≥₹5 lakh.

Manner of Poll - Conducted as per provisions of Articles (or, in absence, as prescribed).

Chairman appoints scrutinizers.

Result of Poll - Declared by Chairman based on scrutinizer's report. Deemed to be decision of the meeting on that resolution.

Section 110 – Postal Ballot (Summary)

- **Applicability**: Certain items must be passed only through postal ballot (mainly for listed/public companies).
- **Process**: Notice + postal ballot form sent (physically/electronically). Shareholders return ballots within 30 days.
- Votes counted by scrutinizer, results declared.
- **Matters by Postal Ballot** (Rule 22):
    - Alteration of MOA Objects.
    - Alteration of AOA for conversion (private ↔ public).
    - Change of registered office outside local limits.
    - Issue of shares with differential rights.
    - Buy-back of shares.
    - Sale of whole/substantial undertaking.
    - Loans/guarantees > Sec 186 limits.
    - Any other prescribed by CG.

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- **Exclusions:** Ordinary business at AGM (e.g. accounts, dividends, director/auditor appointments).
- **Penalty:** Company – ₹25,000; Officer – ₹5,000.

Section 111 – Circulation of Members' Resolutions

Prerequisites: Requisition made in writing.

- Signed by members holding ≥ 1/10th of paid-up share capital (with voting rights) OR ≥ 1/10th voting power (if no share capital).
- Filed at registered office:
  - Resolution notice – at least 6 weeks before meeting.
  - Other requisitions – at least 2 weeks before meeting.
  - Requisitionists deposit reasonable sum for expenses.
- Notice to Members: Company must circulate resolution/statement to members.
- Exemption: If CG declares requisition is for defamatory/needless publicity.
- Penalty: ₹25,000 for company & each officer in default.

Section 112 – Representation of President/Governor

- President of India / Governor of State (if member of company) can appoint representative.
- Representative has all rights & powers of a member (like voting, attending).

Section 113 – Representation of Corporations

- Anybody corporate (member/creditor) can appoint representative by a Board/Governing body resolution.
- Such representative has same rights as a member/creditor.

Section 114: Ordinary vs Special Resolution

Ordinary Resolution

- Start → Notice Given → Votes in favour > Votes against → Resolution Passed

Special Resolution

- Start → Intention specified in notice → Notice Given → Votes in favour ≥ 3x Votes against → Resolution Passed

Section 115: Resolutions Requiring Special Notice

Start → Member(s) holding ≥1% voting power or shares ≥ ₹5,00,000 → Special notice (14 clear days, not earlier than 3 months) → Company circulates notice / publishes in newspaper → Resolution moved at meeting

Section 116: Resolutions at Adjourned Meeting

Start → Adjourned Meeting held → Resolution Passed → Effective Date = Actual Date of Passing

Section 117: Filing of Resolutions

Start → Resolution/Agreement Passed → File with ROC in MGT-14 within 30 days → ROC Registers → AOA altered if applicable

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Section 118 – Minutes of Proceedings

- Prepare & sign minutes within 30 days of meeting/postal ballot
- Minutes = Fair & correct summary + appointments
- Exclude defamatory/irrelevant/detrimental matters
- Tampering with minutes → Jail up to 2 years + Fine ₹25k–₹1L
- Penalty: Company ₹25k, Officer ₹5k

Section 119 – Inspection of Minute Books

- Minute books open for inspection during business hours
- Members may inspect free of charge (2 hrs/day)
- Copy must be given within 7 days (on fee payment)
- Penalty: Company ₹25k; Officer ₹5k
- Tribunal may order inspection/copy

Section 120 – Maintenance of Documents in Electronic Form

- Listed companies / Co. with ≥1000 members → maintain electronic records
- Records must be readable, retrievable, printable
- Digitally signed → Non-editable after signing
- Daily backups, authenticated & secured
- Access limited to MD/CS/authorised persons
- Copies available for inspection (₹10 per page)

Section 121 (Report on AGM)

Every Listed Public Company → Prepare AGM Report

↓

Confirm meeting convened, held & conducted as per Act/Rules

↓

File report with ROC → Form MGT-15 within 30 days

↓

Signed by Chairman OR (if not) → 2 Directors (one MD) + CS

↓

Contents: Date/Day/Hour/Venue, Chairman appointment, Attendance, Quorum, Compliance confirmation, Business transacted, Adjournments/Changes, Other relevant points

↓

Penalty: Company ₹1,00,000 + ₹500/day (max ₹5,00,000); Officer ₹25,000 + ₹500/day (max ₹1,00,000)

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Declaration and Payment of Dividend

Meaning of Dividend

Defined in Sec. 2(35) → includes Interim Dividend.
Distribution of profits = portion of profit given to shareholders.
Recommended by Board of Directors (BOD) in Board's Report (Sec.134(3)).
Approved by shareholders at AGM (Ordinary Resolution).
Not a liability until declared.
Cannot exceed rate recommended by BOD.
Declared as % of Nominal/Face Value of share.

Types of Dividend (Based on Time)

Basis	Final Dividend	Interim Dividend
Meaning	Declared after finalization of accounts	Declared during the year before finalization
Who declares	Recommended by BOD + Approved at AGM	Declared by BOD
Timing	After preparation of FS	Before preparation of FS
Revocation	Cannot be revoked	Can be revoked with shareholder consent

Sources for Declaring Interim Dividend

- Surplus in P&L Account
- Profit of the current financial year
- Profits generated till the quarter preceding declaration date

Conditions for Declaring Interim Dividend

- Must be ratified in the ensuing AGM.
- If company has loss in current FY (till preceding quarter) → Interim dividend ≤ average rate of dividend in last 3 FYs.
- Within 5 days, amount declared must be deposited in separate bank account.
- All provisions applicable to payment of dividend also apply to interim dividend.

Topic	Key Points (Easy Revision)
Sources for Declaration of Dividend	•Profits of current FY (after depreciation u/s Sch. II) •Undistributed profits of previous FYs (after depreciation) •Only **free reserves** can be used, no other reserves •Money provided by CG/SG under guarantee

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Free Reserves (Sec. 2(43))	Reserves available for dividend distribution as per latest audited Balance Sheet
Computation of Profits	• Set off past losses + unprovided depreciation before declaration • Exclude unrealised, notional, revaluation, capital profits • If depreciation not provided → assets & profits overstated
Transfer to Reserves	• At company's discretion• May transfer any portion of profit• Not mandatory
When Inadequacy / Absence of Profits (Rule 3)	Dividend can be declared from free reserves subject to conditions: **Condition 1:** Dividend rate ≤ average of last 3 FYs (except if no dividend in all 3 FYs) **Condition 2:** Total withdrawal ≤ 10% of (Paid-up Share Capital + Free Reserves) **Condition 3:** Balance of reserves ≥ 15% of Paid-up Share Capital after withdrawal **Note:** Amount withdrawn first set off against current year losses
Depositing Dividend Amount	• Dividend (including interim) → deposit in separate bank a/c within **5 days** of declaration• **Exception:** Not applicable to wholly Govt. companies
Payment of Dividend	• Payable **within 30 days** of declaration• Payable to registered shareholder / his order / his banker • Payment methods: cheque, warrant, electronic transfer• Unclaimed dividend → credited to member's account• Dividend cannot be adjusted by issuing bonus shares in lieu
Prohibition on Declaration of Dividend	• Company in default u/s 73 & 74 (deposits) → cannot declare dividend till default continues• Section 8 Companies → prohibited from paying dividend; profits must be applied only for its objectives

Unpaid Dividend Account

30 Days Rule: If dividend not paid/claimed within 30 days → transfer to Unpaid Dividend Account (UDA) within 7 days in a scheduled bank.

Application by Claimant: Person entitled can apply to the company for payment.
90 Days Statement: Within 90 days of transfer to UDA, company shall prepare a statement (names, addresses, amount) and place it on company website & other site approved by CG.

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Interest on Default: If default in transferring → interest @ 12% p.a. payable to members proportionately.

Transfer to IEPF: Any money unpaid in UDA for 7 years → transfer to Investor Education and Protection Fund (IEPF). Company to send statement to IEPF Authority, which issues receipt.

Shares Transfer to IEPF: Shares with unpaid/unclaimed dividend for 7 consecutive years or more → transferred to IEPF. Claimant can reclaim shares from IEPF.

Punishment for default

Particulars	Company	Officer in Default
Penalty (one-time)	₹1,00,000	₹25,000
Continuing Failure (per day)	₹500/day	₹100/day
Maximum Limit	₹10,00,000	₹2,00,000

Credit of Specified Amounts to IEPF

Sources of Credit	Examples / Notes
Unpaid Dividend	Amount in UDA (7 years)
Govt. Contributions	Amounts given by CG / SG, donations
Past Balances	General Revenue A/c of CG, old IEPF balances
Deposits & Debentures	Matured deposits, debentures, redemption amounts, interest, application money
Shares & Benefits	Unclaimed shares (7 yrs), bonus/split shares, benefits on such shares
Disgorgement / Disposal	Amounts from disgorgement or disposal of securities
Grants, Fees & Other Sources	Grants, charges, income from investments, Banking Acts sums
Sec. 90(9)	Shares transferred due to significant beneficial ownership
Term Deposits & Debentures	With unpaid interest (Rule 3(3))

Utilisation of the Fund

- Refund of unclaimed dividends, matured deposits, debentures, application money & interest.
- Investor education, awareness & protection programmes.

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- Distribution of disgorged amounts to eligible investors.
- Reimbursement of legal expenses in class action suits.
- Any other incidental purposes.

Authority & Administration

- Authority set up by Central Government (Chairperson + ≤7 members + CEO).
- CG appoints officers & employees for management.
- Separate Accounts to be maintained.
- Fund audited annually by CAG-appointed auditor.
- Audit + Annual Report forwarded to CG & laid before Parliament.

Section 126 – Rights in Abeyance (Pending Transfer of Shares)

When share transfer instrument delivered but not registered:

• Dividend → transferred to UDA.

• Right shares / Bonus shares → kept in abeyance.

Time Limit

- Dividend must be **paid / warrant posted within 30 days** of declaration.
- If posted within 30 days → no default, even if not received.

- **Punishment for Default**
  - **Directors (party to default):** Jail up to 2 yrs + ₹1,000/day (continuing).
  - **Company:** Interest @ 18% p.a. till payment.

Exemptions (No penalty if non-payment due to):

- Operation of law.
- Shareholder's payment directions (not complied, but informed).
- Dispute on right to receive dividend.
- Dividend lawfully adjusted against dues.
- Not due to company's fault.

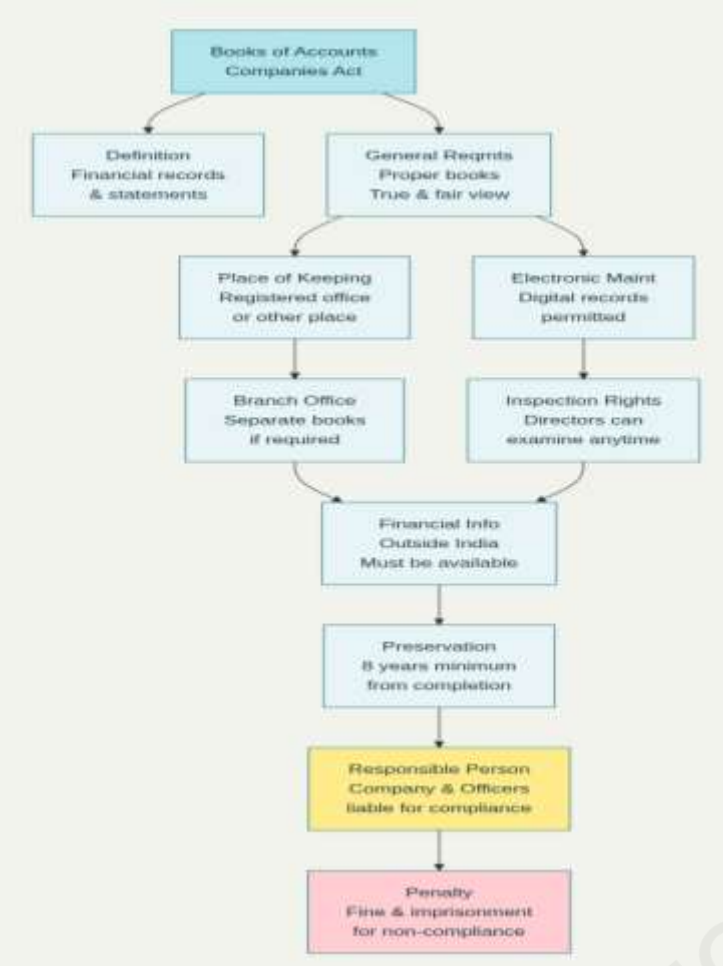
Nidhis Special Rule

- If dividend ≤ ₹100 → just announce in local newspaper + display on notice board (3 months).

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Accounts of companies



Electronic Maintenance (Rule 3)

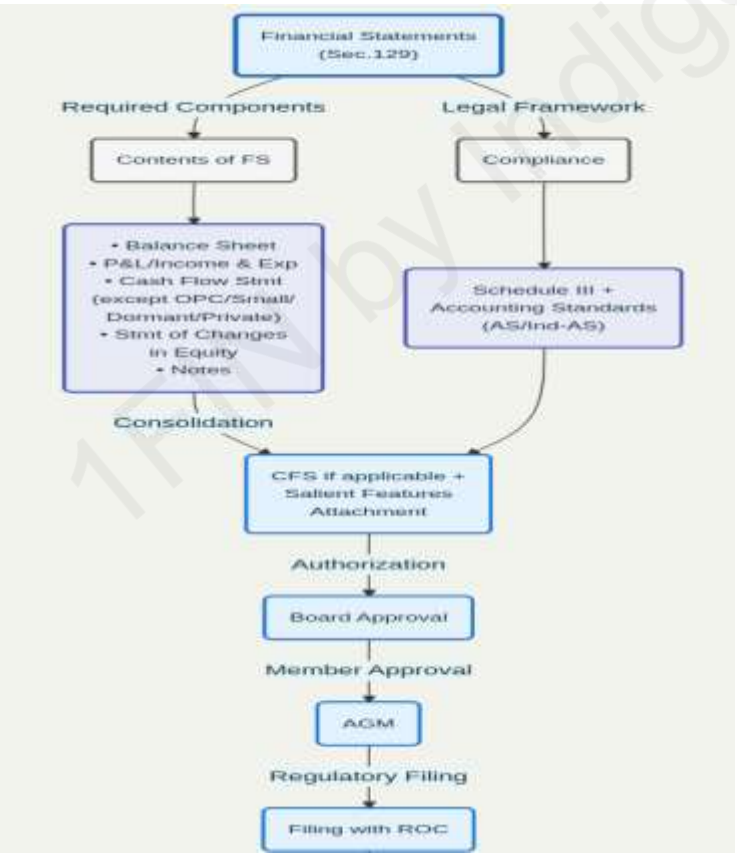
- Must keep **audit trail, edit log (date-wise), non-disabling system**.
- Records complete, unaltered, legible.
- Daily **back-up in India servers**.
- ROC informed annually: service provider details, IP address, location, cloud address, etc.

Inspection

- **Directors** can inspect books during office hours.
- Subsidiary books → only with BOD resolution.
- Financial info outside India → Director may request in writing (company must provide in 15 days).

Responsibility & Penalty

- Responsible: **MD, WTD (Finance), CFO, or person authorised by BOD**.
- Penalty: **₹50,000 – ₹5,00,000**.



Adoption & Filing

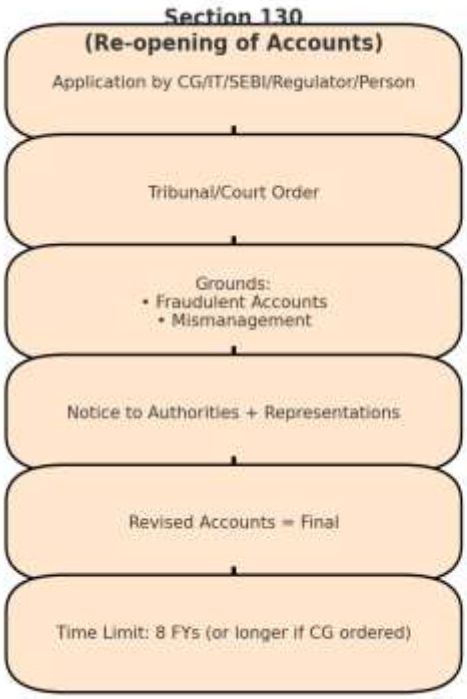
- FS + CFS approved by **Board** → laid before AGM → filed with ROC

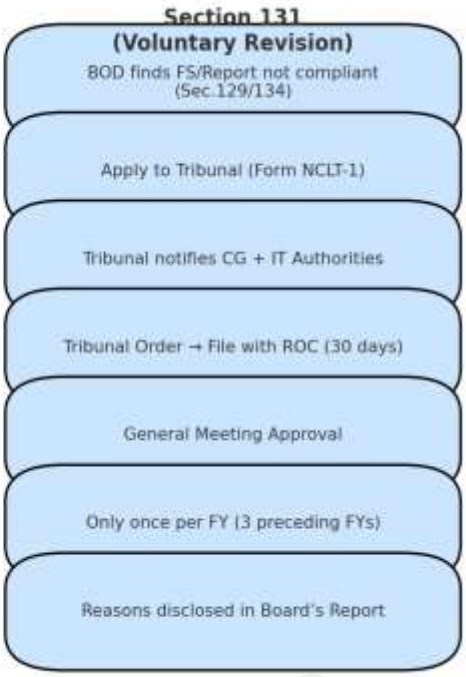
Additional Provisions

- If contravention → **penalty**.
- Directors must ensure compliance.

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Section 132 – NFRA (National Financial Reporting Authority)

Role

- Regulates accounting & auditing standards.
- Monitors, enforces compliance, investigates misconduct of CAs/audit firms.

Powers

- Civil court powers (summon, inspect, demand docs).
- Can impose penalty & debar professionals/firms.

Penalties

- Individual CA: ₹1–5 lakh + debar 6m–10y.
- Audit firm: ₹10 lakh – 10x fees + debar 6m–10y.

Composition

- Chairperson + ≤15 members (appointed by CG).

Coverage

- Listed companies, large unlisted public cos., & other prescribed cos.

Central Government prescribes **Accounting Standards** (AS/Ind-AS). Done in consultation with & recommendation of **NFRA**.

All companies to comply with AS notified u/s 133.

Different AS may be prescribed for:

- **Classes of companies**

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- **Classes of accounting standards**



Must contain (highlights):

- Extract of Annual Return (Sec.92).
- No. of Board Meetings.
- Director's Responsibility Statement.
- Declaration by Independent Directors.
- Loans/Guarantees/Investments (Sec.186).
- Related Party Transactions (Sec.188).
- State of Company's Affairs & Dividend.
- Material Changes, CSR Policy, Risk Management.
- Remuneration details of directors/KMP.
- Frauds reported by auditors (if any).

Signed by **Chairperson (if authorized)** OR **2 directors (1 MD)**.

Filing

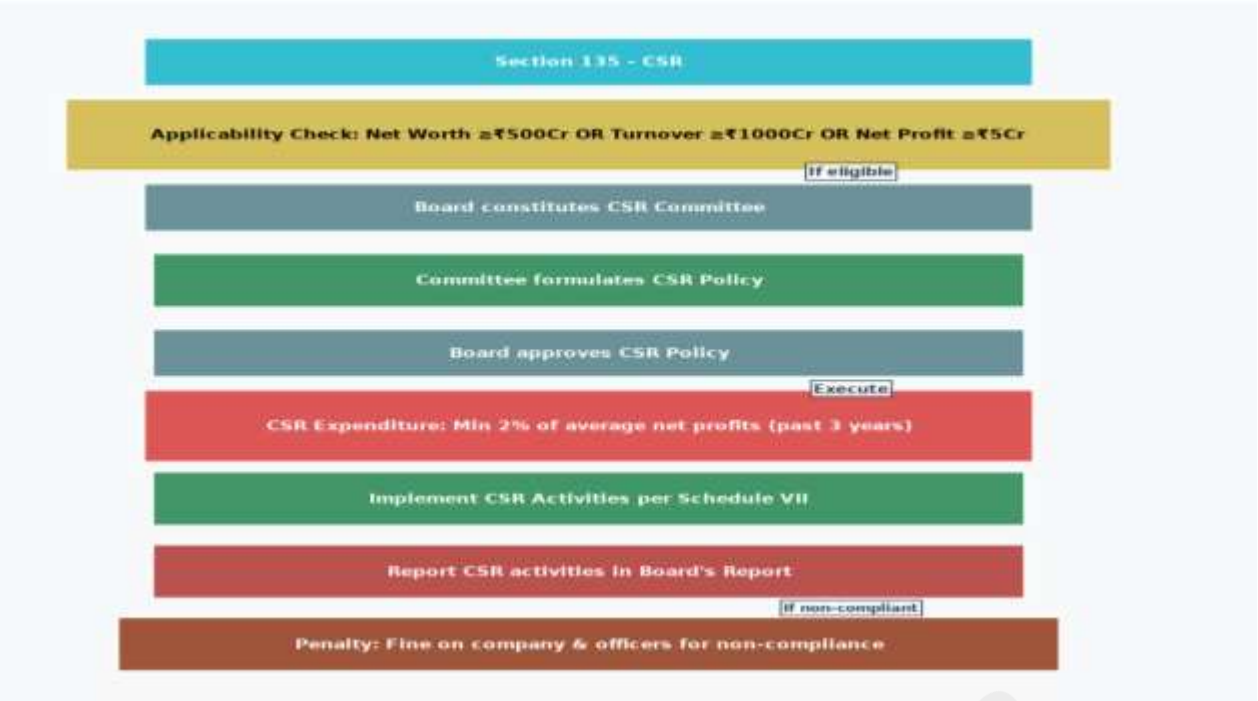
- FS + Board's Report + Auditor's Report → filed with **ROC** (in Form AOC-4).

Penalty

- **Company:** ₹3,00,000.
- **Officer in default (incl. directors):** ₹50,000.

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Unspent CSR Amount

- **Ongoing project:** Transfer to **Unspent CSR A/c** (within 30 days), spend within 3 yrs.
- **Other cases:** Transfer to **Fund specified in Schedule VII** within 6 months.

Penalty (if default)

- **Company:** 2x amount not spent OR ₹1 crore (whichever is less).
- **Officers:** 1/10th of unspent OR ₹2 lakh (whichever is less).

Section 136 – Right of Members to Financial Statements

Circulation of FS

- Company must send to every member, trustee, debenture-holder & entitled person:
    - Financial Statements (FS)
    - Consolidated FS (if any)
    - Board's Report
    - Auditor's Report
- **At least 21 days before AGM.**
- If company has a website → place FS, including consolidated FS, on the website.
- **Listed companies** → also send statement containing salient features to every member

Section 137

Particulars	Provision
What to File	Financial Statements (incl. CFS), Board's Report, Auditor's Report

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Form	AOC-4 / AOC-4 CFS
Time Limit	- **Adopted at AGM:** Within 30 days of AGM - **Not adopted at AGM:** Provisional FS within 30 days of AGM + final within 30 days of adoption - **Adjourned AGM:** 30 days from adjourned AGM - **OPC:** Within 180 days of FY end
Penalty (Company)	₹1,000 per day (max ₹10,00,000)
Penalty (Director in default)	₹25,000 each

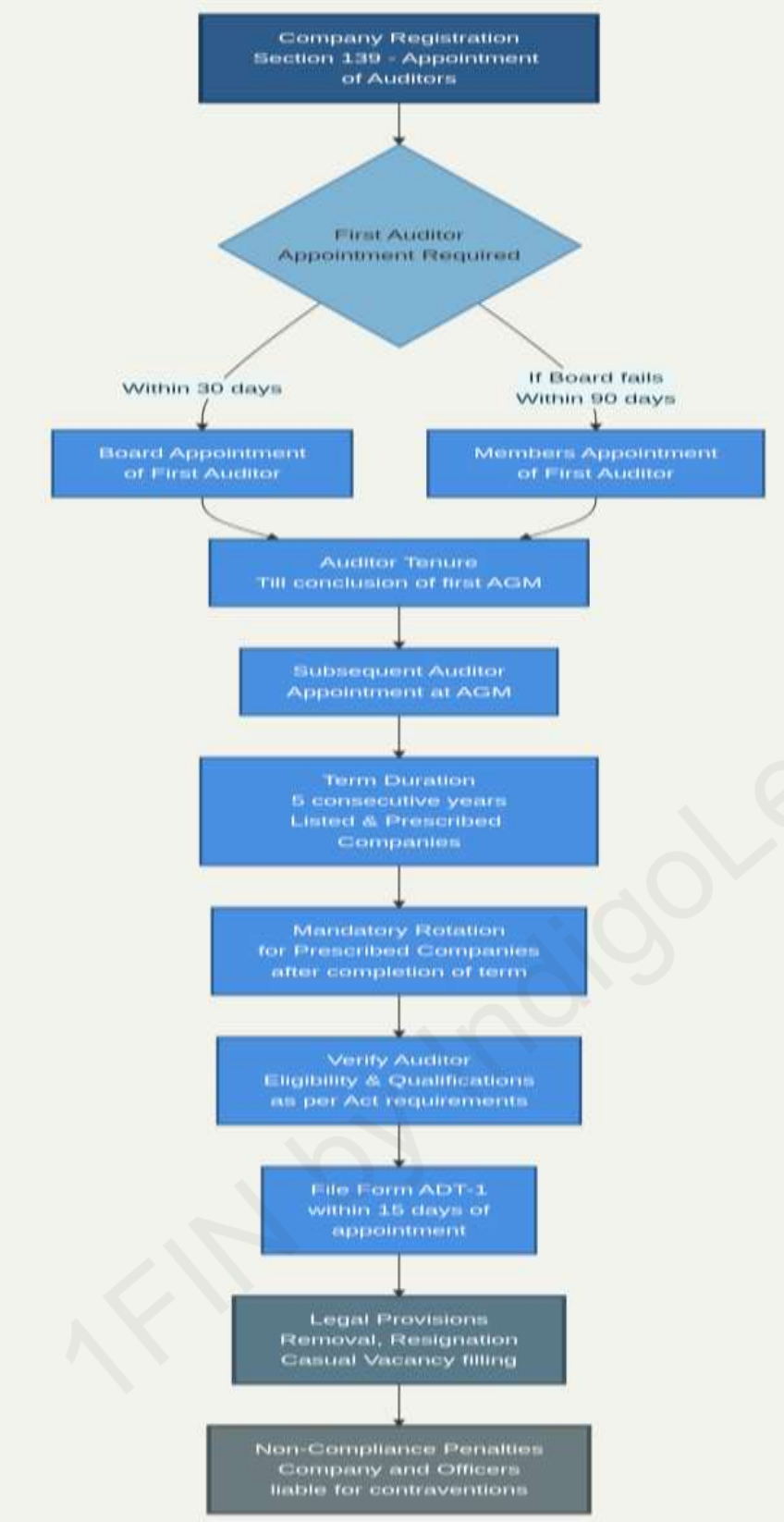
Section 138 Internal Audit

Particulars	Provision
Applicability	Certain classes of companies (as prescribed): - Listed companies - Unlisted public co. (≥ ₹50 cr share capital OR ≥ ₹200 cr turnover OR ≥ ₹100 cr loans/borrowings OR ≥ ₹25 cr deposits) - Private co. (≥ ₹200 cr turnover OR ≥ ₹100 cr loans/borrowings)
Who can be Internal Auditor	Chartered Accountant (CA), Cost Accountant, or other professional (may be employee or firm).
Appointment	By the Board of Directors.
Scope & Function	To evaluate and improve effectiveness of **risk management, control & governance processes**.
Reporting	Internal Auditor reports to the Board/Audit Committee.
Penalty	Not specifically prescribed under this section → general penalty of Companies Act may apply.

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Audit and Auditors



Govt. Companies

Appointed by **C&AG of India**:

- First auditor within **60 days of incorporation**.
- Subsequent auditor within **180 days from start of FY**, holds till AGM.

Rotation of Auditors

Mandatory for: listed cos., unlisted public co. (≥ ₹10 cr cap), private co. (≥ ₹50 cr cap), companies with borrowings ≥ ₹50 cr.

- Individual auditor → max **1 term of 5 yrs**.
- Audit firm → max **2 terms of 5 yrs each**.
- Cooling-off: **5 years** before re-appointment.

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Case	Key Points
Removal [140(1)]	CG approval (Form ADT-2) + SR in GM within 60 days. Auditor must be heard. (IFSC co. → deemed approved if no reply in 60 days).
Resignation [140(2)&(3)]	Auditor files ADT-3 with Co./ROC (and CAG for Govt. co.) within 30 days. Penalty: ₹50k or fees (lesser); continuing default ₹500/day (max ₹2L).
New auditor (other than retiring) [140(4)]	Needs Special Notice. Retiring auditor can send representation (circulated/read in GM). ROC filing needed. Tribunal may block misuse.
Fraud [140(5)]	Tribunal/CG can remove auditor for fraud. Debarred for **5 yrs** + liable u/s 447.

Section 141 – Qualifications and Disqualifications of an auditor

Particulars	Provision
Eligibility	- Only a **Chartered Accountant (CA)** (individual or firm) can be appointed as auditor. - If a firm → majority of partners must be practicing CAs.
Disqualifications	The following cannot be appointed as auditor: 1. Body corporate (other than LLP). 2. Officer/employee of company. 3. Partner/employee of officer or employee of company. 4. Person who is indebted to company, its subsidiary, holding, associate > ₹5 lakh. 5. Person holding security/interest in company/subsidiary/holding/associate. 6. Person with business relationship with company. 7. Person convicted of fraud (10 years not elapsed). 8. Person providing services prohibited u/s 144.
Ceiling on Audits	- Individual CA / firm cannot audit more than **20 companies** (other than small co., OPC, private co. < ₹100 cr paid-up cap).
Effect of Disqualification	Auditor must vacate office; deemed to be resignation.

Section 142 – Remuneration of Auditors

Particulars	Provision
Fixation of Remuneration	Fixed at **General Meeting** (except first auditor → Board fixes).
What it Includes	Audit fee + expenses incurred + facilities extended.
What it Excludes	Any remuneration for **other services** (e.g. consultancy, advisory) specifically prohibited u/s 144.
Manner of Payment	Paid by the company or in case of Govt. companies → by the C&AG.

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Section 143 – Power and Duties of Auditors

Particulars	Provision
Access to Books	Auditor has **right of access** to all books, accounts & vouchers of company (incl. branch).
Inquiries to be made	Auditor must inquire into: - Loans & advances shown properly - Transactions prejudicial to company - Book entries prejudicial/fraudulent - Investments sold below cost - Loans/advances secured by securities properly stated - Personal expenses charged to revenue.
Duties	Report whether FS give **True & Fair View** and comply with Act/AS.
Branch Audit	Branch accounts → audited by company auditor or another auditor.
Reporting of Fraud	Auditor must report fraud (u/s 143(12)) to CG (if ≥ prescribed amount) or to Audit Committee/Board (if < prescribed amount).
CARO	Auditor's Report must include matters specified in Companies (Auditor's Report) Order (CARO), if applicable.
Government Companies	C&AG directions to auditor → report submitted to C&AG.

Section 144 – Prohibited Services

Provision	Details
Restriction	Auditor (individual/firm) cannot provide certain services (directly or indirectly) to the company, its holding, or subsidiary.
Prohibited Services	- Accounting & Book keeping - Internal Audit - Design & Implementation of Financial Information System - Actuarial Services - Investment Advisory / Banking / Investment Services - Outsourced Financial Services - Management Services - Any other service as prescribed
Purpose	To ensure **auditor independence** & avoid conflict of interest.

Section 145 – Signing of Audit Report

Auditor's Report must be **signed by the auditor** (individual) or by a partner (in case of firm, only practicing CA partner).

Auditor must mention **name, membership number, and firm registration number (if any)**.

Section 146

Auditor must be given **notice of all general meetings**.

Auditor has the **right to attend** and **be heard** on matters concerning him

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Section 147 – Punishment for default

Provision	Penalty
Company (if contravenes Sec.139-146)	Fine: ₹25,000 – ₹5,00,000
Officer in Default	Fine: ₹10,000 – ₹1,00,000
Auditor (contravenes knowingly/wilfully)	Fine: ₹25,000 – ₹5,00,000 OR 4x fees received (whichever is less)
If Auditor acts fraudulently	Imprisonment up to **1 year** + Fine: ₹50,000 – ₹25,00,000

Section 148 – Cost Audit

Particulars	Provision
Maintenance of Cost Records	Certain prescribed class of companies (engaged in specified goods/services) must maintain **cost records**.
Order of CG	CG may order maintenance of cost records & cost audit (in consultation with NFRA).
Cost Auditor Appointment	- Appointed by **Board of Directors**. - Must be a **Cost Accountant in practice**. - Remuneration fixed by members in GM.
Report Submission	Cost Auditor → Board of Directors → then filed with **Central Government** in prescribed form.
Penalty	- **Company:** ₹25,000 – ₹5,00,000. - **Officer in default:** ₹10,000 – ₹1,00,000. - **Cost Auditor (contravention):** ₹25,000 – ₹5,00,000.

Companies Incorporated outside India

A **Foreign Company** = A company/body corporate incorporated **outside India** which:

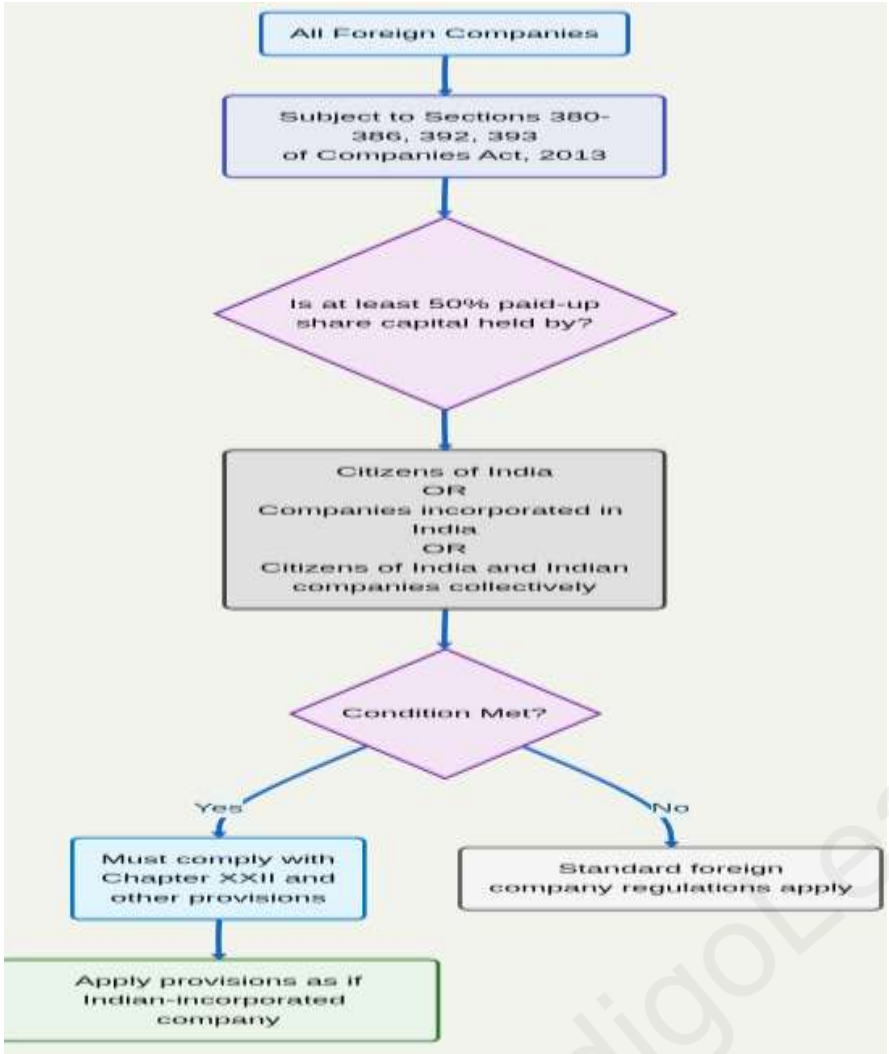
1. Has a **place of business in India** (by itself/agent, physical/electronic), **AND**
2. Conducts **business activity in India**.

***Electronic Mode* includes**

B2B / B2C transactions (e-commerce, streaming); Inviting deposits / subscriptions from Indians, Financial settlements (payment gateways), Web-based marketing (Google/FB/IG ads), Advisory & transactional services, Database & supply chain services, Online services – telemarketing, telemedicine, e-learning, research, Data communication via email, mobile, cloud, social media, etc.

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Section 380 – Documents to be delivered to Registrar by Foreign Company

Requirement	Details
Timeline	Within **30 days** of establishing place of business in India
Documents to file with ROC (Delhi)	1. Certified Charter docs (MoA/AoA/constitution) + English translation 2. Overseas registered/principal office address 3. List of directors & secretary with full particulars (name, DOB, nationality, passport, PAN, DIN, directorships, email, etc.) 4. Name & address of resident(s) in India authorised to accept notices/process 5. Full address of Indian office (principal place of business) 6. Details of earlier opening/closing of business in India 7. Declaration – no director/rep convicted or debarred 8. Any other prescribed information
Additional Approvals	RBI approval (FEMA) & other regulators' approvals, if required; or declaration that none needed
Alteration	Any change in filed documents → inform ROC within **30 days** (Form FC-2)
Cessation	If company ceases to have place of business in India → notice to ROC; from that date, no further filing required (if no other office in India)

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Section 381	Accounts of Foreign Company
Requirement	**Provision**
Preparation of Accounts	Every foreign co. → Prepare **Balance Sheet & P&L** of Indian business operations in **Schedule III format** (with certified English translation if not in English).
Consolidated FS of Parent	Also file parent co.'s CFS submitted abroad (with English translation).
Financial Year	Default FY → 31st March. Exception → If subsidiary/holding of foreign co., may apply to **CG** for different FY to align with parent.
Documents to Attach	With FS → - Statement of **Related Party Transactions** - Statement of **Repatriation of Profits** - Statement of **Transfer of Funds (incl. dividends)**
Form	File with ROC in **Form FC-3** + list of all places of business in India.
Timeline	Within **6 months** of close of FY (ROC may extend by max 3 months).
Exemptions	CG may exempt/modify requirements for certain foreign cos. via notification.
If cease business in India	Notice to ROC → filing obligation ceases if no other place of business in India.
Audit of Accounts	Accounts of Indian business must be **audited by CA in practice (India)** / firm / LLP. Provisions of **Sec.139–148 (Audit & Auditors)** apply *mutatis mutandis*.

Section 382 – Display of name of foreign company

Requirement	Provision
Name & Country of Incorporation	Must be **clearly displayed** outside every office/place of business in India in **English + local language**.
On Documents	Name & country of incorporation must appear on **letters, bill-heads, letterheads, notices, advertisements, official publications** in legible English.
Limited Liability Notice	If liability is limited → must be stated: (a) In every prospectus, letter, bill-head, notice, ad & publication. (b) Conspicuously outside every office/place of business in India (English + local language).

Section	Provision
Sec. 383 – Service on Foreign Co.	Service deemed sufficient if sent to the **person & address filed with ROC u/s 380** (by post, delivery, or electronic mode).
Sec. 384 – Debentures, Annual Return, Charges, Books	(i) **Sec. 71 (Debentures)** applies mutatis mutandis. (ii) **Sec. 92 (Annual Return)** & **Sec. 135 (CSR)** apply with modifications. (iii) Annual Return in **Form FC-4** within **60 days** of FY end. (iv) **Books of Account** to be kept at principal Indian office. (v) **Charges** provisions (Chapter VI) apply. (vi) **Inspection/Inquiry/Investigation** provisions (Chapter XIV) apply.

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Sec. 385 – Fees	Prescribed fees as per **Companies (Registration Offices & Fees) Rules, 2014** for documents filed/registered.
Sec. 386 – Interpretation	- **Certified** = true copy/correct translation. - **Director** includes any person whose directions BOD is accustomed to act. - **Place of business** includes **share transfer/registration office**.

Section	Provision
Sec. 387 – Prospectus by Foreign Co.	- No prospectus in India unless **dated, signed & contains required particulars**: Constitution docs, incorporation details, inspection address, date & country of incorporation, Indian office address, + matters of Sec. 26. - **No waiver of compliance** allowed. - Application forms must be issued **only with compliant prospectus** (except underwriting invites). - **Not applicable**: (i) Issue to existing members/debenture holders, (ii) Issue of securities identical with existing listed securities (except dating).
Sec. 388 – Expert's Consent & Allotment	- If prospectus includes expert statement → expert's **written consent** must be obtained & not withdrawn. - Prospectus must bind all parties under **Sec. 33 & Sec. 40**. - "Statement" includes anything in report, memo, or incorporated by reference.
Sec. 389 – Registration of Prospectus	Before issue in India: - Certified copy approved by resolution of managing body delivered to ROC. - Prospectus must state copy delivered. - Annex with: (i) Expert's consent, (ii) MD/Manager appointment contracts, (iii) Material contracts (last 2 yrs), (iv) Underwriting agreement, (v) Power of attorney (if signed by agent).

Section	Provision
Sec. 390 – Indian Depository Receipts (IDR)	- *CG* may frame rules for: issue, disclosures, depository/custodian/underwriter, sale/transfer of IDR. - Issue of IDRs only if co. complies with: Companies (Registration of Foreign Companies) Rules, 2014 + SEBI ICDR Regulations + RBI directions.
Sec. 234 – Cross Border M&A	- Indian co. ↔ Foreign co. merger allowed with **RBI approval**. - Consideration can be cash, IDRs, or combination. - Applies to notified countries by *CG*.
Sec. 391 – Application of Liability & Winding Up	- **Secs. 34–36** apply to foreign co. prospectus: • Sec.34 → Criminal liability for misstatements. • Sec.35 → Civil liability for misstatements.

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	• Sec.36 → Punishment for fraudulent inducement. - **Chapter XX (Winding up)** applies mutatis mutandis if foreign co. raised funds in India and not repaid.
Sec. 392 – Punishment for Contravention	- Foreign Co.: **₹1,00,000 – ₹3,00,000**, + **₹50,000/day** for continuing default. - Officer in default: **₹25,000 – ₹5,00,000**.
Sec. 393 – Validity of Contracts	- Non-compliance does **not affect contracts/transactions**. - But company **cannot sue/set-off/counter-claim** until compliance is made.
Exemptions (CG Notification)	CG may exempt **any class of foreign companies** (whether having business in India or not) from provisions of Chapter XXII → Notification to be placed before Parliament.
Rule 12 – False claim of FC status	If any person trades/businesses as a "foreign company" without registration → liable for **investigation u/s 210** + further action.

Limited Liability Partnership Act, 2008

Topic	Key Points
Applicability	Whole of India; 81 sections + 4 Schedules.
Schedules	1st – Rights/duties (no agreement) 2nd – Firm → LLP 3rd – Pvt. Co. → LLP 4th – Unlisted Public Co. → LLP
Administration	MCA & ROC administer Act; CG frames/amends Rules.
Need for LLP	Alternative corporate business form combining **flexibility of partnership + limited liability of company**. Suitable for SMEs, professionals, VCs.
Meaning (Sec. 2(n))	LLP = partnership registered under LLP Act. Separate legal entity. LLP liable to full extent of assets; partners' liability is limited.
Small LLP [Sec. 2(1)(ta)]	Contribution ≤ ₹25 lakh (up to ₹5 cr) AND Turnover ≤ ₹40 lakh (up to ₹50 cr) as prescribed.
Partner [Sec. 5]	Individual/body corporate may be partner. Disqualified if: unsound mind, undischarged insolvent, pending insolvency.
Minimum Partners [Sec. 6]	At least **2 partners**. If reduced below 2 > 6 months → sole partner personally liable for obligations.
Business [Sec. 2(1)(e)]	Includes trade, profession, service, occupation; CG may exclude by notification.
Designated Partner [Sec. 7, Sec. 2(1)(j)]	Every LLP must have **2 designated partners** (individuals), one must be **resident in India** (≥120 days stay in FY). If all partners are bodies corporate → at least 2 individuals or nominees must act as designated partners.

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Consent & Filing	Designated partner must give **prior consent**; LLP must file particulars with ROC within **30 days** of appointment.

Provision	Summary
Sec 8 – Liabilities of Designated Partner	Responsible for all LLP compliances (filing docs/returns/statements) & liable for penalties.
Sec 9 – Change in DP	Vacancy to be filled within 30 days; if only 1/no DP → all partners deemed DPs.
Sec 10 – Penalty	<2 DPs or no resident DP → ₹10,000 + ₹100/day (max: LLP ₹1L, Partner ₹50k). Non-filing consent → ₹5,000 + ₹100/day (max: LLP ₹50k, DP ₹25k).

Characteristics of LLP



Section	Provision
Sec. 11 – Incorporation Document	• Min. 2 persons must subscribe to incorporation document for lawful business. • File with Registrar (state where office is situated) + prescribed fees. • Statement of compliance by CA/CS/CMA/Advocate + one subscriber. Contents: Name of LLP, Regd. office, Business, Names & addresses of partners & DPs, other prescribed info. • False statement → Jail up to 2 yrs + Fine ₹10k-₹5L.
Sec. 12 – Incorporation by Registration	• Registrar registers document within **14 days** & issues Certificate of Incorporation (conclusive evidence).
Sec. 13 – Registered Office	• LLP must have a registered office for notices/communication. • Change of office → File notice with ROC. • Non-compliance → ₹500/day (max: ₹50,000).
Sec. 14 – Effect of Registration	LLP can – • Sue & be sued • Own/transfer property • Have common seal (optional) • Do all acts like a body corporate.

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Sec. 15 – Name of LLP	• Must end with "LLP" or "Limited Liability Partnership". • Name cannot be undesirable / identical / too similar to another LLP, Co., or registered trademark.
Sec. 16 – Reservation of Name	• Apply in e-Form 1 with fees. • Registrar may reserve name for **3 months**.
Sec. 17 – Rectification of Name	• If LLP registered with identical/similar name of another LLP/Co./Trademark → CG may order change. • Must comply within **3 months**. • Proprietor of registered trademark can apply within **3 years**. • Non-compliance → CG can allot a new name.

Section	Provision
Sec. 22 – Eligibility to be Partners	• Subscribers to incorporation document become partners. • Others can join as per LLP Agreement.
Sec. 23 – Relationship of Partners	• Governed by LLP Agreement. • If no agreement → First Schedule applies. • Agreement/changes to be filed with ROC.
Sec. 24 – Cessation of Partner	• By agreement / by 30 days' notice. • Ceases on death, insolvency, unsound mind. • Former partner entitled to capital contribution + share of profits till exit. • Cannot interfere in management after exit.
Sec. 25 – Registration of Change in Partners	• Partner → inform LLP of changes. • LLP → file notice with ROC in 30 days. • Consent of incoming partner required. • Penalty: ₹10,000 each (LLP/DP/Partner).
Sec. 26 – Partner as Agent	• Partner = agent of LLP (not of other partners).
Sec. 27 – Extent of LLP Liability	• LLP not bound if partner acts without authority. • LLP liable for wrongful acts of partners done in course of business. • Liability only to extent of LLP property.
Sec. 28 – Extent of Partner's Liability	• Partner not personally liable for LLP obligations. • Personally liable for his own wrongful acts.
Sec. 29 – Holding Out	• If a person falsely represents himself as partner → liable for credit given on that belief. • LLP also liable to the extent of benefit received. • Use of deceased partner's name does not make heirs liable.
Sec. 30 – Unlimited Liability in Fraud	• If LLP/partners act fraudulently → liability becomes unlimited. • Punishment: Jail up to 5 yrs + Fine ₹50k–₹5L. • Also liable for compensation for losses caused.
Sec. 31 – Whistle Blowing	• Court/Tribunal may reduce/waive penalty if useful info is given. • Protection: No harassment, suspension, or discrimination for giving info.

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Sec.	Topic	Notes	
32	Form of Contribution	Partner's contribution can be **money, tangible/ intangible property, movable/immovable**, promissory notes, contracts to contribute or **services (done/to be done)**. Monetary value must be **accounted & disclosed** as prescribed.	
33	Obligation to Contribute	Partner's obligation is **as per LLP Agreement**. A **creditor who relied** on that obligation (without knowing any change) can **enforce the original obligation** against the partner.	
Sec.	**Topic**	**Notes**	**Penalty (short)**
34(1)	Proper Books	Keep proper books **at RO**; **cash or accrual**, **double entry**, for **each year**; keep for **prescribed period**.	Part of Sec.34 general fines below
34(2)	Statement of Account & Solvency (SAS)	As at **year-end**; **prepare within 6 months**; **signed by DPs**; **file with ROC** in time.	
34(3)	Audit	Accounts to be **audited as per rules**; CG may **exempt classes of LLPs**.	
34 – Late SAS filing	Late filing SAS	**₹100/day** (max **₹1,00,000** for LLP; **₹50,000** for each DP).	—
34(1),(2),(4)	Non-compliance (books/SAS/audit filing)	LLP: **₹25,000–₹5,00,000**; DP: **₹10,000–₹1,00,000**.	—
34A	Accounting & Auditing Standards	CG (in consultation with **NFRA**) may **prescribe AS & Auditing Standards** for classes of LLPs (as recommended by **ICAI**).	—
35	Annual Return	File **Annual Return** with ROC **within 60 days** of FY end.	LLP: **₹100/day, max ₹1,00,000**; DP: **₹100/day, max ₹50,000**
36	Public Inspection	**Incorporation doc, partners list/changes, SAS, Annual Return** available for **public inspection** (fee).	—
37	False Statement	False/omissive statements in filings.	**Jail up to 2 yrs + Fine ₹1,00,000–₹5,00,000**
38	Power of ROC	ROC may **seek info / summon** partners, former partners, DPs, employees.	**₹2,000–₹25,000** for non-compliance
39	Compounding	**RD** (or authorised officer) may **compound offences punishable with**	—

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		fine only (not within 3 yrs of similar compounded offence).	

Sec.	Topic	Notes
42	Transfer of Economic Rights	Partner's **share of profits/losses & distributions** is **transferable (wholly/partly)**. Transfer **does not**: remove partner, dissolve LLP, give transferee **management or information rights** (only economic rights).
From → To	Section / Schedule	Effect & Key Points
Firm → LLP	Sec. 55 + Second Schedule	On registration, all property/rights/liabilities of firm vest in LLP automatically; firm is dissolved and removed from records. LLP must intimate concerned Registrar within 15 days.
Private Co. → LLP	Sec. 56 + Third Schedule	Same effects as above.
Unlisted Public Co. → LLP	Sec. 57 + Fourth Schedule	Same effects as above.

Sec.	Topic	Notes	Penalties / Notes
60	Compromise/Arrangement	**Tribunal** may order meetings of **creditors/partners**; if **¾ in value** approve and Tribunal **sanctions**, it binds **all** (incl. winding-up cases). **File order with ROC in 30 days**; Tribunal may **stay proceedings** meanwhile.	Failure to file order: **LLP ₹10,000 + ₹100/day (max ₹1,00,000); each DP ₹10,000 + ₹100/day (max ₹50,000)**
61	Supervision / Modification	Tribunal may **supervise/modify** sanctioned scheme; if unworkable, may **order winding-up** (treated as order under **Sec. 64**).	—
62	Reconstruction/Amalgamation of LLPs	For **reconstruction/amalgamation** schemes, Tribunal can order **transfer of undertakings, property, liabilities**, continuation of **legal proceedings**, **dissolution without winding-up** of transferor LLP, and **incidental**	Same default penalties as in Sec. 60 for failure to file. **Note: LLP cannot amalgamate with a company.**

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		matters. File copy of order with ROC within 30 days.	

Ground	Explanation
1. LLP decides	When the LLP itself resolves that it should be wound up by the Tribunal.
2. Less than 2 partners	If the LLP is carrying on business with **less than 2 partners for more than 6 months**.
3. Failure to file returns	LLP has failed to file with Registrar: • Statement of Account & Solvency • Annual Return for any **5 consecutive financial years**.
4. Acting against sovereignty, integrity, security, foreign relations, public order	If LLP has acted against the **interests of India**.
5. Tribunal opinion – just & equitable	When the Tribunal considers it **just and equitable** that LLP be wound up.
6.Default in compromise/arrangement	If an LLP fails to comply with the Tribunal's order under **Sec. 60–62 (Compromise/Arrangement/Amalgamation)**.

Sec	Topic	Summary
66	Business with LLP	Partner can lend money or do business with LLP; treated same as an outsider for such transactions.
67	Application of Companies Act	CG may apply certain Companies Act provisions to LLPs with changes; draft notification to be placed before Parliament.
69	Late Filing Fee	Late documents can be filed with additional fee; doesn't remove other penalties.
Enhanced Punishment	—	For repeat offences, fine is **twice the normal amount** or imprisonment (if applicable).

The General Clauses Act, 1897



Objects:- Simplify and shorten the language of Central Acts.

- Ensure uniformity and consistent interpretation across laws.

Purpose: - Provide one statute for interpretation of words and legal principles.

- Avoid repetition and excess of language in legislation.

Application: - Applies to all Central Acts, rules, and pre-Constitution laws.

Serves as a model for State Acts and aids constitutional interpretation (Art. 367).



Topic	Key Points
Preamble	- States the *scope*, *object*, and *purpose* of the Act. - Used as an aid to interpretation only when the language is unclear; cannot override the Act.
Bill	- Draft of a legislative proposal in proper form. - Becomes an *Act* after being passed by both Houses and receiving Presidential assent.
Definitions	- Avoid repetition and provide clarity for terms used in the Act. - Usually given in Section 2 or 3. Undefined words take meaning from other Acts or the **General Clauses Act, 1897**.
Use of "Means" & "Includes"	- **Means** → Exhaustive definition (strict). - **Includes** → Expansive definition (broad).
"Means and Includes" / "To Apply To and Include"	- **Means and Includes** → Exhaustive (no additions). - **To Apply To and Include** → Extensive (can include similar items).
"Shall" & "May"	- **Shall** → Mandatory/obligatory. - **May** → Directory or optional (can be read as "shall" depending on context).

Term	Definition / Meaning
Act	Refers to an Act of Parliament or Legislature; includes rules, notifications, and bye-laws made under it.
Affidavit	Includes affirmation or declaration made before an authorised person (like a magistrate).
Immovable Property	Includes land, benefits arising out of land, and things attached to or permanently fastened to the earth.
Movable Property	Refers to property of every kind except immovable property.
Person	Includes any company, association, or body of individuals (incorporated or not).
Will	Refers to a legal declaration of a person's intention about the distribution of his property after death.
Document	Includes any matter written, expressed, or described upon any substance (paper, electronic form, etc.) for recording information.
Oath	Includes affirmation and declaration in case of persons by law allowed to affirm instead of swearing.
Good Faith	An act done honestly, whether done negligently or not.
India	Refers to the territory of India excluding the State of Jammu & Kashmir before 2019; now includes it post-reorganisation.

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Commencement	Refers to the day when an Act comes into force.
Financial Year	Means the year ending on the 31st day of March.
Offence	Refers to any act or omission made punishable under any law.
Public Nuisance	A wrongful act affecting the public at large or a considerable portion of it.
Rule	A rule made under the Act for carrying out its purposes.
Section	Refers to a portion of an Act marked with a number.
Subsection	A part of a section marked as a smaller division.
Singular & Plural	Words in singular include plural and vice versa.
Masculine & Feminine	Words importing the masculine gender include females.

Powers & Appointments (Sections 14–19)

Sec 14 – Power Conferred
Once conferred, power may be exercised from time to time unless contrary intention appears.

↓

Sec 15 – Power to Appoint Includes Ex-Officio
Appointment can be ex-officio (holding one office by virtue of another). Example: Chairman of BOD = Chairman of AGM.

↓

Sec 16 – Power to Suspend/Dismiss
Authority that appoints can also suspend or dismiss any appointee.

↓

Sec 17 – Substitution of Functionaries
Functions may be performed by whoever holds the office or commonly executes it.

↓

Sec 18 – Successors
Powers apply to successors of functionaries with perpetual succession.

↓

Sec 19 – Chiefs & Subordinates
Law applying to superior applies to lawful subordinates performing duties.

Orders, Rules & Notifications (Sections 20–24)

Sec 20 – Construction of Orders
Words used in orders/rules have the same meaning as in the parent Act.

↓

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Sec 21 – Power to Amend/Rescind
Power to issue includes power to add, vary, or cancel notifications or orders.

↓

Sec 22 – Rules Before Commencement
Rules made before Act's commencement take effect only after enforcement.

↓

Sec 23 – Rules After Previous Publication
Draft published → invite objections → consider → final publication in Gazette = conclusive proof.

↓

Sec 24 – Continuation on Repeal
Old rules/orders continue under re-enacted laws unless expressly repealed.

Miscellaneous (Sections 25–30)

Sec 25 – Recovery of Fines
Sections 63–70 IPC & CrPC provisions apply for fine recovery.

↓

Sec 26 – Offence under Two Enactments
Can be tried under either enactment but not punished twice.

↓

Sec 27 – Service by Post
Properly addressed, prepaid, and registered post = deemed served.

↓

Sec 28 – Citation of Enactments
Reference covers only cited portion, not the entire Act.

↓

Sec 29 – Saving of Previous Laws
New laws continue old ones unless repealed.

↓

Sec 30 – Application to Ordinances
"Central Act" includes Ordinances of President or Governor General.

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Interpretation of Statute

Topic	Key Points / Explanation
Meaning of Statute	Written law as opposed to unwritten law; includes Acts, Rules, Orders, Regulations, Notifications, Schedules.
Document (Sec. 3, Indian Evidence Act, 1872)	Any matter expressed or described upon a substance (paper, electronic form, etc.) by letters, figures, or marks used to record information.
Elements of a Document	**Matter** – Content or information recorded; **Substance** – Material on which recorded (paper); **Means** – Letters, marks, or figures; **Instrument** – Device to record (pen, printer); **Purpose** – Communication or record of rights/facts.
Instrument	A formal legal document that creates, transfers, confirms, or records rights/liabilities (e.g., agreement, deed, charter).
Deed	Same meaning as "instrument"; creates or records rights/liabilities.
Interpretation (Meaning)	Process to ascertain real meaning & intention behind legislation.
Importance of Interpretation	- Drafters ≠ users → difference in understanding. - Social/economic context changes over time .- Language can be ambiguous. - Courts must apply law as written until amended.
Classification (Jolowicz)	**1. Legal Interpretation** – Bound by law/rule. **2. Doctrinal Interpretation** – No law; find real meaning.Subtypes: **Authentic** (from legislator) and **Usual** (custom/case law).
Classification (Fitzgerald)	**1. Literal/Grammatical** – Based on plain words. **2. Functional/Logical** – Goes beyond words to find true intent. Literal first; logical used if literal fails.
When Logical > Grammatical	If wording is ambiguous, inconsistent, incomplete, or leads to absurdity/self-contradiction.
Interpretation vs. Construction	**Interpretation** – Apply ordinary, clear meaning. **Construction** – When meaning unclear, infer from context– Courts must give effect to equitable meaning gathered from text.
Process of Interpretation	Governed by **General Clauses Act** and **specific definitions** within each Act; aided by case law and common law rules.
Aids to Interpretation	**Statutory Aids** – General Clauses Act, internal aids (Preamble, Schedules, Marginal Notes). **Non-statutory Aids** – Common law, precedent, maxims.

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Rules of Interpretation	**Primary Rules:** Literal, Reasonable, Harmonious. **Secondary Rules:** Ejusdem Generis, Noscitur a Sociis, Contemporanea Expositio.
Rule of Literal Construction	Words given their plain, natural meaning. Latin: "***Absoluta sententia expositore non indiget***" – clear words need no explanation. Natural/grammatical meaning preferred unless absurd.
Rule of Reasonable Construction	Interpret statute to make it meaningful and practical (Latin: "***Ut res magis valeat quam pereat***" – it is better to make a thing effective than void).
Rule of Harmonious Construction	All parts of statute to be read as a whole; reconcile conflicts. Later or specific provisions override earlier/general ones **(*Generalia specialibus non derogant*)**.
Keywords in Statutory Harmony	- **Subject to** → subordinate clause. - **Notwithstanding** → overrides clause (can override section, statute, or all laws). - **Without prejudice** → operates in addition, not derogation.
Mischief Rule (Heydon's Case)	Court identifies: (1) Law before Act, (2) Defect/Mischief, (3) Remedy by Act, (4) Purpose. Adopt interpretation that suppresses mischief and advances remedy. *Used as last resort when literal meaning unreasonable.*
Rule of Beneficial Construction	Applied to welfare/social legislation; interpret liberally for benefit of disadvantaged.Focus: remove hardship, give sensible meaning (*Common-sense Rule*).Also deals with 'and/or', 'may/shall/must'.
Interpretation of 'May', 'Shall', 'Must'	- **May** → Generally directory (permissive).- **Shall/Must** → Generally mandatory (compulsory).But depends on legislative intent and context.
Rule of Ejusdem Generis	"Of the same kind. "When specific words are followed by general ones, general terms are restricted to same category/class as specific words. **Conditions:** enumeration of specific words forming a class + general word follows + no contrary intent.
Doctrine of Noscitur a Sociis	"A word is known by the company it keeps."Words with analogous meanings interpreted together in context. *Example:* "Fruit juices, bottled waters, syrups" → excludes fresh orange juice (*Commissioners v. Savoy Hotel*).
Doctrine of Contemporanea Expositio	Statute interpreted as understood when enacted. Latin: *"Contemporanea expositio est optima et fortissima in lege"* – best way to interpret is as understood contemporaneously.Also *"Optima legum interpres est consuetudo"* – custom is best interpreter of law.

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Aids to Interpretation (Internal & External)

Meaning Internal aids = parts of the same statute used for interpretation.
External aids = materials outside the statute used to understand its purpose.

Internal Aid	Explanation / Key Points
Long Title	- Describes object, scope & purpose of the Act. - Considered part of the statute. - Can be used to interpret, but **cannot override clear provisions**.
Short Title	Used only to identify the Act; for convenience, not interpretation.
Preamble	- Explains the **object, scope & purpose** more fully than long title. - Not part of operative law, but **helps interpret ambiguous provisions**. - Cannot override plain language of the Act.
Headings & Titles of Chapters / Sections	- Help understand context and scope. - May be referred to interpret ambiguous sections. - **Cannot override** the main provision.
Marginal Notes	- Provide brief explanation or opinion by the law makers. - Can be used **only as a last resort** when other aids fail.
Definitional / Interpretation Clauses	- Usually in **Section 2 or 3**. - Give meanings to technical words. **Purpose:** Avoid repetition & provide precise meaning. **Types of Definition:** • "Means" → Restrictive / Exhaustive. • "Includes" → Extensive / Enlarging. • "Means and Includes" → Exhaustive. • "Is deemed to include" → Inclusive. • "To apply to and include" → Extensive. **Ambiguous Definitions** → Read with context & object of the Act. **Contrary Context** → Words interpreted as per overall scheme.
Illustrations	- Examples included in the statute to explain meaning & application. - Are **part of the law** and help clarify usage.
Proviso	- Introduced by *"Provided that…"*. - Part of the main section; essential for completeness. - Specifies **exceptions, conditions or limitations** under which section applies.
Difference between Exception, Proviso & Saving Clause	**Exception:** Restrains main enactment to specific cases. **Proviso:** Removes special cases from general enactment.

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	Saving Clause: Preserves existing rights or privileges from being destroyed.
Explanation	- Clarifies ambiguous or special words in a section. **Objects:** • Explain intent of the section. • Clarify obscurity & ensure consistency. • Support the Act's objective. • Fill gaps & suppress mischief. - **Cannot take away statutory rights.**
Schedules	- Integral part of the Act. - Contain detailed forms, procedures, or illustrations for implementation. - Must be read with the main provisions.
Read the Statute as a Whole	- Every part must be harmoniously interpreted with others. - Avoid isolating one clause; read in the context of the entire Act.

- **External Aids to Interpretation**

External Aid	Explanation / Key Points
Historical Setting	- Parliamentary debates, committee reports, and bill history reveal legislative intent. - Helps know **why the law was framed** and whether it changes previous law.
Consolidating Statutes & Previous Law	- Earlier laws and foreign precedents on the same subject assist in identifying defects the new law sought to correct.
Usage	- Long-standing interpretation or practice under a law is respected by courts. - Deviation occurs only with **strong reasons (cogent grounds)**.
Earlier, Later & Analogous Acts	- **Same-subject laws (Pari Materia):** Interpreted as one system unless conflicting. - **Exclusions carry over:** Later Act's limits apply to earlier Act if both connected. - **Borrowed Sections:** Retain same meaning as original Act. - **Later Act explains Earlier Act:** Ambiguous provisions clarified by later statute. - **Repealed Acts:** Though repealed, can be referred to for understanding surviving sections.
Dictionary Definitions	- Used to understand words not defined in the statute. - Preference given to **ordinary, contextual meaning** over dictionary if clear.

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Use of Foreign Decisions	- Judgments from foreign courts on similar laws may be referred for guidance. - Not binding, but persuasive where law is based on similar principles.

Foreign Exchange Management Act, 1999

Topic	Points
Coming into force	Effective **1 June 2000**; enables management of India's FX reserves.
Extent & Application	Extends to **whole of India**; also applies to (i) all branches/offices/agencies **outside India** owned/controlled by a **person resident in India**, and (ii) **contraventions outside India** by persons to whom FEMA applies.
Objectives	Consolidate & amend FX law to **facilitate external trade & payments** and **promote orderly development & maintenance** of India's FX market.

Key Definitions (Section 2)

Term	Meaning
Adjudicating Authority (2a)	Officer authorised u/s **16(1)**.
Appellate Tribunal (2b)	Tribunal for FX appeals u/s **18**.
Authorised Person (2c)	**AD/Money changer/OBU/other** authorised u/s **10(1)** to deal in FX/foreign securities.
Capital A/c Transaction (2e)	Transaction **altering assets/liabilities** (incl. contingent) **outside India of residents** or **in India of non-residents**; includes items in **6(3)**.
Currency (2h)	Currency notes, postal instruments, cheques, drafts, **travellers cheques**, LCs, BoE, PNs, **credit cards**, and similar instruments **as RBI notifies**.
Currency Notes (2i)	**Coins + bank notes** (cash).
Current A/c Transaction (2j)	Any **non-capital** transaction; includes: (i) trade/services/payments & short-term banking/credit, (ii) **interest/investment income**, (iii) **family remittances**, (iv) **travel/education/medical** expenses.
Export (2l)	(i) Taking goods **out of India**, (ii) **Provision of services** from India to a person outside India.
Foreign Currency (2m)	Any currency **other than INR**.
Foreign Exchange (2n)	Foreign currency; plus **FCY deposits/credits/balances**; drafts/TCs/LCs/BoE **drawn/expressed** as specified (INR drawn but **payable in FCY**, or **drawn abroad payable in INR**).

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Foreign Security (2o)	Shares/stocks/bonds/debentures or other instruments **denominated in FCY**; includes FCY-expressed securities where **redemption/return in INR**.
Import (2p)	**Bringing into India** goods/services.
Person (2u)	Individual, HUF, company, firm, AOP/BOI (inc./uninc.), artificial juridical person, and **any agency/office/branch** owned/controlled by such person.
Person Resident in India (2v)	(i) Stayed **>182 days** in the preceding FY **(exclusions for employment/business/other uncertain stay outside India)**; (ii) any **entity incorporated in India**; (iii) **office/branch in India** owned/controlled by non-resident; (iv) **office/branch outside India** owned/controlled by resident.
Person Resident Outside India (2w)	Not resident in India.
Repatriate to India (2y)	Bring realised FX to India and **sell to AP for INR** or **hold with AP** to extent **RBI notifies**; includes use to discharge **FX debt**.
Transfer (2ze)	**Sale, purchase, exchange, mortgage, pledge, gift, loan**, or any transfer of **right/title/possession/lien**.

Core Restrictions & Permissions

Provision	What it says	Key carve-outs / notes
Sec 3 – Restrictions	No person shall (a) deal in/transfer **foreign security** to a **non-AP**, (b) **pay** to/for credit of **non-resident** otherwise than as provided, (c) **receive** payments on behalf of non-resident other than through AP, (d) enter into **financial transaction** in India related to **assets outside India**.	Can be done **as provided** in Act/Rules/Regulations or with **general/special RBI permission**. *Financial transaction* covers payments, bills, transfers, acknowledging debt.
General Permissions	**Nepal/Bhutan** residents/citizens and **branches** there (of Indian/Nepal/Bhutan entities) for **INR transactions**.	—
Sec 4 – Holding of Foreign Exchange	Resident **cannot acquire/hold/own/possess/transfer** FX, foreign security, or **immovable property outside India**.	Subject to FEMA provisions/permissions.
Sec 5 – Current A/c	**Freedom** to draw/sell FX to/from AP for **current a/c transactions**.	*CG* may impose **reasonable restrictions** in public interest after **consulting RBI**.

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Current Account Rules

Category	Treatment
Prohibited ***(Schedule I)***	E.g., remittance out of **lottery winnings**; hobby income; purchase of **lottery tickets/banned magazines/sweepstakes**; certain **export commissions/dividends**; **call-back services**; interest on **NRSR** funds.
Prior Approval – Central Govt. ***(Schedule II)***	Cultural tours; certain **ads in foreign print** by State/PSU (> USD 10k); freight on vessel chartered by PSU; **CIF imports** via ocean by Govt/PSU; **transponder hire** (TV/ISPs); **container detention** beyond rate; sports prize/sponsorship > **USD 100k** (non-official bodies); **P&I Club** membership remittance.
Prior Approval – RBI / Limits ***(Rule 5 r/w Sch. III)***	**Individuals (LRS)** up to **USD 250,000** per FY for **private visit (excl. Nepal/Bhutan)**, **gift/donation**, employment abroad, emigration, **maintenance of close relatives**, **business travel/conference/training/medical (incl. attendant)**, **medical treatment**, **studies abroad**, **any other current a/c txn**. Excess over USD 250k → **RBI approval** (or as permitted for emigration/medical/studies if host requirement exceeds cap). Payments from **RFC account** need **no RBI approval**.

LRS adjustments & special residents

Item	Rule
LRS usage reduces headroom	If remitted under **LRS** in a FY, the remaining **USD 250k** limit is **reduced** by amount already remitted.
Resident but not permanently resident	On specified **employment/deputation/assignment ≤ 3 years** → may remit **net salary** (post taxes/PF/other deductions).
Non-individuals	May avail facilities *mutatis mutandis* within **LRS-type limits**; certain remittances need **RBI prior approval** (donations > thresholds; consultancy fees beyond caps; agent commission for sale of property to NRIs > limits; reimbursement of pre-incorporation expenses > limits).

Capital Account Transactions – Section 6

Aspect	Summary
Meaning (6 & 2e)	Cross-border **investments, loans, immovable property, transfer of assets** → alter assets/liabilities of **residents outside India** or **non-residents in India**.
General rule	Person may sell/draw FX to/from AP for **capital a/c subject to RBI regulations**.
RBI powers	RBI may **prohibit/restrict/regulate** classes of capital a/c transactions (**6(3)**) and **specify limits** after **consultation with CG**.
CG powers	CG (with RBI) may prescribe **permissible classes (non-debt)**, **limits**, **conditions**.

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Legacy/Acquired assets (6(4))	Resident in India may **hold/own/transfer/invest** in FCY, foreign security, immovable property **acquired while NR** or **inherited from NR**; may **freely use** eligible **assets abroad** and **income/sale proceeds** thereof (subject to FEMA).
Non-resident assets in India (6(5))	Non-resident may hold/own/transfer/invest in **INR/currency, security, or immovable property in India** acquired while **resident in India** or **inherited** from a resident.

Permissible Capital A/c Transactions Regulations, 2000

Schedule	Persons	Permissible Classes (Illustrative)
Schedule I	**Resident in India**	(a) **Invest** in foreign securities; (b) **Borrow** FCY loans in/out of India; (c) **Transfer** immovable property **outside India**; (d) **Guarantees** in favour of NR; (e) **Export/Import/Hold currency**; (f) **Borrow** from NR; (g) **FCY accounts** in/out of India; (h) **Insurance** policies abroad; (i) **Lend** to NR; (j) **Remit capital assets** abroad; (k) **Derivatives**.
Schedule II	**Person resident outside India**	(a) **Invest in India** (securities; capital of firm/proprietorship/AoP); (b) **Acquire/transfer immovable property** in India; (c) **Guarantees** in favour of residents; (d) **Import/Export currency notes**; (e) **Deposits** with residents; (f) **FCY accounts in India**; (g) **Remit capital assets** out of India; (h) **Derivatives**.

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