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MOST ASKED
CASE STUDIES
COMPANY LAW & PRACTICE

CS EXECUTIVE • NEW SYLLABUS 2022

FOR DEC 2026 & JUNE 2026 ATTEMPTS

70	FREQUENCY	ICSI
CASE STUDIES	TAGGED ON EACH	MODEL ANSWERS

Every case = **actual exam question** + **case law / section cited** + **chapter** + **quick summary** + **ICSI model answer**, with an **"ASKED nx"** frequency tag. Grouped chapter-wise. Compiled from ICSI Guideline Answers (Dec 2022 & June 2023 old syllabus + June 2024 to Dec 2025 new syllabus).

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Chapter Index

Total: 70 case studies across 14 chapters.

The questions and model answers are reproduced/adapted from the ICSI Guideline Answers for the Executive Programme (Group 1, Company Law & Practice). Students should always cross-check with the latest bare Act and ICSI study material for amendments applicable to their exam session.

Most Frequently Tested Provisions

Ranked by how many case studies in this bank turn on the same core section of the Companies Act, 2013 (a proxy for repeat frequency across the old- and new-syllabus sessions covered).

Rank	Section	Topic	Times asked
1	**Sec 2**	Definitions / separate legal entity, member, small co., subsidiary	**4x**
2	**Sec 77**	Registration & effect of charges	**3x**
3	**Sec 42**	Private placement of securities	**2x**
4	**Sec 56**	Transfer & transmission; share certificates	**2x**
5	**Sec 62**	Further issue of capital (rights, ESOP)	**2x**
6	**Sec 73**	Acceptance of deposits from members	**2x**
7	**Sec 76**	Acceptance of deposits from public / eligible company	**2x**
8	**Sec 123**	Declaration of dividend (incl. out of reserves)	**2x**
9	**Sec 127**	Punishment for failure to distribute dividend	**2x**
10	**Sec 138**	Internal audit	**2x**
11	**Sec 139**	Appointment / rotation of auditors	**2x**
12	**Sec 173**	Board meetings	**2x**
13	**Sec 188**	Related party transactions	**2x**

Provisions not listed above appear once in this bank. The per-case "ASKED nx" tag in each header reflects this same count.

CHAPTER 1 • INCORPORATION, NAME CLAUSE & CORPORATE PERSONALITY

6 case studies in this chapter

CASE 1 — Change of name and pending litigation against supplier — ASKED 1x

Chapter/Topic: Incorporation, Name Clause & Corporate Personality | **Exam:** CS Executive, Dec 2024, Q1(a) | **Marks:** 3

QUESTION

Roopam Leathers Limited changed its name to Rakshak Leathers Limited in January 2024 following due process. Before the change, the company had filed a suit in May 2023 against a supplier for breach of contract. In April 2024 the supplier applied for dismissal, arguing that Roopam Leathers Limited ceased to exist after the name change. Explain the effect of the change of name and advise whether the supplier's application for dismissal is tenable.

CASE LAW

Re Malhati Tea Syndicate Ltd. v. Revenue Officer (1973) 43 Com Cases; Re Pioneer Protective Glass Fibre (P) Ltd. v. Fibre Glass Pilkington Ltd. (1986) 60 Com Cases 707 (Cal)

SUMMARY

A change of name does not create a new company or dissolve the old one; rights and obligations continue and pending suits survive with the new name.

ANSWER

A change of name does not affect any rights or obligations of the company or render defective any legal proceedings by or against it. Legal proceedings that could have been continued or commenced in the former name may be continued in the new name. On change of name, the constitution of the company does not change; only its name changes and all rights and obligations pass to the company under the new name. In Re Pioneer Protective Glass Fibre (P) Ltd. it was held that despite a change in name the entity of the company continues; no new company comes into existence and the defect (if any suit is filed in the old name) is curable by amendment. Therefore the supplier's contention that the company ceased to exist is not correct, and the application for dismissal is not tenable. The suit will continue under the new name Rakshak Leathers Limited.

CASE 2 — Lifting the corporate veil - avoidance of welfare legislation — ASKED 1x

Chapter/Topic: Incorporation, Name Clause & Corporate Personality | **Exam:** CS Executive, Dec 2025, Q2(b) | **Marks:** 3

QUESTION

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

CASE LAW

The Workmen Employed in Associated Rubber Industries Ltd., Bhavnagar v. The Associated Rubber Industries Ltd., Bhavnagar & Anr., A.I.R. 1986 SC 1

SUMMARY

Where a company/structure is used to avoid welfare legislation (e.g., to reduce bonus), courts pierce the veil to look at the real transaction.

ANSWER

The separate personality of a company is a statutory privilege that must be used only for legitimate business purposes. Where a fraudulent or dishonest use is made of the legal entity, the persons concerned are not allowed to take shelter behind the corporate personality, and the court applies the doctrine of 'lifting/piercing of the corporate veil', looking behind the corporate entity to make the members or controlling persons liable. Avoidance of welfare legislation is treated on the same footing as avoidance of taxation. In The Workmen Employed in Associated Rubber Industries Ltd. v. Associated Rubber Industries Ltd., the Supreme Court found that the sole purpose of forming a new company was to use it as a device to reduce the bonus payable to workmen, and upheld piercing the veil to look at the real transaction. Therefore, the corporate veil can be lifted where the acts of the company are in avoidance of welfare legislation.

CASE 3 — Transfer of estate to own company - stamp duty and separate personality — ASKED 1x

Chapter/Topic: Incorporation, Name Clause & Corporate Personality | **Exam:** CS Executive, June 2023 (OS), Q2(a) | **Marks:** 3

QUESTION

Amar, Akash and Ashish, sole shareholders of Mandoli Coffee Estate Pvt. Ltd., transferred their coffee estate to the company and claimed exemption from registration charges and stamp duty on the ground that it was merely a transfer from themselves to themselves in another name. Is the claim tenable under the Companies Act, 2013?

CASE LAW

Re Kandoli Tea Co. Ltd. (1886) ILR 13 Cal 43; Salomon v. Salomon & Co. Ltd. (1897) AC 22

SUMMARY

A company is a separate legal person distinct from its shareholders; a transfer of property to it is a genuine conveyance attracting stamp duty.

ANSWER

In Re Kandoli Tea Co. Ltd., decided even before Salomon v. Salomon, the Calcutta High Court held that a company is a separate person altogether different from its shareholders, and the transfer of property by the shareholders to the company was a genuine conveyance — as much a transfer of property as if the shareholders were totally different persons. Since a company is a separate, distinct juristic person different from its members, the argument of Amar and the others that the transfer was merely from themselves to themselves is not tenable. Hence they cannot claim exemption from registration charges and stamp duty.

CASE 4 — Name reserved as 'Rimjhim Tourism Corporation Ltd.' — ASKED 1x

Chapter/Topic: Incorporation, Name Clause & Corporate Personality | **Exam:** CS Executive, June 2025, Q1(b) | **Marks:** 3 | **Frequency:** concept (Sec 4) asked in 1 case study across sessions

QUESTION

The promoters want to incorporate a company in the name and style of Rimjhim Tourism Corporation Ltd. The proposed company would deal with a different line of business and after some years would become a subsidiary of Supershine Detergents Ltd. Being a practising Company Secretary, examine whether a company can be incorporated with this name under the Companies Act, 2013.

CASE LAW

Section 4(2), 4(3)(b) r/w Rule 8B, Companies (Incorporation) Rules, 2014

SUMMARY	A name must not be undesirable or suggest government patronage. Words like 'Tourism Corporation' need prior Central Government approval.
ANSWER	Under Section 4(2), the name in the memorandum shall not be identical with or too nearly resemble an existing company's name, nor be one whose use would constitute an offence or be undesirable in the opinion of the Central Government. Under Section 4(3)(b) read with Rule 8B of the Companies (Incorporation) Rules, 2014, a company shall not be registered with a name containing any word or expression likely to give the impression that the company is connected with, or has the patronage of, the Central/State Government or any local authority or body constituted under law. The words 'Tourism Corporation' may be treated as undesirable because such words can be used only with the approval of the Central Government. Hence, Rimjhim Tourism Corporation Ltd. cannot be formed without the previous approval of the Central Government for the use of such expression. The promoters must be guided accordingly.

CASE 5 — Consequences of incorporation by furnishing false information

ASKED 1x

Chapter/Topic: Incorporation, Name Clause & Corporate Personality | **Exam:** CS Executive, June 2025, Q2(c) | **Marks:** 3 | **Frequency:** concept (Sec 7) asked in 1 case study across sessions

QUESTION	What are the consequences when a public limited company is incorporated by furnishing false information / by fraud? Discuss as per the provisions of the Companies Act, 2013, and when is any act to be considered as fraud?
CASE LAW	*Sections 7(5), 7(6), 7(7) and 447, Companies Act, 2013*
SUMMARY	False info at incorporation attracts fraud liability u/s 447; the Tribunal has wide powers including regulating management, unlimited liability, striking off or winding up.
ANSWER	Under Section 7(5), if any person furnishes false or incorrect information or suppresses material information for registration, he is liable for fraud under Section 447. Under Section 7(6), where a company has been incorporated by furnishing false/incorrect information or by suppressing material facts or by fraudulent action, the promoters, first directors and the professionals making the declaration are liable for action for fraud under Section 447. Under Section 7(7), the Tribunal may, on application, (a) pass orders for regulation of management including changes in the memorandum and articles; (b) direct that the liability of members be unlimited; (c) direct removal of the name from the register; (d) order winding up; or (e) pass such other orders as it deems fit. Under Section 447, 'fraud' includes any act, omission, concealment of fact or abuse of position committed with intent to deceive, gain undue advantage from, or injure the interests of the company, its shareholders, creditors or any other person, whether or not there is wrongful gain or loss. Punishment: imprisonment of six months to ten years and fine of not less than the amount involved (extendable to three times); where public interest is involved, minimum imprisonment is three years.

CASE 6 — Directors using company money for personal world tour

ASKED 1x

Chapter/Topic: Incorporation, Name Clause & Corporate Personality | **Exam:** CS Executive, June 2025, Q3(b) | **Marks:** 5

QUESTION	Vijay and Purnima (husband and wife) hold the entire share capital of Vipur Organic Fertilizer Private Limited in equal proportions and are its only directors. They want the company to pay Rs. 5 lakh each for a personal world-tour holiday. As the CFO and Company Secretary, decide, as per the Companies Act, 2013 and decided cases, whether directors can use the company's money for personal trips.
CASE LAW	*Salomon v. Salomon & Co. Ltd. (1897) A.C. 22; Kondoli Tea Co. Ltd. (1886) ILR 13 Cal 43; H.C. Sastri v. Dolphin Canpack Pvt. Ltd. (1998)*
SUMMARY	A company is a separate legal person; shareholders/directors have no ownership of company assets and cannot use company funds for personal expenses.
ANSWER	In Salomon v. Salomon & Co. Ltd., it was established that once validly constituted, a company becomes a legal person distinct from its members; the House of Lords observed the company is altogether different from the subscribers. The same principle was upheld in Kondoli Tea Co. Ltd. A company, being a separate legal person, can own, enjoy and dispose of property in its own name, and no member can claim ownership of its assets. In H.C. Sastri v. Dolphin Canpack Pvt. Ltd., the Delhi High Court held that neither a shareholder nor a director has any right in the property and assets of a company; a shareholder who buys shares does not buy an interest in the company's property and becomes entitled only to participate in profits when a dividend is declared. Here, Vijay and Purnima are attempting to use the company's cash for personal holiday expenses. As CFO and Company Secretary, you can decline to pay their personal expenses from the company's funds.

CHAPTER 2 • MEMBERS & MEMBERSHIP

7 case studies in this chapter

CASE 7 | Nomination of securities by holder (Section 72) | ASKED 1x

Chapter/Topic: Members & Membership | **Exam:** CS Executive, Dec 2022 (OS), Q1(d) | **Marks:** 5 | **Frequency:** concept (Sec 72) asked in 1 case study across sessions

QUESTION	Comment: 'Every holder of securities of a company may, at any time, nominate any person to whom his securities shall vest in the event of his death.' Explain the provisions relating to nomination under the Companies Act, 2013.
CASE LAW	*Section 72 r/w Rule 19, Companies (Share Capital and Debentures) Rules, 2014*
SUMMARY	A holder may nominate a person (Form SH-13) in whom securities vest on death, overriding succession law; joint holders nominate together; minor nominee needs an appointee.

ANSWER	Under Section 72(1), every holder of securities may at any time nominate, in the prescribed manner (Form SH-13), any person to whom his securities shall vest in the event of his death. Under Section 72(2), joint holders may together nominate a person to whom all rights shall vest on the death of all joint holders. Under Section 72(3), notwithstanding anything in any other law or in any testamentary disposition, a validly made nomination entitles the nominee, on the death of the holder(s), to all the rights in the securities to the exclusion of all other persons, unless the nomination is varied or cancelled. Under Section 72(4), where the nominee is a minor, the holder may appoint a person to become entitled to the securities in the event of the nominee's death during minority. Rule 19 prescribes Form SH-13 for nomination and SH-14 for variation/cancellation. Hence the statement is correct.

CASE 8 Ex-director's right to inspect Board minutes for her tenure

ASKED 1x

Chapter/Topic: Members & Membership | **Exam:** CS Executive, Dec 2022 (OS), Q2(e) | **Marks:** 3

QUESTION	Amrutha resigned as a director of CSS Ltd. but continues as a shareholder. She now wants to inspect, in electronic form, the minutes of the Board meetings she attended during her tenure. Is she entitled to inspect those Board minutes under the Companies Act, 2013?
CASE LAW	*Para 7.7.1 of Secretarial Standard-1 (SS-1)*
SUMMARY	A director may inspect Board minutes of meetings during (and before) her directorship, and this right survives cessation of office for the tenure period.
ANSWER	As per Para 7.7.1 of SS-1, the minutes of meetings of the Board and any committee thereof can be inspected by the directors. A director is entitled to inspect the minutes of meetings held before the period of his directorship, and is entitled to inspect the minutes of meetings held during the period of his directorship even after he ceases to be a director. Inspection may be provided in physical or electronic form, and the Company Secretary (or authorised official) must ensure the minutes book is not mutilated or tampered with. Hence, Amrutha can inspect, even after ceasing to be a director, the minutes of the Board meetings held during her tenure.

CASE 9 Transmission - competing claims of legal heir vs. joint holder

ASKED 1x

Chapter/Topic: Members & Membership | **Exam:** CS Executive, Dec 2025, Q1(c) | **Marks:** 3

QUESTION	AEASPL received a request from Jagdish, one of the legal representatives of a deceased member Jishu, for transmission of 500 equity shares. Meanwhile Jesmine, spouse of Jishu and a joint holder of those shares, also approached the company for transmission in her favour. Examine both claims and decide whose claim is valid under law.
CASE LAW	*Article 23(i), Table F, Schedule I, Companies Act, 2013*
SUMMARY	On death of a joint holder, the surviving joint holder(s) alone are recognised; the legal heir's claim fails where a survivor exists.

ANSWER	Article 23(i) of Table F provides that on the death of a member, the survivor(s) where the member was a joint holder, and his nominee(s) or legal representatives where he was a sole holder, are the only persons recognised by the company as having title to his interest in the shares. In transmission, the Company Secretary must check whether the shares are transmitted to the legal representative (in case of a sole holder's death) or only to the survivor(s) (in case of joint holdings), on production of a succession certificate/probate/letter of administration or indemnity as per the Articles. Here Jishu held the 500 shares jointly with Jesmine, the surviving joint holder. Therefore, the shares shall be transmitted in favour of Jesmine, being the survivor, and not the legal representative Jagdish, subject to fulfilment of applicable conditions.

CASE 10 — Alteration of articles to force transfer by competing member (ASKED 1x)

Chapter/Topic: Members & Membership | **Exam:** CS Executive, Dec 2025, Q1(e) | **Marks:** 3

QUESTION	Shareholders passed a special resolution altering the articles, empowering directors to require any shareholder carrying on a competing business to transfer his shares as directed by the Board. Pradip, a shareholder carrying on a competing business, challenged the validity of the alteration. Decide whether Pradip will succeed.
CASE LAW	*Sidebottom v. Kershaw, Leese & Co. Ltd. [1920]*
SUMMARY	An alteration of articles made bona fide and for the benefit of the company as a whole is valid, even if it compels a competing member to transfer shares.
ANSWER	An alteration of articles made bona fide for the benefit of the company as a whole is justified. Here the directors were empowered to require a shareholder carrying on a competing business to transfer his shares. A person carrying on a competing business may take advantage of facts known to him by virtue of his shareholding; such a member may be eliminated from membership in the interest of the company. The facts are similar to Sidebottom v. Kershaw, Leese & Co. Ltd., where the court held that the alteration was valid as it was made bona fide and in the interest of the company as a whole. Hence, Pradip will not succeed in challenging the amendment.

CASE 11 — Conversion of public company to private - counting members (ASKED 4x)

Chapter/Topic: Members & Membership | **Exam:** CS Executive, Dec 2025, Q4A(iii) | **Marks:** 5 | **Frequency:** concept (Sec 2) asked in 4 case studies across sessions

QUESTION	Smooth Products Ltd. is a public company with 260 members: Directors & relatives 15; Employees at registered office 10; Employees at factory 32; Ex-employees (shares allotted while employees) 28; Others 175. The Board resolved to convert the company into a private company. Advise the Executive Director in light of the Companies Act, 2013.
CASE LAW	*Section 2(68), Companies Act, 2013; Companies (Incorporation) Rules, 2014*
SUMMARY	Present and past employees who became members while employed are excluded from the 200-member limit; after exclusion the count is within limit.

ANSWER	Under Section 2(68), a private company limits its members to 200 (excluding OPC), with the proviso that joint holders count as one, and that persons in the employment of the company and persons who were members while in employment and continued after employment ceased are excluded from the count. Applying this, the 42 employees (10 + 32) and 28 ex-employees (allotted shares while employees) are excluded. Therefore, from 260 members, 70 are excluded, leaving 190 members, which is within the 200 limit. Hence the board resolution for conversion can be implemented without any reduction in the number of members, subject to compliance with the relevant provisions of the Companies Act, 2013 and the Companies (Incorporation) Rules, 2014.

CASE 12 — Who is a member? Five factual situations — ASKED 4x

Chapter/Topic: Members & Membership | **Exam:** CS Executive, June 2025, Q4(a) | **Marks:** 5 | **Frequency:** concept (Sec 2) asked in 4 case studies across sessions

QUESTION	Explain, with reasons, whether the following persons are members of a company: (i) Ananya subscribed to the Articles of a public company for 1000 shares but the Registrar refused to issue the Certificate of Registration; (ii) Anand, aged 12, whose name was entered in the register of members though he never applied; (iii) Amal purchased 1000 shares from Vimal and sent the certificates and transfer form to the company, but the documents were lost in postal transit; (iv) Ashok holds 1000 shares and is subsequently declared bankrupt; (v) Arpita holds 1000 debentures and the company defaulted on interest for three years.
CASE LAW	*Section 2(55), Section 56(1) proviso, Section 88 Companies Act, 2013; Section 11 Indian Contract Act, 1872; Sections 125/126/155 IBC, 2016*
SUMMARY	Membership requires a valid company, capacity to contract, entry in the register with agreement; a debenture-holder is a creditor, not a member.
ANSWER	(i) Ananya is not a member because the company never came into existence, the certificate of registration having been refused. (ii) Anand, aged 12, being a minor, is incompetent to contract under Section 11 of the Indian Contract Act, 1872 and cannot become a member; the Register of Members (Form MGT-1) needs rectification. (iii) Under the proviso to Section 56(1), where the transfer instrument is lost, the company may register the transfer on such terms as to indemnity as the Board thinks fit. Since the documents never reached the company, Vimal continues to be the member; Amal must prove he is the genuine purchaser and furnish evidence of loss before transfer. (iv) An insolvent may remain a member as long as his name is on the register and may vote, but he loses beneficial interest; the shares vest in the Bankruptcy Trustee and dividend is paid to the Official Assignee. (v) A debenture-holder is a creditor, not a member; default in interest does not change the creditor-debtor relationship. Hence Arpita is not a member.

CASE 13 — Transposition of names in a share certificate (joint holders) — ASKED 2x

Chapter/Topic: Members & Membership | **Exam:** CS Executive, June 2025, Q1(a) | **Marks:** 3 | **Frequency:** concept (Sec 56) asked in 2 case studies across sessions

QUESTION	Five hundred equity shares are held jointly by Dhiman, Bobby and Sam in that order. The joint shareholders want transposition of the names in the order Sam, Dhiman and Bobby in respect of three hundred shares. Can the directors allow transposition of names in the share certificate? Advise the Board whether Form SH-4 is required to be executed.
CASE LAW	*Section 56 r/w Rule 11, Companies (Share Capital and Debentures) Rules, 2014*
SUMMARY	Transposition is a mere change of order among joint holders, not a transfer; a joint written request suffices for the whole holding, but part-holding transposition needs SH-4 and stamp duty.
ANSWER	Where one or more joint shareholders require the company to alter the order of their names, and the articles provide that the senior-most joint holder is recognised for notice, voting etc., the request for transposition may be considered and approved by the Board or authorised officer. Since no transfer of interest takes place on transposition, no stamp duty is payable. Section 56 read with Rule 11 applies to transfer of securities where ownership changes; since transposition does not involve a change in ownership, it falls outside the requirement of Form SH-4. The Department of Economic Affairs has clarified there is no need to execute a transfer deed if the change in order of names is requested in writing by all joint holders; a joint application for the entire holding suffices. However, if transposition is for a part of the holding, execution of the transfer deed (Form SH-4) with payment of stamp duty is required. The Board is advised accordingly.

CHAPTER 3 • SHARE CAPITAL, SHARES & CERTIFICATES

6 case studies in this chapter

CASE 14 | Sweat equity shares at a discount with 5-year lock-in | ASKED 1x

Chapter/Topic: Share Capital, Shares & Certificates | **Exam:** CS Executive, Dec 2024, Q3(c) | **Marks:** 5 | **Frequency:** concept (Sec 54) asked in 1 case study across sessions

QUESTION	RSV Private Limited (incorporated five years ago) passed a special resolution in its AGM on 30.09.2024 to issue 10 lakh sweat equity shares at a discount to a class of directors and permanent employees. Its paid-up equity capital is Rs. 5 crore (50 lakh equity shares of Rs. 10 each). (i) Assess the validity of issuing 10 lakh sweat equity shares with a 5-year lock-in. (ii) Would your answer change if RSV Pvt. Ltd. were a recognised Start-up company?
CASE LAW	*Section 54 r/w Rule 8, Companies (Share Capital and Debentures) Rules, 2014*
SUMMARY	A company may issue sweat equity up to 15% of paid-up equity in a year (or 25% of the worth at any time); start-ups enjoy relaxed limits up to 50% within ten years.

ANSWER	Under Section 54 read with Rule 8, a company may issue sweat equity shares of a class already issued if authorised by a special resolution specifying the number, current market price, consideration and the class of directors/employees. A company (other than a start-up) shall not issue sweat equity shares for more than 15% of the existing paid-up equity share capital in a year or shares of the issue value of five crore rupees, whichever is higher, subject to an overall ceiling of 25% of the paid-up equity capital at any time. Here 10 lakh shares out of 50 lakh existing shares equals 20% in one year, which exceeds the 15% annual limit; hence the issue as proposed is not valid. Sweat equity shares are locked in for three years from the date of allotment. (ii) For a start-up company recognised by the DPIIT/Ministry of Commerce and Industry, the yearly limit is relaxed and it may issue sweat equity up to 50% of its paid-up capital up to ten years from incorporation; in that case, issuing 20% would be within the permissible limit and the issue would be valid.

CASE 15 — Validity of share certificate signed by one director; delay; DEMAT distinctive numbers

ASKED 1x

Chapter/Topic: Share Capital, Shares & Certificates | **Exam:** CS Executive, Dec 2025, Q4(a) | **Marks:** 5 | **Frequency:** concept (Sec 46) asked in 1 case study across sessions

QUESTION	ABC Pvt. Ltd. (no Company Secretary) conducted a rights issue; the Board allotted shares on 15 July 2025. Certificates except Raj's were signed by a director. Raj complained on 15 September 2025 that he had not received his certificate; the company cited administrative reasons. Neha objected that the certificate did not bear distinctive numbers of shares held in DEMAT form. Assess the validity of the certificates, Raj's complaint and Neha's issue.
CASE LAW	*Sections 46(1), 56(4) and 45 (proviso), Companies Act, 2013*
SUMMARY	A certificate needs two directors' signatures (or one director + CS); delivery is due within 2 months; DEMAT shares need not bear distinctive numbers.
ANSWER	Validity of certificate: Under Section 46(1), a share certificate must be issued under the common seal (if any) and signed by at least two directors or by one director and the company secretary. As ABC Pvt. Ltd. has no company secretary, the certificate should have been signed by two directors; being signed by only one director, the certificates are not valid. Raj's complaint: Under Section 56(4), certificates of all shares allotted must be delivered within two months of allotment. The company failed to deliver by 14 September (two months from 15 July allotment); hence Raj's complaint dated 15 September 2025 is valid. Neha's issue: Under Section 45, every share shall be distinguished by a distinctive number, but the proviso exempts shares held by a person whose name is entered as beneficial owner in the records of a depository. Hence Neha's objection is not valid.

CASE 16 — Bonus shares - source, conditions, and bonus in lieu of dividend

ASKED 1x

Chapter/Topic: Share Capital, Shares & Certificates | **Exam:** CS Executive, June 2023 (OS), Q1(d) | **Marks:** 5 | **Frequency:** concept (Sec 63) asked in 1 case study across sessions

QUESTION	State the provisions for issue of bonus shares by a listed company: (i) Can a company declare bonus shares in lieu of dividend? (ii) Are bonus shares the same as a stock dividend?

CASE LAW	*Section 63, Companies Act, 2013*
SUMMARY	Bonus shares are issued from free reserves/securities premium/CRR (not revaluation reserve), subject to conditions; they cannot be issued in lieu of dividend.
ANSWER	Under Section 63, a company may issue fully paid-up bonus shares out of its free reserves, securities premium account or capital redemption reserve account, but not out of reserves created by revaluation of assets. The conditions are: it is authorised by the articles; recommended by the Board and authorised in general meeting by special resolution (an ordinary resolution suffices for a listed company as per the earlier practice); no default in repayment of deposits/debt securities or interest; no default in payment of statutory dues of employees (PF, gratuity, bonus); and the shares are fully paid-up. (i) Under Section 63(3), a company shall NOT issue bonus shares in lieu of dividend. (ii) Yes, a stock dividend is the same as an issue of bonus shares.

CASE 17 | Rights issue - notice period and right of renunciation | ASKED 2x

Chapter/Topic: Share Capital, Shares & Certificates | **Exam:** CS Executive, June 2025, Q4(b) | **Marks:** 5 | **Frequency:** concept (Sec 62) asked in 2 case studies across sessions

QUESTION	Vishal, CEO of Sigma Ltd. (an unlisted company), proposes a rights issue of equity shares and wants to know: (i) the period of notice for the offer; and (ii) whether the offer is deemed to include the right of renunciation. Advise the CEO referring to the Companies Act, 2013.
CASE LAW	*Section 62(1)(a) r/w Rule 12A, Companies (Share Capital and Debentures) Rules, 2014*
SUMMARY	Rights offer notice: not less than 15 days (or fewer as prescribed) and not more than 30 days; the offer is deemed to include the right of renunciation unless the articles provide otherwise.
ANSWER	Under Section 62(1)(a) read with Rule 12A, the offer for a rights issue shall be made by notice specifying the number of shares offered, limiting a time not less than fifteen days (or such lesser number of days as prescribed) and not more than thirty days from the date of offer, within which if the offer is not accepted it shall be deemed to have been declined. Further, the offer shall be deemed to include a right to renounce the shares in favour of any other person, unless the articles otherwise provide, and the notice must contain a statement of this right of renunciation. The CEO of Sigma Ltd. is to be guided accordingly.

CASE 18 | Tribunal restricting further issue of shares during investigation | ASKED 1x

Chapter/Topic: Share Capital, Shares & Certificates | **Exam:** CS Executive, June 2025, Q4(c) | **Marks:** 5 | **Frequency:** concept (Sec 222) asked in 1 case study across sessions

QUESTION	An investigation was ordered u/s 216 against Diya Steels and Aluminium Ltd. to determine true membership. The Tribunal, by order dated 15.08.2024, directed that further issue of 8% optionally convertible redeemable cumulative preference shares be subject to restrictions for four years. Despite the order, the company issued such shares on 20.08.2024. Examine: (i) Can the Tribunal restrict further issue of shares, and for what period? (ii) What are the penal provisions for contravention?

CASE LAW	*Section 222, Companies Act, 2013*
SUMMARY	The Tribunal may restrict securities but only for a maximum of three years; a four-year restriction is invalid; contravention attracts fines and possible imprisonment of officers.
ANSWER	(i) Under Section 222(1), where in connection with an investigation there is good reason to find out the relevant facts about any securities and the Tribunal is of the opinion that such facts cannot be found out unless restrictions are imposed, the Tribunal may by order direct that the securities be subject to such restrictions as it deems fit for a period not exceeding three years. Hence the Tribunal can restrict further issue of the redeemable cumulative preference shares, but the restriction for four years is not valid, as it exceeds the three-year maximum. (ii) Where securities are issued, transferred or acted upon in contravention of the Tribunal's order, the company is punishable with fine of not less than one lakh rupees up to twenty-five lakh rupees, and every officer in default is punishable with imprisonment up to six months or fine of twenty-five thousand rupees up to five lakh rupees, or both.

CASE 19 — Share certificates to subscribers - time limit for issue

ASKED 2x

Chapter/Topic: Share Capital, Shares & Certificates | **Exam:** CS Executive, June 2025, Q4A(i) | **Marks:** 5 | **Frequency:** concept (Sec 56) asked in 2 case studies across sessions

QUESTION	ABC Cargo Private Ltd. was incorporated on 28.03.2024. The company is required to issue share certificates to the subscribers of the Memorandum within two months. Discuss the statutory time limit and the manner of issue of share certificates to the initial subscribers of the MOA under the Companies Act, 2013.
CASE LAW	*Section 56(4), Companies Act, 2013*
SUMMARY	Certificates to subscribers of the memorandum must be delivered within two months from the date of incorporation.
ANSWER	Under Section 56(4)(a) of the Companies Act, 2013, every company shall deliver the certificates of all securities allotted, transferred or transmitted within the period stipulated: in the case of subscribers to the memorandum, within a period of two months from the date of incorporation. Therefore, ABC Cargo Private Ltd., incorporated on 28.03.2024, must deliver the share certificates to the subscribers of the MOA within two months from the date of incorporation, i.e., on or before 27.05.2024. The certificate must be issued under the common seal, if any, or signed by two directors or by a director and the company secretary, and must state the shares to which it relates and the amount paid up.

CHAPTER 4 • PROSPECTUS, PRIVATE PLACEMENT & SECURITIES ISSUE

2 case studies in this chapter

CASE 20 Private placement to 250 persons; misuse of application money

ASKED 2x

Chapter/Topic: Prospectus, Private Placement & Securities Issue | **Exam:** CS Executive, Dec 2024, Q3(a) | **Marks:** 5 | **Frequency:** concept (Sec 42) asked in 2 case studies across sessions

QUESTION

Guddi Logistics Limited offered 1,00,000 equity shares of Rs. 10 each to a select group of 250 persons including 60 qualified institutional buyers. Application money was received on 01.08.2024 but shares were not allotted by 30.09.2024; the money was used to pay interest on a cash credit limit. The company secretary objected and suggested refund with interest at 12% p.a. from 01.10.2024; the CFO says interest is payable from 15.10.2024. Examine the validity of the offer and the objection/suggestion of the company secretary.

CASE LAW

Section 42(2), 42(6) r/w Rule 14, Companies (Prospectus and Allotment of Securities) Rules, 2014

SUMMARY

QIBs are excluded from the 200-person cap; allotment must be within 60 days, else refund within 15 days, failing which 12% interest runs from expiry of 60 days.

ANSWER

Validity of offer: Under Section 42(2) read with Rule 14, a private placement is made to a select group not exceeding 200 persons in aggregate in a financial year, excluding qualified institutional buyers and employees under an ESOP. Excluding the 60 QIBs, the offer was to 190 persons, within the 200 limit; hence the offer to 250 persons is valid. Application money: Under Section 42(6), securities must be allotted within 60 days of receipt of application money; if not, the money must be refunded within 15 days of expiry of 60 days, failing which interest at 12% p.a. is payable from the expiry of the 60 days. The money cannot be used for any purpose other than allotment or repayment. Here, allotment was due by 30.09.2024 (60th day from 01.08.2024); refund is due by 15.10.2024, and interest at 12% p.a. runs from 01.10.2024. Using the money to pay interest on a cash credit limit is impermissible, so the company secretary's objection is valid, and the suggestion (12% interest from 01.10.2024 if not refunded by 15.10.2024) is correct. The CFO's view is not correct.

CASE 21 Private placement to 250 persons and receipt in cash

ASKED 2x

Chapter/Topic: Prospectus, Private Placement & Securities Issue | **Exam:** CS Executive, June 2023 (OS), Q2(b) | **Marks:** 3 | **Frequency:** concept (Sec 42) asked in 2 case studies across sessions

QUESTION

Customerlast Ltd. (unlisted public) proposes to raise capital by private placement to four QIBs and the top 250 existing shareholders, with subscription received in cash, instead of a rights issue. The company secretary objects. Decide under the Companies Act, 2013.

CASE LAW

Section 42 r/w Rule 14, Companies (Prospectus and Allotment of Securities) Rules, 2014

SUMMARY

Private placement to a select group is valid, but is capped at 200 persons (QIBs excluded) and subscription money cannot be received in cash.

ANSWER	Under Section 42 read with Rule 14, private placement to a select group requires prior approval by special resolution for each offer. Under Rule 14(2), an offer shall not be made to more than 200 persons in aggregate in a financial year, excluding QIBs and ESOP employees. Hence the offer to four QIBs is valid (QIBs are excluded), but the offer to the top 250 shareholders exceeds the 200-person limit and is not valid. Under Section 42(4), every identified person must apply with subscription money paid by cheque, demand draft or other banking channel and NOT by cash. Therefore, the company secretary's objection to the offer to 250 members and to receiving money in cash is correct, though private placement as a mode is otherwise permissible.

CHAPTER 5 • ACCEPTANCE OF DEPOSITS

6 case studies in this chapter

CASE 22 Eligible company for public deposits and quantum

ASKED 2x

Chapter/Topic: Acceptance of Deposits | **Exam:** CS Executive, Dec 2022 (OS), Q3(c) | **Marks:** 5 | **Frequency:** concept (Sec 76) asked in 2 case studies across sessions

QUESTION	AB Ltd. has net worth of Rs. 51 crore and annual turnover of Rs. 400 crore and intends to accept deposits from the public. (i) How much can it accept from the public? (ii) If eligible but unable to pass a special resolution, what other option exists to borrow beyond Section 180 limits? (iii) Which forms are filed for acceptance of deposits? (iv) What sum must be kept for deposits maturing each year? (v) Time limit for issuing deposit receipts?
CASE LAW	*Section 76(1) r/w Rule 2(1)(e), 12; Section 73(2)(c), Companies Act, 2013*
SUMMARY	An eligible company needs net worth >= Rs. 100 cr or turnover >= Rs. 500 cr; AB Ltd. qualifies on neither, so it cannot accept public deposits.
ANSWER	(i) Under Section 76(1) read with Rule 2(1)(e), only an 'eligible company' — a public company with net worth of at least Rs. 100 crore or turnover of at least Rs. 500 crore, which has passed a special resolution and filed it with the ROC — may accept public deposits. AB Ltd. has net worth of Rs. 51 crore and turnover of Rs. 400 crore, meeting neither threshold; hence it is not an eligible company and cannot accept deposits from the public. (ii) If it were eligible but could not pass a special resolution, there is no alternative route to borrow beyond the Section 180 limits by way of public deposits. (iii) Forms: MGT-14, DPT-1 (circular/advertisement), DPT-2 (deposit trust deed), DPT-3 (return of deposits), DPT-4 and CHG-1 where a charge is created. (iv) Under Section 73(2)(c), on or before 30th April each year, at least 20% of deposits maturing in the following financial year must be kept in a separate Deposit Repayment Reserve Account. (v) Under Rule 12, a deposit receipt must be furnished within 21 days from the date of receipt of money or realisation of cheque.

CASE 23 Government company inviting deposits from public

ASKED 2x

Chapter/Topic: Acceptance of Deposits | **Exam:** CS Executive, Dec 2024, Q1(e) | **Marks:** 3 | **Frequency:** concept (Sec 76) asked in 2 case studies across sessions

QUESTION	MNO Corporation Ltd., a government company, has paid-up equity capital Rs. 10 crore, free reserves Rs. 4 crore, securities premium Rs. 2 crore and turnover Rs. 300 crore. It proposes to invite deposits of Rs. 4 crore from the public. Explain the prescribed limit up to which a government company can invite deposits from the public and assess whether MNO Corporation Ltd. can invite deposits of Rs. 4 crore.
CASE LAW	*Section 76(1) r/w Rule 2(1)(e) and Rule 3(5), Companies (Acceptance of Deposits) Rules, 2014*
SUMMARY	An eligible government company (net worth >= Rs. 100 cr or turnover >= Rs. 500 cr) may accept public deposits up to 35% of paid-up capital + free reserves + securities premium; otherwise it cannot.
ANSWER	Under Rule 3(5), no government company eligible under Section 76 shall accept or renew deposits if the amount, together with outstanding deposits, exceeds 35% of the aggregate of its paid-up share capital, free reserves and securities premium. Under Section 76(1) read with Rule 2(1)(e), to be an 'eligible company' the net worth must be not less than Rs. 100 crore or turnover at least Rs. 500 crore. Here MNO Corporation Ltd. has net worth of Rs. 16 crore (10 + 4 + 2) and turnover of Rs. 300 crore, neither of which meets the eligibility threshold. Therefore, although the proposed deposit of Rs. 4 crore is within 35% of Rs. 16 crore (Rs. 5.6 crore), the company is not an 'eligible company' and cannot invite deposits of Rs. 4 crore from the public.

CASE 24 Terms and conditions of deposits from members

ASKED 2x

Chapter/Topic: Acceptance of Deposits | **Exam:** CS Executive, Dec 2025, Q2(a) | **Marks:** 3 | **Frequency:** concept (Sec 73) asked in 2 case studies across sessions

QUESTION	Green Roots Organics Private Limited decides to raise funds by accepting deposits from its members, offering a fixed interest rate of 9% per annum, and plans to secure the deposits through a charge on certain movable assets. State the terms and conditions of accepting deposits from members under the Companies Act, 2013.
CASE LAW	*Section 73(2) r/w Companies (Acceptance of Deposits) Rules, 2014*
SUMMARY	Deposits from members require a circular in DPT-1, filing with the ROC, a deposit repayment reserve, a no-default certificate, and optional security.
ANSWER	Under Section 73(2) and the relevant rules, the terms and conditions for accepting deposits from members include: (a) issuing a circular to members in Form DPT-1 showing the company's financial position, credit rating obtained, total number of depositors and amount due on previous deposits; (b) filing a copy of the circular with the Registrar within 30 days before the date of issue; (c) depositing, on or before 30th April each year, a sum not less than 20% of the deposits maturing during the following financial year in a scheduled bank in a separate 'deposit repayment reserve account'; (d) certifying that the company has not committed any default in repayment of deposits or interest, and where a default occurred, that it has been made good and five years have elapsed; and (e) providing security, if any, for repayment, including creation of a charge on the company's property/assets. Where deposits are unsecured or partially secured, they must be quoted as 'unsecured deposits' in every circular, form, advertisement or document. Green Roots Organics may accept deposits from members in compliance with these provisions.

CASE 25	Interest-bearing amount from an employee - deposit or not	ASKED 1x

Chapter/Topic: Acceptance of Deposits | **Exam:** CS Executive, Dec 2025, Q3(b) | **Marks:** 5

QUESTION	Partho, Manager (Marketing) of unlisted Seesaw Machineries Ltd. (delisted two years back), gave the company Rs. 1 lakh under an employment contract at 3% interest per annum; his salary is Rs. 60,000 per month. Bank rate for temporary loans was 12%. Internal auditors flagged the transaction as a contravention with grave consequences. Comment on the auditor's remark with reference to the Companies Act, 2013.
CASE LAW	*Rule 2(c)(x), Companies (Acceptance of Deposits) Rules, 2014*
SUMMARY	An amount from an employee is excluded from 'deposit' only if it is non-interest-bearing and not exceeding annual salary; interest makes it a deposit.
ANSWER	Under Rule 2(c)(x), any amount received from an employee not exceeding his annual salary under a contract of employment, in the nature of a non-interest-bearing security deposit, is not a deposit. Here the company took Rs. 1 lakh from Partho at 3% interest; his annual salary is Rs. 7.20 lakh, so the amount is within annual salary (one condition satisfied). However, the amount is interest-bearing, and the fact that the rate (3%) is lower than external loan rates (12%) is irrelevant. Since the dual conditions (within salary AND non-interest-bearing) are not both satisfied, the amount falls within the meaning of 'deposit'. Hence the internal auditors' comment that there is non-compliance with the Companies Act, 2013 is correct.

CASE 26	Five propositions on deposits (credit rating, insurance, security, trustees, remedy)	ASKED 2x

Chapter/Topic: Acceptance of Deposits | **Exam:** CS Executive, June 2023 (OS), Q1(b) | **Marks:** 5 | **Frequency:** concept (Sec 73) asked in 2 case studies across sessions

QUESTION	Comment: (i) Credit rating at the time of accepting deposits is mandatory. (ii) No company can invite deposits without a deposit-insurance contract. (iii) Creation of security for repayment of deposits is not mandatory for all companies. (iv) Trustees for depositors can be removed by a simple majority. (v) The only remedy for depositors on default is to file a suit.
CASE LAW	*Rules 3, 6, 7 of the Companies (Acceptance of Deposits) Rules, 2014; Sections 73(4), 76, 245*
SUMMARY	Credit rating is mandatory only for eligible companies; deposit insurance is omitted; security is optional (unsecured deposits allowed); trustees need unanimous Board consent; remedies include NCLT and class action.

ANSWER

(i) Credit rating is mandatory only for an eligible company accepting public deposits (at least once a year, filed in DPT-3); it is not mandatory for private/other non-eligible companies accepting deposits only from members. (ii) The deposit-insurance requirement was omitted by the Companies (Acceptance of Deposits) Amendment Rules, 2018; hence a company can invite deposits without a deposit-insurance contract. (iii) Under Rule 6, security by creating a charge is required only up to the amount secured; deposits may be accepted as unsecured (to be quoted as 'unsecured deposits'), so creation of security is not mandatory for all. (iv) Under Rule 7, trustees for depositors can be removed before expiry of term only with the unanimous consent of all directors present at the Board meeting (with at least one independent director present where applicable) — not by simple majority. (v) On default, the depositor may apply to the NCLT under Section 73(4), and 100 or more depositors (or those holding at least 5% of outstanding deposits) may file a class action under Section 245; a civil suit is not the only remedy.

CASE 27 — Inspection of register of deposits by a member

ASKED 1x

Chapter/Topic: Acceptance of Deposits | **Exam:** CS Executive, June 2025, Q1(c) | **Marks:** 3

QUESTION

Vinod, a member of the company for ten years, wants to inspect the Register of deposits maintained under the Companies Act, 2013. The secretarial officer refused to show the register as Vinod did not divulge the reasons for inspection. Comment on the validity of the action of the secretarial officer.

CASE LAW

Rule 14, Companies (Acceptance of Deposits) Rules, 2014

SUMMARY

The Act contains no provision for inspection of the register of deposits by members; the company may refuse inspection.

ANSWER

Under Rule 14 of the Companies (Acceptance of Deposits) Rules, 2014, every company accepting deposits must maintain at its registered office one or more separate registers for deposits, with prescribed particulars entered separately for each depositor. However, the Companies Act, 2013 does not contain any stipulation governing the inspection of the register of deposits. In the absence of any enabling provision, this register is not open for inspection by members, and the company may refuse to open it for inspection. Accordingly, the secretarial officer has not defaulted under any provision by refusing inspection to Vinod.

CHAPTER 6 • REGISTRATION OF CHARGES

4 case studies in this chapter

CASE 28 — Non-registration of charge is void against liquidator, not the going concern

ASKED 3x

Chapter/Topic: Registration of Charges | **Exam:** CS Executive, Dec 2022 (OS), Q2(c) | **Marks:** 3 | **Frequency:** concept (Sec 77) asked in 3 case studies across sessions

QUESTION

Examine the statement: 'Non-filing of particulars of a charge shall be void against the company as a going concern' in light of the Companies Act, 2013.

CASE LAW	*Section 77; ONGC Ltd. v. Official Liquidators of Ambica Mills Co. Ltd. (2006) 132 Comp Cas 606 (Guj)*
SUMMARY	An unregistered charge is void against the liquidator and other creditors, but remains good against the company as a going concern.
ANSWER	Under Section 77, no charge created by a company shall be taken into account by the liquidator or any other creditor unless it is duly registered and a certificate of registration is issued. In ONGC Ltd. v. Official Liquidators of Ambica Mills, an unregistered charge holder could not be treated as a secured creditor. However, this does not make the charge altogether void or the debt irrecoverable: so long as the company does not go into liquidation, the charge is good and may be enforced. 'Void against the liquidator' means the liquidator may ignore the charge and treat the creditor as unsecured; 'void against any creditor' means a later registered charge on the same property gets priority. Thus non-registration does not invalidate the charge against the company as a going concern; it is void only against the liquidator and creditors on liquidation. Hence the statement (as worded) is not correct.

CASE 29 Assignment of charge from Bank A to Bank B

ASKED 1x

Chapter/Topic: Registration of Charges | **Exam:** CS Executive, Dec 2024, Q2(a) | **Marks:** 3 | **Frequency:** concept (Sec 79) asked in 1 case study across sessions

QUESTION	NSG Ltd. created a charge in favour of Bank A (already registered with the ROC). Later Bank A assigned this charge to Bank B as part of a loan portfolio sale, without altering other terms of the original loan agreement. Are there any compliance requirements related to registration of charges under the Companies Act, 2013 in this case?
CASE LAW	*Section 79 r/w Rule 3, Companies (Registration of Charges) Rules, 2014*
SUMMARY	Assignment of a charge to a new charge holder is a 'modification' and must be registered afresh in Form CHG-1.
ANSWER	Under Section 79, the provisions of Section 77 relating to registration of charges apply to (a) a company acquiring property subject to a charge and (b) any modification in the terms or conditions or extent or operation of any registered charge. The term 'modification' includes variation of any terms, including change/swap of security or change of the charge holder; even where the rights of a charge holder are assigned to a third party, it is regarded as a modification of charge. On assignment of the loan from Bank A to Bank B, the charge holder changes. Hence, under Section 79 read with Rule 3, NSG Ltd. is advised to file Form CHG-1 for registration of modification of charge for the change in charge holder.

CASE 30 Delay in registration; priority between two lenders

ASKED 3x

Chapter/Topic: Registration of Charges | **Exam:** CS Executive, Dec 2025, Q4(c) | **Marks:** 5 | **Frequency:** concept (Sec 77) asked in 3 case studies across sessions

QUESTION	MNO Infrastructure Ltd. availed a secured term loan of Rs. 50 crore from XYZ Bank (charge on land), agreement dated 01.01.2025, but failed to file particulars of charge within the prescribed period. The ROC refused registration on expiry of the overall period. A third-party lender, relying on MCA records showing no prior charge, extended further secured credit, and its charge was registered. Decide whether the ROC's refusal was valid, and assess the priority of XYZ Bank's charge over the third-party lender's charge.
CASE LAW	*Section 77, Companies Act, 2013; Independent Automatic Sales Ltd. v. Knowles & Foster (1962) 32 Comp Cas*
SUMMARY	Charge must be registered within 30 days (extendable to 120 days); beyond that the ROC cannot register; an unregistered charge is void against a liquidator and subsequent registered charge holders.
ANSWER	Under Section 77, particulars of a charge with a copy of the instrument must be filed within 30 days of creation, extendable up to 120 days. After the amendment, the ability to register a charge after 120 days is restricted. Consequences of non-registration: an unregistered charge is void against the liquidator and any other creditor of the company, though it remains good against the company as a going concern and the debt remains recoverable. 'Void against any creditor' means that if a subsequent charge is created on the same property and the earlier charge is unregistered, the earlier charge has no consequence and the later registered charge enjoys priority; the later charge holder can have the property sold to recover its money (Independent Automatic Sales Ltd. v. Knowles & Foster). Accordingly, the ROC's refusal to register the charge after expiry of 120 days is valid, as it is not empowered to register such a delayed charge. Consequently, XYZ Bank Ltd. does not have priority over the subsequent registered charge of the third-party lender.

CASE 31 Verification of instrument creating charge filed with ROC ASKED 3x

Chapter/Topic: Registration of Charges | **Exam:** CS Executive, June 2025, Q1(e) | **Marks:** 3 | **Frequency:** concept (Sec 77) asked in 3 case studies across sessions

QUESTION	The company created a charge on its immovable property for a loan of Rs. 4 crore from State Bank of India for purchase of raw materials. The directors understand that a copy of every instrument creating a charge must be filed with the Registrar. Advise the directors how the instruments evidencing creation of charge to be filed with the Registrar are verified.
CASE LAW	*Rule 3(4), Companies (Registration of Charges) Rules, 2014 (Sections 77/78/79)*
SUMMARY	Verification differs for property outside India vs. in India; Indian property requires certification by a director/CS/authorised officer of the charge holder.
ANSWER	Under Rule 3(4), a copy of every instrument evidencing creation or modification of a charge required to be filed with the Registrar under Sections 77, 78 or 79 shall be verified as follows: (a) where the instrument relates solely to property situated outside India, the copy shall be verified by a certificate under the seal (if any) of the company, or under the hand of any director or company secretary or an authorised officer of the charge holder, or by some other interested person; and (b) where the instrument relates wholly or partly to property situated in India, the copy shall be verified by a certificate issued under the hand of any director or company secretary of the company or an authorised officer of the charge holder. The Board is advised on these lines.

CHAPTER 7 • DECLARATION & PAYMENT OF DIVIDEND

4 case studies in this chapter

CASE 32 Adjustment of member's debts against dividend (Article 84, Table F)

ASKED 2x

Chapter/Topic: Declaration & Payment of Dividend | **Exam:** CS Executive, Dec 2024, Q2(b) | **Marks:** 3 | **Frequency:** concept (Sec 127) asked in 2 case studies across sessions

QUESTION

Abbas, a member of PTR Ltd. (which adopted Article 84 of Table F), owes the company Rs. 10,000: calls in arrears Rs. 3,000, unpaid securities premium Rs. 5,000, and other debts Rs. 2,000. PTR Ltd. declared a dividend of Rs. 10,000 on Abbas's shares and proposes to adjust his total debts against the dividend. As Company Secretary, how would you respond, in accordance with the Companies Act, 2013?

CASE LAW

Article 84, Table F, Schedule I; Section 127(d), Companies Act, 2013

SUMMARY

Under Article 84, only sums payable in relation to shares (calls, unpaid premium) can be adjusted against dividend; unrelated 'other debts' cannot.

ANSWER

Article 84 of Table F provides that the Board may deduct from any dividend payable to a member all sums presently payable by him to the company on account of calls or otherwise in relation to the shares. Under Section 127(d), no offence is committed where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder. Where the company has adopted Article 84, it is entitled to adjust the dues relating to the shares, i.e., calls in arrears (Rs. 3,000) and unpaid securities premium (Rs. 5,000), against the dividend. However, the 'other debts' of Rs. 2,000, being unrelated to the shares, cannot be adjusted against the dividend under Article 84. Hence only Rs. 8,000 can be adjusted, and Rs. 2,000 of dividend remains payable to Abbas.

CASE 33 Failure to pay preference dividend due to bank restriction

ASKED 2x

Chapter/Topic: Declaration & Payment of Dividend | **Exam:** CS Executive, Dec 2025, Q1(a) | **Marks:** 3 | **Frequency:** concept (Sec 123) asked in 2 case studies across sessions

QUESTION

AEASPL has 10% preference share capital. The company defaulted in repayment of interest on a term loan from DHFC Bank (principal was paid in time). The Bank directed the company not to pay dividend, including to preference shareholders, and so the company failed to distribute preference dividend within the statutory time limit. Explain whether the company is liable for punishment for its failure to distribute the dividend on preference shares within the statutory time limit.

CASE LAW

Para 1.1.2 of Secretarial Standard-3 (SS-3); Section 123, Companies Act, 2013

SUMMARY

A company that has defaulted in repaying a term loan/interest to a bank shall not declare any dividend (equity or preference) until the default subsists.

ANSWER

As per Para 1.1.2 of SS-3, a company shall not declare any dividend if it has defaulted in, inter alia, repayment of any term loan to a bank or financial institution or interest thereon, till such time the default subsists. The term 'any dividend' covers both equity and preference shares; as a good governance practice, the restrictions in Section 123 apply equally to preference dividend. Here AEASPL paid the principal but defaulted in repayment of interest on the term loan; therefore, the Board's decision not to pay preference dividend owing to the subsisting default is valid, and the company is not liable for punishment for failing to distribute the preference dividend within the statutory time limit.

CASE 34 Failure to distribute dividend due to dispute over entitlement

ASKED 2x

Chapter/Topic: Declaration & Payment of Dividend | **Exam:** CS Executive, Dec 2025, Q3(a) | **Marks:** 5 | **Frequency:** concept (Sec 127) asked in 2 case studies across sessions

QUESTION

Blink Tools Ltd. failed to pay the 11% dividend declared in its AGM to certain shareholders due to a dispute over entitlement. Aggrieved shareholders complained to the Tribunal. Analyse whether the company is liable for punishment for its failure to distribute the dividend within the prescribed time limit to certain shareholders.

CASE LAW

Section 127, Companies Act, 2013

SUMMARY

Non-payment within 30 days ordinarily attracts penalty and 18% interest, but there is no offence where non-payment is due to a genuine dispute over the right to receive the dividend.

ANSWER

Under Section 127, where a dividend has been declared but not paid or the warrant not posted within 30 days of declaration to any entitled shareholder, every director knowingly party to the default is punishable with imprisonment up to two years and fine of not less than one thousand rupees for every day of default, and the company is liable to pay simple interest at 18% p.a. during the default. However, the proviso states that no offence is deemed committed where, inter alia, (c) there is a dispute regarding the right to receive the dividend, among other exceptions. Since Blink Tools Ltd. could not distribute the dividend owing to a genuine dispute over entitlement, clause (c) of the proviso applies, and the company shall not be deemed to have committed an offence and is not liable for punishment.

CASE 35 Dividend out of reserves in a loss year; equity vs preference

ASKED 2x

Chapter/Topic: Declaration & Payment of Dividend | **Exam:** CS Executive, June 2025, Q3(a) | **Marks:** 5 | **Frequency:** concept (Sec 123) asked in 2 case studies across sessions

QUESTION

Trucks and Pickups Limited (listed) has equity share capital Rs. 30 cr (FV Rs.10), 10% preference share capital Rs. 10 cr, reserves and surplus Rs. 85 cr, capital redemption reserve Rs. 15 cr, and incurred a loss of Rs. 2 cr in FY 2023-24. Dividends in the last three years were 20%, 10% and 30%. The Board wants to continue paying dividend for the current FY. Explain the provisions on payment of dividend in case of loss/inadequate profit and decide the amount of dividend payable to equity and preference shareholders.

CASE LAW

Section 123(1) r/w Rule 3, Companies (Declaration and Payment of Dividend) Rules, 2014

SUMMARY	Dividend from reserves is capped at the 3-year average rate, withdrawal capped at 10% of (capital + free reserves), current losses set off first, and reserves must not fall below 15% of paid-up capital.
ANSWER	Under Section 123(1) read with Rule 3, in case of inadequacy or absence of profits, a company may declare dividend out of accumulated profits transferred to free reserves subject to: (a) the rate shall not exceed the average of the rates of the immediately preceding three years; (b) the total amount withdrawn shall not exceed one-tenth of paid-up capital plus free reserves per the latest audited statement; (c) the amount withdrawn shall first be used to set off current-year losses and depreciation; and (d) the balance of reserves after withdrawal shall not fall below 15% of paid-up share capital. Computation: average rate = (20+10+30)/3 = 20%. Maximum withdrawal = 10% of (30 + 10 + 85) = 10% of Rs. 125 cr = Rs. 12.5 cr. After setting off current-year loss (Rs. 2 cr) and preference dividend at 10% on Rs. 10 cr (Rs. 1 cr), the balance is Rs. 9.5 cr. Reserves after withdrawal (85 - 12.5 = 72.5) exceed the required 15% of (30 + 10) = Rs. 6 cr. Hence the company may declare 20% dividend on equity shares (Rs. 6 cr) after paying the contracted preference dividend of Rs. 1 cr and setting off the current-year loss of Rs. 2 cr.

CHAPTER 8 • AUDIT & AUDITORS

8 case studies in this chapter

CASE 36	**Eligibility for appointment as internal auditor (three cases)**	**ASKED 2x**

Chapter/Topic: Audit & Auditors | **Exam:** CS Executive, Dec 2022 (OS), Q2(a) | **Marks:** 3 | **Frequency:** concept (Sec 138) asked in 2 case studies across sessions

QUESTION	Examine whether the following can be appointed as internal auditor under the Companies Act, 2013: (i) an existing employee who is a Chartered Accountant with past internal-audit experience; (ii) an 'Association of Chartered Accountants' specialised in internal audits; (iii) B Pvt. Ltd., a body corporate owned and managed by Chartered Accountants providing internal-audit services.
CASE LAW	*Section 138 r/w Rule 13, Companies (Accounts) Rules, 2014*
SUMMARY	An internal auditor may be a CA/CMA or other professional decided by the Board, an individual, a firm or a body corporate — but not an unincorporated 'association'.
ANSWER	Under Section 138 read with Rule 13, the internal auditor may be a Chartered Accountant or Cost Accountant, or such other professional as may be decided by the Board, and may be either an individual, a partnership firm or a body corporate; the internal auditor may or may not be an employee of the company. Applying this: (i) an existing employee who is a Chartered Accountant CAN be appointed (the observation that he cannot is wrong); (ii) an 'Association of Chartered Accountants' does not fall within the categories of individual/partnership firm/body corporate and CANNOT be appointed; (iii) B Pvt. Ltd., being a body corporate, CAN be appointed as internal auditor.

CASE 37 Internal auditor - applicability and eligibility of a whole-time CS

ASKED 2x

Chapter/Topic: Audit & Auditors | **Exam:** CS Executive, Dec 2024, Q2(c) | **Marks:** 3 | **Frequency:** concept (Sec 138) asked in 2 case studies across sessions

QUESTION

RK Info Pvt. Ltd. has paid-up capital Rs. 60 crore, turnover Rs. 180 crore and outstanding deposits Rs. 30 crore. It plans to appoint Salim, its whole-time Company Secretary, as internal auditor. Assess: (i) Is the company mandatorily required to appoint an internal auditor? (ii) Can a whole-time Company Secretary be appointed as internal auditor of the same company?

CASE LAW

Section 138 r/w Rule 13, Companies (Accounts) Rules, 2014

SUMMARY

For a private company, internal audit is mandatory only if turnover >= Rs. 200 cr or borrowings > Rs. 100 cr; a whole-time CS may be appointed internal auditor.

ANSWER

(i) Under Section 138 read with Rule 13(1)(c), every private company is required to appoint an internal auditor if it has turnover of two hundred crore rupees or more during the preceding financial year, or outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees at any point during the preceding financial year. The criteria of paid-up capital or outstanding deposits do not apply to a private company. RK Info Pvt. Ltd. has turnover of Rs. 180 crore, which is below the Rs. 200 crore threshold, and does not meet the borrowing criterion. Hence it is not mandatory for RK Info Pvt. Ltd. to appoint an internal auditor. (ii) Under Section 138 read with the explanation to Rule 13, the internal auditor may or may not be an employee of the company. Hence, a company secretary in whole-time employment can be appointed as internal auditor of the same company, if the Board so decides.

CASE 38 Re-opening of accounts and recasting of financial statements

ASKED 1x

Chapter/Topic: Audit & Auditors | **Exam:** CS Executive, Dec 2024, Q3(b) | **Marks:** 5 | **Frequency:** concept (Sec 130) asked in 1 case study across sessions

QUESTION

Soya Products Ltd. reported inflated profits for FY 2020-21. In 2024-25 a whistleblower revealed the financial statements for 2020-21 were manipulated, and filed a complaint with the Central Government with documents. The Central Government investigated and concluded the accounts for 2020-21 should be re-opened and recast. Referring to the Companies Act, 2013, examine the feasibility of re-opening and recasting the financial statements for FY 2020-21.

CASE LAW

Section 130, Companies Act, 2013

SUMMARY

Accounts can be re-opened/recast only on a court/Tribunal order, on application by specified authorities, and only for fraud or mismanagement, with notice to stakeholders.

ANSWER

Under Section 130, a company shall not re-open its books of account or recast its financial statements unless an application is made to a court of competent jurisdiction or the Tribunal by one or more of: the Central Government, the Income-tax authorities, SEBI, any other statutory regulatory body/authority, or any person concerned, and an order is made by the court or Tribunal. Re-opening/recasting is permitted only where (a) the relevant earlier accounts were prepared in a fraudulent manner, or (b) the affairs of the company were mismanaged during the relevant period, casting doubt on the reliability of the financial statements. The Tribunal must give notice to the Central Government, Income-tax authorities, SEBI and any other body/person concerned and consider their representations before passing any order. The accounts so revised or recast are final. Here, since the Central Government's investigation established that the FY 2020-21 accounts were prepared in a fraudulent manner, an application under Section 130 is maintainable and re-opening and recasting of the financial statements is feasible upon an order of the court/Tribunal.

CASE 39 — Auditor providing prohibited investment advisory services

ASKED 1x

Chapter/Topic: Audit & Auditors | **Exam:** CS Executive, Dec 2025, Q1(d) | **Marks:** 3 | **Frequency:** concept (Sec 144) asked in 1 case study across sessions

QUESTION

BCD Co., an LLP audit firm, is the statutory auditor of Bright Technologies Private Ltd. (BTPL), a subsidiary of AEASPL, charging audit fee of Rs. 85,000. The Board of AEASPL resolved to assign investment advisory services to BCD & Co. at a fee of Rs. 50,000. Pulak, a secretarial advisor, objected that this is invalid. Examine whether the objection of the secretarial advisor is justified.

CASE LAW

Section 144, Companies Act, 2013

SUMMARY

An auditor cannot render specified non-audit services (including investment advisory) to the company, its holding or subsidiary company.

ANSWER

Under Section 144, an auditor appointed under the Act shall provide only such other services as are approved by the Board or the audit committee, but which shall not include specified services, whether rendered directly or indirectly to the company or its holding company or subsidiary company. Specified (prohibited) services include investment advisory services. BCD Co. LLP is the statutory auditor of BTPL, and AEASPL is the holding company of BTPL. Therefore, BCD Co. LLP cannot accept the investment advisory assignment offered by AEASPL, the holding company. Hence the objection of the secretarial advisor is correct/justified.

CASE 40 — Auditor's unwillingness conveyed after reappointment - casual vacancy

ASKED 2x

Chapter/Topic: Audit & Auditors | **Exam:** CS Executive, Dec 2025, Q2(e) | **Marks:** 3 | **Frequency:** concept (Sec 139) asked in 2 case studies across sessions

QUESTION

Dixit & Co. were appointed auditors of KVS Ltd. at the AGM on 19.09.2024 for five years. Due to differences with the Director (Finance), they decided not to seek reappointment at the AGM on 22.09.2025 but failed to inform their unwillingness in writing prior to the AGM. The company reappointed them; post-AGM, Dixit & Co. conveyed their unwillingness in writing. Analyse and explain the further course of action KVS Ltd. should take.

CASE LAW	*Section 139(8), Companies Act, 2013*
SUMMARY	Unwillingness conveyed after a valid reappointment amounts to resignation causing a casual vacancy, to be filled by the Board within 30 days and approved in a general meeting.
ANSWER	Since Dixit & Co. conveyed their unwillingness only after being reappointed at the AGM on 22.09.2025, the reappointment is valid. Communication of unwillingness after a valid reappointment amounts to resignation of the auditor, causing a casual vacancy. Under Section 139(8), any casual vacancy in the office of an auditor shall, in the case of a company, be filled by the Board of Directors within thirty days; where the casual vacancy is a result of resignation, such appointment shall also be approved by the company at a general meeting convened within three months of the Board's recommendation, and the auditor so appointed shall hold office till the conclusion of the next AGM. Hence, KVS Ltd. should take steps to fill the casual vacancy accordingly.

CASE 41 — Auditor's duty on discovering large-scale fraud (Section 143(12)) — ASKED 1x

Chapter/Topic: Audit & Auditors | **Exam:** CS Executive, June 2023 (OS), Q3(b) | **Marks:** 5 | **Frequency:** concept (Sec 143) asked in 1 case study across sessions

QUESTION	A newly appointed auditor of a listed company found evidence of under-invoicing of exports, round-tripping through tax havens and fraudulent siphoning of about USD 10 million. Explain the auditor's further course of action and the meaning of 'fraud' under the Companies Act, 2013.
CASE LAW	*Section 143(12) r/w Rule 13, Companies (Audit and Auditors) Rules, 2014; Section 447*
SUMMARY	For fraud of Rs. 1 crore or more, the auditor reports to the Central Government (via the Board/audit committee, then Form ADT-4); smaller frauds go to the audit committee/Board.
ANSWER	Under Section 143(12) read with Rule 13, if an auditor has reason to believe that a fraud involving Rs. 1 crore or more is being or has been committed against the company by its officers or employees, he must report to the Central Government: first to the Board or audit committee immediately (within two days of knowledge), seeking their reply within 45 days; then forwarding his report with their reply and his comments to the Central Government within 15 days; and if no reply is received within 45 days, forwarding his report with a note to that effect. The report is made in Form ADT-4. (Frauds below Rs. 1 crore are reported to the audit committee/Board and disclosed in the Board's report.) 'Fraud' under Section 447 includes any act, omission, concealment of fact or abuse of position committed with intent to deceive, gain undue advantage from, or injure the interests of the company, its stakeholders or creditors, whether or not there is wrongful gain or loss. Here, as the company is listed and the amount far exceeds Rs. 1 crore, the auditor must report to the Central Government in time, whether or not a reply is received.

CASE 42 — Rotation of auditors - reappointment of individual auditor — ASKED 2x

Chapter/Topic: Audit & Auditors | **Exam:** CS Executive, June 2025, Q1(d) | **Marks:** 3 | **Frequency:** concept (Sec 139) asked in 2 case studies across sessions

QUESTION	S. Nagori and Associates, Chartered Accountants, has been statutory auditor of Supershine Detergents Ltd. since 2019-20 and is willing to continue for FY 2024-25. The company (private) has paid-up capital Rs. 6 cr, turnover Rs. 35 cr, borrowings from financial institutions Rs. 60 cr, net worth Rs. 70 cr. Examine whether S. Nagori and Associates can be reappointed as statutory auditor for FY 2024-25.
CASE LAW	*Section 139(2) r/w Rule 5, Companies (Audit and Auditors) Rules, 2014*
SUMMARY	Rotation applies to private companies with public borrowings >= Rs. 50 cr; an individual auditor cannot serve more than one term of five consecutive years.
ANSWER	Under Section 139(2) read with Rule 5, rotation of auditors applies to (among others) all private companies having paid-up capital of Rs. 50 crore or more, and all companies below that threshold but having public borrowings from financial institutions, banks or public deposits of Rs. 50 crore or more. Rotation does not apply to OPCs and small companies. An individual auditor who has completed one term of five consecutive years is not eligible for reappointment in the same company for five years. Supershine Detergents Ltd. is not a small company; being a private company with borrowings from financial institutions of Rs. 60 crore (exceeding Rs. 50 crore), it is hit by the mandatory rotation provisions. Accordingly, S. Nagori & Associates, having acted as auditor for five years (FY 2019-20 to FY 2023-24), cannot be reappointed as statutory auditor for FY 2024-25, notwithstanding the audit committee's satisfaction.

CASE 43 Removal of auditor by ordinary resolution before expiry of term

ASKED 1x

Chapter/Topic: Audit & Auditors | **Exam:** CS Executive, June 2025, Q2(e) | **Marks:** 3 | **Frequency:** concept (Sec 140) asked in 1 case study across sessions

QUESTION	The Board of Hub & Links Logistics Private Ltd. passed a resolution on 02.01.2025 to remove statutory auditor Sundar & Co. before expiry of term for improper audit quality, and the company passed an ordinary resolution on 03.02.2025 for removal. The auditor objected to this mode of removal (no audit fee was outstanding). Discuss with reference to the Companies Act, 2013.
CASE LAW	*Section 140 r/w Rule 7, Companies (Audit and Auditors) Rules, 2014*
SUMMARY	Removal before term needs prior Central Government approval (ADT-2), a special resolution, and an opportunity of being heard; an ordinary resolution is invalid.
ANSWER	Under Section 140, an auditor appointed under Section 139 may be removed before the expiry of his term only by a special resolution of the company after obtaining the prior approval of the Central Government, in the manner prescribed under Rule 7. Rule 7 requires: (i) prior approval of the Central Government by filing Form ADT-2 within 30 days of the Board resolution; (ii) holding a general meeting within 60 days of receipt of the Central Government's approval to pass the special resolution; and (iii) giving the auditor a reasonable opportunity of being heard. Here, Central Government approval was not obtained, an ordinary resolution (not a special resolution) was passed, and the auditor was not given an opportunity of being heard. Therefore, the objection of the auditor is valid and the removal is not in accordance with law.

CHAPTER 9 • MEETINGS, REGISTER & SECRETARIAL COMPLIANCE

7 case studies in this chapter

CASE 44 — CSR liability and exclusions from net profit — ASKED 1x

Chapter/Topic: Meetings, Register & Secretarial Compliance | **Exam:** CS Executive, Dec 2022 (OS), Q2A(iv) | **Marks:** 3 | **Frequency:** concept (Sec 135) asked in 1 case study across sessions

QUESTION

A company's net profit under Section 198 was Rs. 8 crore (2021-22), Rs. 5 crore (2020-21) and Rs. 4 crore (2019-20). The 2021-22 profit included Rs. 1 crore from a foreign subsidiary and Rs. 1 crore dividend from an Indian company covered under Section 135. Compute the CSR amount, if any, the company must spend.

CASE LAW

Section 135, Companies Act, 2013

SUMMARY

CSR applies at net worth >= Rs. 500 cr / turnover >= Rs. 1000 cr / net profit >= Rs. 5 cr; foreign-branch profit and dividend from a Section 135 company are excluded from net profit.

ANSWER

Under Section 135, every company with net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more, or net profit of Rs. 5 crore or more during the immediately preceding financial year, must constitute a CSR Committee and spend 2% of the average net profits of the preceding three financial years on CSR. Profits from any overseas branch and dividend received from another Section 135-covered Indian company are excluded from net profit. Here the FY 2021-22 net profit is Rs. 6 crore (8 - 1 - 1). The three-year average net profit = (6 + 5 + 4)/3 = Rs. 5 crore. The company must therefore spend 2% of Rs. 5 crore = Rs. 10 lakh on CSR activities.

CASE 45 — Closure of register of members - aggregate day limit — ASKED 1x

Chapter/Topic: Meetings, Register & Secretarial Compliance | **Exam:** CS Executive, Dec 2025, Q1(b) | **Marks:** 3 | **Frequency:** concept (Sec 91) asked in 1 case study across sessions

QUESTION

AEASPL closed its register of members in May, August and October 2025 for 12, 10 and 15 days respectively. The Board is considering closing the register in December 2025 for another 14 days for issue of bonus shares. State whether the proposal for closure of the register of members in December 2025 is tenable.

CASE LAW

Section 91(1), Companies Act, 2013

SUMMARY

A company may close the register for up to 45 days in a year, not exceeding 30 days at any one time; the proposed closure would breach the annual 45-day cap.

ANSWER	Under Section 91(1), a company may close the register of members (or debenture holders or other security holders) for any period(s) not exceeding, in the aggregate, forty-five days in each year, but not exceeding thirty days at any one time. AEASPL closed its register for 12, 10 and 15 days (each within the 30-day single-closure limit), aggregating 37 days. If it closes again in December 2025 for 14 days, the aggregate would be 37 + 14 = 51 days, which exceeds the prescribed 45-day annual limit. Hence, the Board's proposal to close the register in December 2025 for 14 days is not valid under the Companies Act, 2013.

CASE 46 — Length of notice for the Annual General Meeting

ASKED 1x

Chapter/Topic: Meetings, Register & Secretarial Compliance | **Exam:** CS Executive, Dec 2025, Q5(d) | **Marks:** 5 | **Frequency:** concept (Sec 101) asked in 1 case study across sessions

QUESTION	Greenstone Cements Ltd. is to convene its AGM on 25 September 2025. The notice for the AGM was issued by post on 1 September 2025. The Managing Director seeks clarification on whether the length of notice convening the AGM was valid.
CASE LAW	*Sections 101 and 20, Companies Act, 2013*
SUMMARY	An AGM requires at least 21 clear days' notice; where sent by post, 48 hours are added for service, so clear days are counted excluding the day of service and the day of the meeting.
ANSWER	Under Section 101, a general meeting may be called by giving not less than twenty-one clear days' notice in writing or through electronic mode. 'Clear days' means the day of service of notice and the day of the meeting are both excluded. Under Section 20 read with the relevant rules, where notice is sent by post, service is deemed to be effected after the expiry of 48 hours from the time of posting; hence two days are added for postal service. Here the notice was posted on 1 September 2025; deemed service is on 3 September 2025. Counting 21 clear days from 4 September (excluding the day of service) and excluding the meeting day of 25 September, the available clear days are 4 September to 24 September, i.e., 21 clear days. Therefore, the length of notice convening the AGM on 25 September 2025 is valid.

CASE 47 — Managerial remuneration - MD and other directors

ASKED 1x

Chapter/Topic: Meetings, Register & Secretarial Compliance | **Exam:** CS Executive, Dec 2025, Q5(b) | **Marks:** 5 | **Frequency:** concept (Sec 197) asked in 1 case study across sessions

QUESTION	Greenstone Cements Ltd. (managed by a Managing Director) proposes to pay: (i) commission at 5% of net profits to its Managing Director; and (ii) to directors other than the MD, monthly remuneration of Rs. 2,50,000 plus commission at 1% of net profits, provided overall remuneration to ordinary directors shall not exceed 2% of net profits (equal distribution). Analyse the validity of the proposal.
CASE LAW	*Section 197(1), Companies Act, 2013*
SUMMARY	To a single MD, 5% of net profits is permissible without special resolution; non-executive directors are limited to 1% (with an MD) unless approved by special resolution.

ANSWER

Under the second proviso to Section 197(1), remuneration to any one managing director/whole-time director/manager shall not exceed 5% of the net profits, and to more than one such director, 10% together, except with the approval of the company in general meeting by special resolution. Since the company is managed by a single Managing Director, commission at 5% of net profits is permissible and no special resolution is required (subject to the Articles); this proposal is valid. Further, remuneration to directors who are neither MD nor WTD shall not exceed 1% of net profits if there is a managing/whole-time director or manager, and 3% in any other case, except with approval by special resolution. As the company has a Managing Director, the maximum for other directors is 1% of net profits. If the company wants to pay them more than 1% (here it proposes up to 2%), the approval of the company in general meeting by special resolution is required.

CASE 48 Related party appointment to office of profit; effect of relative-director

ASKED 2x

Chapter/Topic: Meetings, Register & Secretarial Compliance | **Exam:** CS Executive, Dec 2025, Q5(a) | **Marks:** 5 | **Frequency:** concept (Sec 188) asked in 2 case studies across sessions

QUESTION

On 01.07.2025, the Board appointed Anil (a director of subsidiary Ruby Cements Ltd.) as General Manager of Greenstone Cements Ltd. at Rs. 1,80,000 per month; and the Managing Director appointed Kamal as Assistant Production Manager at Rs. 1,55,000 per month. On the same day Parimal, a relative of Kamal, was appointed a director of Greenstone Cements Ltd. Whether Anil's appointment requires shareholders' approval? Does Parimal's appointment as director affect Kamal's continuation as Production Manager?

CASE LAW

Sections 188 and 2(76), Companies Act, 2013 r/w Rule 15(1), Companies (Meetings of Board and its Powers) Rules, 2014

SUMMARY

RPT approval by members is required only if monthly remuneration to office of profit exceeds Rs. 2,50,000; below that, Board approval suffices; a subsequent relative-director triggers RPT scrutiny for the existing appointee.

ANSWER

Under Section 188 read with Section 2(76), a related party includes a holding, subsidiary or associate company, and a director or his relative. Appointment of a related party to any office or place of profit requires Board consent by resolution, and members' approval only where the monthly remuneration exceeds Rs. 2,50,000 (Rule 15(1)). Anil's appointment: Anil is a director of Ruby Cements Ltd., a subsidiary of Greenstone Cements Ltd., hence a related party; his appointment as General Manager at Rs. 1,80,000 per month (below Rs. 2,50,000) requires only Board approval and not members' approval in general meeting. Kamal's continuation: Parimal, appointed a director of Greenstone on 01.07.2025, is a relative of Kamal, who was appointed Assistant Production Manager on the same day. This brings the transaction within Section 188. Continuation of Kamal as production manager gives rise to a conflict of interest and will be affected unless approved/ratified by the Board under Section 188(3).

CASE 49 Appointment of independent woman director - mandatory or not

ASKED 1x

Chapter/Topic: Meetings, Register & Secretarial Compliance | **Exam:** CS Executive, Dec 2025, Q5(c) | **Marks:** 5 | **Frequency:** concept (Sec 149) asked in 1 case study across sessions

QUESTION	Greenstone Cements Ltd. is an unlisted company with turnover of Rs. 300 crore during 2024-25. The Board decided to appoint an independent woman director and other independent directors, if required, at the upcoming AGM. Advise whether the company is mandatorily required to make such appointments.
CASE LAW	*Sections 149(1) and 149(4) r/w Rule 3 and Rule 4, Companies (Appointment and Qualification of Directors) Rules, 2014*
SUMMARY	Woman director and independent director requirements attach to specified public companies (paid-up capital >= Rs. 10 cr, turnover >= Rs. 100 cr, or borrowings >= Rs. 50 cr); an unlisted public company crossing thresholds must comply.
ANSWER	Under the second proviso to Section 149(1) read with Rule 3, certain classes of companies must appoint at least one woman director: every listed company, and every other public company having paid-up share capital of Rs. 100 crore or more, or turnover of Rs. 300 crore or more. Under Section 149(4) read with Rule 4, specified public companies must have independent directors: every public company with paid-up capital of Rs. 10 crore or more, or turnover of Rs. 100 crore or more, or aggregate outstanding loans/debentures/deposits exceeding Rs. 50 crore (at least two independent directors). Applying these thresholds to Greenstone Cements Ltd. (an unlisted public company with turnover of Rs. 300 crore), it meets the turnover threshold for a woman director and the turnover threshold for independent directors; hence it is mandatorily required to appoint a woman director and the requisite number of independent directors, and should proceed accordingly.

CASE 50 — Board meetings - four in a year and adjournment for want of quorum — ASKED 2x

Chapter/Topic: Meetings, Register & Secretarial Compliance | **Exam:** CS Executive, June 2023 (OS), Q4(c) | **Marks:** 5 | **Frequency:** concept (Sec 173) asked in 2 case studies across sessions

QUESTION	The Board of ABC Ltd. met thrice in 2021, and the fourth meeting, though called, could not be held for want of quorum. Examine whether any provision of the Companies Act, 2013 has been contravened.
CASE LAW	*Sections 173(1) and 174(4), Companies Act, 2013*
SUMMARY	A company must hold at least four Board meetings a year (gap <=120 days); a meeting adjourned for want of quorum, if duly held later, avoids contravention.
ANSWER	Under Section 173(1), every company must hold a minimum of four Board meetings each year, with not more than 120 days between two consecutive meetings. Under Section 174(4), if a meeting cannot be held for want of quorum, then, unless the articles otherwise provide, it stands adjourned to the same day in the next week at the same time and place (or the next non-holiday). An adjourned meeting is a continuation of the original meeting. Here, only three meetings were held and the fourth could not be held for want of quorum; on these facts the company has contravened Section 173(1). However, if the fourth meeting stood adjourned for want of quorum and the adjourned meeting was duly held within the stipulated time, the company would not have contravened the Act.

CHAPTER 10 • DIRECTORS, KMP & BOARD POWERS

9 case studies in this chapter

CASE 51 Board's responsibility for financial statements despite CA-qualified CFO

ASKED 1x

Chapter/Topic: Directors, KMP & Board Powers | **Exam:** CS Executive, Dec 2022 (OS), Q1(c) | **Marks:** 5 | **Frequency:** concept (Sec 134) asked in 1 case study across sessions

QUESTION	Ritesh, Director (Finance) of a listed company, represented to the statutory auditor that since the CFO (a Chartered Accountant) had finalised the financial statements, neither he nor the Board had any responsibility for their preparation. Examine the correctness of this representation under the Companies Act, 2013.
CASE LAW	*Section 134(5), Companies Act, 2013*
SUMMARY	The Directors' Responsibility Statement fixes responsibility for accounts on the Board; it cannot be shifted to the CFO.
ANSWER	Under Section 134(5), the Directors' Responsibility Statement must affirm, among other things, that applicable accounting standards were followed, that accounting policies were applied consistently and prudent judgments made to give a true and fair view, that proper and sufficient care was taken to maintain adequate accounting records for safeguarding assets and preventing fraud, that accounts were prepared on a going-concern basis, and (for listed companies) that adequate internal financial controls and compliance systems were laid down and operated effectively. It is therefore the responsibility of the Board of Directors to prepare proper financial statements and maintain proper books of account. The Board cannot absolve itself of this responsibility merely because a Chartered Accountant has been appointed as CFO. Hence Ritesh's representation to the statutory auditor is incorrect.

CASE 52 Investment through more than two layers of investment companies

ASKED 1x

Chapter/Topic: Directors, KMP & Board Powers | **Exam:** CS Executive, Dec 2022 (OS), Q2A(i) | **Marks:** 3 | **Frequency:** concept (Sec 186) asked in 1 case study across sessions

QUESTION	A Ltd., B Ltd., C Ltd. and D Ltd. are group investment companies. A Ltd. invested in 52% of B Ltd.; B Ltd. invested in 55% of C Ltd.; C Ltd. invested in 51% of D Ltd. Examine the validity of these investments under the Companies Act, 2013.
CASE LAW	*Section 186(1), Companies Act, 2013*
SUMMARY	A company may invest through not more than two layers of investment companies; the third-layer investment is invalid.

ANSWER	Under Section 186(1), a company shall, unless otherwise prescribed, make investment through not more than two layers of investment companies (subject to exceptions for foreign acquisitions and statutory requirements). An 'investment company' is one whose principal business is acquisition of shares/debentures/securities, deemed so if such investments are at least 50% of total assets or income therefrom is at least 50% of gross income. Applying this, A Ltd. is the ultimate holding company: its investment into B Ltd., and B Ltd.'s investment into C Ltd., are within two layers and valid. However, C Ltd.'s investment into D Ltd. is beyond two layers and is therefore not valid/allowed.

CASE 53 Political contributions - permissible mode and limits

ASKED 1x

Chapter/Topic: Directors, KMP & Board Powers | **Exam:** CS Executive, Dec 2022 (OS), Q4(d) | **Marks:** 5 | **Frequency:** concept (Sec 182) asked in 1 case study across sessions

QUESTION	Kuku, CFO, proposes political contributions: Rs. 7.25 crore to Party A by bearer cheque; Rs. 9.9 crore to Party B by RTGS; Rs. 13 crore to Party C by account-payee bank draft (average net profit of preceding three years is Rs. 140 crore). Advise on validity and the penalty for contravention under the Companies Act, 2013.
CASE LAW	*Section 182, Companies Act, 2013*
SUMMARY	A company (not a government company / <3 years old) may contribute to political parties only via banking channels (not cash/bearer cheque); contravention attracts up to 5x the amount as fine.
ANSWER	Under Section 182, a company (other than a government company and one existing for less than three financial years) may contribute any amount to a political party, but the contribution shall be made only by an account-payee cheque/bank draft or through electronic clearing via a bank account (not cash or bearer cheque). Applying this: contribution to Party A by bearer cheque is not permissible; contribution to Party B by RTGS is permissible; contribution to Party C by account-payee bank draft is permissible. (Note: the earlier percentage ceiling on political contributions was removed by the Finance Act, 2017.) If contribution is made in contravention, the company is punishable with fine up to five times the amount contributed, and every officer in default is punishable with imprisonment up to six months and fine up to five times the amount contributed.

CASE 54 Director's right to inspect financial information of a foreign branch

ASKED 1x

Chapter/Topic: Directors, KMP & Board Powers | **Exam:** CS Executive, Dec 2024, Q1(c) | **Marks:** 3 | **Frequency:** concept (Sec 128) asked in 1 case study across sessions

QUESTION	Janak Textile Limited has its registered office in Chennai and a branch in California, USA. During the secretarial audit for FY 2023-24, the auditor noticed that one director requested financial information beyond the summarized quarterly returns of the branch, but the Board denied it, contending that a director can only inspect the summarized quarterly returns. Determine whether the Board's decision to deny the requested information is valid.
CASE LAW	*Section 128(2) & (3) r/w Rule 4, Companies (Accounts) Rules, 2014*

SUMMARY	A director may seek any other financial information of a foreign branch by a written request with full details; the company must furnish it within 15 days.
ANSWER	Under Section 128(2) and (3) read with Rule 4(1), a proper summarized return of the books of account kept outside India shall be sent to the registered office at quarterly intervals and kept open to directors for inspection. Further, under Rule 4, where any other financial information maintained outside the country is required by a director, the director shall furnish a request setting out full details of the information sought and the period, and the company shall produce such information to the director within 15 days of receipt of the written request. The information must be sought by the director himself, not through a power of attorney holder, agent or representative. Hence, the director has a right to seek other financial information of the foreign branch by a proper request, and the Board's contention limiting him to the summarized quarterly returns is incorrect; the decision to deny the information is not valid.

CASE 55 — Holding-subsidiary relationship through control of board composition

ASKED 4x

Chapter/Topic: Directors, KMP & Board Powers | **Exam:** CS Executive, Dec 2024, Q2(e) | **Marks:** 3 | **Frequency:** concept (Sec 2) asked in 4 case studies across sessions

QUESTION	S Ltd. has equity shares with pari passu voting rights. X Ltd., Y Ltd. and Z Ltd. each hold 20% of S Ltd.; the remaining 40% is held by retail investors. R Ltd. controls the composition of the Board of Directors of X Ltd., Y Ltd. and Z Ltd. Determine whether R Ltd. qualifies as a holding company of S Ltd.
CASE LAW	*Section 2(87), Companies Act, 2013*
SUMMARY	Control via subsidiaries counts: if a company controls, through its subsidiaries, more than half the voting power of another company, it is the holding company.
ANSWER	Under Section 2(87), a subsidiary company, in relation to a holding company, means a company in which the holding company (i) controls the composition of the Board of Directors, or (ii) exercises or controls more than one-half of the total voting power, either on its own or together with one or more of its subsidiaries. The Explanation clarifies that a company is deemed a subsidiary even where the control is of another subsidiary of the holding company. Here R Ltd. controls the board composition of X Ltd., Y Ltd. and Z Ltd., so these three are subsidiaries of R Ltd. Their combined shareholding in S Ltd. is 60% (20% + 20% + 20%). Therefore, R Ltd. exercises or controls more than one-half of the total voting power of S Ltd. through its subsidiaries. Hence, R Ltd. qualifies as a holding company of S Ltd.

CASE 56 — Applicability of XBRL filing to three companies

ASKED 1x

Chapter/Topic: Directors, KMP & Board Powers | **Exam:** CS Executive, Dec 2025, Q4(b) | **Marks:** 5

QUESTION	Advise Ambarish on the applicability of XBRL mode of filing for three companies: Long Ltd. (listed, steel manufacturing, turnover Rs. 45 cr, paid-up Rs. 3 cr); Wide Private Ltd. (toys manufacturing, turnover Rs. 75 cr, paid-up Rs. 4 cr, loan Rs. 15 cr); Sharp Ltd. (listed, general insurance, turnover Rs. 150 cr, paid-up Rs. 10 cr), under the Companies Act, 2013.

CASE LAW	*Rule 3, Companies (Filing of Documents and Forms in XBRL) Rules, 2015*
SUMMARY	XBRL applies to listed companies and their Indian subsidiaries, companies with paid-up capital >= Rs. 5 cr, or turnover >= Rs. 100 cr, or those preparing Ind AS accounts; banking/insurance/NBFC/HFC are exempt.
ANSWER	Under Rule 3, the following classes must file financial statements in XBRL: (i) all companies listed on any Indian stock exchange and their Indian subsidiaries; (ii) all companies with paid-up capital of Rs. 5 crore or above; (iii) all companies with turnover of Rs. 100 crore or above; and (iv) all companies required to prepare financial statements per the Companies (Indian Accounting Standards) Rules, 2015. However, companies in the banking, insurance, non-banking financial and housing finance sectors need not file under this rule. Conclusion: Long Ltd. - required, being a listed company (turnover/paid-up immaterial). Wide Private Ltd. - not required, as neither the paid-up capital (Rs. 4 cr) nor turnover (Rs. 75 cr) crosses the limits, and the amount of borrowing is not relevant (unless it prepares Ind AS accounts, in which case it must file). Sharp Ltd. - not required, as XBRL provisions do not apply to insurance companies, and turnover/paid-up figures are irrelevant.

CASE 57 — Loan to a non-executive director at concessional rate (Section 185) — ASKED 1x

Chapter/Topic: Directors, KMP & Board Powers | **Exam:** CS Executive, June 2023 (OS), Q4(a) | **Marks:** 5 | **Frequency:** concept (Sec 185) asked in 1 case study across sessions

QUESTION	Happy Travels Ltd. (unlisted, paid-up capital Rs. 120 crore, term loan Rs. 65 crore) granted a Rs. 1 crore concessional housing loan to Rakesh, a non-executive & non-independent director, under a scheme meant for permanent employees. The secretarial auditor objected. Is the objection correct? Would the answer differ if it were a private company?
CASE LAW	*Section 185, Companies Act, 2013; MCA Notification dated 05.06.2015*
SUMMARY	A company cannot lend to a director except by special resolution; the employee-scheme exemption covers only MD/WTD; a private company is exempt only if borrowings are within limits.
ANSWER	Under Section 185, no company shall advance any loan to a director or his relative, except that a loan may be given pursuant to a special resolution with full particulars disclosed in the explanatory statement. Under Section 185(3), the prohibition does not apply to a loan to the Managing Director or Whole-Time Director as part of service conditions extended to all employees or under a members-approved scheme. As Rakesh is neither MD nor WTD, the employee-scheme exemption does not apply, and no loan can be given to him without a special resolution; the secretarial auditor's objection is correct. If it were a private company, the MCA Notification dated 05.06.2015 exempts it only if (a) no body corporate has invested in its share capital, (b) borrowings from banks/FIs are less than twice paid-up capital or Rs. 50 crore, whichever is lower, and (c) there is no subsisting default. As Happy Travels has a term loan of Rs. 65 crore (exceeding the Rs. 50 crore ceiling), it cannot grant the loan even as a private company.

CASE 58 — Refund of MCA-21 fee - services where refund is not applicable — ASKED 1x

Chapter/Topic: Directors, KMP & Board Powers | **Exam:** CS Executive, June 2023 (OS), Q2(d) | **Marks:** 3

QUESTION	Magnificent Ltd. filed various e-forms with the ROC. With reference to e-filing, state the services/e-forms for which the process for refund of fee is NOT applicable under the Companies Act, 2013.
CASE LAW	*MCA-21 refund process; Companies (Registration Offices and Fees) Rules, 2014*
SUMMARY	Refund of MCA-21 fee (available for multiple/incorrect/excess payments) does not apply to certain services like public inspection, certified copies, stamp duty, IEPF, STP forms and DIR-3.
ANSWER	The refund of MCA-21 fees is available in cases of multiple payments, incorrect payments or excess payments. However, the refund process is NOT applicable for the following services/e-forms: public inspection of documents; request for certified copies; payment for transfer deeds; stamp duty fee; IEPF payment; STP (straight-through process) forms; and Form DIR-3. Magnificent Ltd. is to be advised accordingly.

CASE 59 — Certification of AOC-4 by a small company — ASKED 4x

Chapter/Topic: Directors, KMP & Board Powers | **Exam:** CS Executive, June 2025, Q2(b) | **Marks:** 3 | **Frequency:** concept (Sec 2) asked in 4 case studies across sessions

QUESTION	Maximum Private Ltd. has paid-up capital Rs. 3 crore, turnover Rs. 30 crore and borrowings Rs. 50 lakh. There is no Company Secretary; Joy, an Officer (Accounts), prepared AOC-4 and submitted it to Satish, a practising Cost Accountant, for certification in place of a practising Company Secretary. Examine whether certification of AOC-4 is really necessary.
CASE LAW	*Section 2(85); Rule 8(12), Companies (Registration Offices and Fees) Rules, 2014*
SUMMARY	A small company's e-forms do not require certification by a practising professional.
ANSWER	Under Section 2(85), a small company (other than a public company) is one whose paid-up capital does not exceed Rs. 4 crore (or higher amount prescribed up to Rs. 10 crore) and whose turnover does not exceed Rs. 40 crore (or higher amount prescribed up to Rs. 100 crore), excluding a holding/subsidiary company, a Section 8 company, or a body corporate governed by a special Act. Maximum Private Ltd. satisfies the paid-up capital (Rs. 3 crore) and turnover (Rs. 30 crore) criteria and is a small company. Under Rule 8(12)(a) and 8(12)(b), there is no necessity of certification of e-forms of a small company by a practising professional (Chartered Accountant, Company Secretary or Cost Accountant). Hence, certification of AOC-4 is not necessary for Maximum Private Ltd.

CHAPTER 11 • RELATED PARTY TRANSACTIONS & CONTRACTS

1 case study in this chapter

CASE 60	RPT approval where CFO's spouse controls the supplier	ASKED 2x

Chapter/Topic: Related Party Transactions & Contracts | **Exam:** CS Executive, June 2023 (OS), Q1(c) | **Marks:** 5 | **Frequency:** concept (Sec 188) asked in 2 case studies across sessions

QUESTION	Shortwalkers Ltd. (listed, turnover Rs. 500 crore) approved a Rs. 75 crore purchase of gym equipment from Fitness Solutions (Pvt.) Ltd., a company managed by Anita, wife of Sunil (the CFO), and held by Anita and two others. The Board claimed the deal was at arm's length and that Sunil was not a related party, so no audit committee or special resolution approval was needed. Examine under the Companies Act, 2013.
CASE LAW	*Sections 188, 2(76), 2(77); Regulation 23, SEBI (LODR) Regulations, 2015*
SUMMARY	A KMP's relative (spouse) is a related party; a material RPT (>10% of turnover) not in the ordinary course/arm's length needs audit committee and members' approval.
ANSWER	Under Section 2(76), a related party includes a KMP or his relative, and under Section 2(77) 'relative' includes the spouse; the CFO is a KMP, so his wife (and a company she manages) is a related party. Hence the Board's contention that Sunil is not a related party is not acceptable. Under Section 188, related-party contracts for purchase of goods require Board approval; the exemption for transactions in the ordinary course of business on an arm's length basis applies only if both conditions are met. Under Regulation 23 of SEBI (LODR), a transaction is material if it exceeds Rs. 1,000 crore or 10% of consolidated turnover, whichever is lower — here 10% of Rs. 500 crore = Rs. 50 crore, and the Rs. 75 crore deal exceeds it, requiring audit committee approval and members' approval. Since the transaction is between related parties, due process — audit committee approval and members' approval — should have been followed. The auditor's adverse remark is correct.

CHAPTER 12 • DORMANT COMPANY & MISCELLANEOUS

3 case studies in this chapter

CASE 61	Dormant status at ROC's behest - validity of notice	ASKED 1x

Chapter/Topic: Dormant Company & Miscellaneous | **Exam:** CS Executive, Dec 2024, Q1(d) | **Marks:** 3 | **Frequency:** concept (Sec 455) asked in 1 case study across sessions

QUESTION	MM Consultancy Ltd. received a notice from the ROC for entering its name in the register maintained for dormant companies. The company had not filed its financial statements for two consecutive financial years and an annual return for the preceding financial year (only one year). Elucidate the provisions under which the Registrar may declare a company dormant, and determine the validity of the notice issued by the Registrar.
CASE LAW	*Section 455(4), Companies Act, 2013*
SUMMARY	The ROC may suo motu declare a company dormant where it has not filed financial statements or annual returns for two consecutive financial years.

ANSWER	Under Section 455(4), where a company has not filed financial statements or annual returns for two consecutive financial years, the Registrar shall issue a notice to the company and enter its name in the register maintained for dormant companies. Thus, it is not always the company that applies for dormant status; the ROC is also empowered suo motu to change the status of a company to dormant. The failure to file either the financial statements or the annual returns for two consecutive financial years gives the Registrar a cause of action. Here the company failed to file its financial statements for two consecutive financial years; non-filing of the annual return for only one year does not absolve it of the default in filing financial statements for two years. Hence, the Registrar's notice to MM Consultancy Ltd. is valid.

CASE 62 — C-PACE - authority, location, commencement and benefits

ASKED 1x

Chapter/Topic: Dormant Company & Miscellaneous | **Exam:** CS Executive, Dec 2025, Q3(c) | **Marks:** 5 | **Frequency:** concept (Sec 396) asked in 1 case study across sessions

QUESTION	Sohan intends to form a new company and wishes to know about C-PACE under the Companies Act, 2013. Explain the legal authority under which C-PACE has been established, its location, when it came into effect, and the expected benefits through C-PACE.
CASE LAW	*Section 396, Companies Act, 2013; MCA Notification No. S.O. 1269(E) dated 17.03.2023*
SUMMARY	C-PACE (Centre for Processing Accelerated Corporate Exit) centralises and speeds up voluntary strike-off; established under Section 396, located at IICA Manesar, operational from 01.04.2023.
ANSWER	The legal authority for establishing the Centre for Processing Accelerated Corporate Exit (C-PACE) is the Central Government under Section 396 of the Companies Act, 2013, which empowers the Central Government to establish offices for registration of companies. Location: C-PACE is located at the Indian Institute of Corporate Affairs (IICA), Manesar, Gurugram (Haryana). Commencement: It was notified via MCA Notification No. S.O. 1269(E) dated 17 March 2023 and became operational with effect from 1 April 2023. Expected benefits: C-PACE is a key reform under the 'Ease of Doing Business' initiative to streamline and expedite voluntary strike-off of a company's name. Benefits include an accelerated process (reducing the time from over two years to under two months), uniformity and consistency by centralising processing, a hassle-free and paperless experience via the MCA portal with real-time updates, reduced burden on the ROCs (freeing them for inquiries, inspections and investigations), and a cleaner corporate registry by speedy removal of defunct companies.

CASE 63 — Dormant company - board meetings, dispute, dues, MSC-1 attachments

ASKED 2x

Chapter/Topic: Dormant Company & Miscellaneous | **Exam:** CS Executive, June 2025, Q3(c) | **Marks:** 5 | **Frequency:** concept (Sec 173) asked in 2 case studies across sessions

QUESTION	The Board of Gallant Ltd. contemplates converting its status to a dormant company. Answer: (i) How many board meetings are required to be held by a dormant company? (ii) Can the ROC grant dormant status if there is a dispute in ownership? (iii) Can dormant status be granted if there are no outstanding statutory taxes but duties payable to a local authority? (iv) Mention any two attachments, other than resolutions, to be filed with e-form MSC-1.

CASE LAW	*Section 173(5), Companies Act, 2013 r/w Rule 3, Companies (Miscellaneous) Rules, 2014*
SUMMARY	A dormant company must hold at least one board meeting each half year (gap >= 90 days); dormant status is denied where there is a dispute or outstanding dues.
ANSWER	(i) Under Section 173(5), a dormant company is required to conduct at least one board meeting in each half of a calendar year, and the gap between the two meetings shall not be less than 90 days. (ii) Under Rule 3 of the Companies (Miscellaneous) Rules, 2014, the Registrar shall not grant dormant status if there is a dispute in the management or ownership of the company. (iii) Under Rule 3, the Registrar shall not grant dormant status if there are outstanding statutory taxes, dues, duties, etc., payable to the Central Government, any State Government or local authorities; hence duties payable to a local authority would bar dormant status. (iv) Two attachments (other than resolutions) with e-form MSC-1 include: a statement of affairs duly certified by the auditor/chartered accountant; and the latest financial statement and annual return (others: concurrence of lender for outstanding loans; NOC from a regulatory authority, if regulated). Form MSC-1 is filed to obtain dormant status.

CHAPTER 13 • DOCTRINES - INDOOR MANAGEMENT, ULTRA VIRES & SBO

4 case studies in this chapter

CASE 64 ESOP eligibility, vesting and lock-in period

ASKED 2x

Chapter/Topic: Doctrines - Indoor Management, Ultra Vires & SBO | **Exam:** CS Executive, Dec 2024, Q1(b) | **Marks:** 3 | **Frequency:** concept (Sec 62) asked in 2 case studies across sessions

QUESTION	JK Aluminium Limited plans a public issue and intends to offer options under an ESOP. The CFO asks: (i) Whether all employees, directors and independent directors are eligible for allotment of shares under this scheme; and (ii) Whether a lock-in period of five years can be provided under the ESOP.
CASE LAW	*Section 62(1)(b) r/w Rule 12, Companies (Share Capital and Debentures) Rules, 2014*
SUMMARY	Permanent employees and directors (except independent directors, promoters and >10% holders) are eligible; the company is free to fix the lock-in period.
ANSWER	(i) Under Section 62(1)(b) read with Rule 12, the following are eligible for ESOP: a permanent employee working in India or outside India; a director, whether whole-time or not, but excluding an independent director; and an employee (as above) of a subsidiary in or outside India or of the holding company. It excludes an employee who is a promoter or belongs to the promoter group, and a director who, himself or through relatives or any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares (these exclusions do not apply to a start-up company up to ten years from incorporation). Accordingly, all permanent employees (subject to exceptions) and all directors are eligible, but independent directors are not eligible. (ii) Under Rule 12(6)(b), the company has the freedom to specify the lock-in period for shares issued pursuant to exercise of the option. Hence, a lock-in period of five years can be provided under the ESOP.

CASE 65 — Negligence and forgery as exceptions to indoor management

ASKED 1x

Chapter/Topic: Doctrines - Indoor Management, Ultra Vires & SBO | **Exam:** CS Executive, Dec 2025, Q4A(ii) | **Marks:** 5

QUESTION	Analyse 'Negligence' and 'Forgery' as exceptions to the 'Doctrine of Indoor Management' with reference to the Companies Act, 2013.
CASE LAW	*Underwood v. Bank of Liverpool (1924) 1 KB 775; Anand Behari Lal v. Dinshaw & Co. (Bankers) Ltd. AIR 1942 Oudh 417; Rouben v. Great Fingal Consolidated (1906) AC 439*
SUMMARY	Indoor management does not protect a person who was negligent/put on inquiry, nor transactions involving forgery, which are void ab initio.
ANSWER	Negligence: The doctrine of indoor management does not reward those who behave negligently. Where an officer does something not ordinarily within his powers, the person dealing with him must make proper inquiries; failing which he is estopped from relying on the rule. In Underwood v. Bank of Liverpool, a sole director and principal shareholder deposited into his own account cheques drawn in favour of the company; the bank should have made inquiries as to the director's power and could not rely on his ostensible authority. Similarly, in Anand Behari Lal v. Dinshaw & Co., a transfer of company property by an accountant was held void as such power could not be within the apparent authority of an accountant. Forgery: The rule of indoor management does not extend to transactions involving forgery, which are void ab initio. In forgery there is no consent at all - the person whose signatures are forged is unaware of the transaction - so there is no title at all, and the person acquires no rights. In Rouben v. Great Fingal Consolidated, a share certificate issued by the secretary who forged two directors' signatures was held a nullity and the holder could not take advantage of the doctrine of indoor management.

CASE 66 — Significant Beneficial Owner - seeking Tribunal order

ASKED 1x

Chapter/Topic: Doctrines - Indoor Management, Ultra Vires & SBO | **Exam:** CS Executive, Dec 2025, Q2(d) | **Marks:** 3 | **Frequency:** concept (Sec 90) asked in 1 case study across sessions

QUESTION	Himmat Ltd. communicated with Sourav (not a member) seeking information about the identity of a significant beneficial owner (SBO). The company is not satisfied with the information given by Sourav. Advise, under the Companies Act, 2013, whether the company can seek orders from the Tribunal and whether its order can be subject to restrictions.
CASE LAW	*Section 90(7), Companies Act, 2013 r/w Rule 7, Companies (Significant Beneficial Owners) Rules, 2018*
SUMMARY	Where a person fails to give SBO information or the information is unsatisfactory, the company may apply to the Tribunal within 15 days for restrictions on the relevant shares.

ANSWER

Under Rule 7 of the Companies (SBO) Rules, 2018, the reporting company shall apply to the Tribunal within 15 days of the expiry of the period specified in Form BEN-4 where (i) any person fails to give the information required by the notice in Form BEN-4 within the time specified, or (ii) the information given is not satisfactory. Under Section 90(7), the Tribunal may order that the shares in question be subject to restrictions, including: restrictions on transfer of interest attached to the shares; suspension of the right to receive dividend or other distribution; suspension of voting rights; and any other restriction on all or any of the rights attached to the shares. Hence, Himmat Ltd. can seek an order from the Tribunal, and such order may be subject to the above restrictions.

CASE 67 — Exceptions to the majority rule in Foss v. Harbottle

ASKED 1x

Chapter/Topic: Doctrines - Indoor Management, Ultra Vires & SBO | **Exam:** CS Executive, June 2023 (OS), Q1(a) | **Marks:** 5

QUESTION

Explain the exceptions, if any, to the majority rule laid down in Foss v. Harbottle under the Companies Act, 2013 and common law.

CASE LAW

Foss v. Harbottle (1843) 2 Hare 461; Bharat Insurance Ltd. v. Kanhya Lal AIR 1935; Edwards v. Halliwell (1950); ICICI v. Parasurampuria Synthetics Ltd.

SUMMARY

The majority rule bars minority actions, but exceptions include ultra vires/illegal acts, fraud on minority, wrongdoers in control, and acts requiring special majority.

ANSWER

The rule in Foss v. Harbottle states that no action can be brought by a minority member against directors for a wrong alleged to be done to the company, as the company is the proper plaintiff. The rule is not absolute; its recognised exceptions are: (a) ultra vires or illegal acts — an individual shareholder may sue to restrain the company (Bharat Insurance Ltd. v. Kanhya Lal); (b) fraud on the minority — where the act amounts to a fraud on the minority, an individual shareholder may act; (c) wrongdoers in control — where those in control will not permit the company to sue, the minority may bring an action (Edwards v. Halliwell); (d) acts requiring a special majority but done by a simple majority; and (e) infringement of individual membership rights. Indian courts have also declined a mechanical application of the rule (ICICI v. Parasurampuria Synthetics). These exceptions protect the minority under both the Companies Act, 2013 and common law.

CHAPTER 14 • COMPROMISE, ARRANGEMENT & AMALGAMATION

3 case studies in this chapter

CASE 68 — Dispensing with creditors'/members' meeting in merger of WOS into parent

ASKED 1x

Chapter/Topic: Compromise, Arrangement & Amalgamation | **Exam:** CS Executive, Dec 2022 (OS), Q1(b) | **Marks:** 5 | **Frequency:** concept (Sec 232) asked in 1 case study across sessions

QUESTION	Niraj, a practising Company Secretary, opined to the Board that in a merger of a wholly owned subsidiary into its parent company there is no requirement to convene meetings of equity shareholders, secured and unsecured creditors. Examine whether this opinion is correct under the Companies Act, 2013.
CASE LAW	*Section 232(1); Re Mohit Agro Commodities & Ors., NCLAT (28.06.2021)*
SUMMARY	For a WOS-into-parent merger, meetings of shareholders/creditors can be dispensed with where their rights are not affected; the Tribunal has discretion under the word 'may'.
ANSWER	Under Section 232, where the transferor and transferee are a parent company and its wholly owned subsidiary, the meetings of equity shareholders, secured creditors and unsecured creditors can be dispensed with if the rights of the equity shareholders of the transferee are not affected. In Re Mohit Agro Commodities & Ors., the NCLAT observed that Section 232(1) uses the word 'may', giving the Tribunal discretion to be exercised in the interest of justice; where no new shares are issued by the transferor and no compromise is offered to any secured/unsecured creditor of the transferee, the rights and liabilities of creditors are not affected. Hence the meetings may be dispensed with, and Niraj's opinion is correct.

CASE 69 Investigation on debenture trustee's application (diversion of funds) ASKED 1x

Chapter/Topic: Compromise, Arrangement & Amalgamation | **Exam:** CS Executive, Dec 2024, Q2(d) | **Marks:** 3 | **Frequency:** concept (Sec 213) asked in 1 case study across sessions

QUESTION	The debenture trustee of DC Limited observed that the company's management is suspected of siphoning off funds, causing losses to debenture holders. Is this a valid reason for the debenture trustee to apply to the Tribunal for an investigation? Is the debenture trustee competent to make such an application? Who is the competent authority to appoint inspectors to conduct the investigation? Explain with reference to the Companies Act, 2013.
CASE LAW	*Section 213, Companies Act, 2013; Comfort Intech Ltd. v. Ravi Kumar Distilleries Ltd. (2019) 108 NCLT Chennai*
SUMMARY	Any person (including a debenture trustee) may apply to the Tribunal; on an order for investigation, the Central Government appoints inspectors.
ANSWER	Under Section 213, the Tribunal may order an investigation on an application by members of requisite number/voting power or 'any other person or otherwise', if satisfied that the circumstances suggest, inter alia, that the business of the company is being conducted with intent to defraud its creditors, members or any other person, or for a fraudulent or unlawful purpose. In Comfort Intech Ltd. v. Ravi Kumar Distilleries Ltd., the lead managers for an IPO were held entitled to file an application alleging diversion of IPO proceeds under Section 213. Here, the company's affairs are being conducted with intent to defraud its creditors/debenture holders, which is a valid reason for such an application. An application can be made by any person other than the members; hence the debenture trustee can make the application. If the Tribunal orders investigation, the Central Government shall appoint one or more competent persons as inspectors to investigate the affairs and report thereon. Thus, the debenture trustee of DC Limited can apply to the NCLT, and the Central Government appoints the inspectors.

CASE 70	Preservation and disposal of books of amalgamated companies; liability of officers	ASKED 1x

Chapter/Topic: Compromise, Arrangement & Amalgamation | **Exam:** CS Executive, Dec 2025, Q4A(i) | **Marks:** 5 | **Frequency:** concept (Sec 239) asked in 1 case study across sessions

QUESTION	Considering the Companies Act, 2013 explain: (a) What is the minimum period for which the books and papers of amalgamated companies shall be preserved and what is the compliance requirement for their disposal? (b) Whether the liability of officers in default for offences committed prior to amalgamation shall cease after amalgamation.
CASE LAW	*Sections 239 and 240, Companies Act, 2013*
SUMMARY	Books of amalgamated companies cannot be disposed of without Central Government permission; liability of officers in default for pre-merger offences continues after amalgamation.
ANSWER	(a) Under Section 239, the books and papers of a company that has been amalgamated with, or whose shares have been acquired by, another company shall not be disposed of without the prior permission of the Central Government; before granting permission, the Government may appoint a person to examine the books to ascertain whether they contain evidence of the commission of any offence in connection with the promotion, formation, management, amalgamation or acquisition of the transferor company. Thus, there is no fixed minimum period for preservation of such books and papers; the compliance requirement for disposal is to obtain the prior permission of the Central Government. (b) Under Section 240, notwithstanding anything in any other law, the liability in respect of offences committed under the Act by the officers in default of the transferor company prior to its merger, amalgamation or acquisition shall continue after such merger, amalgamation or acquisition. Hence, the liability of the officers in default does not cease after amalgamation.