Skillshort

Self-Study Preparation Pack

CA INTERMEDIATE

Paper 2: Corporate and Other Laws

Chapter-wise Detailed Notes

For January 2027 attempt · Study material July 2024 edition (reprint Aug 2025) + amendments 1 May 2025 – 30 June 2026 (RTP January 2027)

100 marks · 3 hours | Part I Company & LLP law 70 | Part II Other laws 30 | 30 MCQ + 70 descriptive

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This subject pack has 6 parts

1 Chapter-wise notes

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Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

How to use these notes

These notes follow the ICAI new-scheme syllabus: **Part I – Companies Act, 2013 (11 chapters) and LLP Act, 2008 (70 marks)**; **Part II – General Clauses Act, 1897, Interpretation of Statutes and FEMA, 1999 (30 marks)**. Every topic gives the section, the rule with its numbers (days, %, ₹), and how ICAI frames it in case-based questions.

Paper at a glance

Item	Detail
Marks / time	100 marks, 3 hours (+15 minutes advance reading)
Part I – MCQs (30 marks)	15 MCQs × 2 marks, mostly case-scenario based, across company law, LLP, GCA, interpretation and FEMA
Part II – Descriptive (70 marks)	Q1 compulsory + **any 4 of Q2–Q6**, 14 marks each. Typical split: (a) 5 company law + (b) 5 company law/LLP + (c) 4 other laws
ICAI section-wise weightage (Part I – Company & LLP law)	I Preliminary, incorporation, prospectus & allotment, share capital & debentures **20%–30%** · II Deposits, charges, management & administration, dividend **20%–30%** · III Accounts, audit & auditors, companies incorporated outside India **30%–35%** · IV LLP Act **15%–20%**
ICAI section-wise weightage (Part II – Other laws)	I General Clauses Act **35%–40%** · II Interpretation of statutes **25%–30%** · III FEMA **30%–40%**
Applicable law for January 2027	Study material July 2024 edition (reprint Aug 2025, updated to 31 July 2025) + amendments 1 May 2025 to 30 June 2026 listed in RTP January 2027

NOTE Amendments for January 2027 (RTP Part I)

- **Small company** limits raised to paid-up capital ≤ **₹10 crore** and turnover ≤ **₹100 crore** (Notification G.S.R. 880(E), 1 December 2025; earlier ₹4 crore / ₹40 crore).
- Companies (Accounts) Second Amendment Rules, 2025 (effective 14 July 2025): **e-Form AOC-1/AOC-2**; Board's report to state **sexual-harassment complaints** received, disposed of and pending > 90 days, and a **statement on compliance with the Maternity Benefit Act, 1961**; extracts of Board's report and auditor's reports to be filed with AOC-4; signed PDF of financial statements with XBRL forms.
- **CSR through zero coupon zero principal (ZCZP) instruments** on the Social Stock Exchange – up to **10%** of a company's CSR expenditure for the year; impact assessment exempted for such projects; Schedule VII item (xiii) added (27 May 2026).
- **Fraud reporting by auditor** – report to the Central Government filed **electronically in Form ADT-4** (sealed-cover/registered post requirement removed, effective 14 July 2025).

Chapter 1: Preliminary (Key Definitions)

1.1 Kinds of companies

Type	Key features
Private company – s. 2(68)	Articles restrict transfer of shares; members ≤ **200** (excluding present and former employee-members; joint holders count as one); prohibits invitation to the public to subscribe to securities
Public company – s. 2(71)	Not a private company; a **subsidiary of a public company is deemed public** even if its articles are private
One Person Company (OPC) – s. 2(62)	Only one member – a **natural person who is an Indian citizen** (resident or not) VERIFY; must nominate another such person; cannot be a section 8 company, cannot carry on NBFC investment activities; may convert into private/public company at any time
Small company – s. 2(85)	Private company with paid-up capital ≤ **₹10 crore** and turnover ≤ **₹100 crore** (last year). Not applicable to holding/subsidiary companies, section 8 companies or companies governed by a special Act
Section 8 company	Promotes commerce, art, science, sports, education, research, social welfare, religion, charity, environment etc.; applies profits to objects; **no dividend**; licence from Central Government
Holding / subsidiary – s. 2(46), 2(87)	Holding company **controls the composition of the Board** or exercises/controls **more than one-half of total voting power** (alone or with subsidiaries). Prescribed classes of holding companies cannot have more than **two layers** of subsidiaries
Associate company – s. 2(6)	Company in which another has **significant influence** (control of ≥ **20% of total voting power** or of business decisions under an agreement), but which is not a subsidiary; includes a joint venture
Government company – s. 2(45)	≥ **51% of paid-up share capital** held by Central Government and/or State Governments (includes subsidiary of a Government company)
Listed company – s. 2(52)	Any of its securities listed on a recognised stock exchange (certain classes excluded by rules)
Foreign company – s. 2(42)	Incorporated outside India and having a place of business in India (itself or through an agent, physically or electronically) and conducting business activity in India
Dormant company – s. 455	Formed for a future project or to hold an asset/IPR with no significant accounting transaction; status via MSC-1

1.2 Other important definitions

- **Key Managerial Personnel (KMP)** – s. 2(51): CEO/MD/manager; company secretary; whole-time director; CFO; such other officer, not more than one level below the directors, in whole-time employment, designated as KMP by the Board; any other prescribed officer.
- **Officer who is in default** – s. 2(60): whole-time directors, KMP, directors aware of the contravention (through Board proceedings or without objection), share transfer agents etc.
- **Related party** – s. 2(76): directors, KMP and their relatives; firms in which a director/manager or relative is a partner; private companies in which a director/manager is a member or director; public companies in which a director/manager is a director and holds > 2% of paid-up capital with relatives; holding, subsidiary, associate and fellow subsidiaries.
- **Relative** – s. 2(77): members of a HUF, husband/wife, and prescribed relations (father incl. step-father, mother incl. step-mother, son incl. step-son, son's wife, daughter, daughter's husband, brother incl. step-brother, sister incl. step-sister).
- **Free reserves** – s. 2(43): reserves available for distribution as dividend; **excludes** unrealised gains, notional gains, revaluation reserve and changes in carrying amounts on fair valuation.
- **Net worth** – s. 2(57): paid-up capital + all reserves created out of profits + **securities premium** + debit/credit balance of P&L, less accumulated losses, deferred expenditure and miscellaneous expenditure not written off; excludes revaluation reserves, write-back of depreciation and amalgamation reserves.
- **Turnover** – s. 2(91): gross amount of revenue recognised in P&L from sale, supply or distribution of goods or services during a financial year.
- **Financial year** – s. 2(41): 1 April – 31 March; a company incorporated on or after 1 January may close its first FY on 31 March of the **following** year. A company that is a holding/subsidiary/associate of a company incorporated

outside India requiring consolidation abroad may apply to the **Tribunal** for a different FY.

Chapter 2: Incorporation of Company and Matters Incidental Thereto

2.1 Incorporation – sections 3 to 7

- **Formation (s. 3):** public company – 7 or more persons; private company – 2 or more; OPC – 1 person; for any lawful purpose, by subscribing to the memorandum and complying with registration.
- **Memorandum (s. 4):** clauses – **name** (ending with "Limited"/"Private Limited"/"(OPC) Private Limited"), **registered office State**, **objects**, **liability**, **capital** (for companies with share capital), **subscription/association** clause; OPC – nominee. **Reservation of name** via RUN/SPICe+ – valid **20 days** (60 days for proposed name change of existing company) VERIFY.
- **Articles (s. 5):** regulations for management; may contain **entrenchment** provisions (specified provisions altered only if more restrictive conditions are met) – private company: all members' agreement; public company: special resolution; notice to ROC.
- **Incorporation documents (s. 7):** memorandum and articles signed by subscribers; declaration by a professional (CA/CS/CMA/advocate) engaged in formation and by a person named as director/manager/secretary; affidavits of subscribers and first directors; address for correspondence; particulars of subscribers and first directors with DIN; interests in other firms/companies. ROC issues certificate of incorporation with **CIN**.
- **Furnishing false information (s. 7(6)–(7)):** liability for fraud under s. 447; on proof that the company was incorporated by furnishing false information, the **Tribunal** may pass orders including regulating management, removing the name from the register, or winding up; members' liability may be made unlimited.
- **Effect of registration (s. 9):** body corporate with perpetual succession, capacity to hold property, sue and be sued.
- **Effect of memorandum and articles (s. 10):** bind the company and members as if signed by each member; money payable by a member is a debt.
- **Commencement of business (s. 10A):** a company with share capital must file a declaration (INC-20A) within **180 days** of incorporation that every subscriber has paid the value of shares agreed; otherwise penalty (company ₹50,000; officer ₹1,000 per day up to ₹1 lakh) and ROC may strike off.
- **Registered office (s. 12):** within **30 days** of incorporation and at all times; change of office outside the local limits of a city – special resolution; change of State – Central Government (Regional Director) approval and alteration of memorandum. Name, address, CIN, phone, e-mail, website painted/affixed outside every office in **legible letters**, in English and in the local language.

2.2 Alteration of memorandum and articles (s. 13, 14)

Alteration	Requirement
Name	Special resolution + **Central Government** approval (except mere addition/deletion of "Private"); new certificate of incorporation
Registered office from one State to another	Special resolution + **Central Government** approval (application in INC-23); filing within 30 days of order
Objects clause	Special resolution; a company that raised money from the public through a prospectus and has unutilised money – special resolution by **postal ballot**, details in newspapers, dissenting shareholders given an exit opportunity
Liability clause	Special resolution
Capital clause	Section 61 – ordinary resolution
Articles (s. 14)	**Special resolution**; conversion of private into public or vice versa – alteration of articles; public → private requires **Tribunal** approval VERIFY; file with ROC within 15 days

2.3 Doctrines

- **Ultra vires:** an act beyond the objects of the memorandum is void and cannot be ratified even by all members (*Ashbury Railway Carriage v. Riche*).

- **Constructive notice:** every person dealing with a company is deemed to have notice of its public documents (memorandum, articles). (Section 399 allows inspection; the doctrine is regarded as diluted for documents filed electronically VERIFY.)
- **Indoor management (*Royal British Bank v. Turquand*):** outsiders dealing in good faith need not enquire into internal irregularities. **Exceptions:** knowledge of irregularity; suspicion of irregularity/negligence; forgery; act outside the company's or officer's authority; reliance on articles not read.
- **Lifting the corporate veil:** courts disregard separate personality for fraud or improper conduct, tax evasion, a company formed to avoid a legal obligation, enemy character, sham companies, and statutorily under ss. 7(7), 34–36, 339 etc. (*Salomon v. Salomon* – separate entity; *Gilford Motor v. Horne* – veil lifted).

Chapter 3: Prospectus and Allotment of Securities

3.1 Public offer and prospectus

Prospectus (s. 2(70)) – any document described or issued as a prospectus, including a red herring prospectus, shelf prospectus, or any notice, circular, advertisement inviting offers from the public for the subscription or purchase of securities. **Public offer** = initial public offer, further public offer, or **offer for sale** by existing shareholders (s. 23).

Type	Key rules
Shelf prospectus (s. 31)	For prescribed classes (banks, PFIs, etc. as per SEBI); validity **one year** from the opening of the first offer; **information memorandum** with material changes filed before each subsequent offer
Red herring prospectus (s. 32)	Does not contain complete particulars of quantum or price; filed with ROC at least **3 days** before opening of the offer; variations highlighted; prospectus filed after closure with full details
Abridged prospectus (s. 33)	Memorandum containing salient features; must accompany every application form
Deemed prospectus (s. 25)	Securities allotted with a view to offer for sale to the public – document of offer for sale is deemed a prospectus; presumed if offer is made within **6 months** of allotment or before the company receives the whole consideration

Liability for misstatements: s. 34 – criminal (every person who authorises the issue – fraud under s. 447) – defence: statement immaterial or the person believed it true; **s. 35 – civil** (compensation to persons who subscribed relying on it – directors, promoters, experts, those named as directors) – defences: withdrew consent before issue, issued without knowledge/consent and gave public notice on becoming aware; **s. 36 – fraudulently inducing** persons to invest money – punishable under s. 447.

3.2 Allotment (s. 39, 40)

- **Minimum subscription** stated in the prospectus must be received and the **application money ≥ 5%** of the nominal amount of the security (or as SEBI specifies) must be paid before allotment.
- If minimum subscription is not received within **30 days** from the date of issue of the prospectus (or as SEBI specifies), the money must be **repaid within 15 days** after that (SEBI specifies timelines for listed issues).
- **Return of allotment** in PAS-3 within **30 days** of allotment.
- **Listing (s. 40):** application to one or more recognised stock exchanges before the public offer; money kept in a separate bank account and used only for adjustment against allotment or repayment.

3.3 Private placement (s. 42 and Rule 14)

- Offer to **identified persons** through a private placement offer-cum-application letter (**PAS-4**), with a record of offers (PAS-5); approved by **special resolution** for each offer (a single special resolution for a year allowed for non-convertible debentures).
- Offer/invitation to not more than **200 persons in aggregate in a financial year** (excluding **qualified institutional buyers** and employees under ESOP), counted separately for each kind of security.
- **Minimum value of offer per person ₹20,000** of face value of securities.
- Application money only by **cheque/demand draft/banking channel**, not cash; kept in a separate bank account.
- **Allotment within 60 days** of receiving application money, else refund within **15 days** thereafter; beyond that, interest **@ 12% p.a.** from the 60th day.
- **Return of allotment** (PAS-3) within **15 days** of allotment. No fresh offer until the earlier allotments are completed, withdrawn or abandoned. Companies cannot release public advertisements or use intermediaries to inform the public.
- An offer to more than the permitted number of persons is deemed a **public offer** (prospectus rules apply).

Chapter 4: Share Capital and Debentures

4.1 Kinds of share capital and key sections

- **s. 43:** equity share capital (with voting rights, or with **differential rights** as to dividend, voting or otherwise as per rules) and **preference** share capital (preferential right to dividend and to repayment of capital on winding up).
- Equity shares with **differential rights** (Rule 4): authorised by articles and ordinary resolution (postal ballot for listed); **shares with differential rights ≤ 74%** of total post-issue paid-up equity capital including such shares; track record of **distributable profits for three years**; no default in filing financial statements/annual returns for 3 years, in repayment of deposits/debentures/loans, in dividend payment VERIFY.
- **s. 47 voting rights:** equity holder votes in proportion to paid-up equity share capital; preference shareholders vote only on resolutions directly affecting their rights, on winding up, repayment/reduction of capital, and on every resolution if dividend is unpaid for **two years or more**.
- **s. 48 variation of shareholders' rights:** with **written consent of holders of ≥ ¾ of the issued shares of that class** or a **special resolution at a separate meeting** of that class (and if provided in memorandum/articles, or not prohibited by the terms of issue). Holders of ≥ **10% of issued shares** of that class who did not consent may apply to the **Tribunal within 21 days** to have the variation cancelled; the variation then has effect only if confirmed by the Tribunal.
- **s. 52 securities premium** – may be applied only for: issue of **fully paid bonus shares**; **writing off preliminary expenses**; writing off expenses, commission or discount on issue of shares/debentures; **premium payable on redemption** of preference shares or debentures; **buy-back** (s. 68). (Prescribed Ind AS companies cannot use it for some purposes VERIFY.)
- **s. 53:** shares cannot be issued at a **discount** (void) – except **sweat equity** and shares issued to creditors on conversion of debt under a statutory resolution plan/debt restructuring scheme.
- **s. 54 sweat equity:** issued to directors or employees at a discount or for consideration other than cash for know-how, IPR or value additions; **special resolution**; limits – not more than **15% of existing paid-up equity capital in a year or ₹5 crore, whichever is higher**, and total sweat equity ≤ **25%** of paid-up equity capital at any time (**50% for start-ups** up to 10 years from incorporation); **lock-in 3 years**; valuation by a registered valuer.
- **s. 55 preference shares:** only redeemable preference shares (no irredeemable); redemption within **20 years** (infrastructure projects up to **30 years**, with redemption of ≥ 10% annually from the 21st year); redeemed only out of profits or fresh issue; fully paid; CRR for redemption out of profits; premium out of profits/securities premium. A company unable to redeem may, with consent of **¾ in value** of preference shareholders and **Tribunal** approval, issue further redeemable preference shares.
- **s. 56 transfer and transmission:** a proper instrument of transfer (SH-4), stamped, dated and executed, delivered to the company within **60 days** of execution; company to deliver certificates within **one month** of receipt of the instrument (transfer) or intimation (transmission) – for listed companies, transfers only in demat form. Partly paid shares transferred on application of transferor – notice to transferee, who may object within **two weeks**.
- **s. 58 refusal to register: private company** – may refuse under its articles; must send notice of refusal within **30 days** of receipt of the instrument; appeal to the **Tribunal within 30 days of the notice** (or within **60 days** of delivery of the instrument if no notice sent). **Public company** – shares are freely transferable; transferee may appeal to the Tribunal within **60 days** of the refusal or within **90 days** of delivery if no intimation. Tribunal may order registration and rectification of register.
- **s. 61 alteration of share capital** (if articles authorise, ordinary resolution): increase, consolidate and divide (with Tribunal approval if voting percentage changes), convert into stock and reconvert, sub-divide, cancel unissued shares. **s. 64** – notice to ROC within **30 days**.
- **s. 62 further issue:** (a) **rights issue** to existing equity holders in proportion, open for **15–30 days** (notice dispatched at least **3 days** before opening; private companies may provide shorter periods if 90% of members consent); right to renounce unless articles provide otherwise; (b) to employees under **ESOP** by special resolution; (c) to any persons by **special resolution**, at a price determined by a registered valuer (for cash or other consideration). Conversion of debentures/loans into shares requires a special resolution before taking the loan.

- **s. 63 bonus shares:** out of **free reserves, securities premium or CRR**; not out of **revaluation reserve**; authorised by articles; recommended by Board and authorised in general meeting; no default in payment of interest/principal on deposits/debt securities or statutory dues to employees; partly paid shares made fully paid; **not in lieu of dividend**; once announced, cannot be withdrawn.
- **s. 66 reduction of capital:** special resolution + confirmation by the **Tribunal** (notice to Central Government, ROC, SEBI for listed companies, and creditors who may object within **3 months**); no reduction if the company is in arrears of repayment of deposits or interest.
- **s. 67:** company cannot buy its own shares (except under s. 68) or give **financial assistance** for purchase of its own or holding company's shares – exceptions: banking company lending in ordinary course; provision of money under an approved **employee share scheme** (special resolution; amount **≤ 5% of paid-up capital and free reserves**); loans to employees (other than directors/KMP) up to 6 months' salary to buy fully paid shares. Private companies meeting conditions are exempt VERIFY.

4.2 Buy-back of securities (s. 68 – 70)

- **Sources:** free reserves, securities premium, or proceeds of an issue of shares/other specified securities – but **not** out of proceeds of an earlier issue of the **same kind** of shares/securities.
- **Authorisation:** articles must authorise; **Board resolution** if buy-back ≤ **10%** of total paid-up equity capital + free reserves; **special resolution** if up to **25%**. Buy-back of **equity shares in a year ≤ 25% of total paid-up equity capital** of that year.
- **Debt–equity ratio** after buy-back ≤ **2 : 1** (secured and unsecured debts vs paid-up capital + free reserves; higher ratio if notified for a class of companies); shares fully paid; **no buy-back within one year** of the closure of a preceding buy-back offer; completed within **one year** of the resolution.
- Explanatory statement with full disclosure; **declaration of solvency** (SH-9) signed by at least two directors (one being MD) filed with ROC (and SEBI for listed); securities bought back **extinguished and physically destroyed within 7 days** of completion; register of securities bought back (SH-10); return to ROC within **30 days** (SH-11).
- **No further issue** of the same kind of shares (including allotment of new shares under s. 62(1)) within **6 months** of completion, except bonus issue and discharge of subsisting obligations (conversion of warrants, ESOP, sweat equity, conversion of preference shares/debentures).
- **Capital Redemption Reserve:** where bought back out of free reserves or securities premium, an amount equal to the **nominal value** of shares bought back is transferred to the CRR (s. 69).
- **Prohibitions (s. 70):** not through a subsidiary or investment companies; not if there is a **default in repayment of deposits, interest, redemption of debentures/preference shares, or term loans** to banks/FIs (unless default remedied and **3 years** have lapsed); not if the company has defaulted in filing annual return, dividend payment or financial statements.

4.3 Debentures (s. 71 and Rule 18)

- Debentures may be issued with an option to convert into shares – conversion requires a **special resolution**. Debentures carrying voting rights cannot be issued.
- **Secured debentures:** tenure up to **10 years** (infrastructure and certain classes up to **30 years**); secured by a charge on assets of value sufficient for repayment with interest.
- **Debenture trustee** – mandatory before a public issue of debentures or a private placement to more than **500 persons**; trust deed in SH-12 within **60 days** of allotment.
- **Debenture Redemption Reserve (DRR): not required** for all-India financial institutions, banks, **listed companies** (public issue or private placement) and listed NBFCs/HFCs; **unlisted companies** (other than NBFCs/HFCs) – **10% of outstanding value** of debentures. **Deposit/investment of 15%** of debentures maturing in the year, by **30 April**, for listed and unlisted companies (other than exempt classes) VERIFY.
- Default in redemption – Tribunal may direct redemption; punishment for officer in default.

Chapter 5: Acceptance of Deposits by Companies

5.1 Meaning and exclusions (Rule 2(1)(c) of the Acceptance of Deposits Rules, 2014)

Deposit includes receipt of money by way of deposit or loan or in any other form; **excluded** among others:

Not a deposit (examples)	Condition
Amounts from Central/State Government, foreign Governments, banks, public financial institutions, insurance companies	–
Amount received from another **company** (inter-corporate)	–
Share application money pending allotment	Allotted within **60 days**; else refunded within **15 days** thereafter – otherwise treated as a deposit
Amount from a **director** (or relative of a director of a private company)	Written declaration that it is not out of borrowed funds
Advance for supply of goods/services	Appropriated within **365 days** (unless subject matter of a legal proceeding)
Security deposit for performance of a contract; advances under long-term projects; advance against property under agreement	As per rule
Amount raised through issue of secured bonds/debentures; unsecured listed NCDs	Rule conditions
Amount received by a **start-up** by way of **convertible note**	**≥ ₹25 lakh in a single tranche**, convertible into equity or repayable within **10 years**
Amount received by a company from employees (non-interest bearing security deposit ≤ annual salary)	–

5.2 Who may accept and limits (s. 73, 76)

Company	From whom	Limit
Private company (s. 73(2) with exemption)	Members	Up to **100% of paid-up capital + free reserves + securities premium**; start-ups (10 years) and certain private companies – no limit VERIFY
Public company (non-eligible)	Members only	**10%** of paid-up capital + free reserves + securities premium
Eligible public company (s. 76: **net worth ≥ ₹100 crore or turnover ≥ ₹500 crore** and prior special resolution)	Members **10%** and public **25%**	Total 35%; **credit rating** required every year

Conditions (s. 73(2)): circular to members (DPT-1) and filing with ROC 30 days before issue; **Deposit Repayment Reserve** – at least **20% of the amount of deposits maturing during the following financial year**, deposited in a scheduled bank by **30 April** each year; deposit insurance (if prescribed); no default in repayment; tenure **6 months to 36 months** (deposits of 3–6 months allowed up to 10% for short-term needs); interest not above RBI ceiling for NBFCs; return of deposits (DPT-3) by **30 June**.

- **Premature repayment** (Rule 15): allowed; interest reduced by 1% from the rate applicable for the period actually run. Repayment within 6 months of acceptance not permitted except for short-term deposits VERIFY.
- **Default (s. 74, 76A):** repayment of earlier deposits/interest; Tribunal may allow time. **s. 76A** – company: fine **₹1 crore to ₹10 crore** in addition to repayment with interest; every officer in default: imprisonment up to **7 years** and fine **₹25 lakh to ₹2 crore**; if wilful with intent to deceive, also liable under **s. 447** (fraud).

Chapter 6: Registration of Charges

- **s. 77:** every company creating a **charge** (on property or assets in or outside India) must register it with the ROC (CHG-1; CHG-9 for debentures) within **30 days** of creation. The ROC may allow registration within **60 days** of creation on payment of additional fees, and a further **60 days** with ad valorem fees.
- **Effect of non-registration (s. 77(3)):** the charge is **not taken into account by the liquidator or any creditor** unless registered and a certificate issued – but the **debt itself remains valid** (the contract and obligation for repayment are unaffected).
- **s. 78:** if the company fails to register, the **charge-holder** may apply to the ROC; ROC gives notice to the company (14 days) and may register the charge; the charge-holder recovers the fees from the company.
- **s. 79:** modification of the terms of a charge – same procedure.
- **s. 80:** a person acquiring property subject to a registered charge is deemed to have **notice of the charge** from the date of registration.
- **s. 81, 85:** ROC maintains a register of charges open to inspection; company keeps its **register of charges** (CHG-7) at the registered office.
- **s. 82 satisfaction:** company to give intimation of payment or satisfaction within **30 days** (CHG-4); ROC issues notice to the charge-holder (14 days to show cause) and records satisfaction.
- **s. 83:** ROC may record satisfaction/release **even without intimation** from the company, on evidence that the debt has been paid or the property released; informs affected parties within 30 days.
- **s. 86 penalty:** company **₹5 lakh**; every officer in default **₹50,000**; wilful furnishing of false information – s. 447.
- **s. 87:** the Central Government may condone delay/rectify omission or misstatement in particulars, if satisfied the omission was accidental or due to inadvertence.

Chapter 7: Management and Administration

7.1 Registers and annual return

- **s. 88:** register of members, debenture-holders and other security holders (with index if > 50 members); kept at the registered office (or elsewhere in the same city with special resolution, under s. 94 – also any other place in India where ≥ **1/10th of members** reside).
- **s. 89, 90:** declaration of **beneficial interest** (within 30 days) and **significant beneficial owner (SBO)** – an individual who, alone or together, holds directly/indirectly **≥ 10%** of shares, voting rights or right to dividend, or exercises significant influence/control. The SBO files **BEN-1** with the company within **90 days** of acquiring such interest; the company files **BEN-2** with ROC within **30 days** of receipt; register in BEN-3. SBO Rules do not apply to holdings of IEPF, holding companies (reported holding), Central/State Government, SEBI-regulated investment vehicles (mutual funds, AIFs, REITs, InvITs) VERIFY.
- **s. 92 annual return:** in MGT-7 (MGT-7A for **OPC and small company**), filed within **60 days of the AGM** (or of the date the AGM should have been held); signed by a director and the CS (or a practising CS if no CS); listed and prescribed companies – certified by a practising CS (MGT-8). Placed on the company's website.

7.2 General meetings

Topic	Rule
AGM (s. 96)	Every company other than an **OPC** must hold an AGM each year. **First AGM within 9 months** of the end of the first financial year (need not be in the year of incorporation); subsequent AGMs within **6 months** of the end of the FY, with a gap of not more than **15 months**. ROC may extend by up to **3 months** (not for the first AGM). Held during **business hours (9 a.m. to 6 p.m.)** on a day that is **not a national holiday**, at the registered office or within the city/town/village where it is situated (unlisted company may hold anywhere in India with consent of all members in advance)
Power of Tribunal (s. 97, 98)	On default in AGM, any member may apply to the Tribunal; Tribunal may call/direct a meeting; it may direct that **one member present in person or by proxy** shall be deemed to constitute a meeting
EGM (s. 100)	Board may call; **requisition** by members holding ≥ **1/10th of paid-up capital** carrying voting rights (or ≥ 1/10th of total voting power where no share capital). Board must **call within 21 days** for a meeting to be held within **45 days** of the requisition; otherwise requisitionists may call it within **3 months**; expenses reimbursed by the company and recovered from defaulting directors. An EGM of a wholly owned subsidiary of a foreign company may be held outside India
Notice (s. 101)	At least **21 clear days** in writing or electronically. **Shorter notice:** AGM – consent of **≥ 95% of members entitled to vote**; other meetings – **majority in number** of members holding **≥ 95% of paid-up share capital** carrying voting rights (or 95% of total voting power). Notice to every member, legal representative of deceased member, assignee of insolvent member, **auditors** and every director
Explanatory statement (s. 102)	For **special business** – nature of concern/interest of directors, KMP and relatives; at AGM all business other than ordinary business (FS & reports, dividend, appointment of directors in place of those retiring, appointment/remuneration of auditors) is special
Quorum (s. 103)	**Public company: 5** members personally present if members ≤ 1,000; **15** if 1,000–5,000; **30** if > 5,000. **Private company: 2** members. If quorum not present within **half an hour**: meeting **adjourned to the same day next week**, same time and place (or as the Board decides; notice of ≥ 3 days by advertisement if day/time/place changed); a meeting called by **requisitionists stands cancelled**. At the adjourned meeting, if quorum is again not present within half an hour, **the members present shall be the quorum**
Chairman (s. 104)	Elected by members personally present on show of hands, unless articles provide otherwise
Proxies (s. 105)	Any member entitled to vote may appoint a proxy (member or not); proxy **cannot speak** and votes only on a **poll**; a person can act as proxy for **≤ 50 members** holding ≤ **10%** of total share capital with voting rights; proxy form (MGT-11) deposited **48 hours** before the meeting; inspection of proxies allowed from 24 hours before the meeting with 3 days' notice. Not applicable to company without share capital unless articles permit

Topic	Rule
Voting	**Show of hands (s. 107)** first; **e-voting (s. 108)** for listed companies and companies with ≥ 1,000 members; **poll (s. 109)** ordered by chairman or on demand by members holding **≥ 1/10th of total voting power** or holding paid-up capital of ≥ **₹5 lakh** (as prescribed); poll taken within **48 hours**; scrutinisers appointed; **postal ballot (s. 110)** for notified items
Resolutions (s. 114)	**Ordinary:** votes in favour (including casting vote) exceed votes against; **Special:** intention specified in notice, and votes in favour are **not less than three times** the votes against
Special notice (s. 115)	Required for removal of a director (s. 169), appointment of an auditor other than the retiring auditor (s. 140(4)) etc.; given by members holding **≥ 1%** of total voting power or paid-up capital of ≥ **₹5 lakh**; at least **14 days** before the meeting; company informs members at least **7 days** before
Filing (s. 117)	Special resolutions and specified agreements/Board resolutions filed in **MGT-14** within **30 days**
Minutes (s. 118)	Prepared, signed and kept within **30 days** of the meeting; evidence of proceedings
Report on AGM (s. 121)	Listed public company – MGT-15 within **30 days** of AGM
OPC (s. 122)	AGM, quorum and certain provisions not applicable; resolutions communicated by the member and entered in the minute book

REMEMBER **Adjourned meeting with only one member present**

ICAI's position in its suggested answers: validity is tested under **s. 103** – if quorum is again not present within half an hour at the adjourned meeting, **the members present shall be the quorum**, so resolutions passed there bind all members. Separately, a meeting ordinarily needs at least two persons (*Sharp v. Dawes*), with exceptions: **OPC**, a **class meeting** where one person holds all shares of the class, and a meeting ordered by the **Tribunal/Central Government** with a direction that one member present is deemed to constitute a meeting (s. 97, 98).

7.3 Board meetings (brief)

- First Board meeting within **30 days** of incorporation; at least **4 meetings a year**, gap ≤ **120 days** (OPC/small/dormant company – at least one meeting in each half of the year with a gap of ≥ 90 days); notice **7 days**; quorum **one-third of total strength or 2 directors, whichever is higher** (s. 173–174).

Chapter 8: Declaration and Payment of Dividend

- **Dividend** (s. 2(35)) includes interim dividend.
- **Sources (s. 123(1)):** (a) **profits of the current year after depreciation** (s. 123(2) and Schedule II), after transfer to reserves as the company thinks fit; (b) **profits of previous years** after depreciation remaining undistributed; (c) both; (d) money provided by the Central/State Government for payment of dividend in pursuance of a guarantee. Unrealised/notional gains, revaluation of assets and fair-value changes **cannot** be used.
- **Dividend out of accumulated profits when there is inadequate profit (Rule 3 of the Declaration and Payment of Dividend Rules):** rate ≤ **average of the three preceding years**; amount drawn ≤ **1/10th of paid-up capital + free reserves**; first set off current-year losses; balance of reserves after drawal ≥ **15% of paid-up capital**.
- **Interim dividend (s. 123(3)):** declared by the **Board** during the FY or up to the AGM, out of surplus in P&L and/or profits of the FY for which it is declared/generated up to the quarter preceding declaration. If the company has incurred a **loss** up to the end of the quarter immediately preceding declaration, interim dividend ≤ **average rate of the three preceding FYs**.
- **Separate bank account:** dividend amount (including interim) deposited within **5 days** of declaration.
- **Payment:** only to the **registered shareholder**, to his order or to his banker; **in cash** (cheque, warrant or electronic mode) – capitalisation of profits as fully paid bonus shares or paying up unpaid amounts is permitted, but **bonus cannot be issued in lieu of dividend**.
- **Who declares final dividend:** members at the AGM **on the recommendation of the Board**; members **cannot increase** the rate recommended by the Board (Table F, regulation 80), but may reduce it.
- **No dividend on equity shares (s. 123(6))** while the company has failed to comply with ss. 73–74 (acceptance/repayment of deposits) – for so long as the failure continues.
- **Unpaid dividend (s. 124):** dividend not paid/claimed within **30 days** of declaration – transfer within **7 days** after the expiry of that 30-day period to an **Unpaid Dividend Account** in a scheduled bank; statement on the website within 90 days; amounts unpaid for **7 years** transferred to the **Investor Education and Protection Fund (IEPF)**, along with **shares** on which dividend has been unpaid/unclaimed for **7 consecutive years**. Default – interest @ **12% p.a.** on the amount not transferred; penalty on company ₹1 lakh and officer ₹25,000.
- **s. 127 punishment for failure to distribute within 30 days:** directors – imprisonment up to **2 years** and fine ≥ **₹1,000 per day** of default; company – simple interest @ **18% p.a.** for the period of default. **No offence** where: dividend could not be paid by operation of law; shareholder's directions could not be complied with; dispute about the right to receive; dividend lawfully adjusted against a sum due from the shareholder; failure not due to default of the company.

Chapter 9: Accounts of Companies

9.1 Books of account (s. 128)

- Kept at the **registered office** – the Board may decide to keep them at **another place in India**; company files the full address with the ROC within **7 days** of the decision (AOC-5).
- **Branch** office books may be kept at the branch, with **proper summarised returns** sent periodically to the registered office.
- Kept on **accrual basis** and **double entry** system; may be kept in **electronic mode** – accessible in India at all times; **daily back-up** on servers physically located in India; service-provider details furnished to ROC yearly.
- Open to **inspection by directors** during business hours (for a subsidiary, by a person authorised by the Board).
- Preserved for **8 years** immediately preceding the FY (or from incorporation if shorter); Central Government may direct longer where investigation is ordered.
- Responsibility: MD, WTD in charge of finance, CFO or any person charged by the Board – penalty ₹50,000 for contravention.

9.2 Financial statements, re-opening and revision

- **s. 129:** FS give a **true and fair view**, comply with notified **accounting standards** and **Schedule III**; **consolidated FS** where the company has subsidiaries/associates/JVs, with a statement of salient features in **AOC-1**.
- **s. 130 re-opening of accounts (involuntary):** only on an order of a **court or Tribunal**, on application by the **Central Government, Income-tax authorities, SEBI, any other statutory regulatory body or any person concerned**, on grounds that the relevant earlier accounts were prepared in a **fraudulent manner** or the **affairs were mismanaged** casting doubt on reliability. Not beyond **8 years** before the current FY. Notice to the Central Government, Income-tax authorities, SEBI etc.
- **s. 131 voluntary revision:** if directors think FS or Board's report do not comply with s. 129/134, they may prepare revised FS/report for any of the **three preceding financial years**, after **approval of the Tribunal** (notice to Central Government and Income-tax authorities); revision **not more than once in a financial year**; detailed reasons disclosed in the Board's report of the relevant FY; revisions confined to the non-compliance.

9.3 Board's report (s. 134) and approval

- FS approved by the **Board** and signed by the **chairperson** (if authorised) or by **two directors** (one being MD), and the **CEO, CFO and CS** where appointed; OPC – one director.
- Board's report includes: web-link of annual return, number of Board meetings, **directors' responsibility statement**, independent directors' declaration, policy on directors' appointment, explanations on auditor's qualifications, loans/investments (s. 186), related party contracts (AOC-2), state of affairs, transfer to reserves, dividend, material changes after balance sheet date, conservation of energy/technology/forex, risk management policy, CSR policy and initiatives, annual evaluation (listed and prescribed), details of frauds (other than those reported to the Central Government), and **(from 14 July 2025)** number of **sexual-harassment complaints** received, disposed of and pending beyond 90 days and a **statement of compliance with the Maternity Benefit Act, 1961**.
- **Small company and OPC:** abridged Board's report.
- Copies to members at least **21 days** before the AGM (s. 136) – listed companies keep FS of subsidiaries on the website; filing with ROC within **30 days of AGM** (s. 137) in **AOC-4** (CFS – AOC-4 CFS; XBRL for prescribed companies); OPC within **180 days** from the close of FY. Unadopted FS filed within 30 days of AGM as provisional; adopted FS within 30 days of the adjourned AGM.

9.4 Corporate Social Responsibility (s. 135)

- **Applicable** to every company having, in the **immediately preceding financial year**, **net worth ≥ ₹500 crore** or **turnover ≥ ₹1,000 crore** or **net profit ≥ ₹5 crore** (foreign company branches too).
- **CSR committee** of ≥ 3 directors including **one independent director** (where required); unlisted/private companies without independent directors – 2 directors. If CSR obligation ≤ **₹50 lakh**, the Board itself discharges the functions; no committee needed.

- **Spend at least 2% of average net profits** (s. 198 profits) of the **three immediately preceding FYs** (or since incorporation); preference to local areas. **Excess spent** may be set off against requirements of up to the **next 3 FYs** (excludes surplus from CSR activities).
- **Unspent amount:** relating to an **ongoing project** – transfer to an **Unspent CSR Account** within **30 days** of end of FY, to be spent within **3 FYs**, else transfer to a **Schedule VII fund** within 30 days of completion of the third FY; **other** unspent amounts – transfer to a Schedule VII fund (e.g. PM's National Relief Fund) within **6 months** of the end of the FY.
- **Impact assessment** by an independent agency for companies with average CSR obligation ≥ **₹10 crore** in the preceding three years for projects ≥ ₹1 crore (projects through ZCZP instruments exempt from 27 May 2026).
- **New (May 2026):** contribution to **Zero Coupon Zero Principal instruments** issued by not-for-profit organisations on a **Social Stock Exchange** counts as CSR – capped at **10%** of the company's total CSR expenditure for the FY.
- Non-compliance: company – twice the unspent amount or ₹1 crore, whichever is less; officer in default – 1/10th of the unspent amount or ₹2 lakh, whichever is less.

9.5 Internal audit (s. 138, Rule 13 Accounts Rules)

Mandatory for: every **listed** company; **unlisted public** company with paid-up capital ≥ **₹50 crore**, or turnover ≥ **₹200 crore**, or outstanding loans/borrowings from banks/PFIs ≥ **₹100 crore**, or outstanding deposits ≥ **₹25 crore** (any time in preceding FY); **private** company with turnover ≥ **₹200 crore** or borrowings ≥ **₹100 crore**. Internal auditor – a CA/CMA or other professional decided by the Board, may or may not be an employee.

Chapter 10: Audit and Auditors

10.1 Appointment (s. 139)

Situation	Who appoints	Time limit / term
First auditor – non-Government company	**Board**	Within **30 days** of registration; if Board fails – members at an **EGM within 90 days**; holds office till the conclusion of the **first AGM**
Subsequent auditor	**Members at the first AGM** (individual or firm)	Holds office from the conclusion of that meeting till the conclusion of the **sixth AGM** (term of 5 years); written consent and eligibility certificate obtained; company files **ADT-1** within **15 days** of the meeting
First auditor – Government company	**C&AG**	Within **60 days** of registration; if C&AG fails – Board within next 30 days; if Board fails – members at EGM within 60 days
Subsequent – Government company	**C&AG**	Within **180 days** from the commencement of the FY; till the conclusion of the AGM
Casual vacancy – non-Government	**Board** within **30 days**	If caused by **resignation** – appointment also approved by the company in a general meeting within **3 months** of the Board's recommendation; holds office till the conclusion of the next AGM
Casual vacancy – Government company	**C&AG** within **30 days**	Else Board within next 30 days

- **Rotation (s. 139(2))** – applies to **listed companies** and prescribed classes: **unlisted public companies with paid-up capital ≥ ₹10 crore**; **private companies with paid-up capital ≥ ₹50 crore**; all companies (other than above) with **public borrowings from FIs/banks or public deposits ≥ ₹50 crore** (OPC and small companies excluded). An **individual** may not be appointed for more than **one term of 5 consecutive years**; an **audit firm** for more than **two terms of 5 consecutive years**; **cooling-off period of 5 years** after completion of the term(s). Firms with common partners also barred.
- Where the company has an **audit committee**, every appointment is made after considering its recommendations (s. 177).
- **Joint auditors** may be appointed; members may also require rotation of the audit partner.

10.2 Removal, resignation (s. 140)

- **Removal before expiry of term: special resolution** + prior approval of the **Central Government** (application in ADT-2 within 30 days of Board resolution; special resolution within **60 days** of CG approval); auditor given a reasonable opportunity of being heard.
- **Resignation:** auditor files **ADT-3** with the company and ROC within **30 days** stating reasons; for Government companies also with C&AG.
- **Appointment of an auditor other than the retiring auditor** at the AGM requires **special notice** (s. 115); copy sent to the retiring auditor, who may make written representations (read out at the meeting if not circulated).
- **Tribunal** (on its own or on application by CG or any person concerned) may direct change of auditor who acted fraudulently or abetted fraud; such auditor not eligible for **5 years**; also liable under s. 447.

10.3 Eligibility, qualifications and disqualifications (s. 141)

- Only a **chartered accountant in practice**, or a **firm** whereof majority of partners practising in India are qualified (only those partners sign). An **LLP** of chartered accountants can be appointed.
- **Not eligible:** (a) a **body corporate** (other than an LLP); (b) an **officer or employee** of the company; (c) a person who is a **partner, or in employment, of an officer or employee** of the company; (d) a person who, **or whose relative or partner**, (i) holds any **security or interest** in the company/subsidiary/holding/associate/fellow subsidiary (relative may hold up to **₹1 lakh face value**), (ii) is **indebted** to the company (or its group) above **₹5 lakh**, or (iii) has given a **guarantee or security** for any third person's indebtedness to the company above **₹1**

lakh; (e) a person or firm having a **business relationship** with the company (other than commercial transactions in the ordinary course of business at arm's length, or professional services permitted); (f) a person whose **relative is a director or KMP**; (g) a person in **full-time employment elsewhere**, or a person/partner holding appointment as auditor of more than **20 companies** (excluding OPC, dormant, small and private companies with paid-up capital < ₹100 crore); (h) a person **convicted of an offence involving fraud** within **10 years**; (i) a person who renders **prohibited services** (s. 144) directly or indirectly to the company/holding/subsidiary.

- If an auditor becomes **disqualified after appointment**, he **vacates office** and the vacancy is a casual vacancy (s. 141(4)).

10.4 Powers, duties and other provisions

- **s. 142 remuneration:** fixed in general meeting (or as determined there); first auditor's by the Board; includes expenses but not fees for other services.
- **s. 143 powers and duties:** right of **access at all times** to books and vouchers (also those of subsidiaries for CFS); entitled to information and explanations; enquiries into loans and advances, book entries, sale of investments at less than cost, loans shown as deposits, personal expenses charged to revenue, cash received for shares allotted. Report to members on whether FS give a **true and fair view**, with matters in s. 143(3) (information obtained, proper books, adverse observations, director disqualification under s. 164(2), internal financial controls, pending litigations, IEPF transfers etc.), and **CARO** where applicable. Government company – C&AG may direct, conduct **supplementary audit** within **60 days** of receipt of the audit report and comment.
- **Fraud reporting (s. 143(12), Rule 13 Audit Rules):** fraud involving **₹1 crore or above** – report to the **Board/audit committee within 2 days** of knowledge seeking reply within **45 days**; auditor forwards the report with the reply/observations to the **Central Government within 15 days** of receipt of reply (or of the expiry of 45 days) in **Form ADT-4, filed electronically** (from 14 July 2025). Fraud **below ₹1 crore** – reported to the audit committee/Board within 2 days, disclosed in the **Board's report**. Applies also to cost accountants and company secretaries in practice conducting cost/secretarial audit. Penalty for not reporting – listed company ₹5 lakh; other company ₹1 lakh.
- **s. 144 prohibited services:** accounting and book-keeping; internal audit; design and implementation of any financial information system; actuarial; investment advisory; investment banking; rendering of outsourced financial services; management services; any other prescribed service – rendered directly or through relatives, partners, associate entities, to the company, its holding or subsidiary. Other services require **Board/audit committee approval**.
- **s. 145:** auditor signs the report; qualifications/adverse remarks read at the general meeting and open to inspection.
- **s. 146:** notice of general meetings to the auditor; auditor (or authorised representative who is qualified to be auditor) attends unless exempted and has a right to be heard on any part of the business concerning him as auditor.
- **s. 147 punishment:** company ₹25,000–₹5 lakh; officer in default ₹10,000–₹1 lakh; auditor contravening ss. 139, 143, 144, 145 – ₹25,000 to ₹5 lakh or 4 times the remuneration, whichever is less; wilful contravention to deceive – imprisonment up to 1 year and fine ₹50,000 to ₹25 lakh or 8 times the remuneration, whichever is less; refund of remuneration and damages.
- **s. 148 cost audit:** Central Government may direct for specified companies; cost auditor (cost accountant) appointed by the Board on audit committee recommendation, remuneration ratified by members; report within **180 days** from the end of FY VERIFY; statutory auditor cannot be cost auditor.

Chapter 11: Companies Incorporated Outside India

- **Foreign company (s. 2(42)):** incorporated outside India; has a **place of business in India** (by itself or through an agent, physically or through **electronic mode**); conducts any business activity in India in any other manner. "Electronic mode" includes business-to-business and business-to-consumer transactions, data interchange, digital supply transactions etc. via computer resource located in or outside India VERIFY.
- **s. 379 – application of the Act:** where **not less than 50% of paid-up share capital** (equity, preference or both) of a foreign company is held by one or more **citizens of India** and/or **companies or bodies corporate incorporated in India**, singly or together, such company shall comply with Chapter XXII and **other prescribed provisions as if it were a company incorporated in India** (with respect to business in India).
- **s. 380 documents to ROC:** within **30 days** of establishing a place of business in India – certified copy of charter/statutes/memorandum and articles (with English translation); full address of principal office; list of directors and secretary; names and addresses of persons resident in India authorised to accept service; full address of the principal place of business in India; particulars of opening and closing of a place of business in India earlier; declaration that no director/authorised representative has been convicted or debarred. Form **FC-1**. Alteration – within **30 days** (FC-2).
- **s. 381 accounts:** balance sheet and P&L each year (as per Schedule III with prescribed changes) and documents to ROC (**FC-3**, within **6 months** of the close of FY; extension possible); list of all places of business in India; audit of Indian business by a CA in practice.
- **s. 382 display of name:** conspicuously exhibit on the **outside of every office** or place of business in India its **name and the country of incorporation** in **English and the local language(s)**; on letterheads, bill-heads and notices; state if liability of members is limited.
- **s. 383 service on foreign company:** by leaving at or sending by post or electronic mode to the authorised person's address.
- **s. 384:** provisions on debentures, **annual return (FC-4 within 60 days of end of FY)**, registration of charges, books of account (kept at principal place of business in India) and inspection/investigation apply to foreign companies.
- **s. 387–391 prospectus and Indian Depository Receipts (IDRs):** a prospectus issued in India must be dated, signed and filed with ROC before issue, with prescribed contents; expert's consent; civil/criminal liability under ss. 34–36 applies. IDRs can be issued by eligible foreign companies under the Companies (Registration of Foreign Companies) Rules, 2014 and SEBI regulations.
- **s. 392–393 consequences:** monetary penalty on the foreign company (with a per-day amount for continuing default) and on every officer in default VERIFY; failure to comply does not affect the validity of contracts, but the company cannot institute suits until it complies.

Chapter 12: The Limited Liability Partnership Act, 2008

12.1 Nature and incorporation

- **LLP** is a **body corporate** with **separate legal entity** and **perpetual succession**; partners' liability limited to agreed contribution (except for wrongful acts/fraud). The Partnership Act, 1932 does **not** apply.
- **Minimum 2 partners** (no maximum). If partners fall below 2 and the LLP carries on business for more than **6 months**, the remaining partner who knows of it is **personally liable** for obligations during that period (s. 6).
- **Designated partners (s. 7):** at least **two designated partners who are individuals**, of whom **at least one is resident in India** (stayed in India for at least **120 days** during the financial year VERIFY); where a body corporate is a partner, its nominee individual may act. **DPIN/DIN** required; consent in Form 9 filed with ROC within **30 days** of appointment; vacancy filled within **30 days**. Designated partners are liable for compliance and penalties.
- **Incorporation (s. 11–12):** incorporation document (FiLLiP) with name, business, registered office, names/addresses of partners and designated partners, statement of compliance by an advocate/CA/CS/CMA or a designated partner; certificate of incorporation within 14 days VERIFY.
- **Name (s. 15):** ending with "Limited Liability Partnership" or "LLP"; not undesirable or identical.
- **LLP agreement (s. 23):** mutual rights and duties; filed in **Form 3** within **30 days** of incorporation; changes filed within 30 days. **If no agreement or a matter not covered, First Schedule applies** (e.g. equal share in capital and profits; indemnity by LLP; every partner may take part in management; no remuneration; decisions by majority; change in business only with consent of all partners; partner to account for profits from competing business; expulsion only if power conferred in agreement).

12.2 Partners and their relations

- **s. 24 cessation:** in accordance with agreement, or by **30 days' notice** to other partners (if no agreement); on death, dissolution, insolvency, unsound mind. A former partner is regarded as a partner by third parties **unless** the third party had notice or notice was delivered to the Registrar. Cessation does not discharge his liability for obligations incurred **while he was a partner**. Personal representatives can receive his share of capital and accumulated profits.
- **s. 25 registration of changes:** partner to intimate change in his name/address to the LLP within **15 days**; LLP files notice with ROC within **30 days** of change in partners (Form 4).
- **s. 26 partner as agent:** every partner is an agent of the LLP but **not of other partners**.
- **s. 27 extent of liability of LLP:** LLP is not bound by anything done by a partner without authority when the person dealing knows of it/does not know or believe him to be a partner; LLP **liable for wrongful acts or omissions of a partner** in the course of business or with its authority; obligations of the LLP, in contract or otherwise, are solely its obligations, met out of its property.
- **s. 28:** a partner is **not personally liable** for obligations of the LLP solely by being a partner; **but is personally liable for his own wrongful act or omission** (not for another partner's).
- **s. 29 holding out:** person who represents himself or knowingly permits himself to be represented as a partner is liable to anyone who gave credit on that basis.
- **s. 30 unlimited liability in case of fraud:** acts carried out with intent to defraud creditors – liability of the LLP and the partners who acted is **unlimited** for all debts; fine and imprisonment up to **5 years** for persons knowingly party.
- **Who can be a partner (s. 5):** any **individual** or **body corporate** – but a body corporate excludes a **co-operative society**, a corporation sole and other notified bodies (s. 2(1)(d)); an individual of unsound mind, an undischarged insolvent or one who has applied to be adjudged insolvent cannot be a partner.
- **s. 32 contribution:** tangible, movable or immovable, intangible property, money, promissory notes, other binding agreements to contribute cash or property, and **contracts for services performed or to be performed** (so future services count as contribution); monetary value disclosed. **s. 33** – obligation to contribute is enforceable; creditor may enforce.
- **s. 42 rights of partner to share of profits (transfer):** right to share of profits and losses and to receive distributions is **transferable** wholly or in part; transfer **does not by itself cause disassociation** or dissolution; transferee does **not** get the right to participate in management or access information.

12.3 Accounts, audit, returns

- **s. 34:** proper books on cash or accrual basis and double entry, kept at registered office for **8 years**. **Statement of Account and Solvency (Form 8)** within **30 days from the end of 6 months** of the FY (i.e. by **30 October**). Accounts **audited**, except LLPs with **turnover ≤ ₹40 lakh** or **contribution ≤ ₹25 lakh** in a FY (unless the partners decide to have audit).
- **s. 34A:** Central Government may prescribe accounting standards/auditing standards for classes of LLPs.
- **s. 35 annual return (Form 11)** within **60 days** of the closure of the FY (by 30 May).
- **Small LLP (s. 2(1)(ta)):** contribution ≤ **₹5 crore** (upper prescribed limit) and turnover ≤ **₹50 crore** – lesser penalties VERIFY.
- **Penalties:** after the 2021 amendments, many offences are **civil penalties** adjudicated by the Registrar; compounding under s. 39.

12.4 Conversion, compromise, winding up

- **Conversion into LLP:** firm (**s. 55, Second Schedule**), **private company (s. 56, Third Schedule)** and **unlisted public company (s. 57, Fourth Schedule)** – for companies: no security interest subsisting or all secured creditors consent, all shareholders become partners and no one else; application with statement of shareholders/partners and incorporation document.
- **s. 58 effect of conversion:** the firm/company is **deemed dissolved** and removed from records; **all property, assets, interests, rights, privileges, liabilities and obligations** transfer to and vest in the LLP without further assurance; **pending proceedings** continue by or against the LLP; agreements, contracts, deeds continue as if the LLP were party; **existing employees** continue on the same terms; approvals, permits, licences continue subject to the relevant law. Within **15 days** of registration the LLP informs the concerned Registrar of Firms/ROC. For **12 months** after conversion the LLP states on its correspondence that it was converted from the firm/company VERIFY.
- **s. 60–62 compromise or arrangement:** application to the **Tribunal**; Tribunal may order a meeting; approved by majority representing **three-fourths in value** of creditors/partners present and voting; sanctioned by the Tribunal; order filed with ROC within **30 days**.
- **Winding up (s. 63–65):** voluntary or by the **Tribunal** – grounds: LLP decides to be wound up; partners fall below 2 for more than 6 months; LLP unable to pay its debts; acted against sovereignty/security/public order; default in filing Form 8/Form 11 for 5 consecutive FYs; just and equitable.
- **Foreign LLP (s. 59)**; **whistle-blowing (s. 31)** – Tribunal may reduce penalty of a partner/employee who provides useful information.

Chapter 13: The General Clauses Act, 1897

13.1 Important definitions – section 3

Term	Meaning
Affidavit	Includes affirmation and declaration in the case of persons allowed to affirm or declare instead of swearing
Commencement	Used with reference to an Act/Regulation – the **day on which it comes into force**
Document	Any matter expressed or described upon any substance by letters, figures or marks, intended to be used for recording that matter
Financial year	Year commencing on the **1st day of April**
Good faith	A thing is deemed to be done in good faith where it is in fact done **honestly, whether it is done negligently or not**
Government	Includes both the Central Government and any State Government
Immovable property	Includes **land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth**
Movable property	Property of every description, **except immovable property**
Month	A month reckoned according to the **British calendar**
Oath	Includes affirmation and declaration where allowed by law
Offence	Any act or omission made punishable by any law for the time being in force
Person	Includes **any company or association or body of individuals, whether incorporated or not**
Registered	Used with reference to a document – registered in India under the law for registration of documents
Sign	With its grammatical variations, used with reference to a person unable to write his name, includes **"mark"**
Son	In the case of anyone whose personal law permits adoption, includes an **adopted son**
Swear	Includes affirming and declaring where allowed by law
Will	Wording of the deed includes codicil and every writing making a voluntary posthumous disposition of property
Writing	Expressions referring to writing include references to **printing, lithography, photography and other modes of representing or reproducing words in a visible form**
Year	A year reckoned according to the **British calendar**

13.2 General rules of construction (sections 5 – 13)

- **s. 5 coming into operation:** where not otherwise expressed, a Central Act comes into operation on the day on which it receives the **assent of the President** (or Governor-General); it is construed as coming into operation **immediately on the expiration of the day preceding** its commencement.
- **s. 6 effect of repeal:** unless a different intention appears, repeal does **not** (a) revive anything not in force at the time of repeal; (b) affect the previous operation of the repealed enactment or anything done under it; (c) affect any right, privilege, obligation or liability acquired or incurred; (d) affect any penalty, forfeiture or punishment incurred; (e) affect any investigation, legal proceeding or remedy – these may be instituted, continued or enforced as if the repealing Act had not been passed.
- **s. 6A:** repeal of an Act making a **textual amendment** does not affect the continuance of the amendment, unless a different intention appears.
- **s. 7 revival:** to revive a repealed enactment wholly or partially, it is necessary to **expressly state** that purpose.
- **s. 8 construction of references to repealed enactments:** references in other enactments are construed as references to the re-enacted provisions.
- **s. 9 commencement and termination of time:** the word **"from" excludes** the first day of a series of days; the word **"to" includes** the last day.

- **s. 10 computation of time:** where an act/proceeding is directed or allowed to be done within a prescribed period in a court or office on a certain day, and the court or office is **closed** on that day (or the last day of the period), it is considered done in due time if done on the **next day afterwards on which the court/office is open**. Does **not** apply to cases governed by the **Limitation Act, 1963**.
- **s. 11 measurement of distances:** in a **straight line on a horizontal plane** (not by road/route), unless a different intention appears.
- **s. 12 duty to be taken pro rata:** where duty is leviable on a given quantity, it is leviable proportionately on any greater or less quantity.
- **s. 13 gender and number:** masculine includes feminine; singular includes plural and vice versa.

13.3 Powers and functionaries (sections 14 – 19)

- **s. 14:** powers conferred by an Act may be exercised **from time to time** as occasion requires.
- **s. 15:** power to appoint includes power to appoint **ex officio** (by virtue of office).
- **s. 16:** power to appoint includes power to **suspend or dismiss**.
- **s. 17 substitution of functionaries:** it is sufficient to describe an official by his designation (office) rather than name; the powers apply to the person for the time being holding the office.
- **s. 18 successors:** to prevent ambiguity, a reference to a functionary/corporation having perpetual succession includes successors in office.
- **s. 19 official chiefs and subordinates:** where a functionary is required to do an act, it may be done by a **subordinate (deputy) lawfully appointed** to do it, if so empowered.

13.4 Orders, rules and miscellaneous (sections 20 – 30)

- **s. 20:** expressions in **notifications, orders, schemes, rules, forms or bye-laws** issued under an Act have the **same meaning** as in the Act.
- **s. 21:** power to issue notifications, orders, rules or bye-laws includes power to **add to, amend, vary or rescind** them in the same manner and subject to the same sanction.
- **s. 22:** rules may be **made/issued between passing and commencement** of the Act, but take effect only on commencement.
- **s. 23 rules after previous publication:** the authority publishes a **draft** of the proposed rules for information of persons likely to be affected; with a notice specifying a **date after which the draft will be taken into consideration**; considers objections/suggestions received before that date; publication in the **Official Gazette** of the rules made is conclusive proof that the rules were duly made.
- **s. 24:** notifications, orders, rules made under a repealed and re-enacted provision **continue in force** until superseded, so far as not inconsistent.
- **s. 25 recovery of fines:** provisions of the criminal procedure law on levy of fines apply to all fines imposed under any Act (Code of Criminal Procedure; now the BNSS, 2023 VERIFY).
- **s. 26 offences punishable under two or more enactments:** the offender may be prosecuted and punished under **either or any** of them, but **shall not be punished twice** for the same offence (rule against **double jeopardy**; cf. Article 20(2)).
- **s. 27 service by post:** where a document is required to be served by post, service is deemed effected by **properly addressing, pre-paying and posting it by registered post**, and, unless the contrary is proved, effected at the time at which the letter would be delivered in the ordinary course of post.
- **s. 28 citation:** an Act may be cited by its short title or by number and year.

Chapter 14: Interpretation of Statutes, Deeds and Documents

14.1 Primary and other rules of interpretation

Rule	Meaning / when applied
Literal rule (primary rule)	Words given their **plain, ordinary, grammatical meaning**; if clear, applied even if the result is harsh – the court cannot add or subtract words
Mischief rule (Heydon's case)	Four questions: (1) what was the **common law** before the Act; (2) what was the **mischief/defect** not provided for; (3) what **remedy** Parliament resolved to provide; (4) the true **reason** of the remedy – construction that suppresses the mischief and advances the remedy
Golden rule	Modify the literal meaning only to the extent necessary to avoid **absurdity, inconsistency or repugnance**
Rule of reasonable construction (ut res magis valeat quam pereat)	A construction that makes the statute **effective/workable** is preferred over one that makes it futile
Harmonious construction	Where two provisions **conflict**, interpret them so that **both are given effect**; one provision should not be used to defeat another; the whole statute is read as a whole (*Venkataramana Devaru v. State of Mysore*)
Beneficial construction	Welfare/remedial legislation construed **liberally in favour of the class it intends to benefit** (e.g. labour laws)
Exceptional construction	Words like **"and"** read as **"or"** and vice versa, "may" as "shall" (or vice versa) – where literal reading leads to absurdity or defeats the intent; "must"/"shall" mandatory or directory as per context
Strict construction	**Penal and taxing statutes** construed strictly – benefit of doubt to the subject; no tax/penalty unless clearly imposed
Ejusdem generis	Where **specific words of a class/genus** are followed by **general words**, the general words are confined to **things of the same kind** as the specific words. Conditions: specific words form a **distinct class**; general words follow them; no contrary intention. Not applied when the specific words exhaust the class or the legislative intent is wider
Noscitur a sociis	A word is known by its **associates** – meaning gathered from the words around it
Reddendo singula singulis	Words in a sentence are applied **distributively** – each to its appropriate object
Contemporanea expositio est optima et fortissima in lege	The best interpretation of an old statute is the one given by **contemporaneous authorities/understanding** at the time it was enacted; usage followed for long – useful for old statutes, not binding on courts, not applied where words are clear
Optima legum interpres est consuetudo	Custom/usage is the best interpreter of law
Non-obstante clause	"**Notwithstanding anything contained** in ..." – gives the provision **overriding effect** over the provisions referred to, in case of conflict
"Without prejudice to"	The provision is **in addition to** and does not limit or affect the other provision referred to – both operate
Expressio unius est exclusio alterius	Express mention of one thing implies exclusion of others

14.2 Aids to interpretation

Internal aids (within the statute):

- **Title** – the **long title** describes purpose and may be referred to for resolving ambiguity; the short title only identifies the Act.
- **Preamble** – key to the mind of the makers; used where the language is ambiguous, but cannot control clear enacting provisions.
- **Headings** – prefix to a group of sections; may be referred to resolve doubt, not to control plain words.
- **Marginal notes** – generally not used to construe (since inserted by drafters), except in the Constitution.

- **Definition/interpretation clause** – "means" (exhaustive) vs "includes" (extensive/enlarging); "means and includes" – exhaustive.
- **Proviso** – carves out an **exception** from the main provision; normally does not enlarge it; read with the main provision.
- **Illustrations** – help understand the provision, but cannot curtail or extend it.
- **Explanation** – explains the meaning of the main provision, clarifies ambiguity; does not enlarge scope ordinarily.
- **Schedules** – part of the Act; in case of conflict, the main body prevails.
- **Punctuation** – a minor element; considered when the statute is carefully punctuated, but not decisive.

External aids (outside the statute): parliamentary history (statement of objects and reasons, debates, committee reports – limited use), **historical facts and surrounding circumstances**, social/political/economic developments and scientific inventions, reference to **other statutes** (in pari materia), **dictionaries**, judicial decisions (Indian and foreign), text books.

14.3 Rules for interpretation of deeds and documents

- Read the document **as a whole**; intention gathered from the words used.
- **Plain/literal meaning** of words; technical words in technical sense.
- **Contra proferentem** – ambiguity construed **against the person who drafted** it/the grantor.
- If an earlier and later clause in a **deed** are irreconcilable, the **earlier clause prevails**; in a **will**, the **later clause prevails**.
- Use of extrinsic evidence to resolve **latent ambiguity**, not patent ambiguity.
- Deeds are construed to make them **operative rather than void** (ut res magis valeat).

Chapter 15: The Foreign Exchange Management Act, 1999

15.1 Objective and key definitions (s. 2)

FEMA aims to **facilitate external trade and payments** and promote orderly development and maintenance of the foreign exchange market. It extends to the whole of India and to all branches/offices/agencies outside India owned or controlled by a person resident in India, and to any contravention committed outside India by any person to whom the Act applies.

Term	Meaning
Authorised person (s. 2(c))	Authorised dealer, money changer, off-shore banking unit or any other person authorised by RBI under s. 10 to deal in foreign exchange/securities
Capital account transaction (s. 2(e))	Transaction that **alters the assets or liabilities, including contingent liabilities, outside India of persons resident in India**, or **in India of persons resident outside India** (includes those in s. 6(3))
Current account transaction (s. 2(j))	Transaction **other than a capital account transaction**, including: payments due for **foreign trade**, other current business, services and **short-term banking and credit facilities** in the ordinary course of business; payments due as **interest on loans** and as **net income from investments**; remittances for **living expenses** of parents, spouse and children residing abroad; expenses in connection with **foreign travel, education and medical care** of parents, spouse and children
Foreign exchange (s. 2(n))	Foreign currency, including deposits/credits/balances payable in foreign currency, drafts, travellers' cheques, letters of credit or bills of exchange expressed or drawn in Indian currency but payable in foreign currency, and vice versa
Foreign security (s. 2(o))	Any security in the form of shares, stocks, bonds, debentures etc. expressed in foreign currency, and securities whose redemption/return is in foreign currency
Person resident in India (s. 2(v))	(i) a person **residing in India for more than 182 days during the course of the preceding financial year**, but **not** a person who has **gone out of India or stays outside India** for (a) **employment outside India**, (b) carrying on **business or vocation** outside India, or (c) any other purpose indicating an **intention to stay outside India for an uncertain period**; nor a person who has **come to or stays in India** for purposes other than employment, business/vocation or uncertain stay; (ii) any person or body corporate registered or incorporated in India; (iii) an office, branch or agency in India owned or controlled by a person resident outside India; (iv) an office, branch or agency outside India owned or controlled by a person resident in India
Person resident outside India (s. 2(w))	A person who is **not resident in India**
Repatriate to India (s. 2(y))	Bringing foreign exchange into India and selling it to an authorised person, or holding/crediting it in an account as permitted by RBI

15.2 Regulation of foreign exchange (sections 3 – 9)

- **s. 3 dealing in foreign exchange:** no person shall, except as provided or with general/special RBI permission, deal in or transfer foreign exchange/foreign security to any person **not being an authorised person**; make payment to or for the credit of a person resident outside India; receive payment from a non-resident otherwise than through an authorised person; or enter into a financial transaction in India as consideration for acquisition of an asset outside India.
- **s. 4 holding of foreign exchange:** save as provided, no person resident in India shall **acquire, hold, own, possess or transfer** any foreign exchange, foreign security or any **immovable property situated outside India**.
- **s. 5 current account transactions:** any person may sell or draw foreign exchange to or from an authorised person for a current account transaction, **subject to reasonable restrictions** imposed by the Central Government (in consultation with RBI) in public interest – the **Foreign Exchange Management (Current Account Transactions) Rules, 2000**:

Schedule	Status	Examples
Schedule I	**Prohibited**	Remittance out of **lottery winnings**; income from **racing/riding** or any other hobby; purchase of **lottery tickets, banned or proscribed magazines, football pools, sweepstakes**; payment of commission on exports made towards equity investment in JVs/WOS abroad of Indian companies; commission on exports under Rupee State Credit Route (except to Russia VERIFY); payment related to **"call back services"** of telephones; interest income on funds held in Non-Resident Special Rupee Scheme account
Schedule II	**Prior approval of the Government of India** (ministry concerned)	**Cultural tours** (Ministry of HRD/Culture); advertisement in foreign print media for purposes **other than promotion of tourism, foreign investments and international bidding** exceeding USD 10,000 by a State Government and its PSUs (Ministry of Finance); remittance of freight of vessel chartered by a PSU (Ministry of Surface Transport); payment of import through ocean transport by a Government department or PSU on c.i.f. basis; multi-modal transport operators remitting to agents abroad (registration with Director General of Shipping); remittance of hiring charges of transponders by TV channels/Internet service providers; remittance of container detention charges exceeding the rate prescribed by DG Shipping; remittance of **prize money/sponsorship of sports activity abroad** by a person other than international/national/State-level sports bodies, if exceeding **USD 100,000** (Ministry of Youth Affairs & Sports); remittance for membership of P&I Club
Schedule III	**Liberalised – within limits; beyond limits RBI approval**	**Individuals:** facility under the **Liberalised Remittance Scheme (LRS) up to USD 2,50,000 per financial year** for private visits (except Nepal and Bhutan), gift or donation, going abroad for employment, emigration, maintenance of close relatives abroad, business travel, attending conferences, medical treatment abroad, studies abroad and any other current account transaction; for **emigration, medical treatment and studies abroad**, the individual may avail exchange **exceeding** the limit if so required by the country of emigration, medical institute or university respectively. **Persons other than individuals:** donations exceeding 1% of foreign exchange earnings of the previous three FYs or USD 5,000,000, whichever is less, for creation of chairs/contribution to technical institutions; **commission to agents abroad for sale of residential flats/commercial plots in India exceeding USD 25,000 or 5% of inward remittance, whichever is more**; remittances exceeding USD 10,000,000 per project for consultancy services in respect of infrastructure projects and USD 1,000,000 per project for other consultancy services procured from outside India; remittances exceeding 5% of investment brought into India or USD 1,00,000, whichever is higher, by an entity in India by way of reimbursement of **pre-incorporation expenses**

- Remittances under **Schedules II and III** made from an **EEFC account** (or RFC account for Schedule III) need no approval – except the commission on sale of flats/plots in Schedule III which needs RBI approval even from EEFC beyond the limits (as per ICAI). **Royalty** under a technical collaboration agreement is **freely permissible** (no longer requires approval).
- **s. 6 capital account transactions:** any person may sell or draw foreign exchange for a capital account transaction **as permitted** by RBI (in consultation with the Central Government; non-debt instruments by the Central Government). **s. 6(4):** a person **resident in India** may hold, own, transfer or invest in foreign currency, foreign security or any **immovable property situated outside India** if it was **acquired, held or owned when he was resident outside India**, or **inherited from a person who was resident outside India**. **s. 6(5):** a person **resident outside India** may hold, own, transfer or invest in Indian currency, security or immovable property in India if acquired, held or owned when he was **resident in India** or **inherited from a person who was resident in India**. **s. 6(6):** RBI may prohibit, restrict or regulate establishment in India of a **branch, office or other place of business** by a person resident outside India.
- **s. 7 export of goods and services:** exporters furnish a declaration to RBI/specified authority with full value of the export; and other information to secure realisation.
- **s. 8 realisation and repatriation:** a person resident in India to whom any amount of foreign exchange is due or has accrued shall take all reasonable steps to **realise and repatriate** it to India within the prescribed period.
- **s. 9 exemptions from ss. 4 and 8:** possession of foreign currency or coins by any person up to prescribed limits; foreign currency account held or operated by a person/class of persons as specified by RBI; foreign exchange acquired or received before 8 July 1947 or income thereon held outside India; foreign exchange held by a person resident in India up to a limit if acquired by way of **gift or inheritance** from a person referred to in clause (c), including income on it; foreign exchange acquired from **employment, business, trade, vocation, services, honorarium, gifts, inheritance** or other legitimate means; other receipts specified by RBI.

- **Prohibited sectors for foreign investment (FEM (Non-debt Instruments) Rules, 2019):** a person resident outside India cannot invest in an Indian entity engaged in: **lottery business** (including Government/private and online lotteries); **gambling and betting** including casinos; **chit funds** (except as permitted); **Nidhi company**; **trading in Transferable Development Rights (TDRs)**; **real estate business or construction of farm houses** (excluding townships, residential/commercial premises, roads, bridges, REITs); **manufacturing of cigars, cheroots, cigarillos and cigarettes** of tobacco or tobacco substitutes; activities/sectors **not open to private sector investment** such as **atomic energy** and **railway operations** (other than permitted activities). Foreign technology collaboration in any form, including licensing for franchise, trademark, brand name or management contract, is also prohibited for lottery, gambling and betting activities.
- **Land border countries (Press Note 3, 2020):** investment by an entity of a country sharing a **land border with India** (or where the beneficial owner is situated in or is a citizen of such country) is permitted only under the **Government route**.

Formula and number sheet

Topic	Number to remember
Private company members	≤ 200 (excluding employee-members)
Small company	Paid-up ≤ ₹10 crore and turnover ≤ ₹100 crore (from 1 December 2025)
Associate	Significant influence – ≥ 20% voting power
Government company	≥ 51% paid-up capital with Governments
Commencement declaration (s. 10A)	Within 180 days of incorporation
Registered office	Within 30 days of incorporation
Shelf prospectus	Valid 1 year
Red herring prospectus	Filed ≥ 3 days before offer opens
Deemed prospectus	Offer within 6 months of allotment
Private placement	≤ 200 persons/FY (excl. QIBs, ESOP employees); ≥ ₹20,000 per person; allot within 60 days; refund within 15 days; interest 12%; PAS-3 within 15 days
Public issue allotment	Application money ≥ 5%; return of allotment within 30 days
Variation of class rights	¾ written consent or special resolution of class; dissenting ≥ 10% to Tribunal within 21 days
Sweat equity	15% per year or ₹5 crore (higher); cap 25% (start-ups 50%); lock-in 3 years
Preference shares	Redeem within 20 years (infra 30)
Transfer of shares	Instrument within 60 days; certificates within 1 month
Refusal (private)	Notice within 30 days; appeal 30 / 60 days
Rights issue	Open 15–30 days; notice ≥ 3 days before opening
Debenture trustee	Issue to > 500 persons; DRR 10% (unlisted); 15% invested by 30 April
Deposits	Private: 100% (members); public: 10% members; eligible public 10% + 25%; DRR 20% by 30 April; tenure 6–36 months
Eligible public company	Net worth ≥ ₹100 crore or turnover ≥ ₹500 crore
s. 76A	Company ₹1–10 crore; officer up to 7 years + ₹25 lakh–₹2 crore
Charges	30 days; up to 60 days with additional fee; further 60 days ad valorem; satisfaction 30 days
AGM	First within 9 months; then 6 months; gap 15 months; extension 3 months
EGM requisition	1/10th; call in 21 days, hold in 45 days; requisitionists within 3 months
Notice	21 clear days; shorter: 95%
Quorum public	5 / 15 / 30; private 2
Proxy	≤ 50 members & ≤ 10% capital; deposit 48 hours before
Poll demand	1/10th voting power or ₹5 lakh paid-up
Special notice	1% or ₹5 lakh; 14 days; members informed 7 days
Annual return	60 days of AGM
Dividend	Bank account 5 days; pay 30 days; unpaid a/c within 7 days; IEPF after 7 years; s. 127 interest 18%
Books of account	8 years; notice of other place 7 days
Revision (s. 131)	3 preceding FYs; once a year; Tribunal approval
FS filing	30 days of AGM; OPC 180 days from FY end
CSR	Net worth 500 cr / turnover 1,000 cr / net profit 5 cr; 2% of 3-year average; ongoing unspent 30 days; others 6 months; ZCZP ≤ 10%
Auditor	First: Board 30 days / EGM 90 days; term 5 years; rotation 1 × 5 (individual), 2 × 5 (firm), cooling 5 years; ≤ 20 companies
Auditor disqualification	Relative's holding ≤ ₹1 lakh; indebtedness > ₹5 lakh; guarantee > ₹1 lakh

Topic	Number to remember
Fraud reporting	≥ ₹1 crore: Board 2 days, reply 45 days, CG 15 days (ADT-4)
Foreign company	FC-1 30 days; FC-3 6 months; FC-4 60 days; s. 379 – 50% Indian holding
LLP	Min 2 partners; 2 designated (one resident 120 days); agreement 30 days; Form 8 by 30 Oct; Form 11 within 60 days; audit exempt ≤ ₹40 lakh turnover or ≤ ₹25 lakh contribution
GCA	Distance straight line; "from" excludes, "to" includes; s. 10 next open day (not Limitation Act); s. 26 no double punishment
FEMA	Resident: > 182 days in preceding FY; LRS USD 2,50,000 per FY

Common mistakes in answers

COMMON MISTAKE **Where students lose marks (ICAI examiners' comments)**

- Writing **provisions without the conclusion** – every case answer needs: provision → analysis of facts → conclusion.
- Quoting **wrong section numbers or time limits** (e.g. 30 vs 60 days; 21 vs 45 days).
- Confusing **Board** powers and **members'** powers (e.g. interim vs final dividend, casual vacancy of auditor caused by resignation).
- Treating **non-registration of a charge** as making the **debt** void – only the security is not taken into account against the liquidator/creditors.
- In GCA questions, measuring distances by road; forgetting that s. 10 does not apply to the Limitation Act.
- In FEMA questions, not identifying the **Schedule** (I – prohibited, II – Government approval, III – RBI approval beyond limit).