Skillshort

Self-Study Preparation Pack

CA INTERMEDIATE

Paper 2: Corporate and Other Laws

Mock Test 1 – Full Paper with Detailed Solutions

ICAI new-scheme pattern: 100 marks · 3 hours · Part I 15 MCQs (30) + Part II Q1 compulsory + any 4 of Q2–Q6 (70) · Original Skillshort questions · Law as applicable for January 2027

Time: 3 hours | Max marks: 100 | No negative marking | Solutions follow the question paper

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This subject pack has 6 parts

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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.

Part I – Multiple Choice Questions (30 marks)

Instructions: Each MCQ carries 2 marks. Choose the most appropriate option. Answer key with reasons is given at the end of Part I.

CASE LAW Case Scenario I – Kaveri Polymers Ltd. (MCQs 1–4)

Kaveri Polymers Ltd. is an unlisted public company with paid-up share capital of ₹40 crore, free reserves of ₹25 crore and securities premium of ₹15 crore. Its net worth is ₹80 crore and turnover for the last year ₹420 crore. The Board proposes to raise ₹10 crore by way of deposits. Deposits of ₹6 crore accepted earlier will mature during the financial year 2026-27. On 10 January 2026, the company created a charge on its machinery in favour of Ganga Bank; the charge was filed with the ROC only on 5 March 2026. The company has 1,800 members. At its AGM, 12 members were personally present and 5 members were represented by proxies when the meeting was due to begin; no more members arrived within half an hour.

1. The maximum amount of deposits that Kaveri Polymers Ltd. can accept is

(a) ₹10 crore from the public
(b) ₹8 crore from members only
(c) ₹6.5 crore from members only
(d) ₹28 crore – ₹8 crore from members and ₹20 crore from the public

2. The minimum amount to be deposited in the Deposit Repayment Reserve Account by 30 April 2026 is

(a) ₹60 lakh
(b) ₹1.2 crore
(c) ₹1.5 crore
(d) ₹2 crore

3. The charge created on 10 January 2026 and filed on 5 March 2026 (54 days after creation)

(a) is void as it was not filed within 30 days
(b) can be registered by the ROC on payment of additional fees, as it was filed within 60 days of creation
(c) can be registered only with the Central Government's approval
(d) can be registered only on payment of ad valorem fees

4. Regarding the quorum at the AGM

(a) Quorum is present, as 17 members are present including proxies
(b) Quorum is present, as 12 members exceed 5
(c) Quorum is not present; the meeting stands adjourned to the same day in the next week at the same time and place unless the Board decides otherwise
(d) Quorum is not present; the meeting stands dissolved

CASE LAW Case Scenario II – Orchid Digital Pvt. Ltd. (MCQs 5–8)

Orchid Digital Pvt. Ltd. (not a start-up) has paid-up equity capital of ₹20 crore. In 2026-27 it made a private placement offer of equity shares to 210 identified persons, including 8 qualified institutional buyers and 6 employees under its ESOP scheme. Application money was received on 1 July 2026, but allotment had not been made even by 15 September 2026. The company also proposes to issue sweat equity shares of ₹6 crore to its CTO (no sweat equity has been issued earlier). On 2 May 2026, Mr. Iyer lodged an instrument of transfer for 5,000 shares; the company sent no communication.

5. The private placement offer to 210 persons is

(a) invalid – it exceeds 200 persons and becomes a public offer
(b) valid – after excluding QIBs and ESOP employees, the offer is made to 196 persons
(c) valid – private companies have no limit
(d) invalid – employees can never be counted out

6. Since allotment was not made within 60 days of receipt of application money, the company must

(a) refund the money within 15 days from the end of 60 days; if not, pay interest at 12% p.a. from the 60th day
(b) refund within 30 days with interest at 15% p.a.
(c) treat the money as a deposit and pay 18% p.a.
(d) allot shares at any time within one year

7. The maximum sweat equity that Orchid Digital Pvt. Ltd. can issue in the year (no earlier issue) is

(a) ₹3 crore
(b) ₹6 crore
(c) ₹5 crore
(d) ₹10 crore

8. Mr. Iyer's remedy, given that no notice of refusal was sent, is to appeal to the Tribunal

(a) within 30 days of 2 May 2026
(b) within 60 days of delivery of the instrument, i.e., by 1 July 2026
(c) within 90 days of delivery of the instrument
(d) at any time, since no notice was sent

CASE LAW **Case Scenario III – Mehra Exports Ltd. and the Mehra family (MCQs 9–12)**

During 2026-27: (1) Mr. Mehra, a resident individual, proposes to remit USD 1,80,000 as a gift to his son in London and USD 50,000 for the maintenance of his sister in Dubai. (2) Mehra Exports Ltd. sold residential flats in Pune to NRI buyers and received an inward remittance of USD 6,00,000; it wishes to pay commission of USD 40,000 to its agent in Dubai out of its EEFC account. (3) Mr. Mehra's nephew wants to remit to Singapore his winnings from a lottery. (4) Mrs. Mehra, resident in India, inherited a flat in Dubai from her brother, who was resident outside India.

9. Mr. Mehra's proposed remittances of USD 2,30,000

(a) require RBI approval as gifts are capital account transactions
(b) are permissible without approval, being within the LRS limit of USD 2,50,000 per financial year
(c) are prohibited under Schedule I
(d) require Government of India approval

10. The commission payment of USD 40,000 by Mehra Exports Ltd.

(a) is freely permissible as it is paid from the EEFC account
(b) requires prior RBI approval as it exceeds USD 30,000, being the higher of USD 25,000 and 5% of the inward remittance
(c) is prohibited
(d) requires Ministry of Finance approval

11. Remittance of lottery winnings by the nephew is

(a) permitted under LRS
(b) permitted with RBI approval
(c) prohibited under Schedule I of the Current Account Transactions Rules
(d) permitted with Government approval

12. Mrs. Mehra's holding of the Dubai flat is

(a) invalid, as a resident cannot hold immovable property abroad
(b) valid under s. 6(4), as it was inherited from a person resident outside India
(c) valid only with RBI approval
(d) valid only if sold within one year

CASE LAW Case Scenario IV – Assorted (MCQs 13–15)

(1) A Central Act requires a return to be filed "within 30 days from 1 March 2026"; 31 March 2026 is a public holiday and the office is closed. (2) A State rule prohibits "cars, buses, lorries and other vehicles" on a heritage road; a cyclist is fined. (3) Kunal, a partner of Vriksh LLP, transferred his right to receive 40% of his share of profits to his friend Rahul; Rahul demands the right to vote on management decisions.

13. Under the General Clauses Act, 1897, the return will be considered filed in time if filed

(a) by 30 March 2026
(b) on 1 April 2026, the next day the office is open
(c) by 31 March 2026 only
(d) within 30 days from 2 March excluding holidays

14. Is the cyclist covered by the prohibition?

(a) Yes, a bicycle is a vehicle
(b) No – applying ejusdem generis, "other vehicles" takes colour from cars, buses and lorries (motor vehicles)
(c) Yes, under the mischief rule
(d) No, because penal statutes never apply to cyclists

15. Rahul's demand

(a) must be accepted, as he is now a partner
(b) is not tenable – under s. 42 a transferee of a partner's right to profits does not get the right to participate in management
(c) is tenable if the LLP agreement is silent
(d) is tenable only for decisions affecting profit-sharing

Part I – Answer key with reasons

Q	Ans	Explanation / working
1	(b)	Kaveri is not an "eligible company" (net worth ₹80 crore < ₹100 crore and turnover ₹420 crore < ₹500 crore), so it can accept deposits only from **members**, up to 10% of (40 + 25 + 15) = **₹8 crore** (s. 73(2) and Rule 3).
2	(b)	At least **20%** of the deposits maturing in the following financial year: 20% × ₹6 crore = **₹1.2 crore** (s. 73(2)(c)).
3	(b)	Under the proviso to s. 77(1), the Registrar may allow registration within **60 days** of creation on payment of **additional fees**; ad valorem fees apply only for the further 60-day period.
4	(c)	For a public company with more than 1,000 but up to 5,000 members, the quorum is **15 members personally present** (s. 103(1)(a)(ii)); proxies are not counted. Only 12 were present, so the meeting stands adjourned under s. 103(2)(a) (it is not a requisitioned meeting).
5	(b)	Rule 14(2) – the limit of **200 persons per financial year** excludes **QIBs** and **employees offered securities under ESOP**: 210 − 8 − 6 = 196 ≤ 200.
6	(a)	s. 42(6): allot within **60 days**; else repay within **15 days** after the 60 days; failing which, repay with **interest @ 12% p.a. from the 60th day**.
7	(c)	Rule 8(4): in a year, the higher of 15% of existing paid-up equity (₹3 crore) or ₹5 crore = ₹5 crore; and the total at any time cannot exceed 25% of paid-up equity (₹5 crore). So the maximum is **₹5 crore**; the ₹6 crore proposal exceeds the limit.
8	(b)	s. 58(3) for a private company: appeal within **30 days of receipt of the notice of refusal**, or, where no notice was sent, within **60 days** of delivery of the instrument (2 May + 60 days = 1 July 2026).
9	(b)	Gift and maintenance of close relatives abroad are covered by the **LRS (Schedule III)** – total USD 2,30,000 is within **USD 2,50,000 per FY**.
10	(b)	Schedule III, item 3: commission to agents abroad for sale of residential flats/commercial plots in India – RBI approval needed beyond **USD 25,000 or 5% of the inward remittance, whichever is more** (5% × 6,00,000 = USD 30,000). ICAI treats this limit as applying even to payments from the EEFC account.
11	(c)	Remittance out of **lottery winnings** is a **prohibited** transaction (Schedule I).
12	(b)	s. 6(4) of FEMA permits a person resident in India to hold, own or transfer immovable property outside India **inherited from a person who was resident outside India**.

Q	Ans	Explanation / working
13	(b)	s. 9: "from" excludes 1 March, so the 30th day is 31 March. s. 10: where the office is closed on the last day, the act is in time if done on the **next day the office is open** – 1 April 2026.
14	(b)	The specific words form a class (motor vehicles); the general words that follow are read as limited to that class (**ejusdem generis**).
15	(b)	s. 42 of the LLP Act: transfer of the right to share profits does not by itself cause the transferor to cease to be a partner, and the transferee gets **no right to participate in management** or access information.

Part II – Descriptive Questions (70 marks)

Instructions: Question 1 is **compulsory**. Attempt **any four** of Q2–Q6. Answer with reference to the relevant provisions; give reasons for your conclusions.

QUESTION Question 1 (compulsory)

(a) Sapphire Ltd. has equity share capital of ₹30 crore. For 2025-26 it earned a profit of ₹12 crore before depreciation; depreciation as per Schedule II is ₹4 crore. Losses of ₹3 crore of earlier years are carried forward in its books. The Board wishes to recommend a dividend of 20% (₹6 crore) out of the current year's profits. It also has a revaluation reserve of ₹2 crore which the CFO suggests could fund any shortfall. Examine the proposal under s. 123 of the Companies Act, 2013. (5 marks)

(b) Indus Ltd. proposes to appoint CA Rohan as statutory auditor. Facts: (i) Rohan's wife holds equity shares of Indus Ltd. of face value ₹80,000; (ii) Rohan has taken a loan of ₹6 lakh from a subsidiary of Indus Ltd.; (iii) Rohan is already auditor of 18 companies, of which 6 are private companies with paid-up capital below ₹100 crore. Examine his eligibility. (5 marks)

(c) Bharat Infra Ltd. wants to remit (i) USD 12 million to a foreign firm for consultancy services on a metro-rail project and (ii) USD 1.5 million to another firm for consultancy on upgrading its accounting software. Advise under the FEMA (Current Account Transactions) Rules, 2000. (4 marks)

QUESTION Question 2

(a) Lotus Ltd. has a paid-up capital of ₹50 crore (all carrying voting rights). (i) On 2 May 2026, members holding ₹4.5 crore deposited a requisition for an EGM. (ii) On 1 June 2026, members holding ₹6 crore deposited a valid requisition; the Board did nothing. The requisitionists then called and held the EGM on 25 September 2026. Examine the validity in both cases. (5 marks)

(b) Neel Ltd. created a charge on its factory on 1 February 2026 in favour of Pearl Bank for a loan of ₹5 crore. Neither the company nor the bank filed the particulars with the ROC. In August 2026 the company went into liquidation and the liquidator refused to treat the bank as a secured creditor. Examine the bank's position and state what the bank could have done. (5 marks)

(c) A Central Act provides that no liquor shop shall be located "within 500 metres of a school". The distance between Mr. D's proposed shop and a school is 650 metres by road but 420 metres in a straight line. Can Mr. D get a licence? Explain with reference to the General Clauses Act, 1897. (4 marks)

QUESTION Question 3

(a) Zeta GmbH, incorporated in Germany, opened a liaison office in Pune on 10 January 2026. 55% of its paid-up share capital is held by an Indian company and two Indian citizens. Answer: (i) Is Zeta GmbH a foreign company? (ii) What documents must it file and by when? (iii) What is the effect of the 55% Indian holding? (iv) How must it display its name? (5 marks)

(b) Garnet Ltd., an eligible public company, has paid-up capital ₹60 crore, free reserves ₹90 crore and securities premium ₹50 crore. It holds deposits of ₹5 crore from members and ₹35 crore from the public. (i) Compute the further deposits it can accept from members and from the public. (ii) On 1 June 2025 it received an advance of ₹3 crore from a customer for supply of goods; the goods had not been supplied by 30 June 2026 and there is no legal dispute. Is the advance a deposit? (5 marks)

(c) Explain the rule of harmonious construction with an example. (4 marks)

QUESTION Question 4

(a) (i) Rose Pvt. Ltd. received a duly executed instrument of transfer from Ms. Kavya on 2 May 2026 but neither registered the transfer nor sent any notice. Advise Ms. Kavya. (ii) How would your answer differ if Rose Ltd. were a public company that refused registration by a notice sent on 20 May 2026? (5 marks)

(b) Alpha LLP has three partners A, B and C; A and B are the designated partners. A died on 1 March 2026. B, an Indian citizen, has lived in Canada since 2024 and was in India for only 40 days in the last financial year. Examine the LLP's position with regard to designated partners and the steps it must take. (5 marks)

(c) Mr. X committed an offence under the "Old Act" in 2024. The Old Act was repealed in 2025 by a new Act which contains no saving clause, and prosecution was launched in 2026. Mr. X argues that the prosecution is not maintainable, and that, in any event, he cannot be prosecuted under both the new Act and the Indian penal law for the same act. Examine. (4 marks)

QUESTION Question 5

(a) Mira Ltd. reports (s. 198) net profits of ₹6 crore (2022-23), ₹4.5 crore (2023-24) and ₹9 crore (2024-25). Its net worth is ₹300 crore and turnover ₹800 crore. Examine (i) whether CSR applies for 2025-26, (ii) the CSR obligation, (iii) whether a CSR committee is needed, and (iv) the treatment of ₹5 lakh remaining unspent at the end of 2025-26 on an ongoing project, and how your answer would differ if it were not an ongoing project. (5 marks)

(b) The Board of Tulip Ltd. (registered office Mumbai) decided on 1 July 2026 to keep its books of account at its Nagpur plant. In the same meeting, it decided to revise the financial statements of 2021-22 voluntarily, since an item had been misclassified. Examine. (5 marks)

(c) (i) Mr. Kabir stayed in India for 200 days in 2025-26 and left on 1 June 2026 to take up employment in Canada. (ii) Ms. Lina, a US citizen, came to India on 1 May 2026 to take up a two-year employment contract. Determine their residential status under FEMA for 2026-27. (4 marks)

QUESTION Question 6

(a) The statutory auditor of Narmada Ltd. (a non-Government company) resigned on 10 August 2026. The Board appointed CA Meena on 25 August 2026 to fill the vacancy. (i) Is the appointment complete? (ii) How long will CA Meena hold office? (iii) Later, members wish to remove CA Meena before the expiry of her term. State the procedure. (5 marks)

(b) Opal Ltd. issued a prospectus for 1 crore equity shares of ₹10 each, stating a minimum subscription of 90%. The application money was fixed at ₹0.40 per share. Within 30 days of the issue of the prospectus, applications for 80 lakh shares were received. The Board wants to allot the 80 lakh shares. Examine. (5 marks)

(c) Distinguish between a "non-obstante clause" and the expression "without prejudice" with illustrations. (4 marks)

Solutions

SOLUTION Q1(a) Dividend out of profits – s. 123

Provision: Under s. 123(1), dividend may be declared out of the profits of the current year **after providing for depreciation** under Schedule II, or out of undistributed profits of previous years, or both. The **first proviso** to s. 123(1) requires that, before declaring dividend out of current profits, the company must **set off** the **carried-over losses** of previous years and depreciation not provided in earlier years. Under a further proviso to s. 123(1), **unrealised gains, notional gains or revaluation of assets** cannot be used for dividend.

Analysis: Profit available = 12 − 4 (depreciation) − 3 (carried-forward losses) = **₹5 crore**. The proposed dividend is ₹6 crore. The revaluation reserve of ₹2 crore cannot be used.

Conclusion: Sapphire Ltd. can declare dividend of at most **₹5 crore (16.67%)** out of the current year's profits. The ₹6 crore proposal is not valid as framed; the shortfall can come only from free reserves, subject to Rule 3 of the Declaration and Payment of Dividend Rules, 2014 – never from the revaluation reserve.

SOLUTION Q1(b) Eligibility of auditor – s. 141

Provision: s. 141(3)(d): a person is disqualified if he, his relative or partner (i) holds any security of the company, its subsidiary, holding or associate company – **but a relative may hold securities of face value up to ₹1 lakh**; (ii) is **indebted** to the company or its subsidiary/holding/associate/fellow subsidiary **above ₹5 lakh**; (iii) has given a guarantee above ₹1 lakh. s. 141(3)(g): a person holding appointment as auditor of more than **20 companies** (excluding one person, small and dormant companies and private companies with paid-up capital below ₹100 crore) is disqualified.

Analysis: (i) The wife's holding of ₹80,000 is within ₹1 lakh – **no disqualification**. (ii) The loan of ₹6 lakh from a subsidiary exceeds ₹5 lakh – **disqualification**. (iii) Counting only 18 − 6 = 12 companies – within the limit of 20 – **no disqualification**.

Conclusion: CA Rohan is **not eligible** because of the ₹6 lakh indebtedness to the subsidiary. He can be appointed only if the indebtedness is brought down to ₹5 lakh or less before appointment (and maintained so).

SOLUTION Q1(c) Consultancy remittances – Schedule III

Provision: Under Rule 5 and Schedule III of the FEM (Current Account Transactions) Rules, 2000, prior **RBI approval** is required for remittances exceeding **USD 10,000,000 per project** for consultancy services for **infrastructure projects**, and exceeding **USD 1,000,000 per project** for **other** consultancy services procured from outside India.

Analysis: (i) A metro-rail project is an infrastructure project; USD 12 million exceeds USD 10 million. (ii) Software consultancy is "other consultancy"; USD 1.5 million exceeds USD 1 million.

Conclusion: Both remittances need **prior RBI approval**. Without approval, the company may remit up to USD 10 million and USD 1 million respectively.

SOLUTION Q2(a) Requisitioned EGM – s. 100

Provision: Members holding at least **one-tenth of the paid-up capital** carrying voting rights may requisition an EGM. The Board must, within **21 days** of a valid requisition, call a meeting to be held within **45 days**. If it fails, the requisitionists may call and hold the meeting **within 3 months from the date of the requisition** (s. 100(4)).

Analysis: (i) ₹4.5 crore is 9% of ₹50 crore – less than one-tenth (₹5 crore), so the requisition of 2 May is **not valid** and the Board was not bound to act. (ii) ₹6 crore (12%) is a valid requisition. The Board failed to call the meeting by 22 June 2026, so the requisitionists could call it themselves – but only within 3 months of 1 June 2026, i.e., **by 31 August 2026**. The meeting held on 25 September 2026 is beyond that time.

Conclusion: Case (i) – no obligation on the Board. Case (ii) – the EGM held on 25 September 2026 is **not valid**. Reasonable expenses of a valid requisitioned meeting are reimbursed by the company and recovered from the defaulting directors' fees.

SOLUTION Q2(b) Effect of non-registration of a charge – s. 77, 78

Provision: s. 77(3): 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. This does **not prejudice the contract or obligation for repayment** of the money secured (s. 77(4)). s. 78: if the company fails to register within 30 days, the **charge-holder** may apply to the Registrar for registration; the Registrar gives the company 14 days' notice and may register the charge, and the charge-holder can recover the fees from the company.

Analysis: The charge was never registered; in liquidation, the liquidator is right to ignore it. The loan of ₹5 crore remains payable.

Conclusion: Pearl Bank ranks as an **unsecured creditor** for ₹5 crore. It could have protected itself by applying under **s. 78** to register the charge. Penal consequences under s. 86 also apply to the company and its officers in default.

SOLUTION Q2(c) Measurement of distance – s. 11

Provision: s. 11 of the GCA: in any Central Act made after the commencement of the GCA, distances are measured in a **straight line on a horizontal plane**, unless a different intention appears.

Analysis: The relevant distance is 420 metres (straight line), not 650 metres by road. 420 metres is within 500 metres of the school.

Conclusion: Mr. D's shop violates the condition and he is **not entitled** to a licence at that location.

SOLUTION Q3(a) Foreign company – s. 2(42), 379, 380, 382

(i) A **foreign company** is a company incorporated outside India which has a **place of business in India**, whether by itself or through an agent, physically or electronically, and conducts any business activity in India. A **liaison office** is a place of business, so Zeta GmbH is a foreign company.

(ii) Under **s. 380**, within **30 days** of establishing the place of business (i.e., by **9 February 2026**), it must file with the ROC in Form FC-1: a certified copy of its charter/memorandum and articles (with English translation); the full address of its registered/principal office; a list of directors and secretary; names and addresses of persons resident in India authorised to accept service on its behalf; the full address of its principal place of business in India; particulars of opening and closing of any place of business in India earlier; and a declaration that no director or authorised representative has been convicted or debarred.

(iii) **s. 379:** since **not less than 50%** of its paid-up share capital is held by Indian citizens and/or a company incorporated in India, it must comply with Chapter XXII **and such other provisions of the Act as may be prescribed**, with regard to its business in India, **as if it were a company incorporated in India**.

(iv) **s. 382:** it must conspicuously exhibit on the outside of every office in India its **name and the country of incorporation**, in **English and in the local language** (Marathi), and state them on all business letters, bill-heads and official publications; also whether the liability of members is limited.

SOLUTION Q3(b) Deposits by an eligible company – s. 76, Rule 2(1)(c)

Provision: An eligible public company may accept deposits from **members up to 10%** and from the **public up to 25%** of the aggregate of paid-up capital, free reserves and securities premium (Rule 3(4)). Under Rule 2(1)(c)(xii)(a), an **advance for supply of goods** is not a deposit if appropriated against supply within **365 days** of acceptance; otherwise it becomes a deposit on expiry of 365 days.

Computation: Base = 60 + 90 + 50 = ₹200 crore.

Source	Limit	Existing	Further capacity
Members (10%)	₹20 crore	₹5 crore	**₹15 crore**
Public (25%)	₹50 crore	₹35 crore	**₹15 crore**

(ii) The advance received on 1 June 2025 was not appropriated within 365 days (by 31 May 2026), and there is no legal dispute; it is **deemed to be a deposit** from 1 June 2026 and must comply with the deposit rules (and counts towards the limits above).

Conclusion: Further deposits of up to ₹15 crore from members and ₹15 crore from the public (less any amount counted for the ₹3 crore advance), subject to credit rating, DRR and other conditions.

SOLUTION Q3(c) Rule of harmonious construction

- When two or more provisions of the same statute **appear to conflict**, they should be interpreted so as to **give effect to both**. The Legislature is presumed not to intend a conflict.
- Provisions are read **as a whole**; one provision should not be used to defeat or render another **redundant** (*Venkataramana Devaru v. State of Mysore*).
- Only if reconciliation is impossible does the court decide which provision prevails (e.g., the specific over the general – *generalia specialibus non derogant*).
- **Example:** In *Venkataramana Devaru*, Article 25(2)(b) (throwing open Hindu temples to all classes) and Article 26(b) (right of a denomination to manage its religious affairs) were harmonised – the temple had to be open to all, but the denomination could keep certain rituals exclusive.

SOLUTION Q4(a) Transfer and refusal – s. 56, 58

(i) **Private company:** if it refuses to register a transfer, it must send a **notice of refusal within 30 days** of receiving the instrument, giving reasons (s. 58(1)). The transferee may appeal to the **Tribunal within 30 days of receiving the notice** or, if **no notice is sent**, within **60 days** of the date of delivery of the instrument (s. 58(3)). Rose Pvt. Ltd. sent no notice, so Ms. Kavya may appeal to the NCLT **by 1 July 2026**. The Tribunal may direct registration and rectification of the register and award damages. (The company has also failed to deliver the certificate within one month under s. 56(4).)

(ii) **Public company:** securities are freely transferable (s. 58(4)). If a public company refuses without sufficient cause, the transferee may appeal to the Tribunal within **60 days of receipt of the notice of refusal** – here, within 60 days from receipt of the notice dated 20 May 2026 (or within **90 days** of delivery if no notice were sent). The Tribunal may direct registration within 10 days of its order.

SOLUTION Q4(b) Designated partners – s. 7, 8, 9, 25

Provision: Every LLP must have at least **two designated partners who are individuals**, and **at least one** of them must be **resident in India** – a person who has stayed in India for at least **120 days** during the financial year VERIFY. If an LLP has no designated partner, or only one, **each partner is deemed to be a designated partner** (proviso to s. 7(1)). A vacancy must be filled within **30 days** (s. 9), with the designated partner's consent filed with the ROC. Cessation of a partner (death) must be notified to the ROC within **30 days** (s. 25, Form 4).

Analysis: After A's death, only B is a designated partner, and B is not resident in India (40 days). So the LLP has no resident designated partner and only one designated partner.

Conclusion/steps: (1) File Form 4 for A's cessation within 30 days. (2) Appoint **C** (if resident in India) or another resident individual as designated partner within 30 days (by 31 March 2026), with DPIN and consent. (3) Until then, every partner (B and C) is deemed a designated partner and is liable for compliance (s. 8). Failure attracts penalties on the LLP and every partner.

SOLUTION Q4(c) Effect of repeal and double jeopardy – s. 6 and 26 GCA

s. 6: unless a different intention appears, the repeal of a Central Act does **not affect any penalty or punishment incurred** in respect of an offence committed against the repealed enactment, nor any **investigation or legal proceeding** in respect of it; these may be instituted, continued or enforced **as if the repealing Act had not been passed**.

So the prosecution of Mr. X launched in 2026 for the 2024 offence under the Old Act is **maintainable**, even without a saving clause.

s. 26: where an act constitutes an offence 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. Mr. X can be prosecuted under both laws, but punished under only one.

SOLUTION Q5(a) Corporate social responsibility – s. 135

(i) CSR applies to a company with net worth ≥ ₹500 crore, or turnover ≥ ₹1,000 crore, or **net profit ≥ ₹5 crore** during the **immediately preceding FY**. Mira Ltd.'s net profit for 2024-25 is ₹9 crore, so **CSR applies for 2025-26** (net worth and turnover are below thresholds, which does not matter).

(ii) Obligation = 2% of average net profits of the three immediately preceding FYs = 2% × (6 + 4.5 + 9) ÷ 3 = 2% × ₹6.5 crore = **₹13 lakh**.

(iii) Since the obligation does not exceed **₹50 lakh**, a CSR committee is **not required**; the **Board** discharges its functions (s. 135(9)).

(iv) Unspent ₹5 lakh on an **ongoing project**: transfer to an **Unspent CSR Account** within **30 days** of the end of the FY (by **30 April 2026**) and spend within the next three FYs; any balance thereafter goes to a Schedule VII fund within 30 days of the third year. If **not** an ongoing project: transfer to a **Schedule VII fund** within **6 months** of the end of the FY (by **30 September 2026**). The Board's report must give reasons for not spending.

SOLUTION Q5(b) Books of account and voluntary revision – s. 128, 131

Books: Books must be kept at the registered office, but the **Board may decide** to keep them at **another place in India**; the company must file the full address of that place with the ROC within **7 days** of the decision (AOC-5). Tulip Ltd.'s decision is valid if it files AOC-5 by **8 July 2026**.

Revision: Under s. 131, the directors may prepare revised financial statements for any of the **three preceding financial years** if they appear not to comply with s. 129/134, **with the approval of the Tribunal** (on application, with notice to the Central Government and Income-tax authorities), and **not more than once in a financial year**. In 2026-27, the three preceding FYs are 2023-24, 2024-25 and 2025-26.

Conclusion: Revision of the 2021-22 statements is **not permissible** under s. 131. Even for an eligible year, the Board cannot revise on its own – Tribunal approval is necessary.

SOLUTION Q5(c) Person resident in India – s. 2(v) FEMA

(i) **Mr. Kabir:** He was in India for more than 182 days in 2025-26, so he is prima facie resident for 2026-27. But a person who **goes out of India for taking up employment outside India** is excluded. From **1 June 2026**, Mr. Kabir is a **person resident outside India**. (He is resident for the period up to his departure.)

(ii) **Ms. Lina:** She did not stay in India for more than 182 days in 2025-26. However, s. 2(v)(i)(B) treats a person who has **come to India for taking up employment in India** as resident – the exclusion applies only to those who come for purposes other than employment, business or an indefinite stay. So Ms. Lina is a **person resident in India from 1 May 2026**.

SOLUTION Q6(a) Casual vacancy and removal – s. 139(8), 140(1)

(i) A casual vacancy in a non-Government company is filled by the **Board within 30 days**; where the vacancy is caused by **resignation**, the appointment must also be **approved by the company at a general meeting** convened **within three months** of the Board's recommendation. The appointment of 25 August 2026 (within 30 days) is valid but **not complete** until approved in a general meeting by about 25 November 2026.

(ii) She holds office **till the conclusion of the next AGM**.

(iii) **Removal before the expiry of term** (s. 140(1)): (1) Board resolution; (2) application to the **Central Government** in Form ADT-2 within 30 days of the Board resolution; (3) after CG approval, a **special resolution** in general meeting within **60 days** of the approval; (4) the auditor must be given a **reasonable opportunity of being heard**.

SOLUTION Q6(b) Minimum subscription and application money – s. 39

Provision: s. 39(1): no allotment unless the **minimum subscription** stated in the prospectus has been subscribed and the sums payable on application are received. s. 39(2): the amount payable on application on every security shall be **not less than 5% of the nominal amount** (or as SEBI specifies). s. 39(3): if minimum subscription is not received within **30 days** of the issue of the prospectus (or as SEBI specifies), the application money must be **repaid within 15 days** after that (SEBI timelines apply to listed issues).

Analysis: (1) Subscriptions are for 80 lakh shares = **80%**, below the 90% minimum subscription. (2) ₹0.40 is **4%** of the ₹10 nominal value – below 5%.

Conclusion: The Board **cannot allot** the 80 lakh shares. The application money must be refunded within 15 days, failing which directors become liable with interest and penalty (s. 39(5)). The application-money term itself also contravenes s. 39(2).

SOLUTION Q6(c) Non-obstante vs without prejudice

Basis	Non-obstante clause	"Without prejudice"
Wording	"Notwithstanding anything contained in ..."	"Without prejudice to the generality of ..." / "Without prejudice to section ..."
Effect	Gives the provision **overriding effect** over the provision(s) referred to, in case of conflict	The provision operates **in addition to** the other; it neither limits nor overrides it
Purpose	Removes conflict by making one prevail	Clarifies that the specific does not restrict the general/other remedy
Illustration	"Notwithstanding anything in s. 10, the Chancellor may appoint a teacher in an emergency" – the Chancellor's power prevails over the normal selection procedure	"Without prejudice to the penalty under s. 20, the licence may also be suspended" – both penalty and suspension can be imposed