

PAPER – 2: BUSINESS LAW, ETHICS & COMMUNICATION

PART – I: ANNOUNCEMENTS STATING APPLICABILITY FOR NOVEMBER, 2020 EXAMINATIONS

Applicability for November, 2020 examinations

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

Supplementary Study Paper contains the relevant amendments in the subject pertaining to business law for the period 1st May 2015 to 30th April, 2018. Further, Chapter 6 – The Companies Act, 2013, has been fully revised as per amendments upto 30th April, 2018. Hence, the students are advised that Module-2 (which is comprised of Chapter 6) of this paper is now to be read from this supplementary study paper.

Further, all relevant amendments/ circulars/ notifications etc. in the Business Law and Company law part for the period 1st May 2018 to 30th April, 2020 are mentioned below:

Relevant Legislative amendments from 1st May 2018 to 30th April, 2020		
The Companies Act, 2013		
Sl. No.	Relevant Amendments	Page no. #
I.	<u>Amendments related to- Companies (Amendment) Act, 2017</u> Following sections of the Companies Act, 2013 (hereinafter referred to as the principal Act) have been amended by the Companies (Amendment) Act, 2017 via Notifications: S.O. 1833 (E) dated 7 th May, 2018; S.O. 2422(E) dated 13 th June, 2018; SO. 3299(E) dated 5 th July, 2018; S.O. 3300(E) dated 5 th July, 2018; S.O. 3684(E) dated 27 th July, 2018; S.O. 3838(E) dated 31 st July, 2018; S.O. 3921(E) dated 7 th August, 2018 and S.O. 4907(E) dated 19 th September, 2018.	
	1. In section 2 of the Companies Act, 2013 (hereinafter referred to as the principal Act)-	
	(i) in clause (6) , for the Explanation, the following Explanation shall be substituted, namely:— <i>'Explanation.—</i> For the purpose of this clause,— (a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement; (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;' Enforcement Date: 7th May, 2018	12

	(ii) in clause (87) , in sub-clause (ii), for the words "total share capital", the words "total voting power" shall be substituted; Enforcement Date: 7th May, 2018	28
	2. In section 7 of the principal Act, in sub-section (1), in item (c), for the words "an affidavit", the words "a declaration" shall be substituted. Enforcement Date: 27th July, 2018	61
	3. In section 12 of the principal Act,— (i) in sub-section (1), for the words "on and from the fifteenth day of its incorporation", the words "within thirty days of its incorporation" shall be substituted; (ii) in sub-section (4), for the words "within fifteen days", the words "within thirty days" shall be substituted. Enforcement Date: 27th July, 2018	65
	4. In section 26 of the principal Act, in sub-section (1),— (i) after the words "signed and shall", the following shall be inserted, namely:— "state such information and set out such reports on financial information as may be specified by the Securities and Exchange Board in consultation with the Central Government: Provided that until the Securities and Exchange Board specifies the information and reports on financial information under this sub-section, the regulations made by the Securities and Exchange Board under the Securities and Exchange Board of India Act, 1992, in respect of such financial information or reports on financial information shall apply."; Enforcement Date: 7th May, 2018	84
	4. In section 26 , in sub-section (1),— (ii) clauses (a), (b) and (d) shall be omitted. Enforcement Date: 7th May, 2018	84, 85 & 86
	5. For section 42¹ of the principal Act, the following section shall be substituted, namely:— '42. (1) A company may, subject to the provisions of this section, make a private placement of securities. (2) A private placement shall be made only to a select group of persons who have been identified by the Board (herein referred to as "identified persons"), whose number shall not exceed fifty or such higher number as	107, 108, 109, 110 & 111

¹ Read section 42 of the Companies Act, 2013 along with Rule 14 (Private Placement) of the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2018 dated 7th August, 2018.

	<p>may be prescribed [excluding the qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option in terms of provisions of clause (b) of sub-section (1) of section 62], in a financial year subject to such conditions as may be prescribed.</p> <p>(3) A company making private placement shall issue private placement offer and application in such form and manner as may be prescribed to identified persons, whose names and addresses are recorded by the company in such manner as may be prescribed:</p> <p>Provided that the private placement offer and application shall not carry any right of renunciation.</p> <p><i>Explanation I.</i>—"private placement" means any offer or invitation to subscribe or issue of securities to a select group of persons by a company (other than by way of public offer) through private placement offer-cum-application, which satisfies the conditions specified in this section.</p> <p><i>Explanation II.</i>—"qualified institutional buyer" means the qualified institutional buyer as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time, made under the Securities and Exchange Board of India Act, 1992.</p> <p><i>Explanation III.</i>—If a company, listed or unlisted, makes an offer to allot or invites subscription, or allots, or enters into an agreement to allot, securities to more than the prescribed number of persons, whether the payment for the securities has been received or not or whether the company intends to list its securities or not on any recognised stock exchange in or outside India, the same shall be deemed to be an offer to the public and shall accordingly be governed by the provisions of Part I of this Chapter.</p> <p>(4) Every identified person willing to subscribe to the private placement issue shall apply in the private placement and application issued to such person alongwith subscription money paid either by cheque or demand draft or other banking channel and not by cash:</p> <p>Provided that a company shall not utilise monies raised through private placement unless allotment is made and the return of allotment is filed with the Registrar in accordance with sub-section (8).</p> <p>(5) No fresh offer or invitation under this section shall be made unless the allotments with respect to any offer or invitation made earlier have been completed or that offer or invitation has been withdrawn or abandoned by the company:</p> <p>Provided that, subject to the maximum number of identified persons under sub-section (2), a company may, at any time, make more than one issue of securities to such class of identified persons as may be prescribed.</p>	
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<p>(6) A company making an offer or invitation under this section shall allot its securities within sixty days from the date of receipt of the application money for such securities and if the company is not able to allot the securities within that period, it shall repay the application money to the subscribers within fifteen days from the expiry of sixty days and if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent. per annum from the expiry of the sixtieth day:</p> <p>Provided that monies received on application under this section shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than—</p> <p>(a) for adjustment against allotment of securities; or</p> <p>(b) for the repayment of monies where the company is unable to allot securities.</p> <p>(7) No company issuing securities under this section shall release any public advertisements or utilise any media, marketing or distribution channels or agents to inform the public at large about such an issue.</p> <p>(8) A company making any allotment of securities under this section, shall file with the Registrar a return of allotment within fifteen days from the date of the allotment in such manner as may be prescribed, including a complete list of all allottees, with their full names, addresses, number of securities allotted and such other relevant information as may be prescribed.</p> <p>(9) If a company defaults in filing the return of allotment within the period prescribed under sub-section (8), the company, its promoters and directors shall be liable to a penalty for each default of one thousand rupees for each day during which such default continues but not exceeding twenty-five lakh rupees.</p> <p>(10) Subject to sub-section (11), if a company makes an offer or accepts monies in contravention of this section, the company, its promoters and directors shall be liable for a penalty which may extend to the amount raised through the private placement or two crore rupees, whichever is lower, and the company shall also refund all monies with interest as specified in sub-section (6) to subscribers within a period of thirty days of the order imposing the penalty.</p> <p>(11) Notwithstanding anything contained in sub-section (9) and sub-section (10), any private placement issue not made in compliance of the provisions of sub-section (2) shall be deemed to be a public offer and all the provisions of this Act and the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992 shall be applicable.’</p> <p>Enforcement Date: 7th August, 2018</p>	
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PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

5

	<p>6. In section 54, in sub-section (1), clause (c) shall be omitted. Enforcement Date: 7th May, 2018</p>	123
	<p>7. In section 73 of the principal Act, in sub-section (2),— (i) for clause (c), the following clause shall be substituted, namely:— "(c) depositing, on or before the thirtieth day of April each year, such sum which shall not be less than twenty per cent. of the amount of its deposits maturing during the following financial year and kept in a scheduled bank in a separate bank account to be called deposit repayment reserve account;"; (ii) clause (d) shall be omitted; (iii) in clause (e), for the words "such deposits;", the following shall be substituted, namely:— "such deposits and where a default had occurred, the company made good the default and a period of five years had lapsed since the date of making good the default;". Enforcement Date: 15th August, 2018</p>	153
	<p>8. In section 74, in sub-section (1), for clause (b), the following clause shall be substituted, namely:— "(b) repay within three years from such commencement or on or before expiry of the period for which the deposits were accepted, whichever is earlier: Provided that renewal of any such deposits shall be done in accordance with the provisions of Chapter V and the rules made thereunder." Enforcement Date: 15th August, 2018</p>	160
	<p>9. In section 77 of the principal Act, in sub-section (1), after the third proviso, the following proviso shall be inserted, namely:— "Provided also that this section shall not apply to such charges as may be prescribed in consultation with the Reserve Bank of India." Enforcement Date: 7th May, 2018</p>	165
	<p>10. In section 78 of the principal Act, for the words and figures "register the charge within the period specified in section 77", the words, brackets and figures "register the charge within the period of thirty days referred to in sub-section (1) of section 77" shall be substituted. Enforcement Date: 7th May, 2018</p>	166
	<p>11. In section 82 of the principal Act, in sub-section (1),— (i) the words, brackets and figures "and the provisions of sub-section (1) of section 77 shall, as far as may be, apply to an intimation given under this section" shall be omitted; Enforcement Date: 5th July, 2018</p>	169

	<p>11. In section 82 of the principal Act, in sub-section (1),— (ii) the following proviso shall be inserted, namely:— "Provided that the Registrar may, on an application by the company or the charge holder, allow such intimation of payment or satisfaction to be made within a period of three hundred days of such payment or satisfaction on payment of such additional fees as may be prescribed." Enforcement Date: 5th July, 2018</p>	169
	<p>12. In section 89 of the principal Act,— (i) in sub-section (6), the words and figures, "within the time specified under section 403" shall be omitted; (ii) in sub-section (7), for the words and figures, "under the first proviso to sub-section (1) of section 403", the word "therein", shall be substituted; (iii) after sub-section (9), the following sub-section shall be inserted, namely:— "(10) For the purposes of this section and section 90, beneficial interest in a share includes, directly or indirectly, through any contract, arrangement or otherwise, the right or entitlement of a person alone or together with any other person to— (i) exercise or cause to be exercised any or all of the rights attached to such share; or (ii) receive or participate in any dividend or other distribution in respect of such share." Enforcement Date: 7th May, 2018 [for (i) and (ii)] 13th June, 2018 [for (iii)]</p>	182
	<p>13. For section 90 of the principal Act, the following section shall be substituted, namely:— '(1) Every individual, who acting alone or together, or through one or more persons or trust, including a trust and persons resident outside India, holds beneficial interests, of not less than twenty-five per cent. or such other percentage as may be prescribed, in shares of a company or the right to exercise, or the actual exercising of significant influence or control as defined in clause (27) of section 2, over the company (herein referred to as "significant beneficial owner"), shall make a declaration to the company, specifying the nature of his interest and other particulars, in such manner and within such period of acquisition of the beneficial interest or rights and any change thereof, as may be prescribed:</p>	183

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

7

	<p>Provided that the Central Government may prescribe a class or classes of persons who shall not be required to make declaration under this sub-section.</p> <p>(2) Every company shall maintain a register of the interest declared by individuals under sub-section (1) and changes therein which shall include the name of individual, his date of birth, address, details of ownership in the company and such other details as may be prescribed.</p> <p>(3) The register maintained under sub-section (2) shall be open to inspection by any member of the company on payment of such fees as may be prescribed.</p> <p>(4) Every company shall file a return of significant beneficial owners of the company and changes therein with the Registrar containing names, addresses and other details as may be prescribed within such time, in such form and manner as may be prescribed.</p> <p>(5) A company shall give notice, in the prescribed manner, to any person (whether or not a member of the company) whom the company knows or has reasonable cause to believe—</p> <p>(a) to be a significant beneficial owner of the company;</p> <p>(b) to be having knowledge of the identity of a significant beneficial owner or another person likely to have such knowledge; or</p> <p>(c) to have been a significant beneficial owner of the company at any time during the three years immediately preceding the date on which the notice is issued,</p> <p>and who is not registered as a significant beneficial owner with the company as required under this section.</p> <p>(6) The information required by the notice under sub-section (5) shall be given by the concerned person within a period not exceeding thirty days of the date of the notice.</p> <p>(7) The company shall,—</p> <p>(a) where that person fails to give the company the information required by the notice within the time specified therein; or</p> <p>(b) where the information given is not satisfactory,</p> <p>apply to the Tribunal within a period of fifteen days of the expiry of the period specified in the notice, for an order directing that the shares in question be subject to restrictions with regard to transfer of interest, suspension of all rights attached to the shares and such other matters as may be prescribed.</p> <p>(8) On any application made under sub-section (7), the Tribunal may, after giving an opportunity of being heard to the parties concerned, make such order restricting the rights attached with the shares within a period of sixty days of receipt of application or such other period as may be prescribed.</p>	
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	<p>(9) The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under sub-section (8).</p> <p>(10) If any person fails to make a declaration as required under sub-section (1), he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to ten lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues.</p> <p>(11) If a company, required to maintain register under sub-section (2) and file the information under sub-section (4), fails to do so or denies inspection as provided therein, the company and every officer of the company who is in default shall be punishable with fine which shall not be less than ten lakh rupees but which may extend to fifty lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues.</p> <p>(12) If any person wilfully furnishes any false or incorrect information or suppresses any material information of which he is aware in the declaration made under this section, he shall be liable to action under section 447.¹</p> <p>Enforcement Date: 13th June, 2018</p>	
	<p>14. In section 92 of the principal Act,—</p> <p>(i) in sub-section (4), the words and figures, "within the time as specified, under section 403" shall be omitted;</p> <p>²(ii) in sub-section (5), for the words and figures, "under section 403 with additional fees" the word "therein" shall be substituted.</p> <p>Enforcement Date: 7th May, 2018</p>	186
	<p>15. Section 93 of the principal Act shall be omitted.</p> <p>Enforcement Date: 13th June, 2018</p>	187
	<p>16. In section 94 of the principal Act,—</p> <p>(i) in sub-section (1), in the first proviso, the words "and the Registrar has been given a copy of the proposed special resolution in advance" shall be omitted;</p> <p>(ii) in sub-section (3), the following proviso shall be inserted, namely:— "Provided that such particulars of the register or index or return as may be prescribed shall not be available for inspection under sub-section (2) or for taking extracts or copies under this sub-section."</p> <p>Enforcement Date: 13th June, 2018</p>	188

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

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

9

	<p>17. In section 96 of the principal Act, in sub-section (2), in the proviso, for the words "Provided that", the following shall be substituted, namely:— "Provided that annual general meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance: Provided further that". Enforcement Date: 13th June, 2018</p>	227
	<p>18. In section 117 of the principal Act,— (i) in sub-section (1), the words and figures "within the time specified under section 403" shall be omitted; (ii) in sub-section (2),— (a) for the words and figures "under section 403 with additional fees", the word "therein" shall be substituted; (b) for the words "not be less than five lakh rupees", the words "not be less than one lakh rupees" shall be substituted; (c) for the words "one lakh rupees", the words "fifty thousand rupees" shall be substituted; (iii) in sub-section (3),— (a) clause (e) shall be omitted; (b) in clause (g), in the proviso, the word "and" shall be omitted and the following proviso shall be inserted, namely:— "Provided further that nothing contained in this clause shall apply to a banking company in respect of a resolution passed to grant loans, or give guarantee or provide security in respect of loans under clause (f) of sub-section (3) of section 179 in the ordinary course of its business; and." Enforcement Date: 7th May, 2018</p>	220/ 221
	<p>19. In section 121 of the principal Act,— (i) in sub-section (2), the words and figures "within the time as specified, under section 403" shall be omitted; ³(ii) in sub-section (3), for the words and figures "under section 403 with additional fees", the word "therein" shall be substituted. Enforcement Date: 7th May, 2018</p>	229
	<p>20. In section 447 of the principal Act,-</p>	

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

	(a) after the words "guilty of fraud", the words "involving an amount of at least ten lakh rupees or one per cent. of the turnover of the company, whichever is lower" shall be inserted. Enforcement Date: 9th February, 2018	
	20. In section 447 of the principal Act,- (b) after the proviso, the following proviso shall be inserted, namely:— "Provided further that where the fraud involves an amount less than ten lakh rupees or one per cent. of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ⁴ twenty lakh rupees or with both." Enforcement Date: 9th February, 2018	104
II.	Amendments related to - Notification G.S.R. 433(E) dated 7 th May, 2018 The Central Government has amended the Companies (Specification of Definitions Details) Rules, 2014, by the Companies (Specification of Definitions Details) Amendment Rules, 2018. It shall come into force on 7 th May, 2018. In the Companies (Specification of Definitions Details) Rules, 2014, in rule 2, in sub-rule (1), clause (r) shall be omitted. Please note: The said clause (r) deals with 'Total Share Capital'	12 & 28
III.	Amendments related to - Notification G.S.R. 434(E) dated 7 th May, 2018 The Central Government has amended the Companies (Share Capital and Debentures) Rules, 2014, by the Companies (Share Capital and Debentures) Second Amendment Rules, 2018. It shall come into force on 7 th May, 2018. In the Companies (Share Capital and Debentures) Rules, 2014, in the principal rules, in rule 8, in sub-rule (1), in the Explanation, in clause (i) in sub-clause (a), the words "for at least last one year" shall be omitted.	124
IV.	Amendments related to - Notification G.S.R. 560(E) dated 13 th June, 2018 The Ministry of Corporate Affairs vide G.S.R. 560 (E) dated 13 th June, 2018, has amended the Companies (Management and Administration) Rules, 2014 through the Companies (Management and Administration) Second Amendment Rules, 2018. Accordingly, in the Companies (Management and Administration) Rules, 2014, 1. rule 13 shall be omitted	1. 188 2. 188 3. 189 4. 226 5. 213

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

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

11

	<p>2. the "Form No.MGT-10" shall be omitted.</p> <p>3. in rule 15, the sub-rule (6), shall be omitted</p> <p>4. in rule 18, in sub-rule (3), Explanation after clause (ix), shall be omitted</p> <p>5. in rule 22, in sub-rule (16) for the proviso, the following shall be substituted, namely:-</p> <p>"Provided that any aforesaid items of business under this sub-rule, required to be transacted by means of postal ballot, may be transacted at a general meeting by a company which is required to provide the facility to members to vote by electronic means under section 108, in the manner provided in that section:</p> <p>Provided further that One Person Companies and other companies having members upto two hundred are not required to transact any business through postal ballot"</p>	
V.	<p>Amendments related to - Notification G.S.R. 612 (E) dated 5th July, 2018</p> <p>The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Amendment Rules, 2018. It shall come into force on 15th August, 2018.</p> <p>In the Companies (Acceptance of Deposits) Rules, 2014 in rule 14, in sub-rule (1), clause (k) shall be omitted;</p>	158
VI.	<p>Amendments related to - Notification G.S.R. 708(E) dated 27th July, 2018</p> <p>The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Third Amendment Rules, 2018. It shall come into force on 27th July, 2018.</p> <p>In the Companies (Incorporation) Rules, 2014:</p> <p>In rule 3, for Explanation to sub-rule (1), the following shall be substituted, namely:-</p> <p>"Explanation I. - For the purposes of this rule, the term "resident in India" means a person who has stayed in India for a period of not less than one hundred and eighty two days during the immediately preceding financial year.</p> <p>Explanation II.- For the purposes of this rule, while counting the number of days of stay of a director in India for the financial year 2018-2019, any period of stay between 01.01.2018 till the date of notification of this rule shall also be counted"</p>	47
VII.	<p>Amendments related to - Companies (Amendment) Act, 2019</p> <p>Following sections of the Companies Act, 2013 (hereinafter referred to as the principal Act) have been amended by the Companies (Amendment) Second Ordinance, 2019 dated 21st February, 2019. [Deemed to have come into force on 2nd November, 2018.] and by the S.O. 2947(E) dated</p>	18

	<p>14th August, 2019 [the sections contained therein shall deemed to have come into force on 15th August, 2019]</p> <p>1. In clause (41) of section 2,</p> <p>(a) for the first proviso, the following provisos shall be substituted namely: “Provided that where a company or body corporate, which is a holding company or a subsidiary or associate company of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Central Government may, on an application made by that company or body corporate in such form and manner as may be prescribed, allow any period as its financial year, whether or not that period is a year: Provided further that any application pending before the Tribunal as on the date of commencement of the Companies (Amendment) Ordinance, 2019, shall be disposed of by the Tribunal in accordance with the provisions applicable to it before such commencement.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	
	<p>1. In clause (41) of section 2,</p> <p>(b) for the second proviso, the for the words “Provided further that”, the words “Provided also that” shall be substituted.</p> <p>[Enforcement Date: 2nd November, 2018]</p>	18
	<p>2. After section 10, the following section shall be inserted, namely: “10A. Commencement of business etc.</p> <p>(1) A company incorporated after the commencement of the Companies (Amendment) Ordinance, 2019 and having a share capital shall not commence any business or exercise any borrowing powers unless—</p> <p>(a) a declaration is filed by a director within a period of one hundred and eighty days of the date of incorporation of the company in such form and verified in such manner as may be prescribed, with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration; and</p> <p>(b) The company has filed with the Registrar a verification of its registered office as provided in sub-section (2) of section 12.</p> <p>(2) If any default is made in complying with the requirements of this section, the company shall be liable to a penalty of fifty thousand rupees and every officer who is in default shall be liable to a penalty of one thousand rupees for each day during which such default continues but not exceeding an amount of one lakh rupees.</p> <p>(3) Where no declaration has been filed with the Registrar under clause (a) of sub-section (1) within a period of one hundred and eighty days of the date of incorporation of the company and the Registrar has reasonable cause to believe that the company is not carrying on any business or</p>	64

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

13

	<p>operations, he may, without prejudice to the provisions of sub-section (2), initiate action for the removal of the name of the company from the register of companies under Chapter XVIII.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	
	<p>3. In section 12, after sub- section (8), the following sub- section shall be inserted, namely:</p> <p>“(9) If the Registrar has reasonable cause to believe that the company is not carrying on any business or operations, he may cause a physical verification of the registered office of the company in such manner as may be prescribed and if any default is found to be made in complying with the requirements of sub-section (1), he may without prejudice to the provisions of sub-section (8), initiate action for the removal of the name of the company from the register of companies under Chapter XVIII.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	65
	<p>4. In section 14,</p> <p>(i) in Sub- section (1), for the second proviso, the following provisos shall be substituted namely:</p> <p>“Provided further that any alteration having the effect of conversion of a public company into a private company shall not be valid unless it is approved by an order of the Central Government on an application made in such form and manner as may be prescribed:</p> <p>Provided also that any application pending before the Tribunal, as on the date of commencement of the Companies (Amendment) Ordinance, 2019, shall be disposed of by the Tribunal in accordance with the provisions applicable to it before such commencement.”</p> <p>(ii) in sub- section (2), for the word “Tribunal”, the words “Central Government” shall be substituted.</p> <p>[Enforcement Date: 2nd November, 2018]</p>	72
	<p>5. In section 26-</p> <p>(i) in sub-sections (4), (5) and (6), for the word “registration”, the word “filing” shall be substituted;</p> <p>(ii) sub-section (7) shall be omitted</p> <p>[Enforcement Date: 15th August, 2019]</p>	87
	<p>6. In section 29-</p> <p>(i) in sub-section (1), in clause (b), the word “public” shall be omitted;</p> <p>(ii) after sub-section (1), the following sub-section shall be inserted, namely:-</p> <p>“(1A) In case of such class or classes of unlisted companies as may be prescribed, the securities shall be held or transferred only in dematerialised</p>	89

	form in the manner laid down in the Depositories Act, 1996 and the regulations made thereunder.”. [Enforcement Date: 15th August, 2019]	
	7. In section 35 , in sub-section (2), in clause (c), for the words “delivery of a copy of the prospectus for registration”, the words “filing of a copy of the prospectus with the Registrar” shall be substituted. [Enforcement Date: 15th August, 2019]	101
	8. In section 53 , for sub – section (3), the following sub- section shall be substituted, namely: “(3) Where any company fails to comply with the provisions of this section, such company and every officer who is in default shall be liable to a penalty which may extend to an amount equal to the amount raised through the issue of shares at a discount or five lakh rupees, whichever is less, and the company shall also be liable to refund all monies received with interest at the rate of twelve per cent. per annum from the date of issue of such shares to the persons to whom such shares have been issued.” [Enforcement Date: 2nd November, 2018]	123
	9. In section 64 , for sub- section (2), the following sub- section shall be substituted, namely: “(2) Where any company fails to comply with the provisions of sub-section (1), such company and every officer who is in default shall be liable to a penalty of one thousand rupees for each day during which such default continues, or five lakh rupees whichever is less.” [Enforcement Date: 2nd November, 2018]	137
	10. In section 77 , in sub- section (1), for the first and second provisos, the following provisos shall be substituted, namely: “Provided that the Registrar may, on an application by the company, allow such registration to be made- (a) in case of charges created before the commencement of the Companies (Amendment) Ordinance, 2019, within a period of three hundred days of such creation; or (b) in case of charges created on or after the commencement of the Companies (Amendment) Ordinance, 2019, within a period of sixty days of such creation, on payment of such additional fees as may be prescribed: Provided further that if the registration is not made within the period specified- (a) in clause (a) to the first proviso, the registration of the charge shall be made within six months from the date of commencement of the Companies (Amendment) Ordinance, 2019, on payment of such additional fees as may	165

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

15

	<p>be prescribed and different fees may be prescribed for different classes of companies;</p> <p>(b) in clause (b) to the first proviso, the Registrar may, on an application, allow such registration to be made within a further period of sixty days after payment of such <i>advalorem</i> fees as may be prescribed.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	
	<p>11. Section 86 of the Companies Act, 2013, shall be numbered as sub-section (1) thereof and after sub-section (1) as so numbered, the following sub-section shall be inserted, namely:</p> <p>“(2) If any person wilfully furnishes any false or incorrect information or knowingly suppresses any material information, required to be registered in accordance with the provisions of section 77, he shall be liable for action under section 447.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	171
	<p>12. For section 87, the following sections shall be substituted, namely:</p> <p>“87. The Central Government on being satisfied that —</p> <p>(a) the omission to give intimation to the Registrar of the payment or satisfaction of a charge, within the time required under this Chapter; or</p> <p>(b) the omission or misstatement of any particulars, in any filing previously made to the Registrar with respect to any such charge or modification thereof or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83,</p> <p>was accidental or due to inadvertence or some other sufficient cause or it is not of a nature to prejudice the position of creditors or shareholders of the company, it may, on the application of the company or any person interested and on such terms and conditions as it deems just and expedient, direct that the time for the giving of intimation of payment or satisfaction shall be extended or, as the case may require, that the omission or misstatement shall be rectified.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	171
	<p>13. In section 90,</p> <p>(i) after sub-section (4), the following sub-section shall be inserted, namely:-</p>	⁵ 183

⁵ Section 90 (Investigation of Beneficial Ownership of Shares in Certain cases) has been replaced with section 90 (Register of Significant Beneficial Owners in a Company) via Companies (Amendment) Act, 2017 [w.e.f. 13th June, 2018].

<p>“(4A) Every company shall take necessary steps to identify an individual who is a significant beneficial owner in relation to the company and require him to comply with the provisions of this section.”;</p> <p>[Enforcement Date: 15th August, 2019]</p> <p>(ii) for sub- section (9), the following sub- section shall be substituted, namely:</p> <p>“(9) The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under sub-section (8), within a period of one year from the date of such order:</p> <p>Provided that if no such application has been filed within a period of one year from the date of the order under sub-section (8), such shares shall be transferred, without any restrictions, to the authority constituted under sub-section (5) of section 125, in such manner as may be prescribed.”</p> <p>[Enforcement Date: 2nd November, 2018]</p> <p>(iii) after sub-section (9), as so substituted, the following sub-section shall be inserted, namely:-</p> <p>“(9A) The Central Government may make rules for the purposes of this section.”;</p> <p>[Enforcement Date: 15th August, 2019]</p> <p>(iv) in sub- section (10),-</p> <p>(a) after the word “punishable”, the words “with imprisonment for a term which may extend to one year or” shall be inserted;</p> <p>(b) after the words “ten lakh rupees”, the words “or with both” shall be inserted.</p> <p>[Enforcement Date: 2nd November, 2018]</p> <p>(v) in sub-section (11), after the word, brackets and figure “sub-section (4)”, the words, brackets, figure and letter “or required to take necessary steps under sub-section (4A)” shall be inserted.</p> <p>[Enforcement Date: 15th August, 2019]</p>	
<p>14. In section 92, for sub- section (5), the following sub- section shall be substituted, namely:</p> <p>“(5) If any company fails to file its annual return under sub-section (4), before the expiry of the period specified therein, such company and its every officer who is in default shall be liable to a penalty of fifty thousand rupees and in case of continuing failure, with further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of five lakh rupees.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	187

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

17

	<p>15. In section 102, for sub- section (5), the following sub- section shall be substituted, namely:</p> <p>“(5) Without prejudice to the provisions of sub-section (4), if any default is made in complying with the provisions of this section, every promoter, director, manager or other key managerial personnel of the company who is in default shall be liable to a penalty of fifty thousand rupees or five times the amount of benefit accruing to the promoter, director, manager or other key managerial personnel or any of his relatives, whichever is higher.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	195
	<p>16. In section 105, in sub- section (3), for the words “punishable with fine which may extend to five thousand rupees”, the words “liable to a penalty of five thousand rupees” shall be substituted.</p> <p>[Enforcement Date: 2nd November, 2018]</p>	199
	<p>17. In section 117, for sub- section (2), the following sub- section shall be substituted, namely:</p> <p>“(2) If any company fails to file the resolution or the agreement under sub-section (1) before the expiry of the period specified therein, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of twenty-five lakh rupees and every officer of the company who is in default including liquidator of the company, if any, shall be liable to a penalty of fifty thousand rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	221
	<p>18. In section 121, for sub- section (3), the following sub- section shall be substituted, namely:</p> <p>“(3) If the company fails to file the report under sub-section (2) before the expiry of the period specified therein, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees and every officer of the company who is in default shall be liable to a penalty which shall not be less than twenty-five thousand rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of one lakh rupees.”</p> <p>[Enforcement Date: 2nd November, 2018]</p>	229

	<p>19. In section 447, in the second proviso, for the words “twenty lakh rupees”, the words “fifty lakh rupees” shall be substituted. [Enforcement Date: 2nd November, 2018]</p>	104
VIII.	<p>Amendments related to - Notification dated 7th August, 2018</p> <p>The Central Government has amended the Companies (Prospectus and Allotment of Securities) Rules, 2014, by the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2018. It shall come into force on 7th August, 2018.</p> <p>In the Companies (Prospectus and Allotment of Securities) Rules, 2014, for Rule 14, the following rule shall be substituted, namely:-</p> <p>(1) For the purposes of sub-section (2) and sub-section (3) of section 42, a company shall not make an offer or invitation. to subscribe to securities through private placement unless the proposal has been previously approved by the shareholders of the company, by a special resolution. for each of the offers or invitations:</p> <p>Provided that in the explanatory statement annexed to the notice for shareholders' approval, the following disclosure shall be made:-</p> <p>(a) particulars of the offer including date of passing of Board resolution;</p> <p>(b) kinds of securities offered and the price at which security is being offered:</p> <p>(c) basis or justification for the price (including premium, if any) at which the offer or invitation is being made;</p> <p>(d) name and address of valuer who performed valuation;</p> <p>(e) amount which the company intends to raise by way of such securities;</p> <p>(f) material terms of raising such securities, proposed time schedule, purposes or objects of offer, contribution being made by the promoters or directors either as part of the offer or separately in furtherance of objects; principle terms of assets charged as securities:</p> <p>Provided further that this sub-rule shall not apply in case of offer or invitation for. non-convertible debentures, where the proposed amount to be raised through such offer or invitation does not exceed the limit as specified in clause (c) of sub section (1) of section 180 and in such cases relevant Board resolution under clause (c) of subsection (3) of section 179 would be adequate:</p> <p>Provided also that in case of offer or invitation for non-convertible debentures, where the proposed amount to be raised through such offer or invitation exceeds the limit as specified in clause (c) of sub-section (1) of section 180, it shall be sufficient if the company passes a previous special resolution only once in a year for all the offers or invitations for such debentures during the year.</p>	

<p>(2) For the purpose of sub-section (2) of section 42, an offer or invitation to subscribe securities under private placement shall not be made to persons more than two hundred in the aggregate in a financial year: Provided that any offer or invitation made to qualified institutional buyers, or to employees of the company under a scheme of employees stock option as per provisions of clause (b) of sub-section (1) of section 62 shall not be considered while calculating the limit of two hundred persons. Explanation.- For the purposes of this sub-rule it is hereby clarified that the restrictions aforesaid would be reckoned individually for each kind of security that is equity share, preference share or debenture.</p> <p>(3) A private placement offer cum application letter shall be in the form of an application in Form PAS-4 serially numbered and addressed specifically to the person to whom the offer is made and shall be sent to him, either in writing or in electronic mode, within thirty days of recording the name of such person pursuant to sub-section (3) of section 42: Provided that no person other than the person so addressed i. the private placement offer cum application letter shall be allowed to apply through such application form and any application not conforming to this condition shall be treated as invalid</p> <p>(4) The company shall maintain a complete record of private placement offers in Form PAS-5.</p> <p>(5) The payment to be made for subscription to bank account of the person subscribing to such keep the record of the bank account from where been received: Provided that monies payable on subscription to securities to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application: Provided further that the provisions of this sub-rule shall not apply in case of issue of shares for consideration other than cash.</p> <p>(6) A return of allotment of securities under section 42 shall be filed with the Registrar within fifteen days of allotment in Form PAS-3 and with the fee as provided in the Companies (Registration offices and Fees) Rules, 2014 along with a complete list of all the allottees containing-</p> <ul style="list-style-type: none"> (i) the full name, address, permanent Account Number and E-mail ID of such security holder; (ii) the class of security held; (iii) the date of allotment of security; (iv) the number of securities held, nominal value and amount paid on such securities; and particulars of consideration received if tire securities were issued for consideration other than cash. <p>(7) The provisions of sub-rule (2) shall not be applicable to -</p>	
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	<p>(a) non-banking financial companies which are registered with the Reserve Bank of India under the Reserve Bank of India Act, 1934 and</p> <p>(b) housing finance companies which are registered with the National Housing Bank under the National Housing Bank Act, 1987, if they are complying with regulations made by the Reserve Bank of India or the National Housing Bank in respect of offer or invitation to be issued on private placement basis:</p> <p>Provided that such companies shall comply with sub-rule (2) in case the Reserve Bank of India or the National Housing Bank have not specified similar regulations.</p> <p>(8) A company shall issue private placement offer cum application letter only after the relevant special resolution or Board resolution has been filed in the Registry:</p> <p>Provided that private companies shall file with the Registry copy of the Board resolution or special resolution with respect to approval under clause (c) of subsection (3) of section 179</p>	
IX.	<p>Amendments related to - Notification G.S.R. 1219(E) dated 18th December, 2018</p> <p>The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Fourth Amendment Rules, 2018. It shall come into force on 18th December, 2018.</p> <p>In the Companies (Incorporation) Rules, 2014 (hereinafter referred to as the said rules), after rule 23, the following rule shall be inserted, namely:-</p> <p>“23A. Declaration at the time of commencement of business.- The declaration under section 10A by a director shall be in Form No.INC-20A and shall be filed as provided in the Companies (Registration Offices and Fees) Rules, 2014 and the contents of the said form shall be verified by a Company Secretary or a Chartered Accountant or a Cost Accountant, in practice:</p> <p>Provided that in the case of a company pursuing objects requiring registration or approval from any sectoral regulators such as the Reserve Bank of India, Securities and Exchange Board of India, etc., the registration or approval, as the case may be from such regulator shall also be obtained and attached with the declaration.”</p>	64
X.	<p>Amendments related to - Notification G.S.R. 42(E) dated 22nd January, 2019</p> <p>The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Amendment Rules, 2019. It shall come into force on 22nd January, 2019.</p> <p>In the Companies (Acceptance of Deposits) Rules, 2014 (hereinafter referred to as the said rules):</p>	1. 151 2. 158 3. 158 / 159

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

21

	<p>1. In rule 2, in sub-rule (1), in clause (c), in sub-clause (xviii), after the words "Infrastructure Investment Trusts," the words "Real Estate Investment Trusts" shall be inserted.</p> <p>2. In the said rules, in rule 16, the following Explanation shall be inserted, namely:- "Explanation.- It is hereby clarified that Form DPT-3 shall be used for filing return of deposit or particulars of transaction not considered as deposit or both by every company other than Government company."</p> <p>3. In rule 16(A), after sub-rule (2), the following sub-rule shall be inserted, namely:- "(3) Every company other than Government company shall file a onetime return of outstanding receipt of money or loan by a company but not considered as deposits, in terms of clause (c) of sub-rule 1 of rule 2 from the 01st April, 2014 to *[the date of publication of this notification in the Official Gazette], as specified in Form DPT-3 within **[ninety days from the date of said publication of this notification] along with fee as provided in the Companies (Registration Offices and Fees) Rules, 2014."</p>	
XI.	<p>Amendments related to - Notification G.S.R. 341(E) dated 30th April, 2019</p> <p>The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Second Amendment Rules, 2019.</p> <p>In the Companies (Acceptance of Deposits) Rules, 2014, in rule 16A, in sub-rule (3), -</p> <p>*(a) for the words "the date of publication of this notification in the Official Gazette", the figures, letters and word "31st March, 2019" shall be substituted;</p> <p>** (b) for the words "ninety days from the date of said publication of this notification", the words, figures and letters "ninety days from 31st March, 2019" shall be substituted.</p>	159
XII.	<p>Amendments related to - Notification dated 30th April, 2019</p> <p>The Central Government has amended the Companies (Registration of Charges) Rules, 2014, by the Companies (Registration of Charges) Amendment Rules, 2019.</p> <p>In the Companies (Registration of Charges) Rules, 2014:</p> <p>1. In Rule 4, the following rules shall be substituted, namely:</p> <p>"4. Application to Registrar</p> <p>(1) For the purposes of the first proviso and clause (b) of the second proviso to sub-section (1) of section 77, the Registrar may, on being</p>	1. 165 2. 172

	<p>satisfied that the company had sufficient cause for not filing the particulars and instrument of charge, if any, within a period of thirty days of the date of creation of the charge including modification thereto, allow the registration of the same after thirty days but within the period as specified in the said provisos, on payment of fee, additional fee or <i>advalorem</i> fee, as may be applicable, as prescribed in the Companies (Registration Offices and Fees) Rules, 2014.</p> <p>(2) The application under sub-rule (1) shall be made in Form No. CHG-I and Form No. CHG-9 supported by a declaration from the company signed by its company secretary or a director that such belated filing shall not adversely affect the rights of any other intervening creditors of the company.”</p> <p>2. For Rule 12, the following rule shall be substituted, namely: “12. Rectification in register of charges on account of omission or misstatement of particulars in charge previously recorded and extension of time in filing of satisfaction of charge .- The Central Government may on an application filed in Form No. CHG-8 in accordance with section 87-</p> <p>(a) direct rectification of the omission or misstatement of any particulars, in any filing, previously recorded with the Registrar with respect to any charge or modification thereof, or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83, (b) direct extension of time for satisfaction of charge, if such filing is not made within a period of three hundred days from the date of such payment or satisfaction.”</p>	
XIII.	<p>Amendments related to - Notification G.S.R. 357(E) dated 10th May, 2019</p> <p>The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Fifth Amendment Rules, 2019.</p> <p>In the Companies (Incorporation) Rules, 2014, Rule 8 has been fully substituted by Rule 8, Rule 8A and Rule 8B.</p>	55
XIV.	<p>Amendments related to - Notification G.S.R. 574(E) dated 16th August, 2019</p> <p>The Central Government has amended the Companies (Share Capital and Debentures) Rules, 2014, by the Companies (Share Capital and Debentures) Amendment Rules, 2019.</p> <p>In the Companies (Share Capital and Debentures) Rules, 2014:</p> <p>1. In Rule 4, in sub-rule (1), (i) for clause (c), the following clause shall be substituted, namely:-</p>	1. 115 2. 144

<p>“(c) the voting power in respect of shares with differential rights of the company shall not exceed seventy four per cent. of total voting power including voting power in respect of equity shares with differential rights issued at any point of time;”;</p> <p>(ii) clause (d) shall be omitted.</p> <p>2. In the principal rules, in rule 18, for sub-rule (7), the following sub-rule shall be substituted, namely:-</p> <p>“(7) The company shall comply with the requirements with regard to Debenture Redemption Reserve (DRR) and investment or deposit of sum in respect of debentures maturing during the year ending on the 31st day of March of next year, in accordance with the conditions given below:-</p> <p>(a) Debenture Redemption Reserve shall be created out of profits of the company available for payment of dividend;</p> <p>(b) the limits with respect to adequacy of Debenture Redemption Reserve and investment or deposits, as the case may be, shall be as under;-</p> <p>(i) Debenture Redemption Reserve is not required for debentures issued by All India Financial Institutions regulated by Reserve Bank of India and Banking Companies for both public as well as privately placed debentures;</p> <p>(ii) For other Financial Institutions within the meaning of clause (72) of section 2 of the Companies Act, 2013, Debenture Redemption Reserve shall be as applicable to Non –Banking Finance Companies registered with Reserve Bank of India.</p> <p>(iii) For listed companies (other than All India Financial Institutions and Banking Companies as specified in sub-clause (i)), Debenture Redemption Reserve is not required in the following cases-</p> <p>(A) in case of public issue of debentures –</p> <p>A. for NBFCs registered with Reserve Bank of India under section 45-IA of the RBI Act, 1934 and for Housing Finance Companies registered with National Housing Bank;</p> <p>B. for other listed companies;</p> <p>(B) in case of privately placed debentures, for companies specified in sub-items A and B.</p> <p>(iv) for unlisted companies, (other than All India Financial Institutions and Banking Companies as specified in sub-clause (i)) –</p> <p>(A) for NBFCs registered with RBI under section 45-IA of the Reserve Bank of India Act, 1934 and for Housing Finance Companies registered with National Housing Bank, Debenture Redemption Reserve is not required in case of privately placed debentures.</p> <p>(B) for other unlisted companies, the adequacy of Debenture Redemption Reserve shall be ten percent. of the value of the outstanding debentures;</p>	
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	<p>(v) In case a company is covered in item (A) or item (B) of sub-clause (iii) of clause (b) or item (B) of sub-clause (iv) of clause (b), it shall on or before the 30th day of April in each year, in respect of debentures issued by a company covered in item (A) or item (B) of sub-clause (iii) of clause (b) or item (B) of sub-clause (iv) of clause (b), invest or deposit, as the case may be, a sum which shall not be less than fifteen per cent., of the amount of its debentures maturing during the year, ending on the 31st day of March of the next year in any one or more methods of investments or deposits as provided in sub-clause (vi):</p> <p>Provided that the amount remaining invested or deposited, as the case may be, shall not at any time fall below fifteen percent. of the amount of the debentures maturing during the year ending on 31st day of March of that year.</p> <p>(vi) for the purpose of sub-clause (v), the methods of deposits or investments, as the case may be, are as follows:—</p> <p>(A) in deposits with any scheduled bank, free from any charge or lien;</p> <p>(B) in unencumbered securities of the Central Government or any State Government;</p> <p>(C) in unencumbered securities mentioned in sub-clause (a) to (d) and (ee) of section 20 of the Indian Trusts Act, 1882;</p> <p>(D) in unencumbered bonds issued by any other company which is notified under sub-clause (f) of section 20 of the Indian Trusts Act, 1882:</p> <p>Provided that the amount invested or deposited as above shall not be used for any purpose other than for redemption of debentures maturing during the year referred above.</p> <p>(c) in case of partly convertible debentures, Debenture Redemption Reserve shall be created in respect of non-convertible portion of debenture issue in accordance with this sub-rule.</p> <p>(d) the amount credited to Debenture Redemption Reserve shall not be utilized by the company except for the purpose of redemption of debentures.”</p>	
The Indian Contract Act, 1872		
	<p>Amendment via the Jammu and Kashmir Reorganisation Act, 2019, dated 9th August, 2019. The amendment is effective with effect from 31st October, 2019.</p> <p>As per the Jammu and Kashmir Reorganisation Act, 2019, in the Indian Contract Act, 1872, in sub-section (2) of section 1, words, "except the State of Jammu and Kashmir" shall be omitted.</p> <p>Now, Section 1 will be read as under,</p>	-

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

25

	<p>'Short title- This Act may be called the Indian Contract Act, 1872. Extent, Commencement- It extends to the whole of India and it shall come into force on the first day of September, 1872.</p> <p>Saving- Nothing herein contained shall affect the provisions of any Statute, Act or Regulation not hereby expressly repealed, nor any usage or custom of trade, nor any incident of any contract, not inconsistent with the provisions of this Act.'</p>	
The Negotiable Instruments Act, 1881		
	<p><u>Amendments related to - The Negotiable Instruments (Amendment) Act, 2018</u></p> <p>The Ministry of Law and Justice has made amendments to the Negotiable Instruments Act, 1881 through the Negotiable Instruments (Amendment) Act, 2018. This Amendment Act received the assent of the President and published in the Official Gazette on 2nd August, 2018.</p>	
	<p>In the Negotiable Instruments Act, 1881 (hereinafter referred to as the principal Act), after section 143, the following section shall be inserted, namely:—</p> <p>“143A. Power to direct interim compensation.</p> <p>(1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, the Court trying an offence under section 138 may order the drawer of the cheque to pay interim compensation to the complainant—</p> <p>(a) in a summary trial or a summons case, where he pleads not guilty to the accusation made in the complaint; and</p> <p>(b) in any other case, upon framing of charge.</p> <p>(2) The interim compensation under sub-section (1) shall not exceed twenty per cent. of the amount of the cheque.</p> <p>(3) The interim compensation shall be paid within sixty days from the date of the order under sub-section (1), or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the drawer of the cheque.</p> <p>(4) If the drawer of the cheque is acquitted, the Court shall direct the complainant to repay to the drawer the amount of interim compensation, with interest at the bank rate as published by the Reserve Bank of India, prevalent at the beginning of the relevant financial year, within sixty days from the date of the order, or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the complainant.</p> <p>(5) The interim compensation payable under this section may be recovered as if it were a fine under section 421 of the Code of Criminal Procedure, 1973.</p>	<p>- The section is newly inserted</p>

	(6) The amount of fine imposed under section 138 or the amount of compensation awarded under section 357 of the Code of Criminal Procedure, 1973, shall be reduced by the amount paid or recovered as interim compensation under this section.”.	
	<p>(2) In the principal Act, after section 147, the following section shall be inserted, namely:—</p> <p>“148. Power of Appellate Court to order payment pending appeal against conviction.</p> <p>(1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, in an appeal by the drawer against conviction under section 138, the Appellate Court may order the appellant to deposit such sum which shall be a minimum of twenty per cent. of the fine or compensation awarded by the trial Court:</p> <p>Provided that the amount payable under this sub-section shall be in addition to any interim compensation paid by the appellant under section 143A.</p> <p>(2) The amount referred to in sub-section (1) shall be deposited within sixty days from the date of the order, or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the appellant.</p> <p>(3) The Appellate Court may direct the release of the amount deposited by the appellant to the complainant at any time during the pendency of the appeal: Provided that if the appellant is acquitted, the Court shall direct the complainant to repay to the appellant the amount so released, with interest at the bank rate as published by the Reserve Bank of India, prevalent at the beginning of the relevant financial year, within sixty days from the date of the order, or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the complainant.”</p>	- The section is newly inserted
The Employees' Provident Funds and Miscellaneous Provisions Act, 1952		
	<p>Amendment via the Jammu and Kashmir Reorganisation Act, 2019, dated 9th August, 2019. The amendment is effective with effect from 31st October, 2019.</p> <p>As per the Jammu and Kashmir Reorganisation Act, 2019, in the Employees Provident Funds and Miscellaneous Provisions Act, 1952, in sub-section (2) of section 1, words, "except the State of Jammu and Kashmir" shall be omitted.</p> <p>Now, Section 1(2) will be read as under,</p> <p>(2) 'It extends to the whole of India.'</p>	

Here, SM means Study Material and SSP means Supplementary study paper (i.e. Page number of the Study material/ Supplementary study paper in reference to relevant provisions)

PART II: QUESTIONS AND ANSWERS

Questions

Division A: Case scenario/ Multiple choice questions

1. Mr. Purshottam Prasad, a business graduate from leading B-School, running the chain of restaurants; as sole proprietor concern; based in Chennai. Mr. Prasad being dynamic businessman, in order to develop the business; decided to give corporate form to his business; but concerned with dilution of the control over business decisions.

Mr. Prasad, during some journey met Mr. Chinmay Dass; who is school days friend of Mr. Prasad and presently working in one of leading corporate advisory firm. Mr. Prasad seeks advice from Mr. Dass, regarding conversion of sole proprietorship concern to company and also explain his intention to keep the entire control in his hand. Mr. Dass told, about new type of company; which can be formed under Companies Act 2013; One Person Company (OPC). Mr. Dass quoted section 2 (62), which define 'one person company' means a company which has only one person as a member.

Mr. Prasad, felt OPC is correct form of business for him, hence promotes an OPC 'Casa Hangout Private Limited' (One Person Company) on 14th September 2019, to which he sold his sole proprietor business and himself became sole member. Mr. Prasad, appointed his younger son Mr. Vijay, who was 21 year old then; as Nominee to OPC. Mr. Anand who is famous food blogger and old friend of Mr. Prasad was appointed as director of OPC, Mr. Prasad himself also become director of company.

Mr. Vijay is professional photographer, and for some certification course went to abroad on 23rd October 2019. He came back on 1st of March 2020. He established photo-studio in form of OPC 'Best Click (OPC) Private Limited' on 20th March 2020, in which Mr. Prasad is nominee and he became sole member. In mean time Mr. Vijay also gave his consent as nominee to another OPC in which his elder brother Mr. Shankar is sole member.

Mr. Prasad met an accident on 25th March, 2020, in which he lost his life. Nomination clause invoked, resultantly Mr. Vijay has to take charge over 'Casa Hangout (OPC) Private Limited' (One Person Company) as member with immediate effect. On 30th March, 2020 Mr. Shankar was appointed as new nominee to 'Casa Hangout (OPC) Private Limited', who gave written consent on 31st March 2020. Mr. Shankar who is investment banker by profession, is of opinion that 'Casa Hangout (OPC) Private Limited' need amend its object clause and add 'carry out investment in securities of body corporate' as one of object.

Financial Period closed on 31st March 2020. Financial statements of 'Casa Hangout (OPC) Private Limited', which is not containing cash flow statement; signed by Mr. Anand (who left as only director after death of Mr. Prasad).

- A. With reference to appointment of Mr. Vijay and Mr. Shankar as nominee to 'Casa Hangout (OPC) Private Limited', out of followings, who is eligible to be nominee of OPC?

INTERMEDIATE (IPC) EXAMINATION: NOVEMBER, 2020

- (i) Any natural person excluding minor
 - (ii) Any legal person excluding minor
 - (iii) Any natural person, who is resident of India; but excluding minor
 - (iv) Any natural person, who is resident as well as citizen of India; but excluding minor
- B.** Mr. Shankar if wish to withdraw his consent as nominee, can do so; by giving written notice to
- (i) Director of OPC and to sole member of company
 - (ii) Director of OPC and to Registrar of companies
 - (iii) Sole member of company and to OPC
 - (iv) Sole member of company and to Registrar of companies
- C.** With reference to legal position of Mr. Vijay as member/s and nominee/s to various OPCs, which of the following statement is correct in reference to ceiling limit in relation to membership and being nominee to OPC? A person, other than minor; at specific point of time;
- (i) Can be member in any number of OPCs but nominee in one OPC
 - (ii) Can be member in one OPC and nominee in any number of OPCs
 - (iii) Can be member in one OPC and nominee in another one OPCs
 - (iv) Can be member and nominee both in any number of OPCs
- D.** Which of following statement is correct, in reference to requirement for financial Statements of 'Casa Hangout (OPC) Private Limited'
- (i) Must be signed by one director
 - (ii) Must be signed by at-least by two directors
 - (iii) Must contain cash flow statement as part of financial statements
 - (iv) None of the above
- E.** With reference to opinion of Mr. Shankar to add 'carry out investment in securities of body corporate' object, 'Casa Hangout (OPC) Private Limited'
- (i) Can't carry out non-banking financial investment activities & investment in securities of body corporate
 - (ii) Can't carry out non-banking financial investment, but can invest in securities of body corporate'
 - (iii) Can carry-out non-banking financial investment & invest in securities of body corporate'

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION**29**

(iv) None of the above

2. Mr. Arun Rahi is sole proprietor at Delight Business Solution (DBS), who is supplier of office stationary with presence across pan India. Mr. Arun sends one of his purchase agents Mr. Pradeep Nagra to procure certain item from Aishi Enterprise on credit for him. For same, Mr. Arun made the payment. After few months again, Mr. Arun sends Mr. Pradeep to purchase another set of goods from Aishi Enterprise but this time he pays sufficient cash to Mr. Pradeep. Mr. Pradeep purchased good from Aishi Enterprise on 4th Nov 2019, but on credit. On next day while coming to office, Mr. Pradeep met an accident and dies.

Against one of internal transfer of stock, the Dehradun office of DBS draws a bill on Jalandhar office. Mr. Rajeev is old enemy of Mr. Arun Rahi; rivalry is at all-time high. Mr. Arun asks Mr. Sukhdev to threaten Mr. Rajeev and promises to indemnify Mr. Sukhdev against the consequences. Mr. Sukhdev in heat, while threatening, beat Mr. Rajeev. Fine of ₹ 50,000 imposed on Mr. Sukhdev for beating and ₹ 5000 for public nuisance.

Mr. Arun took his friend to restaurant, and orally quote to restaurant manager that, if his friend didn't pay the bill or fails to pay the bill, then he will pay the bill.

- A.** Aishi Enterprise filed a suit against Mr. Arun for payment, but Mr. Arun deny to any liability. Decide whether Aishi Enterprise will get relief?
- (i) No, Mr. Arun is not liable because, he was not aware about fact of credit purchase.
 - (ii) Yes, Mr. Arun is liable to Aishi Enterprise.
 - (iii) Yes, but not against Mr. Arun, because Mr. Pradeep's legal heir is liable to Aishi Enterprise for making payment
 - (iv) No, Mr. Arun didn't instructed Mr. Pradeep to make purchase on credit.
- B.** In regard to bill drawn by Dehradun office on Jalandhar office, what is nature of instrument and can holder treat this bill as a promissory note?
- (i) Since it is ambiguous instrument, hence can be considered as promissory note only
 - (ii) Since it is ambiguous instrument, hence can be considered as bill of exchange only
 - (iii) Since it is ambiguous instrument, hence can be construed either as a promissory note or bill of exchange at the discretion of holder.
 - (iv) It is Null instrument, and neither can be considered bill nor note
- C.** Can Mr. Sukhdev as indemnity holder is able to claim the amount of fine from Mr. Arun?
- (i) Yes, entire amount of fine can be recovered from Mr. Arun
 - (ii) Yes, but only ₹ 10,000 can be recovered

- (iii) No, because Mr. Arun didn't ask Mr. Sukhdev to beat
 - (iv) No, because object is unlawful
- D. Mr. Arun orally quote to restaurant manager that, if his friend didn't pay the bill or fails to pay the bill, then he will pay the bill; this can be categorized as;
- (i) Contract of Guarantee
 - (ii) Contract of Indemnity
 - (iii) Wagering agreement
 - (iv) Quasi-contract
3. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:
- (a) Implied agency
 - (b) Agency by ratification
 - (c) Agency by necessity
 - (d) Express agency
4. Red Flag Ltd., which has its registered office at Delhi and having 12500 members is holding its Annual General Meeting in Ashoka Hotel. Despite swanky arrangements most of the members did not turn up and quorum was not present within half an hour of the schedule time of the meeting, as a result meeting was adjourned. However, due to heavy booking schedule, hotel authorities could not make available, for adjourned meeting, sufficient space in the same hall where meeting was originally called but allowed conduct of meeting in a different hall on a different floor next week at same time. Please advise the option available to board:
- (a) The meeting stands adjourned automatically to the same place and time next week as per provisions of law. There is no alternate but to hold meeting in the same hall,
 - (b) As same banquet hall is not available, meeting can be held at different place as may be decided appropriate by the Board,
 - (c) As the same hall is not available to conduct meeting after one week, a fresh notice of 21 days is needed for a different location,
 - (d) As the same hall is not available to conduct the meeting, the company needs to conduct meeting electronically through internet and give sufficient notice to shareholder.
5. As per the Payment of Bonus Act, 1965, the amount payable to an employee by way of bonus shall be paid within a period of 8 months from the closing of accounting year. However, this period may be extended up to maximum of by appropriate Government.

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION**31**

- (a) 1 year
 - (b) 15 months
 - (c) 18 months
 - (d) 2 years
6. A guarantee which extend to a series of transactions is called
- (a) Special Guarantee
 - (b) Continuing Guarantee
 - (c) Specific Guarantee
 - (d) None of the above
7. Who is not treated as family as per the Payment of Gratuity Act, 1872, in case of a male employee
- (a) himself
 - (b) his wife
 - (c) dependent parents of his wife
 - (d) adult children of his son
8. Roma along with her six friends has got incorporated Roma Trading Ltd. in May 2019. She kept the paid-up share capital at ₹ 30 lacs. Further, in April 2020, she noticed that in the last financial year, the turnover of the company was well below ₹ 2 crores. Advise whether the company can be treated as a 'small company'.
- (a) Roma Trading Ltd. is definitely a 'small company' since its paid-up capital is much below ₹ 50 lacs and also its turnover has not exceeded the threshold limit of ₹ 2 crores.
 - (b) The concept of 'small company' is applicable only in case of a private limited company/OPC and therefore, despite meeting the criteria of 'small company' it being a public limited company cannot enjoy benefits of 'small company'.
 - (c) Unlike a private limited company/OPC which automatically becomes a 'small company' as soon as it meets the criteria of 'small company', Roma Trading Ltd. being a public limited company has to maintain the norms applicable to a 'small company' continuously for two years so that, thereafter, it is treated as a 'small company'.
 - (d) If all the shareholders of Roma Trading Ltd. give an undertaking to the ROC stating that they will not let the paid share capital and also turnover exceed the limits applicable to a 'small company' in the next two years, then it can be treated as a 'small company'.

9. Shree Lakshmi Jewellery Store Private Limited was incorporated on 27th July, 2019 with 30 persons as subscribers to the Memorandum of Association and having Authorised share capital of ₹ 1.00 crore divided into equal number of shares of Re. 1 each. Each subscriber subscribed for ₹ 1.00 lac shares. Advise the company about the latest date by which the share certificates are required to be delivered to the subscribers.
- Latest by 17th August, 2019.
 - Latest by 31st August, 2019.
 - Latest by 27th September, 2019.
 - Latest by 27th October, 2019.

Division B: Descriptive Questions

Part A: Business Laws

The Indian Contract Act, 1872

- Mr. Rich aspired to get a self-portrait made by an artist. He went to the workshop of Mr. C, an artist and asked whether he could sketch the former's portrait on oil painting canvass. Mr. C agreed to the offer and asked for ₹ 50,000 as full advance payment for the above creative work. Mr. C clarified that the painting shall be completed in 10 sittings and shall take 3 months.
On reaching to the workshop for the 6th sitting, Mr. Rich was informed that Mr. C became paralyzed and would not be able to paint for near future. Mr. C had a son Mr. K who was still pursuing his studies and had not taken up his father's profession yet?
Discuss in light of the Indian Contract Act, 1872?
 - Can Mr. Rich ask Mr. K to complete the artistic work in lieu of his father?
 - Could Mr. Rich ask Mr. K for refund of money paid in advance to his father?
- Sandeep guarantees for Gaurav, a retail textile merchant, for an amount of ₹ 1,00,000, for which Sharma, the supplier may from time to time supply goods on credit basis to Gaurav during the next 3 months.
After 1 month, Sandeep revokes the guarantee, when Sharma had supplied goods on credit for ₹ 40,000. Referring to the provisions of the Indian Contract Act, 1872, decide whether Sandeep is discharged from all the liabilities to Sharma for any subsequent credit supply. What would be your answer in case Gaurav makes default in paying back Sharma for the goods already supplied on credit i.e. ₹ 40,000?
- Manish borrowed a sum of ₹ 4 lacs from Samyak. Manish appointed Samyak as his agent to sell his land and authorized him to appropriate the amount of loan out of the sale proceeds. Afterward, Manish revoked the agency.
Decide under the provisions of the Indian Contract Act, 1872 whether the revocation of the said agency by Manish is lawful.

The Negotiable Instruments Act, 1881

4. Rahul drew a cheque in favour of Aman. After having issued the cheque; Rahul requested Aman not to present the cheque for payment and gave a stop payment request to the bank in respect of the cheque issued to Aman. Decide, under the provisions of the Negotiable Instruments Act, 1881 whether the said acts of Rahul constitute an offence?

The Payment of Bonus Act, 1965

5. Manish is working as a salesman in a company on salary basis. The following payments were made to him by the company during the previous financial year –
- (i) overtime allowance,
 - (ii) dearness allowance
 - (iii) commission on sales
 - (iv) employer's contribution towards pension fund
 - (v) value of food.

Examine as to which of the above payments form part of "salary" of Manish under the provisions of the Payment of Bonus Act, 1965.

The Provident Fund and Miscellaneous Provisions Act, 1952

6. What constitutes cognizable offences under Provident Fund and Miscellaneous Provisions Act, 1952?

The Payment of Gratuity Act, 1972

7. X is due to retire as a factory manager from a Paint Manufacturing Company and his present salary is ₹ 40,000. He has worked in the factory for about 22 years and was on leave for 6 months in the 15th year due to an injury suffered at the factory. After recovery he resumed his duty as a Chief Supervisor and worked for 7 years. Please calculate the amount of gratuity payable to him.

The Companies Act, 2013

8. Vijay, a member of Mayur Electricals Ltd. gave in writing to the company that the notice for any general meeting be sent to him only by registered post at his residential address at Kanpur for which he deposited sufficient money. The company sent notice to him by ordinary mail under certificate of posting. Vijay did not receive this notice and could not attend the meeting and contended that the notice was improper.

Decide:

- (i) Whether the contention of Vijay is valid.
- (ii) Will your answer be the same if Vijay remains in London for two months during the notice of the meeting and the meeting held?

9. Examine the validity of the following statement with reference to the provisions of the Companies Act, 2013.

"The Articles of Association of Y Limited contains a provision that the underwriting commission may be paid upto 4% of the issue price of the shares. However the Board of Directors have decided to pay the underwriting commission of 5% to Mind & Co., the underwriters."

10. The Board of Directors of Ramesh Ltd. proposes to issue the prospectus inviting offers from the public for subscribing the shares of the Company. State the reports which shall be included in the prospectus for the purposes of providing financial information under the provisions of the Companies Act, 2013.

11. Surya Ltd. is engaged in the manufacture of consumer goods and has got a good brand value. Over the years, it has built a good reputation and its Balance Sheet as at March 31, 2019 shows the following position:

Authorized Share Capital (25,00,000 equity shares of face value of ₹ 10/- each)
₹ 2,50,00,000

Issued, subscribed and paid-up capital (10,00,000 equity shares of face value of ₹10/- each, fully paid-up) ₹ 1,00,00,000

Free Reserves ₹ 3,00,00,000

The Board of Directors are proposing to declare a bonus issue of 1 share for every 2 shares held by the existing shareholders. The Board wants to know the conditions and the manner of issuing bonus shares under the provisions of the Companies Act, 2013. Discuss.

12. State, with reasons, whether the following statements are true or false?
- XYZ Private Limited may accept the deposits from its members to the extent of ₹ 60.00 Lakh, if the aggregate of its paid-up capital, free reserves and security premium account is ₹ 60.00 Lakh.
 - A Government Company, which is eligible to accept deposits under Section 76 of the Companies Act, 2013 cannot accept deposits from public exceeding 25% of the aggregate of its paid- up capital, free reserves and security premium account.
13. What are the powers of Registrar to make entries of satisfaction and release of charges in the absence of any intimation from the company. Discuss this matter in the light of provisions of the Companies Act, 2013.
14. Chetan Ltd. issued a notice for holding its Annual general meeting on 7th November 2019. The notice was posted to the members on 16th October 2019. Some members of the company allege that the company had not complied with the provisions of the Companies Act, 2013 with regard to the period of notice and as such the meeting was valid. Referring to the provisions of the Act, decide:
- Whether the meeting has been validly called?

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION**35**

- (ii) If there is a shortfall, state and explain by how many days does the notice fall short of the statutory requirement?
- (iii) Can the delay in giving notice be condoned?

Part B: Ethics

15. Discuss reasons forcing marketing executives to adopt ethical behavior in marketing.
16. "Ethical programs help to manage values associated with quality management, strategic planning and diversity management". Explain.
17. State with reasons whether the following statements are correct or not.
 - (i) Ethics helps to promote a strong public image.
 - (ii) Economic growth has to be environmentally sustainable.

Part C: Communication

18. State the importance of 'Active Listening' in the business communication skills.
19. (i) Discuss the types of grapevine chains which facilitates the communication.
(ii) What are the demerits of grapevine phenomenon?
20. "Innovation" is the key to success and survival. What are the elements which are required by a company to be more innovative?

SUGGESTED ANSWERS/HINTS**Answers to Multiple choice questions**

1. A. (iv)
B. (iii)
C. (iii)
D. (i)
E. (i)
2. A. (ii)
B. (iii)
C. (iv)
D. (i)
3. (d)
4. (b)
5. (d)

6. (b)
7. (d)
8. (b)
9. (c)

Answers to Descriptive type questions

1. A contract which involves the use of personal skill or is founded on personal consideration comes to an end on the death of the promisor. As regards any other contract, the legal representatives of the deceased promisor are bound to perform it unless a contrary intention appears from the contract (Section 37 of the Indian Contract Act, 1872). But their liability under a contract is limited to the value of the property they inherit from the deceased.
 - (i) In the instant case, since painting involves the use of personal skill and on becoming Mr. C paralyzed, Mr. Rich cannot ask Mr. K to complete the artistic work in lieu of his father Mr. C.
 - (ii) According to section 65 of the Indian Contract Act, 1872, when an agreement is discovered to be void or when a contract becomes void, any person who has received any advantage under such agreement or contract is bound to restore it, or to make compensation for it to the person from whom he received it.
Hence, in the instant case, the agreement between Mr. Rich and Mr. C has become void because of paralysis to Mr. C. So, Mr. Rich can ask Mr. K for refund of money paid in advance to his father, Mr. C.
2. **Discharge of Surety by Revocation:** As per section 130 of the Indian Contract Act, 1872 a specific guarantee cannot be revoked by the surety if the liability has already accrued. A continuing guarantee may, at any time, be revoked by the surety, as to future transactions, by notice to the creditor, but the surety remains liable for transactions already entered into.
As per the above provisions, liability of Sandeep is discharged with relation to all subsequent credit supplies made by Sharma after revocation of guarantee, because it is a case of continuing guarantee.
However, liability of Sandeep for previous transactions (before revocation) i.e. for ₹ 40,000 remains. He is liable for payment of ₹ 40,000 to Sharma because the transaction was already entered into before revocation of guarantee.
3. According to Section 202 of the Indian Contract Act, 1872 an agency becomes irrevocable where the agent has himself an interest in the property which forms the subject-matter of the agency, and such an agency cannot, in the absence of an express provision in the contract, be terminated to the prejudice of such interest.
In the instant case, the rule of agency coupled with interest applies and does not come to an end even on death, insanity or the insolvency of the principal.

Thus, when Manish appointed Samyak as his agent to sell his land and authorized him to appropriate the amount of loan out of the sale proceeds, interest was created in favour of Samyak and the said agency is not revocable. The revocation of agency by Manish is not lawful.

4. As per the facts stated in the question, Rahul (drawer) after having issued the cheque, informs Aman (drawee) not to present the cheque for payment and as well as gave a stop payment request to the bank in respect of the cheque issued to Aman.

Section 138 of the Negotiable Instruments Act, 1881, is a penal provision in the sense that once a cheque is drawn on an account maintained by the drawer with his banker for payment of any amount of money to another person out of that account for the discharge in whole or in part of any debt or liability, is informed by the bank unpaid either because of insufficiency of funds to honour the cheques or the amount exceeding the arrangement made with the bank, such a person shall be deemed to have committed an offence.

Once a cheque is issued by the drawer, a presumption under Section 139 of the Negotiable Instruments Act, 1881 follows and merely because the drawer issues a notice thereafter to the drawee or to the bank for stoppage of payment, it will not preclude an action under Section 138.

Also, Section 140 of the Negotiable Instruments Act, 1881, specifies absolute liability of the drawer of the cheque for commission of an offence under the section 138 of the Act. Section 140 states that it shall not be a defence in a prosecution for an offence under section 138 that the drawer had no reason to believe when he issued the cheque that the cheque may be dishonoured on presentment for the reasons stated in that section.

Accordingly, the act of Rahul, i.e., his request of stop payment constitutes an offence under the provisions of the Negotiable Instruments Act, 1881.

5. **Computation of Salary / Wages:** According to Section 2(21) of the Payment of Bonus Act, 1965 salary and wages means all remuneration other than remuneration in respect of overtime work, capable of being expressed in terms of money, which would if the terms of employment, express or implied, were fulfilled, be payable to an employee in respect of his employment, or of work done in such employment and includes dearness allowance, i.e. all cash payment by whatever name called, paid to an employee on account of a rise in the cost of living. But the term excludes:

- (i) Any other allowance which the employee is for the time being entitled to;
- (ii) The value of any house accommodation or of supply of light, water, medical attendance or other amenities of any service or of any concessional supply of food grains or other articles;
- (iii) Any traveling concession;
- (iv) Any bonus including incentive, production or attendance bonus;

- (v) Any contribution paid or payable by the employer to any pension fund or for benefit of the employee under any law for the time being in force.
- (vi) Any retrenchment compensation or any gratuity or other retirement benefit payable to the employee or any ex-gratia payment made to him; and
- (vii) Any commission payable to the employee.

It has been clarified in the explanation to the section that where an employee is given, in lieu of the whole or part of the salary or wage payable to him, free food allowance or free food by his employer, such food allowance or the value of such food shall be deemed to form part of the salary or wage for such employee.

In view of the provisions of Section 2(21) explained above, the payment of dearness allowance and value of free food by the employer forms part of salary of Manish while remaining three payments i.e. payment for overtime, commission on sales and employer's contribution towards pension funds shall not form part of his salary.

- 6. Certain offences to be cognizable (Section 14AB of Provident Fund and Miscellaneous Provisions Act, 1952):** This Section renders the offences relating to default in payment of contribution by the employer a cognizable offence. A cognizable offence is one where the police can arrest a person without warrant.

Cognizance and trial of offence (Section 14AC of Provident Fund and Miscellaneous Provisions Act, 1952): This section deals with the complaints in regard to offences under the Act, the scheme or the Pension Scheme or Insurance Scheme and their cognizance.

The essential conditions of cognizance of offences are:

- (a) There must be a report in writing of the facts constituting such offence,
- (b) This report must be made with the previous sanction of the:
 - (i) Central Provident Fund Commissioner; or
 - (ii) Such officer as may be authorised by the Central Government;
- (c) The report must be made by an Inspector appointed under Section 13.

These conditions being co-existent, no Court inferior to that of a Presidency Magistrate or a Magistrate of the first class shall try any offence under this Act, or the Scheme or the Pension Scheme or the Insurance Scheme.

- 7. Calculation of Gratuity amount: [Section 4(2) of the Payment of Gratuity Act, 1972]**

For every completed year of service or part thereof in excess of six months, the employer shall pay gratuity to an employee at the rate of fifteen days wages based on the rate of wages last drawn by the employee concerned.

In the case of a monthly rated employee, the fifteen days wages shall be calculated by dividing the monthly rate of wages last drawn by him by twenty-six and multiplying the quotient by fifteen.

PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

39

Mr. X is entitled to get the gratuity for the full period of 22 years which he worked in the factory. The layoff is due to an injury suffered by him at the factory only and is considered as an injury during employment. Therefore, he is eligible for full gratuity as per the provisions of the Gratuity Act, 1972. Accordingly, gratuity shall be calculated as follows:

Facts given states that X, retired from his 22 years of service with present salary ₹ 40, 000 (wages last drawn). Accordingly, gratuity shall be calculated as -

a) Present salary	₹ 40,000
b) No. of years of eligible service	22 years
c) Eligible amount of gratuity as per Sec. 4(2) ₹ 40,000/- x 22 years x 15/26	₹ 5,07,692.31

8. According to section 20(2) of the Companies Act, 2013, a document may be served on Registrar or any member by sending it to him by post or by registered post or by speed post or by courier or by delivering at his office or address, or by such electronic or other mode as may be prescribed.

Provided that a member may request for delivery of any document through a particular mode, for which he shall pay such fees as may be determined by the company in its annual general meeting.

Thus, if a member wants the notice to be served on him only by registered post at his residential address at Kanpur for which he has deposited sufficient money, the notice must be served accordingly, otherwise service will not be deemed to have been effected.

Accordingly, the questions as asked may be answered as under:

- (i) The contention of Vijay shall be tenable, for the reason that the notice was not properly served.
- (ii) In the given circumstances, the company is bound to serve a valid notice to Vijay by registered post at his residential address at Kanpur and not outside India.
9. Section 40 (6) of the Companies Act 2013, provides that a company may pay commission to any person in connection with the subscription to its securities, subject to the number of conditions which are prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014. Under the Companies (Prospectus and Allotment of Securities) Rules, 2014 the rate of commission paid or agreed to be paid shall not exceed, in case of shares, five percent (5%) of the price at which the shares are issued or a rate authorised by the articles, whichever is less.

In the given problem, the articles of Y Ltd. have prescribed 4% underwriting commission but the directors decided to pay 5% underwriting commission.

Therefore, the decision of the Board of Directors to pay 5% commission to the underwriters (Mind & Co.) is invalid.

10. As per section 26(1) of the Companies Act, 2013, every prospectus issued by or on behalf of a public company either with reference to its formation or subsequently, or by or on behalf of any person who is or has been engaged or interested in the formation of a public company, shall be dated and signed and shall state such information and set out such reports on financial information as may be specified by the Securities and Exchange Board in consultation with the Central Government.

Provided that until the Securities and Exchange Board specifies the information and reports on financial information under this sub-section, the regulations made by the Securities and Exchange Board under the Securities and Exchange Board of India Act, 1992, in respect of such financial information or reports on financial information shall apply.

Prospectus issued make a declaration about the compliance of the provisions of this Act and a statement to the effect that nothing in the prospectus is contrary to the provisions of this Act, the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992 and the rules and regulations made thereunder.

Accordingly, the Board of Directors of Ramesh Ltd. who proposes to issue the prospectus shall provide such reports on financial information as may be specified by the Securities and Exchange Board in consultation with the Central Government in compliance with the above stated provision and make a declaration about the compliance of the above stated provisions.

11. According to Section 63 of the Companies Act, 2013, a company may issue fully paid-up bonus shares to its members, in any manner whatsoever, out of -
- (i) its free reserves;
 - (ii) the securities premium account; or
 - (iii) the capital redemption reserve account.

Provided that no issue of bonus shares shall be made by capitalising reserves created by the revaluation of assets.

Conditions for issue of Bonus Shares: No company shall capitalise its profits or reserves for the purpose of issuing fully paid-up bonus shares, unless—

- (i) it is authorised by its Articles;
- (ii) it has, on the recommendation of the Board, been authorised in the general meeting of the company;
- (iii) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;
- (iv) it has not defaulted in respect of payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus;
- (v) the partly paid-up shares, if any outstanding on the date of allotment, are made fully paid-up;

(vi) it complies with such conditions as may be prescribed.

But the company has to ensure that the bonus shares shall not be issued in lieu of dividend.

To issue bonus shares, company will need reserves of ₹ 50,00,000 (half of ₹1,00,00,000), which is available with the company. Hence, after following the above compliances on issuing bonus shares under the Companies Act, 2013, Surya Ltd. may proceed for a bonus issue of 1 share for every 2 shares held by the existing shareholders.

12. (i) As per the provisions of Section 73(2) of the Companies Act, 2013 read with Rule 3 of the Companies (Acceptance of Deposits) Rules, 2014, as amended by the Companies (Acceptance of Deposits) Amendment Rules, 2016, a company shall accept any deposit from its members, together with the amount of other deposits outstanding as on the date of acceptance of such deposits not exceeding thirty five per cent of the aggregate of the Paid-up share capital, free Reserves and securities premium account of the company. Provided that a private company may accept from its members monies not exceeding one hundred per cent of aggregate of the paid up share capital, free reserves and securities premium account and such company shall file the details of monies so accepted to the Registrar in such manner as may be specified.

Therefore, the given statement of eligibility of XYZ Private Ltd. to accept deposits from its members to the extent of ₹ 60.00 lakh is true.

- (ii) A Government company is not eligible to accept or renew deposits under section 76, if the amount of such deposits together with the amount of other deposits outstanding as on the date of acceptance or renewal exceeds thirty five per cent of the aggregate of its Paid-up share capital, free Reserves and securities premium account of the company.

Therefore, the given statement prescribing the limit of 25% to accept deposits is False.

13. Section 83 of the Companies Act, 2013 empowers the Registrar to make entries with respect to the satisfaction and release of charges even if no intimation has been received by him from the company.

Accordingly, with respect to any registered charge if an evidence is shown to the satisfaction of Registrar that the debt secured by charge has been paid or satisfied in whole or in part or that the part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking, then he may enter in the register of charges a memorandum of satisfaction that:

- ◆ the debt has been satisfied in whole or in part; or
- ◆ the part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking.

This power can be exercised by the Registrar despite the fact that no intimation has been received by him from the company.

Information to affected parties: The Registrar shall inform the affected parties within 30 days of making the entry in the register of charges.

Issue of Certificate: As per Rule 8 (2), in case the Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge in Form No. CHG-5.

14. According to section 101(1) of the Companies Act, 2013, a general meeting of a company may be called by giving not less than clear twenty-one days' notice either in writing or through electronic mode in such manner as may be prescribed.

Also, it is to be noted that 21 clear days mean that the date on which notice is served and the date of meeting are excluded for sending the notice.

Further, Rule 35(6) of the Companies (Incorporation) Rules, 2014, provides that in case of delivery by post, such service shall be deemed to have been effected in the case of a notice of a meeting, at the expiration of forty eight hours after the letter containing the same is posted.

Hence, in the given question:

- (i) A 21 days' clear notice must be given. In the given question, only 19 clear days' notice is served (after excluding 48 hours from the time of its posting and the day of sending and date of meeting). Therefore, the meeting was not validly called.
 - (ii) As explained in (i) above, notice falls short by 2 days.
 - (iii) The Companies Act, 2013 does not provide anything specific regarding the condonation of delay in giving of notice. Hence, the delay in giving the notice calling the meeting cannot be condoned.
15. **Reasons for adopting ethical behaviour in marketing:** Marketing executives should practice ethical behaviour because it is morally correct. To maintain ethical behaviour in marketing, the following positive reasons may be useful to the marketing executives:
1. **To reverse declining public confidence in marketing:** Sometime misleading package labels, false claim in advertisement, phony list prices, infringement of trademarks pervert the market trends and such behaviour damages the marketers' reputation. To reverse this situation, business leaders must demonstrate convincingly that they are aware of their ethical responsibility and will fulfil it. Companies must set high ethical standards and enforce them. Moreover, it is in management's interest to be concerned with the well being of consumers, since they are the lifeblood of a business.
 2. **To avoid increase in government regulation:** Business apathy, resistance, or token responses to unethical behaviour increase the probability of more governmental

regulation. The governmental limitations may also result from management's failure to live up to its ethical responsibilities. Moreover, once the government control is introduced, it is rarely removed.

3. **To retain power granted by society:** Marketing executives wield a great deal of social power as they influence markets and speak out on economic issues. However, there is a responsibility tied to that power. If marketers do not use their power in a socially acceptable manner, that power will be lost in the long run.
4. **To protect the image of the organisation:** Buyers often form an impression of an entire organisation based on their contact with one person. That person represents the marketing function. Some times, a single sales clerk may pervert the market opinion in relation to that company which he represents.

Therefore, the ethical behaviour in marketing may be strengthened only through the behaviour of the marketing executives.

16. Ethics programs help to manage values associated with quality management, strategic planning and diversity management.

Ethics programs help identifying preferred values and ensuring that organizational behaviors are aligned with those values. This includes recording the values, developing policies and procedures to align behaviours with preferred values, and then training all personnel about the policies and procedures. This overall effort is very useful for several other programs in the workplace that require behaviors to be aligned with values, including quality management, strategic planning and diversity management. For example, Total Quality Management initiatives include high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement, and feedback.

17. (i) **Ethics helps to promote a strong public image**

This statement is correct. An organization that pays attention to its ethics can portray a strong and positive image to the public. People see such organizations as valuing people more than profit and striving to operate with integrity and honour.

- (ii) **Economic growth has to be environmentally sustainable**

This statement is Correct. Economic growth has to be environmentally sustainable. There is no economic growth without ecological costs. Industrialization and rapid development have affected the environment. Everybody should realize that such development is related to environmental damage and resource depletion.

18. **Importance of Active listening:** It is important for several reasons:

- (i) It aids the organization in carrying out its missions.
- (ii) It helps individuals to advance in their careers.
- (iii) It provides information that helps them to learn about important happenings in the organization, as well as assisting them in doing their own jobs well.

- (iv) It also helps in building strong personal relationships.
19. (i) The types of grapevine chains which facilitates the communication are:
- (a) **Single Strand Chain:** In this type of chain, 'A' tells something to 'B' who tells it to 'C' and so on. This type of chain is the least accurate in passing on the information or message.
 - (b) **Gossip Chain:** In it, a person seeks out and tells everyone the information he has obtained. This chain is often used when information or a message regarding a 'not-on-job' nature is being conveyed.
 - (c) **Probability Chain:** In it, individuals are indifferent to the persons to whom they are passing some information. This chain is found when the information is somewhat interesting but not really significant.
 - (d) **Cluster Chain:** In this type of chain, 'A' tells something to a few selected individuals and then some of these individuals inform a few other selected individuals.
- (ii) **Demerits of the grapevine phenomenon:**
- (a) It is less credible. It cannot always be taken seriously.
 - (b) It does not always carry the complete information.
 - (c) It often distorts the picture or often misinforms.
20. There are specific elements that help a company to be more innovative. It is a blend of culture, methodologies, infrastructure, and work practices. A sustainable innovation organization should have:
- Vision and strategy for innovation
 - Culture supporting innovation
 - Processes, practices and systems supporting innovation
 - Top management team leading innovation
 - Effective Cross-functional teams
 - Empowered employees driving innovation.
 - Finding the Right Balance Between Bureaucracy and Chaos

Successful organizations must balance bureaucratic processes at one extreme with the fluid creative chaos of relationships, interests and transactions, which enable it to be innovative and alive, at the other.