CLAT PG Company Law
Sample Paper – 10

Duration: 20 Minutes | Max Marks: 20

Instructions

- This paper contains **20 Multiple Choice Questions (MCQs)**.
- Each correct answer carries **+1 mark**.
- Each wrong answer carries a **penalty of -0.25 marks** (negative marking).
- Only **one option** is correct for each question.
- Syllabus: **Companies Act, 2013** and **Insolvency and Bankruptcy Code, 2016** (LLB level).
- Use of calculators or any electronic devices is **strictly prohibited**.

SECTION A – Questions

Q1. Kohinoor Foods Ltd., incorporated in Maharashtra with its registered office in Mumbai, seeks to shift its registered office to Hyderabad, Telangana, to be closer to its operations. The company's Board has passed a resolution for the shift. The Company Secretary advises that merely passing a Board resolution is insufficient and that regulatory approvals are required before the change can be effected.

Which of the following correctly describes the procedure for shifting the registered office of a company from one state to another under the Companies Act, 2013?

(A) A company can shift its registered office from one state to another by passing a special resolution and filing an intimation with the Registrar of Companies of both states; no NCLT approval or publication in the Official Gazette is required for this purpose.

(B) The shift of registered office from one state to another requires approval of the Central Government (Ministry of Corporate Affairs), not the NCLT; the application must be made to the Regional Director who is empowered to confirm such change.

(C) Under the proviso to s.13(4) of the Companies Act, 2013, a change in the registered office from one state to another requires: (i) a special resolution passed by the members; (ii) an application in Form INC-23 to the NCLT for confirmation of the alteration of the memorandum; (iii) publication of the notice in the Official Gazette and in a newspaper in the state of the existing registered office; (iv) obtaining no-objection from State Governments and other regulatory bodies as directed by the NCLT; the NCLT confirms the change only after being satisfied that adequate protection has been given to the interests of creditors, employees, and debenture-holders; the shift cannot be effected merely by a Board resolution or even a special resolution without NCLT confirmation.

(D) A registered office change from one state to another requires only a Board resolution (no special resolution) and an advertisement in two national newspapers; the change takes effect on the date of the Board resolution.

Q2. Greenfield Energy Ltd. is undergoing CIRP. Mr. Suresh Agarwal, the promoter of Greenfield Energy, submits a resolution plan as a resolution applicant, proposing to acquire the company at a significant haircut to creditors. The Committee of Creditors flags that Mr. Agarwal may be ineligible under s.29A of the IBC because his personal guarantee account with a bank has been classified as a Non-Performing Asset (NPA) for the past 14 months. Mr. Agarwal contends that his personal NPA does not disqualify him from submitting a plan for a corporate debtor.

Which of the following correctly describes the ineligibility provisions under Section 29A of the IBC and whether Mr. Agarwal is eligible to submit a resolution plan?

(A) Section 29A ineligibility applies only to the corporate debtor's accounts and not to the personal accounts of its promoters; Mr. Agarwal's personal NPA does not disqualify him from submitting a plan for Greenfield Energy; the CoC cannot reject his plan on this ground.

(B) Under s.29A of the IBC, a person is not eligible to submit a resolution plan if, among other grounds, their account has been classified as a Non-Performing Asset (NPA) for a period of one year or more (as per RBI guidelines) and no repayment of overdue amount has been made; this disqualification extends to promoters, connected persons, related parties, and persons acting jointly or in concert with such persons; since Mr. Agarwal's NPA account has been classified for 14 months (exceeding the one-year threshold), he is ineligible under s.29A(c) to submit a resolution plan; the CoC's flag is legally correct.

(C) Section 29A disqualification based on NPA classification applies only to promoters of listed companies; promoters of unlisted private companies like Greenfield Energy are exempt from the NPA-based ineligibility criterion under s.29A.

(D) The one-year NPA period is counted from the date of CIRP commencement and not from the date of first NPA classification; since Greenfield Energy's CIRP was filed recently, Mr. Agarwal's NPA of 14 months calculated from its inception cannot be used to disqualify him.

Q3. Creditors of Prism Hotels Ltd. filed an application under s.7 of the IBC, which was admitted by the NCLT and CIRP commenced on 1st July 2025. The creditors subsequently reached a settlement with the management. The applicant creditor now wishes to withdraw the CIRP application. The IRP informs the creditor that withdrawal requires a specific statutory procedure involving the Committee of Creditors and the NCLT.

Which of the following correctly describes the procedure for withdrawal of a CIRP application after it has been admitted under the Insolvency and Bankruptcy Code, 2016?

(A) Under s.12A, an admitted CIRP application can be withdrawn by the applicant as a matter of right at any time before the CoC approves a resolution plan; neither the CoC's approval nor the NCLT's order is required; the applicant merely needs to file an affidavit of settlement.

(B) Withdrawal of a CIRP application after admission requires a unanimous vote (100%) of the Committee of Creditors; a 90% vote is insufficient and has no statutory basis; this ensures that no single creditor's dissent is overridden when all admitted creditors have a stake in the outcome.

(C) Only the financial creditor who originally filed the CIRP application can apply for withdrawal; operational creditors and the NCLT-appointed RP have no standing to move a withdrawal application even if the original applicant is unavailable or insolvent.

(D) Under s.12A of the IBC (inserted by the Insolvency Law Amendment Act, 2018), an application for CIRP may be withdrawn after it has been admitted by the NCLT; however, withdrawal requires the approval of the Committee of Creditors by a vote of not less than 90% of the total voting share; after the CoC grants its approval, an application must be made to the NCLT which then passes an order allowing the withdrawal; the NCLT may also allow withdrawal before the CoC is constituted if it is satisfied that a settlement has been reached; the 90% requirement is higher than the usual 66% threshold for resolution plan approval, reflecting the seriousness of withdrawing from an admitted CIRP.

Q4. Orion Technologies Pvt. Ltd. was incorporated in 2020 to undertake a specific construction project, which has since been put on hold indefinitely. The company has had no significant accounting transactions since incorporation and no business activity. The promoters wish to retain the company's name and legal existence but are burdened by annual compliance costs. Their legal adviser suggests applying for dormant company status.

Which of the following correctly describes the procedure and consequences of obtaining dormant company status under the Companies Act, 2013?

(A) Under s.455 of the Companies Act, 2013, a company that has not been carrying on any business or operation, or has not made any significant accounting transaction during the last two financial years, or which has not filed financial statements and annual returns during the last two financial years, may obtain dormant company status by filing an application with the Registrar of Companies in Form MSC-1; a dormant company must hold at least one Board meeting in each half of the calendar year; it must file an annual return in Form MSC-3; a dormant company remaining dormant for five consecutive years may be struck off by the Registrar.

(B) Dormant company status can be obtained only by a company that is entirely debt-free and has no pending litigation; a company with even a single outstanding creditor's claim cannot apply for dormant status under s.455; the promoters must first settle all outstanding dues before making the application.

(C) A company must pass a special resolution of shareholders to apply for dormant status; an ordinary application to the Registrar without shareholder approval has no effect; once dormant, the company is completely exempted from all compliance requirements including AGM, annual return, and financial statements.

(D) Dormant company status under s.455 can only be granted by the NCLT, not by the Registrar; the company must file a petition before the NCLT, which hears objections from creditors before granting the dormant status; dormant status is granted for a maximum period of three years.

Q5. Radiant Holdings Ltd. has a complex shareholding structure in which Mr. Rajiv Shah, through a web of nominee entities, ultimately holds beneficial ownership of 25% of Radiant's equity shares. None of the nominee entities have disclosed Mr. Shah's ultimate beneficial ownership to Radiant. The Ministry of Corporate Affairs has been directing attention to beneficial ownership transparency and a compliance officer asks about the legal framework.

Which of the following correctly describes the Significant Beneficial Owner (SBO) disclosure framework under Section 90 of the Companies Act, 2013?

(A) The SBO disclosure requirement applies only to listed companies whose shares are traded on a recognised stock exchange; privately held companies like Radiant Holdings Ltd. are exempt from s.90.

(B) A person must hold at least 25% of a company's shares (directly or indirectly) to qualify as a Significant Beneficial Owner; at Mr. Shah's 25% beneficial holding he would just cross the threshold, but the disclosure form need not be filed until the shareholding reaches 50%.

(C) Under s.90 of the Companies Act, 2013, every individual who, acting alone or together or through one or more persons or trusts, holds beneficial interests of not less than 10% in shares of a company (including indirect holding through a chain of entities) is a "Significant Beneficial Owner" and must make a declaration to the company in Form BEN-1; the company must file a return of SBOs with the ROC in Form BEN-2 and maintain a Register of Significant Beneficial Owners in Form BEN-3; if any person fails to make the required declaration, the company can apply to the NCLT to restrict the rights attaching to the shares; Mr. Shah's failure to declare his beneficial ownership exposes him and the nominee entities to penalties.

(D) The SBO framework under s.90 applies only to the direct registered shareholders; indirect beneficial ownership through nominees or trusts is not covered by the Companies Act, 2013 and is governed separately by the Prevention of Money Laundering Act, 2002.

Q6. Nova Capital Pvt. Ltd. proposes to raise equity capital by issuing shares to 250 investors in the current financial year. The company's finance director proposes to advertise the placement opportunity in a national newspaper to attract investors and to collect application money into the company's regular bank account. The Company Secretary immediately raises compliance concerns about the proposed approach.

Which of the following correctly describes the restrictions on private placement of shares under Section 42 of the Companies Act, 2013?

(A) Under s.42, private placement can be made to any number of persons as long as each individual investor's investment is not less than Rs. 20,000; there is no upper limit on the total number of persons to whom shares can be offered privately; the newspaper advertisement is also permissible as long as it is a factual announcement without any inducement.

(B) Under s.42 of the Companies Act, 2013, a company cannot offer shares to more than 200 persons in aggregate in a financial year (excluding qualified institutional buyers and employees under an ESOP scheme); the offer/invitation can be made only through a private placement offer-cum-application letter in Form PAS-4; the company is prohibited from advertising the offer to the public through newspapers, electronic media, or any other means; application money must be kept in a separate bank account and cannot be utilised for any purpose other than adjustment against allotment or refund; allotment must be made within 60 days of receipt of application money; since Nova proposes to approach 250 investors and advertise publicly, both aspects of its plan violate s.42.

(C) Private placement of shares under s.42 requires prior approval of SEBI if the amount raised exceeds Rs. 50 crore; below this threshold, only the Registrar of Companies needs to be informed; the 200-person limit applies only to listed companies, not to private companies like Nova Capital.

(D) The 200-person limit under s.42 is a per-offer limit and not an annual aggregate limit; a company can make multiple private placement offers in a year to different sets of 200 investors as long as each individual offer does not exceed 200 persons; Nova's plan to offer to 250 investors is permissible if made as two separate tranches.

Q7. Cascade Retail Ltd. is an unlisted public company with a paid-up share capital of Rs. 8 crore. The company has never appointed a whole-time Company Secretary (CS), and the management believes that mandatory CS appointment is only required for listed companies or very large companies. An inspector from the Registrar of Companies visits the company and raises a query about CS appointment.

Which of the following correctly identifies the threshold above which a company is mandatorily required to appoint a whole-time Company Secretary *under Section 203 of the Companies Act, 2013?*

(A) All public companies, regardless of their paid-up share capital, are mandatorily required to appoint a whole-time Company Secretary under s.203; the threshold of paid-up capital applies only to private companies; since Cascade Retail is a public company, it must immediately appoint a CS.

(B) The mandatory CS appointment threshold is a paid-up share capital of Rs. 5 crore; since Cascade Retail has Rs. 8 crore paid-up capital, it is required to appoint a CS and the inspector's query is well-founded.

(C) A whole-time Company Secretary is only mandatory for companies listed on a recognised stock exchange; unlisted public companies of any size are completely exempt from the mandatory CS appointment requirement under s.203.

(D) Under s.203 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, every company having a paid-up share capital of Rs. 10 crore or more is required to appoint a whole-time Company Secretary as a Key Managerial Personnel (KMP); all listed companies must also appoint a CS regardless of paid-up capital; the penalty for non-compliance is Rs. 5 lakh for the company and Rs. 1 lakh for each officer in default, with an additional daily default penalty; since Cascade Retail's paid-up capital is Rs. 8 crore (below the Rs. 10 crore threshold), it is not currently required under s.203 to appoint a whole-time CS, though it may choose to do so voluntarily.

Q8. Sapphire Chemicals Ltd. is a listed public company that raised Rs. 200 crore from the public through a rights issue in 2023 for expanding its existing chemical manufacturing facility. Due to market changes, the Board now proposes to utilise the unspent raised funds for an unrelated real estate business. The Company Secretary advises that simply changing the objects in the MOA by special resolution is insufficient in this case.

Which of the following correctly describes the additional requirements for altering the objects clause of the MOA when a company has raised money *from the public through a prospectus and the funds remain unutilised?*

(A) Under s.13(8) of the Companies Act, 2013, a company that has raised money from the public through a prospectus and has unutilised amounts out of the money so raised shall not alter its objects clause for which the prospectus was issued, except after passing a special resolution; additionally, the company must publish a notice of the special resolution in newspapers (one in English and one in the vernacular language of the state where the registered office is situated); dissenting shareholders who do not agree with the new objects must be given an exit opportunity at a price determined in accordance with SEBI Regulations; the NCLT confirmation is no longer required (this requirement was dropped by the 2015 Amendment); the exit option protects investors who subscribed based on the original objects.

(B) Alteration of the objects clause under s.13 requires prior approval of the Securities and Exchange Board of India (SEBI) in all cases where the company is listed; without SEBI's prior approval, even a validly passed special resolution is ineffective.

(C) A company can alter its objects clause at any time by passing a special resolution without any special process, even if public funds remain unutilised; the rights issue proceeds belong to the company once received and can be applied for any purpose the Board deems fit.

(D) The objects clause of a memorandum of association is immutable and cannot be altered after incorporation without a court order; the Companies Act, 2013 does not permit alteration of objects regardless of whether money has been raised from the public.

Q9. The Resolution Professional (RP) of Stargate Manufacturing Ltd. has taken control of the corporate debtor's affairs after CIRP commencement. Prospective resolution applicants are approaching the RP for access to the company's financial and operational information so they can formulate resolution plans. The RP is preparing a document to give structured access to relevant information.

Which of the following correctly describes the Information Memorandum *that the Resolution Professional is required to prepare under the Insolvency and Bankruptcy Code, 2016?*

(A) The Information Memorandum under s.29 is prepared by the corporate debtor's Board of Directors (not by the RP) and submitted to the NCLT; the RP's role is only to verify and authenticate the IM prepared by the management.

(B) The IBC does not require the RP to prepare any Information Memorandum; resolution applicants are expected to conduct their own due diligence by inspecting the corporate debtor's premises and records directly; the RP only facilitates access and does not prepare any structured document.

(C) Under s.29 of the IBC read with Regulation 36 of the CIRP Regulations, the RP is required to prepare an Information Memorandum (IM) containing relevant information about the corporate debtor that would enable resolution applicants to prepare a resolution plan; the IM must include: assets and liabilities as on a specified date; latest annual financial statements; audited financial statements for the past two years; a list of creditors with their claims and security details; the details of the insolvency commencement date; any other information IBBI may specify; the RP must share the IM with every resolution applicant; the IM must be prepared within 2 weeks from the last date for receipt of proofs of claim.

(D) The Information Memorandum under the IBC is a confidential document that must be filed with the NCLT and shared only with the Committee of Creditors; prospective resolution applicants are not entitled to receive the IM and must submit plans based only on the public announcement and the corporate debtor's publicly available filings.

Q10. Sunrise Ventures is a One Person Company (OPC) founded by Mr. Arjun Kapoor. In the financial year 2024–25, the OPC's paid-up share capital increased to Rs. 60 lakh and its turnover reached Rs. 2.5 crore. Mr. Kapoor is uncertain whether the OPC must now mandatorily convert itself into a private or public company.

Which of the following correctly states the threshold above which a One Person Company is mandatorily required to convert itself into a private or public company under the Companies Act, 2013?

(A) An OPC is required to convert into a private company only if its annual turnover exceeds Rs. 20 crore; the paid-up capital threshold is irrelevant for this purpose; since Sunrise Ventures' turnover of Rs. 2.5 crore is below Rs. 20 crore, no mandatory conversion is required.

(B) Under Rule 6 of the Companies (Incorporation) Rules, 2014 (as amended), a One Person Company shall mandatorily cease to be an OPC and must convert into a private or public company within six months if its paid-up share capital exceeds Rs. 50 lakh or its average annual turnover during the relevant period exceeds Rs. 2 crore; since Sunrise Ventures' paid-up capital (Rs. 60 lakh) exceeds Rs. 50 lakh AND its turnover (Rs. 2.5 crore) exceeds Rs. 2 crore, it is required to convert to a private or public company within six months; Mr. Kapoor must initiate the conversion process immediately.

(C) There are no mandatory conversion thresholds for an OPC under the Companies Act, 2013; an OPC may continue as such indefinitely regardless of its paid-up capital or turnover; voluntary conversion to a private company is permitted after two years of incorporation but is not compulsory.

(D) The mandatory conversion threshold for an OPC is a paid-up capital exceeding Rs. 2 crore or turnover exceeding Rs. 20 crore; since Sunrise Ventures' paid-up capital of Rs. 60 lakh is well below Rs. 2 crore, no mandatory conversion arises at this stage.

Q11. Lenders file an application under s.7 of the IBC against Nova Constructions Ltd. in 2025, based on a financial debt that first became due and payable in 2016. Nova's lawyers argue that the application is time-barred because it was filed more than three years from the date of default, which is the limitation period applicable to money suits. The lenders contend that the Limitation Act does not apply to IBC proceedings.

Which of the following correctly describes the applicability of the Limitation Act, 1963 to proceedings under the Insolvency and Bankruptcy Code, 2016?

(A) The Limitation Act does not apply to proceedings under the IBC; the IBC is a complete code by itself and imposes no limitation period on creditors seeking to initiate insolvency proceedings; a default at any point in time can be the basis for a CIRP application regardless of when it occurred.

(B) The Limitation Act applies to IBC proceedings but only for operational creditor applications under s.9; for financial creditor applications under s.7, there is no applicable limitation period since financial creditors typically hold security which extends their right to recover indefinitely.

(C) The limitation period for IBC applications is 12 years (the limitation period applicable to suits on deeds or instruments) and not 3 years; since 12 years had not elapsed from the 2016 default, the lenders' application filed in 2025 is within time.

(D) Section 238A of the IBC (inserted by the Insolvency and Bankruptcy Code (Second Amendment) Act, 2018) expressly provides that the Limitation Act, 1963 shall, as far as may be, apply to proceedings or appeals before the NCLT, NCLAT, DRT, DRAT, and the Supreme Court; the Supreme Court in *Babulal Vardharji Gurjar v Veer Gurjar Aluminium Industries* (2020) confirmed that the Limitation Act applies to applications under the IBC; the limitation period for filing an application under s.7 for financial debt is three years from the date of default; since the default occurred in 2016 and the application was filed in 2025 (nine years later), the application is prima facie time-barred unless the lenders can show acknowledgment of debt or part payment that extended the limitation.

Q12. Horizon Power Ltd. proposes to raise long-term funds from the public by issuing debentures. The finance team is evaluating whether to issue Fully Convertible Debentures (FCDs) that will convert into equity shares after three years, or Non-Convertible Debentures (NCDs) that will be redeemed at the end of five years with a fixed interest rate. The team asks how these two types of debentures are treated differently under applicable laws.

Which of the following correctly describes the key distinction between Fully Convertible Debentures (FCDs) and Non-Convertible Debentures (NCDs) and their regulatory treatment?

(A) Fully Convertible Debentures (FCDs) are debt instruments that are mandatorily or optionally converted into equity shares of the issuing company at a predetermined ratio and price on a specified future date; since FCDs will eventually become equity, they are treated as equity instruments for certain regulatory purposes and their issue to the public requires compliance with SEBI's ICDR Regulations; Non-Convertible Debentures (NCDs) are pure debt instruments with no conversion option, carry a fixed rate of interest, and are redeemed at maturity; NCDs listed on stock exchanges are regulated by SEBI's Debt Listings Regulations; interest on NCDs is deductible as a business expense for the issuer, unlike dividends on equity; the liquidity and risk profiles of FCDs and NCDs are fundamentally different.

(B) Both FCDs and NCDs are debt instruments that are treated identically under the Companies Act, 2013 and SEBI Regulations; the only difference is in their interest rate — FCDs carry a lower interest rate since they offer the bonus of conversion, while NCDs carry a higher interest rate.

(C) Under Indian law, the term 'debenture' refers only to Non-Convertible Debentures; Fully Convertible Debentures are not classified as 'debentures' at all under the Companies Act, 2013 and are instead classified as 'equity instruments' from the date of issue.

(D) Fully Convertible Debentures can be issued only by private companies, whereas Non-Convertible Debentures can be issued by both private and public companies; listed public companies are prohibited from issuing FCDs under SEBI Regulations as they dilute the certainty of equity market capitalisation.

Q13. Falcon Textiles Ltd. has been ordered to be wound up compulsorily by the NCLT following a petition by an unpaid creditor. The Official Liquidator has been appointed. The Official Liquidator contacts the company's directors and officers and demands a Statement of Affairs of the company. A director asks who is legally obligated to file the Statement of Affairs, what it must contain, and within what time period it must be submitted.

Which of the following correctly describes the obligations relating to the Statement of Affairs in a compulsory winding up of a company under the Companies Act, 2013?

(A) The Statement of Affairs in a compulsory winding up is prepared exclusively by the Official Liquidator from public records and registered filings; the company's directors have no obligation to prepare or submit any statement to the Official Liquidator.

(B) The Statement of Affairs must be submitted within 90 days of the winding-up order; the directors are not personally liable for any inaccuracies in the statement if they acted in good faith using available information.

(C) In a compulsory winding up by the NCLT, the Statement of Affairs (in the prescribed form) must be submitted by the directors (or other specified officers) of the company to the Official Liquidator; the Statement must disclose the assets of the company (stating separately cash balance in hand and at bank), its debts and liabilities, names and addresses of creditors with details of security held, details of debtors from whom debts are due, and such other information as may be prescribed; the persons required to submit the Statement of Affairs must do so within 21 days of the winding-up order (or such extended time as the Official Liquidator may allow, not exceeding 45 days); the Statement provides the Official Liquidator with a snapshot of the company's affairs and is essential for administering the winding up.

(D) The Statement of Affairs is not required in a compulsory winding up; it is required only in a members' voluntary winding up where the directors make a Declaration of Solvency; in compulsory winding up, the Official Liquidator prepares a Preliminary Report instead.

Q14. Synergy Power Ltd.'s resolution plan was approved by the NCLT under s.31 of the IBC. The resolution applicant, a new investor, took over the company. The Income Tax Department subsequently served a demand notice on the new management for income tax dues of Rs. 45 crore relating to assessment years prior to the CIRP commencement date. The new management argues that the approved resolution plan discharges all pre-CIRP liabilities including tax dues not expressly included in the plan.

Which of the following correctly states the legal position regarding the discharge of pre-CIRP liabilities upon approval of a resolution plan under the IBC?

(A) Government dues and statutory taxes are not extinguished by an approved resolution plan under the IBC; the government is a preferential creditor whose dues survive the insolvency process; the new management of Synergy Power Ltd. remains liable for all pre-CIRP tax demands regardless of what the resolution plan provides.

(B) The Supreme Court in *Ghanashyam Mishra and Sons Pvt. Ltd. v Edelweiss ARC* (2021) held that once a resolution plan has been approved by the NCLT under s.31 of the IBC, it is binding on the corporate debtor and all its creditors including the Central Government, State Governments, and local authorities; any unpaid dues of the government or statutory authorities that are not part of the approved resolution plan stand extinguished and cannot be recovered from the corporate debtor after approval; the income tax department cannot serve a demand notice for pre-CIRP dues that were not included in the approved resolution plan; the successor-investor cannot be held liable for such extinguished government dues.

(C) The resolution plan binds only the financial and operational creditors who participated in the CIRP; government statutory dues that were not filed as claims before the RP are treated as contingent liabilities that continue to attach to the corporate debtor even after plan approval.

(D) The discharge of government dues upon plan approval applies only to dues of the Central Government; State Government taxes and local authority dues survive the approved resolution plan and can be recovered from the new management.

Q15. Zephyr Technologies Ltd. proposes to make its Initial Public Offering (IPO). Its investment bankers present two options: (a) a book-building route where a price band is specified and bids are invited from investors; and (b) a fixed price issue where the IPO price is pre-determined and stated in the prospectus. The company's management seeks clarity on the key differences and regulatory requirements for each route.

Which of the following correctly describes the distinction between a book-building issue and a fixed price issue in an IPO under SEBI Regulations?

(A) Book-building and fixed price issues are identical in terms of regulatory requirements under SEBI; the only difference is that book-building requires a longer subscription period (10 days) while fixed price issues can close in 3 days; both must reserve exactly 50% of the issue for retail investors.

(B) Under Indian SEBI Regulations, book-building is permitted only for follow-on public offers (FPOs) and rights issues; an Initial Public Offering must mandatorily use the fixed price method since the company's market-determined value is not yet known.

(C) In a book-building issue, the entire offer is made to institutional investors only; retail and non-institutional investors can only participate in IPOs through the fixed price route; SEBI does not allow retail participation in book-built issues.

(D) In a book-building issue under SEBI ICDR Regulations, the issuer specifies a price band (floor price and a cap price not exceeding 1.2 times the floor price); investors bid for shares within this band and the price is discovered through the bidding process; for a book-built IPO, at least 75% of the net offer must be made to Qualified Institutional Buyers (QIBs) in a mandatory book-built category; in a fixed price issue, the issue price is determined upfront and stated in the prospectus; demand is unknown until the issue closes; 50% of the net offer in a fixed price issue must be reserved for retail individual investors; the price discovery mechanism is the fundamental difference between the two routes.

Q16. Matrix Solutions Pvt. Ltd. completed a private placement of equity shares and allotted shares to 15 investors on 30th September 2025. The Company Secretary proposes to file the return of allotment (Form PAS-3) with the ROC by 31st October 2025 — 31 days after allotment. A junior associate queries whether this timeline is compliant and what penalties apply for late filing.

Which of the following correctly describes the obligation to file a return of allotment in a private placement under Section 42 of the Companies Act, 2013?

(A) Under s.42(9) of the Companies Act, 2013, a company making a private placement must file a return of allotment in Form PAS-3 with the Registrar of Companies within 15 days of the date of allotment; along with Form PAS-3, a complete list of all persons to whom securities have been issued must be filed; since the allotment was made on 30th September 2025, the return must be filed by 15th October 2025; the proposed filing date of 31st October (31 days after allotment) would be 16 days late and would attract a penalty.

(B) Form PAS-3 for a private placement must be filed within 30 days of the date of allotment; Matrix Solutions' proposed filing on 31st October (31 days after 30th September) is one day beyond the 30-day window and attracts a penalty of Rs. 1,000 per day for the delay.

(C) The return of allotment in Form PAS-3 must be filed within 60 days of allotment under s.42; the Company Secretary's proposed filing within 31 days is well within the statutory deadline and no penalty applies.

(D) There is no statutory requirement to file a return of allotment with the ROC for private placements; only public offers of securities require filing of allotment details with the Registrar; private placements are governed by inter-party agreements and require no public disclosure.

Q17. Spectrum Infrastructure Ltd.'s CIRP commenced on 1st April 2025. The Resolution Professional has not received a final resolution plan despite 180 days elapsing. The Committee of Creditors, by a vote of 70% of the voting share, passes a resolution requesting an extension of the CIRP timeline. The NCLT is examining the application for extension.

Which of the following correctly describes the permissible CIRP timeline and extension provisions under Section 12 of the Insolvency and Bankruptcy Code, 2016?

(A) The CIRP timeline under s.12 is 180 days extendable by an additional 180 days; the maximum total CIRP period is therefore 360 days plus any time excluded on account of litigation; since the 180-day period has just elapsed, the CoC can obtain a full 180-day extension.

(B) An extension of the CIRP beyond 180 days requires a unanimous CoC vote (100%); a 70% vote is insufficient; the NCLT will reject the extension application and must immediately pass a liquidation order.

(C) Under s.12 of the IBC, the CIRP must be completed within 180 days from the insolvency commencement date; on an application by the Resolution Professional, the NCLT may extend the CIRP by up to 90 days beyond the initial 180 days, provided the CoC passes a resolution approving the extension by a vote of not less than 66% of the voting share; the aggregate CIRP period including the extension cannot exceed 270 days; the Supreme Court in *Committee of Creditors of Essar Steel India Ltd. v Satish Kumar Gupta* (2019) upheld this mandatory maximum, confirming that the CIRP must conclude within the statutory limit; since the CoC voted 70% (above the 66% threshold), the extension application is competent and the NCLT may grant up to 90 additional days.

(D) The CIRP period under s.12 is 180 days, which is extendable at the discretion of the NCLT for any further period not exceeding 180 days; the CoC vote is only advisory and the NCLT may grant or refuse the extension based on its own assessment of whether resolution is feasible.

Q18. Mr. Rohit Sharma has cleared the Limited Insolvency Examination (LIE) conducted by the IBBI and wishes to become a registered Insolvency Professional (IP) to handle CIRP and liquidation cases. He is advised that before applying for registration with the IBBI as an IP, he must enrol with an Insolvency Professional Agency (IPA). He seeks to understand what IPAs are, how they function, and which ones are currently registered.

Which of the following correctly describes the role of Insolvency Professional Agencies under the Insolvency and Bankruptcy Code, 2016?

(A) Insolvency Professional Agencies under the IBC are government departments established under the Ministry of Finance; all IPs are direct employees of the government IPAs and are assigned CIRP cases by the government on a rotational basis.

(B) Under s.201 of the IBC, an Insolvency Professional Agency (IPA) is a body registered with the IBBI for the purpose of promoting and regulating the insolvency professional fraternity; IPAs enrol individuals as their members who are eligible to be registered as Insolvency Professionals; an IP must be enrolled with one (and only one) IPA; IPAs are responsible for: (i) laying down professional standards; (ii) developing a code of ethics; (iii) conducting disciplinary proceedings against errant members; three IPAs are currently registered with the IBBI: (1) ICSI Insolvency Professionals Agency, (2) IBBI of India Insolvency Professionals Agency, and (3) ICAI Insolvency Professionals Agency.

(C) An Insolvency Professional can be enrolled with multiple IPAs simultaneously to enhance credibility and professional standing; IBBI allows dual or triple IPA membership as long as the IP pays the prescribed annual fees to each IPA.

(D) IPAs are registered stock exchanges that have been given the additional mandate to regulate insolvency professionals; SEBI and IBBI jointly oversee the IPAs in the same manner as they jointly oversee stock brokers and depositories.

Q19. Apex Technologies Ltd. has 1,00,00,000 equity shares of Rs. 10 each (face value) currently trading on the NSE at Rs. 1,800 per share. The Board proposes to subdivide each existing share of Rs. 10 into 10 shares of Rs. 1 each, making the shares more affordable and increasing liquidity. The management asks what resolution is required and what the effect on the company's paid-up capital and reserves will be.

Which of the following correctly describes the procedure and effect of a subdivision of shares under Section 61 of the Companies Act, 2013?

(A) Subdivision of shares under the Companies Act, 2013 requires a special resolution passed with at least a three-fourths majority of votes cast; an ordinary resolution is insufficient for any structural change to the share capital structure.

(B) A subdivision of shares increases the company's paid-up share capital because the number of shares increases; for example, subdividing 10 shares of Rs. 10 into 100 shares of Rs. 1 creates 90 additional shares, and the paid-up capital must correspondingly increase by $90 \times$ Rs. $1 =$ Rs. 90.

(C) Subdivision of shares is not permitted for companies listed on a stock exchange because it alters the market capitalisation structure; listed companies must seek SEBI's approval for any change in the face value of shares, and SEBI rarely grants such approval.

(D) Under s.61(1)(d) of the Companies Act, 2013, a company may, by passing an ordinary resolution in a general meeting, subdivide (split) its shares into shares of a smaller denomination than those fixed by the memorandum of association; a special resolution is not required for subdivision; the total paid-up share capital of the company remains unchanged ($1{,}00{,}00{,}000$ shares $\times$ Rs. 10 $=$ Rs. 10 crore $=$ $10{,}00{,}00{,}000$ shares $\times$ Rs. 1 $=$ Rs. 10 crore); the market price per share approximately divides by the split ratio (from Rs. 1,800 to Rs. 180 per share post-split), making shares more affordable; the face value changes but earnings per share (EPS) and other per-share metrics are adjusted proportionately.

Q20. Radiance Innovations Ltd. is a listed company with shareholders spread across India and abroad. The management proposes to conduct its Annual General Meeting via Video Conferencing (VC) and Other Audio-Visual Means (OAVM) to enable wider participation. Some shareholders object, claiming that the Companies Act, 2013 requires a physical AGM and that virtual AGMs are not legally valid. The Board seeks clarity on the legal position.

Which of the following correctly describes the current legal position regarding virtual/electronic general meetings under the Companies Act, 2013?

(A) The Ministry of Corporate Affairs (MCA) through the Companies (Management and Administration) Amendment Rules, 2021 has permitted listed companies and other specified categories of companies to conduct Extraordinary General Meetings (EGMs) through Video Conferencing (VC) or Other Audio-Visual Means (OAVM); subsequent MCA circulars extended and codified this further; the Companies Act, 2013 at s.108 provides for voting by electronic means and the rules permit VC participation at Board meetings under s.173; however, physical presence is still required for Annual General Meetings of companies mandated to hold physical AGMs unless further legislative amendment is made; shareholders at VC meetings (where permitted) are counted as present for quorum and voting purposes.

(B) The Companies Act, 2013 expressly prohibits virtual meetings; all general meetings (including EGMs and AGMs) must be held physically with shareholders present in the same location; any resolution passed at a virtual meeting is void and has no legal effect.

(C) Virtual EGMs and AGMs have been fully legalised for all companies in India with no restrictions or conditions; any company may now hold all its meetings virtually without obtaining any special permission or complying with additional procedural requirements beyond those for physical meetings.

(D) Virtual meetings under the Companies Act, 2013 are only valid for Board meetings under s.173; general meetings of shareholders (AGMs and EGMs) cannot be held virtually under any circumstances; the shareholders who are physically absent cannot be counted as present even if they participate through VC.

DETAILED SOLUTIONS

Sol. 1.

Solution

Concept — Change of Registered Office Between States (s.13, Companies Act, 2013):

Section 13 of the Companies Act, 2013 governs alteration of the Memorandum of Association. A change of registered office from one state to another is an alteration of the MOA and requires NCLT confirmation under s.13(4). The procedure involves: (i) passing a special resolution by the members; (ii) filing Form INC-23 with the NCLT; (iii) publication of the notice in the Official Gazette and in a newspaper in the state of the existing registered office; and (iv) obtaining no-objections from State Governments and other bodies as directed by the NCLT.

The NCLT confirms the change only after ensuring adequate protection for creditors, employees, and debenture-holders. A Board resolution alone is entirely insufficient. The Registrar of the new state must be notified after NCLT confirmation. Option (C) correctly captures all these requirements.

Why other options are wrong:

- Option (A): Incorrect. Special resolution and ROC intimation alone are not sufficient; NCLT confirmation and Official Gazette publication are mandatory under s.13(4).
- Option (B): Incorrect. Post the 2015 Amendment, the NCLT (not the Central Government or Regional Director) is the confirming authority for interstate registered office changes.
- Option (D): Incorrect. A Board resolution (without even a special resolution) cannot effect a change between states; nor can a newspaper advertisement substitute for NCLT confirmation.

Final Answer: The correct procedure requires special resolution, NCLT confirmation via Form INC-23, Official Gazette publication, and no-objection from state authorities. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q1

Sol. 2.

Solution

Concept — Ineligibility of Resolution Applicants under s.29A, IBC, 2016:

Section 29A of the IBC (inserted by the IBC Amendment Act, 2018) creates a comprehensive list of persons ineligible to submit resolution plans. The intent is to prevent promoters or connected persons who caused the corporate debtor's insolvency from regaining control at a discount. Under s.29A(c), a person is ineligible if their account (or that of a related party) has been classified as an NPA for one year or more and no repayment of overdue amount has been made.

The disqualification extends to the promoter's personal accounts and accounts of related parties — it is not limited to the corporate debtor's accounts. Mr. Agarwal's personal guarantee account with 14 months of NPA classification clearly falls within s.29A(c). The CoC's objection is legally well-founded and should result in rejection of his resolution plan.

Why other options are wrong:

- Option (A): Incorrect. Section 29A expressly extends to the promoter's personal accounts and accounts of related parties; it is not limited to the corporate debtor's accounts alone.
- Option (C): Incorrect. Section 29A makes no distinction between listed and unlisted companies; the disqualification applies equally regardless of listing status.
- Option (D): Incorrect. The one-year NPA period is reckoned from the date of NPA classification per RBI norms, not from the date of CIRP commencement.

Final Answer: Mr. Agarwal's 14-month NPA account disqualifies him under s.29A(c); the CoC's objection is legally correct. $\Rightarrow \boxed{B}$

Answer: (B) Go Back to Q2

Sol. 3.

Solution

Concept — Withdrawal of CIRP Application under s.12A, IBC, 2016:

Section 12A was inserted into the IBC by the Insolvency Law Amendment Act, 2018 to provide a mechanism for settlement and withdrawal after CIRP admission. Before s.12A, there was no express provision for post-admission withdrawal. The provision now allows withdrawal only with the approval of 90% of the CoC's voting share — a supermajority higher than the 66% required for resolution plan approval, reflecting the serious impact on creditors who have already invested in the CIRP process.

After CoC approval, the application for withdrawal must be placed before the NCLT, which passes an order for withdrawal. Where the CoC has not yet been constituted, the NCLT has jurisdiction to allow withdrawal if satisfied that a settlement has been reached. Option (D) correctly captures all elements of the s.12A procedure.

Why other options are wrong:

- Option (A): Incorrect. Withdrawal is not a matter of right; it mandatorily requires CoC approval at 90% and an NCLT order; an affidavit of settlement alone is insufficient.
- Option (B): Incorrect. The statutory threshold is 90%, not 100%; a unanimous vote is not required by law.
- Option (C): Incorrect. The IBC and IBBI Regulations permit the RP to submit the withdrawal application as directed by the NCLT; standing is not limited to the original financial creditor applicant.

Final Answer: Withdrawal requires 90% CoC vote and NCLT order under s.12A; neither a right of withdrawal nor unanimity is required. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q3

Sol. 4.

Solution

Concept — Dormant Company Status under s.455, Companies Act, 2013:

Section 455 of the Companies Act, 2013 provides relief to companies that have no active business by allowing them to obtain "dormant" status from the Registrar of Companies. The application is filed in Form MSC-1. Eligibility requires that the company has had no significant accounting transaction for the last two financial years, or has not filed financial statements and annual returns for that period.

A dormant company must still comply with minimal obligations: holding at least one Board meeting per half-year, filing an annual return in Form MSC-3, and paying prescribed fees. If the company remains dormant for five consecutive years, the Registrar may strike it off. Crucially, the Registrar (not the NCLT) grants dormant status and no special resolution is required — an application in Form MSC-1 suffices.

Why other options are wrong:

- Option (B): Incorrect. The Companies Act does not require the company to be debt-free or free of litigation before applying for dormant status under s.455.
- Option (C): Incorrect. No special resolution is required; application to the Registrar in Form MSC-1 suffices; dormant companies are not completely exempted from all compliance obligations.
- Option (D): Incorrect. Dormant status is granted by the Registrar of Companies, not the NCLT; there is no maximum three-year cap specified in the statute.

Final Answer: Application in Form MSC-1 to the Registrar suffices; minimal compliance obligations remain; five-year dormancy may lead to strike-off. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q4

Sol. 5.

Solution

Concept — Significant Beneficial Owner (SBO) Framework under s.90, Companies Act, 2013:

Section 90 of the Companies Act, 2013 and the Companies (Significant Beneficial Owners) Rules, 2018 (as amended in 2019) impose a transparency framework to prevent concealment of true ownership through nominee structures. Any individual holding, directly or indirectly, 10% or more of the shares or voting rights or dividend rights is an SBO and must file a declaration in Form BEN-1 with the company. The company must maintain a BEN-3 register and file Form BEN-2 with the ROC.

The SBO framework applies to all companies (not just listed ones) and expressly covers indirect holding through nominees, trusts, or chains of entities. If a person fails to comply, the company may apply to the NCLT to restrict rights attaching to the shares. Mr. Shah's 25% indirect beneficial interest (well above the 10% threshold) attracts mandatory disclosure obligations immediately.

Why other options are wrong:

- Option (A): Incorrect. Section 90 applies to all companies, not just listed companies; privately held companies are fully within its scope.
- Option (B): Incorrect. The threshold under s.90 is 10%, not 25%; at 25% Mr. Shah has long surpassed the threshold and disclosure was required from the time his beneficial holding crossed 10%.
- Option (D): Incorrect. Section 90 expressly covers indirect beneficial ownership; the provision would be rendered meaningless if nominee and trust arrangements were excluded.

Final Answer: The 10% SBO threshold applies to all companies including private companies; indirect beneficial ownership through nominees is expressly covered. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q5

Sol. 6.

Solution

Concept — Private Placement Restrictions under s.42, Companies Act, 2013:

Section 42 of the Companies Act, 2013 provides a tightly regulated regime for private placement of securities. Key restrictions include: (i) maximum 200 persons in aggregate in a financial year (excluding QIBs and employees under ESOP); (ii) no public advertisement through any medium whatsoever; (iii) offer only through Form PAS-4; (iv) application money to be kept in a separate bank account and not utilised until allotment; (v) allotment within 60 days of receipt of application money; (vi) return of allotment in Form PAS-3 within 15 days of allotment.

Nova Capital's plan violates s.42 on two independent grounds: it seeks to reach 250 investors (exceeding the 200-person annual aggregate limit) and proposes to advertise publicly (categorically prohibited). Both violations independently attract severe penalties including possible criminal liability.

Why other options are wrong:

- Option (A): Incorrect. There is no minimum investment exemption under s.42; the 200-person aggregate limit is absolute and newspaper advertisement is categorically prohibited.
- Option (C): Incorrect. Section 42 applies to all companies including private companies; there is no SEBI approval threshold; the 200-person limit is not limited to listed companies.
- Option (D): Incorrect. The 200-person limit is an annual aggregate limit, not a per-offer limit; splitting an offer into tranches does not circumvent the annual cap.

Final Answer: Nova's plan violates s.42 on two counts: the 200-person aggregate annual limit and the absolute prohibition on public advertisement. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q6

Sol. 7.

Solution

Concept — Mandatory Appointment of Whole-Time Company Secretary under s.203, Companies Act, 2013:

Section 203 of the Companies Act, 2013 read with Rule 8A of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended) requires every company with a paid-up share capital of Rs. 10 crore or more to appoint a whole-time Company Secretary as KMP. Additionally, all listed companies must appoint a whole-time CS irrespective of paid-up capital.

Cascade Retail Ltd. is an unlisted public company with Rs. 8 crore paid-up capital — below the Rs. 10 crore threshold. Accordingly, the mandatory appointment requirement under s.203 does not currently apply to it. The inspector's query, while commercially prudent, does not expose the company to any penalty under s.203 since the threshold is not crossed.

Why other options are wrong:

- Option (A): Incorrect. The mandatory CS requirement is not universal for all public companies; the paid-up capital threshold applies to public and private companies alike; there is no blanket exemption for private companies.
- Option (B): Incorrect. The threshold is Rs. 10 crore, not Rs. 5 crore; at Rs. 8 crore paid-up capital, the mandatory appointment obligation under s.203 is not triggered.
- Option (C): Incorrect. While all listed companies must have a CS, unlisted companies crossing the Rs. 10 crore paid-up capital threshold are also required to appoint one; unlisted status does not grant a blanket exemption from s.203.

Final Answer: The mandatory CS threshold is Rs. 10 crore paid-up capital; Cascade Retail's Rs. 8 crore falls below this threshold and no mandatory CS appointment is required. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q7

Sol. 8.

Solution

Concept — Alteration of Objects Clause in MOA when Money Raised from Public (s.13(8), Companies Act, 2013):

Section 13(8) of the Companies Act, 2013 imposes an additional layer of investor protection when a company has raised money from the public through a prospectus and the funds remain unutilised. In such cases, the company cannot merely pass a special resolution to alter the objects clause; it must additionally: (i) publish notice of the special resolution in one English and one vernacular newspaper in the state of the registered office; and (ii) provide an exit opportunity to dissenting shareholders at a price determined in accordance with SEBI Regulations.

The earlier requirement of NCLT confirmation for objects alteration was removed by the Companies (Amendment) Act, 2015. The exit opportunity is the critical investor protection for shareholders who subscribed on the basis of the original objects disclosed in the prospectus. Option (A) accurately captures the s.13(8) requirements.

Why other options are wrong:

- Option (B): Incorrect. No prior SEBI approval is required to alter the objects clause; the requirements are newspaper publication and exit opportunity for dissenting shareholders.
- Option (C): Incorrect. When public money remains unutilised, the company cannot freely redirect funds; the additional protections under s.13(8) are mandatory and cannot be bypassed.
- Option (D): Incorrect. The objects clause can be altered under the Companies Act, 2013; it is not immutable; alteration is permitted subject to the s.13(8) safeguards.

Final Answer: Special resolution + newspaper notice + exit opportunity for dissenting shareholders under s.13(8); NCLT confirmation is no longer required. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q8

Sol. 9.

Solution

Concept — Information Memorandum under s.29 of the IBC, 2016:

Section 29 of the IBC and Regulation 36 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 impose a duty on the Resolution Professional to prepare an Information Memorandum (IM). The IM is the central document that enables prospective resolution applicants to conduct due diligence and submit informed resolution plans. It must include all material information about the corporate debtor including assets, liabilities, financial statements, creditor details, and the insolvency commencement date.

The IM must be shared with every eligible resolution applicant — it is not a document exclusive to the CoC. The RP prepares the IM; it is not prepared by the corporate debtor's management. Option (C) correctly describes the RP's obligation, the IM's content, and its sharing with resolution applicants.

Why other options are wrong:

- Option (A): Incorrect. The RP (not the Board of Directors) prepares the IM; the Board's role in the CIRP is very limited after the RP takes control of management.
- Option (B): Incorrect. Section 29 expressly requires the RP to prepare the IM; expecting resolution applicants to conduct unstructured due diligence without a structured document would undermine competitive resolution planning.
- Option (D): Incorrect. The IM is shared with eligible resolution applicants, not restricted to the CoC; restricting access would defeat the purpose of competitive bidding for the corporate debtor.

Final Answer: The RP prepares the IM under s.29 read with Reg. 36 of CIRP Regulations; it must be shared with every eligible resolution applicant. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q9

Sol. 10.

Solution

Concept — Mandatory Conversion of OPC upon Crossing Thresholds (Rule 6, Companies (Incorporation) Rules, 2014):

The OPC structure under s.2(62) of the Companies Act, 2013 is designed for small, one-owner businesses. To prevent larger enterprises from availing the simplified OPC compliance regime, Rule 6 of the Companies (Incorporation) Rules, 2014 prescribes mandatory conversion thresholds. An OPC must convert to a private or public company within six months if its paid-up share capital exceeds Rs. 50 lakh or its average annual turnover exceeds Rs. 2 crore.

The thresholds work on an "or" basis — crossing either threshold independently triggers mandatory conversion. Sunrise Ventures crosses both thresholds simultaneously: paid-up capital of Rs. 60 lakh (exceeds Rs. 50 lakh) and turnover of Rs. 2.5 crore (exceeds Rs. 2 crore). Mr. Kapoor must therefore initiate conversion proceedings within six months.

Why other options are wrong:

- Option (A): Incorrect. The Rs. 20 crore turnover figure is not the applicable threshold; the correct threshold is Rs. 2 crore average annual turnover; paid-up capital is also independently relevant.
- Option (C): Incorrect. Mandatory conversion thresholds do exist for OPCs; indefinite continuation as an OPC is not permitted once the thresholds are crossed.
- Option (D): Incorrect. The thresholds are Rs. 50 lakh paid-up capital (not Rs. 2 crore) and Rs. 2 crore turnover (not Rs. 20 crore); Sunrise Ventures crosses both the correct thresholds.

Final Answer: Mandatory conversion is triggered when paid-up capital exceeds Rs. 50 lakh or turnover exceeds Rs. 2 crore; both thresholds are crossed here and conversion within six months is required. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q10

Sol. 11.

Solution

Concept — Applicability of the Limitation Act to IBC Proceedings (s.238A, IBC, 2016):

Section 238A was inserted into the IBC by the IBC (Second Amendment) Act, 2018 to legislatively settle the question of whether limitation applies to IBC proceedings. It expressly makes the Limitation Act, 1963 applicable to proceedings before the NCLT, NCLAT, DRT, DRAT, and the Supreme Court under the IBC. The Supreme Court in *Babulal Vardharji Gurjar v Veer Gurjar Aluminium Industries Pvt. Ltd.* (2020) confirmed this position categorically.

For a financial creditor's application under s.7, the limitation period is three years from the date when the right to apply accrued (i.e., the date of default), in accordance with Art. 137 of the Schedule to the Limitation Act. Lenders filing in 2025 for a 2016 default are prima facie time-barred unless they can establish an extension ground such as acknowledgment of liability or part payment.

Why other options are wrong:

- Option (A): Incorrect. Section 238A expressly provides that the Limitation Act applies; the IBC is not a self-contained code that excludes limitation.
- Option (B): Incorrect. Section 238A makes no distinction between s.7 and s.9 applications; limitation applies equally to both financial creditor and operational creditor applications.
- Option (C): Incorrect. The 12-year limitation period applies to suits on mortgages or speciality deeds; the applicable period for IBC applications is three years under Art. 137 of the Limitation Act.

Final Answer: The Limitation Act applies to IBC proceedings via s.238A; the three-year period from default makes the 2025 application prima facie time-barred for a 2016 default. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q11

Sol. 12.

Solution

Concept — Fully Convertible Debentures (FCDs) vs. Non-Convertible Debentures (NCDs) — Regulatory Treatment:

Debentures under s.2(30) of the Companies Act, 2013 include both convertible and non-convertible instruments. Fully Convertible Debentures (FCDs) are hybrid instruments: they begin as debt but transform into equity at a specified date or upon specified events. This hybrid nature means that SEBI's ICDR (Issue of Capital and Disclosure Requirements) Regulations — applicable to equity issuances — govern the public issue of FCDs. Non-Convertible Debentures (NCDs) remain pure debt throughout their tenure and are governed by SEBI's listing and debt securities regulations when listed.

The key regulatory distinction is clear: FCDs attract equity disclosure norms due to their eventual conversion, while NCDs attract debt market norms. Interest on NCDs is a deductible business expense; dividends on equity (post-conversion of FCDs) are not deductible. Option (A) accurately describes this distinction.

Why other options are wrong:

- Option (B): Incorrect. FCDs and NCDs are not treated identically; their regulatory frameworks differ fundamentally because of the conversion feature.
- Option (C): Incorrect. The Companies Act, 2013 and SEBI Regulations recognise FCDs as debentures; they are not reclassified as equity instruments from the date of issue (only converted at the specified date).
- Option (D): Incorrect. There is no restriction on listed public companies issuing FCDs; both listed and unlisted companies may issue FCDs subject to applicable regulations.

Final Answer: FCDs are governed by SEBI ICDR Regulations due to their equity conversion feature; NCDs are governed by SEBI debt market regulations; the conversion feature is the fundamental distinction. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q12

Sol. 13.

Solution

Concept — Statement of Affairs in Compulsory Winding Up (Companies Act, 2013):

In a compulsory winding up by the NCLT, the Statement of Affairs is a mandatory document providing the Official Liquidator (and creditors) with a snapshot of the company's financial position at the time of the winding-up order. The obligation to prepare and submit this Statement rests on the directors (or other specified persons such as the manager or principal officers) of the company — not the Official Liquidator. The Official Liquidator receives the document and uses it to administer the winding up.

Under the Companies Act, 2013 read with the Companies (Winding Up) Rules, 2020, the Statement of Affairs must be submitted within 21 days of the winding-up order, extendable by the Official Liquidator up to a maximum of 45 days. It must disclose assets (with cash separately stated), debts, creditors (with security details), and debtors. Option (C) correctly describes all these requirements.

Why other options are wrong:

- Option (A): Incorrect. The directors (not the Official Liquidator) are obligated to prepare and submit the Statement of Affairs; it cannot be compiled from public records alone.
- Option (B): Incorrect. The statutory timeline is 21 days (not 90 days) from the winding-up order; the extension limit is 45 days, not open-ended; directors may also face personal liability for inaccuracies.
- Option (D): Incorrect. The Statement of Affairs is required in compulsory winding up (not only in voluntary winding up); the Preliminary Report by the Official Liquidator is separate and does not substitute for the directors' Statement.

Final Answer: Directors must submit the Statement of Affairs within 21 days (extendable to 45 days) of the winding-up order in compulsory winding up. $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q13

Sol. 14.

Solution

Concept — Discharge of Pre-CIRP Liabilities upon Approval of Resolution Plan (s.31, IBC, 2016):

Section 31(1) of the IBC provides that once a resolution plan is approved by the NCLT, it shall be binding on the corporate debtor and its employees, members, creditors including the Central Government, State Governments, and any local authority to whom dues are owed. This binding effect is comprehensive and encompasses all claims, whether or not the creditor filed a claim during the CIRP.

The Supreme Court in *Ghanashyam Mishra and Sons Pvt. Ltd. v Edelweiss Asset Reconstruction Company Ltd.* (2021) conclusively held that all dues owed to Central Government, State Governments, and local authorities that are not part of the approved resolution plan stand extinguished upon NCLT approval. The Income Tax Department cannot thereafter serve demand notices for pre-CIRP dues excluded from the plan.

Why other options are wrong:

- Option (A): Incorrect. The Supreme Court has expressly rejected the position that government dues survive plan approval; the government is not a preferred creditor immune from the IBC's discharge mechanism.
- Option (C): Incorrect. Section 31 expressly includes governments and local authorities within the binding effect of the plan; it is not limited to financial and operational creditors who participated.
- Option (D): Incorrect. No such distinction between Central and State Government dues exists in s.31 or the Supreme Court's ruling; both are equally extinguished upon plan approval.

Final Answer: Pre-CIRP government dues not included in the approved resolution plan are extinguished and cannot be recovered from the new management post-plan approval. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q14

Sol. 15.

Solution

Concept — Book-Building vs. Fixed Price Issue in an IPO (SEBI ICDR Regulations, 2018):

SEBI's ICDR Regulations, 2018 permit two methods for pricing a public issue: book-building and fixed price. In a book-built issue, the issuer announces a price band (the cap must not exceed 1.2 times the floor) and investors bid within the band; the final price is discovered after the bid period based on demand. For a mandatory book-built IPO, at least 75% of the net public offer is allocated to Qualified Institutional Buyers (QIBs); retail individual investors are allocated at least 10% and non-institutional investors at least 15%.

In a fixed price issue, the issuer determines the price upfront and discloses it in the prospectus. Demand is unknown until the issue closes. At least 50% of the net offer must be reserved for retail individual investors in a fixed price issue. Both methods are equally available for IPOs — there is no regulatory restriction limiting book-building to FPOs or rights issues. Option (D) correctly describes these key distinctions.

Why other options are wrong:

- Option (A): Incorrect. The regulatory requirements differ significantly between the two routes; the retail reservation percentages are different (10% in book-built vs. 50% in fixed price).
- Option (B): Incorrect. Book-building is equally available for IPOs; SEBI does not restrict it only to FPOs and rights issues.
- Option (C): Incorrect. Retail investors actively participate in book-built IPOs; SEBI mandates a minimum allocation of 10% of the net offer for retail individual investors in book-built issues.

Final Answer: Book-building uses a price band with QIB allocation of at least 75%; fixed price has a pre-set price with 50% retail reservation; price discovery is the fundamental difference. $\Rightarrow \boxed{D}$

Answer: (D) Go Back to Q15

Sol. 16.

Solution

Concept — Return of Allotment in Private Placement (Form PAS-3) under s.42(9), Companies Act, 2013:

Section 42(9) of the Companies Act, 2013 mandates that after allotment of securities under a private placement, the company must file a return of allotment in Form PAS-3 with the Registrar of Companies within 15 days of the date of allotment. The return must be accompanied by a complete list of all securities holders to whom securities have been issued. Failure to file within 15 days constitutes a default and attracts penalties under s.42(10).

In Matrix Solutions' case, the allotment was on 30th September 2025. The 15-day statutory deadline falls on 15th October 2025. The Company Secretary's proposed filing on 31st October is 31 days after allotment — 16 days beyond the statutory deadline. This constitutes a default, not a timely filing, regardless of whether the delay appears minor.

Why other options are wrong:

- Option (B): Incorrect. The deadline is 15 days (not 30 days) from allotment under s.42(9); filing on 31st October is 16 days late, not one day late.
- Option (C): Incorrect. The statutory deadline is 15 days, not 60 days; a filing 31 days after allotment does not comply with s.42(9) and attracts a penalty.
- Option (D): Incorrect. Section 42(9) expressly requires filing of Form PAS-3 with the ROC within 15 days of allotment; private placements are not exempt from this requirement.

Final Answer: Form PAS-3 must be filed within 15 days of allotment; filing on 31st October for a 30th September allotment is 16 days late and attracts a penalty. $\Rightarrow \boxed{\text{A}}$

Answer: (A) **Go Back to Q16**

Sol. 17.

Solution

Concept — CIRP Timeline and Extension under s.12, IBC, 2016:

Section 12 of the IBC prescribes a mandatory 180-day CIRP timeline from the insolvency commencement date. An extension of up to 90 days is permissible on application by the RP, provided the CoC passes a resolution with not less than 66% voting share. The aggregate CIRP period (including the extension) cannot exceed 270 days under s.12(3). The Supreme Court in the *Essar Steel* case (2019) upheld this mandatory cap and confirmed that the CIRP must conclude within the statutory maximum (with certain excluded periods for litigation).

In Spectrum Infrastructure's case, the CoC voted 70% in favour of extension — exceeding the 66% statutory threshold. The extension application is therefore competent and the NCLT may grant up to 90 additional days, taking the total CIRP period to a maximum of 270 days. Option (C) correctly states all these parameters.

Why other options are wrong:

- Option (A): Incorrect. The maximum extension is 90 days (not 180 days); the total maximum CIRP period under s.12(3) is 270 days (not 360 days).
- Option (B): Incorrect. The statutory threshold for CoC approval of CIRP extension is 66% (not 100%); a 70% vote is sufficient; a mandatory liquidation order is not required merely because unanimity was not achieved.
- Option (D): Incorrect. The CoC vote at 66% is a mandatory statutory precondition (not merely advisory); and the NCLT can grant extension only within the 90-day maximum, not for any period up to 180 days.

Final Answer: The 180-day CIRP is extendable by up to 90 days (aggregate maximum 270 days) on a 66% CoC vote; the 70% vote here is sufficient for a competent extension application. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q17

Sol. 18.

Solution

Concept — Insolvency Professional Agencies (IPAs) under the IBC, 2016:

The IBC establishes a three-tier regulatory structure for the insolvency profession: (i) IBBI at the apex as the overall regulator; (ii) Insolvency Professional Agencies (IPAs) as intermediate self-regulatory bodies; and (iii) Insolvency Professionals (IPs) as individual practitioners. Section 201 of the IBC governs the registration and functions of IPAs. An IPA is a body registered with the IBBI and is responsible for enrolling and regulating its member IPs.

An IP must be enrolled with one (and only one) IPA before applying to the IBBI for registration. IPAs set professional standards, develop codes of ethics, and conduct disciplinary proceedings against errant members. Three IPAs are currently registered with the IBBI: (1) ICSI Insolvency Professionals Agency, (2) IBBI of India Insolvency Professionals Agency, and (3) ICAI Insolvency Professionals Agency. Option (B) correctly captures all these aspects.

Why other options are wrong:

- Option (A): Incorrect. IPAs are not government departments; they are registered professional bodies under the IBC; IPs are independent professionals and not government employees.
- Option (C): Incorrect. An IP must be enrolled with one and only one IPA; dual or multiple IPA membership is not permitted under the IBC and IBBI Regulations.
- Option (D): Incorrect. IPAs are not stock exchanges and have no connection to SEBI; they are professional regulatory bodies under the exclusive oversight of the IBBI.

Final Answer: IPAs are IBBI-registered professional bodies that enrol and regulate IPs; an IP can belong to only one IPA; three IPAs are currently registered with the IBBI. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q18

Sol. 19.

Solution

Concept — Sub-Division (Stock Split) of Shares under s.61(1)(d), Companies Act, 2013:

Section 61 of the Companies Act, 2013 empowers a company to alter its share capital in various ways, including by subdividing shares into shares of smaller denominations. Section 61(1)(d) specifically covers subdivision and requires only an ordinary resolution in a general meeting — not a special resolution. This distinguishes subdivision from more significant capital alterations such as reduction of share capital (which requires a special resolution and NCLT approval under s.66).

The key economic effect of a subdivision is that the total paid-up share capital remains mathematically unchanged; only the face value and number of shares change. For Apex Technologies, the subdivision from Rs. 10 to Rs. 1 face value creates 10$\times$ the number of shares but the total capital stays at Rs. 10 crore. The market price adjusts proportionately (approximately Rs. 1,800 $\div$ 10 = Rs. 180), improving liquidity and affordability for small investors.

Why other options are wrong:

- Option (A): Incorrect. Subdivision under s.61(1)(d) requires only an ordinary resolution; a special resolution is not required for subdivision (as distinct from reduction of capital).
- Option (B): Incorrect. Subdivision does not increase paid-up share capital; the face value reduces proportionately so the total capital remains constant; no new consideration is received.
- Option (C): Incorrect. Subdivision (stock split) is a well-established and legally permissible practice for listed companies; SEBI encourages it to improve market liquidity; prior SEBI approval is not required (though SEBI notification is required under listing obligations).

Final Answer: Ordinary resolution suffices for subdivision under s.61(1)(d); total paid-up capital is unchanged; only face value and share count are altered. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q19

Sol. 20.

Solution

Concept — Virtual/Electronic General Meetings under the Companies Act, 2013:

The Companies Act, 2013 originally contemplated physical general meetings. However, the COVID-19 pandemic led the MCA to permit virtual EGMs through VC/OAVM for listed companies and specified categories via the Companies (Management and Administration) Amendment Rules, 2021 and a series of MCA circulars. Section 108 of the Act provides for e-voting at general meetings, and s.173(2) allows Board meetings via VC.

The current legal position is nuanced: EGMs can be held virtually by eligible companies under MCA Rules, but AGMs of listed companies and companies with large memberships generally still require physical conduct (with e-voting available) unless a specific legislative amendment or further rule permits virtual AGMs. Shareholders participating via VC at permitted virtual meetings are counted as present for quorum and voting purposes. Option (A) correctly captures this nuanced position.

Why other options are wrong:

- Option (B): Incorrect. The Companies Act does not prohibit virtual meetings for all purposes; EGMs can be held virtually under MCA Rules and resolutions passed at permitted virtual meetings are legally valid.
- Option (C): Incorrect. Virtual meetings have not been fully legalised without conditions for all companies for all purposes; AGMs remain subject to physical attendance requirements for many categories of companies.
- Option (D): Incorrect. Virtual meetings are permissible for EGMs of specified companies (not only Board meetings); shareholders participating via VC at permitted virtual meetings are counted as present.

Final Answer: MCA Rules permit virtual EGMs for specified companies; AGMs generally still require physical conduct; VC participants count as present where virtual meetings are permitted. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q20

ANSWER KEY

1	C	2	B	3	D	4	A	5	C
6	B	7	D	8	A	9	C	10	B
11	D	12	A	13	C	14	B	15	D
16	A	17	C	18	B	19	D	20	A