CLAT PG Company Law
Sample Paper – 7

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 related company law principles (LLB level).
- Use of calculators or any electronic devices is **strictly prohibited**.

SECTION A – Questions

Q1. Precision Bearings Ltd., a company listed on a recognised stock exchange, constituted its Audit Committee with four directors: Mr. Arora, Mr. Bedi, Ms. Chawla, and Mr. Dhingra. Of these four members, only Ms. Chawla qualifies as an independent director; the remaining three are executive directors who are also employees of the company. The company's Company Secretary assures the Board that the Audit Committee has been validly constituted since its total strength of four directors exceeds the statutory minimum.

Is the Audit Committee of Precision Bearings Ltd. validly constituted under the Companies Act, 2013?

(A) The Audit Committee is validly constituted because it has four members, which is more than the statutory minimum of three directors

(B) The Audit Committee is validly constituted since at least one independent director is present, satisfying the independence requirement under s.177

(C) The Audit Committee is not validly constituted; under s.177, the majority of members of an Audit Committee must be independent directors, and the chairperson must be an independent director; with only one independent director out of four, the majority-independence requirement is violated

(D) The Audit Committee composition is a matter entirely within the Board's discretion; the Companies Act, 2013 imposes no mandatory requirement regarding the proportion of independent directors on the Audit Committee

Q2. The Board of Directors of Northgate Exports Ltd., a listed company, resolved that the Audit Committee shall henceforth oversee and recommend the appointment and removal of the Chief Financial Officer (CFO), including determining the terms of the CFO's employment. The Audit Committee's Chairperson was informed that monitoring the company's senior finance leadership fell within the committee's statutory mandate. A shareholder questioned whether such an assignment falls within the statutory functions of the Audit Committee.

Which of the following correctly describes whether the oversight of CFO appointment and removal falls within the statutory functions of the Audit Committee under s.177 of the Companies Act, 2013?

(A) Oversight of the hiring and removal of the Chief Financial Officer is not a statutory function of the Audit Committee under s.177; the CFO is a Key Managerial Personnel and matters relating to appointment and remuneration of KMPs fall within the domain of the Nomination and Remuneration Committee under s.178, not the Audit Committee

(B) Section 177(4) expressly includes oversight of hiring and firing of all Key Managerial Personnel, including the CFO, as a core statutory function of the Audit Committee

(C) The Audit Committee may oversee CFO appointments only if the company has not constituted a Nomination and Remuneration Committee

(D) Since the CFO is the head of finance, the Audit Committee has inherent authority to oversee all aspects of the CFO's appointment and removal under its broad financial oversight mandate

Q3. Sunrise Deposits Ltd. is an unlisted public company that has accepted fixed deposits from the general public aggregating Rs. 60 crore. Its Board of Directors resolved that establishing a Vigil Mechanism is an optional corporate governance measure that the company need not implement since it is not listed on any stock exchange. A whistle-blowing employee sought to report a serious financial irregularity but found no formal mechanism in place to do so.

Which of the following correctly states the legal position regarding the obligation to establish a Vigil Mechanism under the Companies Act, 2013?

(A) A Vigil Mechanism is mandatory only for listed companies; unlisted companies have no statutory obligation to establish one regardless of the amount of deposits accepted

(B) The obligation to establish a Vigil Mechanism arises only if the company has borrowed more than Rs. 100 crore from banks or public financial institutions; acceptance of fixed deposits from the public does not trigger this requirement

(C) Sunrise Deposits Ltd. was required to establish a Vigil Mechanism only if the amount of public deposits exceeded Rs. 100 crore; Rs. 60 crore falls below this threshold and the company is not in default

(D) Under s.177(9) of the Companies Act, 2013, a Vigil Mechanism is mandatory for every company that accepts deposits from the public, as well as for every listed company and every company that has borrowed money from banks or public financial institutions in excess of Rs. 50 crore; Sunrise Deposits Ltd., having accepted Rs. 60 crore in public deposits, was obligated to establish a Vigil Mechanism; whistle-blowers must have direct access to the chairperson of the Audit Committee

Q4. The Nomination and Remuneration Committee (NRC) of Indus Engineering Ltd., a listed company, met and passed a resolution fixing the annual salary of the Managing Director at Rs. 3 crore per annum, with performance-linked incentives. The NRC Chairperson informed the full Board that since the NRC is vested with remuneration powers under s.178, the resolution was final and the Board's separate approval was neither required nor relevant. The Managing Director commenced drawing the revised salary immediately.

Which of the following correctly describes whether an NRC resolution alone is sufficient to fix the remuneration of a Managing Director?

(A) An NRC resolution is entirely sufficient to fix the Managing Director's remuneration; once the NRC passes a resolution, no further Board approval or shareholder approval is required under any provision of the Companies Act, 2013

(B) The NRC formulates the remuneration policy and recommends specific remuneration, but the actual appointment and remuneration of a Managing Director requires Board approval under s.196 and, in certain cases, shareholder approval under s.197 read with Schedule V; the NRC resolution alone is not the final or conclusive step

(C) The NRC has no role in fixing the salary of the Managing Director; the entire matter is the exclusive preserve of the Board of Directors and the shareholders in general meeting

(D) Since the Managing Director is a KMP and not a director, the NRC has no jurisdiction over his remuneration; it is the Audit Committee that has authority to recommend KMP remuneration

Q5. Greenleaf Infrastructure Ltd. is a company listed on a recognised stock exchange. Several shareholders have filed written complaints with the company's Stakeholders Relationship Committee (SRC) regarding non-delivery of share certificates following transfers effected over three months ago. The SRC has taken no action and has not communicated with the complainants. The company's legal team argues that the SRC is merely an advisory body and has no statutory obligation to resolve individual investor complaints within any specified timeframe.

Which of the following correctly describes the statutory role of a Stakeholders Relationship Committee in relation to security holder grievances?

(A) The Stakeholders Relationship Committee is established under s.178(5) specifically to consider and resolve the grievances of security holders, including complaints relating to transfer of shares and non-receipt of share certificates; the SRC's failure to address share certificate delivery complaints is a dereliction of its statutory responsibility

(B) The SRC is only responsible for investor relations and communication; actual resolution of individual shareholder complaints, including share transfer disputes, lies exclusively with the Registrar and Transfer Agent

(C) The SRC's mandate under the Companies Act, 2013 is limited to liaising with institutional investors; retail shareholders must approach the Registrar of Companies directly with their grievances

(D) The SRC is a discretionary committee; whether or not it is established and what functions it performs are entirely within the Board's discretion under the Companies Act, 2013

Q6. A group of shareholders holding 15% of the voting rights in Crescent Hotels Ltd. serves notice that they wish to move a resolution at an Extraordinary General Meeting to remove Mr. Kapoor from the Board of Directors before the expiry of his term. Mr. Kapoor contends that he can only be removed by a special resolution requiring at least 75% of the votes cast, and that the convening of a general meeting for his removal requires at least 28 clear days' notice to all members, with no lesser notice being permissible.

Which of the following correctly states the procedure for removal of a director under s.169 of the Companies Act, 2013?

(A) Mr. Kapoor is correct; removal of a director before expiry of term requires a special resolution passed by at least 75% of the votes cast at a general meeting duly convened for that purpose

(B) A director can only be removed by the same class of shareholders who appointed him; a general resolution by all shareholders is incompetent to remove a director appointed by a specific class

(C) A director may be removed before expiry of term by an ordinary resolution passed at a general meeting; however, a special notice of the resolution must be given to the company at least 14 days before the meeting, and the company must send a copy of the notice to the concerned director, who has the right to make representations to be circulated to members; Mr. Kapoor's claim that a special resolution is required is incorrect

(D) Under s.169, a director cannot be removed before the expiry of his term if he was appointed by the shareholders at an Annual General Meeting; early removal is only possible if the director voluntarily resigns

Q7. Mr. Verma, a director of Westgate Chemicals Ltd., travelled abroad for an extended assignment expected to last eight months, and in his absence the Board appointed Ms. Nair as his alternate director pursuant to s.161(2). After only four months, Mr. Verma returned to India unexpectedly due to changed business circumstances. Ms. Nair refused to vacate her position, arguing that she was entitled to continue as alternate director until the Board separately resolved to terminate her appointment, and that Mr. Verma's return was an internal matter not automatically affecting her office.

What is the correct legal position regarding the tenure of an alternate director upon the return of the original director?

(A) Ms. Nair is correct; the alternate director's office continues until the Board expressly passes a resolution removing her, even if the original director returns to India

(B) An alternate director's tenure expires only upon the scheduled end of the original director's absence abroad, not upon earlier return; Ms. Nair may continue until the eight-month period concludes

(C) The alternate director's position becomes that of an independent director once the original director returns to India; Ms. Nair is therefore entitled to continue independently of Mr. Verma's return

(D) Under s.161(2) of the Companies Act, 2013, an alternate director shall vacate office if and when the original director in whose place she was appointed returns to India; Mr. Verma's return automatically terminates Ms. Nair's appointment as alternate director by operation of statute, irrespective of any further Board resolution

Q8. Delta Constructions Ltd. is a public company with a Board comprising six directors. At its Annual General Meeting, the shareholders passed an ordinary resolution providing that all six directors shall hold office as permanent directors not subject to retirement by rotation. The Board relied on this resolution to exempt all directors from the AGM rotation requirement in subsequent years. A minority shareholder challenged the resolution as contrary to the mandatory provisions of the Companies Act, 2013.

Which of the following correctly states the legal position regarding retirement by rotation in a public company?

(A) An ordinary resolution passed at the AGM is sufficient to exempt all directors from retirement by rotation; the Companies Act, 2013 leaves the matter entirely to the shareholders' discretion

(B) Section 152(6) of the Companies Act, 2013 mandates that at every AGM of a public company, not less than two-thirds of the total number of directors shall be persons liable to retirement by rotation; a resolution declaring all six directors as permanent office-holders violates this statutory mandate and is void to that extent; the minority shareholder's challenge is well-founded

(C) The requirement of retirement by rotation applies only to private companies; public companies may, by shareholder resolution, exempt any or all directors from rotation

(D) Retirement by rotation is a default rule that applies only if the Articles of Association are silent; the shareholders may override it by any resolution, ordinary or special, at a general meeting

Q9. Stellar Retail Ltd. was listed on a recognised stock exchange in April

2025. As of October 2025, the company's Board of Directors consisted entirely of male directors and no woman director had been appointed. The company's management argued that the appointment of a woman director is merely a best-practice recommendation and does not carry any statutory obligation or penalty for non-compliance.

Which of the following correctly states the legal obligation and consequences of non-appointment of a woman director?

(A) Under Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014, every listed company is required to appoint at least one woman director within six months of listing; Stellar Retail Ltd. is already in default as of October 2025 (six months after April 2025 listing); every officer of the company in default is liable to penalty under the Companies Act, 2013, and SEBI may also impose fines for non-compliance with listing obligations

(B) The obligation to appoint a woman director applies only to companies with a paid-up share capital exceeding Rs. 100 crore; Stellar Retail Ltd. is not subject to this requirement unless its capital exceeds this threshold

(C) A woman director is required only for public companies that also qualify as "large companies" under the Companies Act, 2013; newly listed companies have a three-year exemption period before this requirement applies

(D) SEBI regulations recommend appointment of a woman director but the Companies Act, 2013 imposes no statutory obligation; non-compliance attracts only a stock exchange advisory and not a statutory penalty

Q10. Mr. Sharma, a prominent industrialist, currently holds directorships in 9 public limited companies and 12 private limited companies, giving him a total of 21 directorships. He applies to be appointed as an additional director in a further public limited company. A director of that company raises an objection, stating that Mr. Sharma cannot be appointed as he has already exceeded the statutory limit on directorships. Mr. Sharma counters that since he holds only 9 public company directorships (which is below the 10-public-company cap), his appointment is lawful.

Which of the following correctly applies s.165 of the Companies Act, 2013 to Mr. Sharma's situation?

(A) Mr. Sharma's appointment is permissible; s.165 imposes a cap of 10 on public company directorships, and with 9 public company directorships, he has not breached the relevant limit

(B) Section 165 imposes separate caps of 10 for public companies and 20 for private companies; since Mr. Sharma holds only 12 private company directorships (below 20) and 9 public company directorships (below 10), he has not violated s.165

(C) Section 165 imposes a composite cap: no person shall hold office as director in more than 20 companies at the same time, and of those 20, not more than 10 shall be public companies; Mr. Sharma already holds 21 directorships in total, exceeding the absolute cap of 20 companies; his appointment to a further company would deepen the violation, and Mr. Sharma's argument focusing only on the public-company sub-limit is legally insufficient

(D) The limit of 20 directorships under s.165 counts only independent directorships; executive directorships in private companies are excluded from the computation

Q11. Ms. Pillai, a non-executive director of Harbour Textiles Ltd., submitted a written resignation to the company on 1st August 2025, stating that her resignation would take effect on 1st October 2025. The Board of Directors, unhappy with her decision to resign, passed a resolution at its next meeting refusing to accept the resignation and declaring it to be of no effect. The company continued to show Ms. Pillai as a director on its records after 1st October 2025.

Which of the following correctly states the legal effect of a director's resignation under s.168 of the Companies Act, 2013?

(A) A director's resignation becomes effective only upon formal acceptance by the Board of Directors; if the Board refuses to accept the resignation, the director remains in office until the Board consents to the departure

(B) Ms. Pillai's resignation is ineffective because it was made effective on a future date; a resignation must be effective immediately upon submission and cannot specify a prospective effective date

(C) The Board's resolution refusing acceptance is valid; under the Companies Act, 2013, the Board retains discretion to accept or reject a director's resignation, particularly where the company would be left without sufficient directors

(D) Under s.168 of the Companies Act, 2013, a director's resignation takes effect from the date on which the notice is received by the company or the date, if any, specified by the director in the notice, whichever is later; the Board has no power to refuse or withhold acceptance; Ms. Pillai's resignation became effective on 1st October 2025 by operation of law

Q12. The Board of Directors of Pinnacle Ventures Ltd. wished to invest Rs. 25 crore of the company's surplus funds in the equity shares of an associate company. Given the urgency, the Board resolved to approve the investment by means of a circular resolution circulated to all directors for their individual signatures, rather than convening a formal Board meeting. The Company Secretary noted that all directors signed the circular resolution. The investment was thereafter made.

Which of the following correctly states the validity of the investment decision made by circular resolution?

(A) The circular resolution is valid because all directors signed it; unanimous approval by circular is equivalent to a decision taken at a duly convened Board meeting under the Companies Act, 2013

(B) Under s.179(3)(e) of the Companies Act, 2013, the power to invest the funds of the company is a reserved power that must be exercised by the Board only by means of a resolution passed at a meeting of the Board; a circular resolution cannot be used for matters specified in s.179(3); the investment decision is invalid

(C) Circular resolutions are prohibited only for listed companies; since Pinnacle Ventures Ltd.'s listed status is not mentioned, the circular resolution is presumptively valid

(D) Investment decisions can be delegated by the Board to a committee or to the Managing Director by circular resolution; the Companies Act, 2013 does not require a formal Board meeting for all investment approvals

Q13. The Board of Directors of Kalyan Pharma Ltd., a listed company, held its quarterly Board meeting entirely through video conferencing. During the meeting, the Board transacted several items including: (i) approval of the Annual Financial Statements for the preceding financial year; (ii) approval of an inter-corporate loan; and (iii) review of the internal audit report. No physical quorum was established at any common location. The Company Secretary certified that the meeting was duly held and all resolutions were valid.

Which of the following correctly states the law on matters that may and may not be transacted at a Board meeting held through video conferencing?

(A) Under Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014, certain matters – including approval of annual financial statements, the Board's report, the prospectus, and resolutions pertaining to amalgamation, merger, or demerger – cannot be transacted at a meeting held only through video conferencing or audio-visual means; the approval of the Annual Financial Statements by Kalyan Pharma Ltd. through video conferencing alone is therefore invalid

(B) All matters, including annual financial statements, may be transacted at a Board meeting held through video conferencing, provided a quorum of directors participates; there is no restriction on the category of business that may be conducted through video conferencing

(C) Video conferencing is not a recognised mode of conducting Board meetings under the Companies Act, 2013; all Board meetings must be held with directors physically present at a common location

(D) The restrictions on video conferencing apply only to private companies; listed companies like Kalyan Pharma Ltd. may transact any business, including approval of financial statements, through video conferencing under SEBI's special dispensation

Q14. Sunrise Power Ltd. has failed to hold its Annual General Meeting for two consecutive years, citing management disputes and the inability to agree on the business to be transacted. Two members holding 15% of the paid-up share capital have applied to the National Company Law Tribunal (NCLT) seeking an order to convene an AGM. The company's management contends that the NCLT has no jurisdiction to interfere with the internal decision-making of the company's Board regarding the timing and agenda of general meetings.

Which of the following correctly describes the NCLT's power in relation to calling of general meetings?

(A) The NCLT has no jurisdiction to order the convening of a general meeting; such power vests exclusively with the High Court under its inherent jurisdiction

(B) The NCLT may only issue advisory directions to the company's Board regarding the timing of AGMs; it cannot compel the convening of a meeting or specify its quorum requirements

(C) Under s.98 of the Companies Act, 2013, if a company is for any reason unable to hold an Annual General Meeting or fails to hold it, the NCLT may, on the application of any member, call or direct the calling of the AGM; the NCLT may give such ancillary directions as it thinks expedient, including a direction that one member of the company present in person or by proxy shall be deemed to constitute a quorum; the company's objection to NCLT's jurisdiction is legally untenable

(D) Members can apply to the NCLT for calling a general meeting only after the company has failed to hold an AGM for three or more consecutive years; a two-year failure is insufficient to invoke s.98

Q15. The Board of Directors of Bengal Logistics Ltd., registered in West Bengal, resolved to shift the company's registered office to the State of Maharashtra for operational reasons. The Company Secretary advised that the change merely requires a special resolution passed at a general meeting convened with proper notice, and that postal ballot is optional. A director questioned whether the change of registered office from one State to another requires a mandatory postal ballot.

Which of the following correctly states whether postal ballot is mandatory for a change of registered office from one State to another?

(A) Change of registered office from one State to another requires only an ordinary resolution at a duly convened general meeting; neither a special resolution nor a postal ballot is statutorily mandated

(B) Postal ballot is mandatory only for changes to the objects clause of the Memorandum of Association; a change of registered office between States requires a special resolution but may be passed at a physical general meeting

(C) Change of registered office from one State to another is entirely a Board-level decision under s.13 and does not require any member approval, whether by postal ballot or at a general meeting

(D) Under s.110 read with s.13 of the Companies Act, 2013, change of the registered office of a company from one State to another requires a special resolution, and such resolution must mandatorily be conducted through postal ballot; additionally, the alteration of the Memorandum of Association to reflect the change requires filing with the Registrar and approval of the NCLT; the Company Secretary's advice that postal ballot is optional is incorrect

Q16. At a general meeting of Crescent Developers Ltd., a resolution was passed authorising the sale of the company's manufacturing division. The minutes of the meeting, recording this resolution, were duly signed by the Chairman within 30 days. Subsequently, Mr. Naidu, a director who had been present at the meeting, filed an affidavit challenging the resolution, alleging that the meeting had not been properly convened and that the quorum was never established. He argued that the signed minutes were merely a clerical record and did not have any evidentiary weight.

What evidentiary value do signed minutes have under s.118(8) of the Companies Act, 2013?

(A) Signed minutes are absolutely conclusive evidence of the proceedings recorded therein; no evidence of any kind is admissible to contradict or supplement the contents of properly signed minutes under s.118(8)

(B) Under s.118(8) of the Companies Act, 2013, minutes kept in accordance with the provisions of s.118 shall be evidence of the proceedings recorded therein; signed minutes constitute prima facie evidence – they create a presumption that the meeting was duly held and the proceedings were regular – but this presumption is rebuttable; Mr. Naidu may adduce evidence to show that the meeting was not properly convened, though the burden is on him to displace the presumption

(C) Signed minutes have no special evidentiary status under the Companies Act, 2013; they are merely private records of the company, admissible as a business document but with no presumptive weight in legal proceedings

(D) Minutes are evidentiary only when countersigned by the Registrar of Companies; minutes signed solely by the Chairman of the meeting are not admissible as evidence in any court or tribunal

Q17. Amalga Steel Ltd. is proposing to merge with Titanium Alloys Pvt. Ltd. The merger scheme requires a valuation of the unquoted equity shares of Titanium Alloys Pvt. Ltd. to determine the share exchange ratio. The Board of Amalga Steel Ltd. proposes to have the valuation conducted by its internal finance team, arguing that engaging an external registered valuer is an unnecessary expense and that internal expertise is sufficient for this exercise.

Which of the following correctly states whether a registered valuer must be appointed under the Companies Act, 2013 for valuation of unquoted equity shares for a merger?

(A) Under s.247 of the Companies Act, 2013, where a valuation is required to be made in respect of shares, debentures, or other securities in connection with a statutory process, the valuation must be conducted by a person registered as a valuer under the Act; an internal finance team without such registration cannot conduct a valid statutory valuation; Amalga Steel Ltd. must appoint a registered valuer for the share exchange ratio exercise

(B) Internal valuations by a company's finance team are expressly permitted under s.247 for mergers between private companies; the registered valuer requirement applies only to listed company transactions

(C) Section 247 requires a registered valuer only for valuation of immovable property; valuation of equity shares may be conducted by any Chartered Accountant, whether or not registered as a valuer under the IBBI framework

(D) The NCLT, while approving a merger scheme, has discretion to accept an internal valuation report; appointment of an external registered valuer is recommended but not legally mandatory under s.247

Q18. Quantum Logistics Ltd. required a valuation of its own securities for a rights issue. To reduce costs, the Board resolved to appoint Mr. Suresh, the company's Chief Financial Officer (CFO) and a holder of a valid registered valuer certificate issued by the Insolvency and Bankruptcy Board of India (IBBI), to conduct the valuation. The Board argued that since Mr. Suresh holds a valid IBBI certificate, his appointment as registered valuer is fully compliant with the law.

Which of the following correctly describes the independence requirement applicable to a registered valuer?

(A) Mr. Suresh's appointment is valid; possession of a valid registered valuer certificate is the only requirement under s.247 and the IBBI (Registered Valuers and Valuation) Rules, 2017; no independence requirement is separately prescribed

(B) A company's CFO may act as registered valuer for the company's own assets, provided the Board passes a resolution acknowledging the potential conflict of interest and the CFO recuses from any Board-level discussion of the valuation

(C) Under s.247(2) of the Companies Act, 2013 and the IBBI (Registered Valuers and Valuation) Rules, 2017, a registered valuer must be independent of the company whose assets or securities are being valued; a person who is a director, Key Managerial Personnel, or relative of a director or KMP of the company, or who has a financial interest in the company, is disqualified from acting as its registered valuer; Mr. Suresh, being the CFO (a KMP) of Quantum Logistics Ltd., lacks the requisite independence and cannot validly conduct the valuation

(D) The independence requirement under the IBBI Rules applies only to insolvency-related valuations; for corporate actions such as rights issues, the company is free to appoint any IBBI-registered valuer including its own employees

Q19. At the Annual General Meeting of Majestic Hotels Ltd., the shareholders passed a resolution appointing Mr. Rao as an additional director. Mr. Rao had not yet applied for or obtained a Director Identification Number (DIN) at the time of his appointment. Immediately after the AGM, Mr. Rao began attending and participating in Board meetings, signing documents on behalf of the company, and exercising all powers of a director. The Company Secretary noted that the DIN application had been filed the day after the AGM.

Which of the following correctly describes the validity of Mr. Rao's appointment and his subsequent acts as director?

(A) The appointment is valid; while a DIN must be obtained, its absence at the time of appointment is a procedural defect that can be cured retrospectively by filing the application within a reasonable time; Mr. Rao's acts as director remain binding on the company

(B) The appointment is voidable at the company's option; if the company retrospectively ratifies Mr. Rao's acts before the DIN is allotted, the ratification validates all prior acts

(C) The appointment is valid at the time of the AGM resolution; Mr. Rao may continue to act as director temporarily, and the DIN requirement is satisfied once the DIN is allotted, without affecting the continuity of his directorship

(D) Under s.152(3) read with s.154 of the Companies Act, 2013, no person shall be appointed as a director of a company unless he has been allotted a Director Identification Number; the appointment of Mr. Rao without a DIN is void; his participation in Board meetings and execution of documents before obtaining a valid DIN were without authority, and the company may face penalties for allowing an unregistered person to act as director

Q20. Ms. Rao was appointed as an independent director of Summit Cables Ltd. at its Annual General Meeting held on 15th July 2025. She was present at the meeting and orally expressed her willingness to serve. However, she did not file a written consent to act as director in the prescribed form with the Registrar of Companies at any point within the 30 days following her appointment. The Company Secretary informed the Board that the oral expression of consent at the AGM was sufficient and no further filing was required.

Which of the following correctly states the consequence of failure to file written consent with the Registrar of Companies within the prescribed period under s.152(5) of the Companies Act, 2013?

(A) Oral consent expressed at the general meeting is sufficient; s.152(5) does not require separate written consent to be filed with the Registrar; the Company Secretary's advice is correct

(B) Under s.152(5) of the Companies Act, 2013, a person appointed as director shall not act as director unless she has given her written consent to hold the office of director, and such consent has been filed with the Registrar within 30 days of appointment in the prescribed form; failure to file the written consent means Ms. Rao cannot lawfully exercise the powers of a director; the Company Secretary's advice that oral consent suffices is incorrect

(C) The 30-day filing requirement is directory, not mandatory; failure to file consent within 30 days is merely a technical irregularity that carries only a nominal late filing fee but does not affect the validity of Ms. Rao's appointment or her capacity to act as director

(D) Written consent must be filed with the Registrar within 60 days of appointment; Ms. Rao still has time to file as only 30 days have elapsed; the Company Secretary's advice, while not entirely accurate on the timeline, does not put the company in breach at this stage

SECTION B – Detailed Solutions

Sol. 1.

Solution

Concept — Audit Committee Composition under s.177, Companies Act, 2013: Section 177 of the Companies Act, 2013 requires every listed company to constitute an Audit Committee. The Committee must consist of a minimum of three directors. Crucially, the *majority* of the members must be independent directors, and the chairperson of the Audit Committee must also be an independent director. All members must be financially literate, and at least one member must have accounting or financial management expertise.

Analysis: Precision Bearings Ltd.'s Audit Committee has four members, of whom only Ms. Chawla is an independent director. The majority of four members are executive directors. This directly violates the requirement that the majority of Audit Committee members must be independent directors. The committee is therefore not validly constituted under s.177, regardless of its numerical strength exceeding the minimum of three.

Why other options are wrong:

- Option (A): Incorrect – the statutory requirement is not merely that the committee has three or more members; the majority-independence condition is separately and equally mandatory.
- Option (B): Incorrect – the presence of at least one independent director is not the statutory standard; s.177 requires the majority of members to be independent; one out of four does not constitute a majority.
- Option (C): **Correct.** Under s.177, the majority of Audit Committee members must be independent directors and the chairperson must be independent; one independent director out of four violates this requirement.
- Option (D): Incorrect – the composition of the Audit Committee is not a matter of Board discretion; s.177 prescribes mandatory requirements that override any contrary Board decision.

Final Answer: The Audit Committee is invalidly constituted; s.177 mandates that majority of members be independent directors – one out of four does not satisfy this. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q1

Sol. 2.

Solution

Concept — Statutory Functions of the Audit Committee under s.177(4), Companies Act, 2013: Section 177(4) enumerates the statutory functions of the Audit Committee. These include: recommendation for appointment, remuneration, and terms of appointment of the company's auditors; review and monitoring of the auditor's independence; examination of the financial statements; scrutiny of inter-corporate loans and investments; valuation of undertakings or assets; evaluation of internal financial controls; and monitoring the end-use of funds raised through public offers. Oversight of the appointment, removal, and remuneration of Key Managerial Personnel (other than the auditors) is conspicuously absent from s.177(4).

Analysis: The CFO is a Key Managerial Personnel under s.2(51) of the Companies Act, 2013. Matters relating to the appointment and remuneration of KMPs fall within the jurisdiction of the Nomination and Remuneration Committee constituted under s.178, not the Audit Committee. The Board's direction to the Audit Committee to oversee CFO appointments is an impermissible extension of its statutory mandate.

Why other options are wrong:

- Option (A): **Correct.** CFO appointment and removal is not a function of the Audit Committee under s.177(4); it belongs to the NRC under s.178.
- Option (B): Incorrect – s.177(4) does not include oversight of KMP appointments; this statement misrepresents the statutory text.
- Option (C): Incorrect – s.178 makes the NRC mandatory for certain classes of companies regardless of whether an Audit Committee exists; there is no residual competence doctrine that transfers NRC functions to the Audit Committee.
- Option (D): Incorrect – the Audit Committee's mandate is defined by s.177(4) and is limited to financial oversight, audit, and related functions; "inherent financial authority" is not a recognised legal basis to expand statutory jurisdiction.

Final Answer: Oversight of CFO appointment and removal is not within the Audit Committee's statutory mandate under s.177(4); it falls under the NRC's jurisdiction in s.178. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q2

Sol. 3.

Solution

Concept — Mandatory Vigil Mechanism under s.177(9), Companies Act, 2013: Section 177(9) mandates that every listed company, every company that accepts deposits from the public, and every company that has borrowed money from banks or public financial institutions in excess of Rs. 50 crore must establish a Vigil Mechanism for directors and employees to report genuine concerns. The mechanism must provide adequate safeguards against victimisation. Whistle-blowers must have direct access to the chairperson of the Audit Committee in appropriate and exceptional cases.

Analysis: Sunrise Deposits Ltd. accepts public deposits aggregating Rs. 60 crore, which triggers the mandatory Vigil Mechanism obligation under s.177(9) – regardless of the company's listed status. The statutory trigger is the acceptance of deposits from the public, not listing. The Board's view that the Vigil Mechanism is optional for unlisted companies is incorrect and places the company in statutory default.

Why other options are wrong:

- Option (A): Incorrect – s.177(9) independently triggers the Vigil Mechanism obligation for companies accepting public deposits, whether or not they are listed.
- Option (B): Incorrect – the Rs. 50 crore threshold in s.177(9) applies to borrowings from banks/public financial institutions, which is a separate trigger; acceptance of public deposits is an independent ground for the obligation and has no minimum amount specified in the section.
- Option (C): Incorrect – the provision does not prescribe any minimum deposit amount such as Rs. 100 crore; acceptance of any deposits from the public triggers the obligation.
- Option (D): **Correct.** Section 177(9) makes the Vigil Mechanism mandatory for deposit-accepting companies; Sunrise Deposits Ltd. is obligated; direct access to the Audit Committee chairperson must be provided to whistle-blowers.

Final Answer: Vigil Mechanism is mandatory under s.177(9) for companies accepting public deposits; Sunrise Deposits Ltd. with Rs. 60 crore in deposits is in statutory default. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q3

Sol. 4.

Solution

Concept — Role of NRC and Board Approval for MD Remuneration under s.178 and s.196, Companies Act, 2013: Section 178 provides for the constitution and functions of the Nomination and Remuneration Committee. The NRC formulates the criteria for determining qualifications, positive attributes, and independence of directors and recommends a remuneration policy. However, the appointment and remuneration of a Managing Director, Whole-time Director, or Manager is separately governed by s.196 and Schedule V of the Companies Act, 2013, which require Board approval. In many cases, shareholder approval is additionally required, and the appointment must be in accordance with the prescribed conditions.

Analysis: The NRC's function under s.178 is to recommend and formulate policy; the NRC does not have the final authority to appoint or determine remuneration independently of the Board. The appointment and remuneration of the Managing Director requires Board approval under s.196, and Central Government approval or compliance with Schedule V may be required depending on whether the company has adequate profits. The NRC resolution alone is not the conclusive step.

Why other options are wrong:

- Option (A): Incorrect – the NRC's role is recommendatory; statutory authority to formally appoint and fix MD remuneration rests with the Board and, in applicable cases, shareholders.
- Option (B): **Correct.** The NRC recommends remuneration policy; actual appointment and remuneration of MD requires Board approval under s.196 and potential shareholder approval under s.197 read with Schedule V; NRC resolution alone is insufficient.
- Option (C): Incorrect – s.178 expressly gives the NRC a specific role in recommending remuneration; it is not entirely excluded from KMP-related matters.
- Option (D): Incorrect – the Managing Director is both a KMP and a director; the NRC has jurisdiction over his remuneration; the Audit Committee's mandate does not extend to KMP remuneration.

Final Answer: NRC recommends remuneration; Board approval under s.196 and potentially shareholder approval are separately required; NRC resolution alone does not fix the MD's remuneration. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q4

Sol. 5.

Solution

Concept — Stakeholders Relationship Committee under s.178(5), Companies Act, 2013: Section 178(5) provides that the Board of every listed company and such other class of companies as may be prescribed shall constitute a Stakeholders Relationship Committee to consider and resolve the grievances of security holders of the company. This is an active, grievance-resolution mandate – not a merely advisory or liaison function. Shareholders and other security holders have a statutory right to have their complaints addressed by the SRC.

Analysis: Greenleaf Infrastructure Ltd.'s shareholders filed written complaints about non-delivery of share certificates. The SRC is specifically constituted to consider and resolve such grievances. The company's legal team's characterisation of the SRC as merely advisory with no obligations regarding individual complaints is legally incorrect. Inaction for three months on complaints of this nature constitutes a dereliction of the SRC's statutory duty.

Why other options are wrong:

- Option (A): **Correct.** The SRC is mandated under s.178(5) to consider and resolve security holder grievances including share transfer and certificate delivery complaints; prolonged inaction is a statutory default.
- Option (B): Incorrect – while the Registrar and Transfer Agent may execute transfers mechanically, the SRC's statutory function is specifically to resolve security holder grievances, which includes complaints about share certificates.
- Option (C): Incorrect – the SRC's mandate under s.178(5) covers all security holders, not just institutional investors; retail shareholders' grievances are squarely within its scope.
- Option (D): Incorrect – the SRC is a mandatory committee under s.178(5) for listed companies; it is not optional and the Board has no discretion to limit its functions below the statutory minimum.

Final Answer: The SRC is obligated under s.178(5) to consider and resolve security holder grievances including share certificate delivery complaints; inaction for three months is a statutory default. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q5

Sol. 6.

Solution

Concept — Removal of Director under s.169, Companies Act, 2013: Section 169 of the Companies Act, 2013 empowers the shareholders of a company to remove a director before the expiry of his term by passing an *ordinary resolution* at a general meeting. The section requires that a *special notice* of the resolution to remove the director must be given to the company. Upon receipt, the company must send a copy of the notice to the concerned director, who then has the right to make representations in writing to the company. The company must circulate the representations to members. The director may also speak at the meeting. Crucially, an ordinary resolution (simple majority) – not a special resolution (75% majority) – is sufficient for removal.

Analysis: Mr. Kapoor's contention that a special resolution is required is legally incorrect. Section 169 prescribes an ordinary resolution for removal. His further argument regarding the notice period is also inaccurate – s.169 requires special notice (14 days before the meeting), not the extended 28-day period he claims. The shareholders may validly proceed to remove Mr. Kapoor by ordinary resolution after complying with the special notice procedure.

Why other options are wrong:

- Option (A): Incorrect – s.169 explicitly provides for removal by ordinary resolution; a special resolution is not required; Mr. Kapoor's position is without legal basis.
- Option (B): Incorrect – the Companies Act, 2013 does not restrict removal powers to the class of shareholders who originally appointed the director; all shareholders may vote on an ordinary removal resolution.
- Option (C): **Correct.** Removal under s.169 requires an ordinary resolution (not special); a special notice of 14 days must be given; the director has the right to make representations; Mr. Kapoor's claim of requiring a special resolution is wrong.
- Option (D): Incorrect – s.169 expressly applies to removal of directors before expiry of term, including those appointed at an AGM; there is no exception for directors so appointed.

Final Answer: Section 169 requires only an ordinary resolution with special notice for director removal; Mr. Kapoor's claim that a special resolution is needed is legally incorrect. $\Rightarrow \boxed{\text{C}}$

Answer: (C) **Go Back to Q6**

Sol. 7.

Solution

Concept — Alternate Director and Automatic Vacation of Office under s.161(2), Companies Act, 2013: Section 161(2) of the Companies Act, 2013 provides that the Board of Directors may, if authorised by the Articles of Association or a resolution passed by the company in general meeting, appoint a person to act as an alternate director for a director who is absent from India for a period of not less than three months. The section further provides that an alternate director *shall vacate office* if and when the original director in whose place he was appointed returns to India. This vacation occurs automatically by operation of statute and does not require a separate Board resolution.

Analysis: Mr. Verma's early return to India triggers the statutory provision of s.161(2) automatically. Ms. Nair's office as alternate director terminates at that very moment by operation of law. Her argument that the Board must separately pass a resolution to remove her is contrary to the plain language of s.161(2). The statute creates an automatic mechanism – the original director's presence in India renders the alternate director's office vacant without any further act.

Why other options are wrong:

- Option (A): Incorrect – s.161(2) does not require a separate Board resolution for the alternate director to vacate; the vacation occurs automatically upon the original director's return.
- Option (B): Incorrect – the alternate director's tenure is tied to the original director's absence, not to a fixed calendar period; early return terminates the alternate's office immediately.
- Option (C): Incorrect – there is no provision in s.161 that converts an alternate director into an independent director upon the original's return; such a conversion has no statutory basis.
- Option (D): **Correct.** Section 161(2) mandates automatic vacation of the alternate director's office upon the original director's return to India; no further Board resolution is required; Ms. Nair's office terminated upon Mr. Verma's return.

Final Answer: Under s.161(2), the alternate director's office automatically terminates when the original director returns to India; Ms. Nair cannot dispute this by requiring a separate Board resolution. $\Rightarrow \boxed{\text{D}}$

Answer: (D) **Go Back to Q7**

Sol. 8.

Solution

Concept — Retirement by Rotation in Public Companies under s.152(6), Companies Act, 2013: Section 152(6) provides that at every Annual General Meeting of a public company, not less than two-thirds of the total number of directors shall be persons whose period of office is liable to determination by retirement by rotation. Of these, one-third (or the number nearest to one-third) shall retire at each AGM. The remaining directors – not more than one-third of the total – may be appointed as non-retiring (permanent) directors. This is a mandatory provision that cannot be overridden by a resolution, whether ordinary or special, passed by the shareholders.

Analysis: Delta Constructions Ltd. has six directors. Under s.152(6), at least four (two-thirds of six) must be subject to retirement by rotation. A maximum of two (one-third) can be permanent. The AGM resolution declaring all six directors as permanent office-holders directly violates s.152(6) and is void to the extent it exempts more than one-third from the rotation requirement. The minority shareholder's challenge is legally well-founded.

Why other options are wrong:

- Option (A): Incorrect – retirement by rotation under s.152(6) is a mandatory statutory provision; shareholder approval by ordinary resolution cannot override it.
- Option (B): **Correct.** Section 152(6) mandates that at least two-thirds of directors in a public company are subject to rotation; all six directors being made permanent violates this and is void.
- Option (C): Incorrect – s.152(6) expressly applies to public companies; it is not confined to private companies; the statement reverses the correct legal position.
- Option (D): Incorrect – retirement by rotation under s.152(6) is a statutory mandate, not a mere default rule; it cannot be displaced by any shareholder resolution, ordinary or special.

Final Answer: Section 152(6) mandates that at least two-thirds of directors in a public company are subject to rotation; the AGM resolution making all six directors permanent is void. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q8

Sol. 9.

Solution

Concept — Mandatory Woman Director for Listed Companies under Rule 3, Companies (Appointment and Qualification of Directors) Rules, 2014: Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014, read with s.149 of the Companies Act, 2013, requires that every listed company must have at least one woman director on its Board. A listed company must comply with this requirement within six months of the date of its listing. SEBI's Listing Obligations and Disclosure Requirements (LODR) Regulations also independently mandate the appointment of a woman director and impose fines for non-compliance. Failure to comply makes every officer of the company in default liable to penalty under the Companies Act.

Analysis: Stellar Retail Ltd. was listed in April 2025. The six-month window expired in October 2025. As of October 2025, no woman director had been appointed. The company is therefore already in default. The management's position that the requirement is merely a best-practice recommendation is legally incorrect – it is a statutory obligation with enforceable penalties.

Why other options are wrong:

- Option (A): **Correct.** Rule 3 requires a listed company to appoint at least one woman director within six months of listing; Stellar Retail Ltd. is in default; officers face penalty and SEBI may also impose fines.
- Option (B): Incorrect – the woman director requirement for listed companies is triggered by listing status, not by a paid-up capital threshold of Rs. 100 crore.
- Option (C): Incorrect – there is no three-year exemption for newly listed companies; the requirement must be fulfilled within six months of listing.
- Option (D): Incorrect – the requirement is a statutory obligation under Rule 3 read with s.149 of the Companies Act, 2013, not merely a SEBI recommendation; statutory penalties apply for non-compliance.

Final Answer: Rule 3 mandates a woman director for listed companies within six months of listing; Stellar Retail Ltd. is in default and officers are liable to penalty; SEBI fines may also apply. $\Rightarrow \boxed{A}$

Answer: (A) Go Back to Q9

Sol. 10.

Solution

Concept — Maximum Number of Directorships under s.165, Companies Act, 2013: Section 165 of the Companies Act, 2013 imposes a composite limit on directorships. No person shall hold office as a director, including an alternate director, in more than *20 companies* at the same time. Within this overall cap of 20, a person cannot hold directorships in more than *10 public companies*. Both limits operate simultaneously: the total directorships must not exceed 20, and the public company sub-limit must not exceed 10. The overall cap of 20 includes all types of companies.

Analysis: Mr. Sharma holds 9 public company directorships (within the 10 public-company sub-limit) and 12 private company directorships, for a total of 21 directorships. The total of 21 exceeds the absolute cap of 20 companies under s.165. Mr. Sharma's argument that he is compliant because he holds only 9 public company directorships addresses only the sub-limit and ignores the overriding total cap. He is in violation of s.165.

Why other options are wrong:

- Option (A): Incorrect – Mr. Sharma satisfies the public-company sub-limit but violates the overall cap of 20; his appointment to a 22nd company would be unlawful.
- Option (B): Incorrect – s.165 does not impose a separate cap of 20 for private companies; the single composite cap of 20 applies across all company types combined; $9 + 12 = 21$ exceeds the composite limit.
- Option (C): **Correct.** Section 165 caps total directorships at 20 (with a sub-cap of 10 for public companies); Mr. Sharma's 21 total directorships breach the composite cap; his appointment to another company is impermissible.
- Option (D): Incorrect – s.165 applies to all directors, whether executive, non-executive, or independent; the provision does not confine itself to independent directorships.

Final Answer: Section 165 caps total directorships at 20 across all companies; Mr. Sharma's 21 total directorships violate the composite cap irrespective of the public-company sub-limit. $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q10

Sol. 11.

Solution

Concept — Resignation of Director and its Effective Date under s.168, Companies Act, 2013: Section 168 of the Companies Act, 2013 provides that a director may resign from his office by giving notice in writing to the company. The resignation of a director takes effect from the date on which the notice is received by the company or the date, if any, specified by the director in the notice, *whichever is later*. The company has no legal power to refuse or withhold acceptance of a valid resignation. A director who has resigned must also file a copy of the resignation with the Registrar within 30 days of resignation.

Analysis: Ms. Pillai submitted a written resignation on 1st August 2025, specifying 1st October 2025 as the effective date. Section 168 stipulates that the resignation takes effect on the later of the receipt date (1st August 2025) or the date specified by the director (1st October 2025). The later of the two is 1st October 2025. The Board's resolution refusing acceptance has no legal effect; s.168 does not provide the Board any discretion to refuse a valid resignation. Ms. Pillai ceased to be a director from 1st October 2025 by operation of law.

Why other options are wrong:

- Option (A): Incorrect – s.168 does not require Board acceptance; a valid written resignation takes effect automatically on the statutory effective date regardless of the Board's decision.
- Option (B): Incorrect – s.168 expressly permits a director to specify a future date for the resignation's effectiveness; submitting a prospective resignation is fully consistent with the statute.
- Option (C): Incorrect – the Board has no statutory discretion to retain a resigning director; s.168 creates an automatic right of resignation with a prescribed effective date mechanism.
- Option (D): **Correct.** Under s.168, resignation takes effect on the date received or the date specified by the director, whichever is later; the Board cannot refuse acceptance; Ms. Pillai's resignation was effective 1st October 2025.

Final Answer: Under s.168, resignation takes effect on the later of receipt or specified date; the Board cannot refuse; Ms. Pillai ceased to be director from 1st October 2025 by operation of law. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q11

Sol. 12.

Solution

Concept — Reserved Powers of the Board and Circular Resolutions under s.179(3), Companies Act, 2013: Section 179(3) of the Companies Act, 2013 lists specific powers that the Board of Directors can exercise only by means of resolutions passed at a *meeting of the Board*. These reserved powers include: making calls on shares; issuing debentures; borrowing moneys; investing the company's funds; granting loans or giving guarantees; approving the financial statements; and diversifying the business. The proviso to s.179(3) makes clear that these powers cannot be exercised by circular resolution. A circular resolution (where directors sign individually without meeting) is invalid for matters listed in s.179(3).

Analysis: The investment of the company's funds falls squarely within s.179(3)(e). This power must be exercised at a formal Board meeting. The unanimous signing of a circular resolution by all directors does not cure the defect – s.179(3) mandates a meeting, and the provision is not satisfied merely by securing all directors' signatures. The investment decision is therefore invalid under the Companies Act, 2013.

Why other options are wrong:

- Option (A): Incorrect – unanimity of directors does not validate a circular resolution for s.179(3) matters; the statute specifically requires a resolution passed at a Board meeting.
- Option (B): **Correct.** Section 179(3)(e) requires investment decisions to be taken at a Board meeting; circular resolutions cannot be used for reserved powers; the investment approval is invalid.
- Option (C): Incorrect – the prohibition on circular resolutions for s.179(3) matters applies to all companies, whether listed or unlisted; listing status is irrelevant to this prohibition.
- Option (D): Incorrect – while delegation of certain Board powers is permissible, the Board cannot delegate its s.179(3) reserved powers by circular resolution; these powers must first be exercised at a Board meeting before any further delegation.

Final Answer: Investment of company funds is a reserved power under s.179(3)(e) requiring a Board meeting resolution; circular resolution is invalid for this purpose; the investment decision is void. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q12

Sol. 13.

Solution

Concept — Restricted Matters at Video Conferencing Board Meetings under Rule 4, Companies (Meetings of Board and its Powers) Rules, 2014: Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 specifies matters that *cannot* be transacted at a Board meeting held through video conferencing or audio-visual means. The restricted matters include: (i) approval of the annual financial statements; (ii) approval of the Board's report; (iii) approval of the prospectus; (iv) audit committee meetings for consideration of financial statements including consolidated financial statements; and (v) approval of matters relating to amalgamation, merger, demerger, acquisition, and takeover. Other business of the Board may ordinarily be transacted through video conferencing.

Analysis: Kalyan Pharma Ltd.'s Board meeting transacted the approval of Annual Financial Statements through video conferencing. This is one of the specifically restricted matters under Rule 4 that cannot be transacted via video conference. The other items (inter-corporate loan approval and internal audit review) may be conducted through video conferencing. The Company Secretary's certification that all resolutions are valid is incorrect in respect of the annual financial statements approval.

Why other options are wrong:

- Option (A): **Correct.** Rule 4 prohibits approval of annual financial statements, Board's report, prospectus, and amalgamation matters through video conferencing; the AFS approval at a pure VC meeting is invalid.
- Option (B): Incorrect – Rule 4 expressly carves out certain matters that cannot be transacted via VC; the statement that all matters can be transacted through VC is incorrect.
- Option (C): Incorrect – video conferencing is a statutorily recognised mode of Board meeting under the Companies Act, 2013 and the 2014 Rules; only specific restricted matters cannot be transacted through VC.
- Option (D): Incorrect – Rule 4's restrictions apply uniformly to all companies, including listed companies; there is no SEBI dispensation exempting listed companies from Rule 4's restrictions.

Final Answer: Rule 4 bars approval of annual financial statements via video conferencing; Kalyan Pharma Ltd.'s AFS approval at the VC-only meeting is invalid; other items transacted through VC are valid. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q13

Sol. 14.

Solution

Concept — NCLT's Power to Call General Meetings under s.98, Companies Act, 2013: Section 98 of the Companies Act, 2013 empowers the National Company Law Tribunal to intervene when a company is unable to hold or fails to hold a general meeting. On the application of any member of the company, the NCLT may call or direct the calling of a general meeting and give such ancillary directions as it considers expedient – including a direction that one member present in person or by proxy shall be deemed to constitute a quorum. This power ensures that the governance rights of members are not defeated by the Board's inaction or management disputes.

Analysis: Sunrise Power Ltd. has failed to hold AGMs for two consecutive years. Two members with a combined 15% stake have applied to the NCLT. The NCLT has full jurisdiction under s.98 to call the AGM and give directions regarding its conduct, including quorum requirements. The company's management's contention that the NCLT cannot interfere with internal meeting decisions is legally untenable – s.98 exists precisely to remedy the situation of a recalcitrant or deadlocked management.

Why other options are wrong:

- Option (A): Incorrect – jurisdiction to call AGMs upon default now vests in the NCLT under s.98; it was previously exercisable by the High Court but has been transferred to the NCLT under the Companies Act, 2013.
- Option (B): Incorrect – the NCLT's power under s.98 is not merely advisory; it can compel the convening of the meeting and even modify the quorum requirement by direction.
- Option (C): **Correct.** Section 98 empowers the NCLT to call or direct the calling of an AGM on any member's application; it can direct that one member in person or by proxy constitutes quorum; the company's jurisdictional objection fails.
- Option (D): Incorrect – s.98 does not stipulate a minimum period of three or more years of non-compliance; it applies whenever a company is unable to hold or fails to hold an AGM, including a two-year default.

Final Answer: Section 98 empowers NCLT to call an AGM on any member's application; failure to hold AGM for two years is sufficient; NCLT may even direct a single-member quorum. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q14

Sol. 15.

Solution

Concept — Postal Ballot Mandatory for Change of Registered Office between States under s.110 and s.13, Companies Act, 2013: Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 mandates that certain resolutions must be passed by postal ballot. One such mandatory item is the alteration of the Memorandum of Association relating to a change in the registered office of the company from one State to another. Such a change also requires a special resolution under s.13(7) and, subsequently, confirmation by the NCLT under s.13(4) after advertisement and opportunity to objectors. The Company Secretary's view that postal ballot is optional in this case is incorrect.

Analysis: Bengal Logistics Ltd. proposes to shift its registered office from West Bengal to Maharashtra – a change from one State to another. This requires: (i) a special resolution mandatorily conducted through postal ballot; (ii) publication and advertisement of the change; and (iii) NCLT confirmation. The Company Secretary's advice that postal ballot is optional is legally incorrect for this category of change.

Why other options are wrong:

- Option (A): Incorrect – change of registered office from one State to another requires a special resolution, not an ordinary resolution; postal ballot is also mandatory.
- Option (B): Incorrect – while postal ballot is mandatory for objects clause changes, it is equally mandatory for change of registered office between States; the Company Secretary's advice remains incorrect.
- Option (C): Incorrect – a change of registered office from one State to another is not a Board-level decision; it requires member approval (special resolution by postal ballot) and NCLT confirmation.
- Option (D): **Correct.** Change of registered office between States requires a special resolution by mandatory postal ballot under s.110 and s.13; NCLT confirmation is also required; postal ballot is not optional.

Final Answer: Change of registered office from one State to another requires a special resolution by mandatory postal ballot under s.110 and s.13, plus NCLT confirmation; the Company Secretary's advice is incorrect. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q15

Sol. 16.

Solution

Concept — Evidentiary Value of Signed Minutes under s.118(8), Companies Act, 2013: Section 118(8) of the Companies Act, 2013 provides that minutes kept in accordance with the provisions of s.118 shall be *evidence* of the proceedings recorded therein. The term used is "evidence," which under Indian evidence law gives rise to a *prima facie* presumption that the meeting was duly convened and the proceedings were regular. This presumption is rebuttable – it is not *conclusive* evidence – and a party may adduce contrary evidence to displace the presumption, although the burden of proof lies on the challenger.

Analysis: The minutes of Crescent Developers Ltd.'s general meeting were duly signed by the Chairman within the prescribed 30-day period. Under s.118(8), they constitute prima facie evidence of the proceedings. Mr. Naidu's characterisation of them as "merely a clerical record" with no evidentiary weight is incorrect. However, since the minutes are prima facie (not conclusive) evidence, Mr. Naidu may adduce evidence to rebut the presumption – the question is whether he can discharge that burden.

Why other options are wrong:

- Option (A): Incorrect – minutes are prima facie evidence, not conclusive evidence; the presumption they raise is rebuttable; no court has held signed minutes to be irrebuttable proof of due process.
- Option (B): **Correct.** Under s.118(8), signed minutes are prima facie evidence of the proceedings, raising a rebuttable presumption of regularity; Mr. Naidu may try to displace this presumption but bears the burden of proof.
- Option (C): Incorrect – s.118(8) expressly grants signed minutes the status of "evidence of the proceedings"; they are not merely private records; they carry a recognised legal presumption.
- Option (D): Incorrect – there is no requirement under the Companies Act, 2013 that minutes be countersigned by the Registrar of Companies; the Chairman's signature within the prescribed period is sufficient.

Final Answer: Under s.118(8), signed minutes are prima facie (not conclusive) evidence of proceedings; they raise a rebuttable presumption of regularity which Mr. Naidu may attempt to displace. $\Rightarrow \boxed{B}$

Answer: (B) Go Back to Q16

Sol. 17.

Solution

Concept — Mandatory Registered Valuer for Statutory Valuations under s.247, Companies Act, 2013: Section 247 of the Companies Act, 2013 provides that where a valuation is required to be made in respect of any property, stocks, shares, debentures, securities, goodwill, or other assets, or net worth of a company or its liabilities, under any provision of the Act, the valuation shall be made by a person having such qualifications and experience and registered as a valuer in such manner, on such terms and conditions, as may be prescribed. The Insolvency and Bankruptcy Board of India (IBBI) registers valuers and prescribes the qualifications required.

Analysis: The merger scheme between Amalga Steel Ltd. and Titanium Alloys Pvt. Ltd. requires a statutory valuation of unquoted equity shares to determine the share exchange ratio. This is a valuation under the Companies Act, 2013 (merger under s.230–232 read with s.247). An internal finance team, however experienced, does not hold a registered valuer certificate from IBBI and therefore cannot conduct this statutory valuation. A registered valuer must be appointed.

Why other options are wrong:

- Option (A): **Correct.** Section 247 mandates that statutory valuations of shares, securities, and assets must be conducted by a registered valuer; an internal finance team without IBBI registration cannot perform a valid statutory valuation.
- Option (B): Incorrect – s.247 does not draw any distinction between private and listed company mergers; the registered valuer requirement applies to all statutory valuations under the Act.
- Option (C): Incorrect – s.247 applies to valuation of shares, debentures, securities, and goodwill as well as property; the obligation is not confined to immovable property valuations.
- Option (D): Incorrect – while the NCLT has supervisory powers in merger proceedings, s.247 imposes a non-waivable requirement for a registered valuer; NCLT acceptance of an internal report would not cure the statutory violation.

Final Answer: Section 247 mandates a registered valuer for statutory valuations including share exchange ratio determination in a merger; an internal finance team without IBBI registration is insufficient. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q17

Sol. 18.

Solution

Concept — Independence Requirement for Registered Valuers under s.247(2) and IBBI (Registered Valuers and Valuation) Rules, 2017: Section 247(2) of the Companies Act, 2013 requires that a registered valuer shall be independent from the company whose assets or securities are being valued. The IBBI (Registered Valuers and Valuation) Rules, 2017 prescribe detailed independence criteria: a registered valuer must not be a director, Key Managerial Personnel (KMP), relative of a director or KMP, or any person who has a financial interest in the company for which the valuation is being conducted. This independence requirement is separate from and in addition to the requirement of holding a valid IBBI certificate.

Analysis: Mr. Suresh holds a valid IBBI registered valuer certificate but is also the CFO of Quantum Logistics Ltd. – a KMP under s.2(51). His position as CFO directly disqualifies him under the independence rules from acting as registered valuer for the very company in which he serves as KMP. Possession of the certificate satisfies the competence requirement but not the independence requirement. Both conditions must be satisfied simultaneously. His appointment is invalid.

Why other options are wrong:

- Option (A): Incorrect – s.247(2) and the IBBI Rules impose an independence requirement in addition to the certificate requirement; holding a valid certificate alone is not sufficient if the valuer lacks independence.
- Option (B): Incorrect – the independence disqualification cannot be cured by a Board resolution acknowledging the conflict; the disqualification is statutory and not waivable by consent of the affected parties.
- Option (C): **Correct.** A registered valuer must be independent under s.247(2) and IBBI Rules; a KMP (CFO) of the company cannot act as its registered valuer; Mr. Suresh's appointment is invalid.
- Option (D): Incorrect – the independence requirement under s.247 and the IBBI Rules applies to all statutory valuations, including corporate actions such as rights issues, not merely insolvency proceedings.

Final Answer: Section 247(2) and IBBI Rules require a registered valuer to be independent; a CFO who is a KMP of the company cannot validly serve as its registered valuer regardless of holding a valid certificate. $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q18

Sol. 19.

Solution

Concept — Director Identification Number (DIN) as a Pre-condition for Appointment under s.152(3) read with s.154, Companies Act, 2013: Section 152(3) of the Companies Act, 2013 provides that no person shall be appointed as a director of a company unless he has been allotted a Director Identification Number under s.154 or any other number as may be prescribed under s.153. The DIN is a unique identification number allotted by the Central Government to any individual intending to be appointed as a director. Appointment without a valid DIN is therefore void under the statute; such a person cannot lawfully act as a director or exercise any power or function of a director.

Analysis: Mr. Rao did not have a DIN at the time the shareholders purported to appoint him at the AGM. The appointment resolution, however validly passed, is of no legal effect because it contravenes the pre-condition in s.152(3). His subsequent participation in Board meetings, signing of documents, and exercise of director powers were all without authority. The company and its officers may face penalties for permitting an unregistered person to act as director.

Why other options are wrong:

- Option (A): Incorrect – the DIN is a statutory pre-condition under s.152(3), not a mere procedural formality; absence of DIN at the time of appointment renders the appointment void, not voidable or curable retrospectively.
- Option (B): Incorrect – a void appointment cannot be ratified; ratification is only possible for unauthorised but otherwise valid acts; an appointment that contravenes s.152(3) is a nullity and cannot be retrospectively validated.
- Option (C): Incorrect – s.152(3) requires the DIN to be obtained *before* appointment; there is no provision permitting temporary directorship pending DIN allotment; the appointment is void from the outset.
- Option (D): **Correct.** Section 152(3) read with s.154 makes DIN a mandatory pre-condition for directorial appointment; appointment without DIN is void; Mr. Rao's acts as director were without authority and penalties may apply.

Final Answer: Under s.152(3) and s.154, DIN is a mandatory pre-condition; appointment without DIN is void; Mr. Rao's participation in Board meetings was without authority and the company faces penalties. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q19

Sol. 20.

Solution

Concept — Written Consent to Act as Director and Filing with Registrar under s.152(5), Companies Act, 2013: Section 152(5) of the Companies Act, 2013 provides that a person appointed as a director shall not act as a director unless he has given his written consent to hold the office of director and such consent has been filed with the Registrar within 30 days of his appointment in the prescribed form and manner. This is a mandatory requirement. An oral expression of willingness at the general meeting does not satisfy the statutory requirement. Until the written consent is filed with the Registrar, the person is legally disabled from acting as a director and exercising any directorial powers or functions.

Analysis: Ms. Rao's oral expression of consent at the AGM did not satisfy s.152(5). The written consent must be separately filed with the Registrar within 30 days – a step that was never taken. Without this filing, Ms. Rao cannot lawfully act as a director or exercise any directorial powers. The Company Secretary's advice that oral consent at the meeting is sufficient is legally incorrect. The company and Ms. Rao are in breach of s.152(5).

Why other options are wrong:

- Option (A): Incorrect – s.152(5) expressly requires written consent and its filing with the Registrar; oral consent at the general meeting is not a substitute for the statutory written consent filing.
- Option (B): **Correct.** Section 152(5) requires written consent filed with the Registrar within 30 days; failure means the person cannot lawfully act as director; oral consent does not satisfy the provision.
- Option (C): Incorrect – the 30-day filing requirement under s.152(5) is mandatory, not directory; failure to file within 30 days disables the director from acting; it is not merely a technical irregularity attracting a late fee.
- Option (D): Incorrect – the prescribed period under s.152(5) is 30 days, not 60 days; the Company Secretary's advice is wrong on both the nature (oral vs. written) and the timeline; the company is already in default.

Final Answer: Section 152(5) requires written consent filed with the Registrar within 30 days of appointment; failure disables the person from acting as director; oral consent is insufficient. $\Rightarrow \boxed{B}$

Answer: (B) Go Back to Q20

ANSWER KEY

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