



CORPORATE LAWS AND ECONOMIC LAWS

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks. Wherever necessary. Suitable assumptions may be made and clearly indicated in answer by the candidate.

Answer Question No. 1 which is compulsory carrying 30 marks and answer any five questions from Question No. 2 to Question No. 8 each of 14 marks.

SECTION – A

Question No. 1, which is compulsory

1) Choose the most appropriate option for the following MCQs: [15 × 2=30]

Scenario for MCQs (I) TO (IV)

Sunrise Ltd., a public company, appointed Mr. Ramesh as its statutory auditor in the AGM held on 1st July 2025. He resigned on 15th October 2025 due to personal reasons. The Board appointed another auditor on 25th October 2025. Mr. Ramesh had not filed Form ADT-3 with the ROC.

- (i) What is the consequence of Mr. Ramesh not filing Form ADT-3 with the ROC within the prescribed time?
- (A) Penalty of ₹50,000 only
(B) Minimum penalty ₹50,000 and continuing default ₹500 per day, maximum ₹2,00,000
(C) Penalty of ₹2,00,000 and ₹1,000 per day for continuing default
(D) No penalty, only warning by ROC
- (ii) The new auditor appointed by the Board owes ₹1,50,000 to Sunrise Ltd. Is he eligible to be appointed?
- (A) Yes, since the threshold limit is ₹2,00,000
(B) Yes, since the limit applies only to secured loans
(C) Yes, since indebtedness applies only to relatives of the auditor
(D) No, since indebtedness beyond ₹1,00,000 disqualifies an auditor
- (iii) Suppose Mr. Ramesh was charged by GST authorities for fraud of ₹1.5 crore but not yet convicted. Can he continue as auditor?
- (A) No, he must resign immediately
(B) Yes, unless convicted by a court of law
(C) No, NFRA disqualifies him upon charge
(D) Yes, for five years even if convicted
- (iv) If Sunrise Ltd. were a company controlled by the State Government, who would have the authority to fill the vacancy caused by the resignation of Mr. Ramesh?
- (A) The Board of Directors
(B) The Central Government
(C) The Members of the company
(D) The Comptroller and Auditor General of India



CORPORATE LAWS AND ECONOMIC LAWS

Independent MCQs [(v) to (xv)]

- (v) **Bright Ltd. defaults on a loan of ₹50 crore. The creditors demand that Mr. Arun, holding 20% shares, personally repay 20% of the loan.**
- (A) **Mr. Arun is liable to the extent of his shareholding percentage (20%).**
 - (B) **Mr. Arun's liability is limited only to the unpaid amount on his shares.**
 - (C) **Mr. Arun is liable jointly with other shareholders for the entire debt.**
 - (D) **Mr. Arun is liable only if he is also a director of the company.**
- (vi) **Certificate of Incorporation of a company is issued by:**
- (A) **Central Government**
 - (B) **Registrar of Companies**
 - (C) **Regional Director**
 - (D) **Ministry of Corporate Affairs**
- (vii) **Under IBC, 2016, the Corporate Insolvency Resolution Process (CIRP) must be completed within ____ days:**
- (A) **330**
 - (B) **270**
 - (C) **300**
 - (D) **365**
- (viii) **Which of the following is not a sustainable development activity?**
- (A) **Rainwater harvesting**
 - (B) **Solar energy**
 - (C) **Paddy cultivation**
 - (D) **Plantation of saplings**
- (ix) **Triple Bottom Line approach refers to:**
- (A) **People, Planet, Profit**
 - (B) **People, Purpose, Profit**
 - (C) **Planet, Profit, Period**
 - (D) **Planet, People, Purpose**
- (x) **Selling products/services below the cost is called ____.**
- (A) **Undercut pricing**
 - (B) **Under invoicing**
 - (C) **Predatory pricing**
 - (D) **Introductory pricing**



CORPORATE LAWS AND ECONOMIC LAWS

- (xi) Under SEBI (ICDR) Regulations, 2018, a company must have net tangible assets of at least ₹ ___ crore in the preceding 3 years:
- (A) 1
(B) 3
(C) 5
(D) 10
- (xii) Under Section 2(f) of the Competition Act, 2002, a consumer includes:
- (A) Only persons buying goods for personal use
(B) Persons buying goods for resale or commercial purpose also
(C) Only persons who have fully paid consideration
(D) None of the above
- (xiii) Under FEMA, eligible borrowers can raise up to ___ million USD per financial year under automatic route for ECB.
- (A) 400
(B) 600
(C) 750
(D) 1000
- (xiv) The Reserve Bank of India is primarily responsible for:
- (A) Framing monetary policy
(B) Supervising insurance companies
(C) Regulating stock exchanges
(D) Enforcing competition law
- (xv) Under the Prevention of Money Laundering Act, 2002, a “Scheduled Offence” is termed as:
- (A) Money Laundering Offence
(B) Predicate Offence
(C) Punishable Offence
(D) Pre-requisite Offence

Answer:

Sl. No.	Answer	Reasons
(i)	B	Under Section 140(2) of the Companies Act, 2013, an auditor must file Form ADT-3 within 30 days of resignation. Failure attracts penalty: minimum ₹50,000, continuing default ₹500 per day, maximum ₹2,00,000.
(ii)	D	Section 141(3)(d)(i) disqualifies an auditor if indebted to the company for more than ₹1,00,000. Since the new auditor owes ₹1,50,000, he is disqualified.



CORPORATE LAWS AND ECONOMIC LAWS

Sl. No.	Answer	Reasons
(iii)	B	Section 141(3)(i) disqualifies only if convicted of fraud within 10 years. Mere charges or allegations do not disqualify. Hence, he can continue unless convicted.
(iv)	D	In the case of a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor General of India, casual vacancy of an auditor be filled by the Comptroller and Auditor General of India within 30 days
(v)	B	In a limited company, liability of members is restricted to the unpaid amount on their shares. Creditors cannot demand repayment proportional to shareholding.
(vi)	B	Certificate of Incorporation is issued by the Registrar of Companies after verifying incorporation documents.
(vii)	A	Under Section 12 of IBC, CIRP must be completed within 180 days, Adjudicating Authority, may by order extend the duration of such process beyond 180 days by such further period as it thinks fit, but not exceeding 90 days. Provided that the process be mandatory completed within 330 days including any extension. Total Outer Limit: 180 days (Base) + 90 days (Extension) + 60 days (Litigation Buffer) = 330 days.
(viii)	C	Paddy cultivation is water-intensive and environmentally harmful, hence not considered sustainable development.
(ix)	A	Triple Bottom Line refers to People, Planet, Profit — balancing social, environmental, and economic goals.
(x)	C	“Predatory Price” means the sale of goods or provision of services, at a price which is below the cost, as may be determined by regulations, of production of the goods or provision of services, with a view to reduce competition or eliminate the competitors.
(xi)	B	SEBI (ICDR) Regulations, 2018, the company must have net tangible assets of at least ₹ 3 crore , calculated on a restated and consolidated basis, in each of the preceding three full years (of 12 months each).
(xii)	B	Section 2(f) of the Competition Act defines consumer broadly, including those buying goods for resale or commercial purposes.
(xiii)	C	FEMA guidelines permit eligible borrowers to raise up to USD 750 million per financial year under the automatic route for ECB.
(xiv)	A	RBI is responsible for framing monetary policy. Insurance supervision is IRDAI, stock exchanges are regulated by SEBI, competition law by CCI.
(xv)	B	Under PMLA, a “Scheduled Offence” is termed as a Predicate Offence, which forms the basis for money laundering.



CORPORATE LAWS AND ECONOMIC LAWS

SECTION – B

Answer any five questions form Question No. 2 to Question No. 8.

Each question carries 14 marks.

[5 × 14 = 70]

2. (a) M/s Zenith Ltd., a public company engaged in manufacturing, has the following financials:

Particulars	Amount (₹ in crore)
Paid-up Equity Share Capital	120
General Reserve	30
Securities Premium	10
Term Loan from Bank	80
Turnover	600

The company proposes to invite deposits of varying tenures.

- Inspect whether the company eligible to invite deposits from the public?
- Evaluate the permissible limit for deposits from members.
- Evaluate the permissible limit for deposits from the public.
- Examine, what is the combined limit from members and public?
- Advice, can the company accept deposits for less than six months?

[7]

- (b) Mr. A, a shareholder of XYZ Ltd., proposes the candidature of Mr. B as a director, not liable to retire by rotation, and deposits ₹1,00,000 with the company.

Examine the validity of this proposal in the following cases:

- If XYZ Ltd. is a Government company and the Government has been duly intimated.
- If the Articles of Association provide for election of directors by ballot.
- If the company publishes notice only in a vernacular newspaper, seven days before the meeting.

[7]

Answer:

- (a) Acceptance of Deposits by Public Companies (Section 76 + Rules)

- (i) Eligibility to invite public deposits

- Section 76(1): Only “eligible companies” can invite deposits from public.
- Eligibility: Net worth \geq ₹100 crore OR Turnover \geq ₹500 crore.
- Computation: Net worth = 120 + 30 + 10 = ₹160 crore; Turnover = ₹600 crore.
- Both conditions** satisfied → Eligible public company.

- (ii) Tenure of deposits

- Rule 3(1): Deposits must be between 6–36 months.
- Exception: 3–6 months allowed up to 10% of aggregate capital + reserves + premium.

- (iii) Limit from members

- Rule 3(2): Up to 10% of aggregate of paid-up capital + free reserves + premium.
- Computation: (120 + 30 + 10) × 10% = ₹16 crore.

**CORPORATE LAWS AND ECONOMIC LAWS****(iv) Limit from public**

- Rule 3(4): Up to 25% of aggregate of paid-up capital + reserves + premium.
- Computation: $(120 + 30 + 10) \times 25\% = ₹40$ crore.

(v) Combined limit (members + public)

- Total permissible = 35% of aggregate = $(160 \times 35\%) = ₹56$ crore.

Conclusion:

- Eligible to invite deposits.
- Tenure normally 6–36 months; short-term 3–6 months allowed up to 10%.
- Limits: Members ₹16 crore; Public ₹40 crore; Combined ₹56 crore.

(b) Appointment of Director other than retiring director (Section 160)**Case I – Government Company**

- Proviso to Section 160(1) read with Rule 7(1) of the Companies (Appointment and Qualification of Directors) Rules, 2014: Section 160 does not apply to a Government Company where the Ministry/Department concerned has been duly intimated. → Proposal valid even without compliance under Section 160.

Case II – Articles provide for election by ballot

- Section 160(1) shall not apply to a company whose Articles provide for election of directors by ballot.
- Appointment valid as per Articles.

Case III – Advertisement only in vernacular newspaper

- Section 160(2) read with Rule 13 requires publication in **two newspapers**: (i) one in English, and (ii) one in vernacular language of the district.
- In the given case, only vernacular publication done → partial compliance.
- Hence candidature notice invalid, election irregular.

Conclusion: Proposal valid in Case I and II; invalid in Case III.

3. (a) Describe the procedural requirements and conditions for issuing a notice of Board Meeting under Section 173(3) of the Companies Act, 2013. [7]

(b) The Central Government, under Section 237(1) of the Companies Act, 2013, has ordered the amalgamation of A Ltd. and B Ltd. into a new company, AB Ltd., on specified terms and conditions. [7]

- The Shareholders of A Ltd. are to receive ₹1,200 per existing share in cash, and in addition, one share of AB Ltd. for every two shares held in A Ltd.
- The Shareholders of B Ltd. are to receive one share of AB Ltd. for every share held in B Ltd. Two shareholders object to the amalgamation, contending that the compensation awarded is unsatisfactory.
 - (i) Critically assess the applicable provisions regarding amalgamation under Section 237.
 - (ii) Suggest the remedy available to dissenting shareholders.
 - (iii) Explain the effect of the Central Government's order once published in the Official Gazette.



CORPORATE LAWS AND ECONOMIC LAWS

Answer:

- (a) Section 173(3) provides that, every board meeting shall be called by giving at least 7 days' notice in writing to all the directors at their registered address (whether in India or outside India). The notice may be sent by hand delivery or by post or by electronic means.

Meeting of the Board of Directors may be called on a shorter notice (than 7 days) in order to transact an urgent business, subject to the condition that at least one independent director, if any, shall be present at the meeting. If no independent director is present, then the decisions taken at such a meeting shall be circulated to all the directors and shall be final only on ratification thereof by at least one independent director, if any. The fact that meeting is being called at shorter notice, shall be stated in the notice.

- (a) The Companies (Meetings of Board and its Powers) Rules, 2014 further provides that
- (i) The notice of the meeting shall inform the directors regarding the option available to them to participate through video conferencing mode or other audio visual means, and shall provide all the necessary information to enable the directors to participate through video conferencing mode or other audio visual means.
 - (ii) On receiving such a notice, a director intending to participate through video conferencing or audio visual means shall communicate his intention to the chairperson or the company secretary of the company. He shall give prior intimation to that effect sufficiently in advance so that the company is able to make suitable arrangements in this behalf.
 - (iii) If the director does not give any intimation of his intention to participate that he wants to participate through the electronic mode, it shall be assumed that the director shall attend the meeting in person.
 - (iv) The director, who desires, to participate may intimate his intention of participation through the electronic mode at the beginning of the calendar year and such declaration shall be valid for one calendar year. In the absence of any such intimation from the director, it shall be assumed that he will attend the meeting in person.
 - (v) Notice of the meeting, wherein the facility of participation through Electronic mode is provided, shall clearly mention a venue to be the venue of the meeting and it shall be the place where all the recordings of the proceedings at the meeting would be made. Otherwise, it shall be assumed that the director shall attend the meeting in person.

- (b) The SS-1 (Secretarial Standards on the Meeting of Board) provides that:
- (i) Where director specifies a particular means of delivery of notice, notice shall be given to him by such means only.
 - (ii) Notice shall be issued by the Company Secretary or where there is no Company Secretary, by any director or any other person authorized by the Board for the purpose.
 - (iii) The notice shall specify the serial number, day, date, time and full address of the venue of the meeting.
 - (iv) In case the facility of participation through Electronic Mode is being made available, the notice shall provide the available option of such facility, information to avail such facility, and contact number or e-mail address of the Chairman or Company Secretary or any other authorized person to whom director shall confirm as to whether they will participate through

**CORPORATE LAWS AND ECONOMIC LAWS**

electronic mode in the meeting.

- (v) The Agenda, setting out the business to be transacted at the meeting, and Notes to agenda shall also be sent to all the directors along with Notice of the Board Meeting.
- (vi) Each meeting and item of the business to be taken up in the meeting shall be serially numbered.
- (vii) Proof of sending notice, agenda and notes on agenda and their delivery shall be maintained by the company.
- (viii) Every Meeting shall have a serial number.
- (ix) A meeting may be convened at any time and place, on any day, excluding a National Holiday.

(b) Amalgamation ordered by the Central Government (Section 237, Companies Act, 2013)**(i) Applicable Provisions**

- Section 237(1): Central Government may order amalgamation of two or more companies in public interest.
- Order may provide for constitution, properties, rights, liabilities of new company.
- Compensation payable to shareholders/interested persons determined by prescribed authority.

(ii) Remedy for Dissenting Shareholders

- Section 237(4): Any person aggrieved by compensation order may appeal to NCLT within 30 days of publication.
- Tribunal may confirm, modify, or vary compensation.

(iii) Effect of Government's Order

- Once published in Official Gazette, amalgamation takes effect by operation of law.
- Transfer of undertakings and shares is automatic.
- Objections do not stay amalgamation; remedy lies only in appeal on compensation quantum.

Conclusion: Amalgamation order is binding once gazetted; shareholders' remedy is limited to appeal on compensation before the NCLT.

4. (a) Explain the required quorum for holding a Board meeting, as per the provisions of the Companies Act, 2013? Examine the following cases in this context:

- (i) In a Board meeting, only 3 directors were present out of the total of 11 directors. None of the 3 directors was interested in any of the items of the agenda. Examine the validity of meeting.
- (ii) In a meeting of the Board, out of the total of 11 directors, 5 directors were present, of which only 2 directors were not interested in one of the transactions. Suggest, how should the meeting deal with the matter? [7]

- (b) X & Co. is a LLP firm wants to convert their firm into a corporate entity as per the provisions contained in Sec. 366 of the Companies Act, 2013 and the Companies (Authorized to registered) Rules, 2014. They have conducted a meeting for conversion of and to decide the name of the company summoned for the purpose of registering the LLP. In the meeting 1/4th partners want for the conversion into a Pvt. Ltd company, and 3/4th partners want for a new corporate entity with the word "Public Limited". There are 6 partners in the firm. Recommend an appropriate decision and steps to be taken by the firm. [7]



CORPORATE LAWS AND ECONOMIC LAWS

Answer:

(a) Quorum for Board meetings

The provisions relating to quorum for a Board meeting are contained in section 174.

Unless the articles provide for a higher quorum, the quorum shall be 1/3rd of the total strength' (any fraction contained in that 1/3rd shall be rounded off to one) or two directors whichever is higher [Section 174(1)].

However, section 174(3) states that where at any time the number of interested directors (present in the Board meeting) exceeds or is equal to 2/3rd of the 'total strength' (any fraction contained in that 2/3rd shall be rounded off as one), the number of disinterested directors present at the meeting, being not less than two, shall be the quorum

- In the instant case, 1/3rd of 11 comes to 3.67; the fraction 0.67 shall be rounded off to 1. Thus, at least 4 disinterested directors must be present in the Board meeting. However, only 3 directors are present in the Board meeting.

Moreover, there is no interested director present in the meeting and so, the benefit of section 174(3) cannot be availed.

Hence, the quorum was not present and so the meeting has not been validly held.

- In the given case, the required quorum comes to 4 directors, 5 were present, so the basic requirement is fulfilled.

During one of the transactions, only 2 directors were not interested. The requirement of section 174(3) is met with.

The quorum requirement is thus fulfilled.

(b) An LLP can be converted into a Pvt. Ltd. Company as per the provisions contained in section 366 of the companies act 2013 and the companies (Authorised to Registered) Rules, 2014.

This steps can be initiated in 2 ways as enumerated below:

- (i) Incorporation of a new corporate entity.
- (ii) Conversion of existing entity (e.g. LLP/Partnership Firm) into a Company There are various requirements which need to be satisfied for converting an LLP into a private Ltd.
 1. An LLP must have at least 7 partners (however as per Companies Amendment Act ,2017 LLP with 2 partners can be converted into company).
 2. Approval from all partners is required.
 3. Advertisement in newspaper is to be done in a local and national newspaper.
 4. No objection certificate (NOC) is required from ROC where such LLP is registered

However, if an LLP crosses an annual turnover of Rs.40 lakhs or a capital contribution of more than Rs.25 lakhs, the compliance requirements for LLP and Private Limited Company become almost similar, making the private limited company a better choice. Further that a company with less than 7 members shall register as a private company, whether the majority is for a new corporate entity with the word "Public Limited".

The following steps to be taken by the firm:

1. Hold a meeting of the partners to decide the name of the company. To authorize partners to take all steps necessary and to execute all papers, deeds, documents etc. pursuant to register of the LLP as a

**CORPORATE LAWS AND ECONOMIC LAWS**

Company. The major advantages are that the business can be run under the same name as that of the LLP except that in addition to the name of LLP the words Limited or private limited has to be added. The accepted name by the authority will be valid for 60 days.

2. After obtaining name approval, apply for Digital Signature Certificate (DSC) and Director Identification Number (DIN) for the member of the LLP who will be the directors of the Private Limited Company after conversion. In case of non-applicability of DIN, the applicant needs to provide address proof, identity proof and photographs along with the application. Therefore, obtain DIN directly through filing incorporation form.
3. Further, Form URC-1 needs to be filed by the applicant; furnish the following list of documents along with the form URC-1.
 - Provide details such as name, address and shares held by the members along with the member's list.
 - Provide details such as Name, Address, DIN, passport number along with an expiry date of all the directors of the Private Limited Company.
 - An affidavit is required from the first directors of the Private Limited Company stating that they are not banned from being a director
 - Also, file all mandatory documents with the Registrar of Companies for the registration of the company.
 - Note: The details provided by the company should be complete, correct and accurate to the best of their knowledge.
 - Copy of Limited Liability Partnership agreement with a list containing the name and address of the partners of LLP and a certified copy of registration which is duly verified by at least two designated partners of LPP is required.
 - The statement with the details of the nominal share capital of the firm and the number of shares separated, the number of shares taken and the amount remitted for each share and the name of the firm with the word private limited to be provided.
 - The no-objection certificate from all the creditors has to be provided.
 - Duly certified accounts statement of the company by the auditor, which should not be less than six days from the date of application and the copy of the newspaper advertisement is required.
4. Draft the Memorandum of Association (MOA) and Articles of Association (AOA) and submit to the Registrar of Companies. After the approval of the company name, the Register of Companies sanctions the form URC-1.
5. (a) **The Insolvency and Bankruptcy Code, 2016 provides for a Fast Track Corporate Insolvency Resolution Process (CIRP) to expedite the resolution of certain entities. Examine the specific categories of corporate debtors to whom the provisions of Fast Track CIRP under Section 55 of the Code apply. Additionally, discuss the statutory time limit and the extension allowed for completing this fast-track process. [7]**
- (b) **Under section 28 of the IBC, 2016, the Resolution Professional will have to take prior approval for some cases, otherwise it will be invalid. Discuss those cases and percentage of voting is required in favour of the decision? [7]**



CORPORATE LAWS AND ECONOMIC LAWS

Answer:**(a) Categories of Corporate Debtors for Fast Track CIRP (Section 55)**

Under Section 55(2) of the Insolvency and Bankruptcy Code, 2016, the Fast Track Corporate Insolvency Resolution Process applies to the following specific categories of corporate debtors:

- A **Small Company**, as defined under clause (85) of section 2 of the Companies Act, 2013.
- A **Startup** (other than a partnership firm), as defined in the notification of the Government of India.
- An **Unlisted Company** with total assets not exceeding Rupees One Crore in the immediately preceding financial year.

Statutory Time Limit for Completion

- **Time limit:** The fast track corporate insolvency resolution process must be completed within a strict period of **90 days** from the **insolvency commencement date**.

Provisions for Extension (Section 56)

- **Maximum Extension:** The Adjudicating Authority (NCLT) may grant an extension of the fast-track process for a further period not exceeding **45 days**.
- **Statutory Condition:** Such an extension can only be granted if an application is made by the resolution professional, supported by a resolution passed at a meeting of the Committee of Creditors (CoC) by a vote of **seventy-five percent (75%)** of the voting share. Note that this extension shall not be granted more than once.

(b) Prior approval under section 28 of the IBC, 2016

In following cases, resolution professional can take action only with prior approval of committee of creditors, with 66% voting in favour, failing which the action by IP will be invalid and action may be taken against IP.

- (a) raise any interim finance.
- (b) create any security interest over the assets of the corporate debtor.
- (c) change the capital structure of the corporate debtor.
- (d) record any change in the ownership interest of the corporate debtor.
- (e) give instructions to financial institutions maintaining accounts of the corporate debtor for a debit transaction.
- (f) undertake any related party transaction
- (g) amend any constitutional documents of the corporate debtor.
- (h) delegate its authority to any other person.
- (i) dispose of or permit the disposal of shares of any shareholder of the corporate debtor or their nominees to third parties.
- (j) make any change in the management of the corporate debtor or its subsidiary.
- (k) transfer rights or financial debts or operational debts under material contracts otherwise than in the ordinary course of business.
- (l) make changes in the appointment or terms of contract of such personnel as specified by the committee of creditors; or

**CORPORATE LAWS AND ECONOMIC LAWS**

- (m) make changes in the appointment or terms of contract of statutory auditors or internal auditors of the corporate debtor.
- (n) Invite prospective resolution applicant who fulfil certain criteria as laid down by COC.

6. (a) **Corporate Social Responsibility (CSR) is a crucial component of modern corporate sustainability. Discuss the statutory applicability criteria for constituting a Corporate Social Responsibility (CSR) Committee under Section 135 of the Companies Act, 2013. Furthermore, Align any four core functions/duties that the CSR Committee is mandated to perform once constituted.** [7]
- (b) **Section 43 of the Information Technology Act, 2000 prescribes penalties and compensation for damage to computers and computer systems. Summarize any seven specific acts constituting an offence under this section that would render a person liable to pay damages by way of compensation to the affected party.** [7]

Answer:

- (a) **Applicability of CSR Committee (Section 135) [3 Marks]** Under Section 135(1) of the Companies Act, 2013, every company must constitute a Corporate Social Responsibility (CSR) Committee of the Board if it meets any of the following financial thresholds during the immediately preceding financial year (*1 mark for each condition*):
- Net worth of ₹ 500 crores or more; or
 - Turnover of ₹ 1,000 crores or more; or
 - Net profit of ₹ 5 crores or more.

Core Functions/Duties of the CSR Committee [4 Marks] The CSR Committee is mandated to perform the following statutory functions

- **Formulate CSR Policy:** Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Act.
 - **Recommend Expenditure:** Recommend the exact amount of expenditure to be incurred on the activities referred to in the CSR Policy.
 - **Monitor the Policy:** Institute a transparent monitoring mechanism and monitor the Corporate Social Responsibility Policy of the company from time to time.
 - **Formulate Annual Action Plan:** Formulate and recommend to the Board an annual action plan in pursuance of its CSR policy, including the list of CSR projects, manner of execution, modalities of fund utilization, and impact assessment.
- (b) **Penalties and Compensation for Damage to Computer (Section 43)**
Under Section 43 of the Information Technology Act, 2000, if any person, without the permission of the owner or the person in charge of a computer, computer system, or computer network, commits any of the following acts, they shall be liable to pay damages by way of compensation.



CORPORATE LAWS AND ECONOMIC LAWS

1. **Unauthorized Access:** Accesses or secures access to such computer, computer system or computer network.
2. **Data Extraction:** Downloads, copies or extracts any data, computer database or information from such computer.
3. **Virus Introduction:** Introduces or causes to be introduced any computer contaminant or computer virus into any computer.
4. **Physical/Logical Damage:** Damages or causes to be damaged any computer, computer system or computer network, data, database or any other programmes residing in such computer.
5. **System Disruption:** Disrupts or causes disruption of any computer, computer system or computer network.
6. **Denial of Access:** Denies or causes the denial of access to any person authorized to access any computer.
7. **Facilitating Illegal Access:** Provides any assistance to any person to facilitate access to a computer in contravention of the provisions of this Act.
8. **Tampering with Accounting:** Charges the services availed of by a person to the account of another person by tampering with or manipulating any computer.
9. **Destroying Information:** Destroys, deletes or alters any information residing in a computer resource or diminishes its value or utility.

7. (a) Explain the obligations of the target company and obligations of the acquirer. [7]
- (b) Section 4 of the Competition Act, 2002 explicitly prohibits any enterprise or group from abusing its 'dominant position'. Discuss what constitutes a "dominant position" under the Act. Furthermore, Align any five statutory factors that the Competition Commission of India (CCI) is mandated to consider under Section 19(4) while determining whether an enterprise enjoys such a dominant position in the relevant market. [7]

Answer:

- (a) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 is commonly called as takeover regulation or takeover code. It applies to direct and indirect acquisition of shares or voting rights in, or control over target company. these regulations shall not apply to direct and indirect acquisition of shares or voting rights in, or control over a company listed without making a public issue, on the Innovators Growth Platform of a recognised stock exchange.

Obligations of the target company

- (i) the board of directors of such target company shall ensure that during the offer period, the business of the target company is conducted in the ordinary course consistent with past practice.
- (ii) the target company shall be prohibited from fixing any record date for a corporate action on or after the third working day prior to the commencement of the tendering period and until the expiry of the tendering period.

**CORPORATE LAWS AND ECONOMIC LAWS**

- (iii) furnish to the acquirer within two working days from the identified date, a list of shareholders as per the register of members of the target company containing names, addresses, shareholding and folio number, in electronic form, wherever available, and a list of persons whose applications, if any for registration of transfer of shares are pending with the target company.
- (iv) during the offer period:
- (a) unless the approval of shareholders of the target company by way of a special resolution by postal ballot is obtained, the board of directors of either the target company or any of its subsidiaries shall not —
- (b) alienate any material assets whether by way of sale, lease, encumbrance or otherwise or enter into any agreement therefor outside the ordinary course of business.

Obligations of the acquirer

The acquirer has the following obligations.

- (a) To ensure that firm financial arrangements have been made for fulfilling the payment obligations under the open offer.
- (b) to ensure able to implement the open offer, subject to any statutory approvals for the open offer that may be necessary.
- (c) acquirer shall not alienate any material assets of the target company or of any of its subsidiaries, whether by way of sale, lease, encumbrance or otherwise outside the ordinary course of business, unless the acquirer has not declared an intention in the detailed public statement and the letter of offer .If such intention wasn't declared then for alienation - special resolution via postal ballot is required and notice must mention the reasons for such alienation.
- (d) the acquirer and persons acting in concert with him shall not sell shares of the target company held by them, during the offer period.
- (e) the acquirer and persons acting in concert with him shall be jointly and severally responsible for fulfillment of applicable obligations under takeover code.

(b) Definition of Dominant Position

As per the Explanation to Section 4 of the Competition Act, 2002, a "dominant position" means a position of strength, enjoyed by an enterprise, in the relevant market, in India, which enables it to

- Operate independently of competitive forces prevailing in the relevant market; or
- Affect its competitors or consumers or the relevant market in its favour.

Factors Determining Dominant Position (Section 19(4))

While inquiring whether an enterprise enjoys a dominant position under Section 4, the Competition Commission of India (CCI) is mandated to consider all or any of the following factors:

- **Market Share:** The market share of the enterprise in the relevant market.
- **Resources:** The size and resources of the enterprise.
- **Competitors:** The size and importance of the competitors.
- **Economic Power:** The economic power of the enterprise including commercial advantages over competitors.



CORPORATE LAWS AND ECONOMIC LAWS

- **Vertical Integration:** The vertical integration of the enterprises or sale or service network of such enterprises.
 - **Consumer Dependence:** The dependence of consumers on the enterprise.
 - **Statutory Monopoly:** A monopoly or dominant position whether acquired as a result of any statute or by virtue of being a Government company or a public sector undertaking.
 - **Entry Barriers:** Barriers such as regulatory barriers, financial risk, high capital cost of entry, marketing entry barriers, technical entry barriers, economies of scale, high cost of substitutable goods.
 - **Countervailing Power:** Countervailing buying power of the consumers.
8. (a) **The Prevention of Money Laundering Act, 2002 (PMLA) was enacted to combat the channeling of illicitly obtained proceeds of crime into the formal financial system. Discuss the 'Offence of Money Laundering' as laid down under Section 3 of the Act. Additionally, Align, the standard statutory punishment prescribed for this offence under Section 4. [7]**
- (b) **Analyze the role of the Reserve Bank of India in the formulation of monetary, banking and financial policies in India. [7]**

Answer:**(a) Offence of Money Laundering (Section 3)**

Under Section 3 of the Prevention of Money Laundering Act, 2002, whosoever directly or indirectly attempts to indulge, or knowingly assists, or knowingly is a party, or is actually involved in any process or activity connected with the "proceeds of crime" shall be guilty of the offence of money-laundering.

This includes involvement in the proceeds of crime regarding its (*1 mark each for any two of the following*):

- Concealment;
- Possession;
- Acquisition;
- Use;
- Projecting or claiming it as untainted property.

Punishment for Money Laundering (Section 4)

Any person who commits the offence of money-laundering shall be punishable with the following strict statutory penalties (*Marks distributed as indicated*):

- **Standard Imprisonment:** Punishable with rigorous imprisonment for a term which shall not be less than **3 years** but which may extend to **7 years**.
- **Fine:** Such person shall also be liable to pay a fine (with no statutory upper limit).
- **Enhanced Penalty (NDPS Act):** In exceptional cases where the proceeds of crime involved in money-laundering relate to any offence specified under paragraph 2 of Part A of the Schedule (i.e., offences strictly under the Narcotic Drugs and Psychotropic Substances Act, 1985), the maximum rigorous imprisonment may extend up to **10 years** (instead of 7 years).

**CORPORATE LAWS AND ECONOMIC LAWS****(b) Role of the RBI**

The Reserve Bank of India (RBI) plays a pivotal role in shaping India's monetary, banking, and financial landscape. Over the years, it has evolved from a regulator to a facilitator, adapting its structure and approach to meet dynamic economic needs.

Key functions include

1. **Bank Inspection and Regulation** RBI conducts inspections under the Banking Regulation Act, 1949 to ensure stability, compliance, and protection of depositors.
2. **Policy Formulation and Prudential Norms** It issues guidelines relating to income recognition, asset classification, provisioning, and capital adequacy, and implements international standards such as the Basel framework.
3. **Licensing and Branch Expansion** RBI authorizes branch openings, reviews licensing policies, and maintains data on branch operations and ATMs.
4. **Board-Level Appointments** It approves appointments/removals of key executives in private banks and recommends appointments in public sector banks.
5. **Anti-Money Laundering (AML)** Through its AML Cell, RBI monitors compliance with the Prevention of Money Laundering Act (PMLA) and tracks developments in combating financial terrorism.
6. **Monitoring Overseas Operations** RBI formulates policies and grants approvals for Indian banks' foreign branches, joint ventures, and representative offices.
7. **Precious Metals and Foreign Exchange Management** RBI authorizes banks to deal in gold, silver, and platinum, oversees schemes like the Gold Deposit Scheme, and manages India's foreign exchange reserves.

Conclusion: RBI's multifaceted role ensures a robust, transparent, and globally aligned banking system, safeguarding public interest and promoting financial stability.