



**FINAL EXAMINATION**  
**ANSWERS TO PRACTICE TEST PAPER**  
**PAPER – 13**  
**CORPORATE AND ECONOMIC LAWS**

**TERM – JUNE 2026**  
**SYLLABUS 2022**

**Time Allowed: 3 Hours**

**Full Marks: 100**

The figures in the margin on the right side indicate full marks.

**SECTION – A (Compulsory)**

1) **Choose the correct option:**

**[15x2=30]**

ABC Ltd. is a public limited unlisted company with ₹50 crore equity capital of ₹10 each. It has taken over 70% equity of a company called BCG Ltd which is a listed company with equity capital of ₹20 crores divided into share of ₹10 each. ABC Ltd. And BCG Ltd. Have decided to merge.

The CEO of BCG Ltd. has some queries which you have to answer.

Answer the question from (i) to (iv) based on the above case study.

(i) **Is the decision to merge is in order?**

- a) **Yes, ABC Ltd. and BCG Ltd. are free to merge with the consent of shareholders.**
- b) **Yes, ABC Ltd. and BCG Ltd. are free to merge even if the companies fall under special category mergers under section 233 of the Companies Act, 2013**
- c) **No, ABC Ltd. and BCG Ltd. can't merge as ABC Ltd. is an unlisted company.**
- d) **Yes, ABC Ltd. and BCG Ltd. are free to merge with the approval of board of directors.**

(ii) **The scheme for merger should be approved by**

- a) **At least 50% of the shareholders in value.**
- b) **At least 75% of the shareholders in value.**
- c) **At least 50% of the Board of directors.**
- d) **The key managerial persons of the company.**

(iii) **What happens if few shareholders do not consent?**

- a) **The dissenting shareholders can stop the merger indefinitely by filing a police complaint.**
- b) **The dissenting shareholders can choose to keep their shares in the old company even after it is dissolved.**
- c) **The dissenting shareholders have to accept the decision.**
- d) **Both a & b**

(iv) **Does the merger require order of NCLT?**

- a) **No, Companies are free to merge with consent of shareholders**
- b) **Yes, it requires approval of NCLT.**
- c) **No, Companies are free to merge with consent of board of directors**
- d) **No, it requires approval from SEBI as one of the company is listed.**



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- (v) **Articles of association can be altered by:**
- a) **Ordinary resolution**
  - b) **Special resolution**
  - c) **Resolution requiring special notice**
  - d) **None of the above**
- (vi) **Interim dividend is decided by:**
- a) **Board of Directors**
  - b) **AGM**
  - c) **CMD**
  - d) **Audit Committee**
- (vii) **Insolvency and Bankruptcy code 2016 is not applicable on:**
- a) **Financial Service Providers**
  - b) **Partnership Firms and Individuals**
  - c) **Limited Liability Partnership (LLP)**
  - d) **Companies Incorporated under Companies Act.**
- (viii) **A company sponsors the expenditure of a primary school of physically disabled students having 200 students. Three employees' children, being physical disabled, have also been admitted in that school:**
- a) **the school will qualify as CSR project as admission of the employees' children is incidental**
  - b) **not qualify as CSR project as there are students who are employees' children**
  - c) **depends on how the company represents the same to the auditors**
  - d) **depends on Board of Directors**
- (ix) **Which of the following is the advantage of the family business over non-family business?**
- a) **Staff recruitment**
  - b) **Raising funds for growth**
  - c) **Ownership vs. Management**
  - d) **Deep industry insight**
- (x) **SEBI has three functions rolled into one body. Which of the following is not the function of SEBI?**
- a) **Quasi-legislative**
  - b) **Quasi-judicial**
  - c) **Quasi-executive**
  - d) **Quasi-official**
- (xi) **Which of the following is not the type of unfair competition?**
- a) **Collusive price fixing**
  - b) **Creation of barriers to entry**
  - c) **Tie in purchase A**



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d) Predatory pricing

(xii) An association of producers, sellers or distributors, traders or service providers who, by agreement amongst themselves, limit, control or attempt to control the production, distribution, sale or price of or trade in goods or provision of services is known as

- a) Acquisition
- b) Agreement
- c) Cartel
- d) Pool

(xiii) Minimum paid up capital for a life insurance business is ₹\_\_\_\_\_ Crore

- a) 50
- b) 75
- c) 100
- d) 125

(xiv) If a unit has investment in plant an equipment of ₹55 crore and turnover of ₹300 crore. It will be classified as:

- a) micro
- b) small
- c) medium
- d) none of the above

(xv) Decision of Cyber appellate Tribunal can be appealed to;

- a) High Court
- b) supreme Court
- c) None of the above
- d) not appealable

**Answer:**

i	ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii	xiii	xiv	xv
a	b	c	b	b	a	a	a	d	d	c	c	c	d	a



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**SECTION – B**

**Answer any 5 questions out of 7 questions given. Each question carries 14 marks. [5 x 14 = 70]**

2) (a) **Discuss the legal conditions and restrictions for declaration and payment of dividend under Section 123 of the Companies Act, 2013? [7]**

(b) **Describe the procedure and legal requirements for resignation of a director as per the provisions of the Companies Act, 2013. [7]**

**Answer:**

(a) According to Section 123 (1) of the Act No dividend shall be declared or paid by a company for any financial year except:

- out of the profits of the company for that year arrived at after providing for depreciation in accordance with the provisions of sub-section (2), or out of the profits of the company for any previous financial year or years arrived at after providing for depreciation in accordance with the provisions of that sub-section and remaining undistributed, or out of both, or  
Provided that in computing profits any amount representing unrealised gains, notional gains or revaluation of assets and any change in carrying amount of an asset or of a liability on measurement of the asset or the liability at fair value shall be excluded; or
- out of money provided by the Central Government or a State Government for the payment of dividend by the company in pursuance of a guarantee given by that Government:

Company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company.

No Dividend shall be declared or paid by a company from its reserves other than free reserves. The carried over previous losses and accumulated depreciation not provided in previous year or years are set off against current year's profit. Further, companies failing to repay interest or principal of public deposits under Section 73 and 74 of the Act, shall not declare dividend.

For a Government Company in which the entire paid-up share capital is held by the Central Government or by one or more State Governments:

The second proviso of Section 123(1) i.e. declaration of dividend out of free reserves when current profits are inadequate and Section 123(4) i.e. deposit of dividend in a separate bank account within five days do not apply. All other provisions continue to apply.

(b) Acceptance of directorship is voluntary and continuation also is voluntary. There cannot any compulsion on continuation of the office. The law provides that:

- a director may resign from his office by giving a notice in writing to the company.
- The Board shall on receipt of such notice take note of the same.



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- The company shall within 30 days from the date of receipt of notice of resignation from a director, intimate the Registrar in Form DIR-12 and post the information on its website, if any.
- The company shall also place the fact of such resignation in the report of directors laid in the immediately following general meeting by the company.
- Such director shall also forward a copy of his resignation along with detailed reasons for the resignation to the Registrar within 30 days from the date of resignation in Form DIR- 11.

- 3) (a) **Explain the provisions of Section 182 of the Companies Act, 2013 relating to political contributions by companies.** [7]
- (b) **Explain the procedure and eligibility for members and the Central Government to apply to the Tribunal for relief in cases of oppression or mismanagement in a company.** [7]

**Answer:**

**(a) Powers Related to Political Contributions**

Section 182 of the Act provides for prohibitions and restrictions regarding political contributions. According to this section:

- A company may contribute any amount directly or indirectly to any political party. Here, political party means a political party registered under section 29A of the Representation of the People Act, 1951.
- The following companies are not allowed to contribute to any political party:
  - a Government company; and
  - a company which has been in existence for less than three financial years.
- There is no limit on the amount of contribution.
- such contribution shall be made through a resolution passed at a meeting of the Board of Directors.

Political contribution would amount to:

- such donation or subscription or payment was given or made which can reasonably be regarded as likely to affect public support for a political party.
- the amount of expenditure incurred, directly or indirectly, for publication in politically connected publication for political benefit.
- Every company shall disclose in its profit and loss account any amount or amounts contributed by it to any political party during the financial year to which that account relates.

**(b) The following members of a company shall have the right to apply under Section 241, namely:**

1. in the case of a company having a share capital, not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less, or any member or members holding not less than one tenth of the issued share capital of the company, subject to the condition that the applicant or applicants has or have paid all calls and other sums due on his or their shares;
2. in the case of a company not having a share capital, not less than one-fifth of the total number of its



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members: (Tribunal may, waive all or any of the requirements)

Provided that the Tribunal may, on an application made to it in this behalf, waive all or any of the requirements specified in clause (a) or clause (b) so as to enable the members to apply under section 241.

Where any members of a company are entitled to make an application under Sub-Section (1), any one or more of them having obtained the consent in writing of the rest, may make the application on behalf and for the benefit of all of them.

The Central Government may also file application to the Tribunal, if it is satisfied that the affairs of the company are being conducted in a manner prejudicial to the public interest. According to this Section:

Any member of a company who complains that:

1. the affairs of the company have been or are being conducted in a manner prejudicial to public interest or in a manner prejudicial or oppressive to him or any other member or members or in a manner prejudicial to the interests of the company, or
2. the material change has taken place in the management or control of the company, whether by an alteration in the Board of Directors, or manager, or in the ownership of the company's shares, or, in its membership, or in any other manner whatsoever, and that by reason of such change, it is likely that the affairs of the company will be conducted in a manner prejudicial to its interests or its members or any class of members, may apply to the Tribunal, provided such member has a right to apply under Section 244.

The Central Government, if it is of the opinion that the affairs of the company are being conducted in a manner prejudicial to public interest, it may itself apply to the Tribunal for an order under this Chapter and all applications shall be made before the Principal Bench of the Tribunal.

- 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) **Ramesh, Rohit and Madan, all graduate in pharmacy, decide to form a start-up business of manufacturing rare medicine for cancer. Rohit plans big and wants to go to public for finance in course of time. Madan has requested his uncle, an NRI based at USA to invest in the company which he has agreed. Ramesh feels that they should go for section 8 company as the target is not to make money. Madan's uncle wants to know the advantages and disadvantages of public and private company in India.**
- You are advised to critically assess the following issues.**
- (i) **In order to fulfil Rohit's plan, what kind of entity should be preferred and why?**
- (ii) **Can Madan's uncle invest in the company as an NRI?**



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- (iii) Ramesh's idea of section 8 company is ok?  
(iv) Prepare small note for Madan's uncle.

**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

(i) 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.

(ii) 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)**
- (i) Private company cannot call for finance from the public. However, a private company can be converted into public company. It is preferred that a public limited company be incorporated so that finance can be taken from the market.
  - (ii) Yes, Madan's uncle can invest in the company, subject to FDI restrictions.
  - (iii) Ramesh's idea of section 8 company is not ok as this is a business, where they are investing as entrepreneur and it is not a NGO or social enterprise.
  - (iv) Note for Madan's uncle.

Advantages of private company

- Many provisions of the companies Act do not apply
- Shareholders are limited and normally known.

Disadvantages of private company

- Cannot invite fund from public
- Cannot increase number of shareholders over 200



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5. (a) **Discuss the process of initiation of Corporate Insolvency Resolution Process by a Financial Creditor under the Insolvency and Bankruptcy Code, 2016, highlighting the role of the Adjudicating Authority in admission or rejection of the application** [7]
- (b) **ABC Ltd. is registered as NBFC for last 10 years. The company extended a loan of 10 crores to XYZ Ltd. as normal course of business. The loan was long term for equipment financing and equipment were actually purchased. XYZ Ltd. repaid only one crore and stopped paying further installments. The company had to operation for various reasons. Examine the situation in context of IBC code to get the following queries.**
- (i) **Which type of creditor ABC Ltd. shall be classified?**
  - (ii) **Where the application can be made?**
  - (iii) **Is IP necessary?**
  - (iv) **Can ABC Ltd. make a petition on its own?**
  - (v) **What is CIRP in this context?**
  - (vi) **What time is expected to resolve?**
  - (vii) **Can XYZ Ltd. itself apply for taking over the company?**

**Answer:**

- (a) A financial creditor can initiate action himself or jointly with other financial creditors or any other person on behalf of financial creditors, against a corporate debtor when a default occurs. The default can be in respect of any other financial creditor also who shall be at least 100 numbers in the same class or 10% of total number of creditors of that class, whichever is less. All pending applications as on commencement of Act, 2020 shall have to be modified. Application should give record of default and name of the Resolution Professional.
- Adjudicating Authority (NCLT) shall, within 14 days, ascertain the existence of a default from the records of an information utility or on the basis of other evidence furnished by the financial creditor.
- Rejection of application** - Adjudicating Authority may admit or reject the application by issuing order, if it is satisfied that -
- (a) default has not occurred or
  - (b) the application under sub-Section (2) is incomplete or
  - (c) any disciplinary proceeding is pending against the proposed resolution professional.
- Before rejecting application, opportunity will be given to applicant to rectify the defects within seven days. If defects are not rectified, application will be rejected by Adjudicating Authority and intimation sent to the financial creditor.
- Admission of application** - If Adjudicating Authority is satisfied that default has occurred, it will admit application and corporate insolvency process shall commence from the date of such admission.
- Commencement of corporate insolvency resolution process initiated by a financial creditor – The corporate insolvency resolution process shall commence from the date of admission of the application under Section 7(5) - Section 7(6) of Insolvency and Bankruptcy Code, 2016.



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- (b) The queries asked are being replied as follows.
- (i) In the present case, ABC Ltd. shall be classified as Financial creditor, as ABC Ltd. has extended financial loan to XYZ Ltd.
  - (ii) Application for Resolution process has to be made to NCLT, which is designated “adjudicating authority”.
  - (iii) Yes, IP is necessary in resolution process. Once resolution process commences, the main person shall be the IP, who is authorized to conduct the resolution process.
  - (iv) Yes, ABC Ltd. can also make petition for resolution by itself.
  - (v) CIRP means Corporate Insolvency Resolution Process.
  - (vi) Time expected to complete the resolution processes is 180 days, which may be extended up to 90 days
  - (vii) XYZ Ltd. can also apply to retain control of the company by giving a resolution plan.
6. (a) **Discuss the methods of implementation of Corporate Social Responsibility (CSR) projects, including direct and third-party implementation, and analyse the internal and external problems faced in their execution.** [7]
- (b) **Explain how the business intelligence process works and also discuss its benefits.**

**Answer:**

(a) **Implementation of CSR projects**

**Direct implementation by the company**

There are some large companies and their budget for CSR is also very high. These companies have adequate manpower and execute the CSR project. They have separate well organized CSR department in the company.

Evaluation of the project in such companies is limited to the project itself, but when the company decides to implement through implementing agency, it has to evaluate the agency also in addition to the project.

To understand CSR evaluation we will discuss the issues to be checked for the project and also the implementing agency.

**Third party implementation:**

Third party implementation means implementation by specialised agencies as mentioned above.

When the project is being implemented by implementing agencies, apart from the evaluation of projection parameters mentioned above, the organisation needs to be evaluated, which can be done with following checks.

- (a) Documentation
- (b) Inspection of project site
- (c) Track record of the organisation
- (d) Beneficiary feedback
- (e) Sponsors’ feedback
- (f) Interview of the persons responsible for implementation.

**Problems in implementation**



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**Internal**

- (a) deciding preferences of projects:
- (b) Financial Mismatch
- (c) Lack of seriousness by management.
- (d) Right people to work.
- (e) Internal references
- (f) Indecisiveness / difference in opinion of the team/ committee

**External**

- (a) Political pressure.
- (b) Social pressure.
- (c) Projects' road block due to uncontrollable reasons.
- (d) Inefficient implementing agency.
- (e) Diverting money
- (f) Siphoning money
- (g) Fraud

- (b)** A business intelligence architecture includes more than just BI software. Business intelligence data is typically stored in a data warehouse built for an entire organization or in smaller data marts that hold subsets of business information for individual departments and business units, often with ties to an enterprise data warehouse. BI data can include historical information and real-time data gathered from source systems as it's generated, enabling BI tools to support both strategic and tactical decision-making processes. Before it's used in BI applications, raw data from different source systems generally must be integrated, consolidated and cleansed using data integration and data quality management tools to ensure that BI teams and business users are analyzing accurate and consistent information. Steps in BI can be:
- data preparation, in which data sets are organized and modelled for analysis;
  - analytical querying of the prepared data;
  - distribution of key performance indicators (KPIs) and other findings to business users; and
  - use of the information to help influence and drive business decisions.

Initially, BI tools were primarily used by BI and IT professionals. However, now, business analysts, executives and workers are using business intelligence platforms themselves. Self-service business intelligence environments enable business users to query BI data, create data visualizations and design dashboards on their own.

BI programs often incorporate forms of advanced analytics, such as data mining, predictive analytics, text mining, statistical analysis and big data analytics. A common example is predictive modelling that enables what-if analysis of different business scenarios. In most cases, though, advanced analytics projects are conducted by separate teams of data scientists, statisticians, predictive modelers and other skilled analytics professionals, while BI teams oversee more straightforward querying and analysis of business data.

The key benefits that businesses can get from BI applications include the ability to:

- (i) speed up and improve decision-making;



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- (ii) optimize internal business processes;
- (iii) increase operational efficiency and productivity;
- (iv) spot business problems that need to be addressed;
- (v) identify emerging business and market trends;
- (vi) develop stronger business strategies;
- (vii) drive higher sales and new revenues; and
- (viii) gain a competitive edge over rival companies.

7. (a) **Explain the various kinds of takeovers. Also discuss the disclosure requirements under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.** [7]
- (b) **Discuss the different orders that the Competition Commission of India (CCI) may pass in respect of certain combinations under the Competition Act, 2002.** [7]

**Answers:**

(a) Kinds of takeover

- Friendly takeover : Promoter of the target company voluntarily sell off shares to the acquirer at an attractive price offered by acquirer.
- Hostile takeover: Promoter of the target company don't want to give away the ownership /control of their company
- and fight back to defend their ownership/control.
- Horizontal takeover : Takeover of one company by another in same industry.
- Vertical takeover : Takeover of one Co. of its suppliers or customers i.e. Backward or Forward integration. Conglomerate takeover : Takeover of one company by another company operating in totally different industries.

Disclosure norms under the regulation

- Event based disclosure  
No obligation on the target company to give any disclosure;  
Obligation is only on acquirer, promoter & their PACs  
Acquisition includes shares acquired by way of encumbrance (not applicable on Scheduled Commercial Banks or PFI acquiring shares by way of pledge).  
Disposal includes shares given upon release of encumbrance(not applicable on Scheduled Commercial Banks or PFI acquiring shares by way of pledge).
- Continual disclosures (reg. 30):  
Disclosure of shareholding as on 31st March i.e. at the end of financial year Within 7 working days from the end of each financial year to be given to Every Stock exchange where the shares of the Target Company are listed & Registered Office of the target company to be made by-



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Promoters : Irrespective of the shareholding.

Non Promoters: Any person along with PAC holding more than 25% shares

- encumbrance disclosure (reg. 31)

A claim against a property by another party;

Encumbrance usually impacts the transferability of the property and can restrict its free use until the encumbrance is removed. For takeover regulation, it includes a pledge, lien, or any transaction which creates a risk on the ownership of shares of the promoters. Promoter of every target company shall disclose details of shares in such target company relating to creation of encumbrance of shares of target company and invocation or release of the encumbrance of shares. Disclosure is to be made within 7 working days from the date of creation/invocation of pledge to-

- I. Every stock exchange where the shares of the target company are listed;
- II. Registered office of the target company.

**(b) Orders of Commission on certain combinations**

- i. Where the Commission is of the opinion that any combination does not, or is not likely to, have an appreciable adverse effect on competition, it shall, by order, approve that combination including the combination in respect of which a notice has been given under sub-section (2) of section 6.
- ii. Where the Commission is of the opinion that the combination has, or is likely to have, an appreciable adverse effect on competition, it shall direct that the combination shall not take effect.
- iii. Where the Commission is of the opinion that the combination has, or is likely to have, an appreciable adverse effect on competition but such adverse effect can be eliminated by suitable modification to such combination, it may propose appropriate modification to the combination, to the parties to such combination.
- iv. The parties, who accept the modification proposed by the Commission under, shall carry out such modification within the period specified by the Commission but those fail within the period specified by the Commission, such combination shall be deemed to have an appreciable adverse effect on competition.
- v. If the parties to the combination do not accept the modification proposed by the Commission under, such parties may, within thirty working days of the modification proposed by the Commission, submit amendment to the modification proposed by the Commission under that sub-section.
- vi. If the Commission agrees with the amendment submitted by the parties under subsection (6), it shall, by order, approve the combination. If the Commission does not accept the amendment submitted, then, the parties shall be allowed a further period of thirty working days within which such parties shall accept the modification proposed by the Commission.
- vii. If the parties fail to accept the modification proposed by the Commission within thirty working days or within a further period of thirty working days the combination shall be deemed to have an appreciable adverse effect on competition and be dealt with in accordance with the provisions of this Act.
- viii. Where the Commission has directed that the combination shall not take effect or the combination is deemed to have an appreciable adverse effect on competition, then, without prejudice to any penalty which may be imposed or any prosecution which may be initiated under this Act, the Commission may order that such combination shall not be effective. If the Commission does not, on the expiry of a period



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of 210 days from the date of notice given to the Commission, pass an order or issue direction in accordance with the provisions of sub-section (1) or sub-section (2) or sub-section (7), the combination shall be deemed to have been approved by the Commission.

Explanation.—For the purposes of determining the period of 210 days specified in this subsection, the period of thirty working days specified in sub-section (6) and a further period of 30 working days specified in sub-section (8) shall be excluded.

- ix. Where the Commission has ordered a combination to be void, the acquisition or acquiring of control or merger or amalgamation referred to in section 5, shall be dealt with by the statutory or judicial authorities under any other law for the as if such acquisition or acquiring of control or merger or amalgamation had not taken place. Any proceeding initiated or which may be initiated under any other law shall be valid.

8. (a) **Analyse the conditions and reporting requirements for conversion of External Commercial Borrowings (ECB) into equity under FEMA.** [7]
- (b) **Explain the measures available to an Asset Reconstruction Company (ARC) for asset reconstruction under Section 9 of the SARFAESI Act, 2002.** [7]

**Answer:**

- (a) Conversion of ECB, including those which are matured but unpaid, into equity is permitted subject to the following conditions:  
The activity of the borrowing company is covered under the automatic route for FDI or
- i. Government approval is received, wherever applicable, for foreign equity participation as per extant FDI policy.
  - ii. The conversion, which should be with the lender's consent and without any additional cost, should not result in contravention of eligibility and breach of applicable sector cap on the foreign equity holding under FDI policy;
  - iii. Applicable pricing guidelines for shares are complied with.
  - iv. In case of partial or full conversion of ECB into equity, the reporting to the Reserve Bank will be as under:
    - For partial conversion, the converted portion is to be reported in Form FC-GPR prescribed for reporting of FDI flows, while monthly reporting to DSIM in Form ECB 2 Return will be with suitable remarks, viz., "ECB partially converted to equity".
    - For full conversion, the entire portion is to be reported in Form FC-GPR, while reporting to DSIM in Form ECB 2 Return should be done with remarks "ECB fully converted to equity". Subsequent filing of Form ECB 2 Return is not required.
    - For conversion of ECB into equity in phases, reporting through Form FC-GPR and Form ECB 2 Return will also be in phases.
  - v. If the borrower concerned has availed of other credit facilities from the Indian banking system, including foreign branches/subsidiaries of Indian banks, the applicable prudential guidelines issued by the Department of Banking Regulation of Reserve Bank, including guidelines on restructuring are complied



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with;

- vi. Consent of other lenders, if any, to the same borrower is available or atleast information regarding conversions is exchanged with other lenders of the borrower;
- vii. For conversion of ECB dues into equity, the exchange rate prevailing on the date of the agreement between the parties concerned for such conversion or any lesser rate can be applied with a mutual agreement with the ECB lender. It may be noted that the fair value of the equity shares to be issued shall be worked out with reference to the date of conversion only.

**(b) Measures for assets reconstruction (Section 9)**

An asset reconstruction company may for the purposes of asset reconstruction, provide for any one or more of the following measures, namely:

- i. the proper management of the business of the borrower, by change in or takeover of, the management of the business of the borrower;
- ii. the sale or lease of a part or whole of the business of the borrower;
- iii. rescheduling of payment of debts payable by the borrower;
- iv. enforcement of security interest in accordance with the provisions of this Act.
- v. settlement of dues payable by the borrower;
- vi. taking possession of secured assets in accordance with the provisions of this Act;
- vii. conversion of any portion of debt into shares of a borrower company.

Provided that conversion of any part of debt into shares of a borrower company shall be deemed always to have been valid, as if the provisions of this clause were in force at all material times.

The Reserve bank for this purpose shall determine the policy and issue necessary directions including the directions for regulation of management of the business of the borrower and fees to be changed. The asset reconstruction company shall take measures as per the directions of RBI.