



Commercial's

Handbook for

Independent Director's Examination

(With MCQs)

4th Edition

Volume I & II

Dr. RAJEEV BABEL
FCS & IP

As per the syllabus prescribed by
Indian Institute of Corporate Affairs, New Delhi
For Online Proficiency Self-Assessment Test

Highlights

- ❑ It covers the entire syllabus for the Online Proficiency Self-Assessment Test as prescribed by the IICA, New Delhi.
- ❑ More than 1500 Multiple Choice Questions with Answers relevant for the Passing the Online Proficiency Self-Assessment Test.
- ❑ Companies Act, 2013 and relevant Rules
- ❑ Secretarial Standards (SS-1 and SS-2)
- ❑ Securities Laws and Regulations covering SEBI Act, 1992; SEBI (LODR) Regulations, 2015; SEBI (ICDR) Regulations, 2018; Securities Contracts (Regulation) Act, 1956 and Depositories Act, 1996.
- ❑ Independent Director's Role, Functions, Obligations, Qualifications, Dis-qualifications, Manner of Selection, Number of IDs required in Board / Committees, Disclosures, Evaluation and Tenure.
- ❑ Corporate Governance Norms covering the OECD Principles of Corporate Governance, ICGN Global Governance Principles, Governance & Strategy, Corporate Policies & Disclosures, Board Effectiveness, Training of Directors, Exemplary Board, Board's Role.
- ❑ Financial Aspects covering the Accounting Standards, Understanding Balance Sheet, Profit & Loss Account, Cash Flow Statement, Board's Report, CARO and Analysing Results through Key Financial Ratios.
- ❑ Leading Case Studies covering 14 Corporate Stories.

Commercial Law Publishers (India) Pvt. Ltd.

WITH THE BLESSING OF MATA VAISHNO DEVI

Published

By

COMMERCIAL LAW PUBLISHERS (INDIA) PVT. LTD.

HEAD OFFICE: 4239/1, SHAKAHAR BHAWAN,
ANSARI ROAD, DARYA GANJ, NEW DELHI- 110002

Phones: 43502007, 43502008, 43011562, 43452009

e-mail: commercialhouse@yahoo.co.in

naveen.commercialhouse@gmail.com

Website: commerciallawpublishers.com

PRICE : Rs. 4295/-

ISBN: 978-93-5603-672-7

4th Edition, 2025

© RESERVED WITH THE AUTHORS

PUBLISHING RIGHTS RESERVED WITH THE PUBLISHERS

Printed at

TAJ PRESS, NOIDA

Despite every effort taken to avoid any error or omission, there may still be chances for such errors and omissions to have crept in inadvertently. This book is sold with the understanding that neither the authors/ editors nor the publishers shall be responsible for any damage or loss in whatever manner, consequent to any action taken on the basis of the contents of this book, caused to any person, whether a purchaser or not. No part of this book may either be copied or reproduced in any form or any manner whatsoever without the prior written permission of the authors/editors and publishers.

All Disputes subject to Delhi Jurisdiction.

About the Author

Dr. Rajeev Babel

Company Secretary, Insolvency Professional &
Certified Independent Director.

Educational Qualifications:

FCS, MBA, LLB, LLM (Bus. Laws), AIIBF, M. Com.

Diploma in Corporate Governance (ICSI)

Diploma in Internal Audit (ICSI-NIFM)

Diploma in Bank Management (IIBF)

Diploma in Financial Services (IIBF)

Diploma in Training & Development (ISTD)

Certificate Course in GST (ICSI-NIFM)

Profession:

The author is a Fellow Member of the Institute of Company Secretaries of India, New Delhi and an Associate Member of the Indian Institute of Banking and Finance, Mumbai. He is a Certified Independent Director of the Indian Institute of Corporate Affairs, New Delhi and is enrolled as an Insolvency Professional with the Insolvency and Bankruptcy Board of India, New Delhi. He had privileged of working for 30 years in the banking domain in managerial capacity with the erstwhile Bank of Rajasthan Ltd. and ICICI Bank Ltd. Having interest in academic field, he appeared as visiting faculty with various Professional & Management Institutes.

Books Authored: He has also authored the following books:

1. A Comprehensive Guide to Insolvency Professional Examination (7th Edition).
2. A Comprehensive Guide to the GST Practitioner's Examination (4th Edition) .
3. Prevention of Money Laundering: In India and other countries.
4. Legal and Regulatory Aspects of Banking.
5. Handbook for Independent Directors Examination (3rd Edition).
6. Handbook of Non-Banking Financial Companies.
7. Treatise on Micro, Small and Medium Enterprise.
8. Laws Relating to Intellectual Property Rights in India.
9. Wealth Creation - Through Savings, Investments and Growth.

10. Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace (Law & Practice).
11. Listing Obligations & Disclosure Requirements (LODR).
12. MCQs on Principles & Practice of Banking (A Guide to Paper II of JAIIB Exam).
13. MCQs on Accounting & Financial Management for Bankers (A Guide to Paper III of JAIIB Exam).
14. FAQs on Constitution of India.
15. FAQs on the Indian Contract Act, 1872 & the Specific Relief Act, 1963.
16. FAQs on Special Contracts.
17. FAQs on Transfer of Property Act, 1882 & Indian Easements Act, 1882.
18. FAQs on Hindu Laws.
19. FAQs on Labour Laws – I (Covering the Laws Relating to Wages & Social Security).
20. FAQs on Labour Laws – II (Covering the Laws Relating to Industrial Relations, Occupational Safety, Health & Working Conditions and ILO).
21. Company Meetings.

Besides this the author has contributed many articles of legal interest which have been published by the various professional journals.

...

Preface to Fourth Edition

It gives me immense pleasure in presenting the fourth edition of my book titled as “**Handbook for Independent Director’s Examination.**” Independent Director plays an important role in the Corporate World. The Companies Act, 2013 and LODR Regulations provides that every listed public company shall have at least one-third of the total number of directors as Independent Director in the Board. The criteria of independence have been elaborately discussed in the section 149(6) of the Companies Act, 2013.

The demand and search for the Independent Directors is increasing gradually as more and more companies are being incorporated and getting listed on the bourses. Identifying an eligible, qualified, and experienced person and appointing him/her as an Independent Director in the Board is a big challenge for the companies. Section 150 of the Companies Act, 2013 provides the manner of selection of Independent Directors and maintenance of Data Bank of Independent Directors. This Data Bank is being maintained by the Indian Institute of Corporate Affairs (IICA), New Delhi. In terms of Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 any person who intends to get appointed as an Independent Director in a company, shall before such appointment, apply online to the IICA for inclusion of his name in the data bank and shall pass an online proficiency self-assessment test conducted by the institute within a period of two years from the date of inclusion of his name in the data bank, failing which, his name shall stand removed from the databank of the institute.

The IICA has prescribed a syllabus for the Online Proficiency Self-Assessment Test. This book covers the entire syllabus prescribed by the IICA and contains more than 1500 MCQs relevant for the Self-Assessment Test / Examination. The book has been divided into seven chapters:

- **Chapter 1: Companies Act, 2013 and Relevant Rules:** It includes sub-chapters from 1.1 to 1.27 covering Sections 3 to 246.
- **Chapter 2: Secretarial Standards:** It includes sub-chapters 2.1 and 2.2 covering SS-1 and SS-2 issued by ICSI effective from 1st April, 2024.
- **Chapter 3: Securities Laws and Regulations:** It includes sub-chapters from 3.1 to 3.5 covering entire SEBI Act, 1992; SEBI (LODR) Regulations, 2015 (Updated upto 27.03.2025); SEBI (ICDR) Regulations, 2018 (Updated upto 17.05.2024); Securities Contracts (Regulation) Act, 1956 and Depositories Act, 1996.

- **Chapter 4: Independent Director:** It includes sub-paras from 4.1 to 4.17 covering the entire day-to-day reference materials specially meant for the Independent Directors, covering the qualification, dis-qualification for appointment of ID, manner of selection of ID, number of IDs required in a Company' Board, due diligence before joining any Board by the ID, disclosures required to be made by the ID, tenure of ID, evaluation of the ID and Code of Conduct for IDs.
- **Chapter 5: Corporate Governance & Strategy:** It includes sub-chapters from 5.1 to 5.7 covering the matter relating to the Corporate Governance (Covering the OECD Principles of Corporate Governance, ICGN Global Governance Principles & Road Map of Corporate Governance in India, Corporate Governance in Banking and Insurance Sector, Corporate Policies, Board Effectiveness, Training of Directors, etc.
- **Chapter 6: Financial Accountancy:** It includes sub-chapters from 6.1 to 6.6 covering the understanding about the Accounting Standards, Balance-Sheet, Profit & Loss Account, Cash Flow Statements, CARO, and the Financial Ratios.
- **Chapter 7: Case Laws:** It includes sub-chapters from 7.1 to 7.14 covering the Corporate Case Studies. These Case Studies have been compiled from various published sources and have been included in the book in line with the syllabus prescribed by the IICA and there is no intention of the author to harm in any way, the image of any Individual / Company.

The usefulness of the book can be judged by those, for whom it is meant, and I shall be amply rewarded, if the book can be helpful in passing out the Self-Assessment Test/Examination conducted by the Indian Institute of Corporate Affairs, New Delhi for being an Independent Director or continuance thereof in any company.

The book has been written keeping in view, not only for the persons, who intend to be an Independent Director in any of the company as required by the law, but can also be used as a reference book for the Independent Director.

The book is also useful for the members of the ICSI who intend to appear in the **Certificate Course on Independent Director**, conducted by the ICSI.

The content of the book shall not be treated as legal statute and the book is meant only for the academic interest of the readers.

I crave the indulgence of the readers of any error or imperfection which might have left, despite the best possible endeavours, crept in the book. Any suggestion for improvement of the book shall be gratefully welcomed.

Acknowledgment

I express my gratitude towards my wife Shashi, son Priyank, daughter Priyasha and son-in-law Vikas Jain for their encouragement and so of to my affectionate grandchildren Ashvik and Shaarvi.

I am also grateful to Mr. Sandeep Garg, Managing Director of Commercial Law Publishers (India) Pvt. Ltd. and his team, who took very keen interest in bringing out this book.

1st June, 2025.

Dr. Rajeev Babel

FCS & Insolvency Professional

Mail id: babelrajeev@gmail.com

Contents at a Glance

<i>About the Author</i>	iii
<i>Preface to 4th Edition</i>	v
<i>Detailed Contents</i>	xiii
<i>Synopsis</i>	xxxi
<i>Syllabus Prescribed by IICA</i>	xxxv
<i>How to enroll in Data Bank</i>	xlvi
<i>Abbreviations</i>	xlvi

Volume I

Chapter - 1.1 — Incorporation of Companies (Sections 3 to 22) and the Companies (Incorporation) Rules, 2014	1
Chapter - 1.2 — Prospectus and Allotment of Shares (Sections 23 to 42) and the Companies (Prospectus and Allotment of Securities) Rules, 2014	91
Chapter - 1.3 — Share Capital (Sections 43 to 70) and the Companies (Share Capital and Debentures) Rules, 2014	136
Chapter - 1.4 — Debentures and Bonds (Sections 71 and 72) and the Companies (Share Capital and Debentures) Rules, 2014	208
Chapter - 1.5 — Acceptance of Deposits (Sections 73 to 76A) and the Companies (Acceptance of Deposits) Rules, 2014	225
Chapter - 1.6 — Registration of Charges (Sections 77 to 87) and the Companies (Registration of Charges) Rules, 2014	254
Chapter - 1.7 — Register of Members, Declaration of Beneficial Interest, Annual Return, etc. (Sections 88 to 95) and the Companies (Management and Administration) Rules, 2014	270
Chapter - 1.8 — General Meetings (Sections 96 to 121) and the Companies (Management and Administration) Rules, 2014	321
Chapter - 1.9 — Declaration and Payment of Dividend (Sections 123 to 127) and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016	359
Chapter - 1.10 — Accounts of Companies (Sections 128 to 134, 136 and 137) and the Companies (Accounts) Rules, 2014	391

Chapter - 1.11 — Board Evaluation	444
Chapter - 1.12 — Internal Audit (Section 138) and the Companies (Accounts) Rules, 2014	472
Chapter - 1.13 — Audit and Auditors (Sections 139 to 148) and the Companies (Audit and Auditors) Rules, 2014	485
Chapter - 1.14 — Institution of Directors (Appointment and Qualification of Directors) (Sections 149 to 165, 167 to 172) and the Companies (Appointment and Qualification of Directors) Rules, 2014	523
Chapter - 1.15 — Duties of Directors (Section 166).....	576
Chapter - 1.16 — Meetings of the Board and its powers (Sections 173 to 176, 179 to 187 & 189 to 195) and the Companies (Meetings of Board and its Powers) Rules, 2014	579
Chapter - 1.17 — Meetings of Board Committees- Mandatory Board Committees (Sections 177 & 178) and the Companies (Meetings of Board and its Powers) Rules, 2014	623
Chapter - 1.18 — Governance of Committees	633
Chapter - 1.19 — Liability of Directors and KMP (Sections 196 to 203)	640
Chapter - 1.20 — Safeguarding Directors.....	667
Chapter - 1.21 — Secretarial Audit and Compliances (Section 204) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.....	674
Chapter - 1.22 — Compromises, Arrangements and Amalgamations (Sections 230 to 240) and the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.....	680
Chapter - 1.23 — Prevention of Oppression and Mismanagement (Sections 241 to 246).....	722
Chapter - 1.24 — Penalties and Compounding of Offences (Sections 439 to 454) and the Companies (Adjudication of Penalties) Rules, 2014.....	733
Chapter - 1.25 — Related Party Transactions (Sections 2(76), 177(4) and 188) and the Companies (Meetings of Board and its Powers) Rules, 2014	751
Chapter - 1.26 — Corporate Social Responsibility (Section 135) and the Companies (Corporate Social Responsibility) Rules, 2014	766
Chapter - 1.27 — Managing CSR and Engaging Stakeholders	786

Chapter - 2.1 — Secretarial Standard on Meetings of Board of Directors (SS-1).....	797
Chapter - 2.2 — Secretarial Standard on General Meetings (SS-2).....	847

Volume II

Chapter - 3.1 — Securities and Exchange Board of India Act, 1992	907
Chapter - 3.2 — SEBI (LODR) Regulations, 2015	957
Chapter - 3.3 — SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.....	1155
Chapter - 3.4 — Securities Contracts (Regulation) Act, 1956	1181
Chapter - 3.5 — Depositories Act, 1996	1234
Chapter - 4 — Independent Director (Section 149) and the Companies (Appointment and Qualification of Directors) Rules 2014.....	1263
Chapter - 5.1 — Corporate Governance	1308
Chapter - 5.2 — Governance and Strategy.....	1421
Chapter - 5.3 — Corporate Policies and Disclosures under Companies Act, 2013 and various SEBI Regulations	1437
Chapter - 5.4 — Board Effectiveness and Culture.....	1496
Chapter - 5.5 — Training of Directors	1523
Chapter - 5.6 — Exemplary Board.....	1530
Chapter - 5.7 — Building a Resilient Company- Board's Role.....	1536
Chapter - 6.1 — Accounting Standards and the Companies (Indian Accounting Standards) Rules, 2015	1553
Chapter - 6.2 — Understanding the Balance Sheet and Profit and Loss Account	1565
Chapter - 6.3 — Understanding the Cash Flow Statement.....	1677
Chapter - 6.4 — Understanding Board's Report and the Companies (Accounts) Rules, 2014.....	1696
Chapter - 6.5 — Understanding Auditor's Report (CARO).....	1714
Chapter - 6.6 — Managing through Financial Ratios	1724
Chapter - 7.1 — WorldCom Inc: A Case Study on Modus Operandi of Fraud	1735
Chapter - 7.2 — Enron Corporation: A Journey from Peak to Bottom.....	1748
Chapter - 7.3 — Volkswagen1: A Story of Device Fixing to Defeat Emission Test Check.....	1756

Chapter - 7.4 — Olympus Corporation: Not Just an Accounting Scandal, but A Mindset for Unethical Behaviour	1769
Chapter - 7.5 —Hydro One: Implementation of Enterprise Risk Management	1788
Chapter - 7.6 — Satyam Computer1: From Best Governance to Bad Governance.....	1802
Chapter - 7.7 — Maruti Suzuki (I) Ltd. v. Suzuki Motor Gujarat Private Limited: A Deal of Related Party Transaction.....	1814
Chapter - 7.8 — What went wrong in Punjab & Maharashtra Co-operative Bank Ltd.	1824
Chapter - 7.9 — Corporate Governance Failure: Yes Bank	1833
Chapter - 7.10 — Story of Ups-Down-Up: Alok Industries Ltd.....	1842
Chapter - 7.11 — Downfall of Real Estate Empire: Amrapali	1850
Chapter - 7.12 — Financial Crisis in IL&FS	1859
Chapter - 7.13 — Bhushan Power & Steel	1867
Chapter - 7.14 — Essar Steel.....	1874

Detailed Contents

<i>About the Author</i>	iii
<i>Preface to 4th Edition</i>	v
<i>Contents at a Glance</i>	ix
<i>Synopsis</i>	xxxi
<i>Syllabus Prescribed by IICA</i>	xxxv
<i>How to enroll in Data Bank</i>	xlv
<i>Abbreviations</i>	xlvi

Volume-I

Chapter - 1.1

Incorporation of Companies (Sections 3 to 22) and the Companies

(Incorporation) Rules, 2014	1
1.1.1 Formation of Company–Section 3.....	2
1.1.2 Members Severally Liable In Certain Cases–Section 3A	3
1.1.3 Memorandum–Section 4.....	3
1.1.4 Articles–Section 5	6
1.1.5 Act to Override Memorandum, Articles, etc.–Section 6	7
1.1.6 Incorporation of Company–Section 7	7
1.1.7 Formation of Companies with Charitable Objects, etc.–Section 8.....	9
1.1.8 Effect of Registration–Section 9	11
1.1.9 Effect of Memorandum and Articles–Section 10.....	12
1.1.10 Commencement of Business, etc.–Section 10A	12
1.1.11 Registered Office of Company–Section 12.....	12
1.1.12 Alteration of Memorandum–Section 13	15
1.1.13 Alteration of Articles–Section 14	17
1.1.14 Alteration of Memorandum or Articles to be Noted in Every Copy–Section 15	18
1.1.15 Rectification of Name of Company–Section 16	18
1.1.16 Copies of Memorandum, Articles, etc., to be given to Members–Section 17	19

1.1.17	Conversion of Companies Already Registered–Section 18	19
1.1.18	Subsidiary Company not to Hold Shares in its Holding Company– Section 19	19
1.1.19	Service of Documents–Section 20	20
1.1.20	Authentication of Documents, Proceedings and Contracts–Section 21	21
1.1.21	Execution of Bills of Exchange, etc.–Section 22	21
1.1.22	Various Types of Companies	21
1.1.22.1	Basic Types of Companies	21
1.1.22.2	On the basis of incorporation	22
1.1.22.3	On the basis of liability	22
1.1.22.4	Other types of companies	23
1.1.23	The Companies (Incorporation) Rules, 2014	24
1.1.24	Various forms prescribed under the Companies (Incorporation) Rules, 2014	66
1.1.25	Questions and Answers	69

Chapter - 1.2

Prospectus and Allotment of Shares (Sections 23 to 42) and the Companies

	(Prospectus and Allotment of Securities) Rules, 2014	91
1.2.1	Public Offer and Private Placement – Section 23	92
1.2.2	Power of Securities and Exchange Board to regulate issue and transfer of securities, etc.– Section 24	93
1.2.3	Document containing offer of securities for sale to be deemed prospectus– Section 25	93
1.2.4	Matters to be stated in Prospectus – Section 26	94
1.2.5	Variation in Terms of Contract or Objects in Prospectus – Section 27	96
1.2.6	Offer of Sale of Shares by Certain Members of Company – Section 28	96
1.2.7	Public Offer of Securities to be in Dematerialised Form – Section 29	97
1.2.8	Meaning of Prospectus	97
1.2.9	Advertisement of Prospectus – Section 30	97
1.2.10	Shelf Prospectus – Section 31	97
1.2.11	Red Herring Prospectus – Section 32	98
1.2.12	Issue of Application Forms for Securities – Section 33	99
1.2.13	Criminal Liability for Mis-statements in Prospectus – Section 34	99

1.2.14	Civil liability for Mis-statements in Prospectus – Section 35	99
1.2.15	Punishment for Fraudulently inducing Persons to Invest Money – Section 36	100
1.2.16	Action by Affected Persons – Section 37	101
1.2.17	Punishment for Personation for Acquisition, etc., of Securities. – Section 38	101
1.2.18	Allotment of Securities by Company – Section 39.....	101
1.2.19	Securities to be dealt with in Stock Exchanges - Section 40	102
1.2.20	Global Depository Receipt – Section 41.....	103
1.2.21	Issue of Shares on Private Placement Basis - Section 42	103
1.2.22	The Companies (Prospectus and Allotment of Securities) Rules, 2014	105
1.2.23	Various forms prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014	115
1.2.24	The Companies (Issue of Global Depository Receipts) Rules, 2014.....	115
1.2.25	Questions and Answers	118

Chapter - 1.3

Share Capital (Sections 43 to 70) and the Companies (Share Capital and Debentures) Rules, 2014		136
1.3.1	Definition of shares- Section 2(84).....	137
1.3.1.1	Difference between shares and debentures	137
1.3.2	Kinds of Share Capital-Section 43	138
1.3.3	Nature of Shares or Debentures - Section 44	139
1.3.4	Numbering of Shares – Section 45	139
1.3.5	Certificate of Shares -Section 46.....	139
1.3.6	Voting Rights – Section 47.....	140
1.3.7	Variation of Shareholders’ Rights – Section 48.....	141
1.3.8	Calls on Shares of Same Class to be Made on Uniform basis– Section 49...	141
1.3.9	Company to Accept Unpaid Share Capital, Although not Called Up- Section 50	142
1.3.10	Payment of Dividend in Proportion to Amount Paid-Up - Section 51	142
1.3.11	Application of Premiums Received on Issue of Shares – Section 52.....	142
1.3.12	Prohibition on Issue of shares at Discount – Section 53.....	143
1.3.13	Issue of Sweat Equity Shares – Section 54.....	143

1.3.14	Issue and Erdemption of Preference Shares – Section 55	144
1.3.15	Transfer and Transmission of Securities – Section 56	145
1.3.16	Punishment for Personation of Shareholder – Section 57.....	147
1.3.17	Refusal of Registration and Appeal Against Refusal – Section 58.....	147
1.3.18	Rectification of Register of Members – Section 59	148
1.3.19	Publication of Authorised, Subscribed and Paid-up Capital – Section 60...	149
1.3.20	Power of Limited Company to Alter its Share Capital – Section 61.....	149
1.3.21	Further Issue of Share Capital – Section 62.....	150
1.3.22	Issue of Bonus Shares – Section 63	152
1.3.23	Notice to be Given to Registrar for Alteration of Share Capital – Section 64	153
1.3.24	Unlimited Company to Provide for Reserve Share Capital on Conversion into Limited Company – Section 65	153
1.3.25	Reduction of Share Capital – Section 66.....	154
1.3.26	Restrictions on Purchase by Company or Giving of Loans by it for Purchase of its Shares – Section 67	156
1.3.27	Power of Company to Purchase its own Securities – Section 68	157
1.3.28	Transfer of Certain Sums to Capital Redemption Reserve Account – Section 69	160
1.3.29	Prohibition for Buy-back in Certain Circumstances - Section 70.....	160
1.3.30	The Companies (Share Capital and Debentures), Rules, 2014.....	161
1.3.31	Various Forms Prescribed under the Companies (Share Capital and Debentures) Rules, 2014	186
1.3.32	Questions and Answers	186

Chapter - 1.4

Debentures and Bonds (Sections 71 and 72) and the Companies

	(Share Capital and Debentures) Rules, 2014	208
1.4.1	Meaning of Debenture – Section2(30).....	208
1.4.1.1	What is not treated as debenture	208
1.4.1.2	Classification of debentures.....	208
1.4.1.2.1	On the basis of security	208
1.4.1.2.2	On the basis of convertibility.....	209
1.4.1.2.3	On the basis of permanency	209

1.4.1.2.4	On the basis of registration.....	209
1.4.1.3	Difference between bonds and debentures	209
1.4.1.4	Meaning of Bond and its types of bonds	209
1.4.2	Issue of Debentures - Section 71	211
1.4.3	Power to Nominate – Section 72.....	217
1.4.4	Questions and Answers	218

Chapter - 1.5

Acceptance of Deposits (Sections 73 to 76A) and the Companies

	(Acceptance of Deposits) Rules, 2014.....	225
1.5.1	Meaning of Deposit- Section 2(31)	225
1.5.2	Prohibition on Acceptance of Deposits from Public – Section 73.....	225
1.5.3	Repayment of Deposits, etc., Accepted before Commencement of this Act – Section 74.....	227
1.5.4	Damages for Fraud – Section 75	228
1.5.5	Acceptance of Deposits from Public by Certain Companies – Section 76...	229
1.5.6	Punishment for Contravention of Section 73 or Section 76 – Section 76A ..	229
	1.5.6.1 Punishment for Company- Section 76A(a).....	229
	1.5.6.2 Punishment for officer- Section 76A(b)	229
1.5.7	The Companies (Acceptance of Deposits) Rules, 2014.....	230
1.5.8	Various forms Prescribed under Companies (Acceptance of Deposits) Rules, 2014	245
1.5.9	Questions and Answers	246

Chapter - 1.6

Registration of Charges (Sections 77 to 87) and the Companies

	(Registration of Charges) Rules, 2014	254
1.6.1	Duty to Register Charges, etc. – Section 77.....	254
1.6.2	Application for Registration of Charge–Section 78	255
1.6.3	Section 77 to Apply in Certain Matters–Section 79.....	256
1.6.4	Date of Notice of Charge–Section 80	256
1.6.5	Register of Charges to be Kept by Registrar–Section 81	256
1.6.6	Company to Report Satisfaction of Charge–Section 82	256
1.6.7	Power of Registrar to Make Entries of Satisfaction and Release in Absence of Intimation From Company–Section 83	257

1.6.8	Intimation of Appointment of Receiver or Manager–Section 84	258
1.6.9	Company's Register of Charges–Section 85	258
1.6.10	Punishment for Contravention–Section 86	258
1.6.11	Rectification by Central Government in Register of Charges–Section 87 ...	259
1.6.12	The Companies (Registration of Charges) Rules, 2014	259
1.6.13	Various forms Prescribed under the Companies (Registration of Charges) Rules, 2014	263
1.6.14	Questions and Answers	263

Chapter - 1.7

Register of Members, Declaration of Beneficial Interest, Annual Return, etc. (Sections 88 to 95) and the Companies (Management and Administration) Rules, 2014		270
1.7.1	Register of Members, etc.–Section 88.....	270
1.7.2	Declaration in Respect of Beneficial Interest in any Share–Section 89.....	271
1.7.3	Register of Significant Beneficial Owners in a Company–Section 90	273
1.7.4	Power to Close Register of Members or Debenture-Holders or other Security Holders–Section 91.....	275
1.7.5	Annual Return–Section 92	275
1.7.6	Place of Keeping and Inspection of Registers, Returns, etc.–Section 94	277
1.7.7	Registers, etc., to be Evidence–Section 95	278
1.7.8	The Companies (Management and Administration) Rules, 2014.....	278
1.7.9	The Companies (Significant Beneficial Owners) Rules, 2018.....	302
1.7.10	Various forms Prescribed under the Companies (Management and Administration) Rules, 2014.....	307
1.7.11	Various forms Prescribed under the Companies (Significant Beneficial Owners) Rules, 2018.....	308
1.7.12	Questions and Answers	308

Chapter - 1.8

General Meetings (Sections 96 to 121) and the Companies (Management and Administration) Rules, 2014.....		321
1.8.1	Annual General Meeting–Section 96	322
1.8.2	Power of Tribunal to Call Annual General Meeting–Section 97.....	323
1.8.3	Power of Tribunal to Call Meetings of Members, etc–Section 98.....	323

1.8.4	Punishment for Default in Complying with Provisions of Section 98 - Section 99	324
1.8.5	Calling of Extraordinary General Meeting–Section 100	324
1.8.6	Notice of Meeting–Section 101	325
1.8.7	Statement to be Annexed to Notice–Section 102.....	326
1.8.8	Quorum for Meetings–Section 103.....	328
1.8.9	Chairman of Meetings–Section 104.....	329
1.8.10	Proxies–Section 105	329
1.8.11	Restriction on Voting rights–Section 106	331
1.8.12	Voting by Show of Hands–Section 107.....	331
1.8.13	Voting through Electronic Means–Section 108	332
1.8.14	Demand for Poll–Section 109	332
1.8.15	Postal Ballot–Section 110	333
1.8.16	Circulation of Members’ Resolution–Section 111	334
1.8.17	Representation of President and Governors in meetings–Section 112	334
1.8.18	Representation of corporations at meeting of companies and of creditors–Section 113.....	335
1.8.19	Ordinary and Special Resolutions–Section 114.....	335
1.8.20	Resolutions Requiring Special Notice–Section 115.....	336
1.8.21	Resolutions Passed at Adjourned Meeting–Section 116	336
1.8.22	Resolutions and Agreements to be Filed–Section 117	336
1.8.23	Minutes of Proceedings of General Meeting, Meeting of Board of Directors and other Meeting and Resolutions Passed by Postal Ballot–Section 118	338
1.8.24	Inspection of Minute-Books of General Meeting–Section 119	340
1.8.25	Maintenance and Inspection of Documents in Electronic form– Section 120	341
1.8.26	Report on Annual General Meeting–Section 121	341
1.8.27	Applicability of this Chapter to One Person Company – Section 122	342
1.8.28	Various Forms Prescribed under the Companies (Management and Administration) Rules, 2014.....	342
1.8.29	Questions and Answers	343

Chapter - 1.9

Declaration and Payment of Dividend (Sections 123 to 127) and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016	359
1.9.1 Declaration of Dividend–Section 123	359
1.9.2 Unpaid Dividend Account–Section 124	361
1.9.3 Investor Education and Protection Fund–Section 125	362
1.9.4 Right to Dividend, Rights Shares and Bonus Shares to be Held in Abeyance Pending Registration of Transfer of Shares–Section 126	365
1.9.5 Punishment for Failure to Distribute Dividends–Section 127	365
1.9.6 Companies (Declaration and Payment of Dividend) Rules, 2014	366
1.9.7 Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016	367
1.9.8 Various forms prescribed under the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016	382
1.9.9 Questions and Answers	383

Chapter - 1.10

Accounts of Companies (Sections 128 to 134, 136 and 137) and the Companies (Accounts) Rules, 2014	391
1.10.1 Books of Account, etc., to be Kept by Company – Section 128	391
1.10.2 Financial Statement- Section 129	393
1.10.3 Re-opening of Accounts on Court’s or Tribunal’s Orders- Section 130.....	395
1.10.4 Voluntary Revision of Financial Statements or Board’s Report– Section 131	395
1.10.5 Constitution of National Financial Reporting Authority- Section 132.....	396
1.10.6 Central Government to prescribe Accounting Standards–Section 133.....	402
1.10.7 Financial Statement, Board’s Report, etc.–Section 134.....	402
1.10.8 Right of Member to Copies of Audited Financial Statement–Section 136...	406
1.10.9 Copy of Financial Statement to be Filed with Registrar–Section 137	408
1.10.10 The Companies (Accounts) Rules, 2014	409
1.10.11 The National Financial Reporting Authority Rules, 2018.....	419
1.10.12 Various forms prescribed under the Companies (Accounts) Rules, 2014 ...	428
1.10.13 Questions and Answers	429

Chapter - 1.11

Board Evaluation	444
1.11.1 Formal Annual Evaluation of Board	444
1.11.1.1 Exemption to the Government Company from Section 134(3)(p)	445
1.11.2 Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs)	445
1.11.3 SEBI's Guidance Note on Board Evaluation	455
1.11.4 Evaluation Mechanism of Independent Directors: Para VIII of Schedule IV	466
1.11.5 Class of Company to do Performance Evaluation of Board	467
1.11.6 Board Evaluation under SEBI (LODR) Regulations, 2015	467
1.11.6.1 Responsibility of board of directors	467
1.11.6.2 Independent directors	467
1.11.6.3 Corporate governance	467
1.11.7 Methodology for Evaluation of the Performance of Directors	467
1.11.7.1 Evaluation of the directors	468
1.11.7.2 Evaluation of various committees	468
1.11.7.3 Evaluation of the Board	469
1.11.8 Questions and Answers	470

Chapter - 1.12

Internal Audit (Section 138) and the Companies (Accounts) Rules, 2014	472
1.12.1 Definition of Internal Audit	472
1.12.2 Features of Internal Audit	472
1.12.3 Difference between Statutory Audit and Internal Audit	473
1.12.4 Soft Skills Required by an Internal Auditor	473
1.12.4.1 Personal skills	473
1.12.4.2 Technical skills	474
1.12.5 Key Points in Relation to Internal Audit	474
1.12.6 Types of Internal Audit	474
1.12.7 Role of Internal Auditor	475
1.12.7.1 Operational role	475
1.12.7.2 Strategic roles	476

1.12.8	Standards on Internal Audit (SIAs).....	476
1.12.8.1	Classification of SIAs	476
1.12.9	Internal Audit in Companies Act, 2013 - Section 138	477
1.12.10	Who Appoints Internal Auditor	478
1.12.11	Companies Required to Appoint Internal Auditor - Rule 13 of The Companies (Accounts) Rules, 2014.....	478
1.12.12	Questions and Answers	479

Chapter - 1.13

Audit and Auditors (Sections 139 to 148) and the Companies

	(Audit and Auditors) Rules, 2014	485
1.13.1	Appointment of Auditors–Section 139	485
1.13.2	Removal, Resignation of Auditor and giving of Special Notice–Section 140.....	489
1.13.3	Eligibility, Qualifications and Disqualifications of Auditors–Section 141...491	
1.13.4	Remuneration of Auditors–Section 142.....	493
1.13.5	Powers and Duties of Auditors and Auditing Standards–Section 143	493
1.13.6	Auditor not to Render Certain Services–Section 144.....	497
1.13.7	Auditor to Sign Audit Reports, etc.–Section 145	498
1.13.8	Auditors to Attend General Meeting–Section 146	498
1.13.9	Punishment for Contravention–Section 147	499
1.13.10	Central Government to Specify Audit of items of Cost in Respect of Certain Companies–Section 148	500
1.13.11	Relevant Provisions as per the Companies Act, 2013 and the Companies Act, 1956.....	501
1.13.12	The Companies (Audit and Auditors) Rules, 2014	502
1.13.13	Various Forms Prescribed under the Companies (Audit And Auditors) Rules, 2014	511
1.13.14	Questions and Answers	511

Chapter - 1.14

Institution of Directors (Appointment and Qualification of Directors)

	(Sections 149 to 165, 167 to 172) and the Companies (Appointment and Qualification of Directors) Rules, 2014	523
1.14.1	Company to have Board of Directors-Section 149	524
1.14.2	Manner of Selection of Independent Directors and Maintenance of Databank of Independent Directors–Section 150.....	528

1.14.3	Appointment of Director Elected by Small Shareholders–Section 151.....	529
1.14.4	Appointment of Directors–Section 152	529
1.14.5	Application for Allotment of Director Identification Number– Section 153	532
1.14.6	Allotment of Director Identification Number–Section 154.....	532
1.14.7	Prohibition to obtain More than one Director Identification Number–Section 155	533
1.14.8	Director to intimate Director Identification Number–Section 156	533
1.14.9	Company to Inform Director Identification Number to Registrar–Section 157	533
1.14.10	Obligation to Indicate Director Identification Number–Section 158	533
1.14.11	Penalty for Default of Certain Provisions–Section 159	533
1.14.12	Right of Persons other than Retiring Directors to Stand For Directorship–Section 160	534
1.14.13	Appointment of Additional Director, Alternate Director and Nominee Director–Section 161.....	535
1.14.14	Appointment of Directors to be Voted Individually–Section 162	536
1.14.15	Option to Adopt Principle of Proportional Representation for Appointment of Directors–Section 163	537
1.14.16	Disqualifications for Appointment of Director–Section 164	537
1.14.17	Number of Directorships–Section 165.....	538
1.14.18	Vacation of Office of Director–Section 167.....	540
1.14.19	Resignation of Director–Section 168	541
1.14.20	Removal of Directors–Section 169.....	541
1.14.21	Register of Directors and Key Managerial Personnel and their Shareholding–Section 170.....	543
1.14.22	Members’ Right to Inspect–Section 171.....	544
1.14.23	Penalty–Section 172	544
1.14.24	The Companies (Appointment and Qualification of Directors) Rules, 2014	544
1.14.25	Various Forms Prescribed under the Companies (Appointment and Qualification Of Directors) Rules, 2014	559
1.14.26	Questions and Answers	560

*Chapter - 1.15***Duties of Directors (Section 166)576**

1.15.1 Duties of Directors - Section 166.....576

1.15.2 Questions and Answers576

*Chapter - 1.16***Meetings of the Board and its Powers (Sections 173 to 176, 179 to 187****& 189 to 195) and the Companies (Meetings of Board and its****Powers) Rules, 2014579**

1.16.1 Meetings of Board – Section 173.....580

1.16.2 Quorum for Meetings of Board – Section 174582

1.16.3 Passing of Resolution by Circulation- Section 175.....583

1.16.4 Defects in Appointment of Directors not to Invalidate Actions
Taken- Section 176583

1.16.5 Power of Board – Section 179.....584

1.16.6 Restrictions on Powers of Board – Section 180.....586

1.16.7 Company to Contribute to Bona Fide and Charitable Funds, etc. -
Section 1815871.16.8 Prohibitions and Restrictions Regarding Political Contributions –
Section 1825871.16.9 Power of Board and Other Person to Make Contributions to National
Defence Fund, etc. – Section 183.....589

1.16.10 Disclosure of Interest by Director – Section 184.....589

1.16.11 Loan to Directors, etc. – Section 185.....590

1.16.12 Loan and Investment by Company – Section 186.....593

1.16.13 Investments of Company to be Held in its Own Name – Section 187595

1.16.14 Register of Contracts or Arrangements in which Directors are
Interested – Section 1895961.16.15 Contract of Employment with Managing or Whole-Time Directors –
Section 1905971.16.16 Payment to Director for Loss of Office, etc., in Connection with
Transfer of Undertaking, Property or Shares – Section 191598

1.16.17 Restriction on Non-Cash Transactions Involving Directors – Section 192..599

1.16.18 Contract by One Person Company - Section 193600

1.16.19	Prohibition on Forward Dealings in Securities of Company by Director or Key Managerial Personnel – Section 194	600
1.16.20	Prohibition on Insider Trading of Securities – Section 195.....	600
1.16.21	The Companies (Meetings of Board and its Powers) Rules, 2014	600
1.16.22	Various forms prescribed under The Companies (Meetings of Board and its Powers) Rules, 2014.....	612
1.16.23	Questions and Answers	613

Chapter - 1.17

Meetings of Board Committees- Mandatory Board Committees

(Sections 177 & 178) and the Companies (Meetings of Board and its Powers) Rules, 2014.....

623

1.17.1	Audit Committee–Section 177.....	623
1.17.2	Nomination and Remuneration Committee and Stakeholders Relationship Committee–Section 178	627
1.17.3	Number of Independent Directors–Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014	628
1.17.4	Questions and Answers	629

Chapter - 1.18

Governance of Committees

633

1.18.1	Concept of Board Committees	633
1.18.2	Advantage of Forming Committees.....	634
1.18.3	Mandatory Committees under Companies Act, 2013 v. SEBI (LODR) Regulations, 2015	634
1.18.4	Non-mandatory Committees	635
1.18.5	Functions of the Mandatory Committee	635
1.18.6	Functions of Various Non-Mandatory Committees	636
1.18.6.1	Corporate Governance Committee.....	636
1.18.6.2	Corporate Compliance Committee.....	636
1.18.6.3	IT Strategy Committee	636
1.18.6.4	Special committee of board for monitoring large value frauds	636
1.18.6.5	Customer Service Committee (in Banks).....	636
1.18.6.6	Recovery Committee (in Banks).....	637
1.18.6.7	Committee to review the Identification of wilful defaulters (in Banks).....	637

1.18.6.8	Ethics Committee	637
1.18.6.9	Strategic Committee	637
1.18.6.10	Capital Expenditure Committee	637
1.18.6.11	Finance Committee	637
1.18.6.12	Health, Safety and Environment Committee	638
1.18.6.13	Investment Committee	638
1.18.7	Questions and Answers	638

Chapter - 1.19

Liability of Directors and KMP (Sections 196 to 203) 640

1.19.1	Appointment of Managing Director, Whole-time Director or Manager-Section 196	640
1.19.2	Overall Maximum Managerial Remuneration and Managerial Remuneration in Case of Absence or Inadequacy of Profits-Section 197 ...	642
1.19.3	Calculation of Profits-Section 198.....	647
1.19.4	Recovery of Remuneration in Certain Cases-Section 199	649
1.19.5	Central Government or Company to Fix Limit with Regard to Remuneration-Section 200	649
1.19.6	Forms of, and Procedure in Relation to, Certain Applications- Section 201	650
1.19.7	Compensation for Loss of Office of Managing or Whole-Time Director or Manager-Section 202.....	651
1.19.8	Appointment of Key Managerial Personnel-Section 203	652
1.19.9	Conditions to be Fulfilled for the Appointment of A Managing or Whole-Time Director or A Manager Without the Approval of the Central Government.....	654
1.19.10	Questions and Answers	661

Chapter - 1.20

Safeguarding Directors 667

1.20.1	Who is a Director	667
1.20.2	Duties and Liabilities of Directors	668
1.20.3	Personal Liability of the Director in Certain Cases.....	669
1.20.3.1	Criminal liability for mis-statements in prospectus-Section 34	669
1.20.3.2	Civil liability for mis-statement in prospectus-Section 35(1)(a) and (3)	669

1.20.3.3 Damages for fraud–Section 75.....	669
1.20.3.4 Actions to be taken in pursuance of inspector’s report– Section 224(5)	670
1.20.3.5 Liability for fraudulent conduct of business–Section 339(1).....	670
1.20.3.6 Punishment for contravention of sections 152,155 – 156 – Section 159	670
1.20.4 Measures of Safeguards.....	670
1.20.5 Questions and Answers	672

Chapter - 1.21

Secretarial Audit and Compliances (Section 204) and the Companies (Appointment and Remuneration of Managerial Personnel)

Rules, 2014	674
1.21.1 Secretarial Audit for Bigger Companies–Section 204	674
1.21.2 Powers and Duties of Secretarial Auditor	674
1.21.3 Compliances	675
1.21.4 Secretarial Audit Report	675
1.21.5 Questions and Answers	678

Chapter - 1.22

Compromises, Arrangements and Amalgamations (Sections 230 to 240) and the Companies (Compromises, Arrangements and Amalgamations)

Rules, 2016	680
1.22.1 Power to Compromise or Make Arrangements with Creditors and Members–Section 230.....	681
1.22.2 Power of Tribunal to Enforce Compromise Or Arrangement– Section 231	684
1.22.3 Merger and Amalgamation of Companies–Section 232.....	685
1.22.4 Merger or Amalgamation of Certain Companies–Section 233	688
1.22.5 Merger or Amalgamation of Company with Foreign Company– Section 234	690
1.22.6 Power to Acquire Shares of Shareholders Dissenting from Scheme or Contract Approved by Majority–Section 235	691
1.22.7 Purchase of Minority Shareholding–Section 236	692
1.22.8 Power of Central Government to Provide for Amalgamation of Companies in Public Interest–Section 237	694

1.22.9	Registration of Offer of Schemes Involving Transfer of Shares–Section 238.....	695
1.22.10	Preservation of Books and Papers of Amalgamated Companies–Section 239	696
1.22.11	Liability of Officers in Respect of Offences Committed Prior to Merger, Amalgamation, etc–Section 240.....	696
1.22.12	The Companies (Compromises, Arrangements And Amalgamations) Rule, 2016.....	697
1.22.13	Various Forms Prescribed under the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016	714
1.22.14	Questions and Answers	715

Chapter - 1.23

Prevention of Oppression and Mismanagement (Sections 241 to 246) 722

1.23.1	Application to Tribunal for Relief in Cases of Oppression, etc.–Section 241	722
1.23.2	Powers of Tribunal – Section 242	723
1.23.3	Consequence of Termination or Modification of Certain Agreements–Section 243	726
1.23.4	Right to Apply under Section 241 – Section 244	726
1.23.5	Class Action – Section 245	727
1.23.6	Application of Certain Provisions to Proceedings under Section 241 or Section 245 - Section 246	730
1.23.7	Questions and Answers	730

Chapter - 1.24

Penalties and Compounding of Offences (Sections 439 to 454) and the Companies (Adjudication of Penalties) Rules, 2014 733

1.24.1	Definition of Offence	734
1.24.2	Officer Who is in Default – Section 2(60)	734
1.24.3	Cognizable and Non-Cognizable Offence as per Bharatiya Nagarik Suraksha Sanhita, 2023 [Now BNSS, 2023]	735
1.24.3.1	Meaning of cognizable offence.....	735
1.24.3.2	Meaning of non-cognizable offence.....	735
1.24.4	Bailable and Non-Bailable Offence	735

1.24.5	Cognizable and Non-Cognizable Offence under the Companies Act, 2013.....	735
1.24.5.1	Cognizable offence	735
1.24.5.2	Offences to be Non-cognizable–Section 439.....	736
1.24.6	Meaning of Compounding of Offences.....	737
1.24.6.1	Compounding of Certain Offences–Section 441	737
1.24.6.2	Summary of compoundable offence as per section 441.....	739
1.24.7	Punishment for Fraud–Section 447	739
1.24.8	Punishment for False Statement–Section 448	740
1.24.9	Punishment for False Evidence–Section 449.....	740
1.24.10	Punishment where no Specific Penalty or Punishment is Provided–Section 450	740
1.24.11	Punishment in Case of Repeated Default–Section 451	741
1.24.12	Punishment for Wrongful Withholding of Property–Section 452	741
1.24.13	Punishment for Improper Use of “Limited” or “Private Limited”–Section 453	741
1.24.14	Adjudication of Penalties–Section 454.....	742
1.24.15	Penalty for Repeated Default–Section 454A	745
1.24.16	Questions and Answers	746

Chapter - 1.25

	Related Party Transactions (Sections 2(76), 177(4) and 188) and the Companies (Meetings of Board and its Powers) Rules, 2014	751
1.25.1	Definition of Related Party – Section 2(76)	751
1.25.2	Audit Committee–Section 177(4).....	752
1.25.3	Related Party Transactions–Section 188.....	754
1.25.4	Related Party Transactions under SEBI (LODR) Regulations, 2015.....	758
1.25.4.1	Related Party Disclosure	762
1.25.5	Questions and Answers	762

Chapter - 1.26

	Corporate Social Responsibility (Section 135) and the Companies (Corporate Social Responsibility) Rules, 2014	766
1.26.1	Report on Corporate Social Responsibility	766
1.26.2	Penal Provision for Non-Compliance.....	766

1.26.3	Section 135 - Corporate Social Responsibility	766
1.26.4	Companies (Corporate Social Responsibility Policy) Rules, 2014.....	769
1.26.5	Activities Eligible for CSR	778
1.26.6	Clarification on Spending of CSR Funds for Covid-19	779
1.26.7	COVID-19 related FAQs on CSR	780
1.26.8	Various Forms Prescribed Under The Companies (Csr) Rules, 2014.....	782
1.26.9	Questions and Answers	782

Chapter - 1.27

Managing CSR and Engaging Stakeholders	786
1.27.1 Corporate Social Responsibility	786
1.27.2 Global Definition of CSR	786
1.27.3 CSR is not Philanthropy	787
1.27.4 CSR is a Contract with Society	788
1.27.5 Triple Bottom Line Concept.....	789
1.27.6 Gaining Recognition.....	790
1.27.7 History of CSR Initiatives by Govt.....	790
1.27.8 Inclusive Growth	790
1.27.9 Corporate Social Responsibility Voluntary Guidelines, 2009.....	790
1.27.10 National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011	791
1.27.11 Statutory Provisions of CSR in Companies Act, 2013	794
1.27.12 Questions and Answers	795

Chapter - 2.1

Secretarial Standard on Meetings of Board of Directors (SS-1).....	797
Questions and Answers	821

Chapter - 2.2

Secretarial Standard on General Meetings (SS-2)	847
Questions and Answers	883

Detailed Contents

<i>About the Author</i>	iii
<i>Preface to 4th Edition</i>	v
<i>Contents at a Glance</i>	ix

Volume II

Chapter - 3.1

Securities and Exchange Board of India Act, 1992	907
3.1.1 Preliminary	910
3.1.2 Functions of Board–Section 11	910
3.1.3 Board to Regulate or Prohibit Issue of Prospectus, Offer Document or Advertisement Soliciting Money for Issue of Securities– Section 11A	913
3.1.4 Collective Investment Scheme–Section 11AA	914
3.1.5 Power to Issue Directions and Levy Penalty–Section 11B	915
3.1.6 Investigation–Section 11C	916
3.1.7 Cease and Desist Proceedings–Section 11D	918
3.1.8 Registration of Stock Brokers, Sub-Brokers, Share Transfer Agents, etc.–Section 12	919
3.1.9 Prohibition of Manipulative and Deceptive Devices, Insider Trading and Substantial Acquisition of Securities or Control–Section 12A	920
3.1.10 Grants by the Central Government–Section 13	921
3.1.11 Fund–Section 14	921
3.1.12 Accounts and Audit–Section 15	922
3.1.13 Penalty for Failure to Furnish Information, Return, etc.–Section 15A	922
3.1.14 Penalty for Failure by any Person to Enter into Agreement with Clients–Section 15B	923
3.1.15 Penalty for Failure to Redress Investors’ Grievances–Section 15C	923
3.1.16 Penalty for Certain Defaults in Case Of Mutual Funds–Section 15D	923
3.1.17 Penalty for Failure to Observe Rules and Regulations by an Asset Management Company–Section 15E	924

3.1.18	Penalty for Default in Case of Alternative Investment Funds, Infrastructure Investment Trusts and Real Estate Investment Trusts–Section 15EA.....	924
3.1.19	Penalty for Default in Case of Investment Adviser And Research Analyst–Section 15EB.....	925
3.1.20	Penalty for Default in Case of Stock Brokers–Section 15F.....	925
3.1.21	Penalty for Insider Trading–Section 15G.....	925
3.1.22	Penalty for Non-Disclosure of Acquisition of Shares and Takeovers–Section 15H.....	926
3.1.23	Penalty for Fraudulent and Unfair Trade Practices–Section 15HA.....	926
3.1.24	Penalty for Alteration, Destruction, etc., of Records and Failure to Protect the Electronic Database of Board–Section 15HAA.....	926
3.1.25	Penalty for Contravention where no Separate Penalty has been Provided–Section 15HB.....	927
3.1.26	Power to Adjudicate–Section 15-I.....	927
3.1.27	Factors to be Taken into Account While Adjudging Quantum of Penalty–Section 15J.....	928
3.1.28	Crediting Sums Realised by Way of Penalties to Consolidated Fund of India–Section 15JA.....	928
3.1.29	Settlement of Administrative and Civil Proceedings–Section 15JB.....	928
3.1.30	Establishment of Securities Appellate Tribunals–Section 15K.....	929
3.1.31	Composition of Securities Appellate Tribunal–Section 15L.....	929
3.1.32	Qualification for Appointment as Presiding Officer or Member of Securities Appellate Tribunal–Section 15M.....	930
3.1.33	Tenure of Office of Presiding Officer and other Members of Securities Appellate Tribunal–Section 15N.....	931
3.1.34	Salary and Allowances and other Terms and Conditions of Service of Presiding Officers–Section 15-O.....	931
3.1.35	Filling up of Vacancies–Section 15P.....	932
3.1.36	Senior-most Judicial Member to act as Presiding Officer in Certain Circumstances – Section 15 PA.....	932
3.1.37	Resignation and Removal–Section 15Q.....	932
3.1.38	Qualifications, Terms and Conditions of Service of Presiding Officer and Member – Section 15QA.....	933
3.1.39	Orders Constituting Appellate Tribunal to be Final and not to Invalidate its Proceedings–Section 15R.....	933

3.1.40	Staff of the Securities Appellate Tribunal–Section 15S.....	933
3.1.41	Appeal to the Securities Appellate Tribunal–Section 15T	933
3.1.42	Procedure and Powers of the Securities Appellate Tribunal– Section 15U	934
3.1.43	Right to Legal Representation–Section 15V	935
3.1.44	Limitation–Section 15W.....	936
3.1.45	Presiding Officer, Members and Staff of Securities Appellate Tribunals to be Public Servants–Section 15X.....	936
3.1.46	Civil court not to have Jurisdiction–Section 15Y	936
3.1.47	Appeal to Supreme Court–Section 15Z.....	936
3.1.48	Power of Central Government to Issue Directions–Section 16	937
3.1.49	Power of Central Government to Supersede the Board–Section 17	937
3.1.50	Returns and Reports–Section 18.....	938
3.1.51	Delegation–Section 19	938
3.1.52	Appeals–Section 20.....	938
3.1.53	Bar of jurisdiction–Section 20A	939
3.1.54	Savings–Section 21.....	939
3.1.55	Members, Officers and Employees of the Board to be Public Servants– Section 22	939
3.1.56	Protection of Action taken in Good Faith–Section 23.....	939
3.1.57	Offences–Section 24.....	939
3.1.58	Composition of Certain Offences–Section 24A	940
3.1.59	Power to Grant Immunity–Section 24B.....	940
3.1.60	Exemption from tax on Wealth and Income–Section 25	941
3.1.61	Cognizance of Offences by Courts–Section 26	941
3.1.62	Establishment of Special Courts–Section 26A	941
3.1.63	Offences Triable by Special Courts–Section 26B	941
3.1.64	Appeal and Revision–Section 26C	941
3.1.65	Application of Code to Proceedings before Special Court–Section 26D	942
3.1.66	Transitional Provisions–Section 26E.....	942
3.1.67	Contravention by Companies–Section 27	942
3.1.68	Recovery of Amounts–Section 28A.....	943
3.1.69	Continuance of Proceedings–Section 28B	944

3.1.70	Powers of Board not to apply to International Financial Services Centre–Section 28C.....	945
3.1.71	Power to Make Rules–Section 29.....	945
3.1.72	Power to Make Regulations–Section 30	946
3.1.73	Rules and Regulations to be Laid before Parliament–Section 31.....	947
3.1.74	Application of Other Laws not Barred–Section 32	947
3.1.75	Power to Remove difficulties–Section 34	947
3.1.76	Validation of Certain Acts– Section 34A	947
3.1.77	Repeal and Saving–Section 35	948
3.1.78	Questions and Answers	948

Chapter - 3.2

SEBI (LODR) Regulations, 2015		957
3.2.1	Short Title and Commencement – Regulation 1	963
3.2.2	Definitions – Regulation 2	963
3.2.3	Applicability of the Regulations – Regulation 3	969
3.2.4	Principles Governing Disclosures and Obligations – Regulation 4	970
3.2.5	General Obligation of Compliance – Regulation 5	975
3.2.6	Compliance Officer and his /her Obligations – Regulation 6.....	976
3.2.7	Share Transfer Agent – Regulation 7	977
3.2.8	Co-operation with intermediaries registered with the Board – Regulation 8.....	977
3.2.9	Preservation of documents – Regulation 9	978
3.2.10	Filing of information – Regulation 10.....	978
3.2.11	Scheme of Arrangement – Regulation 11	978
3.2.12	Payment of Dividend or Interest or Redemption or Repayment – Regulation 12.....	978
3.2.13	Grievance Redressal Mechanism – Regulation 13	979
3.2.14	Fees and Other Charges to be Paid to the Recognized Stock Exchange(S) – Regulation 14.....	979
3.2.15	Applicability – Regulation 15	979
3.2.16	Definitions – Regulation 16	982
3.2.17	Board of Directors – Regulation 17	985

3.2.18	Maximum Number of Directorships – Regulation 17A.....	990
3.2.19	Audit Committee – Regulation 18	990
3.2.20	Nomination and Remuneration Committee – Regulation 19.....	991
3.2.21	Stakeholders Relationship Committee – Regulation 20	992
3.2.22	Risk Management Committee – Regulation 21	992
3.2.23	Vigil mechanism -Regulation 22.....	993
3.2.24	Related Party Transactions – Regulation 23	993
3.2.25	Corporate Governance Requirements with Respect to Subsidiary of Listed Entity – Regulation 24	998
3.2.26	Secretarial Audit and Secretarial Compliance Report – Regulation 24A	999
3.2.27	Obligations with Respect to Independent Directors – Regulation 25	1001
3.2.28	Obligations with Respect to Employees Including Senior Management, Key Managerial Personnel, Directors and Promoters – Regulation 26.....	1003
3.2.29	Vacancies in Respect of Certain Key Managerial Personnel – Regulation 26A.....	1004
3.2.30	Other Corporate Governance Requirements – Regulation 27	1005
3.2.31	In-Principle Approval of Recognized Stock Exchange(s) – Regulation 28.....	1005
3.2.32	Prior Intimations – Regulation 29	1006
3.2.33	Disclosure of Events or Information – Regulation 30.....	1007
3.2.34	Disclosure Requirements for Certain Types of Agreements Binding Listed Entities – Regulation 30A	1010
3.2.35	Holding of Specified Securities and Shareholding Pattern – Regulation 31.....	1011
3.2.36	Conditions for Re-Classification of any Person as Promoter / Public – Regulation 31A.....	1011
3.2.37	Special Rights to Shareholders – Regulation 31B.....	1015
3.2.38	Statement of Deviation(s) or Variation(s) – Regulation 32	1016
3.2.39	Financial Results – Regulation 33.....	1017
3.2.40	Annual Report – Regulation 34	1020
3.2.41	Annual Information Memorandum – Regulation 35	1021
3.2.42	Documents & Information to shareholders – Regulation 36.....	1021
3.2.43	Draft Scheme of Arrangement & Scheme of Arrangement – Regulation 37.....	1023

3.2.44	Sale, Lease or Disposal of an Undertaking Outside Scheme of Arrangement – Regulation 37A.....	1024
3.2.45	Minimum Public Shareholding - Regulation 38.....	1025
3.2.46	Issuance of Certificates or Receipts/Letters/Advices for Securities and Dealing with Unclaimed Securities – Regulation 39	1025
3.2.47	Transfer or Transmission or Transposition of Securities – Regulation 40.....	1025
3.2.48	Other Provisions Relating to Securities – Regulation 41	1026
3.2.49	Other Provisions Relating to Outstanding SR Equity Shares- Regulation 41A.....	1027
3.2.50	Record Date or Date of Closure of Transfer books – Regulation 42.....	1028
3.2.51	Dividends – Regulation 43	1029
3.2.52	Dividend Distribution Policy – Regulation 43A	1029
3.2.53	Meetings of Shareholders and Voting – Regulation 44.....	1029
3.2.54	Change in Name of the Listed Entity – Regulation 45.....	1030
3.2.55	Website – Regulation 46.....	1031
3.2.56	Advertisements in Newspapers – Regulation 47.....	1034
3.2.57	Accounting Standards – Regulation 48	1034
3.2.58	Applicability – Regulation 49	1034
3.2.59	Intimation to Stock Exchange(S) – Regulation 50	1035
3.2.60	Disclosure of Information Having Bearing on Performance/Operation of Listed Entity and/or Price Sensitive Information – Regulation 51.....	1036
3.2.61	Financial Results – Regulation 52.....	1036
3.2.62	Annual Report – Regulation 53	1040
3.2.63	Security Cover – Regulation 54.....	1040
3.2.64	Credit Rating – Regulation 55.....	1041
3.2.65	Documents and Intimation to Debenture Trustees – Regulation 56	1041
3.2.66	Intimation to Stock Exchanges – Regulation 57	1042
3.2.67	Documents and Information to Holders of Non - Convertible Securities – Regulation 58	1042
3.2.68	Structure of Non Convertible Debt Securities and Non Convertible Redeemable Preference Shares – Regulation 59.....	1043
3.2.69	Draft Scheme of Arrangement and Scheme of Arrangement – Regulation 59A.....	1043

3.2.70	Record Date – Regulation 60.....	1044
3.2.71	Terms of Non Convertible Debt Securities and Non Convertible Redeemable Preference Shares – Regulation 61.....	1044
3.2.72	Dealing with Unclaimed Non-Convertible Securities and Benefits Accrued Thereon – Regulation 61A.....	1045
3.2.73	Website – Regulation 62.....	1045
3.2.74	Listing of Subsequent Issuances of Non-Convertible Debt Securities – Regulation 62A.....	1047
3.2.75	Definitions – Regulation 62B.....	1048
3.2.76	Applicability – Regulation 62C.....	1048
3.2.77	Board of Directors – Regulation 62D	1050
3.2.78	Maximum Number of Directorships – Regulation 62E	1054
3.2.79	Audit Committee – Regulation 62F.....	1054
3.2.80	Nomination and Remuneration Committee – Regulation 62G	1055
3.2.81	Stakeholders Relationship Committee – Regulation 62H.....	1056
3.2.82	Risk Management Committee – Regulation 62I.....	1057
3.2.83	Vigil Mechanism – Regulation 62J	1057
3.2.84	Related Party Transactions – Regulation 62-K	1057
3.2.85	Corporate Governance Requirements with Respect to Unlisted Material Subsidiary of HVDLE – Regulation 62L.....	1061
3.2.86	Secretarial Audit and Secretarial Compliance Report – Regulation 62M.....	1062
3.2.87	Obligations with Respect to Independent Directors – Regulation 62N.....	1062
3.2.88	Obligations with Respect to Employees Including Senior Management, Key Managerial Personnel, Directors and Promoters – Regulation 62O	1064
3.2.89	Vacancies in Respect of Certain Key Managerial Personnel – Regulation 62P	1065
3.2.90	Other Corporate Governance Requirements – Regulation 62Q	1066
3.2.91	Applicability of Chapters IV and V – Regulation 63.....	1066
3.2.92	Delisting - Regulation 64	1067
3.2.93	Applicability – Regulation 64A	1067
3.2.94	In-Principle Approval of the Stock Exchanges – Regulation 64B	1068
3.2.95	Obligations of the Listed Entity - Regulation 64C	1069

3.2.96	Notice of Delisting – Regulation 64D	1071
3.2.97	Approval from the holders and No-Objection Letter from the Debenture Trustee – Regulation 64E	1071
3.2.98	Failure of Delisting Proposal – Regulation 64F	1071
3.2.99	Final Application to the Stock Exchange – Regulation 64G	1071
3.2.100	Delisting from some of the Stock Exchanges – Regulation 64H.....	1072
3.2.101	Monitoring of Compliance by the Stock Exchanges – Regulation 64-I.....	1072
3.2.102	Applicability – Regulation 65	1073
3.2.103	Definitions – Regulation 66	1073
3.2.104	General Obligations of Listed Entity – Regulation 67	1073
3.2.105	Disclosure of Material Events or Information – Regulation 68	1073
3.2.106	Indian Depository Receipt Holding Pattern & Shareholding Details – Regulation 69.....	1074
3.2.107	Periodical Financial Results – Regulation 70	1074
3.2.108	Annual Report – Regulation 71.....	1074
3.2.109	Corporate Governance – Regulation 72.....	1075
3.2.110	Documents and Information to IDR Holder – Regulation 73.....	1075
3.2.111	Equitable Treatment to IDR Holders – Regulation 74.....	1075
3.2.112	Advertisements in Newspapers – Regulation 75	1075
3.2.113	Terms of Indian Depository Receipts – Regulation 76.....	1076
3.2.114	Structure of Indian Depository Receipts – Regulation 77.....	1076
3.2.115	Record Date - Regulation 78.....	1076
3.2.116	Voting – Regulation 79	1077
3.2.117	Delisting of Indian Depository Receipt – Regulation 80.....	1077
3.2.118	Applicability – Regulation 81	1077
3.2.119	Intimation and Filings with Stock Exchange(s) – Regulation 82	1077
3.2.120	Disclosure of Information having Bearing on Performance/Operation of Listed Entity and/or Price Sensitive Information – Regulation 83.....	1078
3.2.121	Credit Rating – Regulation 84.....	1078
3.2.122	Information to Investors – Regulation 85.....	1078
3.2.123	Terms of Securitized Debt Instruments – Regulation 86.....	1079
3.2.124	Record Date – Regulation 87.....	1079

3.2.125	Applicability – Regulation 87A	1080
3.2.126	Intimations and Disclosure of Events or Information to Stock Exchanges – Regulation 87B	1080
3.2.127	Valuation, Rating and NAV disclosure - Regulation 87C	1080
3.2.128	Terms of Security Receipts – Regulation 87D	1081
3.2.129	Record Date – Regulation 87E	1081
3.2.130	Applicability – Regulation 88	1081
3.2.131	Definitions – Regulation 89	1082
3.2.132	Submission of Documents – Regulation 90	1082
3.2.133	Dissemination on the Website of Stock Exchange(s) – Regulation 91	1082
3.2.134	Applicability – Regulation 91A	1082
3.2.135	Disclosures by a For Profit Social Enterprise – Regulation 91B	1082
3.2.136	Disclosures by a Not for Profit Organization – Regulation 91C	1083
3.2.137	Intimations and Disclosures by Social Enterprise of Events or Information to Social Stock Exchange(s) or Stock Exchange(s) – Regulation 91D	1083
3.2.138	Disclosures by a Social Enterprise in Respect of Social Impact – Regulation 91E	1084
3.2.139	Statement of Utilisation of Funds – Regulation 91F	1084
3.2.140	Dissemination – Regulation 92	1084
3.2.141	Transferability – Regulation 93	1085
3.2.142	Draft Scheme of Arrangement & Scheme of Arrangement in case of entities that have listed their specified securities – Regulation 94	1085
3.2.143	Draft Scheme of Arrangement & Scheme of Arrangement in case of entities that have listed their non-convertible debt securities or non-convertible redeemable preference shares – Regulation 94A	1085
3.2.144	Statement on Impact of Audit Qualifications accompanying Annual Audit Report - Regulation 95	1086
3.2.145	Grievance Redressal - Regulation 96	1086
3.2.146	Monitoring of Compliance/Non-Compliance & Adequacy/ Accuracy of the disclosures – Regulation 97	1086
3.2.147	Liability for contravention of the Act, rules or the regulations – Regulation 98	1087
3.2.148	Failure to Pay Fine – Regulation 99	1087

3.2.149	Exemption from enforcement of the regulations in special cases – Regulation 99A.....	1087
3.2.150	Amendments to other regulations -Regulation 100	1088
3.2.151	Power to remove difficulties - Regulation 101	1088
3.2.152	Power to Relax Strict Enforcement of the Regulations – Regulation 102	1088
3.2.153	Repeal and Savings – Regulation 103	1089
3.2.154	Schedule I: Terms of Securities	1089
3.2.155	Schedule II	1090
3.2.156	Schedule III.....	1096
3.2.157	Schedule IV: Disclosures in Financial Results.....	1111
3.2.158	Schedule V : Annual Report.....	1114
3.2.159	Schedule VI: Manner of Dealing with Unclaimed Shares.....	1120
3.2.160	Schedule VII: Transfer and Transmission of Securities	1121
3.2.161	Schedule IX: Amendments to Other Regulations.....	1124
3.2.162	Questions and Answers	1130

Chapter - 3.3

SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.....1155

3.3.1	Questions and Answers	1157
-------	-----------------------------	------

Chapter - 3.4

Securities Contracts (Regulation) Act, 19561181

3.4.1	Preamble	1184
3.4.2	Short title, extent and commencement – Section 1	1184
3.4.3	Definitions – Section 2.....	1184
3.4.4	Interpretation of certain words and expressions – Section 2A	1188
3.4.5	Application for recognition of stock exchanges – Section 3.....	1188
3.4.6	Grant of recognition to stock exchanges – Section 4	1188
3.4.7	Corporatisation and Demutualisation of Stock Exchanges – Section 4A	1189
3.4.8	Procedure for Corporatisation and Demutualisation – Section 4B	1190
3.4.9	Withdrawal of Recognition – Section 5	1191
3.4.10	Power of Central Government to Call for Periodical Returns or Direct Inquiries to be made – Section 6.....	1192

3.4.11	Annual Reports to be Furnished to Central Government by Stock Exchanges – Section 7.....	1193
3.4.12	Power of Recognised Stock Exchange to Make Rules Restricting Voting Rights, etc. – Section 7A.....	1193
3.4.13	Power of Central Government to Direct Rules to be Made or to Make Rules – Section 8.....	1194
3.4.14	Clearing Corporation – Section 8A	1195
3.4.15	Power of Recognised Stock exchanges to make bye-laws – Section 9	1195
3.4.16	Power of Securities and Exchange Board of India to Make or Amend Bye-laws of Recognised Stock Exchanges – Section 10.....	1198
3.4.17	Power of Central Government to Supersede Governing Body of a Recognised Stock Exchange – Section 11	1198
3.4.18	Power to Suspend Business of Recognised Stock Exchanges – Section 12	1200
3.4.19	Power to Issue Directions – Section 12A	1200
3.4.20	Contracts in Notified Areas Illegal in Certain Circumstances – Section 13	1201
3.4.21	Additional Trading Floor – Section 13A	1201
3.4.22	Contracts in Notified Areas to be Void in Certain Circumstances – Section 14	1201
3.4.23	Members May not act as Principals in Certain Circumstances – Section 15	1202
3.4.24	Power to Prohibit Contracts in Certain Cases – Section 16	1202
3.4.25	Licensing of Dealers in Securities in Certain Areas – Section 17	1202
3.4.26	Public Issue and Listing of Securities referred to in sub-clause (ie) of Clause (h) of Section 2 – Section 17A	1203
3.4.27	Exclusion of Spot Delivery Contracts from Sections 13, 14, 15 and 17 – Section 18	1204
3.4.28	Contracts in Derivative – Section 18A	1204
3.4.29	Stock Exchanges other than Recognised Stock Exchanges Prohibited – Section 19	1204
3.4.30	Conditions for Listing – Section 21	1205
3.4.31	Delisting of Securities – Section 21A.....	1205
3.4.32	Right of Appeal against Refusal of Stock Exchanges to List Securities of Public Companies – Section 22.....	1205

3.4.33	Right of Appeal to Securities Appellate Tribunal against Refusal of Stock Exchange to List Securities of Public Companies – Section 22A.....	1206
3.4.34	Procedure and Powers of Securities Appellate Tribunal – Section 22B.....	1207
3.4.35	Right to Legal Representation – Section 22C.....	1208
3.4.36	Limitation – Section 22D.....	1208
3.4.37	Civil Court not to have Jurisdiction – Section 22E.....	1208
3.4.38	Appeal to Supreme Court – Section 22F	1208
3.4.39	Penalties – Section 23.....	1209
3.4.40	Penalty for Failure to Furnish Information, Return, etc. – Section 23A.....	1210
3.4.41	Penalty for Failure by any Person to Enter into an Agreement with Clients – Section 23B	1210
3.4.42	Penalty for Failure to Redress Investors' Grievances – Section 23C	1210
3.4.43	Penalty for Failure to Segregate Securities or Moneys of Client or Clients – Section 23D.....	1211
3.4.44	Penalty for Failure to Comply with Provision of Listing Conditions or Delisting Conditions or Grounds – Section 23E.....	1211
3.4.45	Penalty for Excess Dematerialisation or Delivery of Unlisted Securities – Section 23F	1211
3.4.46	Penalty for Failure to Furnish Periodical Returns, etc. – Section 23G.....	1211
3.4.47	Penalty for Failure to Conduct Business in Accordance with Rules, etc. – Section 23GA	1211
3.4.48	Penalty for Contravention where no Separate Penalty has been Provided – Section 23H.....	1212
3.4.49	Power to Adjudicate – Section 23-I	1212
3.4.50	Factors to be taken into Account while Adjudging Quantum of Penalty – Section 23J.....	1213
3.4.51	Settlement of Administrative and Civil Proceedings – Section 23JA.....	1213
3.4.52	Recovery of amounts – Section 23JB	1213
3.4.53	Continuance of Proceedings – Section 23JC	1215
3.4.54	Crediting Sums Realised by way of Penalties to Consolidated Fund of India – Section 23K.....	1215
3.4.55	Appeal to Securities Appellate Tribunal – Section 23L.....	1216
3.4.56	Offences – Section 23M	1216
3.4.57	Composition of Certain Offences – Section 23N	1216

3.4.58	Power to Grant Immunity – Section 23O	1217
3.4.59	Contravention by Companies – Section 24	1217
3.4.60	Certain Offences to be Cognizable – Section 25	1218
3.4.61	Cognizance of Offences by Courts – Section 26	1218
3.4.62	Establishment of Special Courts – Section 26A	1218
3.4.63	Offences Triable by Special Courts – Section 26B	1219
3.4.64	Appeal and Revision – Section 26C	1219
3.4.65	Application of Code to proceedings before Special Court – Section 26D	1219
3.4.66	Transitional Provisions – Section 26E.....	1219
3.4.67	Title to Dividends – Section 27	1220
3.4.68	Right to Receive Income from Collective Investment Scheme – Section 27A	1220
3.4.69	Right to Receive Income from Mutual Fund – Section 27B.....	1221
3.4.70	Act not to Apply in Certain Cases – Section 28.....	1222
3.4.71	Protection of Action taken in Good Faith – Section 29.....	1223
3.4.72	Power to Delegate – Section 29A.....	1223
3.4.73	Powers of Board not to Apply to International Financial Services Centre – Section 29B.....	1223
3.4.74	Power to Make Rules – Section 30.....	1223
3.4.75	Special Provisions Related to Commodity Derivatives – Section 30A	1225
3.4.76	Special Provisions Related to Pooled Investment Vehicle – Section 30B...	1225
3.4.77	Power of Securities and Exchange Board of India to make regulations – Section 31	1226
3.4.78	Validation of Certain Acts – Section 32.....	1227
3.4.79	Questions and Answers ¹⁹	1227

Chapter - 3.5

Depositories Act, 1996 1234

3.5.1	Preamble: an Act to Provide for Regulation of Depositories in Securities and for Matters Connected Therewith or Incidental Thereto ...	1236
3.5.2	Short Title, Extent and Commencement–Section 1.....	1236
3.5.3	Definitions–Section 2.....	1236
3.5.4	Certificate of Commencement of Business by Depositories–Section 3.....	1237

3.5.5	Agreement between Depository and Participant–Section 4.....	1237
3.5.6	Services of Depository–Section 5.....	1238
3.5.7	Surrender of Certificate of Security–Section 6.....	1238
3.5.8	Registration of Transfer of Securities with Depository–Section 7.....	1238
3.5.9	Options to Receive Security Certificate or Hold Securities with Depository – Section 8.....	1239
3.5.10	Securities in Depositories to be in Fungible Form–Section 9	1239
3.5.11	Rights of Depositories and Beneficial Owner–Section 10.....	1239
3.5.12	Register of Beneficial Owner–Section 11	1239
3.5.13	Pledge or Hypothecation of Securities held in a Depository–Section 12 ..	1239
3.5.14	Furnishing of Information and Records by Depository and Issuer–Section 13.....	1240
3.5.15	Option to opt out in Respect of any Security–Section 14.....	1240
3.5.16	Act 18 of 1891 to Apply to Depositories–Section 15	1240
3.5.17	Depositories to Indemnify loss in Certain Cases–Section 16	1240
3.5.18	Rights and Obligations of Depositories, etc.–Section 17.....	1240
3.5.19	Power of Board to Call for Information and Enquiry–Section 18.....	1241
3.5.20	Power of Board to give Directions in Certain Cases–Section 19.....	1241
3.5.21	Penalty for Failure to Furnish Information, Return, etc.–Section 19A.....	1242
3.5.22	Penalty for Failure to Enter into an Agreement–Section 19B	1242
3.5.23	Penalty for Failure to Redress Investors’ Grievances–Section 19C	1242
3.5.24	Penalty for Delay in Dematerialisation or Issue of Certificate of Securities–Section 19D	1243
3.5.25	Penalty for Failure to Reconcile Records–Section 19E	1243
3.5.26	Penalty for Failure to Comply with Directions Issued by Board under Section 19 of the Act – Section 19F	1243
3.5.27	Penalty for Failure to Conduct Business in a Fair Manner– Section 19FA	1243
3.5.28	Penalty for Contravention where no Separate Penalty has been Provided–Section 19G.....	1244
3.5.29	Power to Sdjudicate–Section 19H.....	1244
3.5.30	Factors to be taken into Account while Adjudging Quantum of Penalty–Section 19-I.....	1244
3.5.31	Settlement of Administrative Civil Proceedings–Section 19-IA	1245

3.5.32	Recovery of Amounts–Section 19-IB	1245
3.5.33	Continuance of Proceedings–Section 19-IC	1246
3.5.34	Crediting sums realised by way of Penalties to Consolidated Fund of India–Section 19J	1247
3.5.35	Offences–Section 20	1247
3.5.36	Contravention by Companies–Section 21	1248
3.5.37	Cognizance of Offences by Courts–Section 22	1248
3.5.38	Composition of Certain Offences–Section 22A	1249
3.5.39	Power to Grant Immunity–Section 22B	1249
3.5.40	Establishment of Special Courts–Section 22C	1249
3.5.41	Offences Triable by Special Courts–Section 22D	1250
3.5.42	Appeal and Revision–Section 22E	1250
3.5.43	Application of Code to Proceedings before Special Court–Section 22F	1250
3.5.44	Transitional Provisions–Section 22G	1250
3.5.45	Appeals–Section 23	1251
3.5.46	Appeal to Securities Appellate Tribunal–Section 23A	1251
3.5.47	Procedure and Powers of Securities Appellate Tribunal–Section 23B	1252
3.5.48	Right to Legal Representation–Section 23C	1252
3.5.49	Limitation–Section 23D	1253
3.5.50	Civil Court not to have Jurisdiction–Section 23E	1253
3.5.51	Appeal to Supreme Court–Section 23F	1253
3.5.52	Powers of Board not to Apply to International Financial Services Centre–Section 23G	1253
3.5.53	Power of Central Government to Make Rules–Section 24	1254
3.5.54	Power of Board to Make Regulations – Section 25	1254
3.5.55	Power of Depositories to Make bye-laws – Section 26	1255
3.5.56	Rules and Regulations to be Laid before Parliament–Section 27	1256
3.5.57	Application of other Laws not Barred–Section 28	1256
3.5.58	Removal of difficulties–Section 29	1256
3.5.59	Validation of Certain acts–Section 30A	1257
3.5.60	Repeal and Saving–Section 31	1257
3.5.61	Questions and Answers	1258

Chapter - 4

Independent Director (Section 149) and the Companies (Appointment and Qualification of Directors) Rules 2014	1263
4.1 Qualification for Appointment of Independent Director	1266
4.1.1 Who is Independent Director–Section 2(47).....	1266
4.1.1.1 Independent Director means – Section 149(6)	1266
4.1.2 Qualifications of Independent Director	1268
4.1.3 Explanatory statement for appointment of ID	1268
4.1.4 No Alternate Director for ID.....	1268
4.1.5 Independent Director under SEBI (LODR) Regulations, 2015	1268
4.2 Dis-qualifications for Appointment of Independent Director	1271
4.2.1 Dis-qualifications as per Section 164	1271
4.2.2 Dis-qualified if not having the qualifications as per Section 149(6)	1272
4.3 Manner of Selection of Independent Directors and Maintenance of Data Bank of Independent Directors.....	1272
4.3.1 Data bank for ID - Section 150	1272
4.3.2 Compliances required by a person eligible and willing to be appointed as an Independent Director	1273
4.4 Number of Independent Directors required in Board	1275
4.4.1 As per Companies Act, 2013 – Section 149(4).....	1275
4.4.2 As per SEBI (LODR) Regulations, 2015 – Regulation 17	1275
4.5 Number of Independent Director required in various Committees	1276
4.5.1 Audit Committee : Section 177(2).....	1276
4.5.2 Nomination and Remuneration Committee and Stakeholders Relationship Committee–Section 178(1)	1276
4.5.3 CSR Committee.....	1277
4.6 Appointment of Independent Director	1278
4.6.1 Nomination and Remuneration Committee to formulate criteria of selection	1278
4.6.2 Board to select the candidature of ID	1278
4.6.3 Approval of the Shareholders.....	1278
4.6.4 Letter of appointment	1278
4.6.5 Re-appointment	1279

4.7	Due Diligence before Joining a Board	1279
4.7.1	What is due diligence	1279
4.7.2	Due diligence on the part of the company	1279
4.7.3	Due diligence on the part of the person aspiring to be the independent director	1279
4.8	Comparison of test of Independence between the Companies Act, 2013 and SEBI (LODR) Regulations, 2015	1280
4.9	Director Identification Number (DIN)	1285
4.9.1	Concept of DIN.....	1285
4.9.2	Sections 153 to 158 of the Companies Act, 2013 and related rules deal with the DIN.	1285
4.9.3	Forms for DIN application and modification thereof.....	1286
4.9.3.1	SPICe Form	1286
4.9.3.2	DIR-3 Form.....	1286
4.9.3.3	DIR-6 Form.....	1287
4.10	Disclosures to be made by the Independent Director	1288
4.11	Remuneration to Independence Director.....	1288
4.11.1	As per the Companies Act, 2013	1288
4.11.2	As per SEBI (LODR) Regulations, 2015.....	1289
4.12	Role, Functions and Duties of Independent Directors	1289
4.12.1	Role and Functions of Independent Director - Para II of Schedule IV of Companies Act, 2013	1289
4.12.2	Duties of Independent Directors – Para III of Schedule IV of Companies Act, 2013.....	1289
4.13	Number of Directorship by an Independent Director	1290
4.13.1	As per Companies Act, 2013	1290
4.13.2	As per SEBI (LODR) Regulations, 2015.....	1291
4.14	Liabilities and Obligation of Independent Director	1292
4.14.1	As per Companies Act, 2013	1292
4.14.2	As per SEBI (LODR) Regulation, 2015	1292
4.15	Code of conduct for Independent Directors.....	1294
4.16	Evaluation of Independent Director	1298
4.16.1	As per Companies Act, 2013	1298

4.16.2	As per SEBI (LODR) Regulations, 2015.....	1298
4.17	Tenure of Independence Director.....	1298
4.17.1	As per Companies Act, 2013	1298
4.17.2	As per SEBI (LODR) Regulations, 2015.....	1299
4.18	Questions and Answers	1299
Chapter - 5.1		
Corporate Governance		1308
5.1.1	Meaning of Corporate Governance.....	1309
5.1.2	OECD Principles of Corporate Governance	1309
5.1.3	About the OECD principles	1309
5.1.4	Six Principles of OECD Corporate Governance.....	1313
5.1.5	ICGN Global Governance Principles & Stewardship Principles	1358
5.1.5.1	ICGN Global Governance Principles	1358
5.1.5.2	ICGN Global Stewardship Principles.....	1360
5.1.6	Road Map of Corporate Governance in India	1361
5.1.7	Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSE)-2010	1390
5.1.8	Corporate Governance in Banking Sector.....	1400
5.1.9	Corporate Governance in Insurance Sector	1409
5.1.10	Questions and Answers	1416
Chapter - 5.2		
Governance and Strategy.....		1421
5.2.1	Governance.....	1421
5.2.1.1	Vision statement	1422
5.2.1.2	Mission statement.....	1422
5.2.1.3	Difference between Vision and Mission statement	1422
5.2.2	Concept of Big Hairy Audacious Goal (BHAG).....	1423
5.2.2.1	Understanding Big Hairy Audacious Goals (BHAGs).....	1423
5.2.2.2	Special considerations.....	1424
5.2.2.3	How to achieve Big Hairy Audacious Goals	1424
5.2.3	Strategy	1427
5.2.3.1	Features of strategy	1428

5.2.3.2	Types of strategy	1428
5.2.3.2.1	Corporate strategy	1428
5.2.3.2.2	Business strategy	1429
5.2.3.3	Nature of strategy.....	1430
5.2.3.4	Strategy by design.....	1430
5.2.3.5	Analysing the current strategy	1430
5.2.3.6	Appraising the corporate resources and capabilities.....	1430
5.2.4	PESTEL Analysis.....	1431
5.2.5	SWOT Analysis	1432
5.2.6	Developing Strategic Options and Choosing the Best Option.....	1432
5.2.7	Emergent Strategy	1433
5.2.8	Strategy Formulation	1433
5.2.9	Questions and Answers	1434

Chapter - 5.3

Corporate Policies and Disclosures under Companies Act, 2013 and

	various SEBI Regulations.....	1437
5.3.1	Corporate policies.....	1439
5.3.2	Corporate Policies prescribed under the Companies Act, 2013.....	1440
5.3.2.1	Risk Management Policy.....	1440
5.3.2.2	Corporate Social Responsibilities Policy.....	1440
5.3.2.3	Code of Conduct or Ethics Policy	1442
5.3.2.4	Vigil Mechanism Policy	1443
5.3.2.5	Nomination and Remuneration Policy	1443
5.3.3	Corporate Policies prescribed under SEBI (LODR) Regulations, 2015.....	1444
5.3.3.1	Risk Policy	1444
5.3.3.2	Policy for Preservation of Documents.....	1444
5.3.3.3	Policy for Determining 'Material Subsidiary'	1444
5.3.3.4	Whistle Blower Policy.....	1445
5.3.3.5	Policy on Materiality of Related Party Transactions.....	1445
5.3.3.6	Archival Policy.....	1445
5.3.3.7	Accrual Accounting Policy.....	1446
5.3.3.8	Dividend Distribution Policy	1446

5.3.3.9	Policy Relating to the Remuneration of Director, KMPs & Other Employees	1447
5.3.3.10	Policy on Diversity of Board	1447
5.3.3.11	Policy of determination of materiality of event	1447
5.3.4	Insider Trading Policy	1448
5.3.5	Policy for Prevention of Sexual Harassment at Workplace.....	1448
5.3.6	Other Policies	1448
5.3.7	Disclosure under the Companies Act, 2013 and its Rules	1449
5.3.7.1	Disclosures to be made in financial statement and board's report – Section 134	1449
5.3.7.2	Disclosure under other sections of the Companies Act, 2013	1451
5.3.7.3	Disclosure under various Rules prescribed under the Companies Act.....	1452
5.3.7.3.1	Matters to be Included in board's report: Rule 8 of the Companies (Accounts) Rules, 2014	1452
5.3.7.3.2	Issue of sweat equity shares	1455
5.3.7.3.3	Issue of employee stock options	1455
5.3.7.3.4	Provision of money by company for purchase of its own shares by employees or by trustees for the benefit of employees	1456
5.3.7.3.5	Disclosure in board's report	1456
5.3.7.3.6	CSR reporting	1458
5.3.8	Disclosure under the SEBI (LODR) Regulations, 2015.....	1462
5.3.8.1	Prior intimations–Regulation 29	1462
5.3.8.2	Disclosure of events or information–Regulation 30	1463
5.3.8.3	Financial results–Regulation 33.....	1467
5.3.8.4	Annual report–Regulation 34	1470
5.3.8.5	Website–Regulation 46.....	1471
5.3.8.6	Schedule V–Annual report	1474
5.3.8.7	Corporate Governance requirements with respect to subsidiary of listed entity–Regulation 24	1480
5.3.9	Disclosure under the SEBI (ICDR) Regulations, 2018	1482
5.3.9.1	Filing of the draft offer document and offer document– Regulation 25	1482

5.3.9.2	Draft offer document and offer document to be available to the public-Regulation 26	1483
5.3.9.3	Issue-related advertisements-Regulation 43	1484
5.3.9.4	Post-issue advertisements-Regulation 51	1484
5.3.9.5	Post-issue reports-Regulation 55	1485
5.3.10	Disclosure requirement under SEBI (Prohibition of Insider Trading) Regulations, 2015	1485
5.3.10.1	General disclosure- Regulation 6(2)	1485
5.3.10.2	Initial disclosures-Regulation 7(1)	1485
5.3.10.3	Continual disclosures-Regulation 7(2)	1485
5.3.10.4	Code of fair disclosure-Regulation 8	1486
5.3.11	Disclosure required under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011	1487
5.3.11.1	Disclosure of acquisition and disposal-Regulation 29	1487
5.3.11.2	[Omitted] – Regulation 30	1488
5.3.11.3	Disclosure of encumbered shares-Regulation 31	1488
5.3.12	Questions and Answers	1489

Chapter - 5.4

Board Effectiveness and Culture	1496
5.4.1 Meaning of the Board.....	1497
5.4.2 Role of the Board	1497
5.4.3 Types of Directors in Board	1498
5.4.3.1 Executive director.....	1498
5.4.3.2 Non-executive director	1498
5.4.3.3 Woman director.....	1498
5.4.3.4 Resident director	1498
5.4.3.5 Independent director	1498
5.4.3.5.1 Qualifications of independent director.....	1500
5.4.3.6 Lead independent director.....	1500
5.4.3.7 Managing director.....	1501
5.4.3.8 Whole-time director	1501
5.4.3.9 Nominee director.....	1501
5.4.3.10 Small shareholders director	1501

5.4.3.11	Shadow director	1502
5.4.4	Composition and Structure of Board.....	1502
5.4.5	Selection and Appointment of Directors.....	1507
5.4.5.1	Selection of independent directors–Section 150.....	1507
5.4.5.2	Appointment of director elected by small shareholders- Section 151	1507
5.4.5.3	Appointment of directors–Section 152.....	1509
5.4.6	Various Board Level Committees.....	1511
5.4.7	Separation of Role of Chairman and CEO	1511
5.4.7.1	Chairman	1511
5.4.7.2	Chief Executive Officer	1512
5.4.7.3	Separation.....	1512
5.4.8	Training of Directors	1513
5.4.9	Performance Review	1513
5.4.10	Succession Planning	1517
5.4.11	Questions and Answers	1517

Chapter - 5.5

Training of Directors.....	1523
5.5.1 Introduction.....	1523
5.5.2 Statutory Provisions	1524
5.5.3 Framing of Policy Document for Training of Directors.....	1524
5.5.4 Objectives of the Training.....	1524
5.5.5 Training for new Directors/Induction Training	1524
5.5.6 Continuing Professional Development–For Existing Directors.....	1525
5.5.7 Specific Training Program.....	1526
5.5.8 Period of Training.....	1526
5.5.9 Feedback	1526
5.5.10 Training of Directors for Central Public Sector Enterprises (CPSEs).....	1526
5.5.11 Questions and Answers.....	1527

Chapter - 5.6

Exemplary Board	1530
5.6.1 Exemplary Board	1530

5.6.2	Seven Habits Of Exemplary Board	1531
5.6.3	Some Key Points for Effective and Exemplary Board	1532
5.6.4	Questions and Answers	1534

Chapter - 5.7

Building a Resilient Company- Board's Role.....1536

5.7.1	Introduction and Meaning of Risk	1537
5.7.2	Categorisation and Classification of Risk	1537
5.7.2.1	Categorisation of risk.....	1538
5.7.2.1.1	Systematic risk.....	1538
5.7.2.1.2	Unsystematic risk.....	1538
5.7.2.2	Classification of risk.....	1538
5.7.3	Risk Management	1539
5.7.4	Risk Management Process.....	1540
5.7.4.1	Risk identification.....	1540
5.7.4.2	Risk analysis.....	1540
5.7.4.3	Risk assessment	1541
5.7.4.4	Handling risk	1541
5.7.5	Regulatory Requirement of Risk Management.....	1542
5.7.5.1	Under the Companies Act, 2013.....	1542
5.7.5.2	Under SEBI (LODR) Regulations, 2015	1543
5.7.6	COSO's Enterprise Risk Management.....	1544
5.7.6.1	Enterprise Risk Management – Integrated Framework-2004	1544
5.7.6.2	Enterprise Risk Management- Integrating with Strategy and Performance- 2017	1546
5.7.7	Business Resilience	1547
5.7.7.1	Salient feature of business resilience	1547
5.7.7.2	Quest for resilience.....	1548
5.7.8	Questions and Answers	1549

Chapter - 6.1

Accounting Standards and the Companies (Indian Accounting Standards)

Rules, 20151553

6.1.1	Accounting Standards.....	1553
-------	---------------------------	------

6.1.2	Central Government to Prescribe Accounting Standards–Section 133.....	1553
6.1.3	The Companies (Indian Accounting Standards) Rules, 2015.....	1554
6.1.4	Applicability of Accounting Standards–Rule 3.....	1554
6.1.5	Obligation to Comply with Indian Accounting Standards (Ind AS) – Rule 4.....	1554
6.1.6	Exemptions – Rule 5.....	1560
6.1.7	Indian Accounting Standards (IND-AS) (As on 01.04.2023)	1561
6.1.8	Accounting Standards – Applicable for Accounting Period on or after 01.04.2021	1562
6.1.9	Questions and Answers	1563

Chapter - 6.2

Understanding the Balance Sheet and Profit and Loss Account.....1565

6.2.1	Meaning of Financial Statement–Section 2(40).....	1566
6.2.2	Financial Statement - Section 129	1567
6.2.3	Contents of Schedule III.....	1569
6.2.4	Schedule III	1570
6.2.4.1	Division I - Financial Statements for a company whose Financial Statements are required to comply with the Companies (Accounting Standards) Rules, 2006.....	1570
6.2.4.2	Division II - Financial Statements for a company whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015	1600
6.2.4.3	Division III - Financial Statements for a Non-Banking Financial Company (NBFC) whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015	1634
6.2.5	Questions and Answers	1673

Chapter - 6.3

Understanding the Cash Flow Statement.....1677

6.3.1	What is Cash Flow Statement?	1677
6.3.2	Purpose of Cash Flow Statement	1677
6.3.3	Cash Flow Activities.....	1678
6.3.4	Ind-AS 7: Statement of Cash Flows.....	1678
6.3.5	Questions and Answers	1688

Chapter - 6.4**Understanding Board's Report and the Companies (Accounts) Rules, 2014.....1696**

6.4.1	Report by the Board of Directors.....	1696
6.4.2	Penal Provisions- Section 134(8).....	1701
6.4.3	Other Matters which are also be included in the Board's Report.....	1701
6.4.4	Questions and Answers	1710

Chapter - 6.5**Understanding Auditor's Report (CARO).....1714**

6.5.1	Auditor's Report	1714
6.5.2	Companies (Auditor's Report) Orders Issued by MCA.....	1714
6.5.3	Companies (Auditor's Report) Order, 2020 (CARO:2020).....	1715
6.5.4	Questions and Answer.....	1721

Chapter - 6.6**Managing through Financial Ratios.....1724**

6.6.1	Price Ratios	1724
6.6.2	Profitability Ratios.....	1724
6.6.3	Liquidity Ratios	1725
6.6.4	Debt Ratios / Leverage Ratios	1725
6.6.5	Efficiency Ratios	1726
6.6.6	Capital Structure/Leverage Ratios	1726
6.6.7	Coverage Ratios	1726
6.6.8	Activity Ratios.....	1726
6.6.9	Return on investments (ROI)	1726
6.6.10	Turnover Ratios.....	1727
6.6.11	Financial Ratios.....	1727
6.6.12	Questions and Answers	1727

Chapter - 7.1**WorldCom Inc: A Case Study on Modus Operandi of Fraud1735**

7.1.1	WorldCom in the 1900s: Growth Through Acquisitions	1735
7.1.2	WorldCom from 1999 - 2002: Growth Slows As Acquisition Alternatives Shrink.....	1736
7.1.3	Telecommunications Sector Competition 2000-2002	1738

7.1.4	How the Fraud Happened	1738
7.1.5	Some Key Issues In Accounting Policy Changes	1739
7.1.6	Audit Related Issues.....	1740
7.1.7	Why Andersen did not detect the Accounting Irregularities.....	1741
7.1.8	Corporate Governance Issues.....	1743
7.1.8.1	The membership and functioning of the board	1743
7.1.8.2	The compensation committee.....	1743
7.1.8.3	The audit committee	1744
7.1.9	Other Issues	1744
7.1.9.1	Ebbers' loans	1744
7.1.9.2	Financing Ebbers' non-WorldCom businesses	1744
7.1.9.3	The initial \$50 million loan to Ebbers.....	1744
7.1.9.4	Ebbers' sale of stock	1745
7.1.9.5	Disclosures to the board and the public.....	1745
7.1.10	Cooking of the Books and the Fallout	1745
7.1.11	Questions and Answers	1746

Chapter - 7.2

Enron Corporation: A Journey from Peak to Bottom 1748

7.2.1	Enron- The Story Begins	1748
7.2.2	Enron's Energy Origins	1748
7.2.3	Mark-to-Market.....	1749
7.2.4	Enron Hailed for its Innovation.....	1749
7.2.5	Blockbuster Video's Role	1749
7.2.6	The Wall Street Darling Crumbles	1750
7.2.7	How did Enron Hide its Debt?	1750
7.2.8	Arthur Andersen and Enron.....	1751
7.2.9	The Shock Felt Around Wall Street	1751
7.2.10	Bankruptcy	1751
7.2.11	Criminal Charges.....	1752
7.2.12	New Regulations after Scandal	1752
7.2.13	The Bottom Line.....	1752
7.2.14	Questions and Answers	1753

Chapter - 7.3**Volkswagen: A Story of Device Fixing to Defeat Emission Test Check1756**

7.3.1	Volkswagen- the Beginning	1756
7.3.2	Emission Testing, US 2014.....	1757
7.3.3	Underlying U.S. and EU Emission Standards.....	1757
7.3.4	EPA Notice of Violation, 2015.....	1757
7.3.5	Intelligence Agencies, 2015.....	1758
7.3.6	Volkswagen's Initial Response August, September 2015.....	1758
7.3.7	Other Irregularities, November 2015.....	1760
7.3.7.1	CO ₂ emissions	1760
7.3.7.2	3.0 litre TDI emissions	1760
7.3.8	Vehicle Recall And Consequences.....	1760
7.3.9	Advertising, 2015.....	1762
7.3.10	New Orders, September 2015	1763
7.3.11	US Congressional Testimony, October 2015	1763
7.3.12	Compensation, November 2015	1763
7.3.13	Consequences.....	1764
7.3.13.1	Deaths	1764
7.3.13.2	Non-fatal health impacts.....	1764
7.3.14	Environmental consequences	1765
7.3.15	Government actions in India.....	1765
7.3.16	Settlement	1765
7.3.17	Securities and Exchange Commission Lawsuit.....	1766
7.3.18	Questions and Answers	1766

Chapter - 7.4**Olympus Corporation: Not Just an Accounting Scandal, but A Mindset
for Unethical Behaviour1769**

7.4.1	Background	1769
7.4.2	External Growth	1770
7.4.3	Exposure of the Scandal	1771
7.4.4	Woodford's Appointment as CEO	1772
7.4.5	Woodford's Removal as CEO	1772

7.4.6	Company's Initial Announcements Following Woodford's Departure	1773
7.4.7	Official Statement on Olympus Website, 26 October	1774
7.4.8	Olympus' Internal Investigation	1774
7.4.9	Regulator and Law Enforcement Action.....	1775
7.4.10	Other External Responses and Actions	1776
7.4.11	Stock Market and Stakeholder Reactions.....	1777
7.4.12	Corporate governance concerns	1779
7.4.13	Other Commentary	1781
7.4.14	Woodford - After the Scandal.....	1781
7.4.15	Olympus - After the Scandal.....	1781
7.4.16	Details of the Suspect Transactions.....	1782
7.4.17	Structure of Gyrus Commission.....	1783
7.4.18	Timelines.....	1784
7.4.19	Questions and Answers	1786

Chapter - 7.5

Hydro One: Implementation of Enterprise Risk Management		1788
7.5.1	Background	1788
7.5.2	ERM at Hydro One.....	1789
7.5.3	Corporate Risk Management Group	1789
7.5.4	ERM Policy of Hydro One.....	1789
7.5.5	Flowchart of ERM.....	1792
7.5.6	Pilot study.....	1793
7.5.7	Final Approval	1793
7.5.8	Risk Tolerances - Definition of Risk Tolerances.....	1795
7.5.9	Identification and Assessment of Risks and Controls.....	1796
7.5.10	Probability Rating Scales	1796
7.5.11	Tolerability of Risk and Risk Mitigation	1797
7.5.12	Risk Owners Thus have Seven Possible Ways of Dealing with Significant Risks.....	1797
7.5.13	Monitor and Review	1798
7.5.14	Corporate Risk Profile.....	1798

7.5.15	Benefits of ERM and Outcomes at Hydro One	1798
7.5.16	Questions and Answers	1799

Chapter - 7.6

Satyam Computer: From Best Governance to Bad Governance.....1802

7.6.1	Background	1802
7.6.2	Mr. Ramalinga Raju and the Satyam Scandal	1803
7.6.3	Ride the Tiger	1804
7.6.4	Stayam vs. Maytas	1804
7.6.5	Due Diligence by DSP Merrill Lynch	1805
7.6.6	Maytas Deal Aborted	1806
7.6.7	Auditors' Role and Factors Contributing to Fraud.....	1807
7.6.8	Independent Directors - Where Were They	1807
7.6.9	Aftermath of Satyam Scandal	1807
7.6.10	Investigation: Criminal and Civil Charges	1808
7.6.11	Poor Corporate Governance	1809
7.6.12	Lessons Learned from Satyam Scam	1809
	7.6.12.1 Ruined reputations.....	1810
	7.6.12.2 Corporate governance needs to be stronger.....	1810
7.6.13	Conclusions	1810
7.6.14	Questions and Answers	1811

Chapter - 7.7

Maruti Suzuki (I) Ltd. v. Suzuki Motor Gujarat Private Limited: A Deal of Related Party Transaction.....1814

7.7.1	About Maruti Suzuki India Ltd	1814
7.7.2	About Suzuki Motor Gujarat Private Limited.....	1815
7.7.3	Business deal with Suzuki Motors to Manufacture Vehicles for Maruti Suzuki	1815
7.7.4	Opposition by Institutional Investors.....	1815
	7.7.4.1 Institutional investors raise new concerns.....	1816
	7.7.4.2 The proposal was severely resisted by the MSIL's institutional investors.....	1817
7.7.5	Independent Directors at Maruti Suzuki	1817

7.7.6	Annual Report of MSIL for 2013-14 – Chairman’s Message	1817
7.7.7	Annual Report of MSIL for 2014-15 - Chairman’s Message.....	1818
7.7.8	Annual Report of MSIL for 2015-16 – Chairman’s Message	1818
7.7.9	Related Party Transactions.....	1819
7.7.10	Law Involved in the Case.....	1821
7.7.11	Questions and Answers	1821
 <i>Chapter - 7.8</i>		
	What went wrong in Punjab & Maharashtra Co-operative Bank Ltd.	1824
	Questions and Answers	1830
 <i>Chapter - 7.9</i>		
	Corporate Governance Failure: Yes Bank	1833
	Questions and Answers	1840
 <i>Chapter - 7.10</i>		
	Story of Ups-Down-Up: Alok Industries Ltd.	1842
	Questions and Answers	1847
 <i>Chapter - 7.11</i>		
	Downfall of Real Estate Empire: Amrapali.....	1850
	Questions and Answers	1857
 <i>Chapter - 7.12</i>		
	Financial Crisis in IL&FS	1859
	Questions and Answers	1865
 <i>Chapter - 7.13</i>		
	Bhushan Power & Steel	1867
	Questions and Answers	1872
 <i>Chapter - 7.14</i>		
	Essar Steel.....	1874
	Questions and Answers	1881

Handbook for

Independent Director's Examination (With MCQs)



Dr. Rajeev Babel

Company Secretary & Insolvency Professional

The author is a Fellow Member of the Institute of Company Secretaries of India, New Delhi and an Associate Member of the Indian Institute of Banking and Finance, Mumbai. He is a Certified Independent Director of the Indian Institute of Corporate Affairs, New Delhi and is enrolled as an Insolvency Professional with the Insolvency and Bankruptcy Board of India, New Delhi. He had privileged of working for 30 years in the banking domain. Having interest in academic field, he appeared as speaker with various Professional & Management Institutes.

He has authored books on varied subjects covering the *Insolvency Professional Examination*, *GST Practitioner's Examination*, *Prevention of Money Laundering*, *Legal and Regulatory Aspects of Banking*, *Handbook of Non-Banking Financial Companies*, *Treatise on Micro, Small and Medium Enterprise*, *Laws Relating to Intellectual Property Rights in India*, *Wealth Creation: Through Savings, Investments and Growth*, *Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace (Law & Practice)*, *Listing Obligations & Disclosure Requirements*, *Company Meetings* and many more.

Besides this the author has contributed many articles on legal matters which have been published in the various professional journals.

About this Book

This book covers the entire syllabus prescribed by the Indian Institute of Corporate Affairs, New Delhi. The book has been divided into seven chapters:

- ★ Chapter 1: Companies Act, 2013 and relevant Rules covering Sections 3 to 246.
- ★ Chapter 2: Secretarial Standards prescribed by the ICSI relating to the Meetings of the Board of Director (SS-1) and General Meetings (SS-2) effective from 1st April, 2024.
- ★ Chapter 3: Securities Laws and Regulations covering the SEBI Act, 1992; SEBI (LODR) Regulations, 2015 SEBI (ICDR) Regulations, 2018; Securities Contracts (Regulation) Act, 1956 and Depositories Act, 1996.
- ★ Chapter 4: Independent Director covering the entire day-to-day reference materials specially meant for the Independent Directors, Qualification & Dis-qualification for Appointment and Manner of Selection of ID, Number of IDs required in a Company' Board, Due Diligence before joining any Board by an ID, Disclosures required to be made by ID, Tenure of ID, Evaluation Process and Code of Conduct for IDs.
- ★ Chapter 5: Corporate Governance & Strategy covering the aspects relating to the OECD Principles of Corporate Governance, ICGN Global Governance Principles & Road Map of Corporate Governance in India, Corporate Governance in Banking and Insurance Sector, Corporate Policies, Board Effectiveness, Training of Directors, etc.
- ★ Chapter 6: Financial Accountancy covering the understanding about the Accounting Standards, Balance-Sheet, Profit & Loss Account, Cash Flow Statements, CARO, and the Financial Ratios.
- ★ Chapter 7: Corporate Case Studies covering the World Com, Enron, Volkswagen, Olympus Corporation, Hydro One, Satyam, Maruti Suzuki, PMC Bank, Yes Bank, Alok Ind., Amrapali, IL&FS, Bhushan Steel and Essar Steel.

Commercial Law Publishers (India) Pvt. Ltd.

Showroom: 4239/1, Shakahar Bhawan, Ansari Road, Daryaganj, New Delhi-110002

Phones: 4350 2007, 4301 1562, 4350 2008, 4345 2009

Email: commercialhouse@yahoo.co.in • naveen.commercialhouse@gmail.com

Website: www.commerciallawpublishers.com

Price: ₹ 4295/-

ISBN : 978-93-5603-672-7

