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:** In 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 grand-children 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

Detailed Contents

Chapter - 1.11

Chapter - 1.12

Detailed Contents

Chapter - 4

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

9 789356 036727