

## **Module 3: Governance Structure of FPCs –Learning Material**

# **Governance Structure of Farmer Producer Companies (FPCs)**



**Board of Directors  
(Min. 5, Max. 15) –  
Section 378P**



**General Body  
Meetings and  
Voting Rights  
Section 378D**



**Board Powers and  
Responsibilities  
Section 378R**



**Role of CEO and Staff**

## Learning Objectives

By the end of this module, participants will:

- Understand the statutory **composition and function of the Board** (Section 378P)
- Learn about the **General Body's** powers, voting rights, and meeting procedures (Section 378D)
- Comprehend **governance mechanisms** and responsibilities assigned to the Board (Section 378R)
- Understand the **managerial structure**, including the CEO and functional staff roles

## Section 1: Board of Directors – Section 378P

The Board of Directors (BoD) is the **executive arm** of the FPC's governance and is empowered under Section 378P.

### Composition

Element	Requirement
Minimum number of Directors	5
Maximum number of Directors	15
Additional Expert Directors	Allowed (up to 1/5th of elected directors, without voting rights)
Election	By members in a general meeting, as per AoA rules

### Legal Highlights:

- **Term of office:** Prescribed in AoA (typically 1-5 years)
- **Vacation of office:** As per Section 167 of the Companies Act or AoA rules
- **Resignation/Removal:** Directors may resign or be removed by resolution in a General Meeting

- **Quorum:** At least 1/3rd of the total number of directors or 3 directors, whichever is higher
- **Meeting Frequency:** Minimum 4 board meetings in a year; at least one every quarter

**Key Responsibilities:**

- Strategic planning and business oversight
- Approval of business contracts, budgets, and audits
- Appointment and supervision of CEO
- Ensuring ROC and statutory compliance
- Recommending return on capital and patronage bonus
- Constituting committees (e.g., audit, procurement)

## Section 2: General Body Meetings and Voting Rights – Section 378D

The General Body represents the collective **ownership and ultimate authority** of all members in an FPC.

**Structure**

Feature	Provision
Composition	All registered producer members
Voting Rights	One member = one vote, irrespective of shareholding
Quorum for AGM	1/4th of total members or 25 members, whichever is less
AGM Timeline	First AGM: within 90 days of incorporation; Subsequent AGMs: annually
Special Meeting (EGM)	Can be called by Board or requisition of 1/10th of members

**Business Transacted in AGM:**

- Adoption of financial statements and audit reports
- Appointment/removal of directors

- Approval of dividend/patronage bonus
- Modifications to MoA or AoA (by special resolution)

**Resolutions:**

- **Ordinary:** Simple majority
- **Special:** At least 2/3rd of members presents and voting

## **Section 3: Board Powers and Responsibilities – Section 378R**

The powers and functions of the Board are clearly demarcated under Section 378R.

**Statutory Powers of the Board:**

- Sanctioning and managing loans or credit lines
- Investment decisions and bank operations
- Issuing share certificates, bonus shares
- Appointment of auditors and internal compliance officers
- Execution of legal documents and power of attorney

**Governance Best Practices:**

- Maintain updated registers (members, shares, minutes, loans)
- Disclose any conflict of interest by directors
- Prepare an annual board report and strategic plan
- Conduct regular reviews of CEO and team performance
- Engage members via feedback mechanisms

## **Section 4: Role of CEO and Staff**

The **Chief Executive Officer (CEO)** is the administrative head of the FPC and reports to the Board.

**Appointment & Tenure:**

- Appointed by the Board
- Tenure and remuneration specified by Board resolution
- Accountable for implementation of Board decisions

## **CEO's Key Duties:**

- Operate the business within approved budgets
- Supervise procurement, sales, HR, finance, and reporting
- Sign contracts and agreements under delegated authority
- Maintain statutory records and ensure ROC compliance
- Prepare draft MoU, contracts, invoices, and board agendas
- Coordinate audits and inspections

## **Support Staff Roles:**

<b>Role</b>	<b>Responsibility</b>
Accountant	Maintain books, GST & TDS filing, audit support
Field Coordinator	Mobilize members, collect produce, monitor field activities
Marketing Officer	Explore markets, negotiate prices, manage buyer linkages
Admin/IT Staff	Data entry, MIS, meeting scheduling, compliance filing

## **MCQs – Module 3: Governance Structure of Farmer Producer Companies**

### **◆ Board of Directors (Section 378P)**

1. What is the **minimum number of directors** required in a Producer Company?
  - a) 3
  - b) 5
  - c) 7
  - d) 10

**Answer:** b) 5
2. What is the **maximum number of directors** allowed in a Producer Company (excluding co-opted experts)?
  - a) 10
  - b) 12
  - c) 15
  - d) 20

**Answer:** c) 15
3. How often must the Board of Directors of an FPC meet in a financial year?
  - a) Once
  - b) Twice
  - c) Every month
  - d) At least four times (quarterly)

**Answer:** d) At least four times (quarterly)

4. Who elects the Directors of an FPC?
- a) CEO
  - b) General Body
  - c) Board of Directors
  - d) Ministry of Agriculture
-  **Answer:** b) General Body
5. Can an expert director co-opted on the Board vote on member matters?
- a) Yes, always
  - b) No, never
  - c) Only if majority allows
  - d) Only in emergency
-  **Answer:** b) No, never
6. The **Articles of Association (AoA)** of an FPC can prescribe:
- a) Number of employees
  - b) Quorum of General Body
  - c) Terms and conditions of directorship
  - d) Tax exemptions
-  **Answer:** c) Terms and conditions of directorship
7. The maximum tenure of a director in a Producer Company, unless specified otherwise, is:
- a) 1 year
  - b) 3 years
  - c) 5 years
  - d) 7 years
-  **Answer:** b) 3 years
8. A director must vacate their position if they:
- a) Complete 3 years of service
  - b) Become an employee of NABARD
  - c) Are absent for 3 consecutive Board meetings without leave
  - d) Hold less than 5 shares
-  **Answer:** c) Are absent for 3 consecutive Board meetings without leave
9. Directors are generally chosen from among:
- a) Government officers
  - b) Producer members of the company
  - c) External consultants
  - d) Auditors
-  **Answer:** b) Producer members of the company

◆ **General Body Meetings (Section 378D)**

1. What is the quorum for an Annual General Meeting (AGM) in an FPC?
  - a) 2/3rd of members
  - b) 1/4th of members or 25 members, whichever is less
  - c) Half of all members
  - d) No quorum is required

**Answer:** b) 1/4th of members or 25 members, whichever is less
2. Each member of an FPC has:
  - a) Votes based on shares
  - b) One vote only
  - c) No voting rights
  - d) 10 votes

**Answer:** b) One vote only
3. When must the **first AGM** of a newly incorporated FPC be held?
  - a) Within 30 days
  - b) Within 60 days
  - c) Within 90 days
  - d) Within one year

**Answer:** c) Within 90 days
4. As per Section 378D, the **voting rights** in a General Body Meeting of an FPC are based on:
  - a) Number of shares held
  - b) One member = one vote principle
  - c) Tenure of membership
  - d) Profit contributed

**Answer:** b) One member = one vote principle
5. If quorum is not present in a General Body Meeting:
  - a) The meeting stands dissolved
  - b) It must be postponed indefinitely
  - c) It is adjourned to the same day next week
  - d) All directors vote on behalf of members

**Answer:** c) It is adjourned to the same day next week
6. What notice period is required to call an AGM in an FPC?
  - a) 14 days
  - b) 7 days
  - c) 21 clear days
  - d) 30 calendar days

**Answer:** c) 21 clear days

7. The **AGM agenda** in an FPC must include:
- a) Share capital increase approval
  - b) Consideration of audited financials and patronage bonus
  - c) PAN application
  - d) Income tax scrutiny report
-  **Answer:** b) Consideration of audited financials and patronage bonus
8. If an FPC fails to hold an AGM within the time prescribed:
- a) The MCA sends a show-cause notice to all members
  - b) The ROC may impose a penalty up to ₹1 lakh + ₹5,000/day for officer-in-default
  - c) TDS exemption is revoked
  - d) The FPC is converted to a cooperative
-  **Answer:** b) The ROC may impose a penalty up to ₹1 lakh + ₹5,000/day for officer-in-default
9. Resolutions passed at the AGM must be:
- a) Notified to NABARD
  - b) Voted only by directors
  - c) Recorded in the minutes and signed by chairman
  - d) Filed with SFAC
-  **Answer:** c) Recorded in the minutes and signed by chairman
10. What **legal document** governs the conduct and procedures of the General Body Meeting in an FPC?
- a) Income Tax Act
  - b) ROC Compliance Guide
  - c) Articles of Association (AoA)
  - d) GST Rules
-  **Answer:** c) Articles of Association (AoA)
11. The **chairperson of the AGM** is usually:
- a) External auditor
  - b) CEO of the FPC
  - c) Elected by the members present
  - d) Appointed by NABARD
-  **Answer:** c) Elected by the members present

## ◆ Board Powers and Responsibilities (Section 378R)

1. Which of the following is **NOT** a function of the Board?
  - a) Approving budget
  - b) Issuing share certificates
  - c) Electing the Chairman of AGM
  - d) Appointing the CEO

**Answer:** c) Electing the Chairman of AGM
2. The Board of Directors can recommend:
  - a) Patronage Bonus
  - b) Voting restrictions
  - c) Income tax slabs
  - d) Waiver of audit

**Answer:** a) Patronage Bonus
3. As per Section 378R, the **Board of Directors** of an FPC is responsible for:
  - a) Only marketing and sales
  - b) Member discipline only
  - c) General control, management, and direction of the company's affairs
  - d) Compliance with agricultural standards only

**Answer:** c) General control, management, and direction of the company's affairs
4. The Board may exercise powers subject to:
  - a) RBI guidelines
  - b) Member instructions in General Meeting
  - c) Registrar of Cooperative Societies
  - d) Annual audit approval

**Answer:** b) Member instructions in General Meeting
5. Which of the following powers **must** be exercised by the Board via **resolution passed at a Board meeting?**
  - a) Appointment of internal accountant
  - b) Declaration of patronage bonus
  - c) Issue of share certificates
  - d) Application for PAN

**Answer:** b) Declaration of patronage bonus
6. As per Section 378R, the Board can form:
  - a) Party cells
  - b) Audit committee only
  - c) One or more committees for efficient functioning

d) Only buyer groups

**Answer:** c) One or more committees for efficient functioning

7. The power to **authorize capital expenditure** for infrastructure lies with:

- a) CEO only
- b) Registrar of Companies
- c) Board of Directors
- d) Members of the General Body

**Answer:** c) Board of Directors

8. The Board shall **not act** contrary to:

- a) CEO's opinion
- b) Staff committee decisions
- c) Resolutions passed by the general body of members
- d) Suggestions from lenders

**Answer:** c) Resolutions passed by the general body of members

9. If the Board takes an urgent decision not ratified in the next General Body meeting, it:

- a) Automatically stands valid
- b) Can be reversed by RoC
- c) Becomes void
- d) Is forwarded to CBBO

**Answer:** c) Becomes void

10. Which of the following **cannot** be delegated by the Board to a committee without member approval?

- a) Routine procurements
- b) Strategic business tie-ups or large asset sales
- c) Monthly reporting
- d) Share transfer approvals

**Answer:** b) Strategic business tie-ups or large asset sales

11. The Board is collectively responsible for:

- a) Decisions by individual directors
- b) CEO's personal functions
- c) Actions taken in BoD meetings
- d) Member grievances only

**Answer:** c) Actions taken in BoD meetings

12. Minutes of Board decisions must be:

- a) Uploaded to MCA
- b) Verified by all staff
- c) Recorded, signed, and maintained as per secretarial standards

d) Shared on WhatsApp

**Answer:** c) Recorded, signed, and maintained as per secretarial standards

#### ◆ **Role of CEO and Staff**

1. Who appoints the CEO of an FPC?

- a) Ministry of Corporate Affairs
- b) General Body
- c) Board of Directors
- d) NABARD

**Answer:** c) Board of Directors

2. The CEO is primarily responsible for:

- a) Conducting elections
- b) Day-to-day management
- c) Selling shares
- d) Member expulsion

**Answer:** b) Day-to-day management

3. Which one is a support role commonly found in an FPC?

- a) Tax Inspector
- b) Field Coordinator
- c) Bank Auditor
- d) RTI Officer

**Answer:** b) Field Coordinator

4. The CEO of a Farmer Producer Company is:

- a) Elected by the General Body
- b) Appointed by the Board of Directors
- c) Nominated by the government
- d) Appointed by NABARD

**Answer:** b) Appointed by the Board of Directors

5. Which of the following is **not** a duty of the CEO?

- a) Maintain statutory records
- b) Supervise procurement and marketing
- c) Approve dividend payouts independently
- d) Implement Board decisions

**Answer:** c) Approve dividend payouts independently

6. The CEO reports directly to:

- a) ROC
- b) SFAC
- c) Board of Directors
- d) Shareholders

**Answer:** c) Board of Directors

7. Which legal document defines the CEO's powers and duties?

- a) Director Identification Form
- b) AoA (Articles of Association)
- c) Income Tax Act
- d) PAN card

**Answer:** b) AoA (Articles of Association)

## ◆ Day-to-Day Functions and Compliance

1. Which of these is a daily operational responsibility of the CEO?

- a) Organizing the Annual General Meeting
- b) Preparing and submitting GST returns
- c) Finalizing dividend policies
- d) Filing MGT-7A directly with MCA

**Answer:** b) Preparing and submitting GST returns

2. The CEO ensures the following **registers are maintained**, EXCEPT:

- a) Member Register
- b) Loan Register
- c) Statutory Register
- d) Land Title Register

**Answer:** d) Land Title Register

3. The CEO must help the Board with:

- a) Organizing Board and General Body meetings
- b) Nominating new Board directors
- c) Appointing the auditor
- d) Conducting FPO elections

**Answer:** a) Organizing Board and General Body meetings

4. Which form is typically **not** managed by the CEO or team?

- a) SPICe+ (incorporation)
- b) AOC-4 (financial statement)
- c) TDS Return (26Q)

d) MoA modification form

**Answer:** a) SPICe+ (incorporation) — done at formation, not daily role

◆ **Staff Roles Under CEO**

1. Who is responsible for member mobilization and field-level monitoring?

- a) Accountant
- b) Marketing Officer
- c) Field Coordinator
- d) Chairman

**Answer:** c) Field Coordinator

2. A typical **Marketing Officer** in an FPC will:

- a) Conduct external audits
- b) Maintain ROC records
- c) Identify buyers and negotiate pricing
- d) Handle government inspections

**Answer:** c) Identify buyers and negotiate pricing