

PAPER

2

**INTERMEDIATE COURSE
STUDY MATERIAL
GROUP-I**

**CORPORATE AND
OTHER LAWS
MODULE 1 OF 3**



Board of Studies (Academic)
**The Institute of Chartered
Accountants of India**

(Set up by an Act of Parliament)



www.icai.org



<https://boslive.icai.org>

This Study Material has been prepared by the faculty of the Board of Studies (Academic). The objective of the Study Material is to provide teaching material to the students to enable them to obtain knowledge in the subject. In case students need any clarification or have any suggestion for further improvement of the material contained herein, they may write to the Director of Studies.

All care has been taken to provide interpretations and discussions in a manner useful for the students. However, the Study Material has not been specifically discussed by the Council of the Institute or any of its committees and the views expressed herein may not be taken to necessarily represent the views of the Council or any of its Committees.

Permission of the Institute is essential for reproduction of any portion of this material.

© THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

All rights reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the publisher.

Basic draft of this publication was prepared by CA. Vandana D Nagpal.

Edition	:	April, 2023
Committee/Department	:	Board of Studies (Academic)
E-mail	:	bosnoida@icai.in
Website	:	www.icai.org
Price	:	₹ /- (For All Modules)
ISBN No.	:	978-81-962488-9-5
Published by	:	The Publication & CDS Directorate on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi 110 002 (India)
Printed by	:	

BEFORE WE BEGIN ...

Evolving role of a CA - Shift towards strategic decision making

The traditional role of a Chartered Accountant restricted to accounting and auditing, has now changed substantially and there has been a marked shift towards strategic decision making and entrepreneurial roles that add value beyond traditional financial reporting. The primary factors responsible for the change are the increasing business complexities on account of plethora of laws, borderless economies consequent to giant leap in e-commerce, emergence of new financial instruments, emphasis on Corporate Social Responsibility, significant developments in information technology, to name a few. These factors necessitate an increase in the competence level of Chartered Accountants to take up the role of not merely an accountant or auditor, but a global solution provider. Towards this end, the scheme of education and training is being continuously reviewed so that it is in sync with the requisites of the dynamic global business environment; the competence requirements are being continuously reviewed to enable aspiring Chartered Accountants to acquire the requisite professional competence to take on new roles.

Skill requirements at Intermediate Level

At the Intermediate Level, you are expected to not only acquire professional knowledge but also the ability to apply such knowledge in problem solving. The process of learning should also help you inculcate the requisite professional skills, i.e., the intellectual skills and communication skills, necessary for achieving the desired level of professional competence.

Corporate and Other Laws: Dynamic & Interesting

Laws and rules, in general, regulate the relationship between business and profession. In specific, a student should have knowledge of the legal framework, which influences business transactions. This paper intends to make the students aware of legal provisions of the selected laws and to analyse and apply the related provisions addressing issues in moderately complex scenarios.

Paper 2 on Corporate and Other Laws is comprising of Company Law and Other Laws. The syllabus of Corporate and Other Laws has been segregated into two parts covering the following topics:

Part I: Company Law (70 Marks)	Part II: Other Laws (30 Marks)
I. The Companies Act, 2013 II. The Limited Liability Partnership Act, 2008	1. The General Clauses Act, 1897 2. Interpretation of Statutes 3. The Foreign Exchange Management Act, 1999

These laws of the country undergo significant changes through amendments/ notifications /circulars which are issued from time to time by their respective governing authorities. Owing to the dynamic nature of the specified Acts especially the Companies Act, 2013, the Limited Liability Partnership Act, 2008 and the Foreign Exchange Management Act, 1999, learning, understanding and applying the provisions of law in problem solving is very interesting and challenging.

The study material has been revised on the basis of the legislative developments made up till 30th April, 2023.

Further, the legislative amendments (if any) which will be notified after 30th April, 2023 and which are relevant for a particular attempt, would be informed to the students separately. Students are advised to check the Board of Studies Knowledge Portal regularly for further development.

BoS (Academic) – Value added study materials

The Board of Studies (Academic) is the department which serves as the Institute's interface with its students. BoS (Academic) leaves no stone unturned to provide the best-in-class services to you in terms of value-added study materials wherein the concepts and provisions are explained in lucid language with illustrations, diagrams, and examples to aid understanding the application of concepts and provisions. Also, the representation of provisions has been changed, wherever required, to bring more clarity and understanding of the concepts. Test Your Knowledge Questions at the end of each chapter contain a rich bank of questions which will hone your analytical skills.

Framework of Chapters– Uniform Structure comprising of specific components

Efforts have been made to present the complex laws in a lucid manner. Care has been taken to present the chapters in a logical sequence to facilitate easy understanding by the students. The Study Material has been divided into three modules for ease of handling by students.

The various chapters/units of each subject at the Intermediate level have been structured uniformly and comprises of the following components:

	Components of each Chapter	About the component
1.	Learning Outcomes	Learning outcomes which you need to demonstrate after learning each topic have been given in the first page of each chapter.
2.	Chapter Overview	As the name suggests, the flow chart/ table/ diagram given at the beginning of each chapter would give a broad outline of the contents covered in the chapter
3.	Introduction	A brief introduction is given at the beginning of each chapter which would help you get a feel of the topic.
4.	Content	The concepts and provisions of specified Acts are explained in student-friendly manner with the aid of examples/ diagrams/ flow charts. Diagrams and Flow charts would help you understand and retain the concept/ provision learnt in a better manner. Examples would help you understand the application of provisions. These value additions would, thus, help you develop conceptual clarity and get a good grasp of the topic.
5.	Summary	A summary of the chapter is given at the end to help you revise what you have learnt.
6.	Test Your Knowledge	<p>MCQ based questions: Solving MCQs will enhance your conceptual clarity and sharpen your analytical skills.</p> <p>Descriptive Questions: The exercise questions and answers would help you to apply what you have learnt in problem solving. In effect, it would sharpen your application skills and test your understanding as well as your application of concepts/provisions.</p>

We hope that these student-friendly features in the Study Material makes your learning process more enjoyable, enriches your knowledge and sharpens your application skills.

Happy Reading and Best Wishes!

SYLLABUS

PAPER – 2: CORPORATE AND OTHER LAWS

(100 Marks)

PART I – COMPANY LAW AND LIMITED LIABILITY PARTNERSHIP LAW (70 MARKS)

Objective:

To develop an understanding of the legal provisions and acquire the ability to analyse and apply the laws in practical situations.

Contents:

- I. **The Companies Act, 2013** – including important rules and drafting of notices, resolutions etc.–
 1. Preliminary
 2. Incorporation of Company and Matters Incidental thereto
 3. Prospectus and Allotment of Securities
 4. Share Capital and Debentures
 5. Acceptance of Deposits by Companies
 6. Registration of Charges
 7. Management and Administration
 8. Declaration and Payment of Dividend
 9. Accounts of Companies
 10. Audit and Auditors
 11. Companies Incorporated Outside India
- II. **The Limited Liability Partnership Act, 2008 including important Rules**

PART II- OTHER LAWS (30 MARKS)

Objectives:

- (a) To develop an understanding of the General Clauses Act.
- (b) To develop an understanding of the rules for interpretation of statutes
- (c) To have basic understanding of the Foreign Exchange Management Act, 1999.

Contents:

1. **The General Clauses Act, 1897:** Important Definitions, Extent and Applicability, General Rules of Construction, Powers and Functionaries, Provisions as to Orders, Rules, etc. made under Enactments and Miscellaneous Provisions.
2. **Interpretation of Statutes:** Rules of Interpretation of Statutes, Aids to Interpretation, Rules of Interpretation/ Construction of Deeds and Documents.
3. **The Foreign Exchange Management Act, 1999:** Significant definitions and concepts of Current and Capital Account Transactions.

Note: *If new legislations are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from a date notified by the Institute.*

The specific inclusions/exclusions in the various topics covered in the syllabus will be effected every year by way of Study Guidelines, if required.

CONTENTS

MODULE 1

CHAPTER-1:	Preliminary
CHAPTER-2:	Incorporation of Company and Matters Incidental thereto
CHAPTER-3:	Prospectus and Allotment of Securities
CHAPTER-4:	Share Capital and Debentures
CHAPTER-5:	Acceptance of Deposits by companies
CHAPTER-6:	Registration of Charges

MODULE 2

CHAPTER-7:	Management and Administration
CHAPTER-8:	Declaration and Payment of Dividend
CHAPTER-9:	Accounts of Companies
CHAPTER-10:	Audit and Auditors
CHAPTER-11:	Companies Incorporated Outside India

MODULE 3

CHAPTER-12:	The Limited Liability Partnership Act, 2008
CHAPTER-1:	The General Clauses Act, 1897
CHAPTER-2:	Interpretation of Statutes
CHAPTER-3:	The Foreign Exchange Management Act, 1999

DETAILED CONTENTS: MODULE – 1

CHAPTER 1 : PRELIMINARY

Learning Outcomes.....	1.1
Chapter Overview	1.2
1. Introduction.....	1.2
2. Short Title, Extent, Commencement and Application.....	1.2
3. Definitions.....	1.4
Test Your Knowledge.....	1.27

CHAPTER 2 : INCORPORATION OF COMPANY AND MATTERS INCIDENTAL THERETO

Learning Outcomes.....	2.1
Chapter Overview	2.2
1. Introduction to Incorporation of Companies & Promotor.....	2.3
2. Formation of Company	2.4
3. Members Severally liable in certain cases i.e. Reduction in Minimum Membership	2.9
4. Incorporation of Company	2.10
5. Formation of Companies with Charitable Objects, etc.....	2.20
6. Effect of Registration	2.27
7. Memorandum of Association – MOA.....	2.28
8. Articles of Association – AOA.....	2.38
9. Doctrine of Constructive Notice and Doctrine of Indoor Management.	2.42
10. Act to Override Memorandum, Articles, etc.....	2.46
11. Effect of Memorandum and Articles	2.46

12. Alteration of memorandum	2.48
13. Alteration of articles.....	2.54
14. Alteration of memorandum or articles to be noted in every copy	2.55
15. Registered office of company	2.55
16. Commencement of business etc.	2.59
17. Conversion of companies already Registered	2.61
18. Subsidiary company not to hold shares in its Holding Company	2.62
19. Service of documents	2.63
20. Authentication of documents, Proceedings and Contracts	2.65
21. Execution of Bills of Exchange, etc.	2.65
Summary	2.67
Test Your Knowledge.....	2.68

CHAPTER 3 : PROSPECTUS AND ALLOTMENT OF SECURITIES

Learning Outcomes	3.1
Chapter Overview	3.2
1. Introduction.....	3.3
2. Public offer and Private Placement	3.3
3. Regulation of issue and transfer of Securities etc.	3.7
4. Prospectus.....	3.8
5. Mis-statements in prospectus	3.24
6. Punishment for fraudulently inducing persons to invest money.....	3.32
7. Action by affected persons	3.33
8. Punishment for personation for acquisition, etc., of securities	3.34
9. Punishment for fraud	3.35
10. Allotment of securities by company	3.37
11. Securities to be dealt with in stock exchanges	3.41

12. Global Depository Receipt	3.45
13. Private Placement	3.46
Summary	3.53
Test Your Knowledge	3.54

CHAPTER 4 : SHARE CAPITAL AND DEBENTURES

Learning Outcomes	4.1
Chapter Overview	4.3
1. Introduction	4.3
2. Share Capital-Types.....	4.4
3. Certificate of shares.....	4.11
4. Voting Rights	4.15
5. Variation of shareholders' rights	4.18
6. Calls on share	4.20
7. Issue of shares at a premium or discount	4.22
8. Issue of Sweat Equity Shares	4.26
9. Issue and Redemption of Preference Shares.....	4.30
10. Transfer and Transmission of Securities and the Allied Provisions	4.35
11. Alteration of share capital	4.47
12. Debenture	4.75
Summary	4.86
Test Your Knowledge	4.87

CHAPTER 5 : ACCEPTANCE OF DEPOSITS BY COMPANIES

Learning Outcomes	5.1
Chapter Overview	5.2
1. Introduction.....	5.2
2. Certain important terms explained	5.2
3. Prohibitive provisions and exempted companies	5.12

4.	Provisions regarding acceptance of deposits from members	5.13
5.	Provisions regarding acceptance of deposits from public by eligible companies	5.22
6.	Punishment for Contravention of Section 73 or Section 76.....	5.31
7.	Repayment of deposits accepted before commencement of the Companies Act, 2013	5.32
8.	Power of Central Government to Decide Certain Questions	5.33
	Summary	5.33
	Test Your Knowledge.....	5.35

CHAPTER 6 : REGISTRATION OF CHARGES

	Learning Outcomes	6.1
	Chapter Overview	6.2
1.	Introduction.....	6.2
2.	Duty to Register Charges, etc.	6.5
3.	Deemed notice of charge	6.10
4.	Consequences of non-registration of charge	6.12
5.	Application for Registration of Charge by charge-holder	6.13
6.	Acquisition of property subject to charge and modification of charge ...	6.14
7.	Register of Charges	6.16
8.	Company to Report Satisfaction of Charge	6.18
9.	Power of Registrar to Make Entries of Satisfaction and Release in Absence of Intimation from Company	6.19
10.	Intimation of Appointment of Receiver or Manager.....	6.20
11.	Punishment for Contravention	6.21
12.	Rectification by Central Government in Register of Charges	6.22
	Summary	6.23
	Test Your Knowledge.....	6.25