

PAPER – 2: CORPORATE AND OTHER LAWS

PART – I – Multiple Choice Questions

Case Scenario - I

XYZ Technologies Ltd. is a public limited company registered under the Companies Act, 2013 and has a diverse shareholder base. Due to large number of shareholders and the fact that many of them reside in different parts of the country, there is a significant interest in appointing proxies to represent shareholders who cannot attend the meeting.

The Directors of XYZ Technologies Limited, desire to conduct an Extra-ordinary General Meeting (EGM) to discuss an important fund raising proposal. The meeting is scheduled to be held at 3 PM on 2nd February, 2025, and the notice of the meeting is sent to all the members as required by the provisions of the Companies Act, 2013.

As per the notice, the members who are unable to attend the meeting can appoint proxy and the proxy forms duly filled should be sent to the company so as to reach the company at least 48 hours before the meeting.

Mr. Praveen, a shareholder and experienced investor has often represented many shareholders in prior meetings. This time he has been approached by 52 members to act as their proxy.

Based on the facts given in the above case and by applying the relevant provisions of the Companies Act, 2013 and the applicable rules therein, choose the correct answer of the following MCQs: (Q. No. 1 to 3)

1. *Mr. Praveen has approached you to seek guidance that for how many members he can accord his confirmation to act as proxy as per the provisions of Section 105 of the Companies Act, 2013?*
 - (A) *Mr. Praveen can accord his confirmation to act as proxy for 52 members, if they are holding in aggregate more than 10 percent of the total share capital of the company carrying voting rights.*
 - (B) *Mr. Praveen can accord his confirmation to act as proxy for 52 members, if they are holding in aggregate not more than 10 percent of the total share capital of the company carrying voting rights.*

- (C) Mr. Praveen can accord his confirmation to act as proxy for 50 members, if they are holding in aggregate not more than 10 percent of the total share capital of the company carrying voting rights.
- (D) Mr. Praveen can accord his confirmation to act as proxy for 50 members, if they are holding in aggregate more than 10 percent of the total share capital of the company carrying voting rights. **(2 Marks)**
2. Mr. Rajan, a member of the company, entitled to vote at a meeting of the company shall be entitled to inspect the proxies lodged provided he has given _____.
(A) Not less than twenty four hours' notice to the company in writing of the intention so as to inspect the proxies lodged with the company.
(B) Not less than three days' notice to the company in writing of the intention so as to inspect the proxies lodged with the company.
(C) Not less than two days' notice to the company in writing of the intention so as to inspect the proxies lodged with the company.
(D) Not less than twelve hours' notice to the company in writing of the intention so as to inspect the proxies lodged with the company. **(2 Marks)**
3. As the Company Secretary of the Company, advise the Board of Directors to reply to the question raised by a member in the meeting with respect to the prescribed period for which the company shall preserve the register of members and copies of documents filed with ROC respectively for _____ and _____.
(A) 8 years, 8 years
(B) 8 years, Permanently
(C) Permanently, 8 years
(D) Permanently, permanently **(2 Marks)**

Case Scenario - II

Classical Diagnostics Ltd. (CDL) is a company engaged in the business of providing diagnostic services in all major cities of India. The CDL have paid-up capital of ₹ 700 crore. The face value of each of the share is ₹ 10 only. As a staff welfare scheme, the CDL has taken Group Mediclaim Policy for all its employees from Bharosa Insurance Company Ltd. (BICL).

BICL was incorporated in 2015 and was having paid-up capital of ₹ 1,500 crore. In order to raise further funds, the BICL has issued bonds, Unit Linked Insurance Plan and debentures to the public. The BICL had also issued Preference Shares on private placement basis and were offered to the employees of the CDL.

The CDL proposed to change the rights associated with the present shareholders. Out of the ₹ 700 crore of the paid-up capital, the promoter's holding was 60% and rest of the 40% was with the public and other financial institutions. The variation proposed in the shareholder's right is that whosoever surrenders their right to vote in the meeting will be given higher dividend (if declared by the company) which shall be 2% more than the shareholders who retain the right to vote.

The CDL called on Extra-ordinary General Meeting (EGM) for passing of the special resolution. Some of the shareholders did not consent to the proposal of the company and moved to the Tribunal against the variation.

Based on the facts given in the above case and by applying the relevant provisions of the Companies Act, 2013 and the applicable rules therein, choose the correct answer of the following MCQs: (Q. No. 4 to Q. No. 6)

4. *Bharosa Insurance Company Ltd. (BICL) has issued certain instruments. Which among the following shall not be covered under the definition of "Securities"?*
 - (A) Bonds
 - (B) Debentures
 - (C) Preference Shares
 - (D) Unit Linked Insurance Plan

(2 Marks)
5. *Classical Diagnostics Ltd. (CDL) proposed for variation in the shareholder's voting right. How much percentage of issued shares of that class shall be required for consent for passing such resolution?*
 - (A) The holders of atleast 51% of the issued shares of that class
 - (B) The holders of atleast 66% of the issued shares of that class
 - (C) The holders of atleast 71% of the issued shares of that class
 - (D) The holders of atleast 75% of the issued shares of that class

(2 Marks)

6. Where the holders of at least _____ of the issued shares of a class who did not, consent to or vote in favour of the resolution for the variation, may apply to the Tribunal to have the variation cancelled, and where any such application is made, the variation shall not have effect unless and until it is confirmed by the Tribunal.
- (A) 1%
- (B) 10%
- (C) 66%
- (D) 95%
- (2 Marks)**

Case Scenario - III

Dr. Ronak Mosay, a renowned lyricist and a folk singer wants to perform with his musicians across the world on a Cultural tour, partially sponsored by Youth Welfare Department of his local government. His next show is in the city of Vancouver, Canada. Dr. Ronak Mosay is an Indian citizen and a person resident in India. Dr. Ronak Mosay is also having his brother living in Canada. Dr. Ronak Mosay also regularly keeps promoting and sponsoring Cricket tournaments in Canada. For his forthcoming tour to Canada, he wants to remit foreign exchange for hotel and for other event booking expense.

Based on the facts given in the above case and by applying the relevant provisions of the Foreign Exchange Management Act, 1999 and the applicable rules (if any) therein, choose the correct answer of the following MCQs: (Q. No. 7 to Q. No. 9)

7. For his show in Canada, he needs to obtain prior approval for remittance of foreign exchange from:
- (A) Ministry of Finance
- (B) Ministry of Information and Broadcasting
- (C) Ministry of Communication and Information Technology
- (D) Ministry of Human Resources Development (Department of Education and Culture)
- (2 Marks)**
8. Dr. Ronak Mosay has enquired from you that for which of the following purposes, is he allowed to draw foreign exchange?
- (A) For his own travel to Nepal

- (B) Remittance of US \$ 50,000 out of lottery winnings to his son in US
- (C) Remittance for purchase of sweepstakes
- (D) Gift of US \$ 10,000 to his brother in Canada **(2 Marks)**
9. Dr. Ronak Mosay desires to remit US \$ 1,50,000 for payment of prize money to the winning team in a cricket tournament in Canada. He needs to obtain approval from which of the following?
- (A) His bank only, as the amount is less than US \$ 2,50,000
- (B) No approval is required
- (C) The transaction is a prohibited transaction
- (D) Ministry of Human Resource Development (Department of Youth Affairs and Sports) **(2 Marks)**

Case Scenario – IV

Rohit and Anushka after passing out the CA examination, incorporated an LLP to work as the practicing Chartered Accountant. Rohit and Anushka were also titled as designated partners. After sometime, Rohit got an opportunity to provide consultancy services on an ongoing basis to a company based in Singapore. Rohit remained in India for 90 days during the Financial Year 2023-24. The LLP continues its operations from India with Anushka whereas Rohit participates in decision making remotely.

Based on the facts given in the above case and by applying the relevant provisions of the LLP Act, 2008 and the applicable rules therein, choose the correct answer of the following MCQs: (Q. No. 10 and Q. No. 11)

10. As per the LLP Act, 2008, the term resident in India means a person who has stayed in India for a period of:
- (A) not less than one hundred and twenty days during the financial year
- (B) not less than sixty days during the financial year
- (C) not less than one hundred days during preceding one year
- (D) not less than ninety days during preceding one year **(2 Marks)**
11. As per the LLP Act, 2008, whether above LLP fulfills the requirements of designated partner?

- (A) No, as both of the designated partners Rohit and Anushka should be resident in India
- (B) No, as both of the designated partners should be non-resident
- (C) Yes, as Rohit is a resident of India as defined under the LLP Act, 2008
- (D) Yes, as at least one of the designated partners should be resident in India and Anushka is a resident of India **(2 Marks)**

12. The term "Year" as per the General Clauses Act, 1897 means:

- (A) Financial year
- (B) A year according to the British calendar which starts from January to December
- (C) 365 days
- (D) Any period of 12 months **(2 Marks)**

13. The General Clauses Act, 1897 (Act) was enacted on 11th March, 1897 to consolidate and extend the General Clauses Act, _____ and _____.

- (A) 1857 and 1887
- (B) 1887 and 1893
- (C) 1878 and 1880
- (D) 1868 and 1887 **(2 Marks)**

14. Jade Suites LLC is a chain of hotels and restaurants all over the world. It is proposing to establish a Hotel at Goa. It has appointed a Chartered Accountant Mr. B for taking care of the registration formalities of the company. While the registration process was ongoing, the company entered into a lease agreement with a land owner for the construction of its Hotel. After few months, the Directors of Jade Suites LLC withdrew their interest in establishing a Hotel at Goa due to the news in social media regarding the fall in the tourism industry there. The land owner refused to repay the advance received by him. Can Jade Suites LLC sue the land owner in the capacity of a foreign company? Referring to the provisions of the Companies Act, 2013, choose the correct option:

- (A) Jade Suites LLC is a foreign company and can sue the land owner for the advance amount given in its capacity as a Foreign Company

- (B) *Jade Suites LLC is incorporated as a foreign company, it can't sue the land owner*
- (C) *The Registration process is not yet complete and hence Jade Suites LLC cannot sue the land owner in its capacity as a Foreign Company*
- (D) *Once the registration process has started, the company is deemed to be incorporated as a foreign company and hence Jade Suites LLC can sue the land owner* **(2 Marks)**

15. *Any instrument in the form of depository receipt created by a Domestic Depository in India and authorized by a company incorporated outside India making an issue of such depository receipts, is called as:*

- (A) *American Depository Receipt*
- (B) *Global Depository Receipt*
- (C) *European Depository Receipt*
- (D) *Indian Depository Receipt* **(2 Marks)**

Answer Key

MCQ. No.	Correct Answer
1	C
2	B
3	C
4	D
5	D
6	B
7	D
8	D
9	D
10	A
11	D
12	B
13	D
14	C
15	D

PART – II: Descriptive Questions

Question No. **1** is compulsory.

Attempt any **four** questions from the remaining **five** questions.

Working notes should form part of the answer.

Question 1

(a) Amrish after completing his post-graduate degree in mechanical engineering from the United Kingdom returned back to India. Although he got a good placement in a UK based company but he thought to build his own business empire in India. Amrish belongs to Barmer district (Rajasthan) where his parents have agricultural land of 20 acres. He planned to manufacture commercial drones for the use of agricultural harvesting and assist in supply chain process. For this purpose, he planned to incorporate a private limited company having the following persons as the first subscribers to the Memorandum and Articles of Association:

- (i) Amrish (himself)
- (ii) Robert (He is a college friend of Amrish. He is a Citizen of UK. He has technical expertise and in order to incorporate the company visited India on a valid Business Visa).
- (iii) Eliza (She is college friend of Amrish. She is a Citizen of Netherlands and has good business contacts in European Countries which will be immensely useful in marketing of the company's products).
- (iv) Goma Devi (Mother of Amrish, who is illiterate. She has recently sold part of her agricultural land and has received ₹ 15 crores, out of which she agreed to subscribe ₹ 5 crores in the share capital of the proposed company).
- (v) Goodwork Technologies LLP (A Limited Liability Partnership having the expertise in the field of remote sensing devices).
- (vi) Mohit Electronics Private Ltd. (A Private Limited Company having expertise in the field of providing Electronics and Electricals).

Amrish planned to have the Registered Office of the proposed company at Jaipur while the factory and works office shall be at the Barmer.

For incorporation of a company, an application for registration is to be filed with the Registrar. In the given case, the initial subscribers to the company consists of one illiterate person, two foreign nationals, one LLP and one Private Limited Company.

Discuss the procedure, how these persons shall subscribe to the Memorandum of Association and Articles of Association. (5 Marks)

- (b) *Sangeeta was appointed as Statutory Auditor of ABC Ltd. in the Annual General Meeting (AGM) of the shareholders held on 20th August, 2023. However, Sangeeta met with an accident on 23rd December, 2023 and died. The Board of Directors of the ABC Ltd. filled up the casual vacancy caused by the sudden death of Sangeeta and appointed Keshav as the Statutory Auditor. The next AGM of the Company was scheduled for 28th August, 2024 in which the Board of Directors recommended for appointment of Aashish as Statutory Auditors before the shareholders.*

Keshav objected for the appointment of Aashish and gave representation to the Company Secretary mentioning therein that his (Keshav) appointment was approved by the Board of Directors after the demise of Sangeeta thus can continue as Statutory Auditor of the Company till the conclusion of the next 6th Annual General Meeting and also threatened to report the matter to the Registrar and the NCLT.

Based on the above facts answer the followings:

- (i) *Explain the procedure to fill up the casual vacancy of the office of Statutory Auditor.*
 - (ii) *Whether the contention raised by Keshav is justified as per the provisions of the Companies Act, 2013?*
 - (iii) *What shall be your answer, if the casual vacancy in the office of the Statutory Auditor in the company was caused by resignation of Sangeeta? (5 Marks)*
- (c) *Mr. V is a person of Indian origin who had moved to USA along with his wife in the year 1998 and had been living there until 2024. He was holding joint bank accounts with his wife in USA since 1998. On the demise of his wife on 17th November, 2024, he had returned permanently to India on 24th November, 2024. He also inherited his wife's money after her death, which got transferred to his bank account in USA. After few days of his*

return to India, he has paid premium from his bank account in USA of his insurance policy, which he had taken when he was in USA. Referring to the provisions of the Foreign Exchange Management Act, 1999, examine whether Mr. V is permitted to carry out the above transactions. (4 Marks)

Answer

(a) Procedure as to how the persons shall subscribe to the Memorandum of Association and Articles of Association

In terms of Section 7(1)(a) of the Companies Act, 2013 (the Act), an application for registration shall be filed with the Registrar of Companies, within whose jurisdiction the registered office of the company is proposed to be situated in Form SPICE+ (Simplified Proforma for incorporating company electronically) plus INC 32 along with the fee as provided under the Companies (Registration Offices and Fees) Rules, 2014 and Memorandum (e-MOU in Form No.INC-33) and Articles (e-AoA in Form No. INC-34) of the company duly signed by all the subscribers to the Memorandum as prescribed under by Rule 13 of the Companies (Incorporation) Rules, 2014.

S. No.	Particulars In the case of:	Legal Provision
1	Amrish	In terms of Rule 13(a), each subscriber (in the given case, Amrish) shall add his name, address, description & occupation, if any, in the presence of at least one witness who shall attest the signature, shall sign and add his name, address, description and occupation, if any.
2.	Robert	In terms of Rule 13(f), where subscriber to the Memorandum is a Foreign National residing outside India and visited India and intended to incorporate a company, in such case the incorporation shall be allowed if, he/she is having a valid Business Visa.
3.	Eliza	In terms of Rule 13(e), where subscriber to the memorandum is a foreign national residing

		outside India his signatures and address on the Memorandum and Articles of Association and proof of identity shall be notarized by a Notary (Public) with a certificate. Since Eliza is a foreign national residing outside India, her signature and address on the Memorandum and Articles of Association and proof of identity shall be notarized by a Notary (Public) with a Certificate. Rule 13(e) further provides that if a person residing in a Country outside the Common Wealth or which is not a party to the Hague Apostille Convention, 1961, the Certificate of the Notary (Public) shall be authenticated by a Diplomatic or Consular Officer. <u>Note:</u> In the given case, Netherlands is a Country outside the Common Wealth hence, the Certificate of the Notary (Public) shall be authenticated by a Diplomatic or Consular Officer.
4.	Goma Devi	In terms of Rule 13(b) since Goma Devi is an illiterate person, she shall affix her thumb impression or mark which shall be described as such by the person, writing for him, who shall place the name of the subscriber against or below the mark and authenticate it by his own signature and he shall also write against the name of the subscriber, the number of shares taken by her.
5.	Goodwork Technologies LLP	In terms of Rule 13(d), where the subscriber is a Limited Liability Partnership, it shall be signed by a Partner of the Limited Liability Partnership, duly authorized by a resolution approved by all the partners of the Limited Liability Partnership.

6.	Mohit Electronics Private Limited	In terms of Rule 13(c), where the subscriber is a body corporate, the Memorandum and Articles of Association shall be signed by director, officer or employee of the body corporate duly authorized in this behalf by a resolution of the board of directors.
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(b) (i) Procedure to fill up the casual vacancy of the office of the Statutory Auditor

Section 139(8) of the Companies Act, 2013 (the Act) describes the procedure for filling up the vacant position of the office of Statutory Auditor caused by a casual vacancy.

Accordingly, in case of a company other than a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor General of India, the Board of directors may fill any casual vacancy in the office of an auditor within 30 days. Any auditor appointed in a casual vacancy shall hold office until the conclusion of the next annual general meeting.

Further, in terms of Section 139(11) of the Act, where a Company is required to constitute an Audit Committee under Section 177 of the Act, all appointments, including the filling of a casual vacancy of an auditor under this section shall be made after taking into account the recommendations of such committee.

(ii) Whether the contention raised by Keshav is justified?

As per the above provision [Section 139(1) of the Act], Keshav (auditor appointed in a casual vacancy) can hold office until the conclusion of the next annual general meeting i.e. 28th August, 2024. Thus, the company can validly appoint Aashish as Statutory Auditors in the AGM held on 28th August, 2024. Hence, the contention raised by Keshav is not justified. Further, in this AGM, the Board of Directors of ABC Ltd. have already recommended to the shareholders for the appointment of Aashish as the new Statutory Auditor.

(iii) If the casual vacancy in the office of the Statutory Auditor in the company was caused by resignation of Sangeeta.

As per Section 139(8)(i) of the Act, where the casual vacancy is caused by the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the recommendation of the Board and he shall hold the office till the conclusion of the next annual general meeting.

If the casual vacancy in the office of auditor (Sangeeta) was caused by resignation of Sangeeta, the appointment of Keshav shall also be approved by the company at a general meeting convened within three months of the recommendation of the Board and the tenure of such new auditor shall be till the conclusion of the next AGM.

- (c)** As per Section 2(v) of the Foreign Exchange Management Act, 1999, "Person Resident in India" includes a person residing in India for more than 182 days during the course of the preceding financial year but does not include, a person who has come to or stays in India, in either case, otherwise than for any purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period.

As per provisions of the Foreign Exchange Management Act, 1999, a person resident in India may hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India if such currency, security or property was acquired, held or owned by such person when he was resident outside India or inherited from a person who was resident outside India.

The RBI vide A.P. (DIR Series) Circular No. 90 dated 9th January, 2014 has issued a clarification on Section 6(4) of the Foreign Exchange Management Act, 1999. This circular clarifies that Section 6(4) of the Act covers the following transactions:

1. Foreign currency accounts opened and maintained by such a person when he was resident outside India.
2. Foreign exchange including any income arising therefrom, and conversion or replacement or accrual to the same, held outside India by a person resident in India acquired by way of inheritance from a person resident outside India.

In the given question Mr. V has permanently returned to India on 24th November, 2024. Hence, he will be treated as a person resident in India from 24th November, 2024.

According to the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000, a person resident in India is permitted to maintain his foreign currency accounts and take insurance policy from an insurance company outside India.

Based on the above provisions, we can conclude that Mr. V who is residing in India since 2024, is now, a person resident in India and he is permitted to hold his bank account in USA and also pay for his insurance policy from that account.

ALTERNATE ANSWER:

According to the Section 6(4) of the Foreign Exchange Management Act, 1999, a person resident in India may hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India if such currency, security or property was acquired, held or owned by such person when he was resident outside India or inherited from a person who was resident outside India.

The RBI vide A.P. (DIR Series) Circular No.90 dated 9th January, 2014 has issued a clarification on Section 6(4) of the FEMA Act, 1999. This circular clarifies that section 6(4) of the Act covers the following transaction:

In terms of Section 6 (4) (iv) of FEMA, 1999, a person resident in India can freely utilize their eligible assets abroad, as well as income on such assets or sale proceeds thereof received after their return to India for making any payments or to make fresh investments abroad without approval of the Reserve Bank of India, provided the cost of such investments and/or any subsequent payments received therefore are met exclusively out of the funds forming part of eligible assets held by them and the transactions is not in contravention to the extant of FEMA provisions.

V has inherited money from his wife, who was a person resident outside India. V has been a resident in India since 24th November, 2024, as he had permanently returned to India from abroad. Thus, amounts in his foreign bank accounts are classified as eligible assets under the FEMA.

Therefore, under Section 6(4) of the FEMA, 1999 and vide the above RBI circular, 'V' can pay the insurance premium from his bank account in the USA for his insurance policy taken in the USA, as taking an insurance policy is a permitted transaction under Schedule I of the Foreign Exchange Management (Permissible Capital Account Transactions) regulations, 2000. So, by that account, paying a premium is also a permissible transaction.

Question 2

(a) Referring to the provisions of the Companies Act, 2013, state whether the following amounts received by the company constitute deposit or not:

- (i) IQ Books Limited received share application money of ₹ 50 crore from investors on 8th December, 2024. As the issue was under subscribed, the company refunded the amount to the investors on 20th February, 2025.
- (ii) Suraj, Raj and Tejas are the promoters of Precious Jewellers Limited. They borrowed a sum of ₹ 200 crore from ABC Bank Limited for its working capital purpose. The Bank imposed a stipulation that the promoters should contribute at least 20% of the amount borrowed. Hence, Suraj brought in ₹ 10 crore, Raj brought in ₹ 15 crore and Mr. K, father of Tejas brought in ₹ 15 crore.
- (iii) Pretty Cosmetics Limited issued non-convertible debentures for ₹ 125 crore and listed it on a recognized stock exchange adhering to SEBI rules and regulations. The company created a charge on its assets in favour of the debenture holders and duly registered the charge.

(5 Marks)

(b) Spark Services Limited issued a prospectus inviting public offer of securities on 18th June, 2024. The prospectus mentioned that Mr. T is one of the Directors of the Company. Mr. T is a famous social worker who helps in educating the poor children in Rajasthan. The prospectus also mentioned that a certain percentage of funds raised will be utilized towards that community service.

Mr. C was impressed by these statements and subscribed to the shares of the company. He was allotted 1000 shares of the company. He subsequently sold 250 shares to Mr. D. On 15th December, 2024, he came to

know that Mr. T was not a director and the company never had any intention of doing community service.

Mr. C and Mr. D want to rescind the contract. Referring to the provisions of the Companies Act, 2013, examine whether Mr. C and Mr. D can rescind the contract. **(5 Marks)**

- (c) *Purva Buildcon Ltd. (PBL) is a public company having two subsidiary companies namely Arihant Cements Ltd. (ACL) and Siddharth Bricks Ltd. (SBL). Purva is a Chief Financial Officer of PBL. Ashish and Mrinal, who were the CFO's of ACL and SBL resigned from their respective companies and Purva was offered to take charge of the office of CFO in ACL and SBL, which she accepted.*

Whether Purva can be designated as CFO simultaneously in two subsidiaries (i.e. in SBL and ACL) besides being CFO of PBL? Examine the matter with reference to the provisions contained in the Companies Act, 2013 as well as in the General Clauses Act, 1897. **(4 Marks)**

Answer

- (a) (i) As per sub- clause vii of Rule 2 (1) (c) of Companies (Acceptance of Deposits) Rules, 2014:

- (i) Any amount received and held towards subscription to any securities (including share application money or advance towards allotment of securities, pending allotment), so long as such amount is appropriated only against the amount due on allotment of the securities applied for.

It is clarified by way of Explanation that if the securities for which application money or advance for such securities was received cannot be allotted within 60 days from the date of receipt of the application money or advance for such securities and such application money or advance is not refunded to the subscribers within 15 days from the date of completion of 60 days, such amount shall be treated as a deposit under these rules.

In the light of the facts of the question and provisions of Law:

- IQ Books Limited received the share application money on 8th December, 2024 and refunded the same on 20th February, 2025.

Therefore, IQ Books Limited has kept the money for (24+31+19) 74 days with them which is less than (60 days + 15 days) 75 days to be considered the money as deposits.

Hence, 50 crore received by IQ Books Limited will not be considered as deposit as it was refunded within the prescribed time limit.

- (ii) As per sub-clause (xiii) of Rule 2 (1) (c) of Companies (Acceptance of Deposits) Rules, 2014, any amount brought in by the promoters of the company by way of unsecured loan in pursuance of the stipulation of any lending financial institution or a bank subject to the fulfillment of following conditions:

- (a) the loan is brought because of the stipulation imposed by the lending institutions on the promoters to contribute such finance;
- (b) the loan is provided by the promoters themselves or by their relatives or by both; and
- (c) such exemption shall be available only till the loans of financial institution or bank are repaid and not thereafter.

In the given question, the amount of 40 crore brought in by Suraj (Rs. 10 crore), Raj (Rs. 15 crore) and Tejas (₹ 15 crore through his father Mr. K), will not be treated as deposit as this amount brought by the promoters of Precious Jewellers Limited fulfill all the conditions as prescribed by the Act.

- (iii) As per sub-clause (ixa) of Rule 2(1)(c) of companies (Acceptance of Deposits) Rule, 2014, any amount raised by issue of non-convertible debenture not constituting a charge on the assets of the company and listed on a recognized stock exchange as per applicable regulations made by Securities and Exchange Board of India, will not be treated as deposit.

In the given question, the amount of ₹ 125 crore raised by Pretty Cosmetics Limited will be treated as deposit as the company has created a charge on its assets in favour of the debenture holders.

- (b) As per Section 34 of the Companies Act, 2013, where a prospectus, issued, circulated or distributed, includes any statement which is untrue or misleading in form or context in which it is included or where any

inclusion or omission of any matter is likely to mislead, every person who authorizes the issue of such prospectus shall be liable under section 447 of the Companies Act, 2013.

Right of Rescission

A person who has purchased shares from the company on the basis of the prospectus containing untrue and misleading statement of material facts is entitled to apply to the court for the rescission of the contract, under the relevant provisions of the Indian Contract Act 1872.

Exceptions - When right of rescission is not available?

As per the Contract Act, 1872, right to rescind allotment of shares will not be available to the subsequent purchasers of shares from the market.

In the given question, Mr. C subscribed to 1,000 shares of Spark Services Limited (on the basis of a prospectus which provided false statements related to Mr. T being one of the directors and that the company intended to utilize certain raised funds towards community service). Mr. D purchased 250 shares from Mr. C (i.e. he did not purchase shares on the basis of the prospectus containing untrue and misleading statement).

In the light of the above provisions Mr. C can rescind the contract as he purchased shares on the basis of the false statements in prospectus. However, Mr. D cannot rescind the contract.

(c) Provisions under the Companies Act, 2013

Chief Financial Officer (CFO) comes within the definition of Key Managerial Personnel (KMP) as defined in Section 2(51) read with Section 203(1) of the Companies Act, 2013.

Section 203(3) of the Companies Act, 2013 provides that Whole Time Key Managerial Personnel shall not hold office in more than one company except in its subsidiary company at the same time.

Provisions under the General Clauses Act, 1897

Section 13(2) of the General Clauses Act, 1897 provides that in all Central Acts and Regulations, unless there is anything repugnant in the subject or context, words in the singular shall include the plural, and vice versa.

With respect to the issue that whether a Whole Time KMP of a holding company be appointed in more than one subsidiary company or can be appointed in only one subsidiary company.

It can be noted that Section 13 of the General Clauses Act, 1897 provides that the word 'singular' shall include the 'plural', unless there is anything repugnant to the subject or the context.

Hence, Purva, the CFO (Whole Time Key Managerial Personnel) may hold office in more than one subsidiary company (i.e. ACL and SBL) as per the present law.

Question 3

(a) Comment on the following:

(i) Disclosure required to be made on the face of the Prospectus.

(ii) Conditions in regard to Experts' Statement.

(iii) Date of publication of prospectus.

(5 Marks)

(b) Vital Pharmacy Limited is engaged in the manufacturing of medicines to cure skin diseases. It has established a unit in Germany. It registered few patents in Germany and raised funds by creating a charge on its stock in Germany and the patent rights. The company registered the charge created on its stock but did not register the charge created on the patent rights.

The Company received a notice from the Registrar of Companies for not filing the particulars of charge created by the Company on the property or assets situated outside India. The Company wants to defend the notice on the ground that it shall not be the duty of the company to register the particulars of the charge created on the patents obtained outside India and also as they are intangible in nature.

Referring to the provisions of the Companies Act, 2013, examine the validity of the company's claim.

OR

(b) What do you mean by Floating Charge and when it converts into a Fixed Charge?

(5 Marks)

(c) 'The meaning of a word is to be judged by the company it keeps'. Explain the concept of 'Noscitur A Sociis'.

(4 Marks)

Answer**(a) (i) Disclosure on the face of Prospectus [Section 26(6)]**

The prospectus issued as per Section 26(1) of the Companies Act, 2013 (the Act) shall, on the face of it, state/specify:

- a. That a copy has been delivered for filing to the Registrar
- b. Documents required by this section to be attached to the copy so delivered or refer to statements included in the prospectus which specify these documents.

(ii) Conditions in regard to Experts' Statement [Section 26(5)]

A prospectus issued under Section 26(1) of the Act shall not include a statement purporting to be made by an expert, if any of following condition met:

- a. If he is engaged or interested in the formation or promotion or management of the company, or
- b. If the expert has not given written consent to the issue of the prospectus, or
- c. If he has withdrawn the consent before the delivery of a copy of the prospectus to the Registrar for filing.

A statement to that effect (non-existence of conditions, if expert's statement is included) shall also be included in the prospectus.

(iii) Date of Publication of Prospectus [Explanation to Sub-Section 3]

The date indicated in the prospectus shall be deemed to be the date of its publication.

(b) Registration by the Company creating a Charge

According to Section 77 of the Companies Act, 2013, it shall be the duty of every company creating a charge within or outside India, on its property or assets or any of its undertakings, whether tangible or otherwise, and situated in or outside India, to register the particulars of the charge signed by the company and the charge-holder together with the instruments, if any, creating such charge in such form, on payment of such fees and in such manner as may be prescribed, with the Registrar within thirty days of its creation.

In the given question, Vital Pharmacy has raised funds by creating charge on its stock and patent rights in Germany. As per the provisions of the Companies Act, 2013, the company is required to register charge on its tangible as well as intangible assets, and situated in or outside India. However, in the given question, the company has registered charge on its stock but not on the patents (being outside India and intangible in nature).

In the light of the provisions of the Act and facts of the question, the contention of the company is incorrect, as it is the duty of the company to register the charge on its tangible as well as intangible assets, and situated in or outside India.

OR

(b) Floating Charge

A 'Floating Charge' is created on assets or a class of assets which are of fluctuating or changing in nature- like raw material, stock-in-trade, debtors, etc. It is a charge upon assets both present and future.

The assets under floating charge keep on changing because the borrowing company is permitted to use them for trading or producing final goods for sale. Thus, a floating charge is a charge that floats above ever-changing assets.

Conversion - Crystallization of a Floating Charge

When the creditor enforces the security due to the breach of terms and conditions of floating charge or the company goes into liquidation, the floating charge will become a fixed charge on all the assets available on that date. This is called crystallization of a floating charge.

A floating charge remains dormant until it becomes fixed or crystallizes. On crystallization of charge, the security (i.e. raw material, stock-in-trade, etc.) becomes fixed and is available for realization by the lender so that borrowed money is repaid.

Crystallization of floating charge may occur when the terms and conditions of floating charge are violated or the company ceases to continue its business or the company goes into liquidation or the creditors enforce the security covered by the floating charge.

- (c) **Noscitur a Sociis** means that when two or more words that are susceptible of analogous meaning, are coupled together they are understood to be used in their cognate sense. They take, as it were, their colour from each other, that is the meaning of the more general word being restricted to a sense analogous to that of the less general.

Examples of the principal of *Noscitur a Sociis* are as follows:

Fresh orange juice is not a fruit juice

While dealing with a Purchase Tax Act, which used the expression "manufactured beverages including fruit-juices and bottled waters and syrups".

It was held that the description 'fruit juices' as occurring therein should be construed in the context of the preceding words and that orange-juice unsweetened and freshly pressed was not within the description. (*Commissioners. v. Savoy Hotel*, (1966) 2 All. E.R. 299)

Private Dispensary of a doctor is not a commercial establishment

In dealing with the definition of commercial establishment in Section 2 (4) of the Bombay Shops and Establishments Act, 1948, which reads, "commercial establishment means an establishment which carries on any business, trade or profession", the word 'profession' was construed with the associated words 'businesses and 'trade' and it was held that a private dispensary of a doctor was not within the definition. (*Dr. Devendra M. Surti v. State of Gujrat*, A.I.R. 1969 SC 63).

Question 4

- (a) XYZ Ltd., uses an Accounting Software for recording its financial transactions.

The statutory auditor of the company while auditing finds the following issues:

Some journal entries were altered without creating edit logs for all such changes.

The audit trail feature was disabled for certain modules (e.g., inventory adjustments, inter-company transactions).

Keeping in view of the above issue, advice the company on the followings:

- (i) *Audit trail and Edit Log requirements*
- (ii) *The back-up of books of accounts.* **(5 Marks)**
- (b) *Sun Roofings LLP has 6 partners. Mr. K, a partner is in-charge for the marketing division of the firm. He is literally the face of the firm and due to his acumen the business was doing very well. Mr. W is one of the senior most partner and a major investor in the firm. Mr. K met with a sudden demise. The LLP however continued its operations without dissolving the LLP. The firm incurred huge losses after his death and Mr. K's share in the firm was also utilised to repay the debts.*
- Mr. W transferred his share to his son M who has previous experience in marketing. M wanted to take active part in the business but the remaining partners did not allow him. Referring to the provisions of the Limited Liability Partnership Act, 2008 state whether;*
- (i) *Mr. K's share can be used to repay the firm's debts after his death*
- (ii) *The remaining partners of Sun Roofings can forbid M to take part in the business.* **(5 Marks)**
- (c) *Whether Illustrations will have effect of modifying the language of the section in connection with Interpretation of Statutes? Explain with the help of an example* **(4 Marks)**

Answer

- (a) The second proviso to Section 128(1) of the Companies Act, 2013 allows company to keep books of account or other relevant papers in electronic mode as per manner specified in Rule 3 of the Companies (Accounts) Rules, 2014.

Rule 3(1) states the books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India, at all times, so as to be usable for subsequent reference.

(i) Audit Trail and Edit Log [Proviso to Rule 3(1)]

In order to ensure audit trail, in case of company which uses accounting software for maintaining its books of account, the proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 requires that:

- (1) For the financial year commencing on or after the 1st day of April, 2023,

- (2) Every such company (which uses accounting software) shall use only such accounting software,
- (3) Which has a feature of recording audit trail of each and every transaction,
- (4) Creating an edit log of each change made in books of account along with the date when such changes were made and
- (5) Ensuring that the audit trail cannot be disabled.

Further, Sub-rule 5 requires there shall be a proper system for storage, retrieval, display or printout of the electronic records as the Audit Committee, if any, or the Board may deem appropriate and such records shall not be disposed of or rendered unusable, unless permitted by law.

Advice to the Company:

XYZ Ltd. has not complied with the Audit Trail and Edit Log requirements of the Companies Act, 2013 since the journal entries were altered without creating edit logs and audit trail feature was also partially disabled.

Therefore, XYZ Ltd. should ensure compliance with the above provisions by enabling edit log features for all entries linked to its creation and alteration, and enabling the audit trail feature for all modules.

(ii) The back-up of books of accounts

Proviso to sub-rule 5 of Rule 3 requires the back-up of the books of account and other books and papers of the company maintained in electronic mode, including at a place outside India, if any, shall be kept in servers physically located in India on a daily basis.

Hence, the issue raised by the statutory auditor of XYZ Ltd. with respect to mandatory requirement of maintaining the audit trail and edit log requirement, and with respect to maintenance of the backup of books of accounts is correct.

- (b) (i) As per Section 29(2) of the Limited Liability Partnership Act, 2008, where after a partner's death the business is continued in the same LLP name, the continued use of that name or of the deceased partner's name as a part thereof shall not by itself make his legal representative or his estate liable for any act of the LLP done after his death.

In the instant case, Mr. K's share cannot be used to repay the firm's debts after his death as the firm continued its operations after his death without dissolving the firm and the losses were incurred after his death.

- (ii) As per Section 42 of the Limited Liability Partnership Act, 2008,
- (1) The rights of a partner to a share of the profits and losses of the limited liability partnership and to receive distributions in accordance with the limited liability partnership agreement are transferable either wholly or in part.
 - (2) The transfer of any right by any partner pursuant to sub-section (1) does not by itself cause the disassociation of the partner or a dissolution and winding up of the limited liability partnership.
 - (3) The transfer of right pursuant to this section does not, by itself, entitle the transferee or assignee to participate in the management or conduct of the activities of the limited liability partnership, or access information concerning the transactions of the limited liability partnership.

In the instant case, Mr. W can transfer his share in the limited liability partnership to his son, however, transfer of share does not, by itself, entitle M to participate in the management or conduct of the activities of the firm. Hence, the remaining partners of Sun Roofings LLP can forbid M to take part in the business.

(c) Illustrations cannot have the effect of modifying the language of the Section and can neither curtail nor expand the ambit of the Section

Many Sections of an Act have illustrations appended to them. These illustrations follow the text of the sections and, therefore, do not form a

part of the sections. However, illustrations do form a part of the statute and are considered to be of relevance and value in construing the text of the sections. However, illustrations cannot have the effect of modifying the language of the section and can neither curtail nor expand the ambit of the section.

Example: Section 73 of the Indian Contract Act, 1872 does not permit the award of interest as damages for mere detention of debt. Here, the Privy Council rejected the argument that illustration given in the Act can be used for arriving at a contrary result. It was observed that an illustration cannot have the effect of modifying the language of the section which alone forms the enactment.

Question 5

- (a) *Write down functions and duties of the National Financial Reporting Authority.* **(5 Marks)**
- (b) *Write down any five points on the distinction between LLP and Limited Liability Company.* **(5 Marks)**
- (c) *Dream Builders Limited was engaged in the activity of building and selling budget friendly apartments. It recently started a new project at Noida. Pending approval, the builders started the construction work. On verification of documents, the Corporation of Noida refused to sanction the permission and the Assistant Commissioner Mr. S issued a demolition order, signed by him under his authority.*

The builders filed an appeal at the court and stayed the demolition. After 6 months of court trials, the verdict was announced in favour of the Corporation of Noida. Mr. G, the present Assistant Commissioner initiated the demolition process.

The builders argued that the order was passed by Mr. S and since he is no longer in the authority, the order stands cancelled and Mr. G cannot demolish the construction.

Referring to the provisions of the General Clauses Act, 1897, determine the validity of the claim of the builders. **(4 Marks)**

Answer**(a) Functions and Duties of National Financial Reporting Authority [NFRA]**

Section 132(1A) of the Companies Act, 2013, provides that National Financial Reporting Authority shall perform its functions through such divisions as may be prescribed.

Further Section 132(2) read with rule 4, 6 to 9 of the *National Financial Reporting Authority Rules, 2018* lays down the functions and duties that NFRA shall perform, namely:

The Authority shall protect the public interest and the interests of investors, creditors and others associated with the companies or bodies corporate by establishing high quality standards of accounting and auditing and exercising effective oversight of accounting functions performed by the companies and bodies corporate and auditing functions performed by auditors.

Without prejudice to the generality, the Authority in particular shall:

- (a) Maintain details of particulars of auditors appointed in the companies and bodies corporate governed by NFRA;
- (b) Recommend accounting standards and auditing standards for approval by the Central Government;
- (c) Monitor and enforce compliance with accounting standards and auditing standards;
- (d) Oversee the quality of service of the professions associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service;
- (e) Promote awareness in relation to the compliance of accounting standards and auditing standards;
- (f) Co-operate with national and international organisations of independent audit regulators in establishing and overseeing adherence to accounting standards and auditing standards; and
- (g) Perform such other functions and duties as may be necessary or incidental to the aforesaid functions and duties.

(b) Distinction Between LLP and Company

	Basis	LLP	Company
1.	Regulating Act	The LLP Act, 2008	The Companies Act, 2013
2.	Members/ Partners	The persons who contribute to LLP are known as partners of the LLP	The persons who invest the money in the shares of the company are known as members of the company
3.	Name	Name of the LLP to contain the word "Limited Liability Partnership" or "LLP" as suffix	Name of the public company to contain the word "Limited" and Pvt. Co. to contain the word "Private Limited" as suffix
4.	No. of members/ partners	Minimum - 2 members Maximum - No such limit on the members in the Act. The members of the LLP can be individuals/or body corporate through the nominees	Private company: Minimum - 2 members Maximum 200 members Public company: Minimum - 7 members Maximum - No such limit on the members. Members can be organizations, trusts, another business form or individuals
5.	Liability of members/ partners	Liability of each partner is limited to the extent of agreed	Liability of a member is limited to the amount unpaid on

		contribution except in case of intention is fraud	the shares held by them
6.	Management	The business of the firm is managed by the partners including the designated partners authorized in the agreement	The affairs of the company are managed by board of directors elected by the shareholders
7.	Minimum number of directors/designated partners	Minimum 2 designated partners	Pvt. Co. – 2 directors Public co. – 3 directors

- (c) As per Section 17 of the General Clauses Act, 1897, in any Central Act or Regulation made after the commencement of this Act, it shall be sufficient, for the purpose of indicating the application of a law to every person or number of persons for the time being executing the functions of an office, to mention the official title of the officer at present executing the functions, or that of the officer by whom the functions are commonly executed.

As per Section 18 of the General Clauses Act, 1897, in any Central Act or Regulation made after the commencement of this Act, it shall be sufficient, for the purpose of indicating the relation of a law to the successors of any functionaries or of corporations having perpetual succession, to express its relation to the functionaries or corporations.

In other words, the General Clauses Act, 1897, provides general definitions and rules for interpreting laws, particularly Central Acts and Regulations. Section 18 specifically deals with the continuity of laws when a functionary is replaced. It clarifies that when a law refers to a specific official, it's not limited to that individual but extends to their successors.

This means that if a law grants power to a particular officer, that power also extends to their successor, unless explicitly stated otherwise. A successor in office can generally continue a case under the General Clauses Act, and this is also related to the doctrine of merger.

As per Section 18, the power to appoint includes the power to appoint ex-officio, meaning the authority is attached to the office, not the individual. Further, under section 17, official acts continue to remain valid despite changes in officeholders.

As per the facts of the question and a combined reading of Sections 17 and 18 of the General Clauses Act, 1897, Mr. G, in his capacity as the current Assistant Commissioner, is legally competent to order the demolition of the construction. This is because the original order was issued by Mr. S, the former Assistant Commissioner, in his official capacity, and the authority to act continues with the office, not the individual.

Hence, the claim of Dream Builders Limited is not valid.

Question 6

- (a) *DNC Hydro Limited, obtained a loan of ₹ 3,000 crores from SPM Bank in April, 2021 to finance its hydropower generation project. To secure the loan, the company created a charge on its assets including land, plant and machinery. The charge was registered with the ROC in form CHG-1.*

In September, 2024, DNC Hydro Limited fully repaid the loan and SPM Bank issued no dues certificate to the company.

However, due to internal compliance oversight, DNC Hydro Limited failed to file form CHG-4 within the 30 days prescribed limit under Section 82 of the Companies Act, 2013.

In January, 2025, RTS Bank approved a loan for ₹ 1,000 crore to DNC Hydro Limited for acquiring new plant and machinery.

During the due diligence, RTS Bank discovered that the old charge was still active in the ROC records, thereby creating problems for the disbursement of the new loan.

As a Financial Advisor of the company, advise what are the legal and procedural steps DNC Hydro Limited should follow to remove the old charge from ROC records.

(5 Marks)

- (b) *ABC Inc., a company based in USA, develops cyber security software and sells it to its Indian clients.*

ABC Inc. has entered into service agreement with PQR Private Limited, a company incorporated in India. PQR Private Limited provides support to the Indian customers for the software installation and after sale services. PQR Private Limited also holds 50% of shares of ABC Inc.

Explain whether ABC Inc. is required to comply with the provisions of chapter XXII of the Companies Act, 2013. **(5 Marks)**

- (c) *Define "Foreign Exchange" and "Foreign Security" as per the provisions of the Foreign Exchange Management Act, 1999.* **(4 Marks)**

Answer

- (a) 1. **Intimation regarding Satisfaction of Charge:** Section 82 of the Companies Act, 2013, requires a company to give intimation of payment or satisfaction in full of any charge earlier registered, to the Registrar in the prescribed form. The intimation needs to be given within a period of 30 days from the date of such payment or satisfaction.

Extended Period of intimation: Proviso to Section 82(1) extends the period of intimation from 30 days to 300 days. Accordingly, it is provided that the Registrar may, on an application by the company or the charge holder, allow such intimation of payment or satisfaction to be made within a period of three hundred days of such payment or satisfaction on payment of prescribed additional fees.

2. **Notice to the Holder of Charge by the Registrar:** On receipt of intimation, the Registrar shall cause a notice to be sent to the holder of the charge calling upon him to show cause within such time as specified in the notice but not exceeding 14 days, as to why payment or satisfaction in full should not be recorded.

If no cause is shown by the charge-holder, the Registrar shall order entering of a memorandum of satisfaction in the register of charges kept by him and accordingly, he shall inform the company of having done so.

However, no notice is required to be sent, in case the intimation to the Registrar in this regard is in the specified form [CHG - 4] and signed by the holder of charge.

If any cause is shown by the charge-holder, the Registrar shall record a note to that effect in the register of charges and inform the company.

3. **Issue of Certificate:** As per Rule 8 (2) of the Companies (Registration of Charges) Rules, 2014, in case the Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge in Form No. CHG-5.

In the instant case, DNC Hydro Limited has to follow the above legal and procedural steps to remove the old charge from ROC records.

Alternate Conclusion:

As the SPM bank has already issued a no dues certificate, DNC Hydro Limited should file the form CHG-4 within the extended period of limitation i.e. within 30 to 300 days. Accordingly, the Registrar may, on an application by the company allow such intimation of payment or satisfaction to be made within a period of three hundred days of such payment or satisfaction on payment of prescribed fees. The Registrar shall not cause any notice to be sent to SPM Bank in this case as NOC has been issued by it and just register the satisfaction after payment of prescribed fees.

- (b) As per Section 2(42) of the Companies Act, 2013, "Foreign Company" means any company or body corporate incorporated outside India which-
- (a) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and
 - (b) conducts any business activity in India in any other manner.

Applicability of Act to Foreign Companies: Sections 380 to 386 (both inclusive) and Sections 392 and 393 of the Companies Act, 2013 (the Act) shall apply to all foreign companies. It implies that all companies which falls within the definition of foreign company as per Section 2(42), shall comply with the provisions of this Chapter.

Requirement of holding of paid-up share capital:

As per Section 379(2) of the Act, where not less than 50% of the paid-up share capital, whether equity or preference or partly equity and partly preference, of a foreign company incorporated outside India is held by:

- (i) one or more citizens of India; or
- (ii) by one or more companies or bodies corporate incorporated in India; or
- (iii) by one or more citizens of India and one or more companies or bodies corporate incorporated in India,

whether singly or in the aggregate, such foreign company shall also comply with the provisions of Chapter XXII and such other prescribed provisions of the Act with regard to the business carried on by it in India as if it were a company incorporated in India.

In the instant case, ABC Inc. will also be required to comply with the provisions of Chapter XXII as 50% of the shares of ABC Inc. are held by PQR Private Limited, a company incorporated in India.

(c) Definition of 'Foreign Exchange'

According to Section 2(n) of the Foreign Exchange Management Act, 1999, Foreign Exchange means foreign currency and includes:

- (i) deposits, credits and balances payable in any foreign currency,
- (ii) drafts, travelers' cheques, letters of credit or bills of exchange, expressed or drawn in Indian currency but payable in any foreign currency,
- (iii) drafts, travelers' cheques, letters of credit or bills of exchange drawn by banks, institutions or persons outside India, but payable in Indian currency.

Definition of 'Foreign Security'

According to Section 2(o) of the Foreign Exchange Management Act, 1999, Foreign Security means any security, in the form of shares, stocks, bonds, debentures or any other instrument denominated or expressed in foreign currency and includes securities expressed in foreign currency, but where redemption or any form of return such as interest or dividends is payable in Indian currency.