

Intermediate Course

Study Material

(Modules 1 to 2)

Paper 2

Corporate and Other Laws

Module – 1



BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

This study material has been prepared by the faculty of the Board of Studies. 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 clarifications or have any suggestions to make 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.

Edition : September, 2021

Website : www.icai.org

E-mail : bosnoida@icai.in

Committee/
Department : Board of Studies

ISBN No. :

Price (All Modules) : ₹

Published by : The Publication Department 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

Under the Revised Scheme of Education and Training, 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, an accounting 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 (60 Marks)	Part II: Other Laws (40 Marks)
The Companies Act, 2013 – Sections 1 to 148	(1) The Indian Contract Act, 1872 (2) The Negotiable Instruments Act, 1881 (3) The General Clauses Act, 1897 (4) Interpretation of statutes

These laws of the country undergo significant changes through the 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, 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, 2021. Also incorporated explanations, diagrams, examples and changed the representations of the contents wherever required to bring more clarity and understanding of the concepts.

Further, the legislative amendments (if any) which will be notified after 30th April, 2021 and which are relevant for a particular attempt, would be informed to the students through Revisionary Test Paper (RTP) relevant for that particular attempt. Students are advised to check the Board of Studies Knowledge Portal regularly for further development.

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 two 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/unit.
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/unit 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	Question and Answer: 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.

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

(One paper – Three hours - 100 Marks)

PART I – COMPANY LAW (60 MARKS)

Objective:

To develop an understanding of the provisions of company law and acquire the ability to address application-oriented issues.

Contents:

The Companies Act, 2013 – Sections 1 to 148

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

PART II- OTHER LAWS (40 MARKS)

Objectives:

- (a) To develop an understanding of the provisions of select legislations and acquire the ability to address application-oriented issues.
- (b) To develop an understanding of the rules for interpretation of statutes

1. **The Indian Contract Act, 1872** (Specific contracts covered from section 123 onwards): Contract of Indemnity and Guarantee, Bailment, Pledge, Agency
2. **The Negotiable Instruments Act, 1881***: Meaning of Negotiable Instruments, Characteristics, Classification of Instruments, Different provisions relating to Negotiation, Negotiability, Assignability, Right and Obligation of parties, presentment of Instruments, Rules of Compensation
3. **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, Miscellaneous
4. **Interpretation of statutes**: Rules of Interpretation of statutes, Aids to interpretation, Rules of Interpretation/construction of Deeds and Documents

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. Similarly, if any existing legislation ceases to have effect, the syllabus will accordingly exclude such legislation with effect from the date to be 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.

* Certain topics have been excluded by way of Study Guidelines

SIGNIFICANT ADDITIONS/MODIFICATIONS IN 2021 EDITION OVER 2020 EDITION

Division of syllabus	Chapters	Amendments
Part I	Company Law (Chapters 1-10)	<ul style="list-style-type: none"> • Relevant amendments from 1st November, 2020 to 30th April, 2021 • Amendments are marked in bold and italics • Changes in Presentation through insertion of flowchart, table, diagram. • Changes in examples • Insertion of explanation of the provisions (wherever required) for better understanding
Part II	Other Laws (Chapters 1- 4)	<ul style="list-style-type: none"> • Changes in Presentation through insertion of flowchart, table, diagram. • Addition of more examples • Revised chapter - the Negotiable Instruments Act, 1881

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
- CHAPTER-7: Management and Administration
- CHAPTER-8: Declaration and payment of Dividend
- CHAPTER-9: Accounts of Companies
- CHAPTER-10: Audit and Auditors

MODULE 2

- CHAPTER-1: The Indian Contract Act, 1872
- CHAPTER-2: The Negotiable Instruments Act, 1881
- CHAPTER-3: The General Clauses Act, 1897
- CHAPTER-4: Interpretation of statutes

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.....	1.24

CHAPTER 2 : INCORPORATION OF COMPANY AND MATTERS INCIDENTAL THERETO

Learning Outcomes	2.1
Chapter Overview	2.2
1. Introduction to incorporation of companies.....	2.3
2. Formation of company	2.3
3. Incorporation of company.....	2.6
4. Incorporation of One Person Company.....	2.10
5. Formation of companies with charitable objects, etc.....	2.11
6. Effect of registration	2.15
7. Memorandum of Association – MOA.....	2.17
8. Articles of Association –AOA	2.25
9. Act to override Memorandum, Articles, etc.	2.27
10. Effect of Memorandum and Articles.....	2.28
11. Alteration of Memorandum	2.29
12. Alteration of Articles	2.33

13. Copies of Memorandum, Articles, etc., to be given to members	2.34
14. Registered office of company	2.35
15. Commencement of business etc.....	2.38
16. Rectification of name of company	2.39
17. Conversion of companies already registered.....	2.40
18. Subsidiary company not to hold shares in its holding company	2.40
19. Service of documents	2.41
20. Authentication of documents, proceedings and contracts.....	2.43
21. Execution of bills of exchange, etc.....	2.44
Summary	2.45
Test Your Knowledge.....	2.46

CHAPTER 3 : PROSPECTUS AND ALLOTMENT OF SECURITIES

Learning Outcomes	3.1
Chapter Overview	3.2
1. Introduction	3.2
2. Public offer and private placement	3.3
3. Prospectus	3.5
4. Securities to be dealt with in stock exchanges.....	3.22
5. Allotment of securities by company	3.25
6. Mis-statements in prospectus	3.29
7. Punishment for fraudulently Inducing persons to invest money	3.33
8. Action by affected persons	3.34
9. Punishment for fraud	3.35
10. Private Placement	3.36
Summary	3.42
Test Your Knowledge	3.43

CHAPTER 4 : SHARE CAPITAL AND DEBENTURES

Learning Outcomes	4.1
Chapter Overview	4.2
1. Introduction	4.2
2. Share capital–Types	4.3
3. Certificate of shares.....	4.7
4. Voting rights and variation of shareholders' rights	4.10
5. Calls, calls-in-advance and incidental matters.....	4.14
6. Issue of shares at a premium or discount.....	4.15
7. Transfer and transmission of securities and the allied provisions	4.23
8. Alteration in share capital.....	4.32
Summary	4.61
Test Your Knowledge	4.63

CHAPTER 5 : ACCEPTANCE OF DEPOSITS BY COMPANIES

Learning Outcomes	5.1
Chapter Overview	5.1
1. Introduction.....	5.2
2. Certain important terms explained	5.2
3. Prohibitive provisions and exempted companies	5.9
4. Provisions regarding acceptance of deposits from members	5.10
5. Provisions regarding acceptance of deposits from public by eligible companies	5.17
6. Punishment for contravention of section 73 or section 76	5.25
7. Repayment of deposits accepted before commencement of the Companies Act, 2013	5.26
Summary	5.27
Test Your Knowledge.....	5.29

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. Consequence of non-registration of charge	6.9
4. Application for registration of charge by charge holder	6.10
5. Acquisition of property subject to charge and modification of charge	6.11
6. Company to report satisfaction of charge	6.13
7. Power of registrar to make entries of satisfaction and release in absence of intimation from company	6.14
8. Intimation of appointment of receiver or manager	6.15
9. Punishment for contravention.....	6.16
10. Rectification by central government in register of charges.....	6.16
Summary	6.17
Test Your Knowledge.....	6.19

CHAPTER 7: MANAGEMENT & ADMINISTRATION

Learning Outcomes	7.1
1. Chapter Overview & Introduction	7.1
2. Registers	7.3
3. Annual Return	7.17
4. Pre-requisites of a meeting	7.22
5. Proxies.....	7.31
6. Voting.....	7.33
7. Circulation of member's resolutions.....	7.48

8.	Representation of the President & Governors in meeting of Companies to which they are member	7.50
9.	Representation of corporations meeting of companies and creditors.....	7.50
10.	Resolutions.....	7.51
11.	Minutes	7.57
12.	Inspection of minutes-books of general meeting	7.60
13.	Meetings.....	7.62
14.	Applicability of this chapter to One Person Company.	7.69
	Summary	7.70
	Test Your Knowledge.....	7.72

CHAPTER 8: DECLARATION AND PAYMENT OF DIVIDEND

	Learning Outcomes	8.1
	Chapter Overview	8.2
1.	Meaning of dividend	8.2
2.	Types of dividend.....	8.4
3.	Provisions regarding declaration and payment of dividend	8.7
4.	Unpaid dividend account	8.16
5.	Investor Education and Protection Fund	8.19
6.	Right of dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares.....	8.23
7.	Punishment for failure to distribute dividend within 30 days	8.24
	Summary	8.26
	Test Your Knowledge.....	8.28

CHAPTER 9 : ACCOUNTS OF COMPANIES

Learning Outcomes	9.1
Chapter Overview	9.2
1. Introduction	9.3
2. Books of account etc., to be kept by company	9.3
3. Financial Statement	9.8
4. Periodical financial results	9.14
5. Re-opening of accounts on Court's or Tribunal orders.....	9.15
6. Voluntary revision of financial statements or board's reports	9.17
7. Constitution of National Financial Reporting Authority.....	9.19
8. Central Government to prescribe Accounting Standards.....	9.24
9. Financial statement, board's report etc.	9.24
10. Corporate Social Responsibility	9.32
11. Right to members to copies of audited financial statement	9.47
12. Copy of financial statement to be filed with registrar	9.53
13. Internal Audit	9.59
Summary	9.61
Test Your Knowledge	9.63

CHAPTER 10 : AUDIT AND AUDITORS

Learning Outcomes	10.1
Chapter Overview	10.2
1. Introduction	10.3
2. Appointment of auditors	10.3
3. Removal, resignation of auditor and giving of special notice.....	10.18
4. Eligibility, qualifications and disqualifications of auditors	10.23

5.	Remuneration of auditors	10.29
6.	Powers and duties of auditors and Auditing Standards.....	10.30
7.	Auditor not to render certain services	10.42
8.	Auditors to sign audit reports, etc.	10.45
9.	Auditors to attend general meeting	10.45
10.	Punishment for contravention.....	10.45
11.	Central Government to specify audit of items of cost in respect of certain companies.....	10.47
	Summary	10.50
	Test Your Knowledge.....	10.51