

# CA Final – Paper 4 (Law) – Integrated Case Studies

## Part VII – Miscellaneous Provisions (Chapter 9)

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**(Covering ICAI SM, MTPs & RTPs till Nov. 2022 applicable for May/Nov. 2023 Exams)**

### Part A – Nidhi Company

#### Integrated Case Study - 1

Paavan Nidhi Limited having its Registered Office at Karol Bagh, New Delhi, has been declared as Nidhi by notification published in the Official Gazette. The company is incorporated with the object of cultivating the habit of thrift and savings among its members, receiving deposit from, and lending to, its members only, for their mutual benefit.

Paavan Nidhi Limited has six Directors, namely, Padam, Prakash, Puneet, Pratima, Poorva and Piyush and two hundred fifty members. All the Directors are shrewd businessmen having full dedication to the cause of the company. They are committed to run the company in accordance with the Nidhi Rules, 2014 and being law-abiding persons shall not do anything which is not permitted in case of a Nidhi like carrying on the business of chit fund or hire-purchase finance or leasing finance or insurance, etc. Padam is the senior-most Director with vast experience in the field of finance and therefore, he has been honoured by the company to hold Directorship for a term up to 10 consecutive years.

The company offers following services for the benefit of its members:

1. Fixed Deposit Plans of different maturities;
2. Recurring Deposit Plans for members who do not wish to deposit lump-sum;
3. Opening of Savings Accounts in the name of members;
4. Gold Loans to the needy members on easy terms;
5. Mortgage Loans, etc.

PQR Private Limited, having its Registered Office at Munirka, New Delhi, was incorporated last year. It had a chance to go through the operations of Paavan Nidhi Limited and finding them to be on sound footing, it applied for becoming its member.

Further, Mr. Tom, a resident of Switzerland and one of the Directors of PQR Private Limited, is also interested in investing his funds in Paavan Nidhi Limited. The Nidhi company is analysing the proposals received from both the investors.

During the current year, Mr. Kshitij, a member of Paavan Nidhi Limited deposited ₹ 1,00,000 in the name of his minor son Rudra who is of 12 years of age. Mr. Kshitij also desires that Rudra becomes a member of Paavan Nidhi and for that purpose he is negotiating with the company. As regards the validity of this matter, Piyush, one of the Directors has raised some objections. The company wants to sort out the issue amicably.

[Study Material 13]

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| 1 | From the case scenario, it is observed that PQR Private Limited has applied for becoming a member of Paavan Nidhi Limited. From the following options, choose the one which is applicable in such a situation: |
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	<p>(a) PQR Private Limited cannot become a member of Paavan Nidhi Limited.</p> <p>(b) PQR Private Limited can become a member of Paavan Nidhi Limited by investing minimum ₹ 5,00,000 as capital.</p> <p>(c) PQR Private Limited can become a member of Paavan Nidhi Limited by including a clause in its Articles of Association which permits it to become a member of a Nidhi company.</p> <p>(d) PQR Private Limited must be in existence for a minimum period of three years to be eligible for becoming member of a Nidhi company.</p>
2	<p><b>Piyush, one of the Directors of Paavan Nidhi Limited has raised objection on acceptance of deposit amounting to ₹ 1,00,000 in the name of Rudra, a minor, and negotiations initiated by his father Mr. Kshitij to make him a member of the Paavan Nidhi. From the following options choose the one which is applicable in the given situation:</b></p> <p>(a) Paavan Nidhi Limited can neither accept deposit in the name of Rudra, a minor, nor can make him a member.</p> <p>(b) Paavan Nidhi Limited may accept deposit in the name of Rudra, a minor, since it is made by Mr. Kshitij, a member and the father of Rudra but being minor, he cannot be made a member.</p> <p>(c) Paavan Nidhi Limited cannot accept deposit in the name of Rudra exceeding ₹ 25,000 but he can become a member by contributing minimum amount.</p> <p>(d) Paavan Nidhi Limited can accept deposit in the name of Rudra up to ₹ 2,00,000 and he can become a member of the company.</p>
3	<p><b>From the case scenario, it is evident that Padam, the senior-most Director, has been honoured by Paavan Nidhi Limited to hold Directorship for a term up to ten consecutive years. After relinquishing his office as Director at the expiry of ten years, when can Padam be re-appointed as Director of the company.</b></p> <p>(a) Padam shall be eligible for re-appointment only after the expiry of two years of ceasing to be a Director.</p> <p>(b) Padam shall be eligible for re-appointment only after the expiry of one year of ceasing to be a Director.</p> <p>(c) Padam shall be eligible for re-appointment only after the expiry of six months of ceasing to be a Director.</p> <p>(d) Padam shall not be eligible for re-appointment once he ceases to be a Director.</p>
4	<p><b>If M/s. A &amp; A Associates, a firm of auditors, has been appointed as auditors of Paavan Nidhi Limited for a term of five years commencing from FY 2016-17 to FY 2020-21 and if the company is desirous of re-appointing the said firm of auditors for another term of five years commencing from FY 2021-22, then which of the following options is applicable in such an eventuality:</b></p> <p>(a) M/s. A &amp; A Associates cannot be re-appointed as auditors for another term of five years since no Nidhi company shall appoint or reappoint any auditing firm for two terms of five consecutive years.</p> <p>(b) M/s. A &amp; A Associates can be re-appointed as auditors for another term of five years since a Nidhi company is permitted to appoint or reappoint any auditing firm for two terms of five consecutive years.</p> <p>(c) M/s. A &amp; A Associates cannot be re-appointed as auditors for another term of five years since no Nidhi company is permitted to re-appoint any auditing firm before the expiry of two years if an auditing firm ceases to be its auditors after completion of the term of five years.</p> <p>(d) M/s. A &amp; A Associates cannot be re-appointed as auditors for another term of five years since no Nidhi company is permitted to re-appoint any auditing firm before the expiry of one year if an auditing firm ceases to be its auditors after completion of the term of five years.</p>
5	<p><b>The above case scenario states that Mr. Tom, a resident of Switzerland and one of the Directors of PQR Private Limited is interested in investing his funds in Paavan Nidhi Limited. From the options given below, choose the one which is applicable in such a situation:</b></p>

(a)	Paavan Nidhi Limited can accept investment proposal of Mr. Tom with the approval of Reserve Bank of India (RBI).
(b)	Paavan Nidhi Limited can accept the investment proposal of Mr. Tom with the approval of Reserve Bank of India (RBI) for receipt of foreign exchange if the Registrar of Companies (ROC) has given his consent for such acceptance.
(c)	Paavan Nidhi Limited can accept the investment proposal of Mr. Tom with the approval of Reserve Bank of India (RBI) for receipt of foreign exchange if the Central Government through jurisdictional Regional Director has consented to such proposal.
(d)	Paavan Nidhi Limited cannot accept the investment proposal of Mr. Tom since a person resident outside India is prohibited from making investments in a Nidhi company.

### Answers - Integrated Case Study 1

Q.No	Answer	
1	(a)	PQR Private Limited cannot become a member of Paavan Nidhi Limited.
2	(b)	Paavan Nidhi Limited may accept deposit in the name of Rudra, a minor, since it is made by Mr. Kshitij, a member and the father of Rudra but being minor, he cannot be made a member.
3	(a)	Padam shall be eligible for re-appointment only after the expiry of two years of ceasing to be a Director.
4	(b)	M/s. A & A Associates can be re-appointed as auditors for another term of five years since a Nidhi company is permitted to appoint or reappoint any auditing firm for two terms of five consecutive years.
5	(d)	Paavan Nidhi Limited cannot accept the investment proposal of Mr. Tom since a person resident outside India is prohibited from making investments in a Nidhi company.

### Integrated Case Study - 2

Belonging to the non-banking finance category, Purvi Savings and Investments Nidhi Ltd. was incorporated as a Nidhi for the purpose of inculcating thrift and savings amongst its members, receiving deposits from, and lending to, its members only, for their mutual benefit. It educates its members to use money in a wise manner and insists upon that the money saved today will help them in facing adverse days, if any, tomorrow.

With its Registered Office situated at Mathura, Uttar Pradesh, it was incorporated on 6th April, 2021 by Krishna Bihari, Brij Mohan, Ram Lal, Sunder, Sriniwas, Laxmi and Purab who were all residents of Mathura and also held the directorships in the company. Being the senior most member, Krishna Bihari was appointed as Managing Director for a period of five years. At the time of incorporation, the Authorised Share Capital of Purvi Savings and Investments Nidhi Ltd. was ₹ 30 lacs divided into 3,00,000 equity shares of ₹ 10 each. Initially, it issued 1,30,000 shares and therefore, its paid-up share capital was ₹ 13,00,000.

The Term Deposits Plans of Purvi Savings and Investments Nidhi Ltd. include Dhanlaxmi Fixed Deposit Scheme where the enrolled members will get attractive and assured returns with impeccable services. In fact, the deposit amount (minimum ₹ 1,000 and further in multiples of ₹ 100) will fetch maximum rate of interest @ 6.5% p.a. if the tenure of deposit exceeds thirty-six months. The company also issues Kisan Nidhi Bonds of 12 months where the rate of interest payable is 5% p.a.

Catering to the financial needs of its members, Purvi Savings and Investments Nidhi Ltd. extends loans as per the norms prescribed by Nidhi Rules, 2014. The lending is in the form of Purvi Nidhi Gold Loan, Purvi Nidhi Silver Loan, Purvi Nidhi Mortgage Loan, Purvi Jewellery Loan and Purvi Kisan Crop Loan. Depending upon the tenure and amount of the loan advanced to its members, Purvi Savings and Investments Nidhi Ltd. charges applicable rate of interest. The members are also fully aware about the fact that the repayment of loans must be made as per the repayment schedule agreed at the time of sanctioning of loan because this is the only way by which the company will flourish and prosper in future.

After nine months from the date of its incorporation, Purvi Savings and Investments Nidhi Ltd. had 150 members. [Study Material 35]

<b>1</b>	<p>The case scenario states that after nine months from the date of incorporation, Purvi Savings and Investments Nidhi Ltd. had 150 members. How many more members should be added by it so as to reach the required limit of minimum members within a period of one year from the date of its incorporation? Select the correct alternative from the following options:</p> <p>(a) Purvi Savings and Investments Nidhi Ltd. must add minimum 50 members more so as to reach the required limit of minimum members within a period of one year from the date of its incorporation.</p> <p>(b) Purvi Savings and Investments Nidhi Ltd. must add minimum 150 members more so as to reach the required limit of minimum members within a period of one year from the date of its incorporation.</p> <p>(c) Purvi Savings and Investments Nidhi Ltd. must add minimum 250 members more so as to reach the required limit of minimum members within a period of one year from the date of its incorporation.</p> <p>(d) Purvi Savings and Investments Nidhi Ltd. must add minimum 350 members more so as to reach the required limit of minimum members within a period of one year from the date of its incorporation.</p>
<b>2</b>	<p>Suppose after nine months from the date of incorporation, Purvi Savings and Investments Nidhi Ltd. had Net Owned Funds (NOF) of ₹ 15 lacs and at the same time deposits mobilised from members were to the tune of ₹ 375 lacs, which gave ratio of NOF to deposits as 1:25, then in order to reach the prescribed minimum ratio of NOF to deposits within a period of one year from the date of its incorporation, how much more amount is required to be added by the Nidhi to the current figure of NOF of ₹ 15 lacs, assuming that deposits would remain stagnant at ₹ 375 lacs::</p> <p>(a) In the given situation, Purvi Savings and Investments Nidhi Ltd. is required to add ₹ 12.50 lacs to the current figure of NOF of ₹ 15 lacs so as to reach the prescribed minimum ratio of NOF to deposits within a period of one year from the date of its incorporation.</p> <p>(b) In the given situation, Purvi Savings and Investments Nidhi Ltd. is required to add ₹ 10 lacs to the current figure of NOF of ₹ 15 lacs so as to reach the prescribed minimum ratio of NOF to deposits within a period of one year from the date of its incorporation.</p> <p>(c) In the given situation, Purvi Savings and Investments Nidhi Ltd. is required to add ₹ 3.75 lacs to the current figure of NOF of ₹ 15 lacs so as to reach the prescribed minimum ratio of NOF to deposits within a period of one year from the date of its incorporation.</p> <p>(d) In the given situation, Purvi Savings and Investments Nidhi Ltd. is not required to add any amount to the current figure of NOF of ₹ 15 lacs because the ratio of 1:25 is the prescribed minimum ratio which needs to be reached within a period of one year from the date of its incorporation.</p>
<b>3</b>	<p>According to the case scenario, Purvi Savings and Investments Nidhi Ltd. has issued 1,30,000 shares and therefore, its paid-up share capital stood at ₹ 13,00,000. Minimum how many shares are required to be allotted to each deposit holder? Choose the correct option from those given below:</p>

	<p>(a) Purvi Savings and Investments Nidhi Ltd. is required to allot minimum five equity shares to each deposit holder.</p> <p>(b) Purvi Savings and Investments Nidhi Ltd. is required to allot minimum ten equity shares to each deposit holder.</p> <p>(c) Purvi Savings and Investments Nidhi Ltd. is required to allot minimum twenty equity shares to each deposit holder.</p> <p>(d) Purvi Savings and Investments Nidhi Ltd. is required to allot minimum twenty-five equity shares to each deposit holder.</p>
4	<p><b>The case scenario mentions that the rate of interest of 6.5% p.a. is the highest which is being offered by Purvi Savings and Investments Nidhi Ltd. on deposits of more than three years. What is the maximum rate of interest it can charge on any loan advanced by it to its members? Select the correct alternative from the given options:</b></p> <p>(a) Maximum rate of interest which Purvi Savings and Investments Nidhi Ltd. can charge on any loan advanced by it to its members shall not exceed 10.0% p.a.</p> <p>(b) Maximum rate of interest which Purvi Savings and Investments Nidhi Ltd. can charge on any loan advanced by it to its members shall not exceed 12.0% p.a.</p> <p>(c) Maximum rate of interest which Purvi Savings and Investments Nidhi Ltd. can charge on any loan advanced by it to its members shall not exceed 14.0% p.a.</p> <p>(d) Maximum rate of interest which Purvi Savings and Investments Nidhi Ltd. can charge on any loan advanced by it to its members shall not exceed 16.0% p.a.</p>

### Answers - Integrated Case Study 2

Q.No	Answer	
1	(a)	Purvi Savings and Investments Nidhi Ltd. must add minimum 50 members more so as to reach the required limit of minimum members within a period of one year from the date of its incorporation.
2	(c)	In the given situation, Purvi Savings and Investments Nidhi Ltd. is required to add ₹ 3.75 lacs to the current figure of NOF of ₹ 15 lacs so as to reach the prescribed minimum ratio of NOF to deposits within a period of one year from the date of its incorporation.
3	(b)	Purvi Savings and Investments Nidhi Ltd. is required to allot minimum ten equity shares to each deposit holder.
4	(c)	Maximum rate of interest which Purvi Savings and Investments Nidhi Ltd. can charge on any loan advanced by it to its members shall not exceed 14.0% p.a.

### Integrated Case Study - 3

Chiranjeev, equipped with MBA Finance, always dreamt of setting up a small finance business company with a vision to contribute to the Indian economy to the maximum possible extent by using his limited efforts. After discussing the matter with his relatives and friends he decided to start a Nidhi company as this was the most easy and affordable way to start a loan business in India which required only seven members with easy documentation. No approval, whatsoever, was also required from Reserve Bank of India as in the case of other finance companies. Further, the Nidhi company would be able to accept deposits from members and lend to them as well besides earning periodical interests on loans while its main expenditure would be to pay interests on deposits and establishment charges, etc.

In order to fulfil his dream, Chiranjeev along with his six other trusted friends and relatives incorporated a Nidhi company under the name Shri Murugan Wealth Nidhi Limited, on 20th August, 2015 at Kanchipuram, Tamil Nadu, which was duly notified as Nidhi in the Official Gazette. It was mentioned in the Memorandum that as Nidhi, the company would cultivate the habit of thrift and savings amongst its members, receive deposits from and lend to, its members only, for their mutual benefit and it shall comply with Nidhi Rules, 2014. The authorised capital of the company was ₹ 1,00,00,000 divided into 10,00,000 equity shares of ₹ 10 each.

All the members of the Board of Shri Murugan Wealth Nidhi Limited possessed a very strong background in terms of financial stability as also expertise in business. Chiranjeev was throughout supported by the extraneous efforts of his younger brother, Chinnamani who was the executive president of Shri Murugan Wealth Nidhi Limited and possessed administrative talent to govern the organisation without compromising ethical practices.

With a dedicated team of staff, the company was on its growth path with utmost courteous services rendered with able management. The company encouraged rural savings habit and believed in rendering all financial assistance to its members by receiving both short-term and long-term deposits.

The deposits raised by Shri Murugan Wealth Nidhi Limited were in the form of fixed deposits, recurring deposits and savings deposits. While extending loans to its members, the Nidhi provided Shri Murugan Jewel Loan against pledge of gold jewellery for productive and consumption purposes with minimum documentation and utmost safety of their gold. It also provided mortgage loans and loans against deposits. In addition, it provided locker facilities to its members.

As on 31st March 2021, the issued, subscribed and paid-up share capital of Shri Murugan Wealth Nidhi Limited was ₹ 95,00,000 (9,50,000 equity shares of ₹ 10 each). Its deposits were to the extent of ₹ 315 crores with 12,000 members. The loans aggregated to ₹ 275 crores. Keeping in view the sufficiency of profits, the company declared a dividend of Re. one per share.

In near future, Shri Murugan Wealth Nidhi Limited has plans to open more branches which proves the fact that they are securing trust of more and more members as the years go by. [Study Material 37]

<b>1</b>	<p>It is evident from the case scenario that Shri Murugan Wealth Nidhi Limited started with paid-up share capital of ₹ 95,00,000. Keeping in view the minimum paid-up share capital with which a Nidhi can be started, how much is the excess paid-up share capital Shri Murugan Wealth Nidhi Limited had when it started its operations with effect from 20th August, 2015:</p> <p>(a) Shri Murugan Wealth Nidhi Limited had excess paid-up share capital of ₹ 75,00,000 when it started its operations with effect from 20th August, 2015.</p> <p>(b) Shri Murugan Wealth Nidhi Limited had excess paid-up share capital of ₹ 80,00,000 when it started its operations with effect from 20th August, 2015.</p> <p>(c) Shri Murugan Wealth Nidhi Limited had excess paid-up share capital of ₹ 90,00,000 when it started its operations with effect from 20th August, 2015.</p> <p>(d) Shri Murugan Wealth Nidhi Limited had excess paid-up share capital of ₹ 93,00,000 when it started its operations with effect from 20th August, 2015.</p>
<b>2</b>	<p>For the Financial Year 2021-22, Shri Murugan Wealth Nidhi Limited declared a dividend of Re. one share. What is the maximum amount of dividend it is permitted to declare without seeking approval from the jurisdictional Regional Director? Choose the correct option from those given below:</p> <p>(a) Since Shri Murugan Wealth Nidhi Limited has declared maximum permitted dividend of Re. one per share, it cannot declare dividend in excess of Re. one per share without seeking approval from the jurisdictional Regional Director.</p>

	<p>(b) Shri Murugan Wealth Nidhi Limited can declare maximum permitted dividend of ₹ two per share without seeking approval from the jurisdictional Regional Director.</p> <p>(c) Shri Murugan Wealth Nidhi Limited can declare maximum permitted dividend of ₹ two and fifty paise per share without seeking approval from the jurisdictional Regional Director.</p> <p>(d) Shri Murugan Wealth Nidhi Limited can declare maximum permitted dividend of ₹ three per share without seeking approval from the jurisdictional Regional Director.</p>
3	<p><b>The case scenario states that Shri Murugan Wealth Nidhi Limited also provided locker facilities to its members. What is the maximum rental income that the company can generate from locker facilities provided to its members.</b></p> <p>(a) Shri Murugan Wealth Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto ten per cent of its gross income at any point of time during a financial year.</p> <p>(b) Shri Murugan Wealth Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto twenty per cent of its gross income at any point of time during a financial year.</p> <p>(c) Shri Murugan Wealth Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto twenty-five per cent of its gross income at any point of time during a financial year.</p> <p>(d) Shri Murugan Wealth Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto thirty per cent of its gross income at any point of time during a financial year.</p>
4	<p><b>By declaring dividend of Re. one per share, Shri Murugan Wealth Nidhi Limited is required to pay ₹ 9,50,000 as dividend amount to its members. How much amount it is required to transfer to General Reserve when it declares dividend of ₹ 9,50,000? Select the correct alternative from the following options:</b></p> <p>(a) Shri Murugan Wealth Nidhi Limited is not required to transfer any amount to General Reserve when it declares dividend of ₹ 9,50,000.</p> <p>(b) Shri Murugan Wealth Nidhi Limited is required to transfer minimum ₹ 9,50,000 (i.e. 100% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.</p> <p>(c) Shri Murugan Wealth Nidhi Limited is required to transfer minimum ₹ 4,75,000 (i.e. 50% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.</p> <p>(d) Shri Murugan Wealth Nidhi Limited is required to transfer minimum ₹ 14,25,000 (i.e. 150% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.</p>

### Answers - Integrated Case Study 3

Q. No	Answer	
1	(c)	Shri Murugan Wealth Nidhi Limited had excess paid-up share capital of ₹ 90,00,000 when it started its operations with effect from 20th August, 2015.
2	(c)	Shri Murugan Wealth Nidhi Limited can declare maximum permitted dividend of ₹ two and fifty paise per share without seeking approval from the jurisdictional Regional Director.
3	(b)	Shri Murugan Wealth Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto twenty per cent of its gross income at any point of time during a financial year.
4	(b)	Shri Murugan Wealth Nidhi Limited is required to transfer minimum ₹ 9,50,000 (i.e. 100% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.

## Integrated Case Study - 4

To provide banking services to the people living in Emakulam, Kerala, which still was a far off location and devoid of accessing finance from nationalised banks and Non-Banking Financial Companies (NBFCs), Nagarajan, his close friends Krishnamurti, Raghunath, Govindam, Radhakrishnan, Vijay Krishnan and Chaitanya, who were experienced and dedicated persons from the field of business, trade and industry, thought of opening a Nidhi company which would act as the safest and cheapest way of inviting deposits from them and granting them loans.

Vinayak Strotram Nidhi Limited was thus incorporated by Nagarajan along with this group of close friends on 10th July, 2014 in Emakulam District of Kerala.

The Authorised Capital of this Nidhi, which wanted to nurture the habit of caution and savings among the members by receiving deposits from them and lending money to them only for their mutual benefit, was ₹ 70,00,000 divided into 7,00,000 equity shares of Rs. 10 each while issued and paid-up capital stood at a figure of Rs. 60,00,000 with just eight employees.

Through this Nidhi, savings could be deposited in the form of Savings Account, Recurring Deposit Account, Fixed Deposit Account and Daily Deposit Accounts while Vinayak Strotram Nidhi Limited granted loans to the members only against securities of immovable properties and movables such as gold, silver, jewellery, deposits, National Saving Certificates, life insurance policies and other Government securities as per the prescribed rules for Nidhi companies.

Customer centricity was at the core of Managing Director Nagarajan and three executive directors Krishnamurti, Raghunath and Govindam and it was this belief that had led the business to build long term relationships.

Since its inception, the Nidhi was earning profits year by year. In anticipation of growing and rendering better services to their members and stabilizing it as a profit centre, Nagarajan and his dedicated team felt that there was a demand for opening some branches in the district itself. Thus, Vinayak Strotram Nidhi Limited opened three more branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala. These branches were inaugurated with more focus on deposit mobilization and lending which was a core business of this Nidhi.

The Nidhi brought within its fold experienced persons like retired senior executives from national and multi-national banks to seek guidance and build it as the pioneer in rendering best services by adopting latest technology.

By the end of March, 2021, Vinayak Strotram Nidhi Limited had 11,000 members and 200 employees.

In the track of fast growth and with foresightedness in mind, Nagarajan desired to open a new branch in another district of Kerala. He chose Kannaur district since he had a special bonding with this place because he was an alumnus of Kannaur University, having graduated in commerce from this famous University. But instead of doing that way, he opened another Nidhi company by the name Vinayak Strotram Kannaur Nidhi Limited in Kannaur district of Kerala.

[Study Material 40]

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| <b>1</b> | <p><b>Kartikay, a resident of Aluva, is desirous of opening a Savings Account with Vinayak Strotram Nidhi Limited but before opening such account he must be a member of this Nidhi. How many minimum shares must be issued to him so that he becomes a member?</b></p> <p>(a) Kartikay must be issued minimum one share to become member of Vinayak Strotram Nidhi Limited so that he is able to open a Savings Account.</p> <p>(b) Kartikay must be issued minimum three shares to become member of Vinayak Strotram Nidhi Limited so that he is able to open a Savings Account.</p> <p>(c) Kartikay must be issued minimum five shares to become a member of Vinayak Strotram Nidhi Limited so that he is able to open a Savings Account.</p> |
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	(d) Kartikay must be issued minimum ten shares to become member of Vinayak Strotram Nidhi Limited so that he is able to open a Savings Account.
2	<p><b>Suppose Krishnamurti, one of the directors of Vinayak Strotram Nidhi Limited, were to hold office of director for a term upto ten consecutive years, then when shall he be eligible for re-appointment as director? Choose the correct alternative from those stated below:</b></p> <p>(a) After expiry of six months of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director.</p> <p>(b) After expiry of one year of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director.</p> <p>(c) After expiry of two years of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director.</p> <p>(d) After expiry of three years of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director.</p>
3	<p><b>Maximum how much interest Vinayak Strotram Nidhi Limited can offer on fixed and recurring deposits accepted from its members? Select the correct option from those mentioned below:</b></p> <p>(a) Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Non-Banking Financial Company can pay on its public deposits.</p> <p>(b) Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a nationalised bank can pay on its public deposits.</p> <p>(c) Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Rural Regional Bank can pay on its public deposits.</p> <p>(d) Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Cooperative Bank can pay on its public deposits.</p>
4	<p><b>In which year at the earliest, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.</b></p> <p>(a) At the earliest, after 9th July, 2015, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.</p> <p>(b) At the earliest, after 9th July, 2016, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.</p> <p>(c) At the earliest, after 9th July, 2017, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.</p> <p>(d) At the earliest, after 9th July, 2018, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.</p>
5	<p><b>Nagarajan, Managing Director of Vinayak Strotram Nidhi Limited, desired to open a branch in Kannaur district but changed his plan and rather opened a new Nidhi by the name Vinayak Strotram Kannaur Nidhi Limited. What could be the reason for change of his mind? Choose the appropriate option from those given below:</b></p> <p>(a) Nagarajan, Managing Director of Vinayak Strotram Nidhi Limited, could not open a new branch in another district because he did not get permission from the Registrar of Companies.</p> <p>(b) Nagarajan, Managing Director of Vinayak Strotram Nidhi Limited, could not open a new branch in another district because he did not get permission from the Regional Director.</p>

- (c) Nagarajan, Managing Director of Vinayak Strotram Nidhi Limited, could not open a new branch in another district because he did not get permission from the State Government.
- (d) Nagarajan, Managing Director of Vinayak Strotram Nidhi Limited, could not open a new branch in another district because he did not get permission from the Reserve Bank of India.

**Answers - Integrated Case Study 4**

Q. No	Answer	
1	(a)	Kartikay must be issued minimum one share to become member of Vinayak Strotram Nidhi Limited so that he is able to open a Savings Account.
2	(c)	After expiry of two years of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director.
3	(a)	Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Non-Banking Financial Company can pay on its public deposits.
4	(c)	At the earliest, after 9th July, 2017, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.
5	(b)	Nagarajan, Managing Director of Vinayak Strotram Nidhi Limited, could not open a new branch in another district because he did not get permission from the Regional Director.

**Integrated Case Study - 5**

Mela Nidhi Ltd. provides following information from its financial statements as on 31.03.2022, which are audited by QR LLP, an audit firm which has completed 3 years of its 2nd term, in the company:

Particulars	(₹ in lakhs)
Total Deposits	260
Gross Income	90
Profits	40

One of the directors, Mr. Raj has completed his 10 years term in the company and Mr. Yash is willing to propose his own candidature for directorship in the company through a notice.

The company accepted new deposits from 12 persons as follows:

Number of People who made deposit	Type of Deposit made
6	Term Deposit
4	Savings Deposit
2	Recurring Deposit

Apart from the aforementioned persons, Mr. Dev, an Indian citizen, wanted to make a term deposit for ₹ 1 lakh, who recently returned from US after staying for 4 years, for carrying on business in India, whose proposal is on hold with company.

Based on the above case scenario, answer the following questions.

[MTP-Nov. 20]

1	<p><b>What should be the minimum value of net owned funds and unencumbered term deposits that Mela Nidhi Ltd. should have, considering the amount of total deposits?</b></p> <p>(a) ₹ 13 lakhs and ₹ 26 lakhs respectively.          (b) ₹ 26 lakhs and ₹ 26 lakhs respectively.          (c) ₹ 10 lakhs and ₹ 26 lakhs respectively.          (d) ₹ 20 lakhs and ₹ 13 lakhs respectively.</p>
2	<p><b>If Mela Nidhi Ltd. provides locker facilities to its members then how much maximum income it could have earned from such facilities and what maximum amount of dividend it can declare, if there was a default in payment of interest by Mela Nidhi Ltd.?</b></p> <p>(a) ₹ 22.5 lakhs and ₹ 10 lakhs respectively.          (b) ₹ 18 lakhs and ₹ 8 lakhs respectively.          (c) ₹ 9 lakhs and ₹ 4 lakhs respectively.          (d) ₹ 18 lakhs and ₹ 10 lakhs respectively.</p>
3	<p><b>For how many years, Mr. Raj is not eligible for reappointment as director in Mela Nidhi Ltd. and what amount of deposit Mr. Yash should make along with the notice of his candidature for directorship?</b></p> <p>(a) 2 years and ₹ 10,000 respectively.          (b) 2 years and no deposit is required in case of Nidhi company.          (c) 5 years and ₹ 10,000 respectively.          (d) 2 years and ₹ 1,00,000 respectively.</p>
4	<p><b>What shall be the aggregate figure of minimum number of shares that would have been issued to the aforementioned 12 persons and minimum number of shares that savings account holder and recurring account holder should atleast held, if face value of shares is ₹ 10 each?</b></p> <p>(a) 66 and 6 respectively.          (b) 96 and 12 respectively.          (c) 120 and 6 respectively.          (d) 66 and 12 respectively.</p>

### Answers - Integrated Case Study 5

Q.No	Answer
1	(a) ₹ 13 lakhs and ₹ 26 lakhs respectively.
2	(d) ₹ 18 lakhs and ₹ 10 lakhs respectively.
3	(a) 2 years and ₹ 10,000 respectively.
4	(c) 120 and 6 respectively.

### Integrated Case Study - 6

Mr. Charan, with qualification in MBA Finance, thought of setting up a finance business. He discussed his thought process with his relatives and friends and decided to start a Nidhi company as this was the most easy and affordable way to start a loan business in India which required only seven members with easy documentation. No approval, whatsoever, was also required from Reserve Bank of India as in the case of other finance companies. Further, the Nidhi company would be able to accept deposits from members and

lend to them as well, besides earning periodical interests on loans while its main expenditure would be to pay interests on deposits and establishment charges, etc.

Mr. Charan with his six other trusted friends and relatives incorporated a Nidhi company under the name Laxmi Nidhi Limited, on 20<sup>th</sup> August, 2017 at Indore (MP). It was duly notified as Nidhi in the Official Gazette. It was mentioned in the Memorandum that as Nidhi, the company would cultivate the habit of thrift and savings amongst its members, receive deposits from and lend to, its members only, for their mutual benefit and it shall comply with Nidhi Rules, 2014. The authorised capital of the company was ₹ 1,00,00,000 divided into 10,00,000 equity shares of ₹ 10 each.

All the members of the Board of Laxmi Nidhi Limited possessed a very strong background in terms of financial stability as also expertise in business. Mr. Charan was throughout supported by the extraneous efforts of his younger brother, Mr. Param who was the executive president of Laxmi Nidhi Limited and possessed administrative talent to govern the organisation without compromising ethical practices.

With a dedicated team of staff, the company was on its growth path with utmost courteous services rendered with able management. The company encouraged rural savings habit and believed in rendering all financial assistance to its members by receiving both short-term and long-term deposits.

The deposits raised by Laxmi Nidhi Limited were in the form of fixed deposits, recurring deposits and savings deposits. While extending loans to its members, the Nidhi provided Laxmi Jewel Loan against pledge of gold jewellery for productive and consumption purposes with minimum documentation and utmost safety of their gold. It also provided mortgage loans and loans against deposits. In addition, it provided locker facilities to its members.

As on 31<sup>st</sup> March 2023, the issued, subscribed and paid-up share capital of Laxmi Nidhi Limited was ₹ 95,00,000 (9,50,000 equity shares of ₹ 10 each). Its deposits were to the extent of ₹ 315 crore with 12,000 members. The loans aggregated to ₹ 275 crore. Keeping in view the sufficiency of profits, the company declared a dividend of ₹ one per share. In near future, Laxmi Nidhi Limited, plans to open its branches which proves the fact that they are securing trust of more and more members as the years go by.

[RTP-May 22]

1	<p>It is evident from the case scenario that Laxmi Nidhi Limited started its business with paid-up share capital of ₹ 95,00,000. Keeping in view the minimum paid-up share capital with which a Nidhi can be started, how much is the excess paid-up share capital Laxmi Nidhi Limited had when it started its operations with effect from 20<sup>th</sup> August, 2017:</p> <p>(a) Laxmi Nidhi Limited had excess paid-up share capital of ₹ 75,00,000 when it started its operations with effect from 20<sup>th</sup> August, 2017.</p> <p>(b) Laxmi Nidhi Limited had excess paid-up share capital of ₹ 80,00,000 when it started its operations with effect from 20<sup>th</sup> August, 2017.</p> <p>(c) Laxmi Nidhi Limited had excess paid-up share capital of ₹ 90,00,000 when it started its operations with effect from 20<sup>th</sup> August, 2017.</p> <p>(d) Laxmi Nidhi Limited had excess paid-up share capital of ₹ 93,00,000 when it started its operations with effect from 20<sup>th</sup> August, 2017.</p>
2	<p>For the Financial Year 2023-24, Laxmi Nidhi Limited declared a dividend of ₹ one per share. What is the maximum amount of dividend it is permitted to declare without seeking approval from the jurisdictional Regional Director? Choose the correct option from those given below:</p> <p>(a) Since Laxmi Nidhi Limited has declared maximum permitted dividend of ₹ 1 per share, it cannot declare dividend in excess of ₹ one per share without seeking approval from the jurisdictional Regional Director.</p>

	<p>(b) Laxmi Nidhi Limited can declare maximum permitted dividend of ₹ 2 per share without seeking approval from the jurisdictional Regional Director.</p> <p>(c) Laxmi Nidhi Limited can declare maximum permitted dividend of ₹ 2 and fifty paise per share without seeking approval from the jurisdictional Regional Director.</p> <p>(d) Laxmi Nidhi Limited can declare maximum permitted dividend of ₹ three per share without seeking approval from the jurisdictional Regional Director.</p>
3	<p><b>The case scenario states that Laxmi Nidhi Limited also provided locker facilities to its members. What is the maximum rental income that the company can generate from locker facilities provided to its members.</b></p> <p>(a) Laxmi Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto ten per cent of its gross income at any point of time during a financial year.</p> <p>(b) Laxmi Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto twenty per cent of its gross income at any point of time during a financial year.</p> <p>(c) Laxmi Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto twenty-five per cent of its gross income at any point of time during a financial year.</p> <p>(d) Laxmi Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto thirty per cent of its gross income at any point of time during a financial year.</p>
4	<p><b>By declaring dividend of ₹ one per share, Laxmi Nidhi Limited is required to pay ₹ 9,50,000 as dividend amount to its members. How much amount it is required to transfer to General Reserve when it declares dividend of ₹ 9,50,000? Select the correct alternative from the following options:</b></p> <p>(a) Laxmi Nidhi Limited is not required to transfer any amount to General Reserve when it declares dividend of ₹ 9,50,000.</p> <p>(b) Laxmi Nidhi Limited is required to transfer minimum ₹ 9,50,000 (i.e. 100% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.</p> <p>(c) Laxmi Nidhi Limited is required to transfer minimum ₹ 4,75,000 (i.e. 50% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.</p> <p>(d) Laxmi Nidhi Limited is required to transfer minimum ₹ 14,25,000 (i.e. 150% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.</p>

#### Answers - Integrated Case Study 6

Q. No	Answer
1	(c) Laxmi Nidhi Limited had excess paid-up share capital of ₹ 90,00,000 when it started its operations with effect from 20 <sup>th</sup> August, 2017.
2	(c) Laxmi Nidhi Limited can declare maximum permitted dividend of ₹ 2 and fifty paise per share without seeking approval from the jurisdictional Regional Director.
3	(b) Laxmi Nidhi Limited can generate rental income from locker facilities provided to its members maximum upto twenty per cent of its gross income at any point of time during a financial year.
4	(b) Laxmi Nidhi Limited is required to transfer minimum ₹ 9,50,000 (i.e. 100% of ₹ 9,50,000) to General Reserve when it declares dividend of ₹ 9,50,000.

## Integrated Case Study - 7

Subh-Labh Savings and Investments (Nidhi) Ltd. was incorporated for the purpose of inculcating savings habits among its members on 31<sup>st</sup> July 2022. The company filed a prescribed Form with the Registrar, for declaration it as a Nidhi company.

Just after the incorporation, the company issued 3 lakh shares of ₹ 10/- each and made a first call of ₹ 5/- only.

The company is paying interest on deposits to its members @ 6% p.a. whereas the interest on loan is charged @15%.

After the end of one year from the date of incorporation, the company's membership strength reached to 560 and its Net Owned Funds (NOF) ₹ 15 lakhs. The deposits mobilised through the members reached to ₹ 375 lakhs. [MTP-Sep. 22]

<b>1</b>	<p><b>State in which of the business, Subh-Labh Ltd. can be engaged:</b></p> <p>(a) enter into any partnership arrangement in its borrowing or lending activities</p> <p>(b) raise loans from banks or financial institutions or any other source</p> <p>(c) business of borrowing or lending in its own name</p> <p>(d) carry on the business of leasing finance.</p>
<b>2</b>	<p><b>By what time, Subh-Labh Ltd. is required to ensure that they may have atleast 200 members:</b></p> <p>(a) By 31<sup>st</sup> December 2022</p> <p>(b) 31<sup>st</sup> March 2023</p> <p>(c) 30<sup>th</sup> April 2023</p> <p>(d) 30<sup>th</sup> July</p>
<b>3</b>	<p><b>In the given case, if, the NOF is ₹ 15 lakh and deposits mobilised from members is ₹ 375 lakh, which gives ratio of NOF to deposit as 1: 25. State what shall be the correct answer with respect to the ratio of Net Owned Funds for deposits :</b></p> <p>(a) 1:10</p> <p>(b) 1:15</p> <p>(c) 1:20</p> <p>(d) 1:25</p>
<b>4</b>	<p><b>What shall be the minimum paid up equity share capital requirement of Subh-Labh Ltd.:</b></p> <p>(a) Five lakh rupees</p> <p>(b) Ten lakh rupees</p> <p>(c) Twenty lakh rupees</p> <p>(d) Twenty Five rupees</p>
<b>5</b>	<p><b>A Subh-Labh Ltd. shall not accept deposits:</b></p> <p>(a) exceeding twenty times of its Net Owned Funds as per its last audited financial statements.</p> <p>(b) Not exceeding twenty times of its Net Owned Funds as per the last financial year.</p> <p>(c) Not less than twenty times of its Net Owned Funds as per the last financial year</p> <p>(d) more than twenty five times of its Net Owned Funds as per the last financial year</p>

**Answers - Integrated Case Study 7**

Answer	
(c)	business of borrowing or lending in its own name
(b)	31 <sup>st</sup> March 2023
(c)	1:20
(b)	Ten lakh rupees
(a)	exceeding twenty times of its Net Owned Funds as per its last audited financial statements.

**Integrated Case Study - 8**

To provide banking services to the people living in Emakulam, Kerala, which still was a far off location and devoid of accessing finance from nationalised banks and Non-Banking Financial Companies (NBFCs), Nagarajan, his close friends Krishnamurti, Raghunath, Govindam, Radhakrishnan, Vijay Krishnan and Chaitanya, who were experienced and dedicated persons from the field of business, trade and industry, thought of opening a Nidhi company which would act as the safest and cheapest way of inviting deposits from them and granting them loans.

Vinayak Strotram Nidhi Limited was thus incorporated by Nagarajan along with this group of close friends on 10th July, 2014 in Emakulam District of Kerala.

The Authorised Capital of this Nidhi, which wanted to nurture the habit of caution and savings among the members by receiving deposits from them and lending money to them only for their mutual benefit, was ₹ 70,00,000 divided into 7,00,000 equity shares of ₹ 10 each while issued and paid-up capital stood at a figure of ₹ 60,00,000 with just eight employees.

Through this Nidhi, savings could be deposited in the form of Savings Account, Recurring Deposit Account, Fixed Deposit Account and Daily Deposit Accounts while Vinayak Strotram Nidhi Limited granted loans to the members only against securities of immovable properties and movables such as gold, silver, jewellery, deposits, National Saving Certificates, life insurance policies and other Government securities as per the prescribed rules for Nidhi companies.

Customer centricity was at the core of Managing Director Nagarajan and three executive directors Krishnamurti, Raghunath and Govindam and it was this belief that had led the business to build long term relationships.

Since its inception, the Nidhi was earning profits year by year. In anticipation of growing and rendering better services to their members and stabilizing it as a profit centre, Nagarajan and his dedicated team felt that there was a demand for opening some branches in the district itself. Thus, Vinayak Strotram Nidhi Limited opened three more branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala. These branches were inaugurated with more focus on deposit mobilization and lending which was a core business of this Nidhi.

The Nidhi brought within its fold experienced persons like retired senior executives from national and multi-national banks to seek guidance and build it as the pioneer in rendering best services by adopting latest technology.

By the end of March, 2021, Vinayak Strotram Nidhi Limited had 11,000 members and 200 employees.

In the track of fast growth and with foresightedness in mind, Nagarajan desired to open a new branch in another district of Kerala. He chose Kannaur district since he had a special bonding with this place because he was an alumnus of Kannaur University, having graduated in commerce from this famous University. But

instead of doing that way, he opened another Nidhi company by the name Vinayak Strotram Kannaur Nidhi Limited in Kannaur district of Kerala. [MTP- March 23]

1	<p><b>What is the nature of the Vinayak Strotram Nidhi Limited :</b></p> <p>(a) It's a public company with a minimum share capital exceeding 5 crore          (b) It's a Public company with a minimum share capital not exceeding 5 crore          (c) It's a public company with a minimum share capital of 10 crore          (d) It's a Public company with a maximum of share capital of 10 lakh.</p>
2	<p><b>Suppose Krishnamurti, was appointed as one of the directors of Vinayak Strotram Nidhi Limited in 2014 when the company was incorporated. He was eligible to hold the office for consecutive 10 Years. Determine when he shall be eligible for re-appointment as director? Choose the correct alternative from those stated below:</b></p> <p>(a) After expiry of six months of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director (i.e., after 9th January 2025)          (b) After expiry of one year of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director (i.e., after 9th July 2025)          (c) After expiry of two years of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director (i.e. after 9th July 2026)          (d) After expiry of three years of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director (i.e. after 9th July 2027)</p>
3	<p><b>Maximum how much interest Vinayak Strotram Nidhi Limited can offer on fixed and recurring deposits accepted from its members? Select the correct option from those mentioned below:</b></p> <p>(a) Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Non-Banking Financial Company can pay on its public deposits.          (b) Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a nationalised bank can pay on its public deposits.          (c) Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Rural Regional Bank can pay on its public deposits.          (d) Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Co-operative Bank can pay on its public deposits.</p>
4	<p><b>In which year at the earliest, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.</b></p> <p>(a) At the earliest, after 9th July, 2015, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.          (b) At the earliest, after 9th July, 2016, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.          (c) At the earliest, after 9th July, 2017, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.          (d) At the earliest, after 9th July, 2018, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.</p>



## Answers - Integrated Case Study 8

Q. No	Answer	
1	(c)	It's a public company with a minimum share capital of 10 crore
2	(c)	After expiry of two years of ceasing to be director of Vinayak Strotram Nidhi Limited, he shall be eligible for re-appointment as director (i.e. after 9th July 2026)
3	(a)	Vinayak Strotram Nidhi Limited is permitted to offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest that a Non-Banking Financial Company can pay on its public deposits.
4	(c)	At the earliest, after 9th July, 2017, Vinayak Strotram Nidhi Limited would have got the approval to open branches at Aluva, Kanayannur and Kothamanglam in Emakulam district of Kerala.



## Part B – Other Topics

### Integrated Case Study - 1

Sunshine Software Private Limited having its Registered Office at Hyderabad was incorporated on 28th May, 2019 with Authorised Capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The main object of the company is to develop customised business software and provide software consulting services to various business houses.

Mr. Sumit, Mr. Samadhan, Mr. Saumitra and Mr. Aniket, the subscribers to the Memorandum of Association are also the Directors of the company. The company allotted the shares to the subscribers within the stipulated time. It is worth noting that the Directors are part of the core team for development of the software. However, due to some internal misunderstanding among all the Directors, more particularly serious disagreement in relation to working schedules, the company could not start its working since incorporation and therefore, no revenue was generated from operations. In fact, the Directors were busy pursuing their own business interests and seemingly, had no intention to devote any time for the company.

Following information has been extracted from the financial statements of the Sunshine Software Private Limited from the date of its incorporation:

Particulars	2019-20 (Amount in ₹)	2020-21 (Amount in ₹)
Paid-up Share Capital	10,00,000	10,00,000
Revenue from Operations	Nil	Nil
Expenses incurred towards fulfilment of various legal obligations	55,000	65,000

The company did not recruit even a single employee and therefore, no expenses on account of salary or on other material transactions were incurred. However, the company has complied with all the filing requirements under the Companies Act, 2013 and the Income Tax Act, 1961 since its incorporation. It incurred the following expenses:

- (a) Payment of fees to the Registrar.
- (b) Payments made to fulfil the requirements of the Companies Act, 2013 and any other applicable laws.
- (c) Some payments were made for maintenance of office and records.

Mr. Saumitra also holds Directorship in Surya Energy Private Limited against which National Company Law Tribunal had passed an order u/s 420 of the Companies Act, 2013. After receipt of the order of Tribunal, Surya Energy is contemplating to file an appeal with National Company Law Appellate Tribunal (NCLAT).

[Study Material 12]

**1 On the basis of the facts mentioned in the case scenario, determine the status of the Sunshine Software Private Limited.**

- (a) It is an inactive company since no significant accounting transactions have been undertaken for the last two financial years.
- (b) It is a defunct company since no significant accounting transactions have been undertaken for the last two financial years.
- (c) It is an active company since it makes regular payments to ROC.
- (d) None of the above.

2	<p><b>Which Form needs to be used by a 'Dormant Company' for obtaining the status of an 'active company'.</b></p> <p>(a) MSC- 1 (b) MSC- 2 (c) MSC- 3 (d) MSC- 4</p>
3	<p><b>Choose from the following options the number of minimum Directors which a dormant company shall have, if it is a public limited company.</b></p> <p>(a) Seven (b) Two (c) Three (d) One</p>
4	<p><b>Assuming that the ROC issued a certificate to Sunshine Software Private Limited allowing it the status of a 'dormant company' w.e.f. 1st October, 2021, then what will be the date after which ROC is empowered to initiate the process of striking off the name of the company if it continues to remain as a dormant company.</b></p> <p>(a) After 30th September, 2022. (b) After 30th September, 2023. (c) After 30th September, 2025. (d) After 30th September, 2026.</p>
5	<p><b>From the case scenario, it is observed that Surya Energy Private Limited, aggrieved by the order of the Tribunal, wants to file an appeal with NCLAT. Within how much time from the date of receipt of the order of Tribunal it can file such appeal with NCLAT:</b></p> <p>(a) Surya Energy Private Limited can file an appeal with NCLAT within a period of 15 days from the date of the receipt of the order of Tribunal. (b) Surya Energy Private Limited can file an appeal with NCLAT within a period of 30 days from the date of the receipt of the order of Tribunal. (c) Surya Energy Private Limited can file an appeal with NCLAT within a period of 45 days from the date of the receipt of the order of Tribunal. (d) Surya Energy Private Limited can file an appeal with NCLAT within a period of 60 days from the date of the receipt of the order of Tribunal.</p>

### Answers - Integrated Case Study 1

Q. No	Answer	
1	(a)	It is an inactive company since no significant accounting transactions have been undertaken for the last two financial years.
2	(d)	MSC- 4
3	(c)	Three
4	(d)	After 30th September, 2026.
5	(c)	Surya Energy Private Limited can file an appeal with NCLAT within a period of 45 days from the date of the receipt of the order of Tribunal.

## Integrated Case Study - 2

GenTech Engineering and Consultancy Limited (GECL), having its Registered Office in Kolkata, West Bengal, was incorporated way back in January, 2011. The Central Government holds 21% of its paid-up share capital while the State Government of Gujarat and Navyug Engineering Limited, a government company, hold 23% and 10% respectively.

As GECL was interested in ascertaining the market value of its assets, it invited tenders and after thorough scrutiny it shortlisted the following Registered Valuers:

1. **Mr. Anant:** He has set up his valuation practice in London for the last 5 years. He came to visit India on 25th November, 2020 for a short span of around one month during which, in terms of the tender submitted by him, he was proposed by GECL to undertake the assignment relating to valuation of its assets.
2. **Mr. Aloknath:** He is a valuer member of a registered valuers' organisation and is one of the partners of M/s ALP & Associates, a Kolkata based valuation firm. Mr. Aloknath was given second preference by GECL if Mr. Anant refused the assignment relating to the valuation of assets.
3. **M/s MNC Valuers & Associates, LLP:** It is a Limited Liability Partnership, based at Kolkata, and all the partners of the firm are valuer members of a registered valuers' organisation. It was given third preference by GECL for undertaking of valuation of assets.

GECL holds 15% paid-up share capital of Prayas Marketing Limited (PML). However, the Registrar, having reasonable cause to believe that the PML was not carrying on any business or operations, ordered a physical verification of the Registered Office of PML.

After physical verification of the Registered Office of PML, the Registrar formed an opinion that the company, in actuality, was not carrying on any business or operations and therefore, he issued a notice to the company and all of its Directors indicating his intention to remove the name of the company from the Register of Companies, if no explanation along with copies of relevant documents were filed within a period of 30 days from the date of the notice. Since no cause to the contrary was shown by the company and its Directors, the Registrar, after following the requisite procedure, removed the name of the PML from the Register of Companies and a notice dated 30.10.2021 to this effect was published in the Official Gazette. On publication of this notice in the Official Gazette and also its placement on the official website of the Ministry of Corporate affairs, PML was dissolved.

After dissolution as above of the PML effective from 30.10.2021 under Section 248 of the Companies Act, 2013, it ceased to operate as a company and Certificate of Incorporation was deemed to have been cancelled from such date. [Study material 27]

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| <b>1</b> | <p>From the case scenario, it is observed that the share of the Central Government in the paid-up share capital of GECL is 21% while the State Government of Gujarat and Navyug Engineering Limited, a government company, respectively hold 23% and 10% of its paid-up capital. Which one of the following options is applicable in such a situation:</p> <ol style="list-style-type: none"> <li>(a) GECL is a Government Company since both the Central Government and the State Government of Gujarat hold more than 25% of its paid-up share capital.</li> <li>(b) GECL is not a Government Company since the Central Government, the State Government of Gujarat and Navyug Engineering Limited, a Government Company, hold only 54% of its paid-up share capital which is less than the threshold limit of 55%.</li> <li>(c) GECL is a Government Company since the Central Government, the State Government of Gujarat and Navyug Engineering Limited, a Government Company, hold 54% of its paid-up share capital which is more than the threshold limit of 51%.</li> </ol> |
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	(d) GECL is not a Government Company since the Central Government and the State Government of Gujarat together hold 44% of its paid-up share capital which is less than the threshold limit of 51%.
2	<p><b>Which one of the following options is applicable in case Mr. Anant was preferred to be given the valuation assignment of valuing the assets of GECL.</b></p> <p>(a) Mr. Anant cannot act as a valuer being a person not resident in India.</p> <p>(b) Mr. Anant cannot act as a valuer since process of valuation of goodwill is a tedious and time-consuming task.</p> <p>(c) Mr. Anant can act as a valuer being a valuer member of a registered valuers' organisation in London and is more knowledgeable than others.</p> <p>(d) Mr. Anant can act as a valuer being a valuer member of a registered valuers' organisation in London and is out of India for less than seven years.</p>
3	<p><b>In case PML is aggrieved by the order dated 30-10-2021 of the Registrar that led to the removal of its name from the Register of Companies and its dissolution and therefore, it desires to file an appeal to the Tribunal, which one of the following options shall be applicable in such a situation:</b></p> <p>(a) PML is permitted to file an appeal to the Tribunal within a period of one year from the date of the order of the Registrar.</p> <p>(b) PML is permitted to file an appeal to the Tribunal within a period of two years from the date of the order of the Registrar.</p> <p>(c) PML is permitted to file an appeal to the Tribunal within a period of three years from the date of the order of the Registrar.</p> <p>(d) PML is permitted to file an appeal to the Tribunal within a period of five years from the date of the order of the Registrar.</p>
4	<p><b>Which one of the following options is applicable in case PML denies to discharge its liabilities and other obligations contending that after dissolution it has ceased to operate.</b></p> <p>(a) The contention of the PML is valid since after dissolution it cannot enter into any contract.</p> <p>(b) The contention of the PML is valid since once the company stands dissolved, the shareholders of the company are liable to discharge all its liabilities and obligations.</p> <p>(c) The contention of the PML is invalid since the dissolution shall not affect the realisation of amount due to it and for the discharge of its liabilities or obligations.</p> <p>(d) The contention of the PML is valid since once the company stands dissolved, it is not liable to discharge any of its liabilities and obligations because the shareholders of the company are to be given back the money invested by them as shareholders.</p>
5	<p><b>Suppose PML, on its own, decides to file an application to the Registrar for removal of its name from the Register of Companies. From the given options, choose the one which shall be applicable in such a situation:</b></p> <p>(a) PML is not permitted to file an application to the Registrar for removal of its name from the Register of Companies.</p> <p>(b) All the Directors of PML at the Board Meeting can pass a resolution to file an application to the Registrar for removal of name of PML from the Register of Companies but only after extinguishing all the liabilities of PML.</p> <p>(c) PML after extinguishing all its liabilities and by passing an ordinary resolution or by obtaining consent of 51% of its members in terms of paid-up share capital may file an application to the Registrar for removal of its name from the Register of Companies.</p>

- (d) PML after extinguishing all its liabilities and by passing a special resolution or by obtaining consent of 75% of its members in terms of paid-up share capital may file an application to the Registrar for removal of its name from the Register of Companies.

### Answers - Integrated Case Study 2

Q. No	Answer
1	(d) GECL is not a Government Company since the Central Government and the State Government of Gujarat together hold 44% of its paid-up share capital which is less than the threshold limit of 51%.
2	(a) Mr. Anant cannot act as a valuer being a person not resident in India.
3	(c) PML is permitted to file an appeal to the Tribunal within a period of three years from the date of the order of the Registrar.
4	(c) The contention of the PML is invalid since the dissolution shall not affect the realisation of amount due to it and for the discharge of its liabilities or obligations.
5	(d) PML after extinguishing all its liabilities and by passing a special resolution or by obtaining consent of 75% of its members in terms of paid-up share capital may file an application to the Registrar for removal of its name from the Register of Companies.

### Integrated Case Study - 3

**Roopak Leathers Limited offers quality leather products in the latest styles, catering to the choice of present generation. Their portfolio includes leather shoes, leather bags, wallets, belts and accessories. Incorporated in the year 2002 at Naubasta, Kanpur, the company with over 1000 showrooms in northern India, has maintained a stable position catering to all kinds of income groups. It is a profit-making company and has paid-up share capital of ₹ 70 crores (70,00,000 equity shares of ₹ 10 each)**

**Ambuj, CMD and also one of the four promoters of Roopak Leathers Limited and his team of directors, is interested in having their presence felt in Maharashtra and Gujarat as well. To accomplish their objective, they are thinking of raising funds through public issue of its securities by issuing a prospectus. The equity shares are proposed to be listed on the BSE Limited and National Stock Exchange of India Limited (popularly called NSE).**

**For the purpose of valuation of its equity shares, the name of Perfect Valuation Services, LLP, was suggested by one of the directors Manu Kulkarni. In fact, Manu knew CA Promila, one of the partners in Perfect Valuation Services, LLP through his cousin Tanishk who was her classfellow in school. Ambuj liked the idea and accordingly, Perfect Valuation Services, LLP was duly appointed by the Audit Committee of Roopak Leathers Limited.**

**IBBI registered Perfect Valuation Services, LLP, started by twins CA Promila and CA Prachi in the year 2019 and supported by qualified and experienced staff, takes up valuation of 'Securities and Financial Assets' which includes submission of valuation reports for issue of shares and securities, valuation of intangibles, related party transactions, ESOP valuation, etc. The services provided by this firm help in determining the fair value of clients' business through application of complex and indepth models enabling them to maximise their economic potential and helps them in making informed decision-makers.**

**Within the assigned time, Perfect Valuation Services, LLP, valued the equity shares of Roopak Leathers Limited and submitted the valuation report to the company and charged pre-decided fees.**

Based on the valuation report and other legal formalities, Roopak Leathers Limited floated the public issue which was oversubscribed five times within three hours of opening. Thereafter, the company got its shares successfully listed on BSE Limited and National Stock Exchange of India Limited. [Study Material 33]

1	<p><b>While making an application to the Insolvency and Bankruptcy Board of India (IBBI) for registration as a registered valuer in the year 2019, how much non-refundable application fee Perfect Valuation Services, LLP must have paid? Choose the correct alternative from the following options:</b></p> <p>(a) Perfect Valuation Services, LLP must have paid ₹ 5 thousand as non-refundable application fee while making application for registration as a registered valuer.</p> <p>(b) Perfect Valuation Services, LLP must have paid ₹ 10 thousand as non-refundable application fee while making application for registration as a registered valuer.</p> <p>(c) Perfect Valuation Services, LLP must have paid ₹ 15 thousand as non-refundable application fee while making application for registration as a registered valuer.</p> <p>(d) Perfect Valuation Services, LLP must have paid ₹ 20 thousand as non-refundable application fee while making application for registration as a registered valuer.</p>
2	<p><b>After considering the application, had IBBI been of the prima facie opinion that the registration ought not to be granted to Perfect Valuation Services, LLP, and the reasons for forming such an opinion were communicated to the LLP, then after the receipt of such communication, maximum how much time would have been allowed to Perfect Valuation Services, LLP for submission of an explanation as to why its application should be accepted:</b></p> <p>(a) In such a situation, Perfect Valuation Services, LLP would have been allowed maximum five days for submission of an explanation as to why its application should be accepted.</p> <p>(b) In such a situation, Perfect Valuation Services, LLP would have been allowed maximum fifteen days for submission of an explanation as to why its application should be accepted.</p> <p>(c) In such a situation, Perfect Valuation Services, LLP would have been allowed maximum twenty-one days for submission of an explanation as to why its application should be accepted.</p> <p>(d) In such a situation, Perfect Valuation Services, LLP would have been allowed maximum thirty days for submission of an explanation as to why its application should be accepted.</p>
3	<p><b>The case scenario states that the Audit Committee of Roopak Leathers Limited appointed Perfect Valuation Services, LLP, to value its equity shares. Had there been no Audit Committee constituted by Roopak Leathers Limited, which other authority in the company would have appointed Perfect Valuation Services, LLP? Choose the correct answer from the following options:</b></p> <p>(a) In the absence of Audit Committee, Ambuj, the Managing Director of Roopak Leathers Limited would have appointed Perfect Valuation Services, LLP.</p> <p>(b) In the absence of Audit Committee, the promoters of Roopak Leathers Limited would have appointed Perfect Valuation Services, LLP.</p> <p>(c) In the absence of Audit Committee, the Board of Directors of Roopak Leathers Limited would have appointed Perfect Valuation Services, LLP.</p> <p>(d) In the absence of Audit Committee, the shareholders of Roopak Leathers Limited would have appointed Perfect Valuation Services, LLP by passing a resolution in the General Meeting.</p>
4	<p><b>Suppose CA Promila, before becoming partner of Perfect Valuation Services, LLP, was levied a penalty under Section 271J Income-tax Act, 1961 and such penalty had been confirmed by the Income-tax Appellate Tribunal, then in such a situation when would she become eligible to be a registered valuer::</b></p>

(a)	Two years must be elapsed after levy of penalty under Section 271J of Income-tax Act, 1961, before CA Promila becomes eligible to be a registered valuer.
(b)	Three years must be elapsed after levy of penalty under Section 271J of Income-tax Act, 1961, before CA Promila becomes eligible to be a registered valuer.
(c)	Five years must be elapsed after levy of penalty under Section 271J of Income-tax Act, 1961, before CA Promila becomes eligible to be a registered valuer.
(d)	Seven years must be elapsed after levy of penalty under Section 271J of Income-tax Act, 1961, before CA Promila becomes eligible to be a registered valuer.

### Answers - Integrated Case Study 3

Q. No	Answer	
1	(b)	Perfect Valuation Services, LLP must have paid ₹ 10 thousand as non-refundable application fee while making application for registration as a registered valuer.
2	(b)	In such a situation, Perfect Valuation Services, LLP would have been allowed maximum fifteen days for submission of an explanation as to why its application should be accepted.
3	(c)	In the absence of Audit Committee, the Board of Directors of Roopak Leathers Limited would have appointed Perfect Valuation Services, LLP.
4	(c)	Five years must be elapsed after levy of penalty under Section 271J of Income-tax Act, 1961, before CA Promila becomes eligible to be a registered valuer.

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