1.6 · Board Meetings and Procedures

P13 · Module 1 · Companies Act, 2013 · s.118, 173–177, 182

SM pp. 116–132 (17 pages). 57 marks in 7 papers, with a long question in 5. **Zero in Jun'26**, after three halves in Jun'25 and two in Dec'25: **the strongest "due back" topic in P13.**

Paper	What was asked	Marks
Jun'23	MCQ: Board quorum · Q4(a)(ii) **120-day gap**; approving FS by video meeting; audit committee chairman abroad	2 + 4
Dec'23	Q4(a) the Board met **3 times**; the 4th failed for want of quorum: any contravention?	7
Jun'24	MCQ: AGM quorum (s.103, not in the SM) · Q3(a) **quorum cases**: 8 of 10, a section 8 company, an interested director with articles fixing 5	2 + 7
Jun'25	Q3(a) **quorum cases again**: 3 of 11; interested directors · Q5(a) **audit committee** duties; are its recommendations binding? · Q6(a) **registers**: list ten	7 + 7 + 7
Dec'25	Q3(a) **shorter notice**, no ID present, venue for a VC meeting · Q4(a) Sunday 8 pm meeting in Mumbai (RO Chennai), notice to a director in London, VC link drops	7 + 7
Jun'26	nothing	0

HOW IT IS EXAMINED

- **Calculation cases on quorum** (asked twice; in both ICMAI's MQP and PTP). Learn the **quorum calculator** on page 3 and the model answer.
- **Notice, shorter notice and video conferencing** cases: 4 times. Answer each sub-question as provision → facts → conclusion.
- Theory 7-markers: **audit committee**, **registers**. Not yet asked: circular resolutions, minutes, directors' duties, and **political contributions** (ICMAI PTP).

DEC'26: OUR PREDICTION (A PREDICTION, NOT A PROMISE)

Tier **A**. Expected **7–14 marks**. Our model gives it the **highest chance (100%) of being the 4-MCQ case set** in Q1, plus a 7-mark case. Likely questions:

1. Quorum with interested directors: 3 present of 11 (MQP + PTP)
2. Notice, shorter notice, ID's role, video conferencing (s.173(3)) (MQP)
3. Political contributions: conditions, limits, disclosure (s.182) (PTP)
4. Circular resolution (s.175) / minutes (s.118) / duties (s.166): never asked yet

MAP OF THIS PACK

1. How often the Board meets (s.173(1)) ★★
2. Video conferencing and notice (s.173(2)–(4)) ★★★
3. Quorum (s.174) + calculator ★★★
4. Resolution by circulation (s.175) ★
5. Minutes (s.118, 119) ★
6. Registers (s.94) ★★
7. Board composition and committees; audit committee and vigil mechanism (s.177) ★★
8. Duties (s.166) and liabilities of directors ★
9. Political contributions (s.182) ★★
10. Model answers · numbers · SM MCQs

1 How often the Board must meet (s.173(1))

FIRST MEETING
within **30 days** of incorporation [SM 116]

→

EVERY YEAR
at least **4 meetings** [SM 116]

→

GAP
no more than **120 days** between two consecutive meetings [SM 116]

→

OPC / SMALL / DORMANT
at least **one meeting in each half** of the calendar year, at least **90 days** apart (not for an OPC with one director) [SM 116]

Under the Secretarial Standards, committees meet as often as needed, and **independent directors meet separately at least once a calendar year** (SM MCQ 56). A company may convene a meeting at **any time and place, on any day except a national holiday** (26 January, 15 August, 2 October, and days the CG declares). [SM 116–118]

⚠ NOT IN THE SM: A MEETING WITHOUT QUORUM (needed for Dec'23 Q4(a))

Under **s.174(4)**, if a Board meeting cannot be held for want of quorum, then unless the articles say otherwise it **stands adjourned to the same day next week**, at the same time and place (or the next day if that is a national holiday). **Dec'23 answer:** the 4th meeting could have been held on the adjourned date. With only 3 meetings in the year, **s.173(1) (at least 4 meetings) is contravened**, and the 120-day gap may also have been crossed.

2 Video conferencing and notice of the meeting (s.173(2)–(4))

ATTENDING BY VIDEO (s.173(2), RULE 3)

- Directors may attend **in person, by video conferencing, or by other audio-visual means** that can record and recognise participation and record and store the proceedings with date and time. [SM 116–117]
- The company arranges against connection failure. The **chairperson and CS** ensure security and identification, proper equipment, recording and minutes, storage of recordings (at least until that year's audit is complete), that only the director concerned attends, and that everyone can see and hear clearly. [SM 117]
- A differently-abled director may ask to bring a person along. [SM 117]
- Directors on video **count for quorum**. [SM 118]

VENUE AND INTIMATION (RULE 3)

- The notice states the **video option** and how to use it. A director who wants it tells the chairperson or CS in advance; a declaration at the start of the calendar year is valid for **one calendar year**. If he says nothing, he is **assumed to attend in person**. [SM 117–118]
- **Venue (Dec'25 Q3(a)(iii)):** a notice offering video participation must name a **venue**, and that is the place where **all recordings of the proceedings are made**. [SM 118]

⚠ "MATTERS THAT CANNOT BE DONE BY VIDEO" (Jun'23 Q4(a)(ii); one of our Dec'26 picks)

The SM says only that the CG "may restrict" matters for video meetings. That list (Rule 4: approving annual FS and the Board's report, prospectus, mergers, etc.) was **omitted in 2021**, so today **any matter, including approving the annual FS, may be taken up by video**. In an answer, state the s.173(2) power, then that the restricted list no longer applies. [SM 117]

Notice of a Board meeting, s.173(3) + SS-1 [SM 117–118]

THE RULE

- At least **7 days' notice in writing** to **every director** at his registered address, **in India or abroad**, by **hand, post or electronic means**. A director abroad (Dec'25 Q4(a)(ii)) gets it the same way, usually by e-mail. [SM 117]
- **Shorter notice** for **urgent business** only: at least **one independent director** (if the company has one) must be present. If none is present, decisions are **circulated to all directors** and become **final only when at least one ID ratifies**. The notice must say it is at shorter notice. [SM 117]
- **Penalty** for failing to give notice: **₹25,000** on every officer whose duty it was. [SM 118]

SS-1 DETAILS

- sent by the **means the director specified**; issued by the **CS** (or a director or authorised person) [SM 118]
- states the **serial number, day, date, time and full address of the venue**, plus the video option and a contact [SM 118]
- **agenda and notes on agenda** go with the notice; meetings and items are **serially numbered**; **proof of sending** is kept [SM 118]
- any time, any place, any day except a **national holiday** [SM 118]

3 Quorum (s.174) and the quorum calculator

WHAT IT IS The **quorum** is the minimum number of directors who must be present for business to be validly done. Without it, the meeting is not properly held. [SM 118]

- **One-third of total strength, or 2, whichever is higher** (SM MCQ 57 = Jun'23 MCQ). [SM 118]
- A **fraction counts as one** (3.33 → 4). [SM 119]
- **Total strength excludes vacant places.** [SM 119]
- Directors on **video count**. [SM 118]
- An **interested director** (s.184) does not count for that item. If interested directors are **two-thirds or more of total strength**, the quorum is the **non-interested directors present, at least 2**. [SM 119]
- If directors fall below the quorum, the **continuing directors** may act **only to bring the number up to the quorum or to call a general meeting**. [SM 119]
- **Section 8 company: 8** members or **25%** of total strength, **whichever is less**, but not less than **2**. [SM 119]
- Not for an OPC with one director. The quorum must be present **throughout** the meeting (SS-1). A committee needs **all** its members unless provided otherwise. [SM 119]

1 · TOTAL STRENGTH sanctioned directors minus vacancies → **2 · ⅓, ROUND UP** compare with 2; take the higher. Section 8: lower of 8 and 25% (minimum 2) → **3 · ARTICLES** if the articles fix a higher number, use it → **4 · PER ITEM** leave out interested directors present. If interested ≥ ⅔ of strength: quorum = disinterested present (≥ 2) → **5 · VERDICT** meeting valid? each item valid? if not, adjourn or defer the item

Exam case (Jun'24 Q3(a), Jun'25 Q3(a), MQP, PTP)	Working	Verdict
public company, 10 directors, 8 present	10/3 = 3.33 → **4** (higher than 2); 8 ≥ 4	**valid**
section 8 company, 8 directors, 3 present	lower of 8 and 25% × 8 = 2 → **2**; 3 ≥ 2	**valid**
12 directors, 9 present, articles fix 5, one present director interested in an item	Act: 12/3 = **4**; articles raise it to **5**. For that item: 9 − 1 = 8 disinterested ≥ 5	**valid**
11 directors, 3 present, none interested	11/3 = 3.67 → **4**; 3 < 4	**no quorum**: adjourned
11 directors, 5 present; only 2 present are not interested in one item	quorum **4** (interested are fewer than ⅔ of 11 = 7.33, so the normal rule applies). For that item only **2** count: below 4	meeting valid; **that item deferred**

If the facts said 8 or more of the 11 directors were interested (two-thirds or more), the special rule applies and the 2 disinterested present would be enough.

4 Resolution by circulation (s.175): never asked yet

HOW IT IS PASSED

1. The **draft resolution with papers** is circulated to **all directors** (or committee members) at their registered addresses, by hand, post, courier or electronic means. [SM 119]
2. It is **approved by a majority** of directors entitled to vote. [SM 119]
3. If **one-third** of directors want it decided at a meeting, the chairperson must put it to a meeting (SM MCQ 58). [SM 119]
4. It is **noted at the next Board meeting** and made part of its minutes. [SM 120]
5. SS-1: directors get **at most 7 days** from circulation to respond. [SM 120]

NOT BY CIRCULATION (SS-1 Annexure A, selected)

General: noting committee minutes · approving **FS and the Board's report** · compliance certificate · list of applicable laws · appointing secretarial and internal auditors. **Specific:** borrowing (other than debentures), investing, loans and guarantees, **political contributions**, calls, MD/WTD pay, KMP appointment, MD of two companies, casual vacancies, non-arm's-length RPTs, selling subsidiaries, material assets, payment for loss of office. **Corporate actions: buy-back** (SM MCQ 63), issue of securities, mergers, diversification, takeovers. [SM 120–121]

5 Minutes (s.118, s.119)

- Minutes of every **general meeting**, **postal ballot** resolution, **Board meeting** and **committee meeting** are prepared, signed and kept within **30 days** of the meeting, in books with **consecutively numbered pages**. [SM 121]
- They contain a **fair and correct summary** and all **appointments**. Board minutes also record the **directors present** and the **dissenting directors**. [SM 121–122]
- The **chairman** may leave out matter he considers **defamatory, irrelevant or immaterial, or detrimental** to the company; his discretion is absolute. [SM 121–122]
- Signed by the chairman of **that meeting or the next** (SM MCQ 59). Draft minutes are circulated to directors within **15 days**. Board minutes are kept **permanently** at the **registered office** (SM MCQs 60, 61). [SM 121–122]
- Minutes are **evidence**: the meeting is deemed duly held and appointments valid, until the contrary is proved. Reports of general meetings may not be circulated at the company's expense. [SM 122]
- **Secretarial Standards** (SS-1 Board, SS-2 general meetings) must be observed (s.118(10)). [SM 122]
- **s.119:** general meeting minutes are kept at the RO and open to **members free of charge**, at least **2 hours** each business day. A copy is given within **7 days** of a request, on payment of fees. [SM 122]
- **Default:** company **₹25,000**, each officer **₹5,000**. [SM 122]

6 Registers to be maintained (Jun'25 Q6(a): "enumerate any ten")

Register	Section · form	Register	Section · form
investments not held in the company's name	187(3) · MBP-3	members (+ index)	88(1)(a) · MGT-1
deposits	73 · Rule 14	debenture holders (+ index)	88(1)(b) · MGT-2
securities bought back	68(9) · SH-10	beneficial owners	88
charges	85(1) · CHG-7	foreign register of members	88 · MGT-3
contracts in which directors are interested	189(1) · MBP-4	copies of annual returns	94(1)
directors and KMP	170(1)	minute books	118
loans, investments, guarantees	186(9) · MBP-2	postal ballot	110
renewed and duplicate share certificates	Rule 6 · SH-2	books of account; cost records	128
sweat equity shares	54 · SH-3	[SM 123]	

Where: at the **registered office**. They may be kept elsewhere in India where **more than 10%** of members live, by **special resolution**, with an advance copy to the ROC. **Inspection:** members, debenture holders and beneficial owners **free**; others for a fee; extracts free, copies for a fee. Electronic maintenance is allowed; **SS-4** on registers is recommendatory. [SM 123–124]

Powers and restrictions (s.179, s.180) repeat on SM 124–126: see **1.5 part 7**. One extra point here: a **borrowing beyond the s.180 limit** is not valid **unless the lender proves** he lent in **good faith** without knowing the limit was exceeded. [SM 126]

7 Board composition, committees, audit committee and vigil mechanism (s.177) · Jun'25 Q5(a)

LISTED COMPANY BOARD (LODR Reg 17)

- A mix of executive and non-executive directors, with at least **one woman** and at least **50% non-executive**. [SM 126]
- **Non-executive chairman:** at least **one-third** IDs. **Executive chairman:** at least **half** IDs (SM MCQ 64). [SM 126]
- At least **4 Board meetings** a year, gap at most **120 days**. A director may sit on at most **10 committees** and chair at most **5**. Disclosures: an MD&A report, a corporate governance report, and the **auditor's certificate** on governance compliance. [SM 128]

COMMITTEES (SM table)

Committee	Composition	Chair
Audit	at least **3**, majority IDs	ID
Nomination & Remuneration	at least **3**, all non-executive, at least **50%** IDs	ID
Stakeholders Relationship	as the Board decides	non-executive
Risk Management	majority Board members	Board member
CSR (s.135)	at least **3**, at least one ID (see 3.4)	–

[SM 127]

Audit committee, s.177 [SM 128–129]

WHO MUST HAVE ONE · COMPOSITION

- Every **listed company**, and every **public company** with paid-up capital ≥ **₹10 crore**, OR turnover ≥ **₹100 crore**, OR loans, debentures and deposits above **₹50 crore** (per the last audited FS). [SM 128]
- At least **3 directors**, **IDs forming a majority** (not needed for section 8 companies). The majority, **including the chairperson**, must be able to **read and understand financial statements**. Its composition is disclosed in the Board's report. [SM 129]

Are its recommendations binding? No: they are **recommendatory**. But if the Board **does not accept** one, it must disclose that in the **Board's report with reasons** (MCQ bank 141). [SM 129]

TERMS OF REFERENCE (the 7-mark list)

1. recommend the **appointment, remuneration and terms of the auditors** (Government company: remuneration only, as the CAG appoints)
2. review and monitor the auditor's **independence, performance and audit effectiveness**
3. **examine the FS** and the auditor's report
4. **approve RPTs** and later changes (omnibus approval allowed)
5. scrutinise **inter-corporate loans and investments**
6. **valuation** of undertakings or assets where needed
7. evaluate **internal financial controls and risk management**
8. monitor the **end use of funds** raised through public offers

[SM 129]

Powers: it may **investigate** these matters, take outside professional advice, and have full access to records. It may call for the **auditors' comments** on internal control, audit scope and the FS, and discuss them with internal and statutory auditors (MCQ bank 140). **Auditors and KMP may be heard** when it considers the audit report, but **cannot vote**. [SM 129]

VIGIL MECHANISM s.177(9) + RULE 7

Who: listed companies, companies **accepting public deposits**, and companies that borrowed above **₹50 crore** from banks or PFIs. **What:** directors and employees report **genuine concerns**, with safeguards against victimisation and **direct access to the audit committee chairperson** in exceptional cases. It is disclosed on the website and in the Board's report. The audit committee oversees it (conflicted members recuse); where there is no audit committee, the Board **nominates a director** for the role. Repeated frivolous complaints may lead to action, including **reprimand**. [SM 130]

8 Duties (s.166) and liabilities of directors: never asked yet

s.166: A DIRECTOR SHALL …

a. act according to the **articles**, subject to the Act
b. act in **good faith** to promote the company's objects, in the best interests of the **company, employees, shareholders, community and the environment**
c. use **due and reasonable care, skill and diligence**, and **independent judgment**
d. avoid **conflicts of interest**, direct or indirect
e. not seek **undue gain** for himself, relatives, partners or associates
f. not **assign his office**

Directors are **not agents of the shareholders**; even the group that nominated a director cannot instruct him. *Milan Sen v. Guardian Plasticate*: whether the company needs more capital (a rights issue) is for the directors, and courts do not interfere without mala fides. [SM 130–131]

LIABLE WHEN …

- **To outsiders:** contracts **ultra vires** the company or beyond their authority, or made in their own name · a misleading **prospectus** · **fraud** · **irregular allotment** · a court order for **fraudulent trading**. [SM 131–132]
- **To the company: negligence** causing loss · ultra vires acts · illegal acts or **breach of trust**. [SM 132]
- **To shareholders:** as **trustees** of the company's property and powers, they make good losses from breach of trust or negligence. [SM 132]
- **Statutory defaults** under the Act. [SM 132]

9 Political contributions (s.182) · ICMAI PTP Q3(a)

THE RULE AS THE SM GIVES IT

- A company may contribute, directly or indirectly, to a **political party registered under s.29A** of the Representation of the People Act, 1951. [SM 132]
- **Cannot contribute:** a **Government company**, or a company **less than 3 financial years old**. [SM 132]
- Only by a **resolution at a Board meeting** (not by circulation). [SM 132]
- "Contribution" includes donations or payments likely to affect public support for a party, and spending on **politically connected publications**. [SM 132]
- **Disclose** the amounts contributed in the **profit and loss account**. [SM 132]

⚠ THE SM SAYS "NO LIMIT": THAT CHANGED IN 2024

The 2017 amendment removed the old cap. In **February 2024** the Supreme Court (*Association for Democratic Reforms v. Union of India*, the electoral bonds case) **struck down that amendment**. That brings back the limit of **7.5% of the average net profits of the preceding three financial years**, and disclosure of the **party's name**. Write the SM rule, then add this update in one line. [SM 132]

10 Model answers: our top two Dec'26 questions on 1.6

MODEL ANSWER 1 · QUORUM CASE (JUN'25 Q3(a), REPEATED IN ICMAI'S MQP AND PTP) · 7 MARKS

Q. What is the quorum for a Board meeting? (1) Only 3 of 11 directors were present and none was interested. Is the meeting valid? (2) Of 11 directors, 5 were present, but only 2 of them were not interested in one transaction. How should the meeting deal with it?

Provision (s.174): the quorum is **one-third of the total strength or two directors, whichever is higher**; a fraction counts as one, and vacant places are excluded. Directors on video count. An **interested director** (s.184) is not counted for the item he is interested in. Where interested directors are **two-thirds or more of total strength**, the quorum is the non-interested directors present, provided they are at least two. The quorum must be present throughout (SS-1). [SM 118–119]

(1) Total strength 11 → 11/3 = 3.67 → **quorum 4**. Only 3 are present, so there is **no quorum**. The meeting is **not validly held**; no business can be done, and it stands adjourned (s.174(4)).

(2) The quorum is 4, and 5 are present, so the **meeting itself is valid**. For the transaction, only the 2 non-interested directors count. The interested directors present (3) are fewer than two-thirds of 11 (7.33), so the special rule does not apply and the normal quorum of 4 is needed. **2 < 4**, so **that transaction cannot be approved**; it is deferred to a meeting with enough disinterested directors. The interested directors must disclose their interest and stay out of the discussion (s.184).

Conclusion: (1) invalid, adjourned; (2) the meeting proceeds with other business; the interested transaction is deferred.

MODEL ANSWER 2 · NOTICE / SHORTER NOTICE / VIDEO CONFERENCE (DEC'25 Q3(a) + Q4(a)) · 7 MARKS

1. **Notice (s.173(3)):** at least **7 days' written notice** to every director at his registered address in India or abroad, by hand, post or electronic means. A director in **London** is served at his registered address there, normally **by e-mail**. [SM 117]
2. **Shorter notice:** allowed for **urgent business**, if the notice says so and **at least one independent director is present**. **Without an ID**, decisions may still be taken, but they are circulated to all directors and become **final only on ratification by at least one ID**. [SM 117]
3. **Venue, day, time:** under SS-1 a meeting may be held **at any time and place, on any day except a national holiday**. Sunday 5 January, 8 p.m., at a Mumbai hotel (RO in Chennai) is **valid**: it is not a national holiday, and there is no rule that the meeting must be at the RO. [SM 118]
4. **Video conference venue:** the notice must name a venue, and that is the place where the **recordings of the proceedings are made**. Here, the Mumbai venue. [SM 118]
5. **Quorum:** 14 posts, 2 vacant → strength **12** → quorum **4**. 7 attend (3 in person, 4 by video); video directors count. If the London link drops, **5 remain ≥ 4**, so the meeting continues validly. The quorum must exist **throughout**; the dropped directors are recorded as not present for later items. [SM 118–119]

SM exercise MCQs on 1.6, with answers (SM 166–171; ★ = asked in an exam)

57 Board quorum ★	**⅓ or 2, higher**	61 minutes kept at	**registered office**
58 circular resolution goes to a meeting if asked by	**one-third** of directors	63 buy-back authorised by Board	**only at a Board meeting**
59 Board minutes signed by	**chairman of that or the next meeting**	55 / 65 audit committee majority	**independent directors**
60 Board minutes preserved	**permanently**	56 IDs meet separately, a year	**once**
bank 140: audit committee may	**interact with statutory and internal auditors**	bank 141: its recommendation	**if not accepted, Board records reasons**

R Revision: every number in 1.6

Rule	Number
first Board meeting within	30 days
meetings a year / maximum gap	4 / 120 days
OPC, small, dormant: per half-year / gap	1 / ≥ 90 days
IDs meet separately	once a calendar year
video intimation valid for	1 calendar year
notice of Board meeting	7 days
shorter notice: IDs present	at least 1
penalty for no notice	₹25,000 per officer
quorum	⅓ or 2, higher
interested special rule at	≥ ⅔ of strength
section 8 quorum	8 or 25%, lower; ≥ 2
circulation: send to meeting if / reply within	⅓ / 7 days

Rule	Number
minutes kept within / draft circulated	30 / 15 days
GM minutes: inspection / copy within	2 hrs a day / 7 days
s.118 default: company / officer	₹25,000 / ₹5,000
registers elsewhere if members there exceed	10%
listed: women / non-executive	1 / 50%
IDs: non-exec / exec chairman	⅓ / half
committees: member / chair, at most	10 / 5
audit committee: paid-up / turnover / debt	₹10 cr / ₹100 cr / > ₹50 cr
audit / NRC committee size	≥ 3 / ≥ 3
NRC independent share	≥ 50%
vigil mechanism: bank borrowings above	₹50 crore
political contribution: company age	≥ 3 FYs