

# Independent Directors

AN OPPORTUNITY FOR **CAs**

# Why BECOME an



# INDEPENDENT DIRECTOR

# Independent Director

## Why become one?

- Position
- Prestige
- Knowledge
- Contribution
- Money



# INDEPENDENT DIRECTOR

WHO CAN BECOME ONE?



# Who can be an Independent Director

## Section 149 of Companies Act

- Person of integrity and possesses relevant expertise and experience;
- not a promoter of the company;
- not related to promoters or directors;
- no pecuniary relationship with the company, in past 2 years;
- no relatives have pecuniary interest or transaction of 2% of Rs 50 lakhs of turnover, whichever is less in past 2 years;

# Who can be an Independent Director

## Section 149 of Companies Act

- who, neither himself nor any of his relatives in the past 3 years —
  - (i) had been a key managerial personnel or an employee;
  - (ii) had been an employee or partner
    - in the auditor firm;
    - any legal/consulting firm having with the company of 10% of turnover of such firm;
  - (iii) holds together with relatives 2% or more voting power of the company; or
  - (iv) is CEO or Director of any non-profit organisation that receives 25% or more of its receipts from the

# INDEPENDENT DIRECTOR

## What does it mean?

- **A non executive director**
  - Do not run the day to day activities
- **Helps to improve**
  - Corporate credibility and governance standards
- **Does not have any relationship with the company**
  - That may affect the independence of judgment

# INDEPENDENT DIRECTOR Requirements

- **Indian Institute of Corporate Affairs**
  - The nodal body
- **Wef 1<sup>st</sup> December 2019**
  - To apply to IICA for registration
  - Include name in Data Bank
  - Within 3 months
- **Pass an online proficiency **self-assessment** test**
  - Conducted by the IICA
  - Within one year from the date of inclusion of their name in the data bank.





# INDEPENDENT DIRECTOR

## Exemption from on line test

- Have been a
  - *Director. or*
  - *Key Managerial Personnel*
- For not less than 10 years
  - *in a listed public company or*
  - *an unlisted public company*
    - *having a paid-up share capital of Rs 10 crore.*

# **ON LINE PROFICIENCY TEST PASSING**

**MAKES A PERSON ELIGIBLE FOR INDEPENDENT  
DIRECTORSHIP**

# On Line Test

# What to do to Qualify

Things to know



# On line test

## Details

- ✓ **Total Marks:** **100**
- ✓ **Multiple Choice Questions:** **50**
- ✓ **Time available:** **75 mins**

- **Time per question:** **1.5 mins**
- **Marks per question:** **2**

### ❖ **Nature of MCQs:**

- ❖ **Direct:** **25 nos**
- ❖ **Scenario based:** **25 nos**

# Test Modules

## How structured

- **Bit sized modules**

- Each category of online course is further divided into bite sized or small modules.
- These modules are designed to engage learners and provide comprehensive topic understanding

- **Post-assessment Quizzes to Check Learner's Retention**

- Post-assessment quizzes appear after each module to check learner's retention.
- Questions comprise of different interactive activities.

- **Anytime and Anywhere Access**

- Accessible online courses anytime, anywhere and from any device they use.
- Online courses are accessible from desktop, smartphones, and tablets.

# **42 MODULES**

**ON LINE TEST WILL COVER**

**A GLIMPSE INSIDE**

# Incorporation of Companies

This module will enumerate

Procedure for incorporation of a company, clauses of MOA, the effect of company registration, including the detailed procedure and other compliances

Board Essential Course

# **Incorporation of Companies**

You will learn in this module

- **Formation of Company**
- **Authorities under the Companies Act, 2013**
- **Types of Companies: Categories**
- **Procedure for Incorporation of Company**
- **Memorandum of Association (MoA) and Articles of Association (AoA)**
- **Documents required to be filed and attached with incorporation form**



# Share Capital

This module  
will discuss nature and kinds of share and share capital, voting rights,  
membership of company and other related provisions

Board Essential Course

# Share Capital

This module to cover

- ✓ Understand definition and nature of share capital
- ✓ Identify types of share capital
- ✓ Explain the procedure of issuing shares of various types

# General Meetings

This module

will cover the shareholders' meetings including statutory meeting, Annual General Meeting (AGM), Extraordinary General Meeting (EGM) and class meetings

Board Essential Course

# General Meetings

This module to cover

- ❖ Understand different types of shareholders
- ❖ Explain the importance of AGM
- ❖ Outline power of tribunal to call AGM and meeting of members
- ❖ Define EGM and its related provisions
- ❖ Analyze explanatory statement and quorum of meetings

# Accounts of Companies

Maintenance of books of account would mean records maintained by the company to record the specified financial transaction.

It has been specifically provided that every company shall keep proper books of account.

This module would cover all legal requirements of account of companies

Board Essential Course

# Accounts of Companies

Module to cover

- Explain National Financial Reporting Authority (NFRA)
- Define Key terms related to financial reporting
- Identify provisions for applicability of accounting standards

# Debenture & Bonds

The present module will discuss the aspects of debentures - nature and types of debentures, role of debenture trustees and provisions related to bonds

Board Essential Course

# Debentures and Bonds

- ❖ Define debentures and bonds
- ❖ Outline difference between debentures and bonds
- ❖ Identify different types of bonds
- ❖ Describe conditions for issue of bonds and debentures



# Acceptance of Deposits

This module will discuss the provisions relating to acceptance of deposit including Companies (Acceptance of Deposits) Rules, 2014 by companies from public and members

Board Essential Course

# Acceptance of Deposits

Module to contain

- Explain meaning of deposits
- Compare loan with deposit
- Identify the deposit process

# Prospectus and Allotment of Shares

This module will deliberate upon on raising of capital – general principles, prospectus and related provisions

Board Essential Course

# Prospectus and Allotment of Shares

Module to contain

- Define prospectus and its importance
- Identify content of prospectus
- Analyze prerequisites for issuing prospectus
- Understand contravention of Section 26 of the Companies Act, 2013

# Related Party Transactions

This module would cover the concept of RPT, identification of related parties, related party transactions, approval process and disclosure requirements under the Companies Act, 2013

Board Essential Course

# Related Party Transactions

## Things to learn

- Define related party transactions
- Identify relevant provisions of the Companies Act, 2013
- Understand provisions of the Companies (Meetings of Board & Its Powers) Rule, 2014

# Audit & Auditors

The present module would discuss the role of auditors, the process of appointment, removal of auditors, powers and duties of auditors

Board Essential Course

# Audit and Auditors

## Points to learn

- ✓ Identify provisions related to auditing and appointment of auditors as per the Companies Act, 2013
- ✓ Explain the manner and procedure of selection of auditors
- ✓ Compare the relevant provisions as per the Companies Act, 2013 and Companies Act, 1956
- ✓ List down the powers and duties of auditors



# M&A

Reconstructing and reorganizing of business of a company is a perennial, expansive and exhaustive activity, whereby a competitive company intends to target towards increasing revenue through capital and business restructuring, changing corporate entity, through mergers, acquisitions and take-over. This module would cover all these topics at basic level

Board Essential Course

# M&A

- Define merger, its significance, and types
- Outline legal frameworks governing M&As
- Describe merger and cross-merger procedure

# Institution of Directors

This module would elaborate on the concepts relating to directors including types of directors, role, powers, functions and penalties and related the procedure under the Companies Act, 2013

Board Essential Course

# Institution of Directors

- Understand meaning, role, and composition
- Describe role of directors
- Identify legal status of directors
- Explain the provisions for resident and woman director
- Define role, maximum directorship, and tenure of Independent Directors
- Outline the provisions for resignation and removal of directors

# Duties of Directors

This module will help you understand the duties and sources of duties of the companies' directors enshrined in the Companies Act. 2013.

In this module, you will also understand the key differences between duties and liabilities

Board Essential Course

# Duties of Directors

- ✓ Explain the concept of duties of directors
- ✓ Identify the sources of duties
- ✓ Understand the differences between liability and duty
- ✓ Describe the codified duties of the directors

# Liability of Directors and KMP

This module would cover the role and liabilities of Key Managerial Persons (KMP) under Companies Act, 2013 while covering the concept of officer in default and related legal provisions

Board Essential Course

# Liability of Directors and KMP

- Identify Key Managerial Personnel (KMP)
- Outline eligibility criteria for a managing director
- Describe roles of a managing director as KMP
- Outline individual liability Vs. corporate liability



# Safeguarding Directors

This module will help you to understand the provisions of the Companies Act, 2014 and SEBI LODR that safeguards the Directors of the companies from certain liabilities. This module will also enumerate different important duties and obligations of the Directors

Board Essential Course

# Safeguarding Directors

- Describe the responsibilities of the directors
- Identify the provisions of the Companies Act, 2013 for protection of directors from certain liabilities
- Explain how the Act safeguards the interest of the directors

# Oppression & Mismanagement

Provisions relating to oppression and mismanagement are an important tool in the hands of the members when the affairs of the company are being conducted in a manner prejudicial to public interest or in a manner oppressive to any member or members. This module would deliberate on the concepts and related remedial provisions

Board Essential Course

# Oppression & Mismanagement

- Define oppression and mismanagement
- Identify various elements of oppression
- Explain instances of oppression
- State the acts of oppression and mismanagement as prejudicial to the interest of company and public

# Penalties and Compounding of Offences

The Act provides the legal basis for various corporate governance norms that are considered essential for proper corporate operation and protecting the rights of stakeholders. Violations of such norms are defined as offences with associated penalties. This module would cover the legal provisions relating to Penalties and Compounding of Offences

Board Essential Course

# Penalties and Compounding of Offences

- Outline the provisions in the Companies Act, 2013 to maintain transparent working of a company
- Identify cognizable and non-cognizable offences
- Describe Advantages of Compounding

# **SEBI (Listing Obligations & Disclosure Requirements)**

## **LODR**

Listing denotes the permission granted by a recognized stock exchange to a public company for the purpose of the company's particular securities being traded and dealt on the recognized stock exchange which has granted such permission. This module would discuss the procedure for listing, important clause of listing agreement and delisting

Board Essential Course

# SEBI LODR

- Identify applicability of SEBI LODR
- Explain its key features
- List down the new provisions
- Define regulation 30 of SEBI LODR



# Board Committees

The Board of Directors are responsible for the governance of their companies and are appointed by shareholders. There are also various board committees, which play a major role in the working of the company. This module would discuss the roles of all these committees

Board Essential Course

# Board Committees

- Identify role of an **audit committee**
- Explain composition and objectives of **Nomination and Remuneration Committee**
- Outline composition and objectives of **Stakeholders Relationship Committee**
- Describe composition and objectives of **Corporate Social Responsibility Committee**

# Secretarial Audit and Compliances

Secretarial Audit is an audit to check compliance of various legislations including the Companies Act and other corporate and economic laws applicable to the company. This module would address all relevant provisions on the subject

Board Essential Course

# Secretarial Audit & Compliances

- Define secretarial audit
- Identify applicability of secretarial audit
- Outline tenure of appointment
- Duties and conditions for resignation/removal of secretarial auditor
- Understand compliance and process of secretarial audit

# Secretarial Standard 2

This standard seeks to prescribe a set of principles for the convening and conducting of General Meetings and matters related. This module would cover the details of the SS-2 applicable to General Meetings

Board Essential Course

# Secretarial Standard 2

- Identify authority for convening general meetings
- Outline the process of issuing notice for meetings
- Explain the process for deciding chairman of meeting
- Understand guidelines for conducting voting and e-voting

# Board Meetings

The procedure for conducting the board meeting involve calling of meetings through notice, quorum of the board meeting, participation of directors in board meeting, passing of resolution both special and ordinary and power exercisable by the board of directors under the Companies Act, 2013 and related rules would be discussed in this module

Board Essential Course

# Board Meetings

- Identify regulatory frameworks of board meetings
- Describe quorum of board meetings
- Define quorum of board meetings as per SEBI's LODR
- Underline the need for Secretarial Standards



# Corporate Social Responsibility

The Companies Act mandates CSR expenditure for companies crossing a threshold of net worth, net turnover or net profit in a given financial year. This module would cover the concept of CSR and its rules including implementation in project mode

Board Essential Course

# Corporate Social Responsibility

- Identify mandate for companies to engage in CSR activities
- Describe roles of CSR committee and board
- Explain penalization provisions for non-compliance
- Define provisions of CSR for foreign companies
- Outline the guidelines for CSR expenditure

# How to Read Balance Sheet

In this module, you will learn the importance of balance sheet and audited balance sheet. After going through this module, you will also be able to identify the principles applicable for preparing the balance sheet

Board Essential Course

# How to Read a Balance Sheet

- Understand the importance of balance sheet and audited balance sheet
- Identify the principles for preparing balance sheet
- Explain the importance and types of the auditor's report
- Describe how to read a balance sheet, P&L statement, and cash flow statement

# Decoding Financial Statement

This module will help you decode different types of financial statements and identify the liability side of the balance sheet. This module will also help you enumerate the process of decoding a CARO report

Board Essential Course

# Decoding of Financial Statement

- Decode different types of financial statements
- Identify the components of the liability side of the balance sheet
- Understand connection and auditor's report
- Outline the process of decoding CARO report

# Professional Ethics

This module will help you in understanding and conceptualizing the business ethics for Independent Directors. This module will all help you enumerate the meaning of ethical and unethical behavior, meaning of poor governance, and steps to avoid poor governance

Board Essential Course

# Professional Ethics

- Define and conceptualize business ethics for Independent Directors
- Describe what is poor governance and how to avoid it
- Understand ethical and unethical behavior
- Identify several challenging situations when you need to ensure credibility



# Due Diligence before joining a Board

To understand the importance of the role of Independent Director and to place due diligence before joining a board. The module will help understand the questions an Independent Director needs to ask before accepting the Honorary responsibility of directorship

Board Practice Course

# Due Diligence before joining the Board

- Identify board responsibilities before joining a board
- Explain key functions of a board
- Outline due diligence questions about the company, board, and self

# Exemplary Board

To understand the role of an effective board. The module also helps to understand the model or ideal factors that needs to be inculcated in the practice of board for effectiveness

Board Practice Course

# Exemplary Board

- Define exemplary board
- Evaluate role and responsibilities of board of directors
- Identify the constituents of exemplary board

# Board Effectiveness & Culture

To understand how boards function for the governance of the company. The module will help understand how effectiveness of the boards can be enhanced by developing right culture in the board and the company for robust, effective and transparent functioning

Board Practice Course

# Board Effectiveness and Culture

- Identify factors that determine board effectiveness
- Outline human elements of board culture
- List down the techniques of informal meetings
- Explain the trust factors that lead the board

# **Building Resilient Company: Board's Role**

To understand the role of the board in managing crisis and turbulent business eco system. The module will help to understand how board can assist the executive management and managing risk and coping with the crisis situations.

Board Practice Course

# Building Resilient Company: Board's Role

- Define Enterprise Risk Management (ERM)
- Categorize different types of risk
- Identify risk appetite
- Outline ERM components



# Governance of Committees

To understand the imperative of board committees as a feeding mechanism to board meetings. The module also helps to understand the need and basic premise of every board committee for the independent directors to discharge their duties in an effective manner. The limitations of the committee form of board governance could also be understood in the process

Board Practice Course

# Governance of Committees

- Outline imperatives for the board of directors
- Identify the need for board committees
- Define basic premises of committees
- Underline limitations of board committees

# Governance and Strategy

To understand the role of strategy for a company for the business success. The module articulates various concepts relating to design and development of the strategy for effective execution. Independent directors will get an overview of the practise of strategy for improvising their oversight role

Board Practice Course

# Governance and Strategy

- Describe mission and vision of a company
- Outline components of vision and mission
- Explain BHAG (Big Hairy Audacious Goal) theory
- Identify capabilities and management systems

# Managing CSR & Engaging Stakeholders

To understand the moral purpose of business and interdependence of the company and the stakeholders. The module will help understanding how effectively a company can engage with stakeholders for strategic CSR for a wider impact

Board Practice Course

# Managing CSR & Engaging Stakeholders

- Identify moral purposes of business
- Outline the concept of interdependence for CSR
- Define stakeholders
- Explain the goals of strategic stakeholder management

# Managing through Financial Ratios

To understand the importance of financial statements and the ration form of analyzing the financial information.

The module will also help developing fundamental understanding of various key aspects relating to financial statements for demystifying the financial information and basing effective decisions on it

Board Practice Course

# Managing through Financial Ratios

- Explain the principle of prudence
- State accounting equation
- Outline components of equity and preference share capital
- Identify examples of different assets and liabilities



# Board Evaluation

To understand the importance of evaluation of the board in raising the standards of corporate governance practice at the board level. The module will also help to understand the elements, process and guiding norms for evaluating board performance.

Board Practice Courses

# Board Evaluation

- Explain the fundamental principles of board evaluation
- Identify annual objectives of board evaluation
- Analyze board's capabilities and process
- Outline the culture of exemplary board

# Evaluation of Independent Directors

To understand the importance of role of Independent Directors as provided in Companies Act and SEBI provisions. It engages with the reasoning of evaluation of Independent Directors and the elements to be focused while conducting the process.

Board Practice Courses

# Evaluation of Independent Directors

- Identify key functions and responsibilities of board of directors and Independent Directors
- Analyze role of Independent Directors
- Examine the evaluation process of Independent Directors

# Case Study: World Com

The case study WorldCom accounting scandal reflects upon the financial frauds committed by WorldCom

Board Practice Courses

# Case Study: Enron Corp

Board Practice Courses

# Case Study Volkswagen

The case reflects upon the Emission Scandal and tampering of technology, threatening of organization.

Board Practice Courses

# Case Study: Olympus

The case reflects upon the corporate governance weakness at Olympus Japan

Board Practice Course



# Case Study: Satyam

The case reflects upon creative accounting scandal in Indian context by falsification of accounts, debtors etc

Board Practice Course

# Case Study: Maruti Suzuki

The case reflects upon the role of Independent Directors and their intervention in the best interest of the company

Board Practice Course

# Case Study: Hydro One

The case reflects upon the application of Enterprise Risk Management at HydroOne as a best practice

Board Practice Course

# SHOULD YOU GIVE UP?

ITS NOT DIFFICULT

FEW DAYS OF CONCENTRATION SHOULD BE ENOUGH

# **SOME HINTS**

**TO PASS THE SELF ASSESSMENT TEST**

# Some HINTS

To qualify the self assessment test

- IICA Website: the best bet
- Go through the 42 Modules
- These are power point presentations with commentary
- Attempt the tests at the end of each module
- Attempt the dummy self assessment test
- Book a date for your test

# Some HINTS

To qualify the self assessment test

- Appear for the test
- Outcome negative is not problem
- You will know what to study and concentrate on
- There is no limit to number of tests
- Currently over 80% are passing the test

**Do people really  
give up??**

## Moving Away

Independent director  
cessations from NSE  
listed companies from 1st  
January 2020 till date



Reason	Numbers
Retired, Superannuated, Term Expired	55
Pre-occupation	36
Personal reason	18
Demise	13
No Reason	9
Not Interested	8
Health reasons	6
Others	23 <small>BCCL</small>
<b>Total</b>	<b>168</b>

SOURCE: nseInfobase.com



# **DEMAND FOR INDEPENDENT DIRECTORS BOUND TO TAKE PLACE**

**QUALIFYING THE TEST MAKES THE MATTER EASIER**

# INDEPENDENT DIRECTOR TEST

**IDEAL FOR CAs**



**Happy to HELP**

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