

Test Series: August, 2018

MOCK TEST PAPER - 1

INTERMEDIATE (NEW): GROUP – I

PAPER – 2: CORPORATE AND OTHER LAWS

Question No.1 is compulsory

Attempt any **Four** questions out of the remaining **Five** questions

Time Allowed – 3 Hours

Maximum Marks – 100

1. (a) OLAF Limited, a subsidiary of PQR Limited, decides to give a loan of Rs. 4,00,000 to the Human Resource Manager, who is not a Key Managerial Personnel of OLAF Limited, drawing salary of Rs. 30,000 per month, to buy 500 partly paid-up Equity Shares of Rs. 1000 each in OLAF Limited. Examine the validity of company's decision under the provisions of the Companies Act, 2013. **(6 Marks)**
- (b) TAT Ltd. incurred loss in business upto current quarter of financial year 2017-18. The company has declared dividend at the rate of 12%, 15% and 18% respectively in the immediate preceding three years. In spite of the loss, the Board of Directors of the company have decided to declare interim dividend @ 15% for the current financial year. Examine the decision of TAT Ltd. stating the provisions of declaration of interim dividend under the Companies Act, 2013. **(6 Marks)**
- (c) Mr. Navin owns a big car and has leased his car to Mrs. Susie. The lease agreement is terminable on three month's notice. Mr. Bhalla, not being authorised by Mr. Navin, demands on behalf of Mr. Navin, the delivery of the car and gives a notice of termination of lease agreement to Mrs. Susie who was in possession of the car at that time. Examine whether Mr. Navin can ratify the notice sent by Mr. Bhalla. Give your answer as per the provisions of the Contract Act, 1872. **(4 Marks)**
- (d) Mr. Mike has lent his house property to Mr. Wise at a monthly rent of Rs. 15,0000 per month. The yearly rent agreement was due to expire in near future. However, Mr. Mike does not intend to continue this agreement and he has sent a notice to Mr. Wise for the termination of the agreement. Mr. Wise on the other hand does not want to vacate the property and hence has returned the notice with an endorsement of refusal. Now, Mr. Wise has contended that the no notice was served to him and hence there is no need for him to vacate the property. As per the provisions of the General Clauses Act, 1897, discuss whether a notice was served to Mr. Wise. **(4 Marks)**
2. (a) Examine the validity of the following with reference to the provisions of the Companies Act, 2013:-
  - (i) DON Limited appointed an individual firm, Nat & Company, Chartered Accountants, as Auditors of the company at the Annual General Meeting held on 30th September, 2017. Mrs. Kat, wife of Mr. Nat, invested in the equity shares face value of Rs. 1 lakh of DON Limited on 15th October, 2017. But Nat & Company continues to function as statutory auditors of the company.
  - (ii) Mr. Suresh, a Chartered Accountant, was appointed by the Board of Directors of AB Limited as the First Auditor. The company in General Meeting removed Mr. Suresh without seeking the approval of the Central Government and appointed Mr. Gupta as Auditor in his place? **(6 Marks)**
- (b) Mr. Siddharth holds 400 shares of Gauri Ltd. He intends to nominate these shares to his son Ambar. Discuss the provisions of the Companies Act, 2013 in relation to facility of nomination. **(6 Marks)**

- (c) Give the answer of the following as per the provisions of the Negotiable Instruments Act, 1881:
- (i) A draws a cheque in favour of M, a minor. M endorses the same in favour of X. The cheque is dishonoured by the bank on grounds of inadequate funds. Discuss the rights of X.
  - (ii) A promissory note was made without mentioning any time for payment. The holder added the words "on demand" on the face of the instrument. Does this amount to material alteration?
  - (iii) A draws a cheque for Rs. 1000 and hands it over to B by way of gift. Is B a holder in due course? Explain whether he has right to receive the proceeds of the cheque.
  - (iv) A cheque is drawn payable to "B or order". It is stolen and the thief forges B's endorsement and endorses it to C. The banker pays the cheque in due course. Whether B can recover the money from the banker. **(8 Marks)**
3. (a) Alfa school started imparting education on 1.4.2010, with the sole objective of providing education to children of weaker society either free of cost or at a very nominal fee depending upon the financial condition of their parents. However, on 30th March 2018, it came to the knowledge of the Central Government that the said school was operating by violating the objects of its objective clause due to which it was granted the status of a section 8 company under the Companies Act, 2013. Describe what powers can be exercised by the Central Government against the Alfa School, in such a case? **(6 Marks)**
- (b) The Companies Act, 2013 has prescribed an additional duty on the Board of Directors to include in the Board's Report a 'Directors' Responsibility Statement'. Explain briefly the details to be furnished in the said statement. **(6 Marks)**
- (c) What do you understand by the term 'Good Faith'. Explain as per the provisions of the General Clauses Act, 1897. **(4 Marks)**
- (d) How far are (i) title and (ii) preamble in an enactment helpful in interpreting any of the parts of an enactment? **(4 Marks)**
4. (a) Examine the following with reference of the provisions of the Companies Act, 2013.
- (i) The Articles of Association of DJA Ltd. require the personal presence of 7 members to constitute quorum of General Meetings. The company has 965 members as on the date of meeting. The following persons were present in the extra-ordinary meeting to consider the appointment of Managing Director:
    - (1) A, the representative of Governor of Uttar Pradesh.
    - (2) D, representing Y Ltd. and Z Ltd.
    - (3) E, F, G and H as proxies of shareholders.Determine whether the quorum was present in the meeting? **(5 Marks)**
  - (ii) Sirhj, a shareholder, gives a notice for inspecting proxies, five days before the meeting is scheduled and approaches the company two days before the scheduled meeting for inspecting the same. What is the legal position relating to his actions (as per the provisions of the Companies Act, 2013)? **(3 Marks)**
- (b) Mr. Honest, an auditor of MM company ltd. has colluded with the company for a fraud. The Central Government has applied to Tribunal about the said fraud by Mr. Honest. State the provisions of the Companies Act, 2013 regarding the steps that can be taken by Tribunal when it finds that the auditor of a company has acted in a fraudulent manner. **(4 Marks)**
- (c) Briefly explain the meaning and application of the rule of "Harmonious Construction" in the interpretation of statutes? **(6 Marks)**

- (d) As per the provisions of the Companies Act, 2013, a whole time Key Managerial Personnel (KMP) shall not hold office in more than one company except its subsidiary company at the same time. Referring to the General Clauses Act, 1897, examine whether a whole time KMP can be appointed in more than one subsidiary companies? **(2 Marks)**
5. (a) Examine the validity of these allotments in the light of the provisions of the Companies Act, 2013
- (i) Mars India Ltd. owed to Sunil Rs. 1,000. On becoming this debt payable, the company offered Sunil 10 shares of Rs. 100 each in full settlement of the debt. The said shares were fully paid and were allotted to Sunil.
- (ii) The Board of Directors of Reckless Investments Ltd. have allotted shares to the investors of the company without issuing a prospectus with the concerned Registrar of Companies. Explain the remedy available to the investors in this regard. **(7 Marks)**
- (b) Mind Limited realised on 2<sup>nd</sup> May, 2018 that particulars of charge created on 12<sup>th</sup> March, 2018 in favour of a Bank were not filed with Registrar of Companies for Registration. What procedure should the company follow to get the charge registered with the Registrar of Companies? Would the procedure be different if the charge was created on 12<sup>th</sup> February, 2018 instead of 12<sup>th</sup> March, 2018? Examine with reference to the relevant provisions of the Companies Act, 2013. **(5 Marks)**
- (c) Define 'Contract of Indemnity' as per the Indian Contract Act, 1872. What are the parties to a contract of indemnity? Give an example to explain the contract of indemnity. **(5 Marks)**
- (d) Ashley bails his jewelry with Barn on the condition to safeguard in bank's safe locker. However, Barn kept it in safe locker at his residence, where he usually keeps his own jewelry. After a month all jewelry was lost in a religious riot. Ashley filed a suit against Barn for recovery. Referring to provisions of the Indian Contract Act, 1872, state whether Ashley will succeed. **(3 Marks)**
6. (a) Write short notes on the following in respect of the provisions of the Companies Act, 2013:
- (i) Creation of debenture redemption reserve account.
- (ii) Appointment of 'Debenture Trustee' by a company. **(6 Marks)**
- (b) Explain the provisions of the Companies Act, 2013 relating to Rectification by Central Government in register of Charges. **(6 Marks)**
- (c) Megha advances to Nisha Rs. 5,000 on the guarantee of Prem. The loan carries interest at ten percent per annum. Subsequently, Nisha becomes financially embarrassed. On Nisha's request, Megha reduces the interest to six per cent per annum and does not sue Nisha for one year after the loan becomes due. Nisha becomes insolvent. Can Megha sue Prem?
- Decide your answer in reference to the provisions of the Contract Act, 1872. **(3 Marks)**
- (d) Explain the modes of discharge from liability on instruments, as per the provisions of the Negotiable Instruments Act, 1881. **(5 Marks)**