

Test Series: April, 2019

MOCK TEST PAPER - 2
INTERMEDIATE (NEW): GROUP – I
PAPER – 2: CORPORATE AND OTHER LAWS

Division A is compulsory.

In Division B, Question No.1 is compulsory

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

Time Allowed – 3 Hours

Maximum Marks – 100

DIVISION A

1. An aid that expresses the scope, object and purpose of the Act—
 - (a) Title of the Act
 - (b) Heading of the Chapter
 - (c) Preamble
 - (d) Definitional sections **(1 Mark)**
2. As per the Negotiable Instruments Act, 1881, when the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due on the.....
 - (a) said public holiday
 - (b) 5 days succeeding public holiday
 - (c) next succeeding business day
 - (d) next preceding business day **(1 Mark)**
3. An internal aid that may be added to include something within the section or to exclude something from it, is—
 - (a) Proviso
 - (b) Explanation
 - (c) Schedule
 - (d) Illustrations **(1 Mark)**
4. In how many days from the date of declaration of interim dividend, it shall be deposited in a separate bank account
 - (a) 5 days
 - (b) 7 days
 - (c) 15 days
 - (d) 21 days **(1 Mark)**
5. After Declaration of dividend it should be paid within
 - (a) 14 days
 - (b) 21 days
 - (c) 30 days

- (d) 45 days (1 Mark)
6. A company can re- open / recast its book of accounts on an application to Tribunal made by:
- (a) Registrar
 - (b) Member
 - (c) Board of Directors
 - (d) Income –tax authorities (1 Mark)
7. Which of the following is a prohibited services to be rendered by the auditor of the Company
- (a) design and implementation of any financial information system
 - (b) making report to the members of the company on the accounts examined by him
 - (c) compliance with the auditing standards
 - (d) Reporting of fraud against the company by officers or employees to the Central Government (1 Mark)
8. For appointing an auditor other than the retiring auditor,
- (a) Special notice is required.
 - (b) Ordinary notice is required.
 - (c) Neither ordinary nor special notice is required
 - (d) Approval of Central Government is required. (1 Mark)
9. ABC Ltd., a pharmaceutical company was having its manufacturing plant in Solan, Himachal Pradesh. The address of its registered office as informed to the Registrar of Companies was of one of its Director's office, situated at Mumbai, Maharashtra. To comply with the provisions of the Companies Act, 2013 it was keeping all its books of accounts, other relevant papers and financial statements at its registered office. After sometime Directors of the company found it difficult to maintain such books etc. at the registered office, so in a duly convened meeting of the Board of the Directors, it was decided that the books of accounts and other relevant papers be kept at the office situated in Solan. Within which time period the Registrar must be given notice about such decision of the board –
- (a) Within 30 days from the date of taking such decision by the board.
 - (b) Within 15 days from the date it starts maintaining its books of accounts at the office situated at Solan.
 - (c) Within 30 days from the date it starts maintaining its books of accounts at the office situated at Solan.
 - (d) Within 7 days from the date of taking such decision by the board. (1 Mark)
10. Purvi Pvt. Ltd. is maintaining a register of charges along with all other necessary books and registers. The entry for every creation, modification and satisfaction of charges is being done properly. The company is also preserving every instrument related to such charges. From the following for how long the instrument of charges shall be maintained/preserved by the company---
- (a) for minimum 8 years from the date of creation of charge
 - (b) For minimum 10 years from the date of creation of charge
 - (c) For minimum 8 years from the date of satisfaction of charge
 - (d) permanently, without any time limit (1 Mark)

11. ABC Infrastructures Limited is a listed company quoted at National Stock Exchange. The company closed its Register of Members in June and August, 2017 for 12 and 21 days respectively. The CFO of company has informed the company secretary to consider closing of register in December for another 15 days for some strategic reasons. Referring to the provisions of Companies Act, 2013, examine the validity of above action of the company.
- (a) Valid, as the closure of register of members by company each time is not exceeding 30 days.
 - (b) Invalid, as company cannot go for closure of Register of members more than twice in a year.
 - (c) Invalid, as the period of closing register of members exceeding 30 days in a year.
 - (d) Invalid, as the period of closing the Register of members by the company is exceeding 45 days in a year. **(1 Mark)**
12. The Annual General meeting of Tirupati Limited was scheduled for 28th December, 2017. Mr. Ananat, shareholder of Tirupati Limited has desired to inspect inspection of proxies lodged with the company. The notice for inspection should be given at least before the meeting:
- (a) 24 hours
 - (b) 1 day
 - (c) 2 days
 - (d) 3 days **(1 Mark)**
13. Feel Rich Co. Ltd. Having its registered office at New Delhi, is a subsidiary of a German company named Richman Company limited. The financial year of the parent/holding company ends on 31st December every year. The subsidiary company intends to follow a different financial year for consolidation of its accounts with its parent company, situated outside India. For doing so it is required to take prior permission of the competent authority. For the purpose from the following who will be this competent authority---
- (a) Registrar of Companies at New Delhi
 - (b) Tribunal
 - (c) Ministry of Corporate Affairs
 - (d) SEBI **(1 Mark)**
14. Validity period for the presentment of cheque in bank is—
- (a) 3 months
 - (b) 6 months
 - (c) 1 year
 - (d) 2 years **(1 Mark)**
15. Food lovers Inc. was incorporated as a one person company (OPC) on 1st September 2015 with paid up share capital of Rs. 25 lacs. This OPC wants to convert itself into a private limited company during the year ending on 31st March 2017. But the provisions of the Companies Act, 2013 prohibits an OPC from doing so before the expiry of a specified period. From the following options in which situation this OPC will mandatorily be converted into a private/public company even before expiry of such period—
- (a) After the expiry of two years from the date of its incorporation
 - (b) Paid up share capital of the company is increased beyond fifty lakh rupees
 - (c) The average annual turnover during the relevant period exceeds one crore rupees

- (d) If the application is filed with the ROC within 90 days of its incorporation as OPC, to be converted into a Private Limited company. **(2 Marks)**
16. The paid up share capital of ABC Ltd. Is 5000000 shares of Rs. 200 each. 20% of its paid up share capital is held by 4 of its promoters, who wants to off load their holding by making an offer of sale to the public by issuing a prospectus. They want to authorise someone to take all actions and complete all formalities related to such offer of sale. From the following who can be authorised by them to do so—
- (a) Any person who has agreed to fulfil all the formalities related to such offer of sale
- (b) Any one or more director of the company.
- (c) Company itself whose shareholding they want to offload.
- (d) Any competent officer of the company. **(2 Marks)**
17. The Authorised share capital clause of LMN & Co. Ltd. consisted of Preference share capital and Equity share capital both. With regard to equity share capital, the article of association of the company has given authorisation to issue differential equity shares. Apart from authorisation by the Articles, from the following strike out the condition, which is not mandatory to comply with—
- (a) Such issue of shares must be authorised by an ordinary resolution passed at a general meeting of the shareholders or by postal ballot, as the case may be
- (b) The company must have consistent track record of distributable profit for the last five years.
- (c) The company has no subsisting default in the payment of the declared dividend to its shareholders.
- (d) The company has not defaulted in filing financial statements and annual returns for three financial years immediately preceding the financial year in which it is decided to issue such shares **(2 Marks)**
18. ABC Ltd., a listed company proposed a dividend @ 15% on equity shares for the financial year ended on 31st March 2018. The Annual General Meeting (AGM) of the company was held on 15th July 2018 and the proposed dividend was approved and declared in the same. Due to some technical issues, dividend on 600 shares neither be paid within the time limit prescribed by the Act nor was transferred to unpaid dividend account. In such a situation which regulatory authority can take action against the company and its officers in default?
- (a) Central Government
- (b) SEBI
- (c) Tribunal
- (d) Investor Education and Protection Fund Authority **(2 Marks)**
19. Mr. A died at the age of 72 leaving behind some movable and immovable properties to be distributed between his two sons C & D, as per his registered will. His Will clearly mentioned that all the immovable property should go to C and all the movable property should go to D. Both the brothers divided the property as per will except below mentioned properties, because they could not establish which property should go to whom. Kindly help them by ticking the property/ies which should go to D (as per the provisions of the general Clause Act, 1897):
- (a) Standing crop in the fields
- (b) Cut crop, ready to sell
- (c) Tube well in the agriculture land

- (d) Sandal wood tree (2 Marks)
20. Anand is a goldsmith, who makes gold jewellery as per customer's requirement. Brijesh along with his friend Ramesh, who was also a friend of Anand, approached Anand for making bangles for his wife. Anand agreed to give delivery within 7 days from the day Brijesh gives him gold for making bangles. Brijesh gave him bangles on 2nd February 2018. The bangle making charges were Rs. 5000/-, which Brijesh agreed to pay at the time of delivery of the bangles. Anand delivered the bangles on 6th February 2018, but Brijesh said that he will pay the making charges after some time. Anand agreed to that. In spite of repeated reminders Brijesh did not pay his making charges. In this situation from the following what remedy is available to Brijesh—
- (a) He can sue Ramesh for his making charges because Anand was accompanied by him
- (b) He can sue Anand for his overdue making charges.
- (c) He can visit Anand's place and can take away anything, which is similar in value to the bangle making charges.
- (d) He can retain the goods, as he has the right of particular lien, he however does not have the right to sue Anand or Ramesh (2 Marks)
21. A good friend of Mr. A, Mr. D is a property dealer in Delhi and works for many renowned registered real estate developers. As Mr. D is doing very well in his work, Mr. A also wanted to work as a property dealer or property agent. Mr. X, a real estate developer of Delhi, appointed Mr. D as his agent for selling flats in his upcoming project, and asked him to name some other person to work for him, for his another project. At this time he introduced Mr. A to Mr. X, saying that he is also in the same field for last 10 years, although Mr. A did not had any experience in this field. Going by his words, Mr. X instructed to appoint Mr. A also for his other ventures. From the following, Mr. A will be treated as --
- (a) Agent of Mr. X
- (b) Sub-agent of Mr. D
- (c) Substituted agent of Mr. X
- (d) Sub-agent of Mr. X (2 Marks)
22. 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. As per the provisions of Negotiable Instruments Act, 1881:
- (a) M is liable to X
- (b) X can proceed against A
- (c) No one is liable in this case
- (d) M can proceed against A (2 Marks)

DIVISION B

1. (a) New a One Person company (OPC) was incorporated during the year 2015-16 with an authorised capital of Rs. 45 lakhs (4.5 lakhs shares of Rs. 10 each). The capital was fully subscribed and paid up. Turnover of the company during 2015-16 and 2016-17 was Rs. 2 crores and Rs. 2.5 crores respectively. Promoter of the company seeks your advice in the following circumstances, whether New (OPC) can convert into any other kind of company during 2017-18. Please, advise with reference to relevant provisions of the Companies Act, 2013 in the below mentioned circumstances:
- (i) If promoter increases the paid up capital of the company by Rs. 10 lakhs during 2017-18

- (ii) If turnover of the company during 2017-18 was Rs. 3 crores. **(6 Marks)**
- (b) (i) YZ Ltd is a manufacturing company & has proposed a dividend @ 10% for the year 2017-18 out of the current year profits. The company has earned a profit of Rs. 910 crores during 2017-18. YZ Ltd. does not intend to transfer any amount to the general reserves of the company out of current year profit. Is YZ Ltd. allowed to do so? Comment.
- (ii) Karan was holding 5000 equity shares of Rs. 100 each of M/s. Future Ltd. A final call of Rs. 10 per share was not paid by Karan. M/s. Future Ltd. declared dividend of 10%. Examine with reference to relevant provisions of the Companies Act, 2013, the amount of dividend Karan should receive. **(6 Marks)**
- (c) Explaining the provisions of the Indian Contract Act, 1872, answer the following:
- Mr. D was in urgent need of money amounting Rs. 5,00,000. He asked Mr. K for the money. Mr. K lent the money on the sureties of A, B and N without any contract between them in case of default in repayment of money by D to K. D makes default in payment. B refused to contribute, examine whether B can escape liability? **(4 Marks)**
- (d) Mr. S Venkatesh drew a cheque in favour of M who was sixteen years old. M settled his rental due by endorsing the cheque in favour of Mrs. A the owner of the house in which he stayed. The cheque was dishonoured when Mrs. A presented it for payment on grounds of inadequacy of funds. Advise Mrs. A how she can proceed to collect her dues.
- Give your answer in reference to the Provisions of Negotiable Instruments Act, 1881. **(3 Marks)**
2. (a) Miraj Limited held its Annual General Meeting on September 15, 2018. The meeting was presided over by Mr. Venkat, the Chairman of the Company's Board of Directors. On September 17, 2018, Mr. Venkat, the Chairman, without signing the minutes of the meeting, left India to look after his father who fell sick in London. Referring to the provisions of the Companies Act, 2013, examine the manner in which the minutes of the above meeting are to be signed in the absence of Mr. Venkat and by whom. **(4 Marks)**
- (b) State any 6 amounts that can be credited to the Investor Education and Protection Fund. Give your answer as per the provisions of the Companies Act, 2013. **(6 Marks)**
- (c) Mr. Ahuja of Delhi engaged Mr. Singh as his agent to buy a house in West Extension area. Mr. Singh bought a house for Rs. 20 lakhs in the name of a nominee and then purchased it himself for Rs. 24 lakhs. He then sold the same house to Mr. Ahuja for Rs. 26 lakhs. Mr. Ahuja later comes to know the mischief of Mr. Singh and tries to recover the excess amount paid to Mr. Singh. Is he entitled to recover any amount from Mr. Singh? If so, how much? Explain. **(4 Marks)**
- (d) What are the circumstances under which a bill of exchange can be dishonoured by non-acceptance? Give your answer as per the provisions of the Negotiable Instruments Act, 1881. **(3 Marks)**
3. (a) State in what way does the Companies Act, 2013 regulate and restrict the following in respect of a company going for public issue of shares:
- (i) Minimum Subscription, and
- (ii) Application Money payable on shares being issued? **(5 Marks)**
- (b) EF Limited appointed an individual firm, Naresh & Company, Chartered Accountants, as Auditors of the company at the Annual General Meeting held on 30th September, 2018. Mrs. Kamala, wife of Mr. Naresh, invested in the equity shares face value of Rs. 1 lakh of EF Limited on 15th October, 2018. But Naresh & Company continues to function as statutory auditors of the company. Advise as per the provisions of the Companies Act, 2013.
- (5 Marks)**

- (c) P draws a bill on Q for Rs. 10,000. Q accepts the bill. On maturity, the bill was dishonored by non-payment. P files a suit against Q for payment of Rs. 10,000. Q proved that the bill was accepted for value of Rs. 7,000 and as an accommodation to the plaintiff for the balance amount i.e. Rs. 3,000. Referring to the provisions of the Negotiable Instruments Act, 1881 decide whether P would succeed in recovering the whole amount of the bill? **(4 Marks)**
- (d) Explain the rule of 'beneficial construction' while interpreting the statutes quoting an example. **(3 Marks)**
4. (a) XY Ltd. has its registered office at Mumbai in the State of Maharashtra. For better administrative conveniences the company wants to shift its registered office from Mumbai to Nashik (within the State of Maharashtra). What formalities the company has to comply with under the provisions of the Companies Act, 2013 for shifting its registered office as stated above? Explain. **(4 Marks)**
- (b) A General Meeting was scheduled to be held on 15th April, 2018 at 3.00 P.M. As per the notice the members who are unable to attend a meeting in person can appoint a proxy and the proxy forms duly filled should be sent to the company so as to reach at least 48 hours before the meeting. Mr. X, a member of the company appoints Mr. Y as his proxy and the proxy form dated 10-04-2018 was deposited by Mr. Y with the company at its registered Office on 11-04-2018. Similarly, another member Mr. W also gives two separate proxies to two individuals named Mr. M and Mr. N. In the case of Mr. M, the proxy dated 12-04-2018 was deposited with the company on the same day and the proxy form in favour of Mr. N was deposited on 14-04-2018. All the proxies viz., Y, M and N were present before the meeting.
- According to the provisions of the Companies Act, 2013, who would be the persons allowed to represent at proxies for members X and W respectively? **(6 Marks)**
- (c) X owned a land with fifty tamarind trees. He sold his land and the timber (obtained after cutting the fifty trees) to Y. X wants to know whether the sale of timber tantamounts to sale of immovable property. Advise him with reference to provisions of "General Clauses Act, 1897". **(4 Marks)**
- (d) Explain how 'Dictionary Definitions' can be of great help in interpreting / constructing an Act when the statute is ambiguous. **(3 Marks)**
5. (a) Examine the validity of the following statement referring to the provisions of the Companies Act, 2013 and/or Rules:
- "The Articles of Association of X Ltd. contained a provision that upto 4% of issue price of the shares may be paid as underwriting commission to the underwriters. The Board of Directors of X Ltd. decided to pay 5% underwriting commission. **(5 Marks)**
- (b) Define the term "charge" and also explain what is the punishment for default with respect to registration of charge as per the provisions of the Companies Act, 2013. **(5 Marks)**
- (c) Define contract of indemnity and contract of guarantee and state the conditions when guarantee is considered invalid? **(4 Marks)**
- (d) What is the meaning of service by post as per provisions of The General Clauses Act, 1897? **(4 Marks)**