

Test Series: October, 2019

MOCK TEST PAPER 1  
INTERMEDIATE (NEW): GROUP – I  
PAPER – 2: CORPORATE AND OTHER LAWS

Time Allowed – 3 Hours

Maximum Marks – 100

DIVISION A: MULTIPLE CHOICE QUESTIONS (TOTAL OF 30 MARKS)

Instructions: All questions are compulsory.

Questions nos. 1-10 are of 2 marks each and from 11- 20 are of 1 mark each)

1. Being in need of further capital, Rimsi Cotton-Silk Products Limited opted to offer 50.00 lacs equity shares of Rs. 1 each to 50 identified persons on 'private placement' basis and accordingly a letter of offer accompanied by serially numbered application form was sent to them after fulfillment of due formalities including passing of special resolution. One of the applicants, Rajan made a written complaint to the company highlighting the fact that the letter of offer was incomplete as well as illegal, for the same did not contain 'renunciation clause' though he wanted to exercise his 'right of renunciation' in favour of one of his son Uday. By choosing the correct option, advise the company in this matter. **(2 Marks)**
  - (a) As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the letter of offer and the application form.
  - (b) The company is prohibited from providing 'Right of Renunciation' and therefore, the letter of offer and the application form need not include any such clause.
  - (c) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to twenty five percent of offering.
  - (d) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to fifty percent of offering.
2. Dwapar Equipment Finance Limited, a non-banking finance company (NBFC), is desirous of offering secured, redeemable, non-convertible 9% Debentures to the public in three or more tranches over a certain period of time. Which kind of prospectus it is required to issue so that its purpose is served and there arises no need to take out a fresh prospectus for second and subsequent offer of securities. **(2 Marks)**
  - (a) Deemed Prospectus.
  - (b) Shelf Prospectus.
  - (c) Red Herring Prospectus.
  - (d) Abridged prospectus.
3. In the current financial year Zunee Traders Limited, a non-listed company, has 556 members, increased from 451 members which it had in the immediate previous financial year. For the forthcoming Annual General Meeting (AGM), advise the company whether it is required to provide to its members the facility to exercise their right to vote at this AGM by electronic means. **(2 Marks)**
  - (a) Since the company has more than 500 members it is required to provide to its members the facility to exercise their right to vote at the forthcoming AGM by electronic means.
  - (b) The company is not required to provide to its members the facility to exercise their right to vote at the forthcoming AGM by electronic means since its members are less than one thousand.
  - (c) Though the company is required to provide to its members the facility to exercise their right to vote at the forthcoming AGM by electronic means because it has more than 500 members, it can, as a

one-time measure, seek exemption from ROC beforehand and in that case, it need not provide facility of voting by electronic means.

- (d) Only a listed company is required to provide to its members the facility to exercise their right to vote at the General Meetings by electronic means.
4. Ezech Machines Limited owns a plot of land which was mortgaged to Urbane Commercial Bank Limited for raising term loan of Rs. 2.00 crore. The mortgage was duly registered with the Central Registry. First loan installment of Rs. 50.00 lacs was released immediately after sanction of term loan with the condition that subsequent three installments of Rs.50.00 lacs shall be released as soon as the earlier released installment is utilized satisfactorily. Is it necessary either for the company or the bank to register the charge on plot with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry? **(2 Marks)**
- (a) It is not necessary either for the bank or the company to register the charge on plot of land with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry.
- (b) It is necessary to get the charge on plot on land registered with the concerned Registrar of Companies (ROC) irrespective of the fact that mortgage is registered with the Central Registry.
- (c) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the actual liability of the company with the Bank exceeds Rs. 1.00 crore.
- (d) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the term loan sanctioned by the bank to the company exceeds Rs. 2.00 crores.
5. Sumitra Healthcare and Hospitality Limited had issued 9% non-convertible debentures which matured four years back. However, 1000 such debentures of Rs. 100 each are still remaining unclaimed and unpaid even after the maturity. State the period after which the company needs to transfer them to Investor Education and Protection Fund (IEPF) if they remain unclaimed and unpaid. **(2 Marks)**
- (a) After the expiry of five years from the maturity date.
- (b) After the expiry of six years from the maturity date.
- (c) After the expiry of seven years from the maturity date.
- (d) After the expiry of eight years from the maturity date.
6. BSP Ltd appointed XPP & Co LLP as their statutory auditors for the year ended 31 March 2018 on 18 June 2018, as per Section 139(8) of the Companies Act 2013, to fill the casual vacancy caused by resignation of previous statutory auditors to hold office till the conclusion of next Annual General Meeting (AGM) of BSP Ltd. BSP Ltd is listed with Bombay Stock Exchange and National Stock Exchange. BSP Ltd is covered under auditors rotation requirements and wants to re-appoint XPP & Co LLP at their next AGM. Please advise. **(2 Marks)**
- (a) XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM and after that can be considered for re-appointment for another five consecutive years.
- (b) XPP & Co LLP can be re-appointed for a term of four consecutive years at the AGM and after that can be considered for re-appointment for another five consecutive years.
- (c) XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM.
- (d) XPP & Co LLP cannot be re-appointed at the AGM.
7. NTW Ltd is listed on National Stock Exchange and has a turnover of INR 4500 crores. NTW Ltd has 12 subsidiaries, 3 associate companies and 5 joint venture companies (collectively referred to as NTW Group). AKW & Co LLP is the statutory auditor of NTW Ltd. NTW Ltd wants to appoint AKW as the

statutory auditors for entire NTW Group. In respect of this, please advise the management of NTW Group. **(2 Marks)**

- (a) AKW & Co LLP can be appointed as statutory auditors for only 10 companies of NTW Group.
  - (b) AKW & Co LLP can be appointed as statutory auditors for only 20 companies of NTW Group.
  - (c) AKW & Co LLP can be appointed as statutory auditors for all the companies of NTW Group.
  - (d) AKW & Co LLP can be appointed as statutory auditors for all the companies of NTW Group provided they meet the limits requirements as per the Companies Act 2013.
8. L made an offer to MD of a company. MD accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company ratified the MD's acceptance. State which of the statement given hereunder is correct: **(2 Marks)**
- (a) L was bound with the offer
  - (b) An offer once accepted cannot be withdrawn
  - (c) Both option (a) & (b) is correct
  - (d) L is not bound to an offer.
9. M drew a cheque amounting to Rs. 2 lakh payable to N and subsequently delivered to him. After receipt of cheque N endorsed the same to C but kept it in his safe locker. After sometime, N died, and P found the cheque in N's safe locker. State the nature of the Instrument as amounting to indorsement under the NI Act, 1881. **(2 Marks)**
- (a) Yes its an endorsement, as P becomes the holder of the cheque that he found in the N's safe locker.
  - (b) No, its not an endorsement, as P does not become the holder of the cheque
  - (c) Yes , its an endorsement, as P was a ultimate custodian of the cheque
  - (d) No, its not an endorsement, as N endorsed it to C and not to the P.
10. As per a Rule of an Educational Institution, every student may come on weekends for extra classes but every student shall appear on a weekly test conducted in the institute, which can be analysed in terms of General Clause Act, as: **(2 Marks)**
- (a) Attending weekend classes is optional but appearing in weekly test is compulsory
  - (b) Attending weekend classes is compulsory but appearing in weekly test is optional
  - (c) Attending weekend classes and appearing in weekly test, both are compulsory for students
  - (d) Attending weekend classes and appearing in weekly test both are optional for students.
11. The Registrar shall register any alteration of the memorandum with respect to the objects of the company and certify the registration within a period of \_\_\_\_\_ from the date of filing of the special resolution. **(1 Mark)**
- (a) 30 days
  - (b) 60 days
  - (c) 90 days
  - (d) 6 months

12. Part of the capital for which application have been received from the public and shares allotted to them : **(1 Mark)**
- (a) Nominal capital
  - (b) Issued capital
  - (c) Subscribed capital
  - (d) Called up capital
13. No deposits are repayable earlier than \_\_\_\_\_ from the date of such deposits or renewal thereof. **(1 Mark)**
- (a) 3 months
  - (b) 6 months
  - (c) 9 months
  - (d) 12 months
14. On receipt of intimation of satisfaction of charge, the registrar issues a notice to the holder calling a show cause within such time not exceeding \_\_\_\_\_ days as to why payment or satisfaction in full should not be regarded as intimated to the Registrar: **(1 Mark)**
- (a) 14
  - (b) 21
  - (c) 30
  - (d) 300
15. A guarantee obtained by a creditor by keeping silence as to material circumstances is : **(1 Mark)**
- (a) Valid
  - (b) Voidable
  - (c) Unenforceable
  - (d) Invalid
16. Offences committed under the Negotiable Instruments Act can be— **(1 Mark)**
- (a) Compoundable
  - (b) Non- compoundable
  - (c) Non- compoundable and non-bailable
  - (d) bailable
17. Which of the following given Statement/s is/are correct: **(1 Mark)**
- (1) In all Central Acts and Regulations, any words which denote the masculine gender shall also be taken to include females, and vice versa.
  - (2) In all Central Acts and Regulations, words in the singular shall include the plural, but not vice versa.
- (a) Only statement (1) is correct
  - (b) Only statement (2) is correct

- (c) Both the statements are correct  
(d) None of the statement is correct
18. The act by which the operation of a previous Act comes to an end, is called as \_\_\_\_\_ (1 Mark)
- (a) The Repealing Act  
(b) The Consolidating Act  
(c) The Amending Act  
(d) Analogous Act
19. As per \_\_\_\_\_, the best way to interpret a statute or document is to read it as it would have been read when it was enacted or made. (1 Mark)
- (a) Optima legume interpres est consuetude  
(b) Expressio unius Est Exclusio Alterius  
(c) Ut res magis valeat quam pereat  
(d) Contemporanea expositio
20. If the \_\_\_\_\_ used in a statute make it clear that a \_\_\_\_\_ sense is intended, the rule of Ejusdem Generis shall not apply. (1 Mark)
- (a) Specific words, narrow  
(b) Specific words, wider  
(c) General words, narrow  
(d) General words, wider

**Division B: Descriptive questions (70 Marks)**

**Instructions:** Question No.1 is compulsory. Attempt any Four questions out of the remaining Five questions.

1. (a) Mr. Transferor has transferred 1000 shares of Perfect Ltd. to Ms. Receiver. The company has refused to register transfer of shares and does not even send a notice of refusal to Mr. Transferor or Ms. Receiver respectively within the prescribed period. Examine the given situation and discuss as per the provisions of the Companies Act, 2013, whether aggrieved party has any right(s) against the company for such refusal? (6 Marks)
- (b) Mars Ltd. declared and paid dividend in time to all its equity holders for the financial year 2016-17, except in the following two cases:
- (i) Mrs. Sheetal, holding 250 shares had mandated the company to directly deposit the dividend amount in her bank account. The company, accordingly remitted the dividend but the bank returned the payment on the ground that there was difference in surname of the payee in the bank records. The company, however, did not inform Mrs. Sheetal about this discrepancy.
- (ii) Dividend amount of Rs. 50,000 was not paid to Mr. Piyush, deceased, in view of court order restraining the payment due to family dispute about succession.
- You are required to analyse these cases with reference to provisions of the Companies Act, 2013 regarding failure to distribute dividends. (6 Marks)
- (c) Mr. Dhannaseth delivers a rough blue sapphire to a jeweller, to be cut and polished. The jeweller carries out the job accordingly. However, now Mr. Dhannaseth refuses to make the payment and wants his blue sapphire back. The jeweller denies the delivery of goods without payment. Examine

whether the jeweler can hold blue sapphire. Give your answer as per the provisions of the Contract Act, 1872. **(4 Marks)**

(d) 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? **(3 Marks)**

2. (a) (i) The Auditor of the company (other than government company) has resigned on 31<sup>st</sup> December, 2018, while the Financial year of the company ends on 31<sup>st</sup> March, 2019. Discuss as per the provisions of the Companies Act, 2013, how the auditor will be appointed in this case.

(ii) A company includes the following shareholders also:

- (I) Bank of Baroda (A Nationalized Bank) holding 12% of the subscribed capital in the company.
- (II) National Insurance Company Limited (carrying on General Insurance Business) holding 10% of the subscribed capital in the company.
- (III) Maharashtra State Financial Corporation (A Public Financial Institution) holding 8% of the subscribed capital in the company.

Advise the company, whether the provisions related to 'appointment of auditor in case of Government Company' are applicable to it. Discuss in the light of the provisions of the Companies Act, 2013. **(6 Marks)**

(b) At a General meeting of a XYZ Limited, a matter was to be passed by a special resolution. Out of 40 members present, 20 voted in favour of the resolution, 5 voted against it and 5 votes were found invalid. The remaining 10 members abstained from voting. The Chairman of the meeting declared the resolution as passed. With reference to the provisions of the Companies Act, 2013, examine the validity of the Chairman's declaration. **(4 Marks)**

(c) Rahul, a transporter was entrusted with the duty of transporting tomatoes from a rural farm to a city by Aswin. Due to heavy rains, Rahul was stranded for more than two days. Rahul sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Can Aswin recover the loss from Rahul on the ground that Rahul had acted beyond his authority? **(4 Marks)**

(d) What are the circumstances under which a bill of exchange can be dishonoured by non-acceptance? **(3 Marks)**

3. (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 Pune (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. **(5 Marks)**

(b) The Annual General Meeting of ABC Limited declared a dividend at the rate of 30 percent payable on paid up equity share capital of the Company as recommended by Board of Directors on 30<sup>th</sup> April, 2019. But the Company was unable to post the dividend warrant to Mr. Ranjan, an equity shareholder of the Company, up to 30<sup>th</sup> June, 2019. Mr. Ranjan filed a suit against the Company for the payment of dividend along with interest at the rate of 20 percent per annum for default period. Decide in the light of provisions of the Companies Act, 2013, whether Mr. Ranjan would succeed? Also, state the directors' liability in this regard under the Act. **(5 Marks)**

- (c) Mr. Muralidharan drew a cheque payable to Mr. Vyas or order. Mr. Vyas lost the cheque and was not aware of the loss of the cheque. The person who found the cheque forged the signature of Mr. Vyas and endorsed it to Mr. Parshwanath as the consideration for goods bought by him from Mr. Parshwanath. Mr. Parshwanath encashed the cheque, on the very same day from the drawee bank. Mr. Vyas intimated the drawee bank about the theft of the cheque after three days. Examine the liability of the drawee bank. **(4 Marks)**
- (d) Explain how 'Dictionary Definitions' can be of great help in interpreting / constructing an Act when the statute is ambiguous. **(3 Marks)**
4. (a) The Directors of Mars India Ltd. desire to alter capital clause of Memorandum of Association of their company. Advise them, under the provisions of the Companies Act, 2013 about the ways in which the said clause may be altered. **(4 Marks)**
- (b) Answer the following in the light of the companies Act, 2013-
- (i) MNC Limited realised on 2nd May, 2019 that particulars of charge created on 12th March, 2019 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 12th February, 2019 instead of 12th March, 2019, explain with reference to the relevant provisions of the Companies Act, 2013.
- (ii) Mr Antriksh entered into an agreement for purchasing a commercial property in Delhi belonging to NRT Ltd. At the time of registration, Mr Antriksh comes to know that the title deed of the company is not free and the company expresses its inability to get the title deed transferred in the name of Mr Antriksh saying that he ought to have had the knowledge of charge created on the property of the company. Explain with the help of 'Notice of a charge', whether the contention of NRT LTD. is correct? **(6 Marks)**
- (c) X owned a land with fifty tamarind trees. He sold his land to (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 'Mischieve Rule' for interpretation of statute. Also, give four matters it considers in construing an Act. **(3 Marks)**
5. (a) An allottee of shares in a Company brought action against a Director in respect of false statements in prospectus. The director contended that the statements were prepared by the promoters and he has relied on them. Is the Director liable under the circumstances? Decide referring to the provisions of the Companies Act, 2013. **(5 Marks)**
- (b) In a General meeting of Alpha Limited, the chairman directed to exclude certain matters detrimental to the interest of the company from the minutes, Mukesh, a shareholder contended that the minutes of the meeting must contain fair and correct summary of the proceedings thereat. Decide, whether the contention of Mukesh is maintainable under 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) 'Repeal' of provision is different from 'deletion' of provision. Explain as per the General Clauses Act, 1897. **(3 Marks)**