

Test Series: April, 2021

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 (30 Marks)

1. Sehzad Color Limited (SCL) was incorporated on 12th August 2018 with its registered office situated in Dehradun and branch offices at Delhi and Jaipur. The company was engaged in the business of manufacturing herbal products used as cosmetics. The company had prepared its “books of accounts” and other relevant books and records and financial statements for the year ending 31st March 2019.

The company maintains its books of accounts on a double entry system of accounting on an accrual basis and keeps the books of account and other relevant books and papers and financial statements in the city of Jaipur in Rajasthan, which happens to be its major branch office.

Gradually, the activities of the company grew and it opened its first branch office outside India in Colombo, Sri Lanka. The business started developing well and necessary records and documents including the books of account of the branch were maintained. One of the Directors, Mr. Mac, felt it necessary to inspect the books of account and other relevant documents maintained at Colombo branch. However, due to his busy schedule, he could not personally inspect the records and accordingly sought necessary financial information through his attorney holder.

The board of directors of the company had entrusted Ms. Anjali, the General Manager of the Company to fulfil all the duty with regard to the complying with the provisions of the company law in relation to maintaining the books of account, place of keeping the books of account, time period for preservation of books and all relevant papers and such things as prescribed under the Companies Act, 2013 in this regard.

In view of the aforesaid scenario relating to “books of account” of SCL, answer the following questions:

Multiple Choice Questions [3MCQs of 2 Marks each: Total 6 Marks]

- (i) As observed in the case scenario above, Mr. Mac (a director) has sought financial information maintained outside the country (i.e. financial information relating to books of account maintained in Colombo). Can a director do so under the provisions of the Companies Act, 2013?
- (a) A director can inspect and seek information from any Branch of the Company located within the country only.
- (b) The director can seek the information through his attorney holder with respect to financial information maintained outside the country also.
- (c) The director can seek the information only individually and not through his attorney holder with respect to financial information maintained outside the country.
- (d) The director can seek the information through his representative with respect to financial information maintained outside the country.

- (ii) With regard to preservation of the books of SCL, the books of accounts for the FY 2018-19 needs to be kept in good order until at least which of the following years?
- (a) FY 2025-26
 - (b) FY 2026-27
 - (c) FY 2027-28
 - (d) FY 2028-29
- (iii) The board of directors of the company had entrusted Ms. Anjali, the General Manager of the Company to fulfil all the duty with regard to complying with the provisions of the company law in relation to maintaining the books of account. Which of the statement is correct with respect to entrusting Ms. Anjali for maintaining the books?
- (a) Only the Managing Director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
 - (b) Only the Managing Director or any Whole time director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
 - (c) Only Whole time director (in charge of finance) or Chief Financial Officer can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
 - (d) Only the Managing Director or the Whole time director (in charge of finance) or Chief Financial Officer or any other person of a company charged by the Board with the duty can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
2. Mr. Anay, a business graduate from a leading B-School, has been running a chain of restaurants as a sole proprietor concern. The business is based in Chennai. Mr. Anay, in order to develop the business; decided to corporatize his business but he is concerned with dilution of his control over business decisions.
- Mr. Anay, during a journey met Mr. Dsouza; one of his old school friends. Mr. Dsouza is presently working in one of leading corporate advisory firms. Mr. Anay seeks advice from Mr. Dsouza, regarding conversion of sole proprietorship concern to company and also explain his intention to keep the entire control in his hand. Mr. Dsouza informed Mr. Anay, about a new type of company, called One Person Company (OPC), which can be formed under Companies Act, 2013. Mr. Dsouza quoted section 2(62), which defines 'one person company' as a company which has only one person as a member.
- Mr. Anay felt OPC is correct form of business for him, hence he promoted an OPC 'Casa Hangout Private Limited' (One Person Company) on 14th September 2019, to which he sold his sole proprietary business and became the sole member. Mr. Anay, appointed his younger son Mr. Amar, who was 21 year old then, as Nominee to OPC. Mr. Anand who is a famous food blogger and old friend of Mr. Anay was appointed as director of OPC, Mr. Anay himself also become director of company.
- Mr. Amar is a professional photographer, and went abroad for a certification course on 23rd October 2019. He came back on 1st of March 2020. He established a photo-studio as an OPC called 'Best Click Private Limited' (one Person Company) on 20th March 2020, in which Mr. Anay is nominee and he became sole member. In the mean time, Mr. Amar also gave his consent as nominee to another OPC in which his elder brother Mr. Shankar is sole member.
- Mr. Anay met with an accident on 25th March 2020, in which he lost his life. Nomination clause wa invoked, as a result Mr. Amar has to take charge over 'Casa Hangout Private Limited' (One Person Company) as member with immediate effect. On 30th March 2020 Mr. Shankar was appointed as a new nominee to 'Casa Hangout Private Limited' (One Person Company), who gave written consent on

31st March 2020. Mr. Shankar who is an investment banker by profession, is of the opinion that 'Casa Hangout Private Limited' (One Person Company) needs to amend its object clause and add 'carry out investment in securities of body corporate' as one of the objects.

The Financial year closed on 31st March 2020. Financial statements of 'Casa Hangout Private Limited' (One Person Company), which is not containing cash flow statements were signed by Mr. Anand who left as only director after death of Mr. Anay.

Multiple Choice Questions [3MCQs of 2 Marks each: Total 6 Marks]

- (i) With reference to appointment of Mr. Amar and Mr. Shankar as nominee to 'Casa Hangout Private Limited' (One Person Company)', out of followings, who is eligible to be nominee of OPC?
- (a) Any natural person excluding minor
 - (b) Any legal person excluding minor
 - (c) Any natural person, who is resident of India; but excluding minor
 - (d) Any natural person, who is resident as well as citizen of India; but excluding minor
- (ii) Mr. Shankar if he wishes to withdraw his consent as nominee, can do so by giving written notice to
- (a) Director of OPC and to sole member of company
 - (b) Director of OPC and to Registrar of companies
 - (c) Sole member of company and to OPC
 - (d) Sole member of company and to Registrar of companies
- (iii) With reference to legal position of Mr. Amar as member/s and nominee/s to various OPCs, which of the following statement is correct with reference to ceiling limit in relation to membership and being nominee to OPC? A person, other than minor; at specific point of time;
- (a) Can be member in any number of OPCs but nominee in one OPC
 - (b) Can be member in one OPC and nominee in any number of OPCs
 - (c) Can be member in one OPC and nominee in another one OPC
 - (d) Can be member and nominee both in any number of OPCs
3. Where depositors so desire, deposits may be accepted in joint names not exceeding _____
- (a) 2
 - (b) 3
 - (c) 5
 - (d) 7
- (1 Mark)**
4. A resolution shall be a special resolution when the votes cast in favour of the resolution by members are not less than _____ the number of votes, if any, cast against the resolution.
- (a) Twice
 - (b) Three times
 - (c) One third
 - (d) One fourth
- (1 Mark)**
5. Anu got incorporated 'One Person Company' with her sister Alpa as the nominee and about three years have passed satisfactorily. From time to time, Anu does a number of charitable works and is associated with three NGOs. In the meantime, her business under her OPC has also flourished. Now she is

contemplating to convert the OPC either as a Section 8 company (i.e. formation of companies with charitable objects). Choose the correct option.

- (a) Since company belongs to Anu, she has full discretion to convert the OPC either as a Section 8 company or as a private or public company
 - (b) Since the company was formed as a private company, the only option available with Anu is to convert it into a public limited company.
 - (c) There is specific prohibition on converting OPC into a Section 8 company; otherwise, it can be converted into a private or public company without any hindrance.
 - (d) Since Anu does a lot of charitable works there is no prohibition to converts his OPC into a Section 8 company (companies formed with charitable objects). **(2 Marks)**
6. Lalit made an offer to Managing Director (MD) of a company. MD accepted the offer though he had no authority to do so. Subsequently Lalit withdrew the offer but the company had already ratified the MD's acceptance. State which of the statement given hereunder is correct:
- (a) Lalit is bound with the offer due to ratification
 - (b) An offer once accepted cannot be withdrawn
 - (c) Both option (a) & (b) is correct
 - (d) Lalit is not bound to an offer. **(2 Marks)**
7. A company shall execute a deposit trust deed at least -----days before issuing the circular or circular in the form of advertisement.
- (a) 7
 - (b) 14
 - (c) 21
 - (d) 28 **(1 Mark)**
8. Validity period for the presentment of cheque in bank is—
- (a) 3 months
 - (b) 6 months
 - (c) 1 year
 - (d) 2 years **(1 Mark)**
9. Mr. J has appointed Ms. V as his agent to sell the garments manufactured by Mr. J. Ms. V due to her personal issues could not work effectively. Hence, she appointed Mr. Kanth to sell on her behalf. Can Mr. J be bound by the acts of Mr. Kanth?
- (a) No, an agent without authority cannot lawfully appoint a sub-agent.
 - (b) Yes, Ms. V is liable for the acts of Mr. Kanth and in turn J is liable for the transaction.
 - (c) No, Mr. Kanth will be liable on his own account for any sales made.
 - (d) Yes, Kanth now becomes direct agent of Mr. J as Mr. Kanth has sold garments manufactured by Mr. J. **(2 Marks)**
10. If a company is registered by furnishing incorrect information then its winding up may be ordered by:
- (a) Central Government
 - (b) Registrar of Companies

- (c) National Company Law Tribunal
(d) Court **(1 Mark)**
11. R gives his umbrella to M during rainy season to be used for two days during Examinations. M keeps the umbrella for a week. While going to R's house to return the umbrella, M accidentally slips and the umbrella is badly damaged. Who shall bear the loss?
(a) R shall bear the loss
(b) M shall bear the loss
(c) Both R and M shall bear the loss in the ratio of 50:50
(d) Neither R nor M shall bear the loss as the bailee failed to returned the umbrella within the stipulated time **(2 Marks)**
12. Offences committed under the Negotiable Instruments Act can be—
(a) Compoundable
(b) Non- compoundable
(c) Non- compoundable and non-bailable
(d) bailable **(1 Mark)**
13. Which of the following is not a correct statement with respect to characteristics of a Promissory Note:
(a) An oral promise to pay is sufficient
(b) It should be in writing
(c) There must be an express promise to pay
(d) The promise to pay should be definite and unconditional **(1 Mark)**
14. Formal legal document which creates or confirms a right or record a fact is a—
(a) Document
(b) Deed
(c) Statute
(d) Instrument **(1 Mark)**
15. 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)**
16. Which of the following is not an Immovable Property?
(a) Land
(b) Building
(c) Timber
(d) Machinery permanently attached to the land **(1 Mark)**

Division B (70 Marks)

1. (a) Mr. Shyamlal is a B. Tech in computer science. He has promoted an IT start up and got it registered as a Private Limited Company. Initially, only he and his family members are holding all the shares in the company. While drafting the Articles of Association of the company, it has been included that Mr. Shyamlal will remain as a director of the company for lifetime.

Mr. Mehra, a close friend of Mr. Shyamlal has warned him (Mr. Shyamlal) that in future if 75% or more shares in the company are held by non- family members then by passing a Special Resolution, the relevant articles can be amended and Mr. Shyamlal may be removed from the post of director.

Mr. Shyamlal has approached you to advise him for protecting his position as a director for lifetime.

Give your answer as per the provisions of the Companies Act, 2013. **(6 Marks)**

- (b) Shiv Limited is incorporated on 3.10.2020. The company is having a paid- up share capital of Rs. 5 crores. Following are key shareholders of the company:

Name of the Party holding shares	Amount (in Rs.)
Central Government	1.50
Punjab Government	1.23
Others	2.27

The first auditor of the company has been appointed by the Board of Directors on 31.10.2020. The members of the company have objected to such an appointment by the Board of Directors. According to the members its only the members who can appoint the first auditor.

Advise the company on the validity of such appointment as per the provisions of the Companies Act, 2013. Also, advise whether the contention of members of the company is correct.

(6 Marks)

- (c) Megha lends a sum of Rs. 20,000 to Bhim, on the security of two shares of a Prema Limited on 1st April 2019. On 15th June, 2019, the company issued two bonus shares. Bhim returns the loan amount of Rs. 20,000 with interest but Megha returns only two shares which were pledged and refuses to give the two bonus shares. Advise Bhim in the light of the provisions of the Indian Contract Act, 1872. **(4 Marks)**

- (d) A draws a bill on B. B accepts the bill without any consideration. The bill is transferred to C without consideration. C transferred it to D for value. Decide-

(i) Whether D can sue the prior parties of the bill, and

(ii) Whether the prior parties other than D have any right of action inter se?

Give your answer in reference to the Provisions of Negotiable Instruments Act, 1881. **(3 Marks)**

2. (a) P Limited had called its Annual General Meeting on 30th August 2019. Mr. Pawan has filed a complaint against the company, that he could attend the meeting as the company did not serve the notice to him for attending the annual general meeting. The company, in turn, provided the proof that they had sent the notice, by way of an email to Mr. Pawan, inviting him to attend the annual general meeting of the company. Mr. Pawan alleged that he never received the email.

In the light of the provisions of the Companies Act, 2013, advise the whether the company has erred in serving the notice of Annual General Meeting to Mr. Pawan. **(4 Marks)**

- (b) Maya Limited is a public company. Maharashtra Bank (a nationalized bank) is a shareholder holding 18% of the subscribed capital of the company. Explain how the following shall be appointed:
- (i) First auditor
 - (ii) Subsequent auditor **(6 Marks)**
- (c) Ramesh instructed Suresh, a transporter, to send a consignment of apples to Mumbai. After covering half the distance, Suresh found that the apples will perish before reaching Mumbai. He sold the same at half the market price. Ramesh sued Suresh. Will he succeed? Give your answer as per the provisions of the Indian Contract Act, 1872. **(4 Marks)**
- (d) As per the Negotiable Instruments Act, 1881, what are the parties who may cross a cheque? **(3 Marks)**
3. (a) Mr. Dinesh incorporated a new Private Limited Company under the provisions of the Companies Act, 2013 and desires to commence the business immediately. Please advise Mr. Dinesh about the procedure for commencement of business as laid under the provisions of the Section 10A of the Companies Act, 2013. **(5 Marks)**
- (b) Alpha Limited is facing loss in business during the financial year 2019-2020. In the immediate preceding three financial years, the company had declared dividend at the rate of 7%, 11% and 12% respectively. The Board of Directors has decided to declare 12% interim dividend for the current financial year atleast to be in par with the immediately preceding year. Is the act of the Board of Directors valid ? Give your answer as per the provisions of the Companies Act, 2013. **(5 Marks)**
- (c) Give the answer of the following:
- (i) 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?
 - (ii) Amit draws a cheque for Rs. 1000 and hands it over to Beena by way of gift. Is Beena a holder in due course? **(4 Marks)**
- (d) (i) What is the effect of proviso? Does it qualify the main provisions of an Enactment?
- (ii) Does an explanation added to a section widen the ambit of a section? **(3 Marks)**
4. (a) How does the Companies Act, 2013 regulate and restrict the following matters in respect of a company going for public issue of shares:
- (i) Minimum Amount stated in the Prospectus; and
 - (ii) Application Money payable on shares. **(6 Marks)**
- (b) (i) A Government Company, which is eligible to accept deposits under Section 76 of the Companies Act, 2013, cannot accept deposits from public exceeding 25% of the aggregate of its paid-up capital, free reserves and security premium account.
- State, with reasons, whether the following statement is 'True or False'?
- (ii) The Board of Directors of Swati Limited called an extraordinary general meeting upon the requisition of members. However, the meeting was adjourned on the ground that the quorum was not present at the meeting. Advise the company on the basis of the provisions of the Companies Act, 2013. **(4 Marks)**

- (c) Mr. R, an advocate, fraudulently deceived his client Mr. Chandan who was taking his expert advice on taxation matters. Now, Mr. R is liable to a fine for his fraudulent act both under the Advocates Act and the Income Tax Act, 1961. State the provision as to whether his offence is punishable under both Acts. Give your answer as per the provisions of the General Clauses Act, 1897. **(4 Marks)**
- (d) Differentiate Mandatory Provision from a Directory Provision. What factors decide whether a provision is directory or mandatory? **(3 Marks)**
5. (a) Natraj Limited is engaged in the manufacturing of glass products. It wants to provide financial assistance to its employees to enable them to subscribe for fully paid shares of the company. Advise whether it amounts to purchase of its own shares. If, in the instant case, the company itself purchases to redeem its preference shares, does it amount to acquisition of its own shares? **(5 Marks)**
- (b) State with reason whether the following statement is correct or incorrect:
- (i) An annual general meeting can be held on a national holiday.
 - (ii) A company should file its annual return within six months of the closing of the financial year. **(5 Marks)**
- (c) As per the Indian Contract Act, 1872, answer the following:
- (i) Definition of Pledge, pawnor and pawnee
 - (ii) Essential characteristics of contract of pledge **(4 Marks)**
- (d) Elucidate the term "Commencement" as per the General Clauses Act, 1897. **(3 Marks)**