

Test Series: October, 2021

MOCK TEST PAPER 1
INTERMEDIATE: 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. Ramola Textiles is a listed public company with the share capital of ten crores. The share value of the share is ₹ 100/share. The company has maintained the following registers:

- (a) Register of Members indicating separately for each class of equity and preference shares held by each member residing in or outside India
- (b) Register of Debenture-holder

The company has a registered office in Ahmedabad (Gujarat) and its Corporate office is situated in Mumbai. Around 17% of members who are equity share holders and 10% of the members who are preferential shareholders resides in Jaipur (Rajasthan). So out of these members 9% equity share holders and 5% preferential share holder made an application addressed to the company to shift its register of members to its liaison office in Jaipur. The company refused the request of the members by quoting that the register can only be maintained at registered office of the company.

Mr. Raheem, a shareholder of the company, wants to sell all his shares in the company and wants to settle abroad. Mr. Raheem sold his equity shares to Mr. Ram on 7th May 2021. After completing all the formalities of transfer of shares Mr. Raheem left India on 10th May 2021. After three days span Mr. Ram figured out that his name was still not registered in company Register of Members (ROM). The Annual General Meeting was scheduled to be held on 25th May 2021. So, Mr. Ram wrote an e-mail to the company regarding addition of his name in ROM. But finally, after no response from the company, Mr. Ram approached the Tribunal to get his name registered in ROM. The Tribunal passed the order on 20th May 2021 to enter Mr. Ram's name in register of members of the company.

In the Annual General Meeting (AGM) the company declared to pay 10% dividend to all its shareholders out of the profits which it earned in previous financial year. Mr. Krish, a member of the company is holding 1000 equity shares in the company. Two years back Mr. Krish jointly bought fully paid 1000 equity shares of the company, with Mr. Azim, who is also a member of the company holding 1000 equity shares. Mr Krish needs to pay final call of ₹ 20 per share.

After the Annual General Meeting a report on the meeting including the confirmation to the effect that the meeting was convened, held and conducted as per the provisions of the Act and the rules made thereunder is required to be filed. A copy of the report was filed with the Registrar in Form No. MGT-15 with prescribed fees.

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

- (i) The Tribunal passed an order dated 20.05.2021. Latest by what date should the entry of Mr. Ram's name be made in the register of members?
 - (a) 25.05.2021
 - (b) 27.05.2021
 - (c) 30.05.2021

- (d) 31.05.2021
- (ii) Suppose the Chairman of the company after two days of AGM went abroad for next 31 days. Due to the unavailability of the Chairman, within time period prescribed for submission of copy of report of AGM with the registrar, the report as required was signed by two Directors of the company, of which one was additional Director of the company. Comment on the signing of this report of AGM.
- (a) Yes, the signing is in order as the report can be signed by any director in the absence of Chairman.
- (b) No, the signing is not in order as only the Chairman is authorised to sign the report
- (c) Yes, the signing is in order, as in the absence of Chairman at least two directors should sign the report.
- (d) No, the signing is not in order, since in case the Chairman is unable to sign, the report shall be signed by any two directors of the company, one of whom shall be the Managing director, if there is one and company secretary of the company.
- (iii) According to the provision of Companies Act, 2013, till what date the company should submit report of AGM to the registrar?
- (a) 04.06.2021
- (b) 09.06.2021
- (c) 24.06.2021
- (d) 25.06.2021

2. Atul want to wear a new coat for his seminar which is to be held (after 15 days). He bought cloth material from the market to make a new coat. Atul gives material to Babu, a tailor, to make the coat. Babu promised Atul to deliver the coat within the stipulated time of one week. Atul paid 10% advance so that he stitches his coat on priority basis. After one week when Atul went to the tailor he was shocked to see that the coat is still unstitched. The tailor demanded two more days time from Atul to stitch the coat, but Atul refused and asked the tailor to return his piece of cloth. Tailor retained the cloth and asked Atul to pay the price, as he already did the cutting of the cloth.

Yash, Atul's friend left his car at the company's authorised showroom for servicing. As Yash house is located in the remote area of the city, so he instructed the manager of the showroom to park the vehicle at Atul's residence. So as per Yash's instructions the car was sent to Atul house after servicing. The worker of the showroom parked the car outside Atul's residence and handed over the key to Atul's servant. Next day when Yash went to pick up his car he found that somebody has hit the car while it was parked there.

Yash found a mobile phone and a branded pen lying on the road outside Atul's residence. Yash tried to enquire about the real owner. He took the phone and pen with him and kept it in the drawer of his study table. Next day, Yash's wife came to the room searching for a pen, she saw the pen and took the pen and went out. Unfortunately, Yash's wife lost the pen. After two days the real owner, approached him (Yash), Yash humbly delivered his phone and apologized for the loss of pen.

Multiple Choice Questions [2 MCQs of 2 Marks each: Total 4 Marks]

- (i) According to the provisions of the Indian Contract Act, 1872, do you think the tailor has a right of lien over the cloth?
- (a) Yes, he is entitled to retain the coat until he is paid.
- (b) No, he has not completed the work within the agreed time

- (c) Yes, in case of particular lien he can retain the cloth.
- (d) No, but he is not required to return the advance amount
- (ii) Referring to the provision of the Indian Contract Act, 1872, what are the repercussions, when Yash found goods belonging to another and takes them into his custody? Choose the correct statement.
- (a) He becomes subjected to the same responsibility as of a bailee.
- (b) merely possession of the goods does not make him a bailee
- (c) No act is done by owner for placing the goods in the possession of Yash, so he cannot be treated as bailee.
- (d) In the absence of any express or implied contract, absolves Yash's liabilities as bailee
3. A prospectus which does not include complete particulars of the quantum or price of the securities included therein is called:
- (a) A deemed Prospectus
- (b) A Shelf Prospectus
- (c) An Abridged Prospectus
- (d) A Red Herring Prospectus **(1 Mark)**
4. The minimum amount of subscription in a public issue shall be received within ____ days from the date of issue of prospectus.
- (a) 30
- (b) 60
- (c) 90
- (d) 120 **(1 Mark)**
5. During the half year ended September 2020, the board of directors (BOD) of Gold Leaf Limited has made an application to the Tribunal for revision in the accounts of the company for the financial year ended on March 2018. Further during the year ended March 2021, the BOD has again made an application to the Tribunal for revision in the board's report pertaining to the year ended March 2020. You are required to state the validity of the acts of the Board of directors.
- (a) The act of the BOD is valid only to the extent of application made for revisions in accounts as board's report are not eligible for revision.
- (b) The act of the BOD is valid as application made for revision in the accounts and board's report pertains to two different financial year.
- (c) The act of the BOD is invalid as the law provides for only one time application to be made in a financial year for revision of accounts and boards report.
- (d) The act of the BOD is invalid as to the application made for revision in accounts pertains to a period beyond 2 years immediately preceding the year 2021. The application made for revision in the Board report is however valid in law. **(2 Marks)**
6. One Person Company shall file a copy of the duly adopted financial statements to the Registrar in:
- (a) 30 days of the date of meeting in which it was adopted.
- (b) 90 days of the date of meeting in which it was adopted.

- (c) 90 days from the closure of the financial year.
- (d) 180 days from the closure of the financial year. **(2 Marks)**
7. The Board of Directors of Vidyut Limited are contemplating to declare interim dividend in the last week of July, 2021 but the company has incurred loss during the current financial year up to the end of June, 2021. However, it is noted that during the previous five financial years i.e., 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21, the company had declared dividend at the rate of 8%, 9%, 12%, 11% and 10% respectively. Advise the Board as to the maximum rate at which they can declare interim dividend despite incurring loss during the current financial year.
- (a) Maximum at the rate of 10%.
- (b) Maximum at the rate of 11%.
- (c) Maximum at the rate of 10.5%.
- (d) Maximum at the rate of 11.5%. **(2 Marks)**
8. Amount to be transferred to reserves out of profits before any declaration of dividend is _____
- (a) 5%
- (b) 7.5%
- (c) 10%
- (d) at the discretion of the company. **(1 Mark)**
9. 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)**
10. Which of the following is a prohibited service 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)**
11. Which of the following statements is not true?
- (a) in case of shares, the rate of underwriting commission to be paid shall not exceed five percent of the issue price of the share.
- (b) underwriting commission should not be more than the rate specified by the Article of Association.
- (c) in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
- (d) amount of commission may be paid out of profits of the company. **(2 Marks)**

12. A negotiable instrument drawn in favour of a minor is
- (a) Void ab initio
 - (b) Void but enforceable
 - (c) Valid
 - (d) Quasi contract **(1 Mark)**
13. According to the _____ rule, the words of the statute are to be given their plain and ordinary meaning. —
- (a) Literal rule
 - (b) Golden rule
 - (c) Natural rule
 - (d) Mischief rule **(1 Mark)**
14. When there is a conflict between two or more statutes or two or more parts of a statute then which rule is applicable:
- (a) Welfare construction
 - (b) Strict construction
 - (c) Harmonious construction
 - (d) Mischief Rule **(1 Mark)**
15. As per the provisions of the General Clauses Act, 1897, where an act or omission constitutes an offence under two or more enactments, then the offender shall be liable to be prosecuted and punished under:
- (a) Under either or any of those enactments
 - (b) Twice for the same offence
 - (c) Either (a) or (b) as per the discretion of the court
 - (d) Under the cumulative effect of both the enactments **(1 Mark)**
16. Where an act of parliament does not expressly specify any particular day as to the day of coming into operation of such Act, then it shall come into operation on the day on which :
- (a) It receives the assent of the President
 - (b) It receives the assent of the Governor General
 - (c) It receives assent of both the houses of Parliament
 - (d) It receives assent of the Prime Minister **(1 Mark)**
17. The date of maturity of a bill payable hundred days after sight and which is presented for sight on 4th May, 2021, is:
- (a) 13 August, 2021
 - (b) 14 August, 2021
 - (c) 15 August, 2021
 - (d) 16 August, 2021 **(2 Marks)**

Division B (70 Marks)

1. (a) Silver Oak Ltd. has following balances in their Balance Sheet as on 31st March, 2021:

| | | ₹ |
|-----|---|------------|
| (1) | Equity shares capital (3.00 lakhs equity shares of ₹ 10 each) | 30.00 lacs |
| (2) | Free reserves | 5.00 lacs |
| (3) | Securities Premium Account | 3.00 lacs |
| (4) | Capital redemption reserve account | 4.00 lacs |
| (5) | Revaluation Reserve | 3.00 lacs |

Directors of the company seeks your advice in following cases:

- (i) Whether company can give bonus shares in the ratio of 1:3?
- (ii) What if company decide to give bonus shares in the ratio of 1:2? ? **(6 Marks)**
- (b) The Director of Lion Limited proposed dividend at 12% on equity shares for the financial year 2019-20. The same was approved in the annual general meeting of the company held on 20th September, 2020. Mr. A, holding equity shares of face value of ₹ 10 lakhs has not paid an amount of ₹ 1 lakh towards call money on shares. Can the same be adjusted against the dividend amount payable to him? **(3 Marks)**
- (c) Mr. R brother of CA. Sana, a practicing chartered accountant, acquired securities of Hot Ltd. having market value of ₹1,20,000 (face value ₹ 95,000). State whether CA. Sana is qualified to be appointed as a statutory auditor of Hot Ltd. **(3 Marks)**
- (d) Y advances Z a loan of ₹ 10,000 on the guarantee of X, at an interest of 10%. Subsequently, as Z was having some financial problems, Y reduced the rate of interest to 7% and also extended time for repayment of loan without the consent of X. Z becomes insolvent. Can Y sue X for recovery of amount? **(4 Marks)**
- (e) Rama executes a promissory note in the following form, 'I promise to pay a sum of ₹10,000 after three months'. Decide whether the promissory note is a valid promissory note. **(3 Marks)**
2. (a) Best Limited has decided to conduct its Annual General Meeting on 28th September 2021. They have sent the notice of the meeting on 9th September 2021 (for which they have taken consent from 90% of the members entitled to vote thereat). Comment on the validity of notice of the Annual General Meeting, as per the provisions of the Companies Act, 2013. **(4 Marks)**
- (b) (i) The Auditor of the company (other than government company) has resigned on 31st December, 2020, while the Financial year of the company ends on 31st March, 2021. Discuss as per the provisions of the Companies Act, 2013, how the auditor will be appointed in this case. **(3 Marks)**
- (ii) State the persons responsible for complying with the provisions regarding maintenance of Books of Accounts of a Company. Support with the help of relevant provisions of the Companies Act, 2013. **(3 Marks)**
- (c) Mr. D was in urgent need of money amounting to ₹ 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) What are the essential characteristics of Negotiable Instruments. **(3 Marks)**

3. (a) What is meant by "Abridged Prospectus"? Under what circumstances an abridged prospectus need not accompany the detailed information regarding prospectus along with the application form? **(5 Marks)**
- (b) Mr. Yash is a partner and in charge of PQR firm. The firm is appointed as an auditor firm of A. K. Company limited (listed company). Mr. Yash retires from PQR firm and after some time join Gupta & Gupta firm as a partner, on 20/05/21. In the general meeting of the company held on 15/06/21, the company appointed Gupta & Gupta firm as next auditor of the company. Do you think the company has adhered to the provision of appointing Gupta & Gupta as auditor for the company, under the Company Act 2013. Explain? **(5 Marks)**
- (c) Discuss with reasons, in the following given conditions, whether 'M' can be called as a "holder" under the Negotiable Instruments Act, 1881:
- (1) 'M' the payee of the cheque, who is prohibited by a court order from receiving the amount of the cheque.
- (2) 'M' the agent of 'Q' is entrusted with an instrument without endorsement by 'Q' who is the payee. **(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 persons (not being members) dealing with the company are always protected by the doctrine of indoor management. Explain. **(6 Marks)**
- (b) Comment quoting relevant provisions whether the following amounts received by a company will be considered as deposits or not:
- (i) ₹ 5,00,000 raised by Rohit Limited through issue of non-convertible debentures not constituting a charge on the assets of the company and listed on a recognised stock exchange as per the applicable regulations made by the Securities and Exchange Board of India.
- (ii) ₹ 2,00,000 received by Rishi Limited from its employee Mr. Tarun, who draws an annual salary of ₹ 1,50,000, as a non-interest bearing security deposit under a contract of employment. **(4 Marks)**
- (c) SEBI (Issue of Capital and Disclosure Requirements) (Fifth Amendment) Regulations, 2015 was issued by SEBI vide Notification dated 14th August, 2015 with effect from 1 January, 2016. Referring to the provisions of the General Clauses Act, 1897, examine the date of enforcement of these Regulations? **(3 Marks)**
- (d) Define Grammatical Interpretation. What are the exceptions to grammatical interpretation? **(4 Marks)**
5. (a) New Private Ltd. is a company registered under the Companies Act, 2013 with a paid-up share capital of ₹ 70 lakh and turnover of ₹ 30 crores. Explain the meaning of the "Small Company" and examine the following in accordance with the provisions of the Companies Act, 2013:
- (i) Whether the New Private Ltd. can avail the status of small company?
- (ii) What will be your answer if the turnover of the company is ₹ 15 crore and the capital is same as ₹ 70 lakh? **(5 Marks)**
- (b) Who all cannot be appointed as a trustee for the depositors. Enumerate with reference provisions to the Companies Act, 2013 read with the 'Acceptance of Deposits' Rules, 2014. **(5 Marks)**
- (c) On the basis of reward, what are various categories of bailment? **(4 Marks)**
- (d) Explain the meaning of 'calculation of duty to be taken on pro rata basis' as per the provisions of the General Clauses Act, 1897. Give an example. **(3 Marks)**