

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. Mr. Hari Dutta is an Operation head of North India region of Hilton Ltd. He was a full-time employee of the company. Mr. Hari draws a monthly salary of Rs. 1,00,000. On 14th May 2020, Mr. Hari applied for a loan of Rs. 10,00,000, to buy 1000 fully paid-up equity shares of Rs. 1000 each in Mohan Limited (holding company of Hilton Ltd). The company refused to grant loan to Mr. Hari saying he is not eligible for the loan for the said amount of Rs. 10,00,000.

Hilton Ltd. is a listed company, authorized by its articles to purchase its own securities. According to the balance sheet and Annual statements of the company for the year 2020-21:

- Issued, subscribed and paid-up Share Capital (20,00,000 equity shares of Rs. 100 each, fully paid-up)
- Free Reserves Rs. 30,00,00,000
- The security premium account Rs. 20,00,00,000
- The secured and unsecured Debt Rs. 50,00,00,000
- Accumulated losses Rs. 50,00,000

The company issued a circular as it wanted to buy back shares worth Rs. 10,00,00,000 from the funds it has in its free reserve and security premium account. The board of directors passed a resolution for the same on 28th April, 2021.

The company has filed with the Registrar of Companies a Letter of Offer in e-form SH-8 on 1st May 2021. The company had also filed with the Registrar of Companies, along with the letter of offer, a declaration of solvency.

The Letter of Offer was dispatched to all the shareholders on 3rd May, 2021. The company announced to avail the buy back offer latest by 10th May, 2021. Many shareholders who approached the company after the due date were not considered applicable for this buy back scheme. The shareholders raised strong objection on giving just 7 days time to avail the offer by the company.

A special resolution has been passed at a general meeting of the company authorizing the buy-back of shares, which was accompanied by an explanatory statement containing the particulars required to be mentioned as per the provisions of the Companies Act, 2013.

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

- (i) The company has planned to buy back shares worth rupees 10,00,00,000. What is the maximum amount of equity shares that the company is allowed to buy back based on the total amount of equity shares?
- (a) Rs. 2,00,00,000
- (b) Rs. 5,00,00,000

- (c) Rs. 7,00,00,000
 - (d) Rs. 8,00,00 000
- (ii) Suppose the company intends to buy back some partly paid equity shares. Which of the following statement is correct?
- (a) The company is allowed to buy back partly paid equity shares
 - (b) The company is allowed to buy back partly paid equity shares if the total amount of such partly paid equity shares does not exceed 2% of the total buy back.
 - (c) The company is allowed to buy back partly paid equity shares but it cannot buy back partly paid other specified securities.
 - (d) All the shares or other specified securities for buy back must be fully paid up.
- (iii) Some shareholders and officers of the company are of the opinion that it was not necessary for the company to pass a special resolution in general meeting with respect to buy back. Choose the correct reasoning:
- (a) It was not necessary to pass the special resolution as the approval of Board had already been granted for such buy back of shares
 - (b) It was necessary to pass special resolution as the amount of buy back exceeds ten percent of the total paid up equity share capital and free reserves
 - (c) It was not necessary to pass the special resolution as the buy back was authorized by the articles of the company
 - (d) It was necessary to pass special resolution as the amount of buy back exceeds fifteen percent of the total paid up equity share capital and free reserves
2. Kirtee Agarwal and Kishan Shaw are two friends studying in the Mumbai City College. They both are pursuing Bachelor of Commerce (Hons) and are in their Semester V. Kirtee Agarwal is also pursuing Chartered Accountancy Course. She has completed her Foundation Level and is presently preparing for the Intermediate Level. On the other hand, Kishan Shaw is interested in Fashion Designing and is preparing to become a fashion designer after completing B.COM (Hons).

One fine morning over a cup of tea both Kirtee and Kishan heard two persons promising to financially help each other. One person named Mr. P promised the other Mr. Q, that he will pay him a certain sum of money on the 76th Independence Day of India. To this Mr. Q asked Mr. P to pay this sum to Mr. R (friend of Mr. Q). After a moment's thought Mr. P changed his mind and promised to pay a reduced sum of money to Mr. R along with an I-Pad.

Over hearing this conversation both Kirtee and Kishan started discussing over Promissory Notes. Since Kirtee is a CA Student she shared her knowledge about Promissory notes and explained Kishan about Section 4 of the Negotiable Instrument Act, 1881.

Having heard the details Kishan was curious in his mind regarding Promissory Notes. He had the following questions for which he needed answers. Considering the above data and assuming you are Kirtee, answer the following questions of Kishan:

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

- (i) Kishan asks, 'If Mr. P promises Mr. Q that he will pay Rs. 4,00,000. However, he will pay the sum to Mr. Q on the 76th Independence day of India'. Will this promise constitute a valid Promissory Note?

- (a) No. This is not a valid promissory note as it is conditional and promissory note should be unconditional.
- (b) No. This is not a valid promissory note as there is no express of promise. It is a mere statement.
- (c) Yes. This is a valid promissory note as the event stated in the promise is bound to happen.
- (d) Yes. This is a valid promissory note as there is a promise to pay irrespective of the promise being conditional or unconditional.
- (ii) Kishan asked, 'when Mr. P promises to pay a friend of Mr. Q, Rs 2,00,000 along with an I-Pad, on his birthday'. Will that be a valid Promissory Note?
- (a) No. It is not a valid Promissory note as the order to pay must consist of money only.
- (b) No. It is not a valid promissory note as there is no clarity on which birthday the payment will be made. It is a promise for an indefinite period.
- (c) Yes. It is a valid promissory note as the maker and payee are certain, definite and different person.
- (d) Yes. It is a valid promissory note as there is an express promise to pay Rs 2,00,000 along with I Pad on friend's birthday.
3. A bill of exchange is due on 2nd January, 2021. How many days of grace shall be provided to this bill of exchange due at maturity:
- (a) 1 day
- (b) 2 days
- (c) 3 days
- (d) 5 days **(1 Mark)**
4. Vinod, a transporter was transporting tomatoes of Avinash from his (Avinash's) farm to the market. However, due to heavy rains, Vinod was stuck for three days and thus he sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Choose the correct option in the light of the provisions of the Indian Contract Act, 1872.
- (a) Avinash will succeed in recovering losses of tomatoes from Vinod
- (b) Avinash will not succeed in recovering losses of tomatoes from Vinod
- (c) Vinod can sell the tomatoes only at a price higher than the market rate
- (d) Avinash is liable to compensate Vinod as his truck was stuck for three days and hence, he (Vinod) could not complete the deliveries of other clients and thus he (Vinod) suffered loss. **(2 Marks)**
5. Mr. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statement is correct in this regard:
- (a) This is a case of bailment
- (b) The parking people has possession of the car of Mr. Vishal
- (c) The parking people has custody of car of Mr. Vishal
- (d) This is the case of mortgage

(2 Marks)

6. _____ is the cardinal rule of construction that words, sentences and phrases of a statute should be read in their ordinary, natural and grammatical meaning so that they may have effect in their widest amplitude.
- (a) Rule of Literal Construction
 - (b) Rule of Harmonious Construction
 - (c) Rule of Beneficial Construction
 - (d) Rule of Exceptional Construction
- (1 Mark)**
7. What among the following could be considered in the term 'Immovable Property' as defined under section 3(26) of the General Clauses Act, 1897?
- (i) The soil for making bricks
 - (ii) Right to catch fish
 - (iii) Right to drain water
 - (iv) Doors and Windows of the house
- (a) Only (i) and (iv)
 - (b) Only (i), (ii) and (iv)
 - (c) Only (i) and (ii)
 - (d) Only (ii), (iii) and (iv)
- (2 Marks)**
8. The Annual General Meeting (AGM) of ALL- WELL Limited was held on 31.8.2021. 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.
- (2 Marks)**
9. The Annual General Meeting of Brother Limited was held on 25th May 2021. According to the provisions 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 Marks)**

10. Gama Limited's General Meetings are held at its registered office situated in Delhi. The minute book of General meetings of Gama Limited will be kept at:
- (a) That place where members of Gama Limited will decide.
 - (b) That place where all employees of Gama Limited will decide.
 - (c) Registered office of the company Gama Limited.
 - (d) That place where senior officials of Gama Limited will decide. **(1 Mark)**
11. Amit Limited is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the minimum period for which it should mandatorily be preserved in good order.
- (a) Four years from the financial year in which the latest entry is made in the Register.
 - (b) Six years from the financial year in which the latest entry is made in the Register.
 - (c) Eight years from the financial year in which the latest entry is made in the Register.
 - (d) Ten years from the latest date of entry. **(1 Mark)**
12. Shri Limited (a company having CSR Committee as per the provision of Section 135 of the Companies Act, 2013) decides to spend and utilize the amount of Corporate Social Responsibility on the activities for the benefit of all the employees of Shri Limited. As per the provision of Companies Act, 2013 this would mean that:-
- (a) This is the total amount spent on Corporate Social Responsibility activities by Shri Limited for that financial year
 - (b) No amount spent on Corporate Social Responsibility activities by Shri Limited for that financial year
 - (c) Only Half of the total amount spent, shall be considered to be spent on Corporate Social Responsibility activities by Shri Limited for that financial year
 - (d) Only the amount that has been spent on the employees having salary of Rs. 20,000 per month or less, shall be considered to be spent on Corporate Social Responsibility activities by Shri Limited for that financial year. **(2 Marks)**
13. Mr. Guru bought 40,000 shares of Real Consultancy Services (RCS) of face value 10 each out of his savings. On such shares, the final call of Rs. 2 is due but unpaid by Mr. Guru. In the meantime, RCS declared dividend at a rate of 15%. Regarding un-paid call money by Mr. Guru, in light of dividend due to him from RCS, state which of following the statements is correct?
- (a) Dividend cannot be adjusted against the unpaid call money
 - (b) The dividend of Rs. 48,000 can be adjusted against unpaid call money
 - (c) The dividend of Rs. 48,000 can be adjusted against unpaid call money, only if consent is given by Mr. Guru.
 - (d) The dividend of Rs. 64,000 can be adjusted against unpaid call money, even if consent is not given by Mr. Guru. **(2 Marks)**
14. The word 'firm' for the purpose of Section 139 shall include-
- (a) An individual auditor
 - (b) LLP

- (c) An individual auditor and LLP both
 (d) A company **(1 Mark)**
15. When the dividend is declared at the Annual General Meeting of the company, it is known as
- (a) Final Dividend
 (b) Interim Dividend
 (c) Dividend on preference shares
 (d) Scrip Dividend **(1 Mark)**

Division B (70 Marks)

1. (a) Kat Pvt. Ltd., is an unlisted company incorporated on 2.6.2012. The company have a share capital of rupees fifty crores. The company has decided to issue sweat equity shares to its directors and employees on 5.7.2021. The company decided to issue 10% sweat equity shares (which in total will add up to 30% of its paid up equity shares), with a locking period of five years, as it is a start-up company. How would you justify these facts in relation to the provisions for issue of sweat equity shares by a start-up company, with reference to the provisions of the Companies Act, 2013? Explain. **(6 Marks)**
- (b) The Board of Directors of Dew Fashions Limited at its meeting recommended a dividend on its paid-up equity share capital which was later on approved by the shareholders at the Annual General Meeting. Thereafter, the directors at another meeting of the Board passed a board resolution for diverting the total dividend to be paid to the shareholders for purchase of certain short-term investments in the name of the company. As a result, dividend was paid to shareholders after 45 days.
- Examining the provisions of the Companies Act, 2013, state whether the act of directors is in violation of the provisions of the Act and if so, state the consequences that shall follow for the above violative act. **(6 Marks)**
- (c) Alia appoints Monu, a minor, as his agent to sell her watch for cash at a price not less than Rs. 700. Monu sells it to David for Rs. 350. Is the sale valid? Explain the legal position of Monu and David, referring to the provisions of the Indian Contract Act, 1872. **(4 Marks)**
- (d) Mr. Amna draws a cheque of Rs. 11,000 and gives to Mr. Babita by way of gift. State with reason whether -
- (1) Mr. Babita is a holder in due course as per the Negotiable Instrument Act, 1881?
 (2) Mr. Babita is entitled to receive the amount of Rs. 11,000 from the bank? **(3 Marks)**
2. (a) Mr. Pam purchased a commercial property in Delhi belonging to ABC Limited after entering into an agreement with the company. At the time of registration, Mr. Pam 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 his name contending that he ought to have the knowledge of charge created on the property of the company. Explain, whether the contention of ABC Limited is correct? **(4 Marks)**
- (b) The Income Tax Authorities in the current financial year 2020-21 observed, during the assessment proceedings, a need to re-open the accounts of Shrey Ltd. for the financial year 2009-10 and, therefore, filed an application before the National Company Law Tribunal (NCLT) to issue the order to Shrey Ltd. for re-opening of its accounts and recasting the financial statements for the financial year 2009-10. Examine the validity of the application filed by the Income Tax Authorities to NCLT. **(6 Marks)**

- (c) Mrs. Shriya delivered her old silver jewellery to Mr. Yash a Goldsmith, for the purpose of making new a silver bowl out of it. Every evening she used to receive the unfinished good (silver bowl) to put it into box kept at Mr. Yash's shop. She kept the key of that box with herself. One night, the silver bowl was stolen from that box. Was there a contract of bailment? Whether the possession of the goods (actual or constructive) delivered, constitute contract of bailment or not? **(4 Marks)**
- (d) What are the parties to a bill of exchange. **(3 Marks)**
3. (a) Explain the provisions of the Companies Act, 2013 relating to the 'Service of Documents' on a company and the members of the company. **(5 Marks)**
- (b) Examine whether the following persons are eligible for being appointed as auditor under the provisions of the Companies Act, 2013:
- (i) Mr. Ray is a practicing Chartered Accountant indebted to ABC Ltd. for rupees 6 lakh. Directors of ABC Ltd. want to appoint Mr. Ray as an auditor of the company. Can ABC Ltd. do so?
- (ii) Mrs. Kavita spouse of Mr. Kumar, a Chartered Accountant, is the store- keeper of PRC Ltd. Directors of PRC Ltd. want to appoint Mr. Kumar as an auditor of the company. **(5 Marks)**
- (c) Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881:
- (1) Megha, who finds a cheque payable to bearer, on the road and retains it.
- (2) Bob, who steals a blank cheque of Alpa and forges Alpa's signature. **(4 Marks)**
- (d) Does an explanation added to a section widen the ambit of a section? **(3 Marks)**
4. (a) What is the minimum number of persons required to form a Private company and a Public company.
- Explain the consequences when the number of members falls below the minimum prescribed limit. **(6 Marks)**
- (b) Kavita Ltd. scheduled its Annual General Meeting to be held on 11th March, 2020 at 11:00 A.M. The company has 900 members. On 11th March, 2020 following persons were present by 11:30 A.M.
1. P1, P2 & P3 shareholders
 2. P4 representing ABC Ltd.
 3. P5 representing DEF Ltd.
 4. P6 & P7 as proxies of the shareholders
- (i) Examine with reference to relevant provisions of the Companies Act, 2013, whether quorum was present in the meeting.
- (ii) What will be your answer if P4 representing ABC Ltd., reached in the meeting after 11:30 A.M.? **(4 Marks)**
- (c) The Companies Act, 2013 provides that the amount of dividend remained unpaid/unclaimed on expiry of 30 days from the date of declaration of dividend shall be transferred to unpaid dividend account within 7 days from the date of expiry of such period of 30 days. If the expiry date of such 30 days is 30.10.2021, decide the last date on or before which the unpaid/unclaimed dividend amount shall be required to be transferred to a separate bank account in the light of the relevant provisions of the General Clauses Act, 1897? **(3 Marks)**
- (d) Explain the rule in 'Heydon's Case' while interpreting the statutes quoting an example. **(4 Marks)**

5. (a) Mr. Nirmal has transferred 1000 equity shares of Perfect Private Limited to his sister Ms. Mana. The company did not register the transfer of shares and also did not send a notice of refusal to Mr. Nirmal or Ms. Mana within the prescribed period. Discuss as per the provisions of the Companies Act, 2013, whether aggrieved party has any right(s) against the company? **(5 Marks)**
- (b) Define Charge.
Who has the authority to verify the instrument of charge created for property situated outside India? Give your answer 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? **(3 Marks)**