

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)

- I. Shiv IT Solutions Ltd. is a company engaged in the business of providing customised software to its clients. These software's are usually related to the employee's attendance, leave management, salary preparation, tax calculation and other matters incidental to HR.

The company is having its own building and other infrastructure in Bengaluru and also at Brussels, Belgium. The company have patent rights over few of its software's and also have the trade mark right over the company's logo.

The company got sanctioned term loan facility of ₹ 10 crores from Best Bank Ltd on 1st January, 2022 by creating a charge on the assets of the company which includes the company's own buildings and intangible assets. The charge should have been created by the company within the time prescribed under the Companies Act, 2013 with the Registrar, however, the company could not get registration of charges within the prescribed time line.

During the course of Secretarial Audit of the company, for the year ended March 2022, it came in the knowledge of the Company Secretary in Practice, that charge was not registered with the Registrar. He mentioned it in the report and advised the company to get it registered. However, the Action Taken Report (ATR) on the audit objection made by the Company Secretary was not apprised to the Board and no follow up was made by the company thereafter.

Bank's concurrent auditor and statutory auditor also pointed out this issue and narrated that since charge was not created by the company, hence this advance be treated as clean advance and interest rate of clean / unsecured advance, which is 22% (as against the normal rate of 11%) should be applied from the date of disbursement on the outstanding amount till date. Bank also asked a professional, whether it can get the charge registered, at its own, to satisfy the audit objection.

The Bank applied for registration of charge which was considered by the Registrar and registration of creation of charge was granted. The Bank in order to address the audit objections, applied the interest @ 22% on the outstanding amount in the loan account of the company. The company aggrieved with the decision of the Bank, managed to liquidate the term loans account by raising funds from other sources and filed the 'Satisfaction of Charge' with the Registrar.

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

1. The company can create charge in favour of the lender on the the assets which are:
 - (a) Tangible Assets and situated in India only
 - (b) Intangible Assets and situated in India only
 - (c) Assets that are tangible or otherwise and situated in India or Brussels (Belgium)
 - (d) Assets that are tangible or otherwise and situated in India only

2. Where the company fails to get the registration of charge, whether the Best Bank Ltd, in whose favour the charge was to be created, can move the application for creation of charge:
- No. It is the responsibility of the borrower company only to get the charge registered in favour of the lender.
 - If the company do not get the charge registered in favour of the lender, the lender suo-moto cannot move application for registration of charge in its favour.
 - The borrower company can be held liable to pay the penalty only.
 - Yes. The lender company can move the application for registration of charge in its favour, if the borrower do not get the charge registered with the prescribed time.
3. Pratham Limited has decided to spend ₹ 40 lakhs on project of CSR. The average net profit of the company is ₹ 10 crores. But due to some reasons, company was able to spend only ₹ 30 lakhs. Now what will be the option for the company for the rest ₹ 10 lakhs.
- Penal provision will be applicable for unspent amount of ₹ 10 lakhs.
 - No penal provision but explanation is required in Board report for not spending ₹ 10 lakhs
 - No penal provision
 - The company is required to transfer the amount to separate fund. **(2 Marks)**
4. The company X plans to cover its skilled as well as semi-skilled workers of its units under medical health insurance plan, for which the company X will bear the expenses. Will this expenditure be permissible under CSR activities as per the provisions of the Companies Act, 2013:
- only expenditure on skilled workers is allowed
 - expenditure on both skilled and semi- skilled workers is allowed
 - Resolution to be passed in board meeting before incurring this expenditure and in the board report it must be mentioned, so that the same will be permissible under CSR activities
 - such expenditure is not permissible under eligible CSR activities **(2 Marks)**
5. Which among the following companies is not required to provide its members the facility to exercise right to vote by electronic mode under the provisions of the Companies Act, 2013?
- B Limited, whose equity shares (the company is having both equity as well as preference shares) are listed on a recognised stock exchange.
 - A Limited, whose equity shares (only type of share the company is having) are listed on a recognised stock exchange
 - C Limited, whose preference shares (the company is having both equity as well as preference shares) are listed on a recognised stock exchange
 - D Limited, whose equity shares as well as preference shares are listed on a recognised stock exchange. **(2 Marks)**
6. The Corporate Social Responsibility Committee of the board shall consist of:
- Three or more directors out of which at two directors shall be Independent Director
 - Three or more directors out of which at least one director shall be Independent Director.

- (c) Three or more directors and all should be Independent Directors
- (d) Three or more directors with condition of not a single director should be Independent Director
- (1 Mark)**
7. New Ltd. is incorporated on 3rd January, 2022. As per the Companies Act, 2013, what will be the financial year for the company:
- (a) 31st March, 2022
- (b) 31st December, 2022
- (c) 31st March, 2023
- (d) 30th September, 2023
- (2 Marks)**
8. "Associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. Here, the words 'significant influence' means:
- (a) Control of at least 10% of total voting power
- (b) Control of at least 15% of total voting power
- (c) Control of at least 20% of total voting power
- (d) Control of at least 25% of total voting power
- (1 Mark)**
9. First annual general meeting of the company should be held within from the closing of the first financial year.
- (a) 6 months
- (b) 9 months
- (c) 12 months
- (d) 18 months
- (1 Mark)**
10. Victory Limited was incorporated in January 2015. How much expenditure Victory Limited shall ensure to spend in pursuance of its Corporate Social Responsibility Policy:
- (a) The company shall ensure to spend in every financial year, at least 2% of the average gross profits of the company made during the 2 immediately preceding financial years.
- (b) The company shall ensure to spend in every financial year, at least 2% of the average net profits of the company made during the 3 immediately preceding financial years.
- (c) The company shall ensure to spend in every financial year, at least 1% of the average net profits of the company made during the 2 immediately preceding financial years.
- (d) The company shall ensure to spend in every financial year, at least 1% of the average net profits of the company made during the 3 immediately preceding financial years.
- (1 Mark)**

11. Birthday Card Limited, a listed company can appoint or re-appoint, Mishra & Associates (a firm of Chartered Accountants), as their statutory auditors for:
- (a) One year only
 - (b) One term of 3 consecutive years only
 - (c) One term of 4 consecutive years only
 - (d) Two terms of 5 consecutive years **(1 Mark)**
12. Which of the following is a prohibited service to be rendered by the auditor of a 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)**
13. Which among the following will not be considered as a "Foreign Instrument" under the provisions of the Negotiable Instruments Act, 1881?
- (a) A bill drawn on a person residing outside India but payable in India or outside India
 - (b) A bill drawn on a person resident outside India but payable outside India
 - (c) A bill drawn on a person residing outside India but payable in India
 - (d) A bill drawn on a person resident in India but payable outside India **(2 Marks)**
14. A substituted agent acts on behalf of
- (a) Principal
 - (b) Sub-agent
 - (c) Agent
 - (d) anyone, as decided by the agent only **(1 Mark)**
15. As per the provisions of the Indian Contract Act, 1872, the finder of lost goods:
- (a) cannot sue and also cannot retain the goods so found
 - (b) can sue but cannot retain the goods so found
 - (c) cannot sue but retain the goods so found
 - (d) can sue and also retain the goods so found **(1 Mark)**
16. X, a shareholder of a company lost his share certificate. He applied for the duplicate. The company agreed to issue the same on the term that X will compensate the company against the loss where any holder produces the original certificate. This is called:
- (a) Contract of indemnity
 - (b) Contract of Guarantee
 - (c) Quasi Contract
 - (d) Bailment **(2 Marks)**

17. As per Rule of Literal Construction, Technical words are to understood in:
- (a) Normal sense
 - (b) Ordinary sense
 - (c) Technical sense
 - (d) Legal sense
- (1 Mark)**
18. A clause that begins with the words 'Notwithstanding anything contained' is called:
- (a) An obstacle clause
 - (b) A non- obstante clause
 - (c) An objectionable clause
 - (d) A superior clause
- (1 Mark)**
19. Pick the odd one out of the following aids to interpretation—
- (a) Preamble
 - (b) Marginal Notes
 - (c) Proviso
 - (d) Usage
- (1 Mark)**
20. In all Central Acts and Regulations, unless there is anything repugnant in the subject or context, words importing the masculine gender shall be taken:
- (a) To exclude females
 - (b) To exclude girl child
 - (c) To include females
 - (d) To exclude boy child
- (1 Mark)**
21. An instrument which is vague and cannot be clearly identified either as a bill of exchange, or as a promissory note.....
- (a) is called an ambiguous instrument
 - (b) can be classified only as a promissory note
 - (c) can be classified only as a bill of exchange
 - (d) has to be categorised as an invalid instrument
- (2 Marks)**

Division B (70 Marks)

1. (a) The Board of Directors of Stamp Limited, a listed company appointed Mr. Chatterjee, Chartered Accountant as its first auditor within 30 days of the date of registration of the company to hold office from the date of incorporation to conclusion of the first Annual General Meeting (AGM). At the first AGM, Mr. Chatterjee was re-appointed to hold office from the conclusion of its first AGM till the conclusion of 6th AGM. In the light of the provisions of the Companies Act, 2013, examine the validity of appointment/ reappointment in the following cases:
- (i) Appointment of Mr. Chatterjee by the Board of Directors.

- (ii) Re-appointment of Mr. Chatterjee at the first AGM in the above situation. **(6 Marks)**
- (b) Virjesh Limited is a company in which Hrishkesh Limited is holding 60% of its paid up share capital. One of the shareholders of Hrishkesh Limited made a charitable trust and donated his 10% shares in Hrishkesh Limited and ₹ 50 crores to the trust. He appoints Virjesh Limited as the trustee. All the assets of the trust are held in the name of Virjesh Limited. Can a subsidiary company hold shares in its holding company in this way? **(6 Marks)**
- (c) Masoom owns a residential property at Kailash Colony, Delhi. Masoom has given his residential property on rent amounting to ₹ 50,000 per month to Kamal. Pankaj became the surety for payment of rent by Kamal. Subsequently, without Pankaj's consent, Kamal agreed to pay higher rent to Masoom. After a few months of this, Kamal defaulted in paying the rent. Evaluate the position of Pankaj in this regard as per the provisions of the Indian Contract Act, 1872. **(4 Marks)**
- (d) On a Bill of Exchange for ₹ 1 lakh, X's acceptance to the Bill is forged. 'A' takes the Bill from his customer for value and in good faith before the Bill becomes payable. State with reasons whether 'A' can be considered as a 'Holder in due course' and whether he (A) can receive the amount of the Bill from 'X'. Answer as per the provisions of the Negotiable Instruments Act, 1881. **(3 Marks)**
2. (a) Happy Limited received a proxy form 54 hours before the time fixed for the start of the meeting. The company refused to accept the proxy form on the ground that the Articles of the company provided that a proxy form must be filed 60 hours before the start of the meeting. Define proxy and decide under the provisions of the Companies Act, 2013, whether the proxy holder can compel the company to admit the proxy in this case? **(4 Marks)**
- (b) Explain the following as per the provisions of the Companies Act, 2013:
- (i) Who shall sign Board's Report
- (ii) Filing of financial statements with the Registrar when AGM is not held **(6 Marks)**
- (c) Examine whether the following constitute a contract of 'Bailment' under the provisions of the Indian Contract Act, 1872:
- (i) Golu parks his car at a parking lot, locks it, and keeps the keys with himself.
- (ii) Seizure of goods by customs authorities. **(4 Marks)**
- (d) What are the parties to promissory note and a bill of exchange. **(3 Marks)**
3. (a) Shilpi Developers India Limited owed to Sunil ₹ 10,000. On becoming this debt payable, the company offered Sunil 100 shares of ₹ 100 each in full settlement of the debt. The said shares were allotted to Sunil as fully paid-up in lieu of his debt. Examine the validity of this allotment in the light of the provisions of the Companies Act, 2013. **(5 Marks)**
- (b) The Annual General Meeting of Angels Limited held on 30th May, 2022, declared a dividend at the rate of 30% payable on its paid-up equity share capital as recommended by Board of Directors. However, the Company was unable to post the dividend warrant to Mr. A, an equity shareholder, up to 25th July, 2022. Mr. A filed a suit against the Company for the payment of dividend along with interest at the rate of 20 percent per annum for the period of default. Decide in the light of provisions of the Companies Act, 2013, whether Mr. A would succeed? Also, state the directors' liability in this regard under the Act. **(5 Marks)**
- (c) A promissory note was made without mentioning any time for payment. The holder added the words 'on demand' on the face of the instrument. Whether this may be treated as material alteration in the instrument? Give answer referring to the provisions of the Negotiable Instruments Act, 1881. **(4 Marks)**

- (d) Viraj, a director of the company, not being personally concerned or interested, financially or otherwise, in a matter of a proposed motion placed before the Board Meeting, did not disclose his interest although he has knowledge that his sister is interested in that proposal. He restrains from making any disclosure of his interest on the presumption that he is not required by law to disclose any interest as he is not personally interested or concerned in the proposal. He made his presumption relying on the 'Rule of Literal Construction'. Explaining the scope of interpretation under this rule in the given situation, decide whether the decision of Viraj is correct? **(3 Marks)**
4. (a) State the purposes for which the securities premium account can be utilized? **(6 Marks)**
- (b) Examine the validity of the following different decisions/proposals regarding change of office by A Limited under the provisions of the Companies Act, 2013:
- (i) The Registered office is shifted from Thane (Local Limit of Thane District) to Dadar (Local limit of Mumbai District), both places falling within the jurisdiction of the Registrar of Mumbai, by passing a special resolution but without obtaining the approval of the Regional Director.
- (ii) The registered office situated in certain place of a city is proposed to be shifted to another place within the local limits of the same city under the authority of Board Resolution.
- (4 Marks)**
- (c) Yellow and Pink had a long dispute regarding the ownership of a land for which a legal suit was pending in the court. The court fixed the date of hearing on 29.04.2022, which was announced to be a holiday subsequently by the Government. What will be the computation of time of the hearing in this case under the General Clauses Act, 1897? **(4 Marks)**
- (d) Explain the following in context of use of definitional sections in Interpretation of Statutes:
- (i) Definitions subject to a contrary context
- (ii) Ambiguous definitions **(3 Marks)**
5. (a) With a view to transact some urgent business, Ratna, Rimpi and Ratnesh, the three directors of Shilpkaar Constructions Limited are desirous of calling a general meeting of shareholders by giving shorter notice than 21 days' clear notice. The fourth director, Nilesh is of the opinion that such an action will attract penalty provisions since there is contravention. The paid-up share capital of the company is ₹ 30 crores divided into 3 crores shares of ₹ 10 each. Keeping in view the applicable provisions of the Companies Act, 2013, discuss the possibility of calling a general meeting by giving shorter notice. **(6 Marks)**
- (b) Enumerate the amounts which when received by a company in the ordinary course of business are not to be considered as deposits. (Write any three) **(4 Marks)**
- (c) Explain the following as per the provisions of the Indian Contract Act, 1872
- (i) What is the meaning of 'Agent' and 'Principal'?
- (ii) Who can appoint an agent. **(4 Marks)**
- (d) The Income Tax Act, 1961 provides that the gratuity paid by the government to its employees is fully exempt from tax. You are required to explain the scope of the term 'government' and clarify whether the exemption from gratuity income will be available to the State Government Employees? Give your answer in accordance with the provisions of the General Clauses Act, 1897. **(3 Marks)**