

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. Pristine Limited, a listed entity, passed a resolution in its Board meeting for appointment of Arora & Associates, a Chartered Accountants firm, as Statutory Auditor of the company. The company obtained the consent in writing from Arora & Associates and also placed this recommendation before the general meeting of the shareholder and got it approved.

The company thereafter informed the CA Firm about their appointment and also filed a notice of appointment with the Registrar of Companies within the prescribed time.

Arora & Associates, Chartered Accountants firm is having 3 partners namely, A Arora, B Arora, C Arora. In this firm D Arora and M Arora were associates and were being paid on case-to-case basis and not on fixed salary.

Prior to the appointment of Arora & Associates, the previous auditor was Agrawal Arora & Associates. In this CA firm there were 6 partners namely, Priya Agrawal, Mia Agrawal, Vishal Agrawal, Vyom Agrawal, D Arora and M Arora.

D Arora and M Arora were common persons in both the firms.

While working with Pristine Limited, Arora & Associates started facing a lot of issues with the management of the company. After some time, due to these disputes with the management, Arora & Associates resigned from the company.

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

- The newly appointed CA Firm (Arora & Associates) and retiring CA Firm (Agrawal Arora & Associates) have common persons i.e., D Arora and M Arora. Whether the appointment of Arora & Associates in Pristine Limited. is valid as per the provisions of the Companies Act, 2013:
 - It not valid since both the CA Firms (New and Old) have common persons
 - D Arora and M Arora are the associates in Arora & Associates and not the partners, hence appointment of Arora & Associates, is valid
 - Arora & Associates should expel D Arora and M Arora in order to retain its appointment
 - Agrawal Arora & Associates should expel D Arora and M Arora
- What would have been the position if, D Arora and M Arora are partners in Arora & Associates:
 - The position will remain same as MCQ 1 above
 - There shall be no change and the Arora & Associates may continue as audit firm
 - The appointment of Arora & Associates would not have been in terms of the provisions of the Companies Act, 2013
 - The company may obtain permission from the shareholders in the general meeting by way of Special Resolution for continuation of appointment of Arora & Associates

3. In the given case, Arora & Associates due to some dispute with the management on some issues resigned from the company. Choose the correct option in respect to filling of this vacancy:
- (a) Arora & Associates cannot resign and has to hold the office till the conclusion of the next annual general meeting
 - (b) The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board
 - (c) This vacancy of auditor can be filled by the shareholders in consultation of the Central Government
 - (d) This vacancy of auditor can be filled by the Board of Directors in consultation of the Comptroller and Auditor-General of India
4. Abhilasha and Amrita have incorporated a 'not for profit' private limited company which is registered under Section 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending 31st March, 2022, its turnover was less than ₹ 40 crore and its paid up share capital was less than ₹ 4 crore. Advise.
- (a) A section 8 company, which meets the criteria of 'turnover' and 'paid-up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in another 'small company' within the immediately following financial year.
 - (b) If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (*and not in the immediately following financial year*) after meeting the criteria of 'turnover' and 'paid-up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.
 - (c) The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.
 - (d) A section 8 company, if incorporated as a private limited company (*and not as public limited company*) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid-up share capital'. **(1 Mark)**
5. In case of a private company, the provisions for entrenchment may be made at the time of formation of the company or by amendment of Articles,
- (a) By passing a special resolution
 - (b) With the consent of all the members
 - (c) By passing a special resolution and approval of the Central Government
 - (d) With the consent of all the members and approval of the Central Government **(1 Mark)**
6. The time limit within which a copy of the contract for the payment of underwriting commission is required to be delivered to the Registrar is:
- (a) Three days before the delivery of the prospectus for registration
 - (b) At the time of delivery of the prospectus for registration
 - (c) Three days after the delivery of the prospectus for registration
 - (d) Five days after the delivery of the prospectus for registration **(1 Mark)**

7. Goals Limited, a listed company has authorised share capital of ₹ 25,00,000 (issued, subscribed and paid up capital of ₹ 20,00,000). The company has planned to buy back shares worth ₹ 10,00,000. 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) ₹ 2,00,000
 - (b) ₹ 5,00,000
 - (c) ₹ 6,25,000
 - (d) ₹ 8,00,000
- (2 Marks)**
8. A Limited made a public issue of Debentures. The articles of the company authorises the payment of underwriting commission at 2 per cent of the issue price. The company has negotiated with the proposed underwriters, Gama Brokers and has finalised the rate at 2.25 per cent. The amount that the company is eligible to pay as underwriting commission is:
- (a) 5%
 - (b) 2%
 - (c) 2.5%
 - (d) 2.25%
- (2 Marks)**
9. During the half year ended September 2022, 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 ending on March 2020. Further during the year ended March 2023, the BOD has again made an application to the Tribunal for revision in the board's report pertaining to the year ended March 2022. 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 2023. The application made for revision in the Board report is however valid in law.
- (2 Marks)**
10. A reserve account that shall not be used by the company for any purpose other than repayment of deposits is called:
- (a) Debenture redemption reserve account
 - (b) Deposit repayment reserve account
 - (c) Capital redemption reserve account
 - (d) Free reserve account
- (1 Mark)**
11. Raj Limited purchased a property from ABC Limited which was mortgaged to DEF Bank against a loan of ₹ 50 lakh. Raj Limited settled the dues to DEF Bank and the same was registered with the sub-registrar. However, neither the ABC Limited nor DEF Bank has filed particulars of satisfaction of charge with the Registrar of Companies. In this particular case what will Raj Limited do to file particulars of satisfaction of charge with the Registrar of Companies?

- (a) Raj Limited needs to approach DEF Bank or ABC Limited to file a memorandum of satisfaction as they were the party to mortgage.
- (b) Raj Limited can directly request the Registrar to file a particulars of satisfaction noting the release of charge.
- (c) Raj Limited needs to approach DEF Bank (mortgagee) to file particulars of satisfaction of charge with the Registrar of Companies.
- (d) Raj Limited needs to approach ABC Limited (mortgagor) to file particulars of satisfaction of charge with the Registrar of Companies. **(2 Marks)**
12. A person employed to do any act for another, or to represent another in dealings with third persons is called:
- (a) Principal
- (b) Agent
- (c) Bailor
- (d) Bailee **(1 Mark)**
13. Statutory interpretation is a practice through which the courts break down the words of a legislation and give true intent to it. While the legislature makes the laws, the judiciary performs the art of interpretation to give meaning to the words of the law maker. It is correctly said that “The purpose of Interpretation of Statutes is to help the Judge to ascertain the intention of the Legislature – not to control that intention or to confine it within the limits, which the Judge may deem reasonable or expedient”. For interpretation of statutes various tools are used, you are required to pick the option depicting correct sequence of tools in order their application.
- (a) Internal Aids to Construction, External Aids to Constructions, and Literal Construction
- (b) Literal Construction, Internal Aids to Construction, and External Aids to Constructions
- (c) Internal Aids to Construction, Literal Construction, and External Aids to Constructions
- (d) External Aids to Constructions, Internal Aids to Construction, and Literal Construction **(1 Mark)**
14. 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)**
15. Where, by any Central Act, a power to make any appointment is conferred, then, unless a different intention appears, the authority having for the time being power to make the appointment shall also have power:
- (a) To appoint the members of that family
- (b) To grant increment to any family members
- (c) To suspend or dismiss any person appointed
- (d) No other power is conferred except for appointment **(1 Mark)**

16. An internal aid that may be added to include something within the section or to exclude something from it, is—
- (a) Proviso
 - (b) Explanation
 - (c) Schedule
 - (d) Illustrations
- (1 Mark)**
17. 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)**
18. Arvind, Bablu and Chandu, as sureties for Dharmpal, enter into three several bonds, each in a different penalty, namely, Arvind in the penalty of each 10,000 rupees, Bablu in that of 20,000 rupees, Chandu in that of 40,000 rupees, conditioned for Dharmpal's duly accounting to Esha. Dharmpal makes default to the extent of 30,000 rupees. How much amount Arvind, Bablu and Chandu are each liable to pay:
- (a) 7500 rupees
 - (b) 10,000 rupees
 - (c) 20,000 rupees
 - (d) 30,000 rupees
- (2 Marks)**
19. In every contract of guarantee there is an implied promise by the -----to indemnify the -----:
- (a) Surety / Principal Debtor
 - (b) Principal Debtor / Surety
 - (c) Creditor / Principal Debtor
 - (d) Creditor / Surety
- (2 Marks)**
20. The date of maturity of a bill payable hundred days after sight and which is presented for sight on 4th May, 2023, is:
- (a) 13 August, 2023
 - (b) 14 August, 2023
 - (c) 15 August, 2023
 - (d) 16 August, 2023
- (2 Marks)**

Division B (70 Marks)

1. (a) Kite Limited issued 1,00,000 equity shares of ₹ 100 each at par to the public by issuing a prospectus. The prospectus discloses the minimum subscription amount of ₹ 15,00,000 required to be received on application of shares and share application money shall be payable at ₹ 20 per share. The prospectus further reveals that Kite Limited has applied for listing of shares in 3 recognized stock exchanges of which all applications have been rejected. The issue was fully subscribed and Kite Limited received an amount of ₹ 20,00,000 on share application. Kite Limited, then proceeded for allotment of shares.

Examine the three disclosures in the above case study which are the deciding factors in an allotment of shares and the consequences for violation, if any under the provisions of the Companies Act, 2013. **(6 Marks)**

(b) A company 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? **(6 Marks)**

(c) Vineet has given his Rolex watch on rent to his friend Abhay. Abhay wanted to go out of India on a Europe tour so he wanted this watch for a period of 3 months. Shiraj became the surety for payment of rent (which was fixed @ ₹ 10,000 per month) by Abhay. Subsequently, without Shiraj's consent, Abhay agreed to pay higher rent to Vineet. After a few months of this, Abhay defaulted in paying the rent. Analyse the position of Shiraj in this regard, as per the provisions of the Indian Contract Act, 1872. **(4 Marks)**

(d) Referring to the provisions of the Negotiable Instruments Act, 1881, examine the validity of the following:

A Bill of Exchange originally drawn by R for a sum of ₹ 10,000 but accepted by P only for ₹ 7,000. **(3 Marks)**

2. (a) Hello Limited received share application money of ₹ 50 Lakh on 01.06.2023 but failed to allot shares within the prescribed time limit.

The share application money of ₹ 5 Lakh received from Diwas, a customer of the Company, was refunded by way of book adjustment towards the dues payable by him to the company on 30.07.2023. The Company Secretary of Hello Limited reported to the Board that the entire amount of ₹ 50 Lakh shall be deemed to be 'Deposits' as on 31.07.2023 and the Company is required to comply with the provisions of the Companies Act, 2013 applicable to acceptance of deposits in relation to this amount.

You are required to examine the validity of the reporting of the Company Secretary in the light of the relevant provisions of the Companies Act, 2013. **(5 Marks)**

(b) New Limited is a listed company having a paid-up share capital of ₹ 25 crore as at 31st March, 2023 and turnover of ₹ 100 crore during the financial year 2022-23. The Company Secretary has advised the Board of Directors that New Limited is not required to appoint 'Internal Auditor' as the company's paid up share capital and turnover are less than the threshold limit prescribed under the Companies Act, 2013. Do you agree with the advice of the Company Secretary? Explain your view referring to the provisions of the Companies Act, 2013. **(5 Marks)**

(c) (i) Shambhoo has given authority to Naveen to buy certain goods at the market rate. Naveen buys the goods at a higher rate than the market rate. However, Shambhoo accepted the purchase in spite of higher rate. Afterwards, Shambhoo comes to know that the goods purchased belonged to Naveen himself. Decide, whether Shambhoo is bound by ratification done?

(ii) Harish, authorises Arun, a merchant in Mumbai, to recover dues from A & Co. Arun instructs Deepak, a solicitor, to take legal proceedings against A & Co., for recovery of the money. Explain the legal position of Deepak, referring provisions of the Indian Contract Act, 1872, related to agency. **(2 + 2 = 4 Marks)**

- (d) Examine the validity of the following statements with reference to the Negotiable Instruments Act, 1881.
- (i) Alteration of rate of interest specified in the Promissory Note is not a material alteration.
 - (ii) Conversion of the blank indorsement into an indorsement in full is not a material alteration and it does not require authentication. **(3 Marks)**
3. (a) State the purposes for which the securities premium account can be utilized? **(5 Marks)**
- (b) Mr. Ambrish, holder of 1000 equity shares of ₹ 10 each of AB Ltd. approached the Company in the last week of September, 2022 with a claim for the payment of dividend of ₹ 2000 declared @ 20% by the Company at its Annual General Meeting held on 31.08.2014 with respect to the financial year 2013-14. The Company refused to accept the request of R and informed him that his shares on which dividend has not been claimed till date, have also been transferred to the Investor Education and Protection Fund.
- Examine, in the light of the provisions of the Companies Act, 2013, the validity of the decision of the Company and suggest the remedy, if available, to him for obtaining the unclaimed amount of dividend and re-transfer of corresponding shares in his name. **(5 Marks)**
- (c) Mr. A made endorsement of a bill of exchange amounting ₹50,000 to Mr. B. But, before the same could be delivered to Mr. B, Mr. A passed away. Mr. R, son of Mr. A, who was the only legal representative of Mr. A approached Mr. B and informed him about his father's death. Now, Mr. R is willing to complete the instrument which was executed by his deceased father. Referring to the relevant provisions of the Negotiable Instruments Act, 1881, decide, whether Mr. R can complete the instrument in the above scenario? **(4 Marks)**
- (d) What is External Aid to interpretation? Explain how the Dictionary definitions are the External Aids to Interpretations? **(3 Marks)**
4. (a) Ram Limited is planning to make a private placement of securities. The Managing Director arranged to obtain a brief note from some source explaining the salient features of the issue of private placement that the Board of Directors shall keep in mind while approving the proposal on this subject. The brief note includes, inter alia, the information / suggestions on the following points:
- (i) A private placement shall be made only to a select group of identified persons not exceeding 200 in a financial year.
The aforesaid ceiling of identified persons shall not apply to the offer made to the qualified institutional buyers but is applicable to the employees of the Company who will be covered under the Company's Employees Stock Option Scheme.
 - (ii) The offer on private placement basis shall be made only once in a financial year for any number of identified persons not exceeding 200.
The Company solicits your remarks on the points referred above as to whether they are valid or not? Reasoned remarks should be given in accordance with the provisions of the Companies Act, 2013. **(5 Marks)**
- (b) A Limited having a net worth of ₹ 200 crore wants to accept deposits from its members. It has approached you to advise whether it falls within the category of an eligible company? What special care has to be taken while accepting such deposits from members? Give your answer in terms of the provisions of the Companies Act, 2013. **(5 Marks)**
- (c) (i) Kiran and Naman 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 29.04.2023, 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?

- (ii) 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. **(4 Marks)**
- (d) Nehul, a director of a 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 Nehul is correct? **(3 Marks)**
5. (a) The Board of Directors of Paper Limited, a subsidiary of Fish Limited, decides to grant a loan of ₹ 3 lakh to Mr. Money, the finance manager of Paper Limited, getting salary of ₹ 40,000 per month, to buy 500 partly paid-Up equity shares of ₹ 1,000 each of Paper Limited. Examine the validity of Board's decision with reference to the provisions of the Companies Act, 2013. **(4 Marks)**
- (b) The role of doctrine of 'Indoor management' is opposed to that of the role of 'Constructive notice'. Comment on this statement with reference to the Companies Act, 2013. **(6 Marks)**
- (c) Explain the meaning of contract of guarantee according to the provisions of the Indian Contract Act, 1872. **(4 Marks)**
- (d) "The act done negligently shall be deemed to be done in good faith."
Comment with the help of the provisions of the General Clauses Act, 1897. **(3 Marks)**