

MOCK TEST PAPER 2
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. Super Fabrics Limited is a listed entity. It finalised its annual accounts for the year ended on 31st March, 2023. The Audit Committee recommended it and subsequently the Board approved the same.

Annual General meeting of the shareholders was convened on 25th August, 2023, in which the annual accounts of the company were presented before the shareholders. The shareholders have approved dividend @ 10%.

A report of the Board of Directors was attached with the annual accounts of the company.

During the said meeting, a shareholder pointed out that during the year of 2022-23 there was a big news in the media and newspaper that a fraud has happened in the company of an amount of ₹ 75 lakh, with the involvement of a senior management official of the company, who is absconding since the news came into media. However, there was no mention about the fraud in the Auditor's Report as well as no comment in the Board's Report. The auditor, who was also present in the General Meeting of the shareholders, informed that fraud was detected during the course of audit but no further action was taken by him (auditor).

Multiple Choice Questions [4 MCQs of 2 Marks each: Total 8 Marks]

1. Going by the facts of the case, by what date should the amount be deposited in a separate account maintained with the scheduled bank for dividend purposes?
 - (a) By 30th August 2023
 - (b) By 1st September 2023
 - (c) By 7th September 2023
 - (d) By 24th September 2023
2. By what date should the dividend declared in the meeting, be paid to the members of the company?
 - (a) By 30th August 2023
 - (b) By 1st September 2023
 - (c) By 7th September 2023
 - (d) By 24th September 2023
3. With regard to preservation of the books of Super Fabrics Limited, the books of accounts for the Financial Year (FY) 2022-23 needs to be kept in good order until at least which of the following years?
 - (a) FY 2027-28

- (b) FY 2028-29
 - (c) FY 2029-30
 - (d) FY 2030-31
4. The auditor had noticed that a fraud was committed by the senior management. Which is the correct statement in this respect:
- (a) The auditor shall report the matter to the Central Government immediately.
 - (b) It is not necessary to disclose the details of fraud in the Board's Report
 - (c) The auditor shall report the matter to the audit committee constituted under section 177 or to the Board.
 - (d) Since the Senior Management Personnel is absconding, the auditor is not required to take any action.
5. Ankita bails 100 bales of cotton marked with a particular mark to Beena. Beena, without Ankita's consent, mixes the 100 bales with other bales of her own, bearing a different mark. Ankita demands to have her 100 bales returned, and Beena is bound to return such goods. The expense relating to the separation of the bales, and any other incidental damage shall be born by:
- (a) Ankita
 - (b) Beena
 - (c) Ankita and Beena jointly with 50:50 ratio
 - (d) Ankita and Beena in ratio of their bales **(2 Marks)**
6. A "bailment" is the _____ by one person to another for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned according to the directions of the person delivering them.
- (a) Agency
 - (b) Delivery of goods
 - (c) Providing of opinions
 - (d) Giving of money **(2 Marks)**
7. Every company shall pay a penal rate of interest of _____ per annum for the overdue period in case of deposits, whether secured or unsecured, matured and claimed but remaining unpaid.
- (a) 9%
 - (b) 14%
 - (c) 18%
 - (d) 24% **(1 Mark)**
8. Wood Apple Limited accepts 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)**

9. _____ 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)**
10. 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. **(1 Mark)**
11. _____ means that when two or more words that are susceptible of analogous meaning, are coupled together they are understood to be used in their cognate sense.
- (a) Noscitur a Sociis
 - (b) Contemporanea Expositio
 - (c) prima facie
 - (d) absoluta sententia expositore non indiget **(1 Mark)**
12. The person in respect of whose default the guarantee is given is called:
- (a) The Surety
 - (b) The Principal Debtor
 - (c) The Creditor
 - (d) The Debtor **(1 Mark)**
13. The Preamble is most important in any legislation, it:
- (a) Provides definitions in the Act.
 - (b) Expresses scope, object and purpose of the Act.
 - (c) Provides explanation of all the sections of the entire Act.
 - (d) Provides side notes often found at the side of a section. **(1 Mark)**
14. 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)**
15. Pick the odd one out of the following aids to interpretation:
- (a) Preamble
 - (b) Marginal Notes

- (c) Proviso
(d) Usage **(1 Mark)**
16. The Registrar shall keep a register of charges which shall be open to inspection by _____ on payment of fee:
(a) the company
(b) the charge holder
(c) holder
(d) any person **(1 Mark)**
17. Validity period for the presentment of cheque in bank is:
(a) 3 months
(b) 6 months
(c) 1 year
(d) 2 years **(1 Mark)**
18. 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) Three fourth of
(d) Two third of **(1 Mark)**
19. 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)**
20. Dividend once declared, should be paid within _____ days from the date of declaration.
(a) 14
(b) 21
(c) 30
(d) 60 **(1 Mark)**
21. ABC Limited has its shares listed on a recognized stock exchange in India. During the current financial year ending on 31st March 2023, the Securities and Exchange Board of India (SEBI) has found some irregularities in the filings made by the company. Accordingly, SEBI proposes to make an application to the Tribunal for reopening of the books of accounts of the Company. You, as an expert, are called upon by SEBI to advise with which last financial year for reopening of books of accounts an application can be made?
(a) 2016-2017
(b) 2014-2015
(c) 2011-2012

- (d) 2012-2013 (2 Marks)
22. The auditor of a Government Company shall be appointed or re-appointed by:
- (a) The Central Government
 (b) Comptroller and Auditor General of India (CAG)
 (c) Central Government on the advice of Comptroller and Auditor General of India
 (d) Chairman of the Board of Directors (1 Mark)
23. 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)

Division B (70 Marks)

1. (a) The information extracted from the audited Financial Statement of Pacific Solutions Private Limited as on 31st March, 2023 is as below:

- (1) Paid-up equity share capital ₹ 50,00,000 divided into 5,00,000 equity shares (carrying voting rights) of ₹ 10 each. There is no change in the paid-up share capital thereafter.
- (2) The turnover is ₹ 2,00,00,000.

It is further understood that Smart Software Limited is holding 2,00,000 equity shares, fully paid-up, of Pacific Solutions Private Limited. Pacific Solutions Private Limited has filed its Financial Statement for the said year with the Registrar of Companies (ROC) excluding the Cash Flow Statement within the prescribed time line during the financial year 2023-24. The ROC has issued a notice to Pacific Solutions Private Limited as it has failed to file the Cash Flow Statement along with the Balance Sheet and Profit and Loss Account. You are to advise on the following points explaining the provisions of the Companies Act, 2013:

- (i) Whether Pacific Solutions Private Limited shall be deemed to be a small company whose significant equity shares are held by a public company?
- (ii) Whether Pacific Solutions Private Limited has defaulted in filing its financial statement?

(6 Marks)

- (b) (i) The balances extracted from the financial statement of Swastik Limited are as below:

Sr. No.	Particulars	Balances as on 31-03-2023 as per Audited Financial Statement (₹ in crore)	Balances as on 30-09-2023 (Provisional ₹ in crore)
1.	Net Worth	100.00	100.00
2.	Turnover	500.00	1000.00
3.	Net Profit	1.00	5.00

Explaining the provisions of the Companies Act, 2013, you are requested to examine whether Swastik Limited is required to constitute 'Corporate Social Responsibility Committee' (CSR Committee) during the second half of the financial year 2023-24. **(3 Marks)**

- (ii) Richlook Limited declared dividend at its Annual General Meeting held on 31-07-2023. The dividend warrant to Mr. A, a shareholder was posted on 22nd August, 2023. Due to postal delay Mr. A received the warrant on 5th September, 2023 and encashed it subsequently. Can Mr. A initiate action against the company for failure to distribute the dividend within 30 days of declaration under the provisions of the Companies Act, 2013? **(3 Marks)**
- (c) Peter (a minor) purchased a smart phone on credit from a mobile dealer on the surety given by Mr. Jack (a major). Peter did not pay for the mobile. The mobile dealer demanded the payment from Mr. Jack because the contract entered with Peter (minor) is void. Mr. Jack argued that he is not liable to pay the amount since Peter (Principal Debtor) is not liable. Whether the argument is correct under the Indian Contract Act, 1872?
- What will be your answer if Jack and Peter both are minor? **(4 Marks)**
- (d) A signs his name on a blank cheque with 'not negotiable crossing' which he gives to B with an authority to fill up a sum of ₹ 3,000 only. But B fills it for ₹ 5,000. B then endorsed it to C for a consideration of ₹ 5,000 who takes it in good faith. Examine whether C is entitled to recover the full amount of the instrument from B or A as per the provisions of the Negotiable Instruments Act, 1881. **(3 Marks)**
2. (a) Explain the provisions of e-voting in an Annual General Meeting (AGM) in the following cases as per the Companies Act, 2013:
- (i) 'A' and his wife 'B' has joint Demat Account in Brown Investment Limited. In such a case, who will cast the vote in e-voting system?
- (ii) If an AGM is going to be held on 7th September, 2023, what will be the e-voting period and the time of closing? **(4 Marks)**
- (b) Examine the validity of the following with reference to the relevant provisions of the Companies Act, 2013:
- (i) The Board of Directors of a company refuse to convene the extraordinary general meeting of the members on the ground that the requisitionists have not given explanatory statement for the resolution proposed to be passed at the meeting.
- (ii) Adjournment of extraordinary general meeting called upon the requisition of members on the ground that the quorum was not present in the meeting. **(6 Marks)**
- (c) Vikrant, at the request of Govind, sells goods which were in the possession of Govind. However, Govind had no right to dispose of such goods. Vikrant did not know this and handed over the proceeds of the sale to Govind. Afterwards, Madhav, who was the true owner of the goods, sued Vikrant and recovered the value of the goods. In the light of the provisions of the Indian Contract Act, 1872, answer the following questions:
- (i) Is Govind liable to indemnify Vikrant for his payment to Madhav?
- (ii) What will be the liability of Govind if the goods are a prohibited drug? **(4 Marks)**
- (d) A is a payee and holder of a bill of exchange. He endorses it in blank and delivers it to B. B endorses it in full to C or order. C without endorsement transfers the bill to D. State giving reasons whether D, as bearer of the bill of exchange, is entitled to recover the payment from A or B or C. **(3 Marks)**
3. (a) Country Pool Club was formed as a Limited Liability Company under Section 8 of the Companies Act, 2013 with the object of promoting cricket by arranging introductory cricket courses at district level and friendly matches. The club has been earning a surplus. Lately, the affairs of the company are conducted fraudulently and dividends are paid to its members. Mr. New, a member, decided to

make a complaint with the Regulatory Authority to curb the fraudulent activities by cancelling the licence given to the company.

- (i) Is there any provision under the Companies Act, 2013 to revoke the licence? If so, state the provisions.
 - (ii) Whether the Company may be wound up?
 - (iii) Whether the Country Pool Club can be merged with Cool Net Private Limited, a company engaged in the business of networking? **(6 Marks)**
- (b) VM & Associates, a firm of Chartered Accountants was re-appointed as auditors at the Annual General Meeting of X Limited held on 30th September, 2022. However, the Board of Directors recommended to remove them before expiry of their term by passing a resolution in the Board Meeting held on 31st March, 2023. Subsequently, having given consideration to the Board recommendation, VM & Associates were removed at the general meeting held on 25th May, 2023 by passing a special resolution but without obtaining approval of the Central Government. Examine the validity of removal of VM & Associates by X Limited under the provisions of the Companies Act, 2013. **(4 Marks)**
- (c) What are the parties to a bill of exchange. **(3 Marks)**
- (d) Explain the impact of the two words "means" and "includes" in a definition, while interpreting such definition. **(4 Marks)**
4. (a) The Companies Act, 2013 has prescribed an additional duty on the Board of directors to include in the Board's Report a 'Directors' Responsibility Statement'. Briefly explain any four matters to be furnished in the said statement. **(6 Marks)**
- (b) What are provisions of the Companies Act, 2013 relating to the appointment of 'Debenture Trustee' by a company? Whether the following can be appointed as 'Debenture Trustee'?
- (i) A shareholder of the company who has shares of ₹ 10,000.
 - (ii) A creditor whom the company owes ₹ 999 only.
 - (iii) A person who has given a guarantee for repayment of amount of debentures issued by the company. **(4 Marks)**
- (c) A confusion regarding the meaning of 'financial year' arose between the Financial Executive and Accountant of a company. Both were having different arguments regarding the meaning of 'financial year' & 'calendar year'. What is the correct meaning of the financial year under the provisions of the General Clauses Act, 1897? How it is different from calendar year? **(4 Marks)**
- (d) In what way are the following terms considered as external aid in the interpretation of statutes:
- (i) Historical Setting
 - (ii) Use of Foreign Decisions **(3 Marks)**
5. (a) "The offer of buy-back of its own shares by a company shall not be made within a period of six months from the date of the closure of the preceding offer of buy-back, if any and cooling period to make further issue of same kind of shares including allotment of further shares shall be a period of one year from the completion of buy back subject to certain exceptions." Examine the validity of this statement by explaining the provisions of the Companies Act, 2013 in this regard. **(5 Marks)**

- (b) The Promoters of Norway Limited contributed in the form of unsecured loan to the company in fulfilment of the margin money requirements stipulated by State Industries Development Corporation Limited (SIDCL) for granting loan. In the light of the provisions of the Companies Act, 2013 and Rules made thereunder, whether the unsecured loan will be regarded as Deposit or not. What will be your answer in case the entire loan obtained from SIDCL is repaid? **(5 Marks)**
- (c) A rented his house to B on lease for 3 years. The lease agreement is terminable on 3 months' notice by either party. C, the son of A, being in need of a separate house to live in, served a notice on B, without any authority, to vacate the house within a month and requested his father A to ratify his action. Examine whether it shall be valid for A to ratify the action of C taking into account the provisions of the Indian Contract Act, 1872? **(4 Marks)**
- (d) Shree was supposed to submit an appeal to the High Court of Delhi on 8th September, 2023, which was the last day on which such appeal could be submitted. However, on that day the High Court was closed due to total Lockdown in Delhi for 30 days due to visit of foreign delegates from 40 countries for G40 Summit. Examine the remedy available to Shree under the provisions of the General Clauses Act, 1897. **(3 Marks)**