

MODEL TEST PAPER 3
INTERMEDIATE COURSE: GROUP – I
PAPER – 2: CORPORATE AND OTHER LAWS

Time Allowed – 3 Hours

Maximum Marks – 100

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*

PART I – Case Scenario based MCQs (30 Marks)

Part I is compulsory

Case Scenario 1

In the busy city of Nagpur, there is a company “Transfiguration Industries Limited”. As the Annual General Meeting (AGM) of the company approached, the Board of Directors of Transfiguration Industries Limited gathered to discuss the appointment and removal of auditors in accordance with the Companies Act, 2013.

Mr. Jack, the Chairman of the board, opened the meeting by addressing the importance of adhering to the provisions outlined in Sections 139, 140, and 141 of the Companies Act, 2013. He emphasized the significance of appointing auditors who would uphold integrity and transparency in the company's financial reporting.

As the discussion ensued, Ms. Sara, a diligent board member, raised a question regarding the tenure of auditors. She asked whether there were any restrictions on the duration for which an auditor could be appointed. The board referred to Section 139(2) of the Companies Act, 2013, and informed about maximum period for which auditors can be appointed.

Dr. Patel, a seasoned member of the board, then inquired about the procedure for appointing the first auditor of the company. Mr. Jack explained that according to Section 139(1) and (6) of the Companies Act, 2013, the first auditor would be appointed by the Board of Directors within thirty days from the date of registration of the company.

Amidst the discussion, Mr. CS, the Company Secretary, emphasized the importance of obtaining the auditor's written consent and certificate before their appointment.

Finally, Mr. Jack concluded the meeting by reiterating the company's commitment to corporate governance and regulatory compliance. He emphasized the role of the Audit Committee as outlined in the Companies Act, 2013.

Answer the following questions in the light of the given facts and the relevant legal provisions as per the Companies act, 2013:

1. State which is the correct statement as regards the maximum tenure for which an individual auditor and an auditor firm can be appointed under the Companies Act, 2013?
 - (a) Both for five years

- (b) Individual auditor for more than one term and an auditor firm for two terms
 - (c) Individual auditor for one term of five consecutive years and an auditor firm for two term of five consecutive years
 - (d) Individual auditor for more than two terms and an auditor firm for more two terms of five consecutive years
2. State on the correctness of the procedure explained for an appointment of the first auditor of a company by Mr. Jack?
- (a) Incorrect. Requirement of Act specifies appointment of first auditor is to be made by the shareholders in an EGM within ninety days
 - (b) Correct. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days from the date of registration of the company
 - (c) Incorrect. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days on the advise of Company Secretary
 - (d) Incorrect. Requirement of Act specifies appointment of first auditor by the Registrar of Companies (ROC) within 15 days
3. What is the requirement before appointing an auditor as per Section 139(1) of the Companies Act, 2013?
- (a) Auditor's written consent and certificate
 - (b) Approval from the Ministry of Corporate Affairs
 - (c) Appointment by the Registrar of Companies (ROC)
 - (d) Recommendation from the Audit Committee
4. During the meeting, Ms. Sara asks whether a relative of a director can be appointed as the company's auditor. What does the Companies Act, 2013, state with regard to disqualification of auditors in this case?
- (a) Relatives of directors can be appointed as auditors, without any restrictions if they are qualified Chartered Accountants.
 - (b) Relatives of directors cannot be appointed as auditors under any circumstances
 - (c) Relatives of directors can be appointed as auditors if their pecuniary relationship with the company is below the prescribed threshold
 - (d) Relatives of directors can only be appointed with Registrar of Companies approval.
5. If the Board of Directors of Transfiguration Industries Limited seeks to remove an auditor before the expiry of their term, what procedure must be followed as per the provisions of the Companies Act, 2013?
- (a) The Board can remove the auditor by passing a resolution in a board meeting.

- (b) The Board must obtain prior approval from the Audit Committee and inform the Registrar.
- (c) The company must obtain prior approval from the Central Government and pass a special resolution in a general meeting.
- (d) The Board must notify the Comptroller and Auditor General of India, even if Transfiguration Industries Limited is not a Government company.

Case Scenario 2

In the heart of Mumbai, two ambitious entrepreneurs, Ram and Preet, decided to establish a limited liability partnership (LLP) named "TechGenius LLP" to revolutionize the IT industry. As they delved into the legal requirements of forming an LLP, they stumbled upon the crucial provision of having designated partners.

Ram, a tech-savvy enthusiast, and Preet, a seasoned business strategist, understood the significance of complying with the regulations to ensure smooth operations of their venture. They gathered their legal team to discuss the implications of the designated partner requirement under the LLP Act.

With the assistance of their legal advisor, Ms. Alia, they navigated through the provisions of the LLP Act, particularly focusing on Sections 7 and 9, which outlined the obligations and penalties related to designated partners.

As they embarked on their journey to establish TechGenius LLP, they encountered various challenges and decisions regarding the appointment and responsibilities of designated partners.

Answer the following MCQs (6-8) in the light of the Limited Liability Partnership Act, 2008

6. Ram and Preet want to ensure compliance with the LLP Act regarding the number of designated partners. As per the Act what is the minimum requirement for designated partners that an LLP must have?
 - (a) Maximum One
 - (b) At least Two
 - (c) At least Five
 - (d) No mandatory requirement
7. What is the meaning of "resident in India" as per the LLP Act?
 - (a) A person owning property in India
 - (b) A person holding citizenship of India
 - (c) A person who has stayed in India for a minimum of one hundred twenty days during the financial year
 - (d) A person who has permanent residence in India
8. Suppose if Ram is declared insolvent during his tenure as a designated partner, what will happen under the LLP Act?
 - (a) Ram can continue as a designated partner until the LLP appoints a replacement.

- (b) Ram is immediately disqualified from being a designated partner.
- (c) Ram's status as a designated partner must be reviewed by the LLP and till then he can continue as a partner in the LLP.
- (d) The LLP must notify the Registrar, but Ram can continue in his role.

Case Scenario 3

XYZ Limited was required to file an appeal with the National Company Law Tribunal (NCLT) under a statutory regulation that prescribed a filing deadline of October 2, 2025. However, as October 2 was a public holiday, the company's legal counsel did not file the appeal on that day, unaware of the legal provisions concerning deadlines falling on holidays. The office reopened on October 3, 2025, and the legal counsel filed the appeal on the same day.

In a separate matter, XYZ Limited was involved in a property dispute where it needed to measure the distance between two boundary points for evidence submission. The applicable Regulation, governed by a Central Act enacted after 1950, required distances to be measured on a straight line along a horizontal plane unless otherwise specified. However, the company measured the distance by tracing the natural curvature of the land instead of adhering to the prescribed method.

Answer the following MCQs (9-11) in the light of the General Clauses Act, 1897.

9. According to the provisions of the General Clauses Act, 1897, was the filing of XYZ Limited's appeal on October 3, 2025, considered valid?
 - (a) Yes, because the office was closed on October 2, 2025, and filing on the next open day is valid.
 - (b) No, because the deadline was October 2, 2025, and it was not adhered to.
 - (c) Yes, but only if the Tribunal provided an extension.
 - (d) No, because the legal counsel failed to check whether holidays impact the deadline.
10. In the property dispute involving XYZ Limited, was the method of measuring the distance valid?
 - (a) Yes, because it followed the natural curvature of the land.
 - (b) No, because distances under Central Acts must be measured in a straight line on a horizontal plane unless specified otherwise.
 - (c) Yes, if the parties mutually agreed to the method.
 - (d) No, because measuring methods are irrelevant to the dispute.
11. If the Regulation explicitly required "measurement by natural terrain," would XYZ Private Limited's method of measuring the distance along the land's natural curvature be valid?
 - (a) Yes, because the specific regulation would take precedence over the general rule.

- (b) No, because Central Acts universally mandate straight-line measurement on a horizontal plane.
 - (c) Yes, provided the specific regulation was enacted only by a State Legislature.
 - (d) Yes, provided the specific regulation was approved by a Court.
12. "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 **(2 Marks)**
13. Indus Labs Limited and Magica Biotech Limited issued preference shares with distinct dividend payment structures. Indus Pharma Labs Limited stipulates that the preferential dividend may be an amount, such as ₹ 5,00,000 in one year, payable to preference shareholders before any payments are made to ordinary shareholders. In contrast, Magica Biotech Limited specifies that the amount payable as a preferential dividend is calculated at a rate of 8 percent of the nominal value of each share.
How do Indus Labs Limited and Magica Biotech Limited differ in their payment of preferential dividends? Is it the valid mode of payment of dividend under the Companies Act, 2013.
- (a) Indus Labs pays dividends at a fixed rate, while Magica Biotech pays a fixed amount. Yes, it's a valid mode of payment of dividend
 - (b) Indus Labs pays a fixed amount as dividends, while Magica Biotech pays dividends at a fixed rate. Yes, it's a valid mode of payment of dividend
 - (c) Both companies pay dividends at a fixed rate. No, it's not a valid mode of payment of dividend
 - (d) Both companies pay a fixed amount as dividends. Yes, it's a valid mode of payment of dividend **(2 Marks)**
14. TechWise Ltd., an Indian company, wishes to make a donation of USD 36,000 for the creation of a Chair in a reputed educational institute located abroad. The company's foreign exchange earnings during the previous three financial years amount to USD 3,500,000. What action should TechWise Ltd. take regarding this donation under the Foreign Exchange Management Act (FEMA), 1999?
- (a) TechWise Ltd. can proceed with the donation without seeking prior approval.
 - (b) TechWise Ltd. should seek prior approval from the Reserve Bank of India before making the donation.

- (c) TechWise Ltd. should limit the donation amount to USD 5,000,000 to avoid seeking prior approval.
- (d) TechWise Ltd. should seek approval from the Ministry of Finance before making the donation. **(2 Marks)**
15. Mr. Ramit, an Indian resident, wants to send a gift of USD 150,000 to his friend in the USA and donate USD 90,000 to a charitable organization abroad in a financial year. He approaches his bank to remit the amount under the Liberalized Remittance Scheme (LRS).
- Considering the provisions of the Foreign Exchange Management Act (FEMA), 1999, what will be the correct course of action?
- (a) The bank can process both transactions since gifts and donations are permitted under LRS, and the total amount is within the USD 250,000 limit.
- (b) The bank can process only one transaction since the combined amount exceeds the permissible limit under LRS.
- (c) The bank cannot process the transactions as remittance for gifts and donations is not permitted under LRS.
- (d) The bank must obtain prior approval from the Reserve Bank of India (RBI) before processing these remittances. **(2 Marks)**

PART – II Descriptive Questions (70 Marks)

Question No.1 is compulsory.

*Attempt any **four** questions out of the remaining **five** questions.*

1. (a) MNO limited has the following equity share capital –

Class-1: Equity Share Capital – 3,00,000 equity shares of ₹ 10 each. (1 voting right for every 1 share)	₹ 30,00,000
Class-2: Equity share Capital – 50,000 equity shares of ₹ 10 each. (1 voting right for every 5 shares)	₹ 5,00,000

At the time of issue, the company had fulfilled all the conditions related to the issue of equity share capital.

The company wants to vary the voting rights of class 2 equity share capital– 1 voting right for every 5 shares to 1 voting right for every 10 shares.

The Company's Memorandum and Articles of Association have given the company the power to make the variation. The holders of 40,000 equity shares have their consent in writing for this variation.

Out of dissenting shareholders, the holders of 4,500 equity shares want to apply to the Tribunal against the company's action.

Examine, with reference to the relevant provisions of the Companies Act, 2013-

- (i) Whether a company can change the rights of its shareholders?
- (ii) Whether the dissenting shareholders can apply to the Tribunal?

(5 Marks)

- (b) BBQ Ltd., with its registered office in Hyderabad, has two branch offices, one located in Delhi and the other in London. The accounting transactions of the branches are recorded and all books of account are maintained in the branches. The branch accountant of the Delhi branch sent monthly and the branch accountant of London sent quarterly summarized trial balance, profits and loss account and balance sheet to the Hyderabad office. One of the assistants of the audit team, Mr. Naveen, raised the issue that the branches of the company maintain its books and records at branches, so it defaults on not maintaining the proper books of account at the registered office. Mr. Naveen further objected to the fact that the London branch sent their summarised returns on a quarterly basis instead of a monthly basis. You are requested to analyse and decide the validity of both the objections of Mr. Naveen relating to the place of maintaining the books of account and sending summarised returns thereof to the registered office by the branch offices of the company referring to the provisions of the Companies Act, 2013.

(5 Marks)

- (c) Mr. L was employed as a fashion designer in Elegant Textile Ltd., a public limited company in Gurugram, India during the financial year 2023-24. He had efficiently provided his services for 183 days during the above said period. On 01.04.2024, Mr. H. the Human Resource Manager of Jeff Fashion Ltd., Paris (a foreign country) offered him a better employment opportunity in such company.

On 02.04.2024, Mr. L. left India for taking up employment as a production controller at Jeff Fashion Ltd. in Paris. On 30.04.2024 he flew back to India for a 10 day family function in Manali, India.

In light of the provisions of the Foreign Exchange Management Act, 1999, elucidate: The residential status of Mr. L-

- (i) On his return for attending the family function on 30.04.2024.
- (ii) In case, instead of vacation, he joins an employment in an Indian company after arriving on 30.04.2024.

(4 Marks)

2. (a) Referring to the provisions of the Companies Act, 2013, answer the following queries:

- (i) What is the type of resolution to be passed and maximum number of persons to whom an offer by private placement in a financial year be made?
- (ii) Explain the consequences of non-allotment of shares within the stipulated timeline.

- (iii) In case the shares were allotted within the requisite allowed time, when can the company start utilizing the funds received by it from such private placement? **(5 Marks)**
- (b) (i) In the circumstance where Mr. M and Mr. P, joint shareholders of Primal Private Limited holding 500 equity shares, have conflicting views on one special business (related to proposed changes in the Articles of Association) at the extra-ordinary general meeting, Mr. M is endorsing the resolution, and Mr. P is dissenting. Determine the procedure for casting the vote in the event of such a situation, as per the guidelines outlined in the Companies Act, 2013. **(3 Marks)**
- (ii) Okara Limited, a company, having a net worth of ₹110 crore and a turnover of ₹450 crore, wants to accept deposits from the public. Referring to the provisions of the Companies Act, 2013, decide, whether the above company can accept the deposits from the public. **(2 Marks)**
- (c) The Board of Directors of Cool Private Limited, through a resolution passed in the board meeting, granted authorization to Mr. Sharad, the CEO of the company to appoint two employees for the procurement department. Subsequently, Mr. Sharad selected Mr. Suresh and Mr. Hemant for the positions. However, after one month, Mr. Sharad, noticing unsatisfactory performance and lack of honesty in their duties, issued dismissal orders for both employees, citing proper reasons. Mr. Suresh contested his dismissal in the court, arguing that the Board had only empowered Mr. Sharad for appointments and not for dismissals and hence the dismissal order is invalid.
- Assess the validity of Mr. Suresh's argument under the provisions of the General Clauses Act, 1897. **(4 Marks)**
3. (a) "A Bonus share is a distribution of capitalized undivided profit having an identity and value capable of being bought and sold." in reference to the above line elaborate the pre-requisites for issue of bonus shares as enlisted in the Companies Act, 2013. **(5 Marks)**
- (b) Q L Ltd. is a public limited company incorporated in Surat, Gujarat with 1200 members. On 10.12.2023 a general meeting was convened in which 14 members were present in person. Mr. Mohan was acting as an authorized representative of two body corporates who are members of Q L Ltd. Mr. Mohan was counted as a single person in these 14 members present. Shyam one of the important members was absent. The Chairman Mr. Rahi adjourned the meeting, taking plea of absence of Mr. Shyam, to same day and place next week. The members present at the meeting venue waiting to attend, opposed the decision submitting that the majority of them present now shall be unavailable next week. Referring to the provisions of Companies Act, 2013 elaborate:
- (i) Whether the requisite quorum to hold meeting as required in case of public limited companies is present in this case?

- (ii) Whether Mr. Rahi could adjourn the meeting in the current scenario? **(5 Marks)**
- (c) What are the differences between interpretation and construction in the legal context, and how do these two concepts relate to each other as per Interpretation of Statute? **(4 Marks)**
4. (a) The Income Tax Authority (the statutory body) has gathered some information and is of the view that there has been a manipulation of accounts of FGH Ltd. reflecting an incorrect financial position of the company. The statutory body intends to get the accounts reopened to reflect correct financial position of the company. In light of the Companies Act, 2013 elucidate the statutory provisions governing the issue of re-opening of accounts by the Income Tax Authority. **(5 Marks)**
- (b) A dispute among the partners of Limited Liability Partnership (the LLP) jeopardized the stability of the business. Out of two partners, one due to a quarrel, left the LLP. The other partner alone continued the business of the LLP. You are being an expert in law is requested to explain the provisions governing the LLP being operated by a single partner as per the provisions of the Limited Liability Partnership Act, 2008? **(5 Marks)**
- (c) Explain the term "Generalia specialibus non derogant", in connection with Interpretation of Statutes. **(4 Marks)**
5. (a) Explain the protection available for the "whistleblowers" in the context of the Limited Liability Partnership Act, 2008. **(5 Marks)**
- (b) M/s Krishna & Associates is an audit firm having 2 partners namely Mr. Krishna and Mr. Shyam. Mr. Shyam is also a partner of another audit firm named M/s Kukreja & Associates. M/s Krishna & Associates was appointed as the auditors in the company Golden Smith Ltd. for two consecutive periods of 5 years i.e. from year 2016 to year 2026. Now, if Golden Smith Ltd. wants to appoint M/s Kukreja & Associates as its audit firm, it cannot do so because Mr. Shyam is the common partner between both the Audit firms. This prohibition is only for 5 years i.e. upto year 2031. After cooling period of 5 years, Golden Smith Ltd. may appoint M/s Kukreja & Associates or M/s. Krishna & Associates as its auditors.
- Why is Golden Smith Ltd. prohibited from appointing M/s Kukreja & Associates as its audit firm, and for how long does this prohibition apply? **(5 Marks)**
- (c) State the provisions of the General Clauses Act, 1897 relating to 'gender and number'. **(4 Marks)**
6. (a) LKJ Ltd. is a company having paid up share capital of ₹ 12.50 crore with total number of members being 3500. The board of directors have called a general meeting (the meeting) to be conducted on 06.05.2023 at 2.00 pm. On the date of the meeting the required quorum was not present within half an hour and hence was adjourned to the next week on 13.05.2023 on same day at same venue. In reference to the above scenario in light of the relevant provisions of the Companies Act, 2013 elucidate upon the following queries of the company.

- (i) What will be the fate of the meeting in case two members, in person, were present at the adjourned meeting held on 13.05.2023?
 - (ii) In case, on 06.05.2023 a total of 16 members were present but the chairman owing to the unruly behaviour of some members during the meeting had adjourned the same to 13.05.2023 and at the adjourned meeting only 3 members, in person, are present. What will be the fate of such adjourned meeting?
 - (iii) In case, where such meeting was called by the requisitionists under section 100 of the Act and at such meeting the quorum was not present, what will be the fate of such meeting? **(5 Marks)**
- (b) ABC Corporation, a multinational conglomerate, plans to issue a prospectus in India for its upcoming public offering of securities. The prospectus includes statements made by various experts regarding the potential growth prospects and financial performance of the company.
- What are the requirements under Section 388 of the Companies Act, 2013, regarding the inclusion of statements made by experts in a prospectus for securities issued by a company incorporated or to be incorporated outside India, and how do these requirements affect the validity of the prospectus? **(5 Marks)**
- (c) Mr. Patel, a resident of India, wants to pay for his child's education fees in the United States. Decide whether the nature of transaction be classified as a current account transaction as per the FEMA, 1999? **(4 Marks)**