

## MODEL TEST PAPER 7

### 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

Mr. V started a new venture of on-line business of supply of grocery items at the door- step of consumers. Initially it was having the area of operations of Saharanpur city only. He employed some young boys having their own bikes and allocated the areas which they were accustomed of it, for making delivery of the grocery items as per their orders. He also got developed a website and Mobile App to receive the orders on-line. His friend Sundaram who is a Chartered Accountant, suggested him to corporatize this business form, from proprietorship business to a One Person Company (OPC). Mr. V agreed and a OPC was incorporated in the name of “Ask V Online Grocery (OPC) Pvt Ltd.” (for short OPC-1). In this OPC Mr. V became the member and director and Sudha (the mother of Mr. V) was made as nominee.

After a year Mr. V got married with Vani. Since the business of on-line supply of grocery was on rising trend, day by day, he thought to start a new business of supply of Milk and Milk Products and another OPC in the name of “Vani Milk Products (OPC) Pvt Ltd” (for short OPC-2) was incorporated with the help of his professional friend Sundaram. In this OPC-2, Vani (his wife) became the member and director and Mr. V was named as Nominee.

To summarise the position, the information is tabulated as under:

Name of OPC	Ask Mr. V4Online Grocery (OPC) Pvt Ltd [OPC-1]	Vani Milk Products (OPC) Pvt Ltd [OPC-2]
Member and Director	Mr. V	Vani
Nominee	Sudha (Mother of Mr. V)	Mr. V (Husband of Vani)

After some time, Sudha (the mother of Mr. V) passed away. However, before the death, Sudha had made a WILL, in which she mentioned that after her demise, her another son Krishh be made nominee in the OPC-1. When Krishh came to know this fact, he argued with Mr. V to fulfil the wish of Sudha as per her WILL (Mother of Mr. V and Krishh), but Mr. V denied this and appointed Vani (his wife) as nominee.

Aggrieved from the decision of Mr. V for not nominating him (Krishh), Krishh threatened Mr. V to take appropriate legal action against him for not honouring the WILL of Sudha and consulted his lawyer. Meanwhile due to continuous threatening and unpleasant conversation between Krishh and Mr. V, Vani became mentally upset and became insane, as certified by the medical doctor, so lost her capacity to contract. In this situation, Mr. V being the nominee in OPC-2 became member and director of this OPC-2.

One of the friends of Mr. V advised him to do some charitable work of providing free education to the girl children of his native village near by Saharanpur. Mr. V thought about this proposal and asked his professional friend Sundaram to convert this OPC-2 into Section 8 company.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5, of **2 marks each**) given herein under:

1. Since Vani, being insane, lost the capacity to contract, Mr. V (who was nominee) became the member of OPC-2. Now who will make nomination for this OPC:
  - (a) Mr. V in the capacity of husband of Vani can nominate any person as Nominee of OPC-2
  - (b) Mr. V (who was nominee) of OPC-2 has now become member of this OPC and now as a member of this OPC he can nominate any person as per his choice as Nominee for this OPC.
  - (c) When no person is nominated, the Central Govt. will make nomination of such OPC-2.
  - (d) When no person is nominated the Registrar shall order the company to be wound up.
2. Whether conversion of OPC-2 into a company governed by Section 8 is permissible?
  - (a) Yes, OPC can be converted into Section 8 company
  - (b) No, OPC cannot be converted into Section 8 company
  - (c) This OPC-2 can be converted into section 8 company, provided the Central Govt give license
  - (d) Providing of free education to girl child do not come under the specified objects mentioned for eligibility incorporation of section 8 company

3. Mr. V is a member in OPC-1 and became a member in another OPC-2 (on 2<sup>nd</sup> April, 2024) by virtue of his being a nominee in that OPC-2. Mr. V shall, by what date, meet the eligibility criteria that an individual can be a member in only one OPC:
  - (a) 17<sup>th</sup> May 2024
  - (b) 25<sup>th</sup> August 2024
  - (c) 26<sup>th</sup> August 2024
  - (d) 29<sup>th</sup> September 2024
4. After the demise of Sudha (the mother of Mr. V), Vani was nominated by Mr. V for OPC-1 as Nominee. But now Vani has become insane, so what recourse you will suggest to Mr. V:
  - (a) Mr. V is required to nominate another person as nominee
  - (b) Mr. V should wait till Vani becomes good of her health and able to have the capacity to contract
  - (c) Although Vani has become insane, but if she is able to sign, her nomination in OPC-1 may continue
  - (d) Sundaram (the Chartered Accountant) who helped in incorporation of OPC-1, may act as legal consultant on behalf of Vani
5. Mr. V is preparing the financial statements for "Ask V Online Grocery (OPC) Pvt Ltd" for the financial year. Which of the following statements is correct regarding compliance with section 129 of the Companies Act, 2013?
  - (a) Financial statements of OPC-1 must include a cash flow statement.
  - (b) The financial statements must be presented and approved by a general meeting of members.
  - (c) Mr. V, as the sole director, is responsible for approving the financial statements before filing with the RoC.
  - (d) Consolidated financial statements must be prepared for OPC-1.

## Case Scenario 2

DEF LLP is a well-established limited liability partnership engaged in providing consulting services. It has four partners: A, B, C, and D, each contributing equally to the capital and holding an equal share of the profits and losses, as detailed in the LLP agreement. The partnership operates smoothly until Partner A encounters significant financial difficulties due to personal business losses and decides to transfer his entire share of profits and losses in the LLP to Mr. X, an external investor, in exchange for financial assistance. The decision, although legal as per the LLP agreement, creates a ripple of concerns among the other partners.

After the transfer:

- Partner B argues that the LLP must be dissolved because Partner A's transfer of rights effectively amounts to exiting the partnership, thus impacting the continuity of the LLP.

- Mr. X, being the transferee, demands active participation in DEF LLP's decision-making processes and insists on accessing financial records to monitor his investment, citing the substantial stake he now holds in the LLP.
- Partner C voices concerns about the potential disruption in the LLP's management structure and operations, questioning whether Mr. X's involvement aligns with the LLP's existing framework and the provisions of the Limited Liability Partnership Act, 2008.
- Partner D, on the other hand, adopts a neutral stance but raises the issue of whether the LLP agreement sufficiently addresses such transfers to avoid future disputes.

The situation creates a complex dynamic within DEF LLP, raising questions about the rights of the transferee, the implications for the partnership's operations, and the legal provisions governing such transfers under the Limited Liability Partnership (LLP) Act, 2008.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 6-8, of 2 marks each) given herein under:

6. Can Partner A legally transfer their share of profits and losses to Mr. X?
  - (a) No, Partner A cannot transfer their share without the consent of all other partners.
  - (b) Yes, Partner A can transfer their share entirely in accordance with the LLP agreement.
  - (c) No, such transfers are not allowed under the LLP Act.
  - (d) Yes, but only if Mr. X becomes a partner in the LLP.
7. Does the transfer of Partner A's share to Mr. X result in the dissolution of DEF LLP?
  - (a) Yes, because transferring all rights indicates Partner A's disassociation.
  - (b) No, because the LLP Act, 2008 does not consider such transfers as grounds for dissolution.
  - (c) Yes, because all partners must agree to such transfers to avoid dissolution.
  - (d) No, unless it is explicitly stated in the LLP agreement.
8. Does Mr. X gain any right to participate in DEF LLP's management or access its financial records?
  - (a) Yes, as he now holds Partner A's share in the LLP.
  - (b) No, unless expressly allowed by the LLP agreement.
  - (c) Yes, because it is essential to safeguard his investment.
  - (d) Yes, as external transferees are automatically included in LLP management.

### Case Scenario 3

Sunrise Technologies Private Limited ("STPL") was in process of establishing its new software development center in Pune. On 28<sup>th</sup> February, 2024, the Board of Directors passed a resolution to purchase a property consisting of:

- A three-storey building
- 25 acres of agricultural land adjacent to the building
- 100 motor cars
- An orchard with 100 fruit-bearing trees

The company received a government notification dated 15<sup>th</sup> March, 2024, requiring all new technology centers to obtain special clearance within 45 days of establishment. The notification mentioned that existing orders under the previous Technology Parks Act (which was repealed and replaced by new legislation) would continue to remain valid. The notification was to be served to all concerned parties through registered post.

The Managing Director has approached you to understand various legal aspects under the General Clauses Act, 1897.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 9-11, of 2 marks each) given herein under:

9. With respect to the property being purchased by STPL, which of the following would not qualify as "immovable property" under the General Clauses Act, 1897?
  - (a) The orchard with fruit-bearing trees
  - (b) Motor Cars
  - (c) The three-storey building
  - (d) The agricultural land
10. The government notification requires clearance "within 45 days". If the notification was received on 20<sup>th</sup> March, 2024, and the 45th day falls on Sunday, May 4, 2024, what would be the last date for obtaining clearance?
  - (a) 3<sup>rd</sup> May, 2024
  - (b) 4<sup>th</sup> May, 2024
  - (c) 5<sup>th</sup> May, 2024
  - (d) 6<sup>th</sup> May, 2024
11. Concerning the previous orders under the repealed Technology Parks Act, which statement is correct?
  - (a) All previous orders automatically become void
  - (b) Previous orders continue to be valid unless explicitly cancelled
  - (c) Previous orders require fresh validation under new law

- (d) Previous orders are valid for only 6 months after repeal

**Independent case scenarios**

12. The Annual General Meeting (AGM) of Green Limited was held on 31.8.2024. 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)**

13. Sneha, a resident of India, wants to invest her savings. She considers buying shares of a US-based company to benefit from the growing tech market. She is unsure if such an investment is allowed under the Foreign Exchange Management Act, 1999.

Advise whether Sneha can invest in shares of the US-based company?

- (a) Yes, such investments are allowed.
- (b) No, such investments are not allowed.
- (c) Yes, but only if the investment is for US\$ 5000.
- (d) No, unless she is a non-resident Indian (NRI). **(2 Marks)**

14. Rahul, a resident of India and an avid horse-racing enthusiast, earns ₹ 5 lakh as prize money from an international horse-racing event held in Dubai. He wants to remit this amount to his personal foreign bank account for future international race entries and training. He consults his banker to confirm if this transaction is permissible under the Foreign Exchange Management Act (FEMA), 1999.

Can Rahul remit his income from the international horse-racing event to his foreign bank account under FEMA, 1999?

- (a) Yes, as it is his earned income.
- (b) No, as remittance of income from racing, riding, or any other hobby is prohibited.
- (c) Yes, but only with prior approval from the Reserve Bank of India (RBI).
- (d) No, unless it is for charitable purposes. **(2 Marks)**

15. Mr. Mudit works as an employee at ABC Private Limited with an annual salary of ₹3,00,000, as specified in his employment contract. Mr. Mudit paid to the company ₹ 3,50,000 in the nature of non-interest bearing security deposit. Giving regard to the provisions of the Companies Act, 2013, choose the correct option out of the following:
- (a) The deposit is a valid transaction since it is a non-interest-bearing security deposit provided under the terms of his employment.
  - (b) The deposit violates the Companies Act, 2013, because companies cannot accept deposits from their employees.
  - (c) The deposit violates the Companies Act, 2013, as the amount exceeds Mr. Mudit's annual salary.
  - (d) The deposit is invalid unless approved by the company's shareholders in a general meeting. **(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) Nath Private Limited is a start-up company. Mr. P has been appointed as Accounts Manager of Nath Private Limited. The Board meeting for approval of accounts is to be held on 01.08.2024. For this he has to prepare the financial statements for approval by the Board. Referring to section 2(40) of the Companies Act, 2013, advise Mr. P about the statements that are required to be prepared. **(5 Marks)**
- (b) Mr. Ramchandra is a partner and in-charge (and certifies financial statements) of A & Associates. The firm is appointed as an auditor firm of Badri Limited (listed company). Mr. Ramchandra retires from A & Associates and after some time joins Gupta & Gupta firm as a partner, on 20/05/24. In the general meeting of Badri Limited held on 15/06/24, the company appointed Gupta & Gupta firm as next auditor of the company. Advise Badri Limited, whether the company has adhered to the provision of the Company Act, 2013, by appointing Gupta & Gupta as auditor for the company? **(5 Marks)**
- (c) Referring to the provisions of the Foreign Exchange Management Act, 1999, state the kind of approval required for Payment of commission of U.S. \$ 20,000 on exports made towards equity investment in Joint Ventures/Wholly Owned Subsidiaries abroad of Indian companies. **(4 Marks)**
2. (a) Samay Publishing Limited facing acute cash crunch wants to utilise a portion of 'Deposit Repayment Reserve Account' to pay off its short-term creditors who are pressing hard for repayment of ₹ 20,00,000. Is it justified to use funds lying in 'Deposit Repayment Reserve Account' in this manner? Give your answer as per the provisions of the Companies Act, 2013. **(5 Marks)**

- (b) Mr. Kaushal is a Chartered and an MBA by profession, has been appointed as an Executive Director on the Board of XYZ Limited. His job profile includes advising the Board of Directors of the company on various compliance matters, strategies, business plans, and risk matters relating to the company. Keeping in view of above position whether Mr. Kaushal can be classified as the Promoter of XYZ Limited? Examine the same under the provisions of the Companies Act, 2013. **(5 Marks)**
- (c) Explain the following with reference to the provisions of the General Clauses Act, 1897:
- (i) Person
  - (ii) Document **(4 Marks)**
3. (a) Trinity school started imparting education on 1<sup>st</sup> April, 2010, with the sole objective of providing education to children of weaker society either free of cost or at a very nominal fee depending upon the financial condition of their parents. However, on 30<sup>th</sup> March 2024, it came to the knowledge of the Central Government that the said school was operating by violating the objects of its objective clause due to which it was granted the status of a section 8 company under the Companies Act, 2013. Describe what powers can be exercised by the Central Government against the Trinity school, in such a case? **(5 Marks)**
- (b) A General Meeting of ABC Private Ltd was scheduled to be held on 15<sup>th</sup> April, 2024 at 3.00 P.M. As per the notice, the members who will be unable to attend the meeting in person can appoint a proxy and the proxy forms duly filled should be sent to the company, so that company can receive it within time. Mr. X, a member of the company appoints Mr. Y as his proxy and the proxy form dated 10-04-2024 was deposited by Mr. Y with the company at its registered office on 11-04-2024. Similarly, another member Mr. W also gives two separate proxies to two individuals named Mr. M and Mr. N. In the case of Mr. M, the proxy dated 12-04-2024 was deposited with the company on the same day and the proxy form in favour of Mr. N was deposited on 14-04-2024. All the proxies viz., Y, M and N were present before the meeting.
- According to the provisions of the Companies Act, 2013, who would be the persons allowed to represent as proxies for members X and W respectively? **(5 Marks)**
- (c) Write short notes on the following in understanding definitions while interpreting statutes:
- (i) Ambiguous definitions
  - (ii) Definitions subject to a contrary context **(4 Marks)**
4. (a) State the persons responsible for complying with the provisions regarding maintenance of Books of Accounts of a company. Support with the help of relevant provisions of the Companies Act, 2013. **(5 Marks)**



- (b) Define the term 'Small limited liability partnership' as per the provisions of the Limited Liability Partnership Act, 2008. **(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)**
5. (a) Kedar Limited, an unlisted company, registered in the state of Haryana with 100 shareholders want to organize the Annual General Meeting of the company for the financial year 2023-2024 as under:
- (i) The meeting shall be held on 28th September 2024 which happens to be Rakshanda, a declared as holiday by the Haryana Government.
- (ii) The venue for the meeting shall be Lonavala, a hill resort in Maharashtra. Out of 100 shareholders, 98 have given their consent in writing for conducting the meeting in Lonavala.
- Advise the company on the feasibility of the above with reference to the provisions of the Companies Act, 2013. **(5 Marks)**
- (b) Form Limited is engaged in the business of manufacturing shoes for kids. It is required to hold its Annual General Meeting (AGM) for the financial year ending 31st March 2024 by 30th September 2024. However, due to internal disputes among the directors, the company was unable to convene the AGM by the due date.
- Explain the relevant provisions of the Companies Act, 2013, with respect to the filing of the financial statements with the Registrar in this case. **(5 Marks)**
- (c) ABC Limited operates a factory situated near a river. As per a recent Central Act, factories must be located at least 5 kilometers away from any river. A dispute arises when an environmental agency claims that ABC Limited's factory is only 4.5 kilometers away from the river, while ABC Limited contends that the distance is 5.3 kilometers as per the road distance measured along the winding path leading to the river.
- Based on the provisions of the General Clauses Act, 1897, advise whether the contention of ABC Limited is correct. **(4 Marks)**
6. (a) Mr. H acquired a property from PQR Limited which was mortgaged to ABC Bank. He settled the dues to ABC Bank in full and the same was registered with the sub-registrar who noted that the mortgage had been settled. But neither the company nor ABC Bank filed particulars of satisfaction of charge with the jurisdictional Registrar of Companies. Can Mr. H approach the Registrar and seek any relief in this regard? Discuss this matter in the light of provisions of the Companies Act, 2013. **(5 Marks)**

**OR**

- (a) Mr. Prakash purchased a commercial property in Mumbai belonging to PQR Limited after entering into an agreement with the company. At the time of registration, Mr. Prakash came to know that the title deed of the company was not free and the company expressed its inability to get the title deed transferred in Prakash's name contending that he ought to have the knowledge of charge created on the property of the company. In line with the provisions of the Companies Act, 2013, advise whether the contention of PQR Limited is correct? **(5 Marks)**

- (b) XYZ Limited, a company incorporated outside India and to which provisions of Chapter XXII of the Companies Act, 2013 are applicable, entered into a contract with ABC Limited, an Indian company, for the supply of machinery. After the machinery was delivered, ABC Limited failed to make the payment citing defects in the machinery.

XYZ Limited discovered that it had failed to comply with certain provisions of Chapter XXII of the Companies Act, 2013, relating to the registration of foreign companies in India. Despite this, XYZ Limited intends to file a suit against ABC Limited for payment.

Discuss whether XYZ Limited can initiate legal proceedings against ABC Limited in light of the non-compliance with Chapter XXII of the Companies Act, 2013.

Give your answer as per the provisions of the Companies Act, 2013 [read along with the Companies (Registration of Foreign Companies) Rules, 2014]. **(5 Marks)**

- (c) Explain the meaning of the followings terms as defined under the Foreign Exchange Management Act, 1999:

(i) Authorised person

(ii) Currency

**(4 Marks)**