

Part I - Multiple Choice Questions

Case Scenario 1

Mafatlal Private Limited is a private company incorporated in India. Previously the business activities were done in a Proprietary way. However, due to certain advantages of doing business in a form of a company it was decided to continue the same business but under a form of a Company. Previously the entire business was owned by the family members of Mafatlal's. In the year 2018-19 business activities were carried in a form of a company and family members of Mafatlal themselves became the members of the company. Mafatlal family comprised of 28 members and all were under the age of Majority. Main object of the company was to manufacture Toys for kids in the age group of 3-12 kids. Recently Company had planned to manufacture Toys which would enhance the mental capacity of kids and the product was launched in the market. Company started getting huge demand for such toys because of increase in demand it was decided to increase the production capacity but however under present situation it was quite difficult to increase the production capacity.

One of the Directors Mr. Ramesh Mafatlal suggested that if the place of manufacturing toys is shifted from Mumbai to Anand a place in Gujarat then yes it is possible to increase Production capacity and also to reduce cost of production as compared to Mumbai. Another Director Mr. Sanjay Mafatlal suggested that if we shift our place of Manufacturing Toys from Mumbai to Anand then in that case funds are not sufficient but however if the funds are raised through Acceptance of Deposits from Members then in such case Company would be in a position to shift its place of Manufacturing Toys and the existing place in Mumbai would be utilized for selling Toys as a retail outlet.

Necessary resolutions were passed and Deposits were accepted from the members of the Company.

- i. Whenever a Company Accepts deposits from its own members then in such case there are few conditions required to be passed however there are few companies falling under an exceptional case they are:
- (a) Private Company accepting deposits from members 100% of aggregate of Net Worth and such Company files the details of monies accepted to the Registrar in prescribed manner.
 - (b) Public Company which is a startup, for 5 years from the date of its Incorporation
 - (c) Private Company accepting deposits from members 75% of aggregate of Net Worth and such Company files the details of monies accepted to the Registrar in prescribed manner.
 - (d) Both (a) and (b).

(2 Marks)

- ii. Every Company inviting secured deposits shall accept one or more trustees for Depositors for creating security for the deposits. The Company shall execute a deposit Trust Deed in a prescribed manner at least _____ days before issuing circular or circular in the form of advertisement.
- (a) 14
 - (b) 7
 - (c) 30
 - (d) 60

(1 Mark)

- iii. Ceiling Limit for accepting Deposits for a Specified IFSC Public Company is _____
- (a) 35% of paid Up Share Capital +Free Reserves +Securities Premium.
 - (b) 25% of paid Up Share Capital +Free Reserves +Securities Premium.
 - (c) 100% of paid Up Share Capital +Free Reserves +Securities Premium.
 - (d) 100% of paid Up Share Capital +Free Reserves.

(1 Mark)

Case Scenario 2

Varun Ltd is a public company incorporated in India. Company is having an Authorized Share Capital of 100 crores. For the year 2018-2019 company had called their AGM on 29th August 2019 at their registered office in Mumbai. Meeting was attended by 122 members (Required Quorum was 30 members).

In the said meeting there was a resolution required to be passed by Ordinary Resolution towards Declaration of Dividend but however there was equality of votes for same which was later on resolved through Casting Vote. Necessary Minutes were prepared and duly signed.

Company declared dividend @ 20% as against profit available for distribution was 150 crores. Profits of the company was not surplus to distribute dividend at such rate however it was decided certain amount from Free reserves shall be withdrawn in order to distribute dividend @20% and necessary conditions for same was been fulfilled.

In the year 2015-16 Company had raised funds through public offer for which the company had issued a Prospectus. Inside the prospectus it was stated that Company was having a profit of 150 crores in the year 2014-15 however actual profit was only 15 crores. One of the members of the company complained about such misstatement inside the prospectus for which the matter was investigated and it came to the knowledge that there was a printing error. However, it was held that it amounts to misrepresentation inside prospectus of a company and provisions of section 447 was made applicable for same. However the member who reflected such defects inside the prospectus did not purchase securities through prospectus but had purchased through Open Market. Other members who had purchased securities prospectus were been awarded as per the provisions of Companies Act 2013.

- i. One of the essential of a valid meeting is Proper notice wherein Notice should be given atleast 21 clear days before the meeting however a shorter notice is allowed if the consent of _____ members is received in writing or by electronic mode.
- (a) Not less than 90% of the members entitled to vote at such meeting
 - (b) Not less than 75% of the members entitled to vote at such meeting
 - (c) Not less than 51% of the members entitled to vote at such meeting
 - (d) Not less than 95% of the members entitled to vote at such meeting

(1 Mark)

- ii. Signing of Minutes of General meeting shall be done by_____
- (a) Chairman of the meeting or Chairman of succeeding meeting
 - (b) Chairman of same meeting within 30 days or in the event of death or inability of that Chairman within that period by a Director duly authorized by the BOD for the purpose.
 - (c) Chairman of the Board within 30 days.
 - (d) Chairman of same meeting within 15 days or in the event of death or inability of that Chairman within that period by a Director duly authorized by the BOD for the purpose.
- (1 Mark)**
- iii. Penalty for Fraud under section 447 in case of Fraud involves an amount less than 10 lakh or 1% of the turnover whichever is lower and does not involve public interest any person guilty of such fraud shall be punishable with_____
- (a) Imprisonment Up to 5 years or Fine Up to 50 Lakh Rupees or Both.
 - (b) Imprisonment Up to 3 years or Fine Up to 10 Lakh Rupees or Both.
 - (c) Imprisonment Up to 5 years or Fine Up to 5 Lakh Rupees or Both.
 - (d) Imprisonment Up to 10 years or Fine Up to 50 Lakh Rupees or Both.
- (1 Mark)**
3. What are essentials of valid ratification?
- (a) It shall be expressly done by the principal who purports to be a principal
 - (b) Knowledge may be requisite
 - (c) Act to be ratified must be valid
 - (d) Ratification can be done at any time
- (1 Mark)**
4. Which of the following cannot Accept a Bill Of Exchange
- (a) Acceptor for honour
 - (b) Acceptor by Estoppel
 - (c) Drawee.
 - (d) Payee of a Bill
- (1 Mark)**
5. _____is not a person who holds the instrument but he is a person who has a right to hold and who is entitled to receive or recover the amount due thereon from the parties thereto. His rights and title are dependent on the transferor. He has a right to demand and receive but does not have a right to sue.
- (a) Holder
 - (b) Holder in Due Course
 - (c) Drawer
 - (d) Drawee
- (1 Mark)**

6. Which of the following given Statement/s is/are correct:
1. In all Central Acts and Regulations, any words which denote the masculine gender shall also be taken to include feminine, and vice versa.
 2. In all Central Acts and Regulations, words in the singular shall include the plural, and also vice versa.
 - (a) Only statement (1) is correct
 - (b) Only statement (2) is correct
 - (c) Both the statements are correct
 - (d) None of the statement is correct
- (1 Mark)**
7. Rajesh drew a cheque amounting to ₹ 1 lakh payable to Navin and subsequently delivered to him. After receipt of cheque Navin endorsed the same to Chandra but kept it in his safe locker. After sometime, Navin died, and Parag found the cheque in Navin's safe locker. State the nature of the Instrument as amounting to indorsement under the Negotiable Instruments Act,1881.
- (a) Yes its an endorsement, as Parag becomes the holder of the cheque that he found in the Navin's safe locker.
 - (b) No, its not an endorsement, as Parag does not become the holder of the cheque
 - (c) Yes , its an endorsement, as Parag was a ultimate custodian of the cheque
 - (d) No, its not an endorsement, as Navin endorsed it to Chandra and not to the Parag.
- (1 Marks)**
8. Where any legislation or regulation requires any document to be served by post, then unless a different intention appears, the service shall be deemed to be effected by:
- (a) Properly addressing, post paying, posting by registered post
 - (b) Properly addressing, pre paying, posting by registered post
 - (c) Properly addressing, pre paying, posting by ordinary post
 - (d) Addressing, pre paying, posting by registered post
- (1 Mark)**

9. Any law that shall be applicable to the chief or superior shall apply to the _____ who are performing the duties of that office in place of the superior.
- (a) Deputies and Higher Authorities
 - (b) Deputies and Subordinates
 - (c) Manager and Subordinates
 - (d) Officer and Diplomats
- (1 Mark)**
10. In construing the words 'medicines and drugs' available the word drugs can only refer to vital life saving medicines. It cannot cover narcotics. This implies which rule of interpretation?
- (a) Noscitur a Sociis
 - (b) Expressio Unis Est Exclusio Alterius
 - (c) Contemporanea Expositio
 - (d) Ejusdem Generis
- (1 Mark)**
11. If One Person Company or any officer of the One Person Company contravenes the provisions of Compulsory conversion under section 18 of Companies Act, 2013 rules, then in such case One Person Company or any officer of the One Person Company shall be punishable with fine which may extend to _____ rupees and with a further fine which may extend to one thousand rupees for every day after the first during which such contravention continues
- (a) 10,000
 - (b) 25,000
 - (c) 50,000
 - (d) 1,00,000
- (1 Mark)**
12. Azhar Footwear Ltd was incorporated in India on 1st November 2019 with a authorized capital of 10 crores. The main object of the company was to undertake a business towards manufacturing of shoes and selling the same through authorised agents. However, the name of company was found to be merely resembling with the name of an existing company. In such a situation Azhar Footwear Ltd got a direction from _____ to rectify its name.
- (a) Registrar
 - (b) State Government.
 - (c) Regional Office of Directorate of Corporate Affairs.
 - (d) Central Government.
- (1 Mark)**

13. A guarantee obtained by a creditor by keeping silence as to material circumstances is:

- (a) Valid (b) Voidable
(c) Unenforceable (d) Invalid.

(1 Mark)

14. In Sejal Private Limited (Authorised capital 5,00,000 shares of ₹ 10 each and paid-up share capital of ₹ 45,00,000), 10,000 shares are jointly held by Abhi and Malav; another 8000 shares are jointly held by Shreya and Nisha ; and another 12000 are jointly held by Raja, Renuka and Rajesh. Further, 4,20,000 shares are held by 193 individual persons in their individual capacity. Is it possible for the company to induct more persons?

- (a) The company is unable to induct more persons since it already has two hundred individual members.
(b) The company can induct four more persons as members.
(c) The company can induct another 20 persons (i.e. 10% of two hundred individual members) after seeking permission from the concerned ROC.
(d) If the company does not want to seek permission of the concerned ROC, it can induct only 10 more persons (i.e. 5% of two hundred individual members).

(1 Mark)

15. “Quit facit per alium, facit per se” means:

- (a) Delegatee cannot further delegate
(b) Something in return
(c) He who acts through an agent is acting himself
(d) For an act of agent, principal is liable

(1 Mark)

16. Deepika Finance Advisory Limited, a non-banking finance company (NBFC), is desirous of offering secured, redeemable, non-convertible 9% Debentures to the public in three or more tranches over a certain period of time. Which kind of prospectus it is required to issue so that its purpose is served and there arises no need to take out a fresh prospectus for second and subsequent offer of securities.

- (a) Deemed Prospectus. (b) Shelf Prospectus.
(c) Red Herring Prospectus. (d) Abridged prospectus.

(1 Marks)

17. An unregistered charge is not _____ from its inception and would be enforceable against the company so long it is a going concern.

- (a) Valid (b) Invalid
(c) Void (d) Illegal

(1 Mark)

18. Anmol Infrastructures Limited is a listed company quoted at Bombay Stock Exchange. The company closed its Register of Members in May and August, 2019 for 13 and 22 days respectively. The CEO of company has informed the company secretary to consider closing of register in December for another 15 days for some strategic reasons. Referring to the provisions of Companies Act, 2013, examine the validity of above action of the company.

- (a) Valid, as the closure of register of members by company each time is not exceeding 30 days.
(b) Invalid, as company cannot go for closure of Register of members more than twice in a year.
(c) Invalid, as the period of closing register of members exceeding 30 days in a year.
(d) Invalid, as the period of closing the Register of members by the company is exceeding 45 days in a year.

(1 Mark)

19. _____ is used to remove special cases from general enactment and provide for them specially.

- (a) Proviso (b) Saving Clause
(c) Amendment (d) Exception

(1 Mark)

20. Devidas Limited availed a loan of 15 crores from IDFC Bank Limited for purchase of a new machinery by offering its factory worth 20. crores as security. However, the company did not initiate any steps to get the charge on factory registered in favour of lending banker within the specified time. As soon as the charge-holder bank came to know about the non registration of charge with the ROC, it applied to the Registrar for registration of charge along with the instrument creating the charge and paid the requisite fees when demanded. Advise the bank whether it can recover the fees so paid for registration of charge from Devidas Limited

- (a) Yes, the bank can recover the fees paid by it for registration of charge.
- (b) No, the bank cannot recover the fees paid by it for registration of charge because the bank is equally responsible for getting the charge registered.
- (c) Only when it obtains recovery orders from Regional Director (RD), the bank can recover the fees paid by it for registration of charge from the company.
- (d) Only when it obtains recovery orders from National Company Law Tribunal (NCLT), the bank can recover the fees paid by it for registration of charge from the company.

(1 Mark)

21. The amount of the dividend, including interim dividend, shall be deposited in a schedule bank in a separate account within days from the date of declaration of such dividend.

- (a) 10
- (b) 5
- (c) 7
- (d) 15

(1 Mark)

22. In case of delay in depositing dividend into unpaid /Unclaimed Dividend account, co. shall be liable to pay interest at p.a.

- (a) 12%
- (b) 15%
- (c) 18%
- (d) 21%

(1 Mark)

23. From the following information in respect of Abbas Ltd, compute the amount company is required to contribute on account of CSR:

Financial Year	Net Profit (in Lacs)
2016-17	25
2017-18	50
2018-19	75

- (a) Nil (b) ₹ 2.4 Lacs
(c) ₹ 1,00,000/- (b) ₹ 2.1 Lacs

(1 Mark)

24. Arman Games and Toys Limited was sanctioned a term loan of ₹ 56 crores by ICICI Bank on 21st May, 2019. As a security, the company offered its office premises situated at Bandra, Mumbai and an instrument of charge was executed. However, the company failed to get the charge registered with the concerned Registrar within the first as well as second statutory period available as per law. This was adversely commented by the internal auditors of the bank and therefore, after a strict advisory received from Mehta, the senior manager of the bank, the company was prompted to take steps for registration of charge. Name the specific type of fees which the company is now required to pay for registration of charge.

- (a) Special Fees.
(b) Ad-valorem Fees.
(c) A Late Registration Fees.
(d) Ad-valorem Duty.

(1 Mark)

25. Any Member has a right to inspect free of cost during business hours, Subject to minimum of _____ in each business days at the registered office of the company, the minutes book containing the proceedings of the general meeting of the company.

- (a) 1 hour (b) 3 hours
(c) 12 hours (d) 2 hours

(1 Mark)

Part II

Question No 1 is Compulsory and any 3 questions out of remaining 4 questions.

Answers shall be given only in English.

- Q.1 (a)** Naresh incorporated a “One Person Company” making his sister Namita as the nominee. Namita is leaving India permanently due to her marriage abroad. Due to this fact, she is withdrawing her consent of nomination in the said One Person Company. Taking into considerations the provisions of the Companies Act, 2013 answer the questions given below.
- (i) If Namita is leaving India permanently, is it mandatory for her to withdraw her nomination in the said One Person Company?
 - (ii) If Namita maintained the status of Resident of India after her marriage, then can she continue her nomination in the said One Person Company?
- (5 Marks)**
- (b)** Write a short note on Construction of word ‘may’ and ‘shall’ as Directory force as well as Mandatory force.
- (4 Marks)**
- (c)** What are the powers of Registrar to make entries of satisfaction and release of charges in the absence of any intimation from the company. Discuss this matter in the light of provisions of the Companies Act, 2013.
- (5 Marks)**
- (d)** Mr. Mahesh drew a cheque payable to Mr. Vikram or order. Mr. Vikram lost the cheque and was not aware of the loss of the cheque. The person who found the cheque forged the signature and endorsed it to Mr. Parag as the consideration for goods bought by him from Mr. Parag. Mr. Parag encashed the cheque, on the very same day from the drawee bank. Mr. Vikram intimated the drawee bank (HDFC Bank) about the theft of the cheque after three days. Examine the liability of the HDFC bank.
Give your answer in reference to the Provisions of Negotiable Instruments Act, 1881.
- (5 Marks)**

Q.2 (a) Can a Minor be appointed as Agent under the provision of Indian Contract Act, 1872 and also state what is the meaning of Irrevocable Agency.

(3 Marks)

(b) At a General meeting of a Rajesh Limited, a matter was to be passed by a special resolution. Out of 400 members present, 200 voted in favour of the resolution, 50 voted against it and 50 votes were found invalid. The remaining 100 members abstained from voting. The Chairman of the meeting declared the resolution as passed. With reference to the provisions of the Companies Act, 2013, examine the validity of the Chairman's declaration.

(4 Marks)

(c) Aarush Limited declared Dividend on 29th May 2020. However due to operation of law dividend was not paid to one of the member Mr. Zohaib till 29th July 2020. Similarly, dividend of Mr Rakesh was lawfully adjusted by the company against sum due from Rakesh. Mr Zohaib and Mr Rakesh wanted to file a complaint against directors of Aarush Limited under the provision of Sec 127 of Companies Act, 2013. State your answer with regard to provision of Companies Act, 2013 whether such complaint is tenable or not

(4 Marks)

(d) Karan Ltd., a public company is planning to bring a public issue of equity shares in January, 2021. The company has appointed underwriters for getting its shares subscribed. As a Chartered Accountant of the company appraise the Board of Karan Ltd. about the provisions of payment of underwriter's commission as per Companies Act, 2013.

(6 Marks)

Q.3 (a) Write down a short note on Duties of National Financial Reporting Authority (NFRA) and also state the Powers of NFRA.

(5 Marks)

(b) Examine whether the following persons are eligible for being appointed as auditor under the provisions of the Companies Act, 2013:

(i) "Mr. Rajesh" is a practicing Chartered Accountant and "Mr. Amish", who is a relative of "Mr. Rajesh" is holding securities of "Ashok Leyland Ltd." having face value of ₹ 65,000/- (market value ₹ 1,20,000/-). Directors of Ashok Leyland Ltd. want to appoint Mr. Rajesh as an auditor of the company

(ii) Mr. Modi is a practicing Chartered Accountant indebted to MRF Ltd. for ₹ 8 lacs. Directors of MRF Ltd. want to appoint Mr. Modi as an auditor of the company.

(iii) Mr. Shashank, is convicted of an offence of fraud on 1/01/2015.

(5 Marks)

(c) Mr. Anand owned a land with 40 tamarind trees. He sold his land and the timber (obtained after cutting the 40 trees) to Shailesh. Mr. Anand wants to know whether the sale of timber tantamounts to sale of immovable property. Advise him with reference to provisions of "General Clauses Act, 1897".

(4 Marks)

(d) Mr. Ghanshyam delivers a rough diamond to a jeweller Mr. Ashok, to be cut and polished. Mr. Ashok carries out the job accordingly. However, now Mr. Ghanshyam refuses to make the payment and wants his diamond back. The jeweller denies the delivery of goods without payment. Examine whether Mr. Ashok can hold diamond. Give your answer as per the provisions of the Contract Act, 1872.

(3 Marks)

Q.4 (a) Aman Limited wants to go for expansion of its business for which the company wants to raise funds through acceptance of Deposits from its members. State the necessary provision applicable upon a company in order to accept deposits from its members under the provision of section 73 Companies Act, 2013

(5 Marks)

(b) Zarna Ltd wanted to issue Equity Shares with differential rights to dividend, Voting etc. State the provision required to be fulfilled by a company in order to issue Equity Shares with differential rights to dividend, voting..

(5 Marks)

(c) When can a Bill of Exchange could be termed as Dishonoured by Non-Acceptance. State the circumstances as per the provision of Negotiable Instruments Act., 1881.

(3 Marks)

(d) Samarth Ltd is having its registered office in Mumbai in the state of Maharashtra. However due to better business opportunities and because of strong customer base at Raipur Samarth ltd wanted to shift its registered office from state of Maharashtra to Chhattisgarh. State the necessary steps to be followed by company in order to shift its registered office from one state to another state

(4 Marks)

Q.5 (a) State the sources for Declaration of Dividend and also state modes of payment of dividend along with dividend can be payable to whom as per the provision of Companies Act, 2013

(4 Marks)

(b) Swaraj Ltd. was incorporated on 10.05.2018. No General Meeting of the company has been held so far. Explain the provisions of the Companies Act, 2013 regarding the time limit for holding the first annual general meeting of the Company and the power of the Registrar to grant extension of time for the First Annual General Meeting.

(4 Marks)

(c) Define the term Prospectus as per the provision of Companies Act, 2013 and also state how can a Public Company and a Private Company can Issue securities as per the Provision of sec 23 of Companies Act, 2013.

(3 Marks)

(d) Write a Note on Provisions applicable to making of Rules or Bye laws after previous publications as per the provision of Sec 23 of General Clauses Act, 1897

(3 Marks)

(e) Explain, Statute should be 'read as whole' and also explain whether Foreign Decisions be used for Construing Indian Acts

(3 Marks)