

PART – A (Descriptive)

Question no. 1 is compulsory and attempt any three out of remaining four questions.

QUESTION NO.1

- A. Examine whether the following persons are eligible for being appointed as auditor under the provisions of the Companies Act , 2013: **(6 MARKS)**
- (i) “Mr. Prakash” is a practicing Chartered Accountant and “Mr. Aakash “, who is a relative of “Mr. Prakash” is holding securities of “ABC Ltd. “ having face value of Rs. 70000/- (market value Rs. 110000/-). Directors of ABC Ltd. want to appoint Mr. Prakash as an auditor of the company.
- (ii) Mr. Ramesh is a practicing Chartered Accountant indebted to MNP Ltd. for Rs. 6 lacs. Directors of MNP Ltd. want to appoint Mr. Ramesh as an auditor of the company.
- (iii) Mrs. KVJ spouse of Mr. Kumar , a Chartered Accountant, is the store keeper of PRC Ltd. directors of PRC Ltd. want to appoint Mr. Kumar as an auditor of the company.
- B. Mars Ltd. declared and paid dividend in time to all its equity holders for the financial year 2016 -17, except in the following two cases: **(6 MARKS)**
- (i) Mrs. Sheetal, holding 250 shares had mandated the company to directly deposit the dividend amount in her bank account. The company, accordingly remitted the dividend but the bank returned the payment on the ground that there was difference in surname of the payee in the bank records. The company, however, did not inform Mrs. Sheetal about this discrepancy.
- (ii) Dividend amount of Rs. 50,000 was not paid to Mr. Piyush, deceased, in view of court order restraining the payment due to family dispute about succession.
- You are required to analyse these cases with reference to provisions of the Companies Act, 2013 regarding failure to distribute dividends.
- C. ‘C’ advances to ‘B’ , Rs. 2,00,000 on the guarantee of ‘A’. ‘C’ has also taken a further security for the same borrowing by mortgage of B’s furniture worth Rs. 2,00,000 without knowledge of ‘A’. ‘C’ cancels the mortgage. After 6 months ‘B’ becomes insolvent and ‘C’ sues ‘A’ on his guarantee. Decide the liability of ‘A’ if the market value of furniture is worth Rs. 80,000, under the Indian Contract Act, 1872. **(4 MARKS)**
- D. P draws a bill on Q for Rs. 10,000. Q accepts the bill. On maturity, the bill was dishonored by non- payment. P files a suit against Q for payment of Rs. 10,000. Q proved that the bill was accepted for value of Rs. 7,000 and as an accommodation to the plaintiff for the balance amount i.e. Rs. 3,000. Referring to the provisions of the Negotiable Instruments Act, 1881 decide whether P would succeed in recovering the whole amount of the bill? **(3 MARKS)**

QUESTION NO.2

- A. XYZ limited has office building in London. The company has been granted a term loan of Rs. 15 crore from a bank. The company wants to mortgage office building of London. Examining the provisions of the Companies Act, 2013 answer the following: **(4 MARKS)**
- (i) Whether the company can mortgage the above office building?
 - (ii) Whether a charge can be created for property situated outside India?
- B. The Articles of Association of Ajad Ltd. require the personal presence of 7 members to constitute quorum of General Meetings. The company has 965 members as on the date of meeting. The following persons were present in the extra-ordinary meeting to consider the appointment of Managing Director: **(6 MARKS)**
- (i) A, the representative of Governor of Uttar Pradesh.
 - (ii) B and C, shareholders of preference shares,
 - (iii) D, representing Y Ltd. and Z Ltd.
 - (iv) E, F, G and H as proxies of shareholders.
- Can it be said that the quorum was present in the meeting?
- C. ABC Ltd. sells its products through some agents and it is not the custom in their business to sell the products on credit. Mr. Pintu, one of the agents sold goods of ABC Ltd. to M/s. Parul Pvt. Ltd. (on credit) which was insolvent at the time of such sale. ABC Ltd. sued Mr. Pintu for compensation towards the loss caused due to sale of products to M/s. Parul Pvt. Ltd. Will ABC Ltd. succeed in its claim? **(4 MARKS)**
- D. What are the circumstances under which a bill of exchange can be dishonored by non-acceptance? **(3 MARKS)**

QUESTION NO.3

- A. Peculiar Ltd. , an unlisted company, did not prepare its financial statements for the year ended 31st March , 2016 in conformity with some of the mandatory accounting standards. With reference to the provisions of the Companies Act , 2013 , state the responsibilities of the directors and statutory auditors of the company in this regard. **(5 MARKS)**
- B. EFG Ltd. was incorporated on 1.4.2017. No General Meeting of the company has been held till 30.4.2019. Discuss 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. **(5 MARKS)**
- C. Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881: **(4 MARKS)**
- (i) X who obtains a cheque drawn by Y by way of gift.
 - (ii) A, the payee of the cheque, who is prohibited by a court order from receiving the amount of the cheque.
 - (iii) M, who finds a cheque payable to bearer, on the road and retains it.
 - (iv) B, the agent of C, is entrusted with an instrument without endorsement by C, who is the payee.

(v) B, who steals a blank cheque of A and forges A's signature.

- D. Explain 'Mischieve Rule' for interpretation of statute. Also, give four matters it considers in construing an Act. **(3 MARKS)**

QUESTION NO.4

- A. Yadav Dairy Products Private limited has registered its articles along with memorandum at the time of registration of company in December, 2014. Now directors of the company are of the view that provisions of articles regarding forfeiture of shares should not be changed except by a resolution of 90% majority. While as per section 14 of the Companies Act, 2013 articles may be changed by passing a special resolution only. Hence, one of the directors is of the view that they cannot make a provision against the Companies Act, 2013. You are required to advise the company on this matter. **(4 MARKS)**
- B. Green Ltd. was dealing in export of rubber to specified foreign countries. The company was willing to purchase rubber trees in A.P. State. The prospectus issued by the company contained some important extracts of the expert report and number of trees in A.P. State. The report was found untrue. Mr. Andrew purchased the shares of Green Ltd. on the basis of the expert's report published in the prospectus. Will Mr. Andrew have any remedy against the company? State also the circumstances where an expert is not liable under the Companies Act, 2013. **(6 MARKS)**
- C. Komal Ltd. declares a dividend for its shareholders in its AGM held on 27th September, 2018. Referring to provisions of the General Clauses Act, 1897 and Companies Act, 2013, advice: **(4 MARKS)**
- (i) The dates during which Komal Ltd. is required to pay the dividend?
- (ii) The dates during which Komal Ltd. is required to transfer the unpaid or unclaimed dividend to unpaid dividend account?
- D. Explain how 'Dictionary Definitions' can be of great help in interpreting / constructing an Act when the statute is ambiguous. **(3 MARKS)**

QUESTION NO.5

- A. Board of directors of Anil Limited has decided not to preserve the books of accounts and other related records of accounts, for more than five years immediately preceding the relevant financial year of 2016-17 due to shortage of space in the office premises. Referring to the provisions of the Companies Act, 2013 examine the validity of the Board's decision. **(5 MARKS)**
- B. K Limited, a subsidiary of Old Limited, decides to give a loan of Rs. 4,00,000 to the Human Resource Manager, who is not a Key Managerial Personnel of K Limited, drawing salary of Rs. 30,000 per month, to buy 500 partly paid-up equity Shares of Rs. 1000 each in K Limited. Examine the validity of company's decision under the provisions of the Companies Act, 2013. **(5 MARKS)**
- C. Define contract of indemnity and contract of guarantee and state the conditions when guarantee is considered invalid? **(4 MARKS)**

- D. Mr. Vyas is the owner of House No. 20 in Geeta Colony, Delhi. He has rented two rooms in this house to Mr. Iyer. The Income Tax Authority has served a show cause notice to Mr. Vyas. The said notice was received by Mr. Iyer and returned the notice with an endorsement of refusal. Decide with reference to provisions of "General Clauses Act, 1897", whether the notice was rightfully served on Mr. Vyas. **(3 MARKS)**

PART – B (M.C.Q.)

QUESTION NO.1

M.C.Q. no. 1 to 10 carries 2 marks each

M.C.Q. no. 11 to 20 carries 1 mark each

1. G Ltd. (a company having CSR Committee as per the provision of Section 13 of the Companies Act, 2013) decides to spend and utilize half of the amount of Corporate Social Responsibility on the activities for the benefit of all the employees of G Limited and the remaining half of the amount of Corporate Social Responsibility on the activities for the benefit of family members of employees of G Limited As per the provision of Companies Act, 2013 this would mean that:-
 - (a) Total Amount spent on Corporate Social Responsibility Activities by G Limited for that financial year
 - (b) No amount spent on Corporate Social Responsibility Activities by G Limited for that financial year
 - (c) Half amount spent on Corporate Social Responsibility Activities by G Limited for that financial year
 - (d) Half amount spent on Corporate Social Responsibility Activities and remaining half amount spent on Other Activities by G Limited for that financial year

2. R purchases some goods on credit from S, payable within 3 months. After 2 months, R makes out a blank cheque in favour of S, signs and delivers it to S with a request to fill up the amount due, as R does not know the exact amount payable by him. S fills up fraudulently the amount larger than the amount payable by R and endorses the cheque to C in full payment of S's own due. R's cheque is dishonoured. Referring to the provisions of the Negotiable Instruments Act, 1881, C:
 - a. Can claim the full amount from R
 - b. Can claim the full from S
 - c. Cannot claim the amount either from R or S
 - d. Can claim from S only the exact amount due from R

3. BSP Ltd appointed XPP & Co LLP as their statutory auditors for the year ended 31 March 2018 on 18 June 2018, as per Section 139(8) of the Companies Act 2013, to fill the casual vacancy caused by resignation of previous statutory auditors to hold office till the conclusion of next Annual General Meeting (AGM) of BSP Ltd. BSP Ltd is listed with Bombay Stock Exchange and National Stock Exchange. BSP Ltd is covered under auditors rotation requirements and wants to re-appoint XPP & Co LLP at their next AGM. Please advise.

- (a) XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM and after that can be considered for re-appointment for another five consecutive years.
 - (b) XPP & Co LLP can be re-appointed for a term of four consecutive years at the AGM and after that can be considered for re-appointment for another five consecutive years.
 - (c) XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM.
 - (d) XPP & Co LLP cannot be re-appointed at the AGM.
4. Being in need of further capital, Rimsi Cotton-Silk Products Limited opted to offer 50.00 lacs equity shares of Rs. 1 each to 50 identified persons on 'private placement' basis and accordingly a letter of offer accompanied by serially numbered application form was sent to them after fulfillment of due formalities including passing of special resolution. One of the applicants, Rajan made a written complaint to the company highlighting the fact that the letter of offer was incomplete as well as illegal, for the same did not contain 'renunciation clause' though he wanted to exercise his 'right of renunciation' in favour of one of his son Uday. By choosing the correct option, advise the company in this matter.
- (a) As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the letter of offer and the application form.
 - (b) The company is prohibited from providing 'Right of Renunciation' and therefore, the letter of offer and the application form need not include any such clause.
 - (c) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to twenty five percent of offering.
 - (d) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to fifty percent of offering.
5. L made an offer to MD of a company. MD accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company ratified the MD's acceptance. State which of the statement given hereunder is correct:
- (a) L was bound with the offer
 - (b) An offer once accepted cannot be withdrawn
 - (c) Both option (a) & (b) is correct
 - (d) L is not bound to an offer.
6. M drew a cheque amounting to Rs. 2 lakh payable to N and subsequently delivered to him. After receipt of cheque N endorsed the same to C but kept it in his safe locker. After sometime, N died, and P found the cheque in N's safe locker. State the nature of the Instrument as amounting to indorsement under the NI Act,1881.
- (a) Yes its an endorsement, as P becomes the holder of the cheque that he found in the N's safe locker.
 - (b) No, its not an endorsement, as P does not become the holder of the cheque
 - (c) Yes , its an endorsement, as P was a ultimate custodian of the cheque
 - (d) No, its not an endorsement, as N endorsed it to C and not to the P.

7. As per a Rule of an Educational Institution, every student may come on weekends for extra classes but every student shall appear on a weekly test conducted in the institute, which can be analysed in terms of General Clause Act, as:
- (a) Attending weekend classes is optional but appearing in weekly test is compulsory
 - (b) Attending weekend classes is compulsory but appearing in weekly test is optional
 - (c) Attending weekend classes and appearing in weekly test, both are compulsory for students
 - (d) Attending weekend classes and appearing in weekly test both are optional for students.
8. Ravi is the owner of a grocery store. In March 2018, he got the idea of forming a 'One Person Company' and convinced his sister Ruchika, an Indian citizen who resides in London but visits India from time to time, to become nominee in his OPC. In the year 2017, Ruchika first came to India on 10th January and left for London on 26th February. Thereafter, she again visited India on 7th June and remained here till 10th October and boarded an evening flight for London on the same day. From then onward she did not visit India in the year 2017 but on 2nd January 2018 she came to India for a short duration and left for London on 14th February, 2018. Is it possible for Ravi to appoint Ruchika as nominee?
- (a) Ruchika can be appointed as nominee by Ravi because she is a natural person, an Indian citizen and resided in India for more than 90 days during the year 2017.
 - (b) Ruchika can be appointed as nominee by Ravi because she is a natural person, an Indian citizen and resided in India for more than 182 days during the years 2017 and 2018 i.e. prior to March 2018 when Ravi contemplated to form his OPC.
 - (c) Ravi cannot appoint Ruchika as nominee in his OPC because she did not reside in India for 182 days or more during the year 2017 though she is a natural person and also an Indian citizen .
 - (d) Since Ravi is the sole member of his OPC who will look after all its affairs and the appointment of nominee is just a formality, a visit to India during 2017 for any number of days would make Ruchika eligible to be appointed as nominee.
9. H Ltd. is the holding company of S Pvt. Ltd. As per the last profit and loss account for the year ending 31st March, 2018 of S Ltd. its turnover was to the extent of Rs. 1.50 crores; and paid up share capital was Rs. 40 lacs. Since S Pvt. Ltd., as per the turnover and paid up share capital norms, qualifies for the status of a 'small company' it wants to be categorized as 'small company'. Advise.
- (a) If H Ltd. converts itself into a private limited company, S Pvt Ltd. being its subsidiary can be categorized as a 'small company' since it meets turnover and paid up share capital norms applicable to a 'small company'.

- (b) So long as S Pvt. Ltd. meets the turnover and paid up share capital norms applicable to a 'small company' (which at present is the case), it shall be categorized as a 'small company'.
- (c) S Pvt. Ltd. cannot be categorized as a 'small company' because it is the subsidiary of another company.
- (d) Categorisation of S Pvt. Ltd. is possible only if H Ltd., the holding company, also meets the turnover and paid up share capital norms applicable to a 'small company'.

10. From the following information in respect of company ABC Ltd. Compute the amount the company is required to spend on account of Corporate Social Responsibility:

Financial Year	Net profit(Rs. in cr.)
2014-15	30
2015-16	22
2016-17	27

- a) 26 Crore
 - b) 52 Lacs
 - c) 55 Lacs
 - d) 26 Lacs
11. Part of the capital for which application have been received from the public and shares allotted to them :
- (a) Nominal capital
 - (b) Issued capital
 - (c) Subscribed capital
 - (d) Called up capital
12. The minute book of General meetings of Alpha Limited will be kept at:
- (a) That place where members of Alpha Limited will decide.
 - (b) That place where all employees of Alpha Limited will decide.
 - (c) Registered office of the company Alpha Limited.
 - (d) That place where senior officials of Alpha Limited will decide.
13. A Company limited by shares can issue equity shares with differential voting rights. Which of the following is not a necessary condition to be fulfilled before issue of such shares:
- (a) The articles of association of the company shall authorize issue of shares with differential rights;
 - (b) The issue of shares shall be authorized by an ordinary resolution passed at a general meeting of the shareholders;

- (c) The issue of shares shall be authorized by special resolution passed at a general meeting of the shareholders;
 - (d) The company shall have consistent track record of distributable profits for the last three years;
14. Offences committed under the Negotiable Instruments Act can be—
- (a) Compoundable
 - (b) Non- compoundable
 - (c) Non- compoundable and non-bailable
 - (d) Bailable
15. 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 females, and vice versa.
 - (2) In all Central Acts and Regulations, words in the singular shall include the plural, but not 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
16. As per _____, the best way to interpret a statute or document is to read it as it would have been read when it was enacted or made.
- (a) *Optima legume interpres est consuetude*
 - (b) *Expressio unius Est Exclusio Alterius*
 - (c) *Utres magis valeat quam pereat*
 - (d) *Contemporanea expositio*
17. The act by which the operation of a previous Act comes to an end, is called as _____
- (a) The Repealing Act
 - (b) The Consolidating Act
 - (c) The Amending Act
 - (d) Analogous Act
18. Sapan and Sanjay made a name reservation application accompanied by requisite fee to the Registrar for forming a new private company. The Registrar accorded its approval for reservation of most preferred name Sapanjay Softwares Private Ltd. on 6th July, 2018. In how many days, necessary documents for incorporation of the company must be submitted to the Registrar so that the reserved name does not get lapsed.

- (a) Within 10 days from the date of approval
- (b) Within 20 days from the date of approval
- (c) Within 45 days from the date of approval
- (d) Within 60 days from the date of approval

19. Seema Bulbs Ltd. is desirous of having significant influence in Shaukeen LED Bulbs and Tubes Ltd. so that the latter becomes its 'associate company'. For exercising 'significant influence' one of the options available to Seema Bulbs is to control at least twenty per cent of total voting power of Shaukeen LED Bulbs and Tubes. What is the other option available?

- (a) To control or participate in the recruitment decisions relating to appointment of middle management personnel of Shaukeen LED Bulbs and Tubes under an agreement.
- (b) To control or participate in the dividend decisions of Shaukeen LED Bulbs and Tubes under an agreement.
- (c) To control or participate in the business decisions of Shaukeen LED Bulbs and Tubes under an agreement.
- (d) To control or participate in the export decisions of Shaukeen LED Bulbs and Tubes under an agreement.

20. If the _____ used in a statute make it clear that a _____ sense is intended, the rule of Eiusdem Generis shall not apply. _____

- (a) Specific words, narrow
- (b) Specific words, wider
- (c) General words, narrow
- (d) General words, wider