

Topic - Corporate and other Law

Notes :

1. Question Paper comprises two part, Part I and Part II
2. Part I is having multiple choice Questions which is compulsory
3. Part II Comprise descriptive Questions and in which Question No. 1 is Compulsory and answer any 3 out of remaining 4 questions
4. Answer new Question on new page.

Part I

QUESTION NO.

1. As per the Negotiable Instruments Act, 1881, when the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due on the..... .
  - (a) said public holiday
  - (b) 5 days succeeding public holiday
  - (c) next succeeding business day
  - (d) next preceding business day

**(1 Mark)**
2. The Registrar shall register any alteration of the memorandum with respect to the objects of the company and certify the registration within a period of from the date of filing of the special resolution.
  - (a) 30 days
  - (b) 60 days
  - (c) 90 days
  - (d) 6 Months

**(1 Mark)**
3. 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 that was due from R to S

**(1 Mark)**

4. Delight Sports Garments Limited is contemplating to raise funds through issue of prospectus in which, according to the directors, a sum of Rs. 50 crores should be stated as the minimum amount that needs to be subscribed by the prospective subscribers. The funds shall be raised in four instalments consisting of application, allotment, first call and second & final call. Advise the company by which instalment it should receive the minimum subscription stated in the prospectus.

- (a) Along with amount subscribed as application money.
- (b) Along with amount subscribed as final call money.
- (c) Along with amount subscribed as first call money.
- (d) Along with amount subscribed as second and final call money.

**(1 Mark)**

5. ABC Ltd., a pharmaceutical company was having its manufacturing plant in Solan, Himachal Pradesh. The address of its registered office as informed to the Registrar of Companies was of one of its Director's office, situated at Mumbai, Maharashtra. To comply with the provisions of the Companies Act, 2013 it was keeping all its books of accounts, other relevant papers and financial statements at its registered office. After sometime Directors of the company found it difficult to maintain such books etc. at the registered office, so in a duly convened meeting of the Board of the Directors, it was decided that the books of accounts and other relevant papers be kept at the office situated in Solan. Within which time period the Registrar must be given notice about such decision of the board –

- (a) Within 30 days from the date of taking such decision by the board.
- (b) Within 15 days from the date it starts maintaining its books of accounts at the Office situated at Solan.
- (c) Within 30 days from the date it starts maintaining its books of accounts at the office situated at Solan.
- (d) Within 7 days from the date of taking such decision by the board.

**(1 Mark)**

6. After the expiry of \_\_\_\_, the amount of unpaid dividend account should be transferred to Investor Education and Protection Fund

- (a) 3 Years
- (b) 5 Years
- (c) 7 Years
- (d) 10 Years

**(1 Mark)**

7. Food lovers Inc. was incorporated as a one person company (OPC) on 1st September 2015 with paid up share capital of Rs. 25 lacs. This OPC wants to convert itself into a private limited company during the year ending on 31st March 2017. But the provisions of the Companies Act, 2013 prohibits an OPC from doing so before the expiry of a specified period. From the following options in which situation this OPC will mandatorily be converted into a private/public company even before expiry of such period—

- (a) After the expiry of two years from the date of its incorporation
- (b) Paid up share capital of the company is increased beyond fifty lakh rupees
- (c) The average annual turnover during the relevant period exceeds one crore rupees

(d) If the application is filed with the ROC within 90 days of its incorporation as OPC, to be converted into a Private Limited company.

**(1 Mark)**

8. A resolution shall be a special resolution when the votes cast in favour of the resolution by members are not less than \_\_\_\_\_ the number of votes, if any, cast against the resolution.

- (a) Twice
- (b) Three Times
- (c) One Third
- (d) one-Fourth

**(1 Mark)**

9. 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) Ut res magis valeat quam pereat
- (d) Contemporanea Expositio Est Optima Et Fortissima in Lege

**(1 Mark)**

10. An agent is not liable to the principal if

- (a) He is a minor
- (b) He is of unsound mind
- (c) a and b both
- (d) None of these

**(1 Mark)**

11. 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.

**(2 Marks)**

12. Aman contracts to indemnify Megha against the consequences of any proceedings which Chandar may take against Megha in respect of a sum of Rs. 15000/- advanced by Chandar to Megha. Now, Megha who is called upon to pay the sum of money to Chandar but she fails to do so. Now, as per the provisions of the Indian Contract Act, 1872, advise the future course of action to be taken by Chandar.

- (a) Chandar can recover the amount only from Megha
- (b) Chandar can recover the full amount from Aman
- (c) Chandar cannot recover the amount from Aman
- (d) Chandar can recover at least 10% of the total amount from Megha **(2 Mark)**

13. Eztech Machines Limited owns a plot of land which was mortgaged to Urbane Commercial Bank Limited for raising term loan of Rs. 2.00 crore. The mortgage was duly registered with the Central Registry. First loan installment of Rs. 50.00 lacs was released immediately after sanction of term loan with the condition that subsequent three installments of Rs.50.00 lacs shall be released as soon as the earlier released installment is utilized satisfactorily. Is it necessary either for the company or the bank to register the charge on plot with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry?

- (a) It is not necessary either for the bank or the company to register the charge on plot of land with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry.
- (b) It is necessary to get the charge on plot on land registered with the concerned Registrar of Companies (ROC) irrespective of the fact that mortgage is registered with the Central Registry.
- (c) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the actual liability of the company with the Bank exceeds Rs. 1.00 crore.
- (d) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the term loan sanctioned by the bank to the company exceeds Rs.2.00 crores.

**(2 Marks)**

14. Mr. A died at the age of 72 leaving behind some movable and immovable properties to be distributed between his two sons C & D, as per his registered will. His Will clearly mentioned that all the immovable property should go to C and all the movable property should go to D. Both the brothers divided the property as per will except below mentioned properties, because they could not establish which property should go to whom. Kindly help them by ticking the property/ies which should go to D (as per the provisions of the general Clause Act, 1897):

- (a) Standing crop in the fields
- (b) Cut crop, ready to sell

- (c) Tube well in the agriculture land
- (d) Sandal wood tree

**(2 Marks)**

15. 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.

**(2 Marks)**

16. Tweeter Ltd. has invested 51% in the shares of Snapchat Pvt. Ltd. on 31 March 2018. Snapchat Pvt. Ltd. have been holding 2% equity of Tweeter Ltd since 2011. Snapchat Pvt. Ltd. wants to increase its holdings in equity upto 4% in Tweeter Ltd. after 31 march 2017. Can Snapchat Pvt. Ltd. increase its holding in equity upto 4% in Tweeter Ltd. after 31 march 2018?

- (a) Yes; it can increase its holdings
- (b) No; it cannot increase its holdings
- (c) Can't say
- (d) None of the above

**(2 Marks)**

17. An issue house (share Broker) has made an advertisement in newspaper for Selling a big lot of share allotted to it by the company under a private placement. In which of the following conditions the advertisement will not be deemed as prospectus:

- (a) advertisement was given within six months from the date of allotment but it has paid the entire consideration to the company
- (b) advertisement was given after six months from the date of allotment & it has paid the entire consideration to the company
- (c) It has not paid entire consideration to the company till the date of allotment
- (d) None of the above

**(2 Marks)**

18. 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.

**(2 Marks)**

19. A private company by the name of Neha Pvt. Limited was incorporated in the year 2002. The registered office of the company Neha Pvt. Limited was situated in city K of state Y. During the financial year beginning on 01/04/2018 and ending on 31/03/2019 the turnover of the company Neha Pvt. Limited was Rs. 1010 crore. The net profit of the company Neha Pvt. Limited for the financial year 2018-19 was Rs. 4 crore.

The Board of Directors of Neha Pvt. Limited consisted of only two directors namely Mr. M and Mr. N. Mr. M and Mr. N were the only directors of company Neha Pvt. Limited since its incorporation in the year 2002.

Mr. M one of the two directors of Neha Pvt. Limited was of the opinion that no Corporate Social Responsibility Committee of the Board was required to be formed as for the financial year 2019 – 20 due to the reason that net profit of the company Neha Pvt. Limited for financial year 2018-19 was Rs. 4 crore which was less than Rs. 5 crore.

Mr. N the other director of Neha Pvt. Limited was not having the same opinion as Mr. M. He was of the opinion that Corporate Social Responsibility Committee of the Board must be formed for the company Neha Pvt. Limited. The net profit of the company Neha Pvt. Limited for the financial year 2015-16, 2016-17 and 2017-18 were Rs. 1 crore, Rs. 2 crore and Rs. 3 crore respectively.

Keeping the basic provisions of Companies Act in mind answer the following multiple choice questions:

(A) Mr. M one of the director of Neha Pvt. Limited was of the opinion that no Corporate Social Responsibility Committee of Board was required to be formed for financial year 2019-20 but Mr. N other director was of opinion that it was required to be formed.

According to your understanding which one of the two director is right and why:

- (a) Mr. M because net profit of Neha Pvt. Limited for financial year 2018-19 was less than Rs. 5 crore.
- (b) Mr. N because turnover of Neha Pvt. Limited for financial year 2018-19 was more than Rs. 1,000 crore.
- (c) Mr. N because net profit of Neha Pvt. Limited for financial year 2018-19 was more than Rs. 2 crore.
- (d) Mr. M because turnover of Neha Pvt. Limited for financial year 2019-19 was less than Rs. 1,500 crore.

**(1 Mark)**

(B) The company Neha Pvt. Limited must give preference to spend the amount of contribution towards Corporate Social Responsibility in area of:

- (a) City O of State Y
- (b) City A of State Z
- (c) City G of State Z

(d) City K of State Y

**(1 Mark)**

(C) According to law Corporate Social Responsibility Committee shall consist of three or more directors, so for company Neha Pvt. Limited the Corporate Social Responsibility Committee will:

- (a) Not be formed as it has only two directors namely Mr. M and Mr. N
- (b) Be formed only after appointing one more director apart from Mr. M and Mr. N
- (c) Be formed with two directors only namely Mr. M and Mr. N
- (d) Be formed only after appointing two more directors apart from Mr. M and Mr. N

**(1 Mark)**

(D) The company Neha Pvt. Limited shall spend during financial year 2018-19 on Corporate Social Responsibility an amount of atleast:

- (a) Rs. 0.04 crore
- (b) Rs. 0.12 crore
- (c) Rs. 0.18 crore
- (d) Rs. 0.06 crore

**(1 Mark)**

### **Part II**

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

#### **QUESTION NO.1**

A. Walnut Limited has an authorized share capital of 1,00,000 equity shares of Rs. 100 per share and an amount of Rs. 3 crores in its Share Premium Account as on 31-3-2018. The Board of Directors seeks your advice about the application of share premium account for its business purposes. Please give your advice.

**(4 Marks)**

B. Primal Limited is a company incorporated in India. It owns two subsidiaries- Privy Limited (in which it holds 75% shares) and Malvy Limited (a wholly owned subsidiary). Both the subsidiaries are incorporated outside India. The Board of Directors of Primal Limited intends to call an Extraordinary General Meeting (EGM) of Primal Limited on urgent basis. Advise the Board of Directors on the following:

- (I) EGM be held in India
- (II) EGM be held in Netherlands

**(4 Marks)**

C. New a One Person company (OPC) was incorporated during the year 2015-16 with an authorised capital of Rs. 45 lakhs (4.5 lakhs shares of Rs. 10 each). The capital was fully subscribed and paid up. Turnover of the company during 2015-16 and 2016-17 was Rs. 2 crores and Rs. 2.5 crores respectively. Promoter of the company seeks your advice in the following circumstances, whether New (OPC) can convert into any other kind of company during 2017-18. Please, advise with reference to relevant provisions of the Companies Act, 2013 in the below mentioned circumstances:

- (i) If promoter increases the paid up capital of the company by Rs. 10 lakhs during 2017-18
- (ii) If turnover of the company during 2017-18 was Rs. 3 crores.

**(5 Marks)**

D. Azar consigned electronic goods for sale to Aziz. Aziz employed Rahim a reputed auctioneer to sell the goods consigned to him through auction. Aziz authorized Rahim to receive the proceeds and transfer those proceeds once in 45 days. Rahim sold goods on auction for Rs. 2,00,000 but before transferring the proceeds of the auction, became insolvent. Assess the liability of Aziz according to the provisions of the Indian Contract Act, 1872.

**(3 Marks)**

E. Mr. S Venkatesh drew a cheque in favour of M who was sixteen years old. M settled his rental due by endorsing the cheque in favour of Mrs. A the owner of the house in which he stayed. The cheque was dishonoured when Mrs. A presented it for payment on grounds of inadequacy of funds. Advise Mrs. A how she can proceed to collect her dues.

Give your answer in reference to the Provisions of Negotiable Instruments Act, 1881.

**(3 Marks)**

## **QUESTION NO.2**

A. What are the circumstances under which a bill of exchange can be dishonoured by non-acceptance? Give your answer as per the provisions of the Negotiable Instruments Act, 1881.

**(3 Marks)**

B. Explain how the auditor will be appointed in the following cases :

(I) A Government Company within the meaning of section 394 of the Companies Act, 2013.

(II) A Public Company whose shareholders include XYZ Bank (a nationalized bank) holding 18% of the subscribed capital of the company.

**(4 Marks)**

C. 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.

**(3 Marks)**

D. Explain the concept of 'Noting', 'Protest' and 'Protest for better security' as per the Negotiable Instruments Act, 1881.

**(3 Marks)**



E. Mr. Ahuja of Delhi engaged Mr. Singh as his agent to buy a house in West Extension area. Mr. Singh bought a house for Rs. 20 lakhs in the name of a nominee and then purchased it himself for Rs. 24 lakhs. He then sold the same house to Mr. Ahuja for Rs. 26 lakhs. Mr. Ahuja later comes to know the mischief of Mr. Singh and tries to recover the excess amount paid to Mr. Singh. Is he entitled to recover any amount from Mr. Singh? If so, how much? Explain.

**(4 Marks)**

### **QUESTION NO.3**

A.

(I) YZ Medical Instruments Limited is a manufacturing company & has proposed a dividend @ 10% for the year 2018-19 out of the profits of current year. The company has earned a profit of Rs. 910 crores during 2018-19. The company does not intend to transfer any amount to the general reserves out of the profits. Is YZ Medical Instruments Limited allowed to do so? Comment.

(II) Karan, holder of 5000 equity shares of Rs. 100 each of M/s. Rachit Leather Shoes Limited did not pay final call of Rs. 10 per share. M/s. Rachit Leather Shoes Limited declared dividend of 10%. Examine with reference to relevant provisions of the Companies Act, 2013, the amount of dividend Karan should receive.

**(5 Marks)**

B. Please specify the circumstances in which you are prohibited to Buy Back the shares

**(5 Marks)**

C. Explain the rule of 'beneficial construction' while interpreting the statutes quoting an example.

**(3 Marks)**

D. C issues a cheque for Rs. 55,00,00/- in favour of D. C has sufficient amount in his account with the Bank. The cheque was not presented within reasonable time to the Bank for payment and the Bank, in the meantime, C became bankrupt. Decide under the provisions of Negotiable Instruments Act, 1881, whether D can recover the money from C?

**(4 Marks)**

### **QUESTION NO.4**

A. 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.

**(4 Marks)**

B. How does the counting happen at the time of postal ballot?

**(3 Marks)**

C. Renuka Soaps and Detergents Limited realised on 2<sup>nd</sup> may,2019 that particulars of charge created on 12th March, 2019 in favour of a Bank were not registered with the Registrar of Companies. What procedure should the company follow to get the charge registered? Would the procedure be different if the company realised its mistake of not registering the charge on 7th June, 2019 instead of 2nd May, 2019? Explain with reference to the relevant provisions of the Companies Act, 2013.

**(5 Marks)**

D. Shree Ltd. is engaged in the manufacture of consumer goods and has got a good brand value. Over the years, it has built a good reputation and its Balance Sheet as at March 31, 2017 shows the following position: Authorized Share Capital (25,00,000 equity shares of face value of Rs. 10/- each) Rs. 2,50,00,000 Issued, subscribed and paid-up capital (10,00,000 equity shares of face value of Rs.10/- each, fully paid-up) Rs. 1,00,00,000 Free Reserves Rs.

3,00,00,000. The Board of Directors are proposing to declare a bonus issue of 1share for every 2 shares held by the existing shareholders. The Board wants to know the conditions and the manner of issuing bonus shares under the provisions of the Companies Act, 2013. Discuss.

**(5 Marks)**

#### **QUESTION NO.5**

A. A group of individuals intend to form a club namely 'Budding Pilots Flying Club' as limited liability company to impart class room teaching and aircraft flight training to trainee pilots. It was decided to form a limited liability company for charitable purpose under Section 8 of the Companies Act, 2013 for a period of ten years and thereafter the club will be dissolved and the surplus of assets over the liabilities, if any, will be distributed amongst the members as a usual procedure allowed under the Companies Act. Examine the feasibility of the proposal and advise the promoters considering the provisions of the Companies Act, 2013.

**(5 Marks)**

**OR**

A. An allottee of shares in a Company brought action against a Director in respect of false statements in prospectus. The director contended that the statements were prepared by the promoters and he has relied on them and so director is not liable.

**(5 Marks)**

B. Explain the difference between Bailment and Pledge

**(3 Marks)**

C. Explain the function of 'proviso' as an internal aid to construction.

**(3 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)**

E. Manoj guarantees for Ranjan, a retail textile merchant, for an amount of Rs. 1,00,000, for which Sharma, the supplier may from time to time supply goods on credit basis to Ranjan during the next 3 months.

After 1 month, Manoj revokes the guarantee, when Sharma had supplied goods on credit for Rs. 40,000. Referring to the provisions of the Indian Contract Act, 1872, decide whether Manoj is discharged from all the liabilities to Sharma for any subsequent credit supply. What would be your answer in case Ranjan makes default in paying back Sharma for the goods already supplied on credit i.e. Rs. 40,000 ?

**(3 Marks)**