



CA INTERMEDIATE NOV '19

SUBJECT- LAW

Test Code – CIM 8356

(Date :)

(Marks - 100)

Division A is compulsory.

In Division B, Question No.1 is compulsory

Attempt any Three questions out of the remaining Four questions

M.C.Q. NO. 1 TO 12 CARRIES 1 MARK EACH

M.C.Q. NO. 13 TO 21 CARRIES 2 MARKS EACH

DIVISION A

1. Requisites of a valid agency :
 - a. Agent should act bonafide
 - b. Agent should adopt reasonable and practicable course
 - c. Agent should act within authority
 - d. All of the above

2. Shruti, a common friend of Suchitra and Sukanya, got incorporated OPC sometime before and during a chit-chat with her friends informed them that there is some limit on the maximum capital which her OPC can have and she would have to convert her OPC either into a private or public limited company if such limit exceeded. Suchitra and Sukanya who are desirous of forming a private limited company for carrying on textile trading business, are unsure about the maximum capital which a private limited company can have. Advise.
 - (a) A private limited company can have maximum of Rs. One crore as share capital.
 - (b) A private limited company can have maximum of Rs. Two crores as share capital.
 - (c) A private limited company can have maximum of Rs. Five crores as share capital.
 - (d) A private limited company can have unlimited share capital.

3. Vinay 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 Vinanjay Softwares Private Ltd. on 7th July, 2018. By which date necessary documents for incorporation of the company must be submitted to the Registrar so that the reserved name does not get lapsed.
 - a. Latest by 20th July, 2018
 - b. Latest by 27th July, 2018
 - c. Latest by 4th August, 2018
 - d. Latest by 4th September, 2018

4. 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

5. Purvi Pvt. Ltd. is maintaining a register of charges along with all other necessary books and registers. The entry for every creation, modification and satisfaction of charges is being done properly. The company is also preserving every instrument related to such charges. From the following for how long the instrument of charges shall be maintained/preserved by the company---
 - a. for minimum 8 years from the date of creation of charge
 - b. For minimum 10 years from the date of creation of charge
 - c. For minimum 8 years from the date of satisfaction of charge
 - d. permanently, without any time limit

6. Which rule of interpretation states the following : “ The words of the statute must be constructed so as to lead to a rational , fair and sensible meaning”
 - a. Harmonious Construction
 - b. Literal Construction
 - c. Beneficial Construction
 - d. Reasonable Construction

7. Annual general meeting need to be called by giving 21 days’ clear notice. However it can be called on a shorter notice if members entitled to vote in that meeting give their consent in writing or by electronic mode. In such case, how many members have to give their consents?
 - a. 75% of members entitled;
 - b. 90% of members entitled;
 - c. 91% of members entitled;
 - d. 95% of members entitled;

8. While drawing a bill of exchange, a person whose name is given in addition to the drawee who can be resorted in case of need, is called
 - a. Acceptor
 - b. Acceptor for honour
 - c. Drawee in case of need
 - d. Drawer

9. Which of the following is not an Immovable Property (as per the provisions of the General Clauses Act, 1897):
 - a. Land
 - b. Building
 - c. Timber

- d. Machinery permanently attached to the land
10. A company can re- open / recast its book of accounts on an application to Tribunal made by:
- Registrar
 - Member
 - Board of Directors
 - Income –tax authorities
11. For appointing an auditor other than the retiring auditor,
- Special notice is required.
 - Ordinary notice is required.
 - Neither ordinary nor special notice is required
 - Approval of Central Government is required.
12. ABC Infrastructures Limited is a listed company quoted at National Stock Exchange. The company closed its Register of Members in June and August, 2017 for 12 and 21 days respectively. The CFO 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.
- Valid, as the closure of register of members by company each time is not exceeding 30 days.
 - Invalid, as company cannot go for closure of Register of members more than twice in a year.
 - Invalid, as the period of closing register of members exceeding 30 days in a year.
 - Invalid, as the period of closing the Register of members by the company is exceeding 45 days in a year.
13. 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.
- Chandar can recover the amount only from Megha
 - Chandar can recover the full amount from Aman
 - Chandar cannot recover the amount from Aman
 - Chandar can recover at least 10% of the total amount from Megha
14. 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:
- L was bound with the offer
 - An offer once accepted cannot be withdrawn
 - Both option (a) & (b) is correct

d. L is not bound to an offer.

15. Supertech Computers Pvt. Ltd has 120 members. It sends notice to all of them. 20 members did not attend the meeting. Out of remaining 100 members, 20 members abstained from voting. Advise the company, how many members should vote in favour of resolution, if it has to be passed as a Special Resolution?

- a. 60 Votes
- b. 80 Votes
- c. 41 votes
- d. 20 votes

16. Amex limited is a public company having a net- worth of Rs. 950 crores, turnover of 200 crores (the company is just 5 years since the date of its incorporation) during the immediately preceding financial year, has to constitute a Corporate Social Responsibility (CSR) Committee. It has 9 Directors (A, B, C, D, E, F, G, H and I). Further, Mr. F, G, H and I are independent directors. Out of the following statements which statement is correct:

- a. CSR committee may constitute of A, B and C
- b. CSR committee may constitute of A, B and D
- c. CSR committee may constitute of A, F and G
- d. There is no need to constitute a CSR committee as the turnover is just 200 crores during the immediately preceding financial year

17. The Authorised share capital clause of LMN & Co. Ltd. consisted of Preference share capital and Equity share capital both. With regard to equity share capital, the article of association of the company has given authorisation to issue differential equity shares. Apart from authorisation by the Articles, from the following strike out the condition, which is not mandatory to comply with—

- a. Such issue of shares must be authorised by an ordinary resolution passed at a general meeting of the shareholders or by postal ballot, as the case may be
- b. The company must have consistent track record of distributable profit for the last five years.
- c. The company has no subsisting default in the payment of the declared dividend to its shareholders.
- d. The company has not defaulted in filing financial statements and annual returns for three financial years immediately preceding the financial year in which it is decided to issue such shares

18. ABC Ltd., a listed company proposed a dividend @ 15% on equity shares for the financial year ended on 31st March 2018. The Annual General Meeting (AGM) of the company was held on 15th July 2018 and the proposed dividend was approved and declared in the same. Due to some technical issues, dividend on 600 shares neither be paid within the time limit prescribed by the Act nor was transferred to unpaid dividend account. In such a situation which regulatory authority can take action against the company and its officers in default?

- a. Central Government
- b. SEBI
- c. Tribunal
- d. Investor Education and Protection Fund Authority

19. A good friend of Mr. A, Mr. D is a property dealer in Delhi and works for many renowned registered real estate developers. As Mr. D is doing very well in his work, Mr. A also wanted to work as a property dealer or property agent. Mr. X, a real estate developer of Delhi, appointed Mr. D as his agent for selling flats in his upcoming project, and asked him to name some other person to work for him, for his another project. At this time he introduced Mr. A to Mr. X, saying that he is also in the same field for last 10 years, although Mr. A did not had any experience in this field. Going by his words, Mr. X instructed to appoint Mr. A also for his other ventures. From the following, Mr. A will be treated as --

- a. Agent of Mr. X
- b. Sub-agent of Mr. D
- c. Substituted agent of Mr. X
- d. Sub-agent of Mr. X

20. 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.

21. Excellent Art Private Limited, has a paid up capital of Rs.50 crore, Turnover of Rs.25 crore and borrowing of Rs.25 crore and outstanding deposits of Rs.30 crore. Decide if the Company needs to comply with internal audit requirements under the Act?

- a. No. The provisions of Internal audit are not applicable on private companies.
- b. Yes. Company is having Paid up capital of Rs.50 Crore and outstanding deposits more than Rs.25 crore.
- c. No. Because the borrowings are less than Rs.100 crore and Turnover is less than Rs.200 crore
- d. None of the above

DIVISION B

QUESTION NO.1

- A. Data Limited (listed on Stock Exchange) was incorporated on 1st October, 2018 with a paid-up share capital of Rs. 200 crores. Within this small time of 4 months it has earned huge profits and has topped the charts for its high employee friendly environment. The company wants to issue sweat equity to its employees. A friend of the CEO of the company has told him that they cannot issue sweat equity shares as 2 years have not elapsed since the time company has commenced its business. The CEO of the company has approached you to advise them about the essential conditions to be fulfilled before the issue of sweat equity shares especially since their company is just a few months old. **(6 MARKS)**
- B. 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:
- a. If promoter increases the paid up capital of the company by Rs. 10 lakhs during 2017-18
 - b. If turnover of the company during 2017-18 was Rs. 3 crores.
- (6 MARKS)**
- C. Explaining the provisions of the Indian Contract Act, 1872, answer the following:
- a. A contracts with B for a fixed price to construct a house for B within a stipulated time. B would supply the necessary material to be used in the construction. C guarantees A's performance of the contract. B does not supply the material as per the agreement. Is C discharged from his liability?
 - b. C, the holder of an over due bill of exchange drawn by A as surety for B, and accepted by B, contracts with X to give time to B. Is A discharged from his liability?
- (4 MARKS)**
- D. Manoj owes money to Umesh. Therefore, he makes a promissory note for the amount in favour of Umesh, for safety of transmission he cuts the note in half and posts one half to Umesh. He then changes his mind and calls upon Umesh to return the half of the note which he had sent. Umesh requires Manoj to send the other half of the promissory note. Decide how rights of the parties are to be adjusted.

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

(3 MARKS)

QUESTION NO.2

- A. Referring to the provisions of the Companies Act, 2013, examine the validity of the following:
ABC Limited having a net worth of 120 crore rupees wants to accept deposit from its members. They have approached you to advise them regarding that if they fall within the category of eligible company, what special care has to be taken while accepting such deposit from members. **(4 MARKS)**
- B. The paid-up share capital of Altar Private Limited is Rs. 1 crore, consisting of 8 lacs Equity Shares of Rs. 10 each, fully paid-up and 2 lacs Cumulative Preference Shares of Rs.10 each, fully paid-up. New Private Limited and Ultra Private Limited are holding 3 lacs Equity Shares and 50,000 Equity Shares respectively in Altar Private Limited. New Private Limited and Ultra Private Limited are the subsidiaries of PQR Private Limited. With reference to the provisions of the Companies Act, 2013 examine whether Altar Private Limited is a subsidiary of PQR Private Limited? Would your answer be different if PQR Private Limited has 8 out of 9 Directors on the Board of Altar Private Limited? **(6 MARKS)**
- C. X owned a land with fifty tamarind trees. He sold his land and the timber (obtained after cutting the fifty trees) to Y. X 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. Explain how 'Dictionary Definitions' can be of great help in interpreting / constructing an Act when the statute is ambiguous. **(3 MARKS)**

QUESTION NO.3

- A. Examine the following situations in the light of the Companies Act, 2013
- Mr. Ayush, a Chartered accountant has been appointed as an auditor of X Ltd. in the Annual General Meeting of the company held in September, 2018, in which he accepted the assignment. Subsequently, in January, 2019 he joined B, as a partner for the consultancy firm of Mr. B. Mr. B is working also working as a Finance Executive of X Ltd.
 - "Mr. Abhi", a practicing Chartered Accountant, is holding securities of "Abhiman Ltd." having face value of Rs. 1000/-. Whether Mr. Abhi is qualified for appointment as an Auditor of Abhiman Ltd.?"
- (5 MARKS)**
- B. State in what way does the Companies Act, 2013 regulate and restrict the following in respect of a company going for public issue of shares:
- Minimum Subscription, and
 - Application Money payable on shares being issued?
- (5 MARKS)**
- C. Define contract of indemnity and contract of guarantee and state the conditions when guarantee is considered invalid? **(4 MARKS)**
- D. 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)**

QUESTION NO.4

- A. XY Ltd. has its registered office at Mumbai in the State of Maharashtra. For better administrative conveniences the company wants to shift its registered office from Mumbai to Nashik (within the State of Maharashtra). What formalities the company has to comply with under the provisions of the Companies Act, 2013 for shifting its registered office as stated above? Explain. **(4 MARKS)**
- B. The Annual General Meeting of ABC Limited declared a dividend at the rate of 30 percent payable on paid up equity share capital of the Company as recommended by Board of Directors on 30th April, 2017. But the Company was unable to post the dividend warrant to Mr. Ranjan, an equity shareholder of the Company, up to 30th June, 2017. Mr. Ranjan filed a suit against the Company for the payment of dividend along with interest at the rate of 20 percent per annum for default period. Decide in the light of provisions of the Companies Act, 2013, whether Mr. Ranjan would succeed? Also state the directors' liability in this regard under the Act. **(6 MARKS)**
- C. A notice was served on Mr. P for appearing in the court. However, the notice could not be served on account of the fact that the house of the Mr. P was found locked. Thus, Mr. P. did not appear in the court at the said date. Examine the situation as per the provisions of the General Clauses Act, 1897 and determine whether Mr. P. will be liable in the given situation. **(4 MARKS)**
- D. Many a time a proviso is added to a Section of the enactment. Explain the function of such a proviso in the interpretation of the section/ provision. **(3 MARKS)**

QUESTION NO.5

- A. Define the term "charge" and also explain what is the punishment for default with respect to registration of charge as per the provisions of the Companies Act, 2013. **(5 MARKS)**
- B. A General Meeting was scheduled to be held on 15th April, 2018 at 3.00 P.M. As per the notice the members who are unable to attend a meeting in person can appoint a proxy and the proxy forms duly filled should be sent to the company so as to reach at least 48 hours before the meeting. Mr. X, a member of the company appoints Mr. Y as his proxy and the proxy form dated 10-04-2018 was deposited by Mr. Y with the company at its registered Office on 11-04-2018. 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 12-04-2018 was deposited with the company on the same day and the proxy form in favour of Mr. N was deposited on 14-04-2018. 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 at proxies for members X and W respectively? **(5 MARKS)**
- C. The Board of Directors of Vishwakarma Electronics Limited consists of Mr. Ghanshyam, Mr. Hyder (Directors) and Mr. Indersen (Managing Director). The company has also employed a full time Secretary.

The Profit and Loss Account and Balance Sheet of the company were signed by Mr. Ghanshyam and Mr. Hyder. Examine whether the authentication of financial statements of the company was in accordance with the provisions of the Companies Act, 2013?

(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)