

SECTION – A

M.C.Q NO. 1 TO 10 carries 2 marks each

M.C.Q NO. 11 TO 20 carries 1 mark each

1. 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. With a view to augment its production, Surya Techno-Products Limited availed a loan of Rs. 50.00 lacs from Shrilaxmi First Bank Limited for purchase of a new machinery by offering its factory worth Rs. 2.25 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 Surya Techno-Products.
 - (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.
3. Cyplish Games and Toys Limited was sanctioned a term loan of Rs. 60.00 lacs by Zawnn Industrial Bank Limited on 21st November, 2018. 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 Shahji, 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.
- Special Fees.
 - Ad-valorem Fees.
 - A Late Registration Fees.
 - Ad-valorem Duty.
4. All the 40 members of Taxila Traders Limited have valid voting rights. Due to some urgency, its directors are desirous of convening Annual General Meeting (AGM) at a shorter notice than statutorily required. Is it possible for them to do so?
- Taxila Traders Limited cannot convene AGM at shorter notice than statutorily required.
 - Taxila Traders Limited can convene AGM at shorter notice than statutorily required, if consent in writing or by electronic mode is accorded by all the forty members who are entitled to vote at the AGM.
 - Taxila Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 38 members who are entitled to vote at the AGM.
 - Taxila Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 36 members who are entitled to vote at the AGM.
5. A draws a bill on B for Rs. 500 payable to the order of A. B accepts the bill, but subsequently dishonours it by non-payment. A sues B on the bill. B proves that it was accepted for value as to Rs. 400, and as an accommodation to the plaintiff as to the residue. Thus, as per the provisions of the Negotiable Instruments Act, 1881, A can only recover the following amount:
- Rs.900
 - Rs.500
 - Rs.400
 - Rs.100

6. 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. As per the provisions of the Indian Contract Act, 1872:
- (a) C is liable to A
 - (b) C is liable to B
 - (c) C is liable to A for the cost material not supplied.
 - (d) C is discharged from his liability
7. Anupam got incorporated 'One Person Company' with his sister Alpana as the nominee and about three years have passed satisfactorily. From time to time Anupam does a number of charitable works and is attached with three NGOs undertaking such assignments. In the meantime his business under his OPC has also flourished. Now he is contemplating to convert the OPC either as a Section 8 company (i.e. formation of companies with charitable objects) or as a private or public company. Select the best option for him.
- (a) Since OPC belongs to Anupam, he has full discretion to convert the OPC either as a Section 8 company or as a private or public company
 - (b) Since OPC was formed as a private company, the only option available with Anupam is to get it converted into a private limited company. Moreover, there is specific prohibition on converting OPC into a public limited company
 - (c) There is specific prohibition on converting OPC into a Section 8 company; otherwise it can be converted into a private or public company without any hindrance.
 - (d) Since Anupam does a lot of charitable works there is no prohibition if he converts his OPC into a Section 8 company (companies formed with charitable objects).
8. 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;
9. A, B and C, as sureties for D, enter into three bonds, each in a different penalty, namely, A in the penalty of 1,00,000 rupees, B in that of 2,00,000 rupees, C in that of 4,00,000 rupees, conditioned for D's duly accounting to E. D makes default to the extent of 3,00,000 rupees. According to the Indian Contract Act, 1872:
- (a) Only A is liable
 - (b) A and B are each liable to pay 1,00,000 and 2,00,000 rupees respectively.

- (c) A and B are each liable to pay 1,00,000 rupees.
- (d) A, B and C are each liable to pay 1,00,000 rupees

10. A guarantees to C, to the extent of 2,00,000 rupees, payment for rice to be supplied by C to B. C supplies to B rice to a less amount than 2,00,000 rupees, but obtains from A payment of the sum of 2,00,000 rupees in respect of the rice supplied. As per the provisions of the Indian Contract Act, 1872:

- (a) A can recover from B more than the price of the rice actually supplied.
- (b) A cannot recover from B more than the price of the rice actually supplied.
- (c) A can recover from C the price of the rice actually supplied.
- (d) C can recover from A the price of the rice actually supplied

11. 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.

- (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.

12. The Board of Directors of Gama Ltd. did not call the Extra Ordinary General meeting within 21 days from the date of receipt of requisition from members, then the requisitionists may themselves call a meeting within a period of from the date of requisition.

- a. 15 days
- b. 30 days
- c. 1 month
- d. 3 months

13. 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.

14. An Indian Company decided to shift its registered office within the jurisdiction of same Registrar in a Board meeting held on 25th May, 2017. Within how many days Company shall intimate such change to Registrar of Companies?

- (a) Within 15days from the date of such change;
- (b) Within 30days from the date of such change;
- (c) Within 15days from the date of Board meeting;
- (d) Within 30days from the date of Board meeting;

15. The members of Matrix Limited requisitioned for calling Extra Ordinary General Meeting to consider some urgent matters. The same was called by the company. Meeting was scheduled on 31st August, 2018. However, required quorum was not present at the meeting. In this case, what Matrix Limited shall do?

- (a) Matrix Limited shall adjourn the meeting to the same day in the next week at the same time and place;
- (b) Matrix Limited shall adjourn the meeting to such other day at such other time and place;
- (c) The meeting shall be cancelled;
- (d) Matrix Limited shall proceed ahead with the available quorum;

16. Priyank and Priyanka, got reserved a name and thereafter a private limited company was formed using the reserved name on 1st June, 2018. Later on, a registered proprietor of a trade mark noted that the name of this private limited company was identical to the trade mark he had earlier got registered under the Trade Marks Act, 1999. Advise as to latest by which date, the proprietor of the registered trade mark can move an application to the Central Government against this anomaly.

- (a) Latest by 30th November, 2018, the registered proprietor of trade mark should move an application to the Central Government for rectification of this anomaly.
- (b) Latest by 30th May, 2019, the registered proprietor of trade mark should move an application to the Central Government for rectification of this anomaly.

- (c) Latest by 30th May, 2020, the registered proprietor of trade mark should move an application to the Central Government for rectification of this anomaly.
- (d) Latest by 30th May, 2021, the registered proprietor of trade mark should move an application to the Central Government for rectification of this anomaly.

17. 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

18. A contract of indemnity is a

- (a) Contingent contract
- (b) Wagering contract
- (c) Quasi contract
- (d) Void contract

19. Which among the following is the cardinal rule of construction of statutes—

- a. Harmonious Rule of construction
- b. Beneficial Rule of construction
- c. Literal Rule of construction
- d. Reasonable Rule of construction

20. Swiss Commodities Private Limited was incorporated in 2015. Company was not running its business properly due to unexpected ups and downs. It could not hold its first annual general meeting in the year 2016. The company is planning to apply for extension of time for holding the AGM from the Registrar of Companies. On which grounds Company can get an extension?

- (a) They will not get any extension.
- (b) It Company proves that their financial statements are confiscated.
- (c) If they prove that directors have fell below numbers.
- (d) If they prove that members are not available.

SECTION – B

Question No. 1 is compulsory.

Attempt any three questions from the remaining four questions.

QUESTION NO.1

- A. Vintage security equipments limited is a manufacturer of CCTV cameras. It has raised Rs. 100 crores through public issue of its equity shares for starting one more unit of CCTV camera manufacturing. It has utilized 10 crores rupees and then it realized that its existing business has no potential for expansion because government has reduced customs duty on import of CCTV camera hence imported cameras from china are cheaper than its own manufacturing. Now it wants to utilize remaining amount in mobile app development business by adding a new object in its memorandum of association.

Does the Companies Act, 2013 allow such change of object. If not then what advise will you give to company. If yes, then give steps to be followed.

(4 MARKS)

- B. The Government of India is holding 51% of the paid-up equity share capital of Sun Ltd. The Audited financial statements of Sun Ltd. for the financial year 2017-18 were placed at its annual general meeting held on 31st August, 2018. However, pending the comments of the Comptroller and Auditor General of India (CAG) on the said accounts the meeting was adjourned without adoption of the accounts. On receipt of CAG comments on the accounts, the adjourned annual general meeting was held on 15th October, 2018 whereat the accounts were adopted. Thereafter, Sun Ltd. filed its financial statements relevant to the financial year 2017-18 with the Registrar of Companies on 12th November, 2018. Examine, with reference to the applicable provisions of the Companies Act, 2013, whether Sun Ltd. has complied with the statutory requirement regarding filing of accounts with the Registrar?

(4 MARKS)

- C. Mr. Chintu was appointed as Site Manager of ABC Constructions Company on a two years contract at a monthly salary of Rs. 50,000. Mr. Ganesh gave a surety in respect of Mr. Chintu's conduct. After six months the company was not in position to pay Rs. 50,000 to Mr. Chintu because of financial constraints. Chintu agreed for a lower salary of Rs. 30,000 from the company. This was not communicated to Mr. Ganesh. Three months afterwards it was discovered that Chintu had been doing fraud since the time of his appointment. What is the liability of Mr. Ganesh during the whole duration of Chintu's Appointment.

(4 MARKS)

- D. Aarthi is the wife of Naresh. She purchased some sarees on credit from M/s Rainbow Silks, Jaipur.

M/s Rainbow Silks, Jaipur demanded the amount from Naresh. Naresh refused. M/s Rainbow Silks, Jaipur filed a suit against Naresh for the said amount. Decide in the light of provisions of the Indian Contract Act, 1872, whether M/s Rainbow Silks, Jaipur would succeed?

(4 MARKS)

- E. Ram purchases some goods on credit from Singh, payable within 3 months. After 2 months, Ram makes out a blank cheque in favour of Singh, signs and delivers it to Singh with a request to fill up the amount due, as Ram does not know the exact amount payable by him.

Singh fills up fraudulently the amount larger than the amount payable by Ram and endorses the cheque to Chandra in full payment of Singh's own due. Ram's cheque is dishonoured. Referring to the provisions of the Negotiable Instruments Act, 1881, discuss the rights of Singh and Chandra.

(3 MARKS)

QUESTION NO.2

- A. Neemrana Infotech Ltd. was incorporated on 1.4.2017. 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.

(6 MARKS)

- B. Mr. Madhavan drew a cheque payable to Mr. Vikas or order. Mr. Vikas lost the cheque and was not aware of the loss of the cheque. The person who found the cheque forged the signature of Mr. Vyas and endorsed it to Mr. Pawan as the consideration for goods bought by him from Mr. Pawan. Mr. Pawan encashed the cheque, on the very same day from the drawee bank. Mr. Vikas intimated the drawee bank about the theft of the cheque after three days. Examine the liability of the drawee bank.

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

(6 MARKS)

- C. Which fund may be utilized by a public limited company for purchasing (buy back) its own shares? Also explain the provisions of the Companies Act, 2013 regarding the circumstances in which a company is prohibited to buy back its own shares.

(5 MARKS)

QUESTION NO.3

- A. Vyas owned a land with fifty tamarind trees. He sold his land and the timber (obtained after cutting the fifty trees) to Yash. Vyas 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".

(6 MARKS)

- B. Red Limited was incorporated on 1st April, 2014 is facing severe effects of depression of the economy. Owing to its bad financial status most of the members have started withdrawing their holding from the company. The company had 250 members on 10th January, 2019. By 15th January, 2019, 244 members had withdrawn their holding. No new member has invested in the company after 15th February till date. Now, Mr. A, an existing member has approached you to advise him regarding his liabilities in such a situation.

(4 MARKS)

C. 'Preamble does not over-ride the plain provision of the Act.' Comment. Also give suitable example. **(3 MARKS)**

D. (i) 'M' draws bill on 'N'. 'N' accepts the bill without any consideration. The bill is transferred to 'O' without consideration. 'O' transferred it to 'P' for Rs. 10,000. On dishonor of the bill, 'P' sued 'O' for recovery of the value of Rs. 10,000. Examine whether 'O' has any right to action against M and N? **(2 Marks)**

(ii) A Bill of Exchange was made without mentioning any time for payment. The holder added the words "on demand" on the face of the instrument. Does this amount to any material alteration? Explain. **(2 Marks)**

QUESTION NO.4

A. Explain various instances which make the allotment of securities as irregular allotment under the Companies Act, 2013. **(4 MARKS)**

B. Madurai Ltd. issued a notice for holding of its Annual general meeting on 7th November 2018. The notice was posted to the members on 16th October 2018. Some members of the company allege that the company had not complied with the provisions of the Companies Act, 2013 with regard to the period of notice and as such the meeting was valid. Referring to the provisions of the Act, decide:

- i. Whether the meeting has been validly called?
- ii. If there is a shortfall, state and explain by how many days does the notice fall short of the statutory requirement?
- iii. Can the delay in giving notice be condoned?

(6 MARKS)

C. Referring to the provisions of the General Clauses Act, 1897, find out the day/date on which the following Act/Regulation comes into force. Give reasons also,

- i. An Act of Parliament which has not specifically mentioned a particular date.
- ii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fifth Amendment) Regulations, 2015 was issued by SEBI vide Notification dated 14th August, 2015 with effect from 1st January, 2016.

(2 MARKS)

D. 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)

QUESTION NO.5

- A. Yellow limited has prepared its financial statements for the year 2018-19. Mr. Prateek, the Managing director the company is declining to sign these financial statements on the grounds that it is only the duty of the Board of the directors to sign the financial statements as approved by the Board and he is not liable to sign the same. Now, Mr. Prateek has approached you advise him regarding his responsibility for signing the financial statement. Advise Mr. Prateek regarding his responsibility for signing the financial statements as per the provisions of the Companies Act, 2013.

Mr. Prateek has also provided to you the following more information:

1. The Board as a policy does not authorise the chairperson of the company to sign the financial statements
2. The company has appointed Ms. Sunanina as its Company Secretary

(4 MARKS)

- B. Mr. Pink held 100 partly paid up shares of Red Limited. The company asked him to pay the final call money on the shares. Due to some unavoidable circumstances he was unable to pay the amount of call money to the company. At a general meeting of the shareholders, the chairman disallowed him to cast his vote on the ground that the articles do not permit a shareholder to vote if he has not paid the calls on the shares held by him. Mr. Pink contested the decision of the Chairman. Referring to the provisions of the Companies Act, 2013 decide whether the contention of Mr. Pink is valid.

(4 MARKS)

- C. (i) Explain the provisions of the Companies Act, 2013 relating to quorum for general meeting of a public company having total 30 members, of which, two members are bodies corporate and one member is the President of India.

Whether the representatives appointed by body corporate and President of India to participate in the general meeting shall be counted for quorum and can such representatives cast vote at that general meeting? **(3 MARKS)**

- (ii) If a member of a listed company who has casted his vote through electronic voting can attend general meeting of the company and change his vote subsequently and can he appoint a proxy? **(2 MARKS)**

- D. How will you understand whether a provision in a statute is 'mandatory' or 'directory'?

(4 MARKS)