



CA INTERMEDIATE NOV'19

SUBJECT- LAW

Test Code – PIN 5060

(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*

**DIVISION A**

**QUESTION NO.1 (OBJECTIVE QUESTIONS)**

1. A assures to B for C, for C to pay a sum of Rs. 5,00,000 to B. In case of default, A shall discharge the entire liability to B. In the following case C is : **(1 M)**
  - a. Creditor
  - b. Principal Debtor
  - c. Surety
  - d. General Debtor
  
2. Which of the following is not a form of bailment? **(1 M)**
  - a. Finder of goods.
  - b. Delivery of goods for carriage
  - c. A sold book to B for Rs. 50
  - d. Hiring of goods
  
3. The criminal complaint for dishonor of cheque is to be filled in court within \_\_\_\_\_ of the Drawer failing to pay. **(1 M)**
  - (a) 30 days
  - (b) 1 month
  - (c) (a) & (b)
  - (d) None of them.
  
4. The undertaking contained in a promissory note, to pay a certain sum of money is **(1 M)**
  - (a) Conditional
  - (b) Unconditional
  - (c) May be conditional or unconditional depending upon the circumstances
  - (d) None of the above
  
5. For the purposes of any Central Act or Regulation made after the commencement of this Act, any distance shall be measured in a \_\_\_\_\_ unless otherwise mentioned. **(1 M)**
  - a. Vertical line on a horizontal plane
  - b. Straight line on a vertical plane
  - c. Straight line on a horizontal plane
  - d. Horizontal line on a straight plane

6. Under the General Clauses Act, 1897 if any power is conferred, how is that power is to be exercised by the Officer? **(1 M)**

- a. Power may be exercised any time.
- b. Power may be exercised as occasion arises.
- c. Both (a) and (b).
- d. None of these

7. Corrupt Limited has received a request from Mr. Suresh for transfer of 100 partly paid equity shares, to Mr. Ramesh. However, Mr. Ramesh expired in the meantime, but no intimation of the same has been received by the company. In the given circumstances, advise as per the provisions of the Companies Act, 2013: **(2 M)**

- (a) Corrupt Limited will not register the transfer the shares in the name of Mr. Ramesh, without verification from Mr. Suresh
- (b) Corrupt Limited can register the shares in the name of Mr. Ramesh as it is not aware of the untoward incident.
- (c) Corrupt Limited will not register the transfer the shares in the name of Mr. Ramesh, without verification from Mr. Ramesh
- (d) Corrupt Limited will give the shares back to Mr. Suresh

8. Advise whether the auditor appointed by a private limited company with paid up capital of Rs.30.00 Crore, in the following cases are valid for the financial year 2017 -18:- **(2 M)**

- (a) Amanpreet (an Individual auditor) who has been the auditor since the Financial Year 2011-12
- (b) Firm MGA & associates, was appointed as auditor in the Financial Year 2011 -12.
- (c) Firm MGA & associates, who completed 10 years continuously as auditor in company. Now company wants to appoint VGA & associates wherein Mr. V is a partner who is also partner is MGA & Associates.
- (d) The provisions of rotation of auditor are not applicable on private companies

9. AOA of a company having unlimited liability and having share capital is prepared as per **(1 M)**

- a) Table F
- b) Table H
- c) Table G
- d) Table I

10. Anand is a goldsmith, who makes gold jewellery as per customer's requirement. Brijesh along with his friend Ramesh, who was also a friend of Anand, approached Anand for making bangles for his wife. Anand agreed to give delivery within 7 days from the day Brijesh gives him gold for making bangles. Brijesh gave him bangles on 2<sup>nd</sup> February 2018. The bangle making charges were Rs. 5000/-, which Brijesh agreed to pay at the time of delivery of the bangles. Anand delivered the bangles on 6<sup>th</sup> February 2018, but Brijesh said that he will pay the making charges after some time. Anand agreed to that. In spite of repeated reminders Brijesh did not pay his making charges. In this situation from the following what remedy is available to Brijesh— **(2 M)**

- (a) He can sue Ramesh for his making charges because Anand was accompanied by him
- (b) He can sue Anand for his overdue making charges.
- (c) He can visit Anand's place and can take away anything, which is similar in value to the bangle making charges.
- (d) He can retain the goods, as he has the right of particular lien, he however does not have the right to sue Anand or Ramesh

11. A draws a cheque in favour of M, a minor. M endorses the same in favour of X. The cheque is dishonoured by the bank on grounds of inadequate funds. As per the provisions of Negotiable Instruments Act, 1881: **(2 M)**

- (a) M is liable to X
- (b) X can proceed against A
- (c) No one is liable in this case
- (d) M can proceed against A

12. For the construction of the word "shall" or "must", where giving it a mandatory interpretation would result in absurd results, Provision must be considered as : **(1 M)**

- a. Mandatory only
- b. Directory
- c. Either a or b
- d. None

13. \_\_\_\_\_ is used to remove special cases from general enactment and provide for them specially. **(1 M)**

- a. Saving Clause
- b. Exception
- c. Proviso
- d. All of the above

14. Who can be appointed as an internal auditor ? **(1 M)**

- (a) Chartered Accountants
- (b) Cost accountants
- (c) Any other professional
- (d) All of the above

15. The books of accounts of every company shall be maintained in order for : **(1 M)**

- a. 3 Years
- b. 5 years
- c. 8 years
- d. 10 years

16. The auditor of a Government Company shall be appointed or re-appointed by **(1 M)**

- (a) The Central Government
- (b) Comptroller and Auditor General of India.
- (c) Central Government on the advise of Comptroller and Auditor General of India.
- (d) None of the above

17. Which of the following is a prohibited services to be rendered by the auditor of the Company

**(1 M)**

- a. design and implementation of any financial information system
- b. making report to the members of the company on the accounts examined by him
- c. compliance with the auditing standards
- d. Reporting of fraud against the company by officers or employees to the Central Government

18. Which of the following is a valid appointment?

**(1 M)**

- a. Appointment of sub agent
- b. Appointment of substituted agent
- c. Appointment of sub agent after ratification by principal
- d. Both B and C

19. Requisites of a valid agency :

**(1 M)**

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

20. A protest must contain

**(1 M)**

- (a) The name of the person for whom the instrument has been protested
- (b) The name of the person against whom the instrument has been protested
- (c) The instrument itself or its literal transcript
- (d) All of the above

21. Under the provisions of section 143 of the Negotiable Instruments Act, 1881, all offences under the Act are to be tried by

**(1 M)**

- (a) Any Judicial Magistrate
- (b) Judicial Magistrate of the First Class or by a Metropolitan Magistrate
- (c) Only a District Judge
- (d) None of the above

22. Shelf prospectus remains valid upto-

**(1 M)**

- (a) 6 months
- (b) 1 year
- (c) 2 years
- (d) 5 years

23. Offer of securities or invitation to subscribe securities under private placement shall be made to maximum number of person in the aggregate in a financial year.

**(1 M)**

- (a) 50
- (b) 100
- (c) 150
- (d) 200

24. The subscribed capital of a company is :

**(1 M)**

- (a) never more than the issued capital
- (b) never less than the issued capital

- (c) always equal to the issued capital
- (d) prescribed percentage of the issued capital

25. The paid up share capital of ABC Ltd. is 5000000 shares of Rs. 200 each. 20% of its paid up share capital is held by 4 of its promoters, who want to offload their holding by making an offer of sale to the public by issuing a prospectus. They want to authorise someone to take all actions and complete all formalities related to such offer of sale. From the following who can be authorised by them to do so— **(2 M)**

- (a) Any person who has agreed to fulfil all the formalities related to such offer of sale
- (b) Any one or more director of the company.
- (c) Company itself whose shareholding they want to offload.
- (d) Any competent officer of the company.

### DIVISION B

#### QUESTION NO.1

**A. Examine the validity of the following with reference to the provisions of the Companies Act, 2013:-**

- (i) "Mr. A", a practicing Chartered Accountant, is holding securities of "XYZ Ltd." having face value of Rs. 900/-. Whether Mr. A is qualified for appointment as an Auditor of "XYZ Ltd."?
- (ii) "Mr. P" is a practicing Chartered Accountant and "Mr. Q", the relative of "Mr. P", is holding securities of "ABC Ltd." having face value of Rs. 90,000/-. Whether "Mr. P" is Qualified from being appointed as an Auditor of "ABC Ltd."? **(6 MARKS)**

B. Mr Nilesh has transferred 1000 shares of Perfect Ltd. to Ms. Mukta. The company has refused to register transfer of shares and does not even send a notice of refusal to Mr. Nilesh or Ms. Mukta respectively within the prescribed period. Discuss as per the provisions of the Companies Act, 2013, whether aggrieved party has any right(s) against the company for such refusal?

**(5 MARKS)**

C. Mr. Mike has lent his house property to Mr. Wise at a monthly rent of Rs. 15,0000 per month. The yearly rent agreement was due to expire in near future. However, Mr. Mike does not intend to continue this agreement and he has sent a notice to Mr. Wise for the termination of the agreement. Mr. Wise on the other hand does not want to vacate the property and hence has returned the notice with an endorsement of refusal. Now, Mr. Wise has contended that the no notice was served to him and hence there is no need for him to vacate the property. **As per the provisions of the General Clauses Act, 1897, discuss whether a notice was served to Mr. Wise.**

**(4 MARKS)**

D. RSP Limited, with a limited liability of its members by guarantee of Rs.10 lac to each member. The company increases the liability of the members from Rs. 10 lac to 15 lac by an alteration made in the liability clause of the Memorandum of Association. Referring to the provisions of the Companies Act, 2013 decide, **whether the members of the company are liable for the increased liability.**

**(4 MARKS)**

**QUESTION NO.2**

- A. The Directors of Mars India Ltd. desire to alter capital clause of Memorandum of Association of their company. Advise them, under the provisions of the Companies Act, 2013 about the ways in which the said clause may be altered and the procedure to be followed for the said alteration. **(6 MARKS)**
- B. How far are (i) title and (ii) preamble in an enactment helpful in interpreting any of the parts of an enactment? **(5 MARKS)**
- C. A General Meeting was scheduled to be held on 15<sup>th</sup> April, 2017 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 10-04-2017 was deposited by Mr. Y with the company at its registered Office on 11-04-2017. 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 12-04-2017 was deposited with the company on the same day and the proxy form in favour of Mr. N was deposited on 14-04-2017. 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?.**

**(6 MARKS)**

**QUESTION NO.3**

- A. DJA Company Limited, incorporated under the provisions of the Companies Act, 2013, has two subsidiaries – AJD Limited and AMR Limited. All the three companies have prepared their financial statements for the year ended 31st March, 2015. Examining the provisions of the Companies Act, 2013, answer the following : **(6 MARKS)**
- a. In what manner the subsidiaries – AJD Limited and AMR Limited shall prepare their Balance Sheet and Profit & Loss Account ?
- b. What would be your answer in case the DJA Limited – the holding company, is not required to prepare consolidated financial statements under the Indian Accounting Standards ?
- c. What shall be your answer in case one of the subsidiary company's financial statements do not comply with the Accounting Standards ?
- d. To what extent is the Central Government empowered to exempt a company from preparing the financial statements in compliance with the Indian Accounting Standards ?

B. Mr. Ram was employed as financier in "Swaraj Ltd" on the surety of his good conduct, given by Mr. Janak, a good friend of the director of the company. Mr. Ram was kept on the salary of Rs. 45,000 per month. After 3 years, the company went into losses and so company decided for the cost cutting by retrenching of many employees and reducing the salaries of the employees. Mr. Ram was also proposed either to quit the job or continued with the lower salary of Rs. 35,000 per month. He accepted and continued with the job. After few months, it was reported by accounts department of the company that Mr. Ram manipulated with the funds of the company.

As per the provisions of the Indian Contract Act, 1872, analyse the legal positions of Mr. Janak, in the given situations:

- i. Mr. Ram has manipulated the funds of the company since the time of his appointment.
  - ii. Mr. Ram has manipulated the funds of the company since from few months before when he accepted to continue the job on lower salary. **(4 MARKS)**
- C. 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. **(4 MARKS)**
- D. EF Limited appointed an individual firm, Naresh & Company, Chartered Accountants, as Auditors of the company at the Annual General Meeting held on 30th September, 2016. Mrs. Kamala, wife of Mr. Naresh, invested in the equity shares face value of Rs. 1 lakh of EF Limited on 15th October, 2016. But Naresh & Company continues to function as statutory auditors of the company. Advice **(3 MARKS)**

#### QUESTION NO.4

- A. The Tribunal has ordered the re-opening of the accounts of MIT Ltd. The directors of the company has approached you to explain to them the provisions of the Companies Act, 2013 in respect of the re- opening of accounts on court's or Tribunal's order. **(5 MARKS)**
- B. Atul Ltd. has passed a resolution in its general meeting regarding accepting deposits from its members. Can this company accept deposits from its members under the Companies Act, 2013? If yes, state the conditions to be fulfilled in this regard. **(6 MARKS)**
- C. State the essential elements of a contract of bailment. Distinguish between the 'contract of bailment' and 'contract of pledge'. **(6 MARKS)**

#### QUESTION NO.5

- A. M Limited held its Annual General Meeting on September 15, 2017. The meeting was presided over by Mr. Venkat, the Chairman of the Company's Board of Directors. On September 17, 2017, Mr. Venkat, the Chairman, without signing the minutes of the meeting, left India to look after his father who fell sick in London. Referring to the provisions of the Companies Act, 2013, **examine the manner in which the minutes of the above meeting are to be signed in the absence of Mr. Venkat and by whom.** **(6 MARKS)**
- B. The Companies Act, 2013 has prescribed an additional duty on the Board of Directors to include in the Board's Report a 'Directors' Responsibility Statement'. **Explain briefly the details to be furnished in the said statement.** **(6 MARKS)**

- C. Explain the meaning of 'Holder' and 'Holder in due course' of a negotiable instrument. The drawer, 'D' is induced by 'A' to draw a cheque in favour of P, who is an existing person. 'A' instead of sending the cheque to 'P', forgoes his name and pays the cheque into his own bank. **Whether 'D' can recover the amount of the cheque from 'A's banker. Decide.**

**(5 MARKS)**