



INTERMEDIATE – N'19

SUBJECT- LAW

Test Code – PIN 5068

(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 1: Objective Questions

1. An aid that expresses the scope, object and purpose of the Act—
 - (a) Title of the Act
 - (b) Heading of the Chapter
 - (c) Preamble
 - (d) Definitional sections **(1 Mark)**
2. 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)**
3. When there is a conflict between two or more statute or two or more parts of a statute and both of them need to be honoured, then which rule of interpretation is to be applied
 - (a) Rule of Harmonious construction
 - (b) Rule of Literal construction
 - (c) Rule of Beneficial construction
 - (d) Rule of exceptional construction **(1 Mark)**
4. 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 **(1 Mark)**

5. An internal aid that may be added to include something within the section or to exclude something from it, is—
- (a) Proviso
 - (b) Explanation
 - (c) Schedule
 - (d) Illustrations
- (1 Mark)**
6. After Declaration of dividend it should be paid within
- (a) 14 days
 - (b) 21 days
 - (c) 30 days
 - (d) 45 days
- (1 Mark)**
7. 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
- (1 Mark)**
8. Days of grace provided to the Instruments at maturity is (as per the provisions of the Negotiable Instruments Act, 1881)—
- (a) 1 day
 - (b) 2 days
 - (c) 3 days
 - (d) 5 days
- (1 Mark)**
9. 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)

10. 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

(1 Mark)

11. Feel Rich Co. Ltd. Having its registered office at New Delhi, is a subsidiary of a German company named Richman Company limited. The financial year of the parent/holding company ends on 31st December every year. The subsidiary company intends to follow a different financial year for consolidation of its accounts with its parent company, situated outside India. For doing so it is required to take prior permission of the competent authority. For the purpose from the following who will be this competent authority---

- (a) Registrar of Companies at New Delhi
- (b) Tribunal
- (c) Ministry of Corporate Affairs
- (d) SEBI

(1 Mark)

12. Validity period for the presentment of cheque in bank is—

- (a) 3 months
- (b) 6 months
- (c) 1 year
- (d) 2 years

(1 Mark)

13. 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.

(1 Mark)

14. 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. **(2 Marks)**

15. 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)**

16. In Roopali Marketing Company Private Limited (Authorised capital 50,000 shares of Rs. 10 each and paid-up share capital of Rs. 4,50,000), 1000 shares are jointly held by Abeer and Abheek; another 800 shares are jointly held by Seema and Srividya; and another 1200 are jointly held by Ramesh, Raksha and Rajneesh. Further, 42,000 shares are held by 193 individual persons in their individual capacity. Is it possible for the company to induct more persons?

- (a) The company is unable to induct more persons since it already has two hundred individual members.
- (b) The company can induct four more persons as members.
- (c) The company can induct another 20 persons (*i.e. 10% of two hundred individual members*) after seeking permission from the concerned ROC.
- (d) If the company does not want to seek permission of the concerned ROC, it can induct only 10 more persons (*i.e. 5% of two hundred individual members*).

(2 Marks)

17. 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 have 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

(2 Marks)

18. From the following information in respect of BMR Consultants Pvt. Ltd., compute the amount company is required to contribute on account of CSR:

Financial Year	Net Profit (in Lacs)
2015-16	15
2016-17	50
2017-18	70

- (a) Nil. If in any of the three financial years company has incurred losses, then company is not required to spend amount towards CSR but explain the reason for not spending the amount.
- (b) Rs. 2.4 Lacs
- (c) Rs. 80,000/-
- (d) Rs. 2.1 Lacs

(2 Marks)

19. 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.

(2 Marks)

20. The date of maturity of a bill payable hundred days after sight and which is presented for sight on 4th May, 2017, is (as per the provisions of the Negotiable Instruments Act, 1881):

- (a) 13 August, 2017
- (b) 14 August, 2017
- (c) 15 August, 2017
- (d) 16 August, 2017

(2 Marks)

21. A draws a bill on B. B accepts the bill without any consideration. The bill is transferred to C without consideration. C transferred it to D for value. Decide as per the provisions of the Negotiable Instruments Act, 1881-

- (a) D can sue only A
- (b) D can sue A or B only
- (c) D can sue any of the parties A, B or C
- (d) D cannot sue any of the parties A, B or C

(2 Marks)

22. 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

(1 Mark)

DIVISION B

Question 1:

(A)

What are the rights of the indemnity-holder when sued?

(4 marks)

(B)

Mr. 'Y', the transferee, acquired 250 equity shares of BRS Limited from Mr. 'X', the transferor. But the signature of Mr. 'X', the transferor, on the transfer deed was forged. Mr. 'Y' after getting the shares registered by the company in his name, sold 150 equity shares to Mr. 'Z' on the basis of the share certificate issued by BRS Limited. Mr. 'Y' and 'Z' were not aware of the forgery. **State the rights of Mr. 'X', 'Y' and 'Z' against the company with reference to the aforesaid shares.**

(5 marks)

(C)

Examine the validity of the following decisions of the Board of Directors with reference of the provisions of the Companies Act, 2013.

- (i) In an Annual General Meeting of Vrinda Ltd. having share capital, 80 members present in person or by proxy holding more than 1/10th of the total voting power, demanded for poll. The chairman of the meeting rejected the request on the ground that only the members present in person can demand for poll.

- (ii) In an annual general meeting, during the process of poll, the members who earlier demanded for poll want to withdraw it. The chairman of the meeting rejected the request on the ground that once poll started, it cannot be withdrawn. **(5 marks)**

(D)

'E' is the holder of a bill of exchange made payable to the order of 'F'. The bill of exchange contains the following endorsements in blank:

First endorsement 'F'

Second endorsement 'G'.

Third endorsement 'H' and

Fourth endorsement 'I'

'E' strikes out, without I's consent, the endorsements by 'G' and 'H'. Decide with reasons **whether 'E' is entitled to recover anything from 'I' under the provisions of Negotiable Instruments Act, 1881.** **(5 marks)**

Question 2:

(A)

Referring to the provisions of the Companies Act, 2013, examine the validity of the following:

The Board of Directors of ABC Limited **proposes to declare dividend** at the rate of 20% to the equity shareholders, despite the fact that the **company has defaulted in repayment of public deposits** accepted before the commencement of this Act.

(4 marks)

(B)

The Directors of a company registered and incorporated in the name "Mars Textile India Ltd." desire to **change the name of the company** entitled "National Textiles and Industries Ltd." Advise as to what procedure is required to be followed under the Companies Act, 2013? **(5 marks)**

(C)

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. **(5 marks)**

(D)

Does an explanation added to a section widen the ambit of a section? **(3 marks)**

Question 3:

(A)

The Articles of Association of X Ltd. require the personal presence of 7 members to constitute **quorum of General Meetings**. The following persons were present in the extra-ordinary meeting to consider the appointment of Managing Director:

- (i) A, the representative of Governor of Madhya 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? **(6 marks)**

(B)

As per the provisions of the Companies Act, 2013, a whole time **Key Managerial Personnel (KMP)** shall not hold office in more than one company except its subsidiary company at the same time. Referring to the Section 13 of the **General Clauses Act, 1897**, examine whether a whole time KMP can be appointed in **more than one subsidiary companies**? **(4 marks)**

(C)

Ashley bails his jewelry with Barn on the condition to safeguard in bank's safe locker. However, Barn kept it in safe locker at his residence, where he usually keeps his own jewelry. After a month all jewelry was lost in a religious riot. Ashley filed a suit against Barn for recovery. Referring to provisions of the **Indian Contract Act, 1872**, state whether Ashley will succeed. **(4 marks)**

(D) One-fourth of the subscribed capital of AMC Limited was held by the Government of Rajasthan. Mr. Neeraj a **qualified Chartered Accountant was appointed as an auditor** of the Company at the Annual General Meeting held on 30th April, 2016 by an ordinary resolution. Mr. Sanjay, a shareholder of the Company objects to the manner of appointment of Mr. Neeraj on the ground of violation of the Companies Act 2013. Decide, whether the objection of Mr. Sanjay is tenable? Also examine the consequences of the above appointment under the said Act. **(3 marks)**

Question 4:

(A)

Lemon & Company, Chartered Accountants a Limited Liability Partnership firm with CA. L, CA. M and CA. N as partners, is the statutory auditor of a listed company M/s Big Limited for past 6 years as on 01.04.2014.

CA.M is also a partner in other Chartered Accountant firm Dew & Company, Chartered Accountants. Advise under the provisions of the Companies Act, 2013 :

- (1) Upto how many years can Lemon & Company continue as statutory auditors of M/s Big Limited?
- (2) What shall be the cooling-off period for Lemon & Company with respect to M/s Big Limited?

- (3) Can Dew & Company; be appointed as statutory auditors of M/s Big Limited and it's another listed subsidiary M/s Dark Limited during such cooling-off period?
- (4) Can Lemon & Company be appointed as internal auditors of M/s Big Limited and it's another listed subsidiary M/s Dark Limited, during such cooling-off period? **(8 marks)**

(B)

Mr. Ahuja of Delhi engaged Mr. Singh as his agent to buy a house in West Extension area. Mr. Singh bought a house for ` 20 lakhs in the name of a nominee and then purchased it himself for ` 24 lakhs. He then sold the same house to Mr. Ahuja for ` 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)**

(C)

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:

- (i) In what manner the subsidiaries – AJD Limited and AMR Limited shall prepare their Balance Sheet and Profit & Loss Account?
- (ii) 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? **(5 marks)**

Question 5:

(A)

A draws a bill on B. B accepts the bill without any consideration. The bill is transferred to C without consideration. C transferred it to D for value. Decide-

- (i) Whether D can sue the prior parties of the bill, and
- (ii) Whether the prior parties other than D have any right of action inter se?

Give your answer in reference to the Provisions of Negotiable Instruments Act, 1881. **(6 marks)**

(B)

MNC Limited realised on 2nd May, 2017 that particulars of charge created on 12th March, 2017 in favour of a Bank were not filed with Registrar of Companies for Registration. What procedure should the company follow to get the charge registered with the Registrar of Companies? Would the procedure be different if the charge was created on 12th February, 2017 instead of 12th March, 2017? Explain with reference to the relevant provisions of the Companies Act, 2013. **(5 marks)**

(c)

A notice when required under the Statutory rules to be sent by “registered post acknowledgment due” is instead sent by “registered post” only. Whether the protection of presumption regarding serving of notice by “registered post” under the General Clauses Act is tenable? Referring to the provisions of the General Clauses Act, 1897, examine the validity of such notice in this case. **(6 marks)**