

**SECTION –A**

**M.C.Q no. 1 to 10 carries 1 mark each**

**M.C.Q no. 11 to 20 carries 2 marks each**

1. A guarantee obtained by a creditor by keeping silence as to material circumstances is :
  - (a) Valid
  - (b) Voidable
  - (c) Unenforceable
  - (d) Invalid
2. 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:
  - (a) Rs. 900
  - (b) Rs. 500
  - (c) Rs. 400
  - (d) Rs. 100
3. CSR committee of the board shall consist of :
  - (a) Directors forming  $1/3^{\text{rd}}$  of the total no. of directors
  - (b) At least 2 directors
  - (c) 3 or more directors
  - (d) 3 or more directors, out of which atleast 1 director shall be an independent director
4. AOA of a private company says that Preference shareholders will have right to vote only if last 3 years dividend is not paid. This is:
  - (a) Void as it is against the companies act
  - (b) Valid because section 47 is applicable to a private company subject to AOA.
  - (c) Void because as per section 6 act is superior
  - (d) Valid because companies act allows voting power to preference shareholders if there dividend is not paid for last 3 years.
5. Which of the following given Statement/s is/are correct:
  - (1) In all Central Acts and Regulations, any words which denote the masculine gender shall also be taken to include females, and vice versa.
  - (2) In all Central Acts and Regulations, words in the singular shall include the plural, but not vice versa.
  - (a) Only statement (1) is correct
  - (b) Only statement (2) is correct

- (c) Both the statements are correct
- (d) None of the statement is correct
6. Which of the following is a prohibited service to be rendered by the auditor of the company
- (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 accounting standards
- (d) Reporting of fraud against the company by officers or employees to the central government
7. 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
8. 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?
- (a) Taxila Traders Limited cannot convene AGM at shorter notice than statutorily required.
- (b) 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.
- (c) 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.
- (d) 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.
9. Every listed company shall file with the Registrar a copy of the report on each annual general meeting within \_\_\_\_ of the conclusion of the annual general meeting.
- (a) 7 days
- (b) 30 days
- (c) 3 months
- (d) 90 days
10. If the \_\_\_\_\_ used in a statute make it clear that a \_\_\_\_\_ sense is intended, the rule of Ejusdem Generis shall not apply.
- (a) Specific words, narrow
- (b) Specific words, wider

(c) General words, narrow

(d) General words, wider

### **Case Scenario 1**

Raj Crockery Limited was incorporated on 25th September, 2015 under the jurisdiction of Registrar of Companies, Rajasthan with its registered office located in Jaipur and its manufacturing units spread out in Mumbai, Kanpur, Delhi and Ludhiana. Under the dynamic leadership of Rajesh, the Chairman and Managing Director (CMD) of the company, it could easily be ascertained that the company had reached the new heights of success. The directors of the company numbered eight including CMD of which two were the independent directors.

The turnover of the company for the Financial Year 2018-2019 was Rs. 850.00 crores – a whopping rise of more than 20% from the previous year and net profit stood at a prestigious figure of Rs. 6.50 crores – also increased by Rs. 1.80 crores as compared to the net profit of previous year. The company had a net worth of Rs. 350.00 crores; and it was noticed that the net worth had also registered a northern trend by more than 15%. The authorised and paid-up share capital of the company was Rs. 8.00 crores. Keeping in view the applicability of forming a CSR Committee for the current financial year 2019-20, a CSR Committee was formed with four directors as members of which one was the independent member. The Committee was, among others, given the responsibility to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII.

The company plans to diversify its business by adding another segment to manufacture steel utensils and therefore, is desirous to shift its registered office to Mumbai from the present one at Jaipur which will help the company in easing out the new business. Another strategically important segment which the company tapped earlier and now wishes to engage itself on a large scale relates to manufacturing of stationery items. The company hopes that with the shifting of registered office to Mumbai, it shall be able to target international markets to export its quality products. As on date, the export turnover of the company is not that much significant. The directors, Jay (Finance) and Rikesh Jain (Marketing), however, have in-depth knowledge of export markets, particularly those existing in UK and Singapore, where they can place their products successfully and achieve laurels for the company in terms of wealth maximisation.

During the current Financial Year 2019-20, the company under the CSR activities provided ample support for improvement of infrastructure in schools established at Mumbai, Kanpur, Delhi and Ludhiana. Not only this, the company contributed towards establishment of Digital Smart Classroom, Libraries and computer labs in these cities. The company also deployed mobile medical units equipped with medical facilities and qualified doctor. In addition to this, a large number of public health and sanitation activities had been initiated under Swachh Bharat Abhiyan. The total amount spent on these activities was, till date, almost equal to the minimum spendable amount and it is hoped that as the current Financial Year 2019-20 approaches its end, the total spending on CSR activities will certainly exceed the budgeted figure.

**Multiple Choice Questions (11 to 13) (2 Marks each \* 3 = Total 6 Marks)**

**11.** Which of the following criterion prompted Raj Crockery Limited to mandatorily form a Corporate Social Responsibility (CSR) Committee for the current financial year?

- (i) The net profit had increased to Rs. 6.50 crores and it was more by Rs. 1.80 crores in comparison to previous year's net profit.
- (ii) The turnover was Rs. 850.00 crores which was increased by more than 20% as compared to the previous year.
- (iii) The net worth was Rs. 350.00 crores which when compared to the previous year had registered an increase by more than 15%.
- (iv) The paid-up share capital was Rs. 8.00 crores.

**12.** What is the minimum amount (in percentage form) that Raj Crockery Limited is required to spend during the Financial Year 2019-20 on the CSR activities after it formed a Corporate Social Responsibility Committee.

- (i) Minimum 2% of the average net profits made during the two immediately preceding financial years.
- (ii) Minimum 2% of the average net profits made during the three immediately preceding financial years.
- (iii) Minimum 2.5% of the average net profits made during the two immediately preceding financial years.
- (iv) Minimum 2.5% of the average net profits made during the three immediately preceding financial years.

**13.** In the given case scenario, Raj Crockery Limited decided to shift their registered office from one state to another state then in such case Raj Ltd is required to Pass which Resolution and apply to which authority for same

- (i) Ordinary Resolution and take approval of ROC
- (ii) Special Resolution and apply to CG
- (iii) Special Resolution and apply to Tribunal
- (iv) None of the above

**Case Scenario 2**

Ramesh Shah is the Chief Finance Officer (CFO) and Sahil Rao is the Company Secretary of Arvind Iron Works Private Ltd (AIWPL), in Bangalore, Karnataka. AIWPL is an integrated set up of foundries and machine shops that add value by machining more than 75% of the castings manufactured to fully finished condition. AIWPL is one of the largest jobbing foundries producing grey iron castings required for automobile, farm equipment sector and diesel engines industry. AIWPL serves customers globally. The turnover of AIWPL is about Rs. 600 Crores, including export turnover of about Rs. 250 Crores.

During the year 2019, AIWPL planned expansion to enhance its production capacity to meet the increasing demand from its customers, by importing fully automatic plant and equipment from Germany for the unit at Manipal. The means of finance of the expansion project:-

(a) AIWPL received an amount of Rs 25 Crores from Minal Shah, wife of one of the promoter director of AIWPL, Mahesh Shah. Mahesh Shah wanted to know from Sahil Rao any compliance needed from the perspective of acceptance of Deposits.

(b) The Board and the CFO also approached the main banker of the company viz., HDFC Bank. The Bank after proper credit analysis, sanctioned an amount of Rs. 50 Crores for meeting the working capital needs of the expansion project, which included interchangeable limits of cash credit, foreign and inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, inventory and other current assets of the expansion project in Bangalore of AIWPL.

The CFO and the CS together coordinated with the legal department of the Bank on procedures relating to creation of security and registration of charges.

The registered office of AIWPL is located in Bangalore. Out of the company's 180 members, 20 members, who are entered in the Register of Members reside in Mangalore, a nearby city, requested the company for some reasons to maintain the Register of Members in the company's liaison office in Mangalore, instead of Bangalore henceforth.

**Multiple Choice Questions (14 to 16) (2 Marks each \* 3 = Total 6 Marks)**

**14.** AIWPL received an amount of Rs 25 Crores from Minal Shah, wife of one of the promoter directors Mahesh Shah of AIWPL. Mahesh Shah wanted to know from Sahil Rao any compliance needed from the perspective of acceptance of deposits. The CS has to ensure -:

- (i) That the particulars of amount received are immediately entered in the register of deposits maintained in such manner and in such format as prescribed;
- (ii) To issue immediately a circular to the members of the company with a statement of deposits accepted as on date with the names of each depositor, amount(s) received as on date, the due date(s) and the liability(ies) on the due date(s) in respect of each depositor
- (iii) That a declaration is to be obtained to the effect that the amount given is not sourced from borrowed funds or accepting loans or deposits from others and disclose the details in the Board's Report;
- (iv) To file the particulars of deposits received within 30 days from the date of its receipt with the Registrar.

**15.** AIWPL was also sanctioned an additional amount of Rs. 50 Crores for meeting the working capital needs of the expansion project., which included interchangeable limits of cash credit, foreign and Inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, Inventory and other current assets of the expansion project of AIWPL. A floating Charge, in general is created by way of :

- (i) Passing a board resolution
- (ii) Signing and acknowledging the Credit Sanction letter
- (iii) Mortgage
- (iv) Hypothecation or lien.

**16.** The registered office of AIWPL is located in Bangalore. Out of the company's 180 Members, 20 members, who are entered in the register of members (ROM) reside in Mangalore, a nearby city.

These members requested the company for some reasons to maintain the Register of members (ROM) in the company's liaison office in Mangalore, instead of Bangalore henceforth.

(i) The ROM shall be maintained only at the registered office in Bangalore and maintaining in a place other than the registered office is not permitted under the Companies Act 2013 and the relevant Rules there under.

(ii) By passing a Special Resolution in a General Meeting, the ROM can be maintained in Mangalore.

(iii) The Board of Directors by passing a Board Resolution in one of its meetings, may direct the Company Secretary to maintain the ROM in Mangalore.

(iv) If more than 1/3rd of the members, whose names are entered in the ROM request for the change, then only the ROM can be maintained at Mangalore after passing a Special Resolution in a General Meeting.

17. 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.

- (a) Special Fees.
- (b) Ad-valorem Fees.
- (c) A Late Registration Fees.
- (d) Ad-valorem Duty.

18. 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) and (b) is correct
- (d) L is not bound of an offer

19. Which rule of construction is applicable where there is a real and not merely apparent conflict between the provisions of an Act, and one of them has not been made subject to the other—

- (a) Rule of Beneficial construction
- (b) Rule of Literal construction
- (c) Rule of Harmonious construction
- (d) Rule of Exceptional construction

20. NTW Ltd is listed on National Stock Exchange and has a turnover of INR 4500 crores. NTW Ltd has 12 subsidiaries, 3 associate companies and 5 joint venture companies (collectively referred to as NTW Group). AKW & Co LLP is the statutory auditor of NTW Ltd. NTW Ltd wants to appoint AKW as the statutory auditors for entire NTW Group. In respect of this, please advise the management of NTW Group.

- (a) AKW & Co LLP can be appointed as statutory auditors for only 10 companies of NTW Group.
- (b) AKW & Co LLP can be appointed as statutory auditors for only 20 companies of NTW Group.
- (c) AKW & Co LLP can be appointed as statutory auditors for all the companies of NTW Group.
- (d) AKW & Co LLP can be appointed as statutory auditors for all the companies of NTW Group provided they meet the limits requirements as per the Companies Act 2013.

## SECTION –B

**Question No. 1 is compulsory.**

**Attempt any four questions from the remaining five questions.**

### QUESTION NO.1

- A. (i) Herry Limited is a company registered in Thailand. It has no place of business established in India, yet it is doing online business through telemarketing in India having its main server for online business outside India. State the status of the Company under the provisions of the Companies Act, 2013.
- (ii) SKP Limited (Registered in India), a wholly owned subsidiary company of Herry Limited decided to follow different financial year for consolidation of its accounts outside India. State the procedure to be followed in this regard.
- (iii) Naveen incorporated a "One Person Company" making his sister Navita as the nominee. Navita is leaving India permanently due to her marriage abroad. Due to this fact, she is withdrawing her consent of nomination in the said One Person Company. Taking into considerations the provisions of the Companies Act, 2013 answer the questions given below.
- (A) If Navita is leaving India permanently, is it mandatory for her to withdraw her nomination in the said One Person Company?
- (B) If Navita maintained the status of Resident of India after her marriage, then can she continue her nomination in the said One Person Company?

**(6 Marks)**

B. Answer the following in the light of the companies Act, 2013 -

- (i) MNC Limited realised on 2nd 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.
- (ii) Mr. Antriksh entered into an agreement for purchasing a commercial property in Delhi belonging to NRT Ltd. At the time of registration, Mr. Antriksh comes to know that the title deed of the company is not free and the company expresses its inability to get the title deed transferred in the name of Mr. Antriksh saying that he ought to have had the knowledge of charge created on the property of the company. Explain with the help of 'Notice of a charge', whether the contention of NRT LTD. is correct?

**(6 Marks)**

- C. Pankaj appoints Shruti as his agent to sell his estate. Shruti, on looking over the estate before selling it, finds the existence of a good quality Granite-Mine on the estate, which is unknown to Pankaj. Shruti buys the estate herself after informing Pankaj that she (Shruti) wishes to buy the estate for herself but conceals the existence of Granite-Mine. Pankaj allows Shruti to buy the estate, in ignorance of the existence of Mine. State giving reasons in brief the rights of Pankaj, the principal, against Shruti, the agent. Give your answer as per the provisions of the Contract Act, 1872.

What would be your answer if Shruti had informed Pankaj about the existence of Mine before she purchased the estate, but after two months, she sold the estate at a profit of Rs. 10 lac?

**(4 Marks)**

- D. 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. 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 31<sup>st</sup> 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 15<sup>th</sup> 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 12<sup>th</sup> 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)**

- B. 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. Is the Director liable under the circumstances? Decide referring to the provisions of the Companies Act, 2013.

**(6 Marks)**

- C. Mrs. A delivered her old silver jewellery to Mr. Y a Goldsmith, for the purpose of making new a silver bowl out of it. Every evening she used to receive the unfinished good (silver bowl) to put it into box kept at Mr. Y's Shop. She kept the key of that box with herself. One night, the silver bowl was stolen from that box. Was there a contract of bailment? Whether the possession of the goods (actual or constructive) delivered, constitute contract of bailment or not?

**(4 Marks)**



D. 'Repeal' of provision is different from 'deletion' of provision. Explain as per the General Clauses Act, 1897.

**(3 Marks)**

### **QUESTION NO.3**

A. X Ltd. issued a notice on 1<sup>st</sup> Feb, 2018 to its existing shares holders offering to purchase one extra share for every five shares held by them.

The last date to accept the offer was 15<sup>th</sup> Feb, 2018 only. Mr. Kavi has given an application to renounce the shares offered to him in favour of Mr. Ravi, who is not a shareholder of the company. Examine the validity of application of Mr. Kavi under the provisions of the Companies Act, 2013. Would your answer differ if Mr. Kavi is a shareholder of X Ltd.?

**(5 Marks)**

B. Mahima Ltd. was incorporated by furnishing false informations. As per the Companies Act, 2013, state the powers of the Tribunal (NCLT) in this regard.

**(5 Marks)**

C. What are the circumstances under which a bill of exchange can be dishonored by non – acceptance? Also, explain the consequences if a cheque gets dishonoured for insufficiency of funds in the account.

**(4 Marks)**

D. Explain whether Foreign Decisions be used for construing Indian Acts.

**(3 Marks)**

### **QUESTION NO.4**

A. New Limited appointed an individual firm, Naresh & Company, Chartered Accountants, as Auditors of the company at the Annual General Meeting held on 30 September 2019. Mrs. Reena, wife of Mr. Naresh, invested in the equity shares face value of Rs. 1 lakh of New Limited on 15 October 2019. But Naresh & Company continues to function as statutory auditors of the company. Advice, Naresh & Company on the continuation of such appointment, as per provisions of the Companies Act, 2013.

**(4 Marks)**

B. Define the term 'deposit' under the provisions of the Companies Act, 2013 and comment with relevant provisions that the following amount received by a company will be considered as deposit or not;

i. Rs. 5,00,000 raised by Rishi Ltd. through issue of non-convertible debenture not constituting a charge on the assets of the company and listed on a recognized stock exchange as per applicable regulations made by Securities and Exchange Board of India.

ii. Rs. 2,00,000 received from Mr. T, an employee of the company who is drawing annual salary of Rs. 1,50,000 under a contract of employment with the company in the nature of non-interest bearing security deposit.

iii. Amount of Rs. 3,00,000 received by a private company from a relative of a Director, declared by the depositor as out of gift received from his mother.

**(6 Marks)**

C. 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.

**(4 Marks)**

D. At the time of interpreting a statutes what will be the effect of 'Usage' or 'Practice'?

**(3 Marks)**

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

A. In a General meeting of Alpha Limited, the chairman directed to exclude certain matters detrimental to the interest of the company from the minutes, Mukesh, a shareholder contended that the minutes of the meeting must contain fair and correct summary of the proceedings thereat. Decide, whether the contention of Mukesh is maintainable under the provisions of the Companies Act, 2013?

**(5 Marks)**

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

(i) The Board of Directors of Anand Ltd. 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.

(ii) Whether a Company can declare dividend for the financial year in which it incurred loss.

**(5 Marks)**

C. 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)**

D. 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 company?

**(3 Marks)**