

## **Part I - Multiple Choice Questions**

### **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 ` 850.00crores – a whopping rise of more than 20% from the previous year and net profit stood at a prestigious figure of ` 6.50crores – also increased by ` 1.80 crores as compared to the net profit of previous year. The company had a net worth of ` 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 ` 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 (2 Marks each \* 3 = Total 6 Marks)**

- (a) 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 ` 6.50 crores and it was more by ` 1.80 crores in comparison to previous year's net profit.
  - (ii) The turnover was ` 850.00 crores which was increased by more than 20% as compared to the previous year.
  - (iii) The net worth was ` 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 ` 8.00 crores.
- (b) 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.

- (c) 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 ` 600 Crores, including export turnover of about ` 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 ` 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 (2 Marks each \* 3 = Total 6 Marks)**

- (a) 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.
- (b) AIWPL was also sanctioned an additional amount of ` 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.
- (c) 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.
3. Ajay draws a bill on Binoy for ` 5000 payable to the order of Ajay. Binoy accepts the bill, but subsequently dishonours it by non-payment. Ajay sues Binoy on the bill. Binoy proves that it was accepted for value as to ` 4000, and as an accommodation to the plaintiff as to the residue. Thus, as per the provisions of the Negotiable Instruments Act, 1881, Ajay can only recover the following amount:
- (a) ` 9000 (b) ` 5000  
(c) ` 4000 (d) ` 1000
- (1 mark)**
4. All the 100 members of Raxon 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) Raxon Traders Limited cannot convene AGM at shorter notice than statutorily required.
- (b) Raxon 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) Raxon Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 75 members who are entitled to vote at the AGM.
- (d) Raxon Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 95 members who are entitled to vote at the AGM.

**(1 mark)**

5. Naveen incorporated a “One Person Company” making his sister Neeta as the nominee. Neeta 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) Naveen can appoint any other nominee who has to be compulsorily his blood relative
  - (b) Naveen can appoint any person as a Nominee
  - (c) Naveen can appoint any Person as a Nominee who shall be Natural Person and Resident of India
  - (d) Naveen can appoint his Brother as well as his friend as a Nominee
- (1 mark)**
6. A Company limited by shares can issue equity shares with differential voting rights. Which of the following is not a necessary condition to be fulfilled before issue of such shares:
- (a) The articles of association of the company shall authorize issue of shares with differential rights;
  - (b) The issue of shares shall be authorized by an ordinary resolution passed at a general meeting of the shareholders;
  - (c) The Shares with differential rights shall not exceed 26% of the total post issue paid up equity share capital including equity shares with differential rights issued at any point of time
  - (d) None of the Above
- (1 mark)**
7. \_\_\_\_\_ means an act or omission made punishable by any law for the time being in force.
- (a) Offence
  - (b) Oath.
  - (c) Imprisonment
  - (d) Rule
- (1 mark)**
8. As per section 447 which provides for the Penalty for Fraud in such a case Imprisonment which shall not be less than \_\_\_\_\_ but which may extend to \_\_\_\_\_
- (a) 3 months, 5 years
  - (b) 6 months, 10 years
  - (c) 6 months, 5 years
  - (d) 1 year, 3 years
- (1 mark)**

9. A general Lien is a right to retain the property for a \_\_\_\_\_
- (a) General balance of account
  - (b) Charges Due
  - (c) Order of Court in case of Insolvency of a Person
  - (d) None of the above
- (1 mark)**
10. In case of Dishonour of Cheque the payee or the holder in due course should have given notice demanding payment within \_\_\_\_\_ from the Drawer in receipt of information of Dishonour of cheque from the bank. Such notice can be served by ordinary post or even telegram
- (a) 15 days
  - (b) 60 days
  - (c) 10 days
  - (d) 30 days
- (1 mark)**
11. Lucky made an offer to Mr. Kapoor who is MD of the company. Mr. Kapoor accepted the offer though he had no authority to accept such offer. Subsequently Lucky withdrew the offer but the company ratified Kapoor's acceptance. State which of statement given is correct.
- (a) Lucky was bound with Offer
  - (b) An offer once accepted cannot be withdrawn
  - (c) Both options (a) and (b) are correct
  - (d) Lucky is not bound to an offer
- (1 mark)**
12. 'Repeal' of Provision is same as 'Deletion' of Provision
- (a) True
  - (b) False
  - (c) Partly True.
  - (d) Partly False
- (1 mark)**
13. Jitesh died at the age of 61 years leaving behind some movable and immovable properties to be distributed between his two sons Vimal and Parag as per his registered will. His will clearly mentioned that all immovable property should go to Vimal and movable property go to Parag. Both the brothers divided the property as per will except below mentioned properties because they could not establish which property should go to Parag as per the provision of General Clauses Act,1897
- (a) Standing Crop in Field
  - (b) Tube well in agricultural land
  - (c) Sandal wood tree
  - (d) Cut Crop ready to sell.
- (1 mark)**

14. Read the statute as a whole is an External Aid of Interpretation.
- (a) True (b) False  
(c) Partly true (d) Partly false
- (1 mark)**
15. Banking Company AVN Bank Ltd wanted to accept deposits from Public at large. However, AVN Bank is not falling under Eligible Company but then also it wants to accept deposits from Public. State as per the Provision of Companies Act, 2013.
- (a) AVN Bank shall not accept Deposits from Public.  
(b) AVN Bank can accept deposits from Public  
(c) It can accept by passing a Special Resolution  
(d) Provision of Chapter V Deposits of Companies Act, 2013 is not applicable upon a Banking Company.
- (1 mark)**
16. In case of Charges created after the commencement of the Companies (Amendment) Ordinance 2019, such charges shall be registered maximum within a period of \_\_\_\_\_ days from Creation of Charge. (Including the extension provided by Registrar for Registration of Charge)
- (a) 60 (b) 300  
(c) 45 (d) 360
- (1 mark)**
17. Someone ltd is raising funds through issue of prospectus in which according to the directors a sum of 100 crores should be stated as the minimum amount that needs to be subscribed by the prospective subscribers. The Fund shall be raised in four instalments i.e. Application money, Allotment money, First call and Final call. Advise the company by which instalment it should receive the minimum subscription stated in prospectus
- (a) Along with amount Subscribed as Application Money  
(b) Along with amount Subscribed as Final call Money  
(c) Along with amount Subscribed as First call Money  
(d) Along with amount Subscribed as Allotment Money
- (1 mark)**



18. Dear Ltd had raise funds by issue of prospectus. The Management of the company is confused about allotment of securities. Suggest at what time the Securities shall be Allotted to the investors.
- (a) After receiving minimum Application Money of atleast 15% of Face Value
  - (b) After receiving minimum Application Money of atleast 25% of Face Value
  - (c) After receiving minimum Application Money of atleast 35% of Face Value
  - (d) After receiving minimum Application Money of atleast 5% of Face Value
- (1 mark)**
19. XYZ ltd had called a General meeting for its members. One of the Agenda of the meeting required passing of Ordinary Resolution however while passing vote amongst the members there was equality of votes. In such a case Casting vote can be done by\_\_\_\_\_
- (a) Chairman of the Company
  - (b) Any Director of the Company
  - (c) Any member of the Company
  - (d) Chairman of the General Meeting.
- (1 mark)**
20. The requisite number of members for requisitioning a resolution in case of company having share capital as per section 111 of Companies Act, 2013 is
- (a) atleast 1/20th paid up capital carrying right to vote
  - (b) atleast 1/5th of paid up capital carrying right to vote
  - (c) atleast 1/10th of paid up capital carrying right to vote
  - (d) atleast 50 % of paid up capital carrying right to vote.
- (1 mark)**

**Part II**

**Question No 1 is Compulsory and any 3 questions out of remaining 4 questions.**

**Answers shall be given only in English.**

- Q.1 (a) (i)** Sushant Ltd is a Company registered under the provisions of Companies Act 2013 with a Paid-up share capital of 30 lakhs and turnover of 1.5 crores. Examine whether Sushant Ltd can avail the status of Small Company? What will be your answer if the Turnover of the company is 1.75 crores still it shall be termed as Small Company?  
**(2 marks)**
- (ii)** Rakhi Ltd is a Company Incorporated under the provision of Companies Act 2013. Rakhi Ltd is a Subsidiary company of Akash ltd. However, certain shares of Akash Ltd was held by Rakhi Ltd as a Legal representative of deceased member of Akash ltd. One of the Shareholder of Akash ltd contended that shares of Holding Company cannot be held by a Subsidiary Company. Suggest whether the contention of shareholder is correct as per Companies Act 2013 or not  
**(3 marks)**
- (b)** Mr. Rajesh draws a cheque of 49,000/- and gives it to his wife by way of gift. State with reason whether His wife is a Holder in due course as per the provision of Negotiable Instrument Act,1881? Also state can his wife is entitled to receive the amount of 49,000/- from Bank?  
**(4 marks)**
- (c)** Define the terms as per the provision of general Clauses Act, 1897
- i) Good Faith.
  - ii) Immovable Property.
  - iii) Person.
- (5 marks)**
- (d)** IKEA ltd having a net worth of 30 crores and turnover of the company is 10 crores want to accept deposits from public other than its member. Referring to the provision of Companies Act, 2013 state the conditions and procedures to be followed by IKEA ltd for accepting deposits from public  
**(5 marks)**

- Q.2 (a)** The Board of Directors of Maya Ltd called an Extra Ordinary general Meeting upon the Requisition of members. However the meeting was adjourned on the ground that the quorum was not present at the meeting. Examine the validity of the above case with reference to the provision of Companies Act 2013. **(3 marks)**
- (b)** State the remedies available to an Investor against the Company in case of Misrepresentation inside the prospectus issued by the company. **(5 marks)**
- (c)** Deepika is the wife of Ranveer. She Purchased some sarees on credit from M/s Shah Cotton Sarees, Delhi. M/s Shah Cotton Sarees demanded the money from Ranveer. Ranveer refused. M/s Shah Cotton Sarees filed a suit against Ranveer for the said amount. Decide in the light of provisions of Indian Contract Act,1872 whether M/s Shah Cotton sarees would succeed. **(4 marks)**
- (d)** Rajesh transferred 500 shares of Zaika ltd to Mr. Jayesh. Zaika ltd did not register such transfer of shares and did not send any notice of refusal to Mr. Rajesh or Jayesh within the prescribed time.  
Examine the above case with the help of relevant provisions of Companies Act, 2013 and also state the powers of NCLT in such case **(5 marks)**
- Q.3 (a)** Anjali Ltd is a listed company and has its registered office at 45, Four Bungalows, Andheri, Mumbai, Maharashtra. The Company has called its 4<sup>th</sup> AGM on 31<sup>st</sup> July 2020 at an Auditorium in Andheri, Mumbai, Maharashtra. Some of the members of the company opposed to call meeting at Auditorium in Andheri. Suggest whether the contention of such members is correct as regard to the provision of Companies Act, 2013. Also state if Anjali ltd was an unlisted company and wants to call their 4<sup>th</sup> AGM at Goa will your answer differ **(5 marks)**
- (b)** Is it mandatory for a Company to transfer certain amount of profits to Reserves before declaring Dividend? And also state the conditions which are required to be fulfilled by a company for declaring dividend out of Free Reserves? **(5 marks)**

(c) State in which all cases Notice of Dishonour of Bill/ Promissory note is not required under the provision of section 98 of Negotiable Instruments Act, 1881? **(4 marks)**

(d) Chintu owes Rajesh a debt guaranteed by Shrinivas. Meantime Rajesh enters into a agreement with his friend to give some extra time for repayment to Chintu. State whether in such case will Surety get Discharged as per the provision of Indian Contract Act, 1872? **(3 marks)**

**Q.4 (a)** Sohan ltd wants to buy back shares from its members. Sohan ltd wanted to buy back 21% of Total Equity paid up capital. Company is of the view to pass Board Resolution for same. Suggest whether the provision of Companies Act, 2013 is been followed or not and also state the Purposes for which company goes for Buy Back of Shares along with sources of Buy back **(5 marks)**

(b) State which Companies are required to constitute CSR committee under the provision of Companies Act, 2013 also state the duties of CSR committee and state activities which are not covered under CSR Policies (Exceptions to CSR Activities) **(5 marks)**

(c) Members of Raman Ltd wanted to remove auditor before the expiry of his term. Members of the company have approached you in order to consult the procedure required for removal of auditor before the expiry of his term. State the necessary procedure for removal of Auditor before the expiry of his term **(3 marks)**

(d) Explain the Rule of Ejusdem Generis **(4 marks)**

**Q.5 (a)** Explain Effect of Repeal as per section 6 of General Clauses Act, 1897 **(4 marks)**

(b) Write a note on Haydon's Rule of Interpretation **(4 marks)**

(c) Rama Ltd is a Company Incorporated in India. Company for the financial year of 2018-19 did not call AGM due to some reason which were valid under law. Board of Directors of the company was under an impression that AGM is not called hence company is not under an obligation to file Annual Return to Registrar. Comment whether the Contention is correct or not as per the provisions of Companies Act, 2013.

**(3 marks)**

(d) Explain the procedure required to Alter Object Clause of MOA as per the Provision of Companies Act, 2013

**(3 marks)**

(e) Define the term 'Holder' and 'Holder in Due Course' as per the provision of Negotiable Instrument Act, 1881

**(3 marks)**