



## CA INTERMEDIATE

### SUBJECT- LAW

Test Code – INP 2112

(Date :)

(Marks - 100)

#### TOPIC : FULL COURSE

#### DIVISION A is compulsory

#### Division A (30 Marks)

Indian Mining Limited (Hereinafter referred as “Company”) has its mining unit in Koraput in the State of Odisha. Its paid – up capital is Rs. 15 crores divided into 15,00,000 equity shares of Rs. 100 each. The company has also issued debentures to the extent of Rs. 20 crores. The company’s registered office was located in the city of Bhubaneswar in the State of Odisha.

As per provisions of the Companies Act, 2013, Companies are required to maintain Statutory registers. The Company had a practice of maintaining one combine register for both Members as well as Debenture – holders.

The company has decided to declare dividend for the financial year 2018 – 19 and hence there is a requirement for closing the register of members. The company has closed its Register of Members, by giving a minimum of 10 days’ notice.

It was observed that at least 80% of the total members were residing in the capital city of New Delhi. Hence the company decided to keep its register of members in one of its offices situated in the locality of Saket, New Delhi. It was felt that the appropriate place for keeping the register of members should be the place where majority of members are residing. According, it passed an ordinary resolution for maintaining the register of members at a place other than the registered office.

The practice of the company for making entries in the Register of members was within 10 days of the approval by the Board of the transfer of shares.

In view of the above scenario faced by the company, answer the following questions:

#### MULTIPLE CHOICE QUESTION:

1. Which of the following statements apply to Indian Mining Limited with respect to closing of the register of members ?
  - (a) Yes, the company can close the register of members by giving at least 14 days previous notice.
  - (b) Yes, the company can close the register of members by giving at least 7 days previous notice.
  - (c) No, the company is not allowed to close the register of members as it is the most important statutory register.
  - (d) Yes, the Company can close the register of members by giving at least 7 days previous notice and in such manner as specified by SEBI by advertisement one in vernacular newspaper and other in English newspaper. **(2 MARKS)**
2. What is the time limit for which the Register of Members (ROM) may be closed ?

- (a) The ROM may be closed for any period not exceeding 45 days at any one time.
- (b) The ROM may be closed for any period not exceeding 30 days and maximum 45 days.
- (c) The ROM may be closed for any period not exceeding 30 days at any one time.
- (d) The ROM may be closed for any period not exceeding 30 days at any one time and for an aggregate of 45 days in one year. **(2 MARKS)**
3. Is the company complying with the provisions of the Act in maintaining the register of members at New Delhi instead of Bhubaneswar ?
- (a) Yes, the company is complying in maintaining the register at New Delhi instead of Bhubaneswar as an ordinary resolution has been passed by the company.
- (b) No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneswar as no special resolution has been passed.
- (c) No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneswar as no special resolution of the members and the approval from the Central Government has been obtained for keeping the register of members in a different place other than the registered office.
- (d) Yes, the company is complying in maintaining the register at New Delhi instead of Bhubaneswar as there is no restriction regarding the place where register has to be maintained. **(2 MARKS)**
4. Is the practice of the company correct in maintaining the same register for equity shareholders (members) as well as for debenture – holders ?
- (a) Yes, it is correct because both are stakeholders of the company.
- (b) No, it is incorrect because there is a requirement of maintaining a separate register for debenture holders.
- (c) Yes, it is correct as there is no provision in company law regarding register of debenture holders. It is only for equity shareholders who are the members of the company for whom register is to be maintained.
- (d) Yes, it is correct because both equity shareholder and debenture holders contribute to the capital of the company. **(2 MARKS)**
5. The company has a practice of making the entries in the Register of Members within 10 days of the date of approval by the Board of the transfer of shares. Which of the following statement is correct with regard to the time period for the entries in the register ?
- (a) The entries have to be made within 14 days of the date of approval by the Board.
- (b) The entries have to be made within 21days of the date of approval by the Board.
- (c) The entries have to be made within 17 days of the date of approval by the Board.

(d) The entries have to be made within 7 days of the date of approval by the Board. **(2 MARKS)**

6. In view of the fact that a private company enjoys a number of privileges, Orange Pharma Limited having 20 members is contemplating to convert itself into the private company. For this purpose the company needs to alter its articles by inserting three restrictive clauses as specified in Section 2(68) and the change in name is to be authorized by members by passing \_\_\_\_\_.

- (a) A special resolution and after obtaining approval of the Central Government.
- (b) A special resolution and after obtaining approval of the National Company Law Tribunal (NCLT).
- (c) A special resolution and after obtaining approval of the Registrar of Companies (ROC).
- (d) A special resolution and after obtaining approval of the State Government.

**(2 MARKS)**

7. Mr. Aylam issued a cheque amounting to INR 25,000 dated 2<sup>nd</sup> February 2020 to Mr. Gandhi which was deposited by Mr. Gandhi on 16<sup>th</sup> March 2020 in his bank account. The said cheque got dishonored on 17<sup>th</sup> March 2020 by the bank of Mr. Aylam citing insufficient funds in the account of Mr. Aylam. Then Mr. Gandhi demanded the payment from Mr. Aylam by issuing the notice on 31<sup>st</sup> March 2020 which was received by Mr. Aylam on 2<sup>nd</sup> April 2020. Assuming that Mr. Aylam failed to make the payment within stipulated time, what is the last date by which Mr. Gandhi should have made a complaint in the court ?

- (a) 17<sup>th</sup> May 2020
- (b) 2<sup>nd</sup> May 2020
- (c) 17<sup>th</sup> April 2020
- (d) 30<sup>th</sup> April 2020

**(2 MARKS)**

8. Abhilasha and Amrita have incorporated a 'not for profit' private limited company which is registered under Section 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending 31<sup>st</sup> March, 2019, its turnover was less than Rs. 2.00 crores and its paid up share capital was less than Rs. fifty lacs. Advise.

- (a) A section 8 company, which meets the criteria of 'turnover' and 'paid – up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in another 'small company' within the immediately following financial year.
- (b) If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (and not in the immediately following financial year) after meeting the criteria of 'turnover' and 'paid – up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.
- (c) The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.

- (d) A section 8 company, if incorporated as a private limited company (and not as public limited company) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid up share capital'. **(2 MARKS)**
9. Ganesh Company Ltd., a public company incorporated under the Companies Act, 2013 has Mr. Jay – Director, Mr. Sagar – Independent Director, Mr. Abhishek – Nominee Director and Mr. Yash – Whole time director. Mr. Abhishek wants to inspect the books of accounts of Shankar Company Limited, the subsidiary of Ganesh Company Limited. You are required to state whether Mr. Abhishek is eligible to inspect the books of accounts of Ganesh Company Limited ?
- (a) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization of the public financial institution on whose behalf he has been so appointed in the board of the Ganesh Company Ltd.
- (b) No. Mr. Abhishek being a nominee director can only inspect the books of accounts of Ganesh Company Ltd. and not its subsidiary company.
- (c) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the board of directors.
- (d) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the members holding not less than 25% of the paid up share capital of the company. **(2 MARKS)**
10. As per a Rule of an Educational Institution, every student may come on weekends for extra classes but every student shall appear on a weekly test conducted in the institute, which means :
- (a) Attending extra classes on weekend is optional but appearing in weekly test is compulsory
- (b) Attending weekend classes is compulsory but appearing in weekly test is optional
- (c) Attending weekend classes and appearing in weekly test, both are compulsory for students
- (d) Attending weekend classes and appearing in weekly test both are optional for students. **(2 MARKS)**
11. While making an application to the Tribunal for seeking its confirmation in respect of extinguishing the liability of Rs. 3 per equity share, Medhavi Publishers Limited has to file a certificate along with the application, that the accounting treatment proposed by it for such reduction of share capital is in conformity with the accounting standards specified in the prescribed Section. Advise the company as to who can issue such certificate ?
- (a) Any of the directors of the company as authorized by the Board may issue such certificate
- (b) A practicing company secretary is authorized to issue such certificate
- (c) The auditor of the company is authorized to issue such certificate
- (d) The legal advisor of the company is authorized to issue such certificate

**(1 MARK)**

12. 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 had already ratified the MD's acceptance. State which of the statement given hereunder is correct :
- (a) L is bound with the offer due to ratification
  - (b) An offer once accepted cannot be withdrawn
  - (c) Both option (a) & (b) is correct
  - (d) L is not bound to an offer **(1 MARK)**
13. A negotiable instrument that is payable to order can be transferred by :
- (a) Simple delivery
  - (b) Indorsement and delivery
  - (c) Indorsement
  - (d) Registered post **(1 MARK)**
14. Where an act of parliament does not expressly specify any particular day as to the date of coming into operation of such Act, then it shall come into operation on the day on which
- (a) It receives the assent of the President
  - (b) It receives the assent of the Governor General
  - (c) It is notified in the official gazette
  - (d) None of these **(1 MARK)**
15. Ruchi was handed over an instrument of transfer dated 21<sup>st</sup> August, 2020, duly stamped and signed by Radha who had transferred 2000 equity shares of Rs. 100 each allotted to her by Murti Mechanical Toys Private Limited. Advise Ruchi regarding the date by which the instrument of transfer along with share certificates must be delivered to the company, to register the transfer in its register of members.
- (a) 21<sup>st</sup> August, 2020
  - (b) 20<sup>th</sup> September, 2020
  - (c) 20<sup>th</sup> October, 2020
  - (d) 19<sup>th</sup> November, 2020 **(1 MARK)**
16. \_\_\_\_\_ is one who represents to be an agent of another when in reality he has no such authority from the other agent at all.
- (a) Substituted agent
  - (b) Subordinate agent
  - (c) Pretended agent
  - (d) Both (a) & (b) **(1 MARK)**

17. With respect to Contract of Bailment, which of the following statement is incorrect.
- (a) No consideration is necessary to create a valid contract of bailment.
  - (b) It involves the delivery of goods from one person to another for some purposes.
  - (c) Bailment is only for immovable goods and never for moveable goods
  - (d) The change of possession does not lead to change of ownership. **(1 MARK)**
18. Sunet Spices Limited decides to raise deposits of Rs. 20.00 lacs from its members. However, it is of the opinion to secure such deposits partially by offering security worth Rs. 15.00 lacs. Which of the following options best describe such deposits :
- (a) Fully secured deposits(except a small portion)
  - (b) Unsecured deposits
  - (c) Partially secured deposits
  - (d) None of the above **(1 MARK)**
19. Where an act or omission constitutes an offence under two or more enactments, then the offender shall be liable to be prosecuted and punished under
- (a) Under either or any of those enactments
  - (b) Twice for the same offence
  - (c) Either (a) or (b) as per the discretion of the court
  - (d) None of these **(1 MARK)**
20. A reserve account that shall not be used by the company for any purpose other than repayment of deposits is called :
- (a) Debenture redemption reserve account
  - (b) Deposit repayment reserve account
  - (c) Capital redemption reserve account
  - (d) Free reserve account **(1 MARK)**

**DIVISION B (70 MARKS)**

Question No. 1 is compulsory

Attempt any **Three** questions out of the remaining **Four** questions

**QUESTION : 1(A)**

Mr. Raja along with his family members is running successfully a trading business. He is capable of developing his ideas and participating in the market place. To achieve this, Mr. Raja formed a single person economic entity in the form of One Person Company with his brother Mr. King as its nominee. On 4th May 2020, Mr. King withdrew his consent as Nominee of the One Person Company. Can he do so under the provisions of the Companies Act, 2013?

Examine whether the following individuals are eligible for being nominated as Nominee of the One Person Company as on 5th May 2020 under the above said Act.

- (i) Mr. Shyam, son of Mr. Raja who is 15 years old as on 5th May 2020.
- (ii) Ms. Devaki an Indian Citizen, sister of Mr. Raja stays in Dubai and India. She stayed in India during the period from 2nd January 2019 to 16th August 2019. Thereafter she left for Dubai and stayed there.
- (iii) Mr. Ashok, an Indian Citizen residing in India who is presently a member of a 'One Person Company'.

**(6 MARKS)**

**QUESTION : 1(B)**

Shiva Cement Limited is engaged in the manufacture of different types of cements and has got a good brand value. Over the years, it has built a good reputation and its Balance Sheet as at March 31, 2020 showed the following position:

- 1. Authorized Share Capital (25,00,000 equity shares of Rs. 10/- each) Rs. 2,50,00,000
- 2. Issued, subscribed and paid-up Share Capital (10,00,000 equity shares of Rs. 10/- each, fully paid-up) Rs. 1,00,00,000
- 3. Free Reserves Rs. 3,00,00,000

The Board of Directors are proposing to declare a bonus issue of 1 share for every 2 shares held by the existing shareholders. The Board wants to know the conditions and the manner of issuing bonus shares under the provisions of the Companies Act, 2013.

**(5 MARKS)**

**QUESTION : 1(C)**

- (i) Srushti acquired valuable diamond at a very low price by a voidable contract under the provisions of the Indian Contract Act, 1872. The voidable contract was not rescinded. Srushti pledged the diamond with Mr. VK. Is this a valid pledge under the Indian Contract Act, 1872?
- (ii) Whether a Pawnee has a right to retain the goods pledged.

**(4 MARKS)**

**QUESTION : 1(D)**

Explain various instances which make the allotment of securities as irregular allotment under the Companies Act, 2013.

**(4 MARKS)**

**QUESTION : 2(A)**

Examine whether the following persons are eligible for being appointed as auditor under the provisions of the Companies Act, 2013 :

- (i) "Mr. Prakash" is a practicing Chartered Accountant and "Mr. Aakash", who is a relative of "Mr. Prakash" is holding securities of "ABC Ltd." having face value of Rs. 70,000/- (market value Rs. 1, 10,000/-). Directors of ABC Ltd. want to appoint Mr. Prakash as an auditor of the company:
- (ii) Mr. Ramesh is a practicing Chartered Accountant indebted to MNP Ltd. for Rs. 6 lacs. Directors of MNP Ltd. want to appoint Mr. Ramesh as an auditor of the company.



- (iii) Mrs. KVJ spouse of Mr. Kumar, a Chartered Accountant, is the store keeper of PRC Ltd. Directors of PRC Ltd. want to appoint Mr. Kumar as an auditor of the company.

**(6 MARKS)**

**QUESTION : 2(B)**

The Articles of Association of Ajad Ltd. require the personal presence of 7 members to constitute quorum of General Meetings. The company has 965 members as on the date of meeting. The following persons were present in the extra-ordinary meeting to consider the appointment of Managing Director:

- (i) A, the representative of Governor of Uttar 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?

**(5 MARKS)**

**QUESTION : 2(C)**

If it is defined as:

- (i) "Company means a company incorporated under the Companies Act, 2013 or under any previous company Law".
- (ii) "Person" includes, \_\_\_\_\_ under the Consumer Protection Act, 1986.

How would you interpret/construct the nature and scope of the above definitions?

**(3 MARKS)**

**QUESTION : 2(D)**

'A' draws a bill amounting Rs. 5,000 of 3 month's maturity period on 'B' but signs it in the fictitious name of 'C'. Bill is payable to the order of 'C' and it is duly accepted by 'B'. 'D' obtains the bill from 'A' and thus becomes its 'Holder-in-Due course. On maturity 'D' presents bill to 'B' for payment. Is 'B' bound to make the payment of the bill? Examine it referring to the provisions of the Negotiable Instruments Act, 1881.

**(3 MARKS)**

**QUESTION : 3(A)**

- (i) Alex limited is facing loss in business during the financial year 2018-2019. In the immediate preceding three financial years, the company had declared dividend at the rate of 7%, 11% and 12% respectively. The Board of Directors has decided to declare 12% interim dividend for the current financial year atleast to be in par with the immediate preceding year. Is the act of the Board of Directors valid ?

**(2 MARKS)**

- (ii) The Directors of East West Limited proposed dividend at 15% on equity shares for the financial year 2017-2018. The same was approved in the Annual general body meeting held on 24th October 2018. The Directors declared the approved dividends.



Mr. Binoy was the holder of 2000 equity of shares on 31st March, 2018, but he transferred the shares to Mr. Mohan, whose name has been registered on 18th June, 2018. Who will be entitled to the above dividend ? **(2 MARKS)**

**QUESTION : 3(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 recognised 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)**

**QUESTION : 3(C)**

Distinguish between a contract of Indemnity and a contract of Guarantee as per The Indian Contract Act, 1872.

**(4 MARKS)**

**QUESTION : 3(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 : 4(A)**

- (i) Mrs. K went to a Jewellery shop to purchase diamond ornaments. The owners of jewellery shop are notorious and indulging in smuggling activities. Mrs. K purchased diamond ornaments honestly without making proper enquiries. Was the purchase made in Good faith as per the provisions of the General Clauses Act, 1897 so as to convey good title?
- (ii) There are two ways to reach city A from city B. The distance between the two cities by roadways is 100 kms and by water ways 80 kms. How is the distance measured for the purpose of any Central Act under the provisions of the General Clauses Act, 1897?

**(4 MARKS)**

**QUESTION : 4(B)**

Yadav Dairy Products Private limited has registered its articles along with memorandum at the time of registration of company in December, 2014. Now directors of the company are of the view that provisions of articles regarding forfeiture of shares should not be changed except by a resolution of 90% majority.

While as per section 14 of the Companies Act, 2013 articles may be changed by passing a special resolution only. Hence, one of the directors is of the view that they cannot make a provision against the Companies Act, 2013. You are required to advise the company on this matter.

**(5 MARKS)**

**QUESTION : 4(C)**

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 : 4(D)**

DN Limited hypothecated its plant to a Nationalised Bank and availed a term loan. The Company registered the charge with the Registrar of Companies. The Company settled the term loan in full, The Company requested the Bank to issue a letter confirming the settlement of the term loan. The Bank did not respond to the request. State the relevant provisions of the Companies Act, 2013 to register the satisfaction of charge in the above circumstance. State the time frame up to which the Registrar of Companies may allow the Company to intimate satisfaction of charges.

**(3 MARKS)**

**QUESTION : 5(A)**

X has made an agency agreement with Y to authorize him to purchase goods on the behalf of X for the year 2020 only. The agency agreement was signed by both and it contains all the terms and conditions for the agent. It has a condition that Y is allowed to purchase goods maximum upto the value of Rs. 10 lakhs only. In the month of April 2020, Y has purchased a single item of Rs. 12 lakhs from Z as an agent of X. The market value of the item purchased was Rs. 14 lakhs but a discount of Rs. 2 lakhs was given by Z. The agent Y has purchased this item due to heavy discount offered and the financially benefit to X.

After delivery of the item Z has demanded the payment from X as Y is the agent of X. But X denied to make the payment stating that Y has exceeded his authority as an agent therefore he is not liable for this purchase. Z has filed a suit against X for payment.

Decide whether Z will succeed in his suit against X for recovery of payment as per provisions of The Indian Contract Act, 1872.

**(4 MARKS)**

**QUESTION : 5(B)**

Om Limited served a notice of General Meeting upon its members. The notice stated that the following resolutions will be considered at such meeting:

- (i) Resolution to increase the Authorised share capital of the company.
- (ii) Appointment and fixation of the remuneration of Mr. Prateek as the auditor.

A shareholder complained that the amount of the proposed increase and the remuneration was not specified in the notice. Is the notice valid under the provisions of the Companies Act, 2013.

**(4 MARKS)**

**QUESTION : 5(C)**

- (i) Ravi Limited maintained its books of accounts under Single Entry System of Accounting. Is it permitted under the provisions of the Companies Act, 2013?
- (ii) State the person responsible for complying with the provisions regarding maintenance of Books of Accounts of a Company.
- (iii) Whether a Company can keep books of Accounts in electronic mode accessible only outside India.

**(6 MARKS)**

**QUESTION : 5(D)**

'Preamble does not over-ride the plain provision of the Act.' Comment. Also give suitable example.

**(3 MARKS)**