

MOCK TEST -2

(FULL SYLLABUS)

CA- INTER

PAPER – 2 : CORPORATE & OTHER LAW

Question No. 1 is compulsory.

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

Time Allowed –3 Hours

Maximum Marks –100

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)**
- (b) The Board of Directors of Moon Light Limited, a listed company appointed Mr. Tel, Chartered Accountant as its first auditor within 30 days of the date of registration of the Company to hold office from the date of incorporation to conclusion of the first Annual General Meeting (AGM). At the first AGM, Mr. Tel was re-appointed to hold office from the conclusion of its first AGM till the conclusion of 6th AGM. In the light of the provisions of the Companies Act, 2013, examine the validity of appointment/ reappointment in the following cases:
- (i) Appointment of Mr. Tel by the Board of Directors.
- (ii) Re-appointment of Mr. Tel at the first AGM in the above situation.
- (iii) In case Mr. Bell, Chartered Accountant, was appointed as auditor at the first AGM to hold office from the conclusion of its first AGM till the conclusion of 5th AGM. ie., 4 years tenure. **(6 Marks)**
- (c) 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 ₹ 10 lakhs only. In the month of April 2020, Y has purchased a single item of ₹ 12 lakhs from Z as an agent of X. The market value of the item purchased was ₹ 14 lakhs but

a discount of ₹ 2 lakhs was given by Z. The agent Y has purchased this item due to heavy discount offered and the financial 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. **(3 Marks)**

- (d) State with reasons whether each of the following instruments is an Inland Instrument or a Foreign Instrument as per The Negotiable Instruments Act, 1881:
- (i) Ram draws a Bill of Exchange in Delhi upon Shyam a resident of Jaipur and accepted to be payable in Thailand after 90 days of acceptance.
 - (ii) Ramesh draws a Bill of Exchange in Mumbai upon Suresh a resident of Australia and accepted to be payable in Chennai after 30 days of sight.
 - (iii) Ajay draws a Bill of Exchange in California upon Vijay a resident of Jodhpur and accepted to be payable in Kanpur after 6 months of acceptance.
 - (iv) Mukesh draws a Bill of Exchange in Lucknow upon Dinesh a resident of China and accepted to be payable in China after 45 days of acceptance.
- (4 Marks)**

Question 2

- (a) The Authorized share capital of SSP Limited is ₹ 5 crore divided into 50 Lakhs equity shares of ₹ 10 each. The Company issued 30 Lakhs equity shares for subscription which was fully subscribed. The Company called so far ₹ 8 per share and it was paid up. Later on the Company proposed to reduce the Nominal Value of equity share from ₹ 10 each to ₹ 8 each and to carry out the following proposals:
- (i) Reduction in Authorized Capital from ₹ 5 crore divided into 50 Lakhs equity shares of ₹ 10 each to ₹ 4 crore divided into 50 Lakhs equity shares of ₹ 8 each.
 - (ii) Conversion of 30 Lakhs partly paid up equity shares of ₹ 8 each to fully paid up equity shares of ₹ 8 each there by relieving the shareholders from making further payment of ₹ 2 per share.

State the procedures to be followed by the Company to carry out the above proposals under the provisions of the Companies Act, 2013. **(5 Marks)**

- (b) PQ Limited is a public company having its registered office in Mumbai. It has 3680 members. The company sent notice to all its members for its Annual general Meeting to be held on 2nd September 2019 (Monday) at 11 :00 AM at its registered office. On the day of meeting there were only 12 members personally present upto 11:30 AM. The Chairman adjourned the meeting to same day in next week at the same time and place.

On the day of adjourned meeting only 10 members were personally present. The Chairman initiated the meeting after 11:30 AM and passed the resolutions after discussion as per the agenda of the meeting given in the notice. Comment whether the AGM conducted after adjournment is valid or not as per the provisions of section 103 of Companies Act 2013 by explaining the relevant provisions in this regard.

What would be your answer in the above case, if PQ Limited is a Private company?

(2 + 2 = 4 Marks)

- (c) S Ltd acquired 10% paid up share capital of H Ltd on 15th March 2017. H Ltd acquired 55% paid up share capital of S Ltd on 10th March 2018. H Ltd. on 25th September, 2020 decided to issue bonus shares in the ratio of 1:1 to the existing shareholders. Accordingly, bonus shares were allotted to S Ltd. Examine under the provisions of the Companies Act, 2013 and decide
- (i) the validity of holding of shares by S Ltd. in H Ltd.
 - (ii) allotment of Bonus shares by H Ltd. to S Ltd. **(4 Marks)**
- (d) (i) Mr. CB was invited to guarantee an employee Mr. BD who was previously dismissed for dishonesty by the same employer. This fact was not told to Mr. CB. Later on, the employee embezzled funds. Whether CB is liable for the financial loss as surety under the provisions of the Indian Contract Act, 1872?
- (ii) Mr. X agreed to give a loan to Mr. Y on the security of four properties. Mr. A gave guarantee against the loan. Actually Mr. X gave a loan of smaller amount on the security of three properties. Whether Mr. A is liable as surety in case Mr. Y failed to repay the loan?

(2 + 2 = 4 Marks)

Question 3

- (a) Explain the following in brief with reference to Companies Act 2013:
- (i) National Financial Reporting Authority (NFRA)
 - (ii) Corporate Social Responsibility (CSR) Committee **(3 + 3 = 6 Marks)**
- (b) (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? **(2 + 2 = 4 Marks)**
- (c) Sun Light Limited was incorporated on 22nd January 2019 with the objects of providing software services. The Company adopted its first financial year as from 22nd January 2019 to 31st March 2020. The financial statement for the said period, after providing for depreciation in accordance with Schedule II of the Companies Act, 2013 revealed net profit. The Board of Directors declared 20% interim dividend at their meeting held on 7th July 2020, before holding its first Annual General Meeting. In the light of the provisions of the Companies Act, 2013 and Rules made thereunder:
- (i) Whether the Company has complied due diligence in declaring interim dividend?
 - (ii) Whether the Company can declare dividend in case it was registered under Section 8 of the Companies Act, 2013?

(iii) What are the penal consequences in case of failure to pay the interim dividend?

(4 Marks)

- (d) Vikram accepts a Bill of Exchange for ₹ 50,000 which is an accommodation bill drawn by A on 1st January 2020 to be payable at Mumbai on 1st July 2020. A transfers the bill to B on 1st February 2020 without any consideration. B further transfers it to C on 1st March 2020 for value. Then C transfers it again to D on 1st April 2020 without consideration. D holds the bill till maturity and on the due date of payment he presented the bill for payment but the bill is dishonoured by Vikram.

Discuss the rights of A, B, C and D to recover the amount of this bill as per the provisions of the Negotiable Instruments Act, 1881.

(3 Marks)

Question 4

- (a) Viki Limited engaged in the business of consumer durables. It is managed by a team of professional managers. The Company has not made default in payment of statutory dues, and repayment of debenture/ Institutional loan with interest. The Company advertised a circular in the newspaper dated 20th September 2020 inviting the deposits from the members and public for the first time. The latest audited financial statement of the Company revealed the following data, as on 31.3.2020:

Paid up share capital	₹ 70 Crores
Securities Premium	₹ 20 Crores
Free Reserves	₹ 20 Crores
Long-term borrowings	₹ 50 Crores

The Company in the advertisement invited public deposit for a period of 4 Months Plan A and Plan B for 36 Months.

- (i) Explain the term 'eligible company' and calculate the Maximum amount of Deposit that can be accepted from Public (Non-Member) for Plan A and Plan B based on latest audited Financial Statement under the provisions of the Companies Act, 2013.
- (ii) Calculate the maximum amount under Plan B in case it is a provisions of the said Act.

(6 Marks)

- (b) AB Limited is a public company having its registered office in Coimbatore. The company has incurred a net loss of ₹ 20 lakhs in the Financial Year (FY) 2019-20. The Board of Directors (BOD) wants to declare dividend for the FY 2019-20. The balances of the company as per the latest audited financial statements are as follows:

1. Equity Share Capital (₹ 10 each)	- 100 lakhs
2. General Reserve	- 150 lakhs
3. Debenture redemption Reserve	- 50 lakhs

The company has not declared any dividend in the preceding three financial years. Decide whether AB Limited is allowed to declare dividend or not for the FY 2019-20 by explaining the relevant provisions of the Companies Act in this regard.

If allowed to declare dividend then state the maximum amount of dividend that can be paid by AB Limited as per the Section 123 of Companies Act 2013. **(2 + 2 = 4 Marks)**

- (c) Define the following terms with reference to the General Clauses Act, 1897:
- (i) Affidavit
 - (ii) Good Faith **(2+2=4 Marks)**
- (d) Write a short note on "Proviso" with reference to the rules of interpretation. **(3Marks)**

Question 5

- (a) (i) ABC Limited is a public company incorporated in New Delhi. The Board of Directors (BOD) of the company wants to bring a public issue of 100000 equity shares of ₹ 10 each. The BOD has appointed an underwriter for this issue for ensuring the minimum subscription of the issue. The underwriter advised the BOD that due to current economic situation of the Country it would be better if the company offers these shares at a discount of ₹ 1 per share to ensure full subscription of this public issue. The Board of Directors agreed to the suggestion of underwriter and offered the shares at a discount of ₹ 1 per share. The issue was fully subscribed and the shares were allotted to the applicants in due course.

Decide whether the issue of shares as mentioned above is valid or not as per Section 53 of Companies Act 2013. What would be your answer in the above case if the shares are issued to employees as Sweat equity shares? **(2 + 1 = 3 Marks)**

- (ii) Ram draws a cheque of ₹ 1 lakh. It was a bearer cheque. Ram kept the cheque with himself. After some time, Ram gives this cheque to Shyam as a gift on his birthday. Decide whether Shyam is having a valid title over the cheque and whether Shyam is a holder in due course or not in relation to this cheque as per the Section 9 of the Negotiable Instruments Act 1881. **(3 Marks)**

OR

- (a) (i) Are the following instruments signed by Mr. Honest is valid promissory Notes? Give the reasons.
- (a) I promise to pay D's son ₹ 10000 for value received (D has two sons)
 - (b) I promise to pay ₹ 5000/- on demand at my convenience
- (ii) Who is the competent authority to issue a promissory note 'payable to bearer'?
- Your answers shall be in accordance with the provisions of the Negotiable Instruments Act, 1881. **(3 Marks)**
- (iii) The Articles of Association of a Company may contain provisions for entrenchment under Section 5 of the Companies Act, 2013. What is meant by entrenchment provisions in this context? Also State the relevant provisions of the said Act dealing with entrenchment provisions. **(3 Marks)**
- (b) Rose (Private) Limited on 3rd April 2019 obtained ₹ 30 lakhs working capital loan by offering its Stock and Accounts Receivables as security and ₹ 5 Lakhs adhoc overdraft on the personal guarantee of a Director of Rose (Private) Limited, from a financial institution.
- (i) Is it required to create charge for working capital loan and adhoc overdraft in accordance with the provisions of the Companies Act, 2013?

- (ii) State the provisions relating to extension of time and procedure for registration of charges in case the above charge was not registered within 30 days of its creation. **(4 Marks)**
- (c) Distinguish between a contract of Indemnity and a contract of Guarantee as per The Indian Contract Act, 1872. **(4 Marks)**
- (d) “Associate words to be understood in common sense manner.” Explain this statement with reference to rules of interpretation of statutes. **(3 Marks)**