

# MOCK TEST -6

## (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**

#### **Division A (30 Marks)**

1. Kaisha Packers and Movers Limited, a reliable and well-established company, was incorporated on 20th September, 2014 with an aim to provide convenient and innovative ways of moving customers' household items, re-location of businesses and offices, shifting of vehicles, etc. in the northern region. Their services have been professionally designed to ensure maximum customers satisfaction. The company had been formed by the directors Kashi Sharma, Pranav Chaturvedi, Abhinav Mehra, Anoop Bhargava and Vikash Kumar whose friendship had developed during their college days. Due to hard work and their business acumen, the promoters had successfully created a niche for themselves amid cut-throat competition.

The company has a fleet of over 500 vehicles, 55 branches, professionals and technical and non-technical employees. Over a period of time, Kaisha Packers and Movers has become a trusted brand and prospective customers prefer to engage it whenever they want to re-locate their offices or homes since services are provided in a convenient and cost-effective manner.

The authorised capital of the company is Rs. 150.00 lacs divided into 15,00,000 equity shares of Rs. 10 each. At the time of incorporation, its paid-up capital was Rs. 1,00,00,000 and there were 50 shareholders. The registered office of the company is situated in Hyden Park, Bangalore.

With a view to provide world-class relocation and moving solutions throughout the country, the directors decided to enlarge the capital base of the company. During the mid of the current financial year, it offered remaining 5,00,000 shares to another 120 persons at a premium of Rs. 10 per share on private placement basis. Among others, Ruchi, a freelance software consultant and her younger sister Rumi, a management consultant in Info Solutions Limited which is well-known company for its high export turnover, were also identified as the prospective subscribers. However, they requested the company to offer them only the minimum number of shares. Similar requests were also received from another twelve persons. Their requests were given due consideration by the directors. All the identified persons who were offered shares paid the required amount (including premium) as per the terms of the offer. The allotment of the shares was made much before the statutory period.

Immediately after the aforesaid allotment of shares, the company rolled out its expansion plan as envisaged earlier and utilised the funds so obtained for the requisite purpose. However, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis during the remaining part of the current financial year. For this purpose, it is proposed to increase the authorised capital from the present Rs. 150.00 lacs to Rs. 300.00 lacs.

In addition to the further allotment of shares on private placement basis, the company is also contemplating to raise deposits from the members. However, Kashi Sharma and Anoop Bhargava are of the opinion that the company should consider raising of deposits only in the next financial year since the funds already raised need to be properly utilized.

**Multiple Choice Questions [3 MCQs of 2 Marks each: Total 6 Marks]**

- (i) According to the case scenario, the company is desirous of raising deposits from its members to augment the funding requirements. In case, the company also contemplates to raise deposits from public in addition to its members, which of the following option is applicable:
- (a) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 100 crores and a turnover of minimum Rs. 500 crores.
  - (b) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 150 crores and a turnover of minimum Rs. 250 crores.
  - (c) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 150 crores or a turnover of minimum Rs. 750 crores.
  - (d) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 100 crores or a turnover of minimum Rs. 500 crores.
- (ii) According to the case scenario, during the mid of the current financial year, the company offered 5,00,000 shares to 120 persons at a premium of Rs. 10 per share on private placement basis. During the remaining part of the current financial year, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis. How many more such prospective shareholders can be invited by the company for investment in the capital of the company.
- (a) The company can offer equity shares maximum up to the 30 prospective shareholders in the remaining part of the current financial year.
  - (b) The company can offer equity shares maximum up to the 55 prospective shareholders in the remaining part of the current financial year.
  - (c) The company can offer equity shares maximum up to the 80 prospective shareholders in the remaining part of the current financial year.
  - (d) The company can offer equity shares maximum up to the 130 prospective shareholders in the remaining part of the current financial year.
- (iii) In the given case scenario, suppose the company has failed to allot the shares within the statutorily allowed period. In such a case, the only remedy available with the company is to refund the application money. State the time period within which the company is required to refund the application money to the subscribers if it has failed to allot the shares within the statutorily allowed period.
- (a) The application money must be refunded within sixty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
  - (b) The application money must be refunded within forty-five days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.

- (c) The application money must be refunded within thirty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (d) The application money must be refunded within fifteen days from the expiry of statutorily allowed period within which the allotment of shares ought to have been made.
2. Krishnakant Limited was incorporated on 24th September, 2010 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 Hans Rajpal, the Chairman and Managing Director (CMD) of the company, the company had reached new heights of success. The directors of the company numbered eight including CMD out of which two were the independent directors. The turnover of the company for the Financial Year 2019-2020 was Rs. 750.00 crores – a whopping rise of more than 20% from the previous year and the net profit stood at an impressive figure of Rs. 6.60 crores – an increase of Rs. 1.80 crores as compared to the net profit of the previous year. The company had a net worth of Rs. 250.00 crores; and it was noticed that the net worth had also registered a northern-western 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 2020-21, a CSR Committee was formed with four directors as members of which one was an independent director. The Committee was, among other objectives, given the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy which would indicate the activities to be undertaken by the company within the framework specified in Schedule VII.

As the company has huge profits it has proposed a dividend @ 10% for the year 2019-20 out of the profits of current year.

The company plans to diversify its business by adding another segment to manufacture steel utensils and therefore, is desirous of shifting its registered office to Mumbai from Jaipur which will help the company in carrying on the new business for effectively. Another strategically important segment which the company tapped earlier and now wishes to engage itself in on a large scale relates to manufacturing of stationery items.

During the current Financial Year 2020-21, the company provided ample support for improvement of infrastructure in schools established at Mumbai, Kanpur, Delhi and Ludhiana as part of its CSR activities. In addition, 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 doctors. 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 amount prescribed and it is hoped that as the current Financial Year 2020-21 approaches its end, the total spending on CSR activities will certainly exceed the budgeted figure.

### **Multiple Choice Questions [3 MCQs of 2 Marks each: Total 6 Marks]**

- (i) Which of the following factors would have prompted Krishnakant Limited to mandatorily form a Corporate Social Responsibility (CSR) Committee for the current financial year?
- (a) The net profit had increased to Rs. 6.60 crores and it was more by Rs. 1.80 crores in comparison to previous year's net profit.
- (b) The turnover was Rs. 750.00 crores which was an increase of more than 20% as compared to the previous year.
- (c) The net worth was Rs. 250.00 crores which when compared to the previous year had registered an increase by more than 15%.

- (d) The paid-up share capital was Rs. 8.00 crores.
- (ii) What is the minimum amount (in percentage) that Krishnakant Limited is required to spend during the Financial Year 2020-21 on the CSR activities?
- (a) 2% of the average net profits made during the two immediately preceding financial years.  
(b) 2% of the average net profits made during the three immediately preceding financial years.  
(c) 2.5% of the average net profits made during the two immediately preceding financial years.  
(d) 2.5% of the average net profits made during the three immediately preceding financial years.
- (iii) In the given case scenario, Krishnakant Limited decided to undertake CSR activities on its own. In case, it had decided to engage an external Section 8 company for undertaking its CSR activities and such charitable company is not established by Krishnakant Limited nor it is established by the Central/State Government or by any entity established under an Act of Parliament or a State Legislature, then what should be the established track which this Section 8 company should have in undertaking similar programs or projects which Krishnakant Limited wants it to accomplish?
- (a) Track record of minimum one year  
(b) Track record of minimum two years  
(c) Track record of minimum three years  
(d) Track record of minimum four years
3. The instrument creating a charge or modification thereon shall be preserved for a period of \_\_\_\_\_ years from the date of satisfaction of charge by the company.
- (a) 5  
(b) 7  
(c) 8  
(d) 15 **(1 Mark)**
4. Neha is a director of Primus Limited. She intends to participate in the board meeting through video conferencing and has intimated the same to the chairperson at the beginning of calendar year. Advise, Neha for how long such declaration shall be valid.
- (a) 1 month  
(b) 6 month  
(c) 1 year  
(d) She has to furnish declaration for each meeting separately **(1 Mark)**
5. 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 31st March, 2019, its turnover was less than Rs. 2.00 crores and its paid up share capital was less than Rs. 50 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)**
6. Mr. Sharad has recently shifted from Delhi to Noida. During the shifting some of the furniture was damaged. Mr. Sharad gave the items to Asian Arts, Greater Noida for repair, refabrication, and painting, etc. Asian Arts deals in the sale of furniture and repair thereof. It was decided that the whole work will be done on a lumpsum amount of Rs. 50,000. In between this period, the workshop at Asian Arts caught fire and there was no fault of the proprietors. Goods bailed by Mr. Sharad along with another furniture destroyed in this fire incident. Mr. Sharad has lost furniture due to fire at workshop of Asian Arts. What is the correct statement considering there was no specific contract?
- (a) Asian Arts is liable, because fire took place at his place
- (b) Asian Arts is liable, because bailment is on going
- (c) Asian Arts is not liable because risk of any loss during bailment is need to bear by bailor.
- (d) Asian Arts is not liable because fire is not due to any negligence of their part. **(2 Marks)**
7. An interest or lien created on the property or assets of a company or any of its undertakings or both as security is known as:
- (a) Debt
- (b) Charge
- (c) Liability
- (d) Hypothecation **(1 Mark)**
8. Validity period for the presentment of cheque in bank is—
- (a) 3 months
- (b) 6 months
- (c) 1 year
- (d) 2 years **(1 Mark)**
9. A contracts to save B against the consequences of any proceedings, which C may take against B in respect of a certain sum of 500 rupees. This is a:
- (a) Contract of guarantee
- (b) Quasi contract
- (c) Contract of indemnity
- (d) Void contract **(2 Marks)**
10. In a company if any change of right of one class also affects the right of other class, then:
- (a) A resolution should be passed in general meeting in this case
- (b) Company need not to do anything else
- (c) Written consent of three fourth majority of that other class should be obtained
- (d) A resolution in joint meeting of both the classes should be passed **(1 Mark)**
11. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:
- (a) Implied agency
- (b) Agency by ratification

- (c) Agency by necessity
- (d) Express agency

**(2 Marks)**

12. 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)**

13. A negotiable instrument drawn in favour of a minor is

- (a) Void
- (b) Void but enforceable
- (c) Valid
- (d) Quasi contract

**(1 Mark)**

14. The Rule in Heydon's case is also known as—

- (a) Purposive construction
- (b) Mischief Rule
- (c) Golden Rule
- (d) None of the Above

**(1 Mark)**

15. Pick the odd one out of the following aids to interpretation—

- (a) Preamble
- (b) Marginal Notes
- (c) Proviso
- (d) Usage

**(1 Mark)**

16. Where an act of parliament does not expressly specify any particular day as to the day 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) It receives assent of both the houses of Parliament

**(1 Mark)**

### **Division B (70 Marks)**

1. (a) Prakash Limited wants to raise funds for its upcoming project. Accordingly, it has issued private placement offer letters for issuing equity shares to 55 persons, of which four are qualified institutional buyers and remaining are individuals. Before the completion of allotment of equity shares under this offer letter, company issued another private placement offer letter to another 155 persons in their individual names for issue of its debentures.

Being a public company is it possible for Prakash Limited to issue securities under a private placement offer? By doing so, whether the company is in compliance with provisions relating to private placement or should these offers be treated as public offers? What if the offer for debentures is given after allotment of equity shares but within the same financial year? **(6 Marks)**

(b) (i) Vishal Limited declared and paid 10% dividend to all its shareholders except Mr. Ricky, holding 500 equity shares, who instructed the company to deposit the dividend amount directly in his bank account. The company accordingly remitted the dividend, but the bank returned the payment on

the ground that the account number as given by Mr. Ricky doesn't tally with the records of the bank. The company, however, did not inform Mr. Ricky about this discrepancy. Comment on this issue with reference to the provisions of the Companies Act, 2013 regarding failure to distribute dividend.

- (ii) Kumar, holder of 5000 equity shares of Rs. 100 each of Vicky Limited did not pay final call of Rs. 10 per share. Vicky Limited declared dividend of 10%. Examine with reference to relevant provisions of the Companies Act, 2013, the amount of dividend Karan should receive.

**(6 Marks)**

- (c) Mr. Gogia has contracted with Rajeev Ltd. on 1st January, 2019, to manufacture certain machinery and deliver it to Mr. Gogia by 31st May, 2019. Part of the contract price was to be paid in advance, and thus Mr. Gogia accordingly paid Rs. 2,00,000. An earthquake on 31st March, 2019, destroyed the area in which Rajeev Ltd. was situated which resulted in break in the operations of Rajeev Ltd for at least 1 year. Mr. Gogia thereupon requested the return of the Rs. 2,00,000. This amount was not returned by Rajeev Ltd. only because considerable work had already been put into construction of the machinery. In the light of the provisions of the Indian Contract Act, 1872, please advise Mr. Gogia whether he can regain the amount from Rajeev Ltd

**(4 Marks)**

- (d) Mr. Manoj Malik, a major and Preet, a minor executed a promissory note in favour of Rimpay. Examine with reference to the provisions of the Negotiable Instruments Act, 1881, the validity of the promissory note and whether it is binding on Mr. Manoj Malik and Preet.

**(3 Marks)**

2. (a) NIM Private Limited is engaged in the business of manufacturing household plastic goods. The books of accounts of the company provides that aggregate of its paid-up capital, free reserves and security premium account is Rs. 35.00 lacs. The company intends to accept deposits from its members to the extent of Rs. 35.00 lacs. Advise the company whether it can do so. Support your answer as per the provisions of the Companies Act, 2013.

**(4 Marks)**

- (b) (i) Shivam Limited is incorporated on 1.1.2020. The company wants to appoint its first auditor. Please enumerate to the company the relevant provisions of the Companies Act, 2013 with respect to the appointment of first auditor.

**(3 Marks)**

- (ii) State the persons responsible for complying with the provisions regarding maintenance of Books of Accounts of a Company. Support with the help of relevant provisions of the Companies Act, 2013.

**(3 Marks)**

- (c) Mrs. Shivani delivered her old silver jewellery to Mr. Y a Goldsmith, for the purpose of making anklet out of it. Every evening she used to receive the unfinished good (anklet) to put it into box kept at Mr. Y's Shop. She kept the key of that box with herself. One night, the anklet 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? Give your answer as per the provisions of the Indian Contract Act, 1872.

**(4 Marks)**

- (d) What is the meaning of Not negotiable crossing as per the Negotiable Instruments Act, 1881?

**(3 Marks)**

3. (a) Explain the provisions of the Companies Act, 2013 relating to the 'Service of Documents' on a company and the members of the company. **(3 Marks)**
- (b) How will a copy of an instrument evidencing creation of charge and required to be filed with the Registrar be verified? **(3 Marks)**
- (c) Green Limited is a company dealing in trading of spices. It has maintained its books of accounts under Single Entry System of Accounting. The company has recently hired a new accountant. The new accountant, Mr. Dubey, is doubtful that the accounts can be maintained under Single Entry System. Advise the company whether it is allowed to do so? **(4 Marks)**
- (d) Mina owes money to Nina. Therefore, she makes a promissory note for the amount in favor of Nina, for safety of transmission she cuts the note in half and posts one half to Nina. She then changes her mind and calls upon Nina to return the half of the note which she had sent. Nina requires Mina to send the other half of the promissory note. Decide how rights of the parties are to be adjusted. Give your answer with respect to the provisions of the Negotiable Instruments Act, 1881. **(4 Marks)**
- (e) Explain the principles of "Grammatical Interpretation" and "Logical Interpretation" of a Statute. **(3 Marks)**
4. (a) An allottee of shares in a company brought action against a director in respect of false statements made in the prospectus. The director contended that the statements were prepared by the promoters and he simply relied on them. Is the director liable under these circumstances? Decide referring to the provisions of the Companies Act, 2013. **(6 Marks)**
- (b) Mr. A is working with a reputed Chartered Accountant firm in Delhi. After gaining an experience of 5 years, now Mr. A is planning to open his own firm A and Associates. He has now purchased a commercial property in Delhi belonging to Kesha Limited after entering into an agreement with the company. At the time of registration, Mr. A 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 his name contending that he ought to have the knowledge of charge created on the property of the company. Explain, whether the contention of Kesha Limited is correct? Give your answer with respect to the provisions of the Companies Act, 2013. **(4 Marks)**
- (c) M owned a land with fifty tamarind trees. He sold his land and the timber (obtained after cutting the fifty trees) to N. M wants to know whether the sale of timber tantamount to sale of immovable property. Advise him with reference to provisions of "General Clauses Act, 1897". **(3 Marks)**
- (d) Explain the rule in 'Heydon's Case' while interpreting the statutes quoting an example. **(4 Marks)**

5. (a) Kavya Ltd. has a paid up share-capital of Rs. 80 crores. Amjali Ltd. holds a total of Rs. 50 crores of Kavya Ltd. Now, Kavya Ltd. is making huge profits and wants to expand its business and is aiming at investing in Amjali Ltd. Kavya Ltd. has approached you to analyse whether as per the provisions of the Companies Act, 2013, they can hold 1/10th of the share capital of Amjali Ltd. **(5 Marks)**
- (b) Shambhu Limited was incorporated on 1.4.2018. The company did not have much to report to its shareholders, so no general meeting of the company has been held till 30.4.2020. The company has recently appointed a new accountant. The new accountant has pointed out that the company required to hold the Annual General Meeting. The company has approached you a senior Chartered Accountant. Please advise the company regarding the time limit for holding the first annual general meeting of the Company and the power of the Registrar to grant extension of time for the First Annual General Meeting. **(5 Marks)**
- (c) What is the meaning of 'Agency by estoppel'? What are the essential conditions for creation of an agency by estoppel? Give your answer with respect to the provisions the Indian Contract Act, 1872. **(4 Marks)**
- (d) Differentiate between interpretation and construction. **(4 Marks)**