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TEST-2

CA INTERMEDIATE

CORPORATE AND OTHER LAWS

Topics Covered:

1. Introduction
2. Incorporation
3. Prospectus
4. Share Capital

(08-05-2022 3:00 P.M. TO 6:00 P.M)

Roll No415687.....

Time allowed: 3 hours

Total No. of Printed Pages:8

Maximum Marks: 100

GENERAL INSTRUCTIONS TO CANDIDATES

1. The Question Paper comprises two parts, Division A & Division B
2. Division A comprises Multiple choice Questions
3. Division B comprises questions which require descriptive type answers 5 marks each
4. TIME ALLOWED 180 MINUTES
5. MAXIMUM MARKS 100

DIVISION A

Multiple Choice Questions

30 MARKS

1. Mr. Hari Dutta is an operation head of North India region of Hilton Ltd. He was a full- time employee of the company. Mr. Hari draws a monthly salary of Rs. 1,00,000. On 14th May 2020, Mr. Hari applied for a loan of Rs. 10,00,000, to buy 1000 fully paid-up equity shares of Rs. 1000 each in Mohan Limited

(holding company of Hilton Ltd). The company refused to grant loan to Mr. Hari saying he is not eligible for the loan for the said amount of Rs. 10,00,000.

Hilton Ltd. is a listed company, authorized by its articles to purchase its own securities. According to the balance sheet and Annual statements of the company for the year 2020-21:

- (a) Issued, subscribed and paid-up Share Capital (20,00,000 equity shares of Rs. 100 each, fully paid-up)
- (b) Free Reserves Rs. 30,00,00,000
- (c) The security premium account Rs. 20,00,00,000
- (d) The secured and unsecured Debt Rs. 50,00,00,000
- (e) Accumulated losses Rs. 50,00,000

The company issued a circular as it wanted to buy back shares worth Rs. 10,00,00,000 from the funds it has in its free reserve and security premium account. The board of directors passed a resolution for the same on 28th April, 2021.

The company has filed with the Registrar of Companies a Letter of Offer in e-form SH-8 on 1st May 2021. The company had also filed with the Registrar of Companies, along with the letter of offer, a declaration of solvency.

The Letter of Offer was dispatched to all the shareholders on 3rd May, 2021. The company announced to avail the buyback offer latest by 10th May, 2021. Many shareholders who approached the company after the due date were not considered applicable for this buy back scheme. The shareholders raised strong objection on giving just 7 days' time to avail the offer by the company.

A special resolution has been passed at a general meeting of the company authorizing the buy-back of shares, which was accompanied by an explanatory statement containing the particulars required to be mentioned as per the provisions of the Companies Act, 2013.

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

- (i) The company has planned to buy back shares worth rupees 10,00,00,000. What is the maximum amount of equity shares that the company is allowed to buy back based on the total amount of equity shares?
 - (a) Rs. 2,00,00,000
 - (b) Rs. 5,00,00,000
 - (c) Rs. 7,00,00,000
 - (d) Rs. 8,00,00 000
- (ii) Suppose the company intends to buy back some partly paid equity shares. Which of the following statement is correct?
 - (a) The company is allowed to buy back partly paid equity shares
 - (b) The company is allowed to buy back partly paid equity shares if the total amount of such partly paid equity shares does not exceed 2% of the total buy back.
 - (c) The company is allowed to buy back partly paid equity shares but it cannot buy back partly paid other specified securities.
 - (d) All the shares or other specified securities for buy back must be fully paid up.

(iii) Some shareholders and officers of the company are of the opinion that it was not necessary for the company to pass a special resolution in general meeting with respect to buy back. Choose the correct reasoning:

- (a) It was not necessary to pass the special resolution as the approval of Board had already been granted for such buy back of shares
- (b) It was necessary to pass special resolution as the amount of buy back exceeds ten percent of the total paid up equity share capital and free reserves
- (c) It was not necessary to pass the special resolution as the buyback was authorized by the articles of the company
- (d) It was necessary to pass special resolution as the amount of buy back exceeds fifteen percent of the total paid up equity share capital and free reserves

2. A prospectus which does not include complete particulars of the quantum or price of the securities included therein is called:

- (a) A deemed Prospectus
- (b) A Shelf Prospectus
- (c) An Abridged Prospectus

(d) A Red Herring Prospectus

(2 Marks)

3. The minimum amount of subscription in a public issue shall be received within ____ days from the date of issue of prospectus.

- (a) 30
- (b) 60
- (c) 90
- (d) 120

(2 Marks)

4. Which of the following statements is not true?

- (a) in case of shares, the rate of underwriting commission to be paid shall not exceed five percent of the issue price of the share.
- (b) underwriting commission should not be more than the rate specified by the Article of Association.
- (c) in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
- (d) amount of commission may be paid out of profits of the company.

(2 Marks)

5. The company has planned to buy back shares worth rupees 10,00,00,000. What is the maximum amount of equity shares that the company is allowed to buy back based on the total amount of equity shares?

- (a) Rs. 2,00,00,000

- (b) Rs. 5,00,00,000
- (c) Rs. 7,00,00,000
- (d) Rs. 8,00,00 000

(2 Marks)

6. Suppose the company intends to buy back some partly paid equity shares. Which of the following statement is correct?

- (a) The company is allowed to buy back partly paid equity shares
- (b) The company is allowed to buy back partly paid equity shares if the total amount of such partly paid equity shares does not exceed 2% of the total buy back.
- (c) The company is allowed to buy back partly paid equity shares but it cannot buy back partly paid other specified securities.
- (d) All the shares or other specified securities for buy back must be fully paid up. **(2 Marks)**

7. Some shareholders and officers of the company are of the opinion that it was not necessary for the company to pass a special resolution in general meeting with respect to buy back. Choose the correct reasoning:

- (a) It was not necessary to pass the special resolution as the approval of Board had already been granted for such buy back of shares
- (b) It was necessary to pass special resolution as the amount of buy back exceeds ten percent of the total paid up equity share capital and free reserves
- (c) It was not necessary to pass the special resolution as the buyback was authorized by the articles of the company
- (d) It was necessary to pass special resolution as the amount of buy back exceeds fifteen percent of the total paid up equity share capital and free reserves

(2 Marks)

8. It can be a possibility that a company may or may not have a?

- (a) Common seal
- (b) Director
- (c) President
- (d) Employees

(2 Marks)

9. In case a company does not have a common seal, the authorisation shall be made by whom?

- (a) By 2 directors
- (b) By director and the company secretary
- (c) Both (a) & (b)
- (d) None of these

(2 Marks)

10. ABC Company is offering 1000 shares of Rs.10 each to a shareholder on private placement basis. Whether the offer made by the ABC is in order?

- (a) Offer is acceptable under section 42
- (b) Offer is not acceptable as private placement under section 43
- (c) Offer is acceptable under section 43
- (d) Offer is not acceptable as private placement under section 42.

(2 Marks)

11. When a security of a given face value is issued at a price _____ than/to its face value, the issue is called as premium.

- (a) Higher
- (b) Lower
- (c) Equal
- (d) below

(2 Marks)

12. Where the issue price is _____ to the face value, the issue is regarded as discount.

- (a) Lower
- (b) Higher
- (c) Above
- (d) Equal

(2 Marks)

13. Application of securities premium amount may be applied by the company

- (a) Towards the issue of unissued shares of the company to the members of the company as fully paid bonus shares
- (b) In writing off the preliminary expenses of the company
- (c) In writing off the expenses of or the commission paid or discount allowed on any issue of debentures of the company
- (d) All of the above

(2 Marks)

DIVISION B

Question :1

All parts carry 5 marks each

(a)

Green Ltd. was dealing in export of rubber to specified foreign countries. The company was willing to purchase rubber trees in A.P. State. The prospectus issued by the company contained some important extracts of the expert report and number of trees in A.P. State. The report was found untrue. Mr. Andrew purchased the shares of Green Ltd. on the basis of the expert's report published in the prospectus. However, he did not suffer any loss due to purchase of such shares. Will Mr. Andrew have any remedy against the company? State also the circumstances where an expert is not liable under the Companies Act, 2013.

(b)

K Limited, a subsidiary of Old Limited, decides to give a loan of ₹ 4,00,000 to the Human Resource Manager, who is not a Key Managerial Personnel of K Limited, drawing salary of ₹ 30,000 per month, to buy 500 partly paid-up equity Shares of ₹ 1000 each in K Limited. Examine the validity of company's decision under the provisions of the Companies Act, 2013.

(c)

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.

Question :2**All parts carry 5 marks each****(a)**

Mr. Bindra is holding 950 equity shares of Bio safe Herbals, a section 8 company. Bio safe Herbals is planning to declare dividend in the Annual General Meeting for the Financial Year ended 31-03-2020. Examine whether the act of the company is in accordance with the provisions of the Companies Act, 2013.

(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:

Authorized Share Capital (25,00,000 equity shares of ₹ 10/- each) ₹ 2,50,00,000

Issued, subscribed and paid-up Share Capital (10,00,000 equity shares of ₹ 10/-each, fully paid-up) ₹1,00,00,000

Free Reserves ₹ 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.

(c)

Keya Limited decides to issue 1,00,000 securities of the company. The company decides to publish an advertisement of the prospectus. Enumerate to the company about necessary contents of its memorandum to be specified therein.

Question :3**All parts carry 5 marks each****(a)**

Nadeem incorporated a "One Person Company" making his sister Nisha as the nominee. Nisha 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.

If Nisha is leaving India permanently, is it mandatory for her to withdraw her nomination in the said One Person Company?

If Nisha maintained the status of Resident of India after her marriage, then can she continue her nomination in the said One Person Company?

(b)

Vijay, a member of Mayur Electricals Ltd. gave in writing to the company that the notice for any general meeting be sent to him only by registered post at his residential address at Kanpur for which he deposited

sufficient money. The company sent notice to him by ordinary mail under certificate of posting. Vijay did not receive this notice and could not attend the meeting and contended that the notice was improper.

Decide:

Whether the contention of Vijay is valid.

Will your answer be the same if Vijay remains in London for two months during the notice of the meeting and the meeting held?

(c)

The Board of Directors of Ramesh Ltd. proposes to issue the prospectus inviting offers from the public for subscribing the shares of the Company. State the reports which shall be included in the prospectus for the purposes of providing financial information under the provisions of the Companies Act, 2013.

Question :4

All parts carry 5 marks each

(a)

What is meant by “Abridged Prospectus”? Under what circumstances an abridged prospectus need not accompany the detailed information regarding prospectus along with the application form?

(b)

New Private Ltd. is a company registered under the Companies Act, 2013 with a paid -up share capital of ₹ 70 lakh and turnover of ₹ 30 crores. Explain the meaning of the “Small Company” and examine the following in accordance with the provisions of the Companies Act, 2013:

(i) Whether the New Private Ltd. can avail the status of small company?

(ii) What will be your answer if the turnover of the company is ₹ 15 crore and the capital is same **as ₹ 70 lakh?**

(c)

Kat Pvt. Ltd., is an unlisted company incorporated on 2.6.2012. The company have a share capital of rupees fifty crores. The company has decided to issue sweat equity shares to its directors and employees on 5.7.2021. The company decided to issue 10% sweat equity shares (which in total will add up to 30% of its paid-up equity shares), with a locking period of five years, as it is a start-up company. How would you justify these facts in relation to the provisions for issue of sweat equity shares by a start-up company, with reference to the provisions of the **Companies Act, 2013? Explain.**

Question :5

All parts carry 5 marks each

(a)

Explain the provisions of the Companies Act, 2013 relating to the ‘Service of Documents’ on a company and the members of the company.

(b)

What is the minimum number of persons required to form a private company and a public company. Explain the consequences when the number of members falls below the minimum prescribed **limit.**

SPACE FOR ROUGH WORK