

# M.K.G CA EDUCATION

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## TEST-6

### CA INTERMEDIATE

### CORPORATE AND OTHER LAWS

#### Topics Covered:

#### Full Syllabus

**QUESTION PAPER BOOKLET NO. 6082022**

**(28-08-2022 3:00 P.M. TO 6:00 P.M)**

Roll No .....854762.....

Time allowed: 3 hours

Total No. of Printed Pages: 15

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
4. TIME ALLOWED 180 MINUTES
5. MAXIMUM MARKS 100

## **DIVISION A**

### **MULTIPLE CHOICE QUESTIONS**

#### **Part I: Companies Act, 2013**

1. Roma along with her six friends has incorporated Roma Trading Ltd. in May 2019. The paid-up share capital of the company is ₹ 30 lacs. Further, in April 2020, she noticed that in the last financial year, the turnover of the company was well below ₹ 20 crores. Advise whether the company can be treated as a 'small company'.
  - (a) Roma Trading Ltd. is definitely a 'small company' since its paid-up capital is much below ₹ 2 crores and also its turnover has not exceeded the threshold limit of ₹ 20 crores.
  - (b) The concept of 'small company' is applicable only in case of a private limited company/OPC and therefore, despite meeting the criteria of 'small company' it being a public limited company it cannot enjoy benefits of 'small company'.
  - (c) Unlike a private limited company/OPC which automatically becomes a 'small company' as soon as it meets the criteria of 'small company', Roma Trading Ltd. being a public limited company has to maintain the norms applicable to a 'small company' continuously for two years so that, thereafter, it will be treated as a 'small company'.
  - (d) If all the shareholders of Roma Trading Ltd. give an undertaking to the ROC stating that they will not let the paid-up share capital and also turnover exceed the limits applicable to a 'small company' in the next two years, then it can be treated as a 'small company'.
  
2. 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 ₹ 20 crores and its paid up share capital was less than ₹ 2 crores. 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'.
  
3. Namita Ceramic Goods Limited having 152 members was incorporated with the main objects of manufacture of ceramic goods, glazed, unglazed floor and wall tiles, etc. and to carry on trading in such products. After three years of successful operation, it wants to diversify its business by entering into the field of manufacturing electronic goods for which it is required to alter its objects clause. Advise the company in relation to alteration of Memorandum.
  - (a) The company can alter its Memorandum of Association by passing an ordinary resolution and obtaining the confirmation of the Regional Director (RD).
  - (b) The company can alter its Memorandum of Association by passing a special resolution at the shareholders' meeting.

- (c) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution at the shareholders' meeting and obtaining the confirmation of the Regional Director (RD).
- (d) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution at the shareholders' meeting and simultaneously publishing the contents of special resolution in two newspapers (one in English and the other one in vernacular language) circulating in that area
4. Due to the management disputes, Flow Writing Industries Limited could not hold its current Annual General Meeting by the latest due date. Even after lapse of the due date, it seemed rather impossible to convene the AGM. In such a grim situation, one option available was to approach National Company Law Tribunal (NCLT) and seek direction for the calling of AGM. Out of the following four options, which one is applicable in the given case:
- (a) Any member of the company can make an application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
- (b) A member of the company holding at least 1% of the total paid-up share capital must make an application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
- (c) Minimum two members of the company holding at least 1% of the total paid-up share capital must make a joint application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
- (d) Minimum five members of the company holding at least 1% of the total paid-up share capital must make a joint application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
5. Anupam incorporated a 'One Person Company' (OPC) with his sister Alpana as the nominee and about three years have passed satisfactorily. Anupam does a number of charitable works and is associated with three NGOs. His business under his OPC has also flourished. Now he is planning to convert the OPC into a Section 8 company (i.e. a company formed with charitable objects). Choose the correct option.
- (a) Since the company belongs to Anupam, he has full discretion to convert the OPC either as a Section 8 company or as a private or public company
- (b) Since the company was formed as a private company, the only option available with Anupam is to convert it into a public limited company.
- (c) There is specific prohibition on converting OPC into a Section 8 company; otherwise it can be converted into a private or public company without any hindrance.
- (d) Since Anupam does a lot of charitable works there is no prohibition on converting his OPC into a Section 8 company.
6. An issuing house (share broker) has issued an advertisement in two leading newspapers for selling a large number of shares allotted to it by a company under a private placement. In which of the following conditions will the advertisement NOT be deemed to be a prospectus:
- (a) Advertisement was given within six months from the date of allotment
- (b) Advertisement was given after six months from the date of allotment and the issuing house has paid the entire consideration to the company
- (c) The issuing house did not pay entire consideration to the company till the date of allotment
- (d) advertisement was given within three month from the date of allotment

7. Which of the following statements is not true?
- in case of shares, the rate of underwriting commission to be paid shall not exceed five percent of the issue price of the share.
  - underwriting commission should not be more than the rates specified by the Article of Association.
  - in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
  - amount of commission may be paid out of profits of the company.
8. Which of the following statement is contrary to the provisions of the Companies Act, 2013?
- A private company can make a private placement of its securities.
  - The company has to pass a special resolution for private placement.
  - Minimum offer per person should have Market Value of ₹ 20,000.
  - A public company can make a private placement of its securities.
9. A shelf prospectus filed with the ROC shall remain valid for a period of:
- one year from the date of registration
  - one year from the date of closing of first issue
  - one year from the date of opening of first issue
  - Ninety days from the date on which a copy was delivered to ROC
10. Shripad Religious Publishers Limited has received application money of 20,00,000 (2,00,000 equity shares of 10 each on 10<sup>th</sup> October, 2019 from the applicants who applied for allotment of shares in response to a private placement offer of securities made by the company to them. Select the latest date by which the company must allot the shares against the application money so received.
- 9<sup>th</sup> November, 2019
  - 24<sup>h</sup> November, 2019
  - 9<sup>th</sup> December, 2019.
  - 8<sup>th</sup> January, 2020
11. Being in need of further capital, Rimsi Cotton-Silk Products Limited offered 50 lacs equity shares of ₹ 1 each to 50 identified persons on 'private placement' basis and accordingly a letter of offer accompanied by application the necessary form was sent to them after fulfillment of due formalities including passing of special resolution. One of the applicants Rajan made a written complaint to the company highlighting the fact that the offer letter was incomplete as well as illegal, as it did not contain 'renunciation clause' as he wanted to exercise his 'right of renunciation' in favour of his son Uday. By choosing the correct option, advise the company in this matter.
- As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the offer letter and the application form.
  - The company is prohibited from providing 'Right of Renunciation' so the offer letter and the application form need not include any such clause.
  - Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to twenty five percent of offering.
  - Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to fifty percent of offering.
12. Innovative Tech Sol Limited intends to invite subscription for ₹ 1.10 crores equity shares of ₹ 10 each on private placement basis. The persons identified as potential subscribers are within the statutory limit and also include the two other categories to which such statutory limit is not applicable. One such category is employees of the company who are offered equity shares under Employees' Stock

Option Scheme. the other excluded category is:

- (a) Quality Institutional Buyers
- (b) Qualified Institutional Buyers.
- (c) Qualificational Institutional Buyers.
- (d) Qualified Investing Institutional Buyers.

13. Neptune Metal Tools Limited was incorporated on 2<sup>nd</sup> December, 2018 with twenty-five subscribers and authorised capital of ₹ 50,00,000 (5,00,000 equity shares of ₹ 10 each). The directors of the company are in a dilemma whether to issue share certificates to the subscribers in physical form or in dematerialized form. Advise them correctly on this matter:

- (a) Being an unlisted company, Neptune may either issue physical share certificates to the subscribers or alternatively, issue them in dematerialized form.
- (b) Neptune needs to issue shares to the subscribers only in dematerialized form.
- (c) A company having more than 100 shareholders needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.
- (d) A company having authorised capital of fifty lakhs and above needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.

14. The amount that an unlisted public company is required to maintain as security deposit, at all times, with the respective depository when it dematerializes its securities shall be

- (a) Equal to not less than one year's fees payable to the depository
- (b) Equal to not less than two years' fees payable to the depository
- (c) Equal to not less than two and a half years' fees payable to the depository
- (d) Equal to not less than three years' fees payable to the depository

15. Commission is permitted to be paid to any underwriter by the company only in respect of an offer of securities:

- (a) where securities are offered on rights basis
- (b) where securities are offered in the form of bonus issue
- (c) where securities are offered on private placement basis
- (d) where securities are offered to the public for subscription

16. In case of 'offer of sale of shares by certain members of the company', which of the following options is applicable:

- (a) The provisions relating to minimum subscription are not applicable
- (b) Entire minimum subscription amount is required to be received within three days of the opening date
- (c) 25% of the minimum subscription amount is required to be received on the opening date and the remaining 75% within three days thereafter
- (d) 50% of the minimum subscription is required to be received by the second day of the opening date and the remaining 50% within next three days after the second day

17. The time limit within which a copy of the contract for the payment of underwriting commission is required to be delivered to the Registrar is:

- (a) Three days before the delivery of the prospectus for registration
- (b) At the time of delivery of the prospectus for registration
- (c) Three days after the delivery of the prospectus for registration
- (d) Five days after the delivery of the prospectus for registration

18. Shares issued by a company to its directors or employees at a discount or for a consideration other than cash for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called are known as:
- Equity Shares
  - Preference Shares
  - Sweat Equity Shares
  - Redeemable preference shares
19. The Articles of Association of a private limited company state that the company may issue preference shares which will have preference with respect to payment of dividend only but no preference as to the repayment of capital, in the case of winding up. Is it possible for the company to issue such preference shares?
- No; as per section 43 preference shares should have both preferences.
  - No; this will become an equity share as per section 43.
  - Yes; because as per section 43 preference shares should have any one preference.
  - Yes; because Articles of Association of the company allow issue of such preference shares and the issuing company is a private limited company.
20. A general meeting of the company is to be held on 30th August, 2020. The company has not paid dividend in respect of its preference shares for the financial year 2018-19 as well as 2019-20. In such case preference shareholders:
- will not have the right to vote because preferential shareholders have no right to vote
  - will have the right to vote because dividend has not been paid for the last two years
  - will not have the right to vote because only equity shareholders can vote in general meetings
  - will have right to vote because preference shareholders have the right to vote in general meetings
21. Where there is a change in the rights of one class of shareholders of a company that also affects the rights of another class therein, then:
- A special resolution should be passed at a general meeting in this regard
  - The company need not to do anything further
  - the consent in writing of three-fourths of such other class of shareholders shall also be obtained
  - A resolution at a joint meeting of both the classes should be passed
22. Rajesh Infrastructure Limited wants to issue preference shares for a period exceeding 20 years for financing its proposed infrastructure project. On the basis of which statement, company can do so?
- Yes, the company can issue irredeemable preference shares by passing a special resolution
  - Yes, company can issue preference shares for a period exceeding 20 years with the prior approval of Central Government
  - Yes, the company can issue irredeemable preference shares for infrastructure project
  - Yes, the company can issue preference shares for financing an infrastructure project for a period exceeding to 20 years.
23. If a company has Authorised Share Capital of ₹ 6,00,000, Paid-up Share Capital of ₹ 5,00,000 and a loan of ₹ 2,00,000 obtained from the State Government. The State Government has directed the company to convert its loan into equity shares, then such order shall have the effect of increasing:
- The subscribed share capital of the company
  - The paid-up share capital of the company
  - The Authorised Share Capital of the company

- (d) All of the above
24. A company bought back 10% of its equity shares in August 2020. Due to certain miscalculations during the first buy-back, it again bought back another 10% equity shares in September 2020. Is second buy-back valid?
- It can do so subject to the fulfilment of other conditions because maximum buy-back in a financial year is up to 25%
  - It cannot do so because there must be a time gap of 12 months between two buy-backs
  - It can buy back shares within one year but the company should pass an ordinary resolution at a meeting of its board
  - It can buy back shares within one year but the company will have to pass a special resolution
25. Swagat Hospitality Limited defaulted in the repayment of last two instalments of term loan availed from National Commercial Bank. On 30<sup>th</sup> September, 2019, they cleared all the dues by repaying it. When can it issue equity shares with differential voting rights?
- Upon expiry of five years from the date on which the default was made good
  - Upon expiry of three years from the end of the financial Year in which the default was made good
  - Upon expiry of five years from the end of the financial Year in which the default was made good
  - Upon expiry of seven years from the end of the financial Year in which the default was made good
26. Radha, the original allottee of 2000 equity shares in Murti Mechanical Toys Private Limited has transferred the same to Ruchi. The instrument of transfer dated 21<sup>st</sup> August, 2020, duly stamped and signed by Radha was handed over to Ruchi. Advise Ruchi regarding the latest 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.
- 21<sup>st</sup> August, 2020.
  - 20<sup>th</sup> September, 2020
  - 20<sup>th</sup> October, 2020.
  - 19<sup>th</sup> November, 2020.
27. Shreem Lakshmi Jewellery Store Private Limited was incorporated on 27<sup>th</sup> August, 2020 with 30 persons as subscribers to the Memorandum of Association and with an Authorised share capital of ₹ 1 crore divided into equal number of shares of ₹ 1 each. Each subscriber subscribed for 1.00 lac shares. Advise the company about by what date it needs to deliver the share certificates to the subscribers.
- 17<sup>th</sup> September, 2020.
  - 30<sup>th</sup> September, 2020.
  - 27<sup>th</sup> October, 2020.
  - 27<sup>th</sup> November, 2020.
28. Keshika, the original allottee and owner of 1000 equity shares of ₹ 50 each in Modern Biscuits Private Limited, wanted to transfer these shares to her younger sister Vanshika by way of gift. She completed the transfer deed in all respects and delivered the same to the company along with the share certificates on 17<sup>th</sup> July, 2020. However, the company did not register the transfer even after the expiry of more than one month nor did it send any notice of refusal. The lone reminder to the company remained unanswered. An appeal is to be filed against the company with the National Company Law Tribunal (NCLT) against this failure to register transfer of the said shares. Who has the right to file the appeal in this regard?
- Keshika, who continues to remain owner and transferor of the said equity shares till they are registered in the name of Vanshika, has the right to file an appeal with NCLT against the company.

- (b) Vanshika, as transferee and potential owner of equity shares, has the right to file an appeal with NCLT against the company.
  - (c) Both Keshika and Vanshika have to file a joint appeal with NCLT against the company, for neither Keshika nor Vanshika are authorised to file the appeal individually.
  - (d) As per its discretion, NCLT may allow either Keshika or Vanshika to file an appeal against the company.
29. Vanita Watches Limited has proposed to issue sweat equity shares to five of its employees for the 'value additions' made by them in term of economic benefits which proved beneficial to the company. The period for which the employees who have been allotted the said sweat equity shares cannot transfer them is:
- (a) One year from the date of allotment
  - (b) Three years from the date of allotment
  - (c) Five years from the date of allotment
  - (d) Six months from the date of allotment
30. Prithvi Cements Limited is desirous of issuing debentures carrying voting rights. Choose the right option from the following:
- (a) Prithvi Cements Limited can issue debentures carrying voting rights by passing an ordinary resolution at a general meeting of the company.
  - (b) Prithvi Cements Limited can issue debentures carrying voting rights by passing a special resolution at a general meeting of the company.
  - (c) Prithvi Cements Limited can issue such debentures carrying voting rights only if it mortgages its land and buildings worth two times the amount of the debentures.
  - (d) Prithvi Cements Limited cannot issue debentures carrying voting rights.

## DIVISION B

### SUBJECTIVE QUESTIONS

**Question 1 (a) (i)****(3 Marks)**

Chhavish, an Indian citizen and resident of India formed “Ekta Readymade Garments (OPC) Private Ltd.” as One Person Company on 1st April 2018 with his wife Mrs. Jyoti as nominee. The authorized and paid-up share capital of the company is ₹ 35 lakhs. He got in touch with a readymade garments buyer and was expecting to receive a substantial order by August 2020 where final delivery will be completed by December 2020. To expand the production capacity, he decided to invest an additional capital of ₹ 10 lakhs in plant and machinery. As a result, the company’s authorized and paid-up share capital is now ₹ 45 Lakhs. Promoter of the company seeks your advice. Considering the case and referring the provisions of the Companies Act, 2013, advice:

- (A) Who is eligible to act as a member of OPC?
- (B) Whether “Ekta Readymade Garments (OPC) Private Ltd.” can convert into any other kind of company as on 1st December 2020?
- (C) If the company increases its paid up share capital by ₹ 30 lakhs in August, 2019, can it be converted in any other kind of company immediately?

**Question 1 (a) (ii)****(3 Marks)**

Following is the extract of the Balance sheet Beltex Ltd. as on 31st March, 2020:

Particulars		Amount (₹)
<b>Equity &amp; Liabilities</b>		
<b>(1) Shareholder’s Fund</b>		
<b>(a) Share Capital:</b>		
<b>Authorized Capital:</b>		
10,000, 12% Preference Shares of ₹ 10 each	1,00,000	
1,00,000 equity shares of ₹ 10 each	10,00,000	<u>11,00,000</u>
<b>Issued &amp; Subscribed Capital:</b>		
8000, 12% Preference Shares of ₹ 10 each fully paid up		80,000
90,000 equity shares of ₹ 10 each, ₹ 8 paid up		7,20,000
<b>(b) Reserve and Surplus</b>		
General Reserve	1,20,000	
Capital Reserve	75,000	
Securities Premium	25,000	
Surplus in statement of P& L	<u>2,00,000</u>	<u>4,20,000</u>
<b>(2) Non-Current Liabilities:</b>		
<b>(a) Long-term borrowings:</b>		
Secured Loan: 12% partly convertible Debenture @ ₹ 100 each		5,00,000

On 1st April, 2020 the company has made final call at ₹ 2 each on 90,000 Equity Shares. The call money was received by 25th April, 2020. Thereafter, the company decided to capitalize its reserves by way of bonus @ 1 share for every 4 shares to existing shareholders.

Answer the following questions according to the Companies Act, 2013, in above case:

- (A) Which of the above-mentioned sources can be used by company to issue bonus shares?
- (B) Calculate the amount to be capitalized from free reserves to issue bonus shares?
- (C) If the company did not ask for the final call on April 1st, 2020. Can it still issue bonus shares to its members?

**Question 1 (b) (i)**

**(2 Marks)**

Mr. Raman, a Chartered Accountant, was appointed as an auditor of Surya Distributors Ltd., in the AGM of the company held in August, 2020, in which he accepted the assignment. Later on, in November, 2020, he joined as a partner in the Consultancy firm where Mr. Som is also a partner. Mr. Som is also working as a Finance executive of Surya Distributors Ltd. Explaining the provisions of the Companies Act, 2013, decide whether Mr. Raman is required to vacate the office as an auditor.

**Question 1 (b) (ii)**

**(2 Marks)**

Managing Director of ABC Ltd. himself appointed Mr. Aakash, a practicing chartered accountant as first auditor of the company. Is it a valid appointment? Also explain the provisions of the Companies Act, 2013, in this regard?

**Question 1 (b) (iii)**

**(2 Marks)**

The Board of Directors of ABC Limited at its board meeting declared dividend on its paid-up equity share capital which was later on approved by the company's Annual General Meeting. In the meantime, the directors diverted the amount of total dividend to be paid to shareholders for purchase of investments for the company. Due to this dividend was paid to shareholders after 45 days declaration.

Examining the provisions of the Companies Act, 2013, state whether the act of directors is in violation of the provisions of the Companies Act, 2013. Also explain what are the consequences of the above act of directors.

**Question 1 (c)**

**(4 Marks)**

Due to urgent need of money amounting to ₹ 3,00,000, Pawan approached Raman and asked him for the money. Raman lent the money on the guarantee of Suraj, Tarun and Usha. Pawan makes default in payment and Suraj pays full amount to Raman. Suraj, afterwards, claimed contribution from Tarun and Usha refused to contribute on the basis that there is no contract between Suraj and him. Examine referring to the provisions of the Indian Contract Act, 1872, whether Tarun can escape from his liability.

**Question 1 (d)**

**(3 Marks)**

'M' is the holder of a bill of exchange made payable to the order of 'F'.

The bill of exchange contains the following endorsements in blank:

First endorsement 'N'

Second endorsement 'O'

Third endorsement 'P' and

Fourth endorsement 'Q'

'M' strikes out, without Q's consent, the endorsements by 'O' and 'P'. Decide, with reasons, whether 'M' is entitled to recover anything from 'Q' under the provisions of the Negotiable Instruments Act, 1881.

**Question 2 (a)**

**(4 Marks)**

Explain the provisions of e-voting in an annual general meeting in the following cases as per the Companies Act, 2013:

- (i) 'A' and his wife 'B' has joint Demat Account in Alfa Investment Ltd. in such a case, who will cast the vote in e-voting system?
- (ii) AGM is going to be held on 07-09-2020. Then what will be the e- voting period and the time of closing?

**Question 2 (b)**

**(6 Marks)**

Examine the validity of the following with reference to the relevant provisions of the Companies Act, 2013:

- (i) The Board of Directors of a company refuse to convene the extraordinary general meeting of the members on the ground that the requisitionists have not given explanatory statement for the resolution proposed to be passed at the meeting.
- (ii) The Board of Directors refuse to convene the extraordinary general meeting on the ground that the requisitions have not been signed by the joint holder of the shares.
- (iii) Adjournment of extraordinary general meeting called upon the requisition of members on the ground that the quorum was not present in the meeting.

**Question 2 (c)**

**(4 Marks)**

Shyam, at the request of Govind, sells goods which were, in the possession of Govind. However, Govind had no right to dispose of such goods. Shyam did not know this and handed over the proceed of the sale to Govind. Afterwards, Manohar, who was the true owner of the goods, sued Shyam and recovered the value of the goods. In the light of the provisions of the Indian Contract Act, 1872, answer the following questions:

- (i) Is Govind liable to indemnify Shyam for his payment to Manohar?
- (ii) What will be the liability of Govind if the goods is a prohibited drug?

**Question 2 (d)**

**(3 Marks)**

A is a payee and holder of a bill of exchange. He endorses it in blank and delivers it to B. B endorses it in full to C or order. C without endorsement transfers the bill to D. State giving reasons whether D, as bearer of the bill of exchange, is entitled to recover the payment from A or B or C.

**Question 3 (a) (i)**

**(3 Marks)**

RD Ltd. issued a prospectus. All the statements contained therein were literally true. It also stated that company had paid dividends for a number of years but did not disclose the fact that the dividends were not

paid out of trading profits but out of capital profits. An allottee of shares claims to avoid the contract on the ground that the prospectus was false in material particulars. Decide that the argument of shareholder, as per the provision of the Companies Act, 2013, is correct or not?

**Question 3 (a) (ii)**

**(2 Marks)**

Define “Small Company”.

**Question 3 (b)**

**(5 Marks)**

Referring the provisions of the Companies Act, 2013, regarding appointment of auditors, answer the following:

- (i) XYZ Ltd. is a newly established company owned by the Central Government. State the provisions regarding appointment of its first auditor.
- (ii) Mr. Kamal is the auditor of XYZ Limited, which is a Government company. He has resigned on 31st December, 2020 while the financial year of the company ends on 31st March, 2021. Explain the provisions regarding filling or such vacancy. Would your answer differ if it is other than a Government company?

**Question 3 (c)**

**(4 Marks)**

Referring the provisions of the Negotiable Instruments Act, 1881 give the answer of the following.

- (i) A promissory note was made without mentioning any time for payment. The holder added the words ‘on demand’ on the face of the instrument. Whether this may be treated as material alteration in the instrument?
- (ii) Ankit draws a cheque for ₹ 2,000 and hands it over to Shreya by way of gift. Whether Shreya is a holder in due course?

**Question 3 (d)**

**(3 Marks)**

Explain the Mischief Rule / the rule in Heydon’s case for interpretation of statute. Also give four matters it considers in construing an Act.

**Question 4 (a) (i)**

**(3 Marks)**

Diya Limited, incorporated under the provisions of the Companies Act, 2013, has two subsidiaries – Jai Limited and Vijay Limited. All the three companies have prepared their financial statements for the year ended 31st March, 2021. Examining the provisions of the Companies Act, 2013, explain in what manner the subsidiaries– Jai Limited and Vijay Limited shall prepare their Balance Sheet and Statement of Profit & Loss?

**Question 4 (a) (ii)**

**(3 Marks)**

The Companies Act, 2013 has prescribed an additional duty on the Board of directors to include in the Board’s Report a ‘Directors’ Responsibility Statement’. Briefly explain any three matters to be furnished in the said statement.

**Question 4 (b)****(4 Marks)**

What are provisions of the Companies Act, 2013 relating to the appointment of 'Debenture Trustee' by a company? Whether the following can be appointed as 'Debenture Trustee'?

- (i) A shareholder of the company who has shares of ₹ 10,000.
- (ii) A creditor whom the company owes ₹ 999 only.
- (iii) A person who has given a guarantee for repayment of amount of debentures issued by the company.

**Question 4 (c)****(4 Marks)**

A confusion, regarding the meaning of 'financial year' arose among the financial executive and accountant of a company. Both were having different arguments regarding the meaning of financial year & calendar year. What is the correct meaning of financial year under the provision of the General Clauses Act, 1897? How it is different from calendar year?

**Question 4 (d)****(3 Marks)**

In what way are the following terms considered as external aid in the interpretation of statutes:

- (i) Historical Setting
- (ii) Use of Foreign Decisions

**Question 5 (a)****(5 Marks)**

Examine that following offers of ABC Limited are in compliance with provisions of the Companies Act, 2013, related to private placement or should these offers be treated as public:

- (i) ABC limited wants to raise funds for its upcoming project. It has issued private placement offer letters to 55 persons in their individual name to issue its equity shares. Out of these four are qualified institutional buyers.
- (ii) If in case (i) before allotment under this offer letter company issued another private placement offer to another 155 persons in their individual name for issue of its debentures.
- (iii) Being a public company can it issue securities in a private placement offers?

**Question 5 (b)****(5 Marks)**

Discuss the following situations in the light of 'Deposit provisions' as contained in the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, as amended from time to time.

- (i) Bhupendra, one of the Directors of Moon Technology Private Limited, a start-up company, requested his close friend Paras to lend to the company ₹ 20.00 lacs in a single tranche by way of a convertible note repayable within a period of six years from the date of its issue. Advise whether it is a deposit or not.
- (ii) Shriram Readymade Garments Limited wants to accept deposits of ₹ 50.00 lacs from its member for tenure, which is less than six months. Is there any possibility to do so?
- (iii) The turnover of Y Ltd. is ₹ 400 crore as per last audited financial statement and net worth is ₹ 50 crores. Can Y Ltd. accept deposits from the public as per section 73 of the Companies Act, 2013? (5 Marks)

**OR**

New Pharma Ltd. issued a notice for holding its annual general meeting on 7th September 2020. The notice was posted to the members on 16th August 2020. Some members of the company alleged that the company has not complied with the provision of the Companies Act, 2013, with regard to the period of notice and as such the meeting was invalid. Referring to the provision of the Companies Act, 2013, decide:

- (i) Whether meeting has been validly called?
- (ii) If there is a shortfall in the notice, state and explain by how many days does the notice fall short of statutory requirements?
- (iii) Whether the length of serving of notices be curtailed by Article of Association?

**Question 5 (c)****(4 Marks)**

Alpha Motor Ltd. agreed to sell a bike to Ashok under hire-purchase agreement on guarantee of Abhishek. The Terms were: hire-purchase price ₹ 96,000 payable in 24 monthly instalments of ₹ 8,000 each. Ownership to be transferred on the payment of last instalment. State whether Abhishek is discharged in each of the following alternative case under the provisions of the Indian Contract Act, 1872:

- (i) Ashok paid 12 instalments but failed to pay next two instalments. Alpha Motor Ltd. sued Abhishek for the payment of arrears and Abhishek paid these two instalments i.e. 13th and 14th. Abhishek then gave a notice to Alpha Motor Ltd. to revoke his guarantee for the remaining months.
- (ii) If after 15th months, Abhishek died due to COVID-19.

**Question 5 (d)****(3 Marks)**

Give the definition of the following as per the General Clauses Act, 1897:

- (i) "Rule"
- (ii) "Oath"
- (iii) "Person"

**SPACE FOR ROUGH WORK**