

# M.K.G CA EDUCATION

9811429230 / 9212011367

WEBSITE : [WWW.MKGEDUCATION.COM](http://WWW.MKGEDUCATION.COM)

EMAIL : MKCAEDUCATION@GMAIL.COM

Youtube channel : MKG CA EDUCATION

Facebook Page : <https://www.facebook.com/mkgcaeducation/>

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## TEST-8

### CA INTERMEDIATE

### CORPORATE AND OTHER LAWS

#### Topics Covered:

#### Full Syllabus

**QUESTION PAPER BOOKLET NO. 8102023**

**(05-10-2023 01:00 P.M. TO 4:00 P.M)**

Roll No .....854624.....

Time allowed: 3 hours

Total No. of Printed Pages: 16

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**

I. Pristine Limited, a listed entity, passed a resolution in its Board meeting for appointment of Arora & Associates, a Chartered Accountants firm, as Statutory Auditor of the company. The company obtained the consent in writing from Arora & Associates and also placed this recommendation before the general meeting of the shareholder and got it approved.

The company thereafter informed the CA Firm about their appointment and also filed a notice of appointment with the Registrar of Companies within the prescribed time.

Arora & Associates, Chartered Accountants firm is having 3 partners namely, A Arora, B Arora, C Arora. In this firm D Arora and M Arora were associates and were being paid on case-to-case basis and not on fixed salary.

Prior to the appointment of Arora & Associates, the previous auditor was Agrawal Arora & Associates. In this CA firm there were 6 partners namely, Priya Agrawal, Mia Agrawal, Vishal Agrawal, Vyom Agrawal, D Arora and M Arora.

D Arora and M Arora were common persons in both the firms.

While working with Pristine Limited, Arora & Associates started facing a lot of issues with the management of the company. After some time, due to these disputes with the management, Arora & Associates resigned from the company.

**Based on the above facts, answer the following 1 to 3 MCQs**

1. The newly appointed CA Firm (Arora & Associates) and retiring CA Firm (Agrawal Arora & Associates) have common persons i.e., D Arora and M Arora. Whether the appointment of Arora & Associates in Pristine Limited. is valid as per the provisions of the Companies Act, 2013:
  - (a) It not valid since both the CA Firms (New and Old) have common persons
  - (b) D Arora and M Arora are the associates in Arora & Associates and not the partners, hence appointment of Arora & Associates, is valid
  - (c) Arora & Associates should expel D Arora and M Arora in order to retain its appointment
  - (d) Agrawal Arora & Associates should expel D Arora and M Arora **(1 Mark)**
2. What would have been the position if, D Arora and M Arora are partners in Arora & Associates:
  - (a) The position will remain same as MCQ 1 above
  - (b) There shall be no change and the Arora & Associates may continue as audit firm
  - (c) The appointment of Arora & Associates would not have been in terms of the provisions of the Companies Act, 2013

- (d) The company may obtain permission from the shareholders in the general meeting by way of Special Resolution for continuation of appointment of Arora & Associates **(1 Mark)**
3. In the given case, Arora & Associates due to some dispute with the management on some issues resigned from the company. Choose the correct option in respect to filling of this vacancy:
- (a) Arora & Associates cannot resign and has to hold the office till the conclusion of the next annual general meeting
- (b) The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board
- (c) This vacancy of auditor can be filled by the shareholders in consultation of the Central Government
- (d) This vacancy of auditor can be filled by the Board of Directors in consultation of the Comptroller and Auditor-General of India **(1 Mark)**
4. 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, 2022, its turnover was less than ₹ 40 crore and its paid up share capital was less than ₹ 4 crore. 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'. **(1 Mark)**
5. In case of a private company, the provisions for entrenchment may be made at the time of formation of the company or by amendment of Articles,
- (a) By passing a special resolution
- (b) With the consent of all the members
- (c) By passing a special resolution and approval of the Central Government
- (d) With the consent of all the members and approval of the Central Government **(1 Mark)**

6. 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
- (1 Mark)**
7. Goals Limited, a listed company has authorised share capital of ₹ 25,00,000 (issued, subscribed and paid up capital of ₹ 20,00,000). The company has planned to buy back shares worth ₹ 10,00,000. 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) ₹ 2,00,000
  - (b) ₹ 5,00,000
  - (c) ₹ 6,25,000
  - (d) ₹ 8,00,000
- (1 Marks)**
8. A Limited made a public issue of Debentures. The articles of the company authorises the payment of underwriting commission at 2 per cent of the issue price. The company has negotiated with the proposed underwriters, Gama Brokers and has finalised the rate at 2.25 per cent. The amount that the company is eligible to pay as underwriting commission is:
- (a) 5%
  - (b) 2%
  - (c) 2.5%
  - (d) 2.25%
- (1 Mark)**
9. During the half year ended September 2022, the board of directors (BOD) of Gold Leaf Limited has made an application to the Tribunal for revision in the accounts of the company for the financial year ending on March 2020. Further during the year ended March 2023, the BOD has again made an application to the Tribunal for revision in the board's report pertaining to the year ended March 2022. You are required to state the validity of the acts of the Board of directors.
- (a) The act of the BOD is valid only to the extent of application made for revisions in accounts as board's report are not eligible for revision.
  - (b) The act of the BOD is valid as application made for revision in the accounts and board's report pertains to two different financial year.
  - (c) The act of the BOD is invalid as the law provides for only one time application to be made in a financial year for revision of accounts and boards report.

(d) The act of the BOD is invalid as to the application made for revision in accounts pertains to a period beyond 2 years immediately preceding the year 2023. The application made for revision in the Board report is however valid in law. **(1 Mark)**

10. 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)**

11. Birthday Card Limited, a listed company can appoint or re-appoint, Mishra & Associates (a firm of Chartered Accountants), as their statutory auditors for:

- (a) One year only
- (b) One term of 3 consecutive years only
- (c) One term of 4 consecutive years only
- (d) Two terms of 5 consecutive years

**(1 Mark)**

12. Which of the following is a prohibited service to be rendered by the auditor of a company?

- (a) Design and implementation of any financial information system
- (b) Making report to the members of the company on the accounts examined by him
- (c) Compliance with the auditing standards
- (d) Reporting of fraud against the company by officers or employees to the Central Government **(1 Mark)**

13. Which among the following will not be considered as a "Foreign Instrument" under the provisions of the Negotiable Instruments Act, 1881?

- (a) A bill drawn on a person residing outside India but payable in India or outside India
- (b) A bill drawn on a person resident outside India but payable outside India
- (c) A bill drawn on a person residing outside India but payable in India
- (d) A bill drawn on a person resident in India but payable outside India

**(1 Mark)**

14. A substituted agent acts on behalf of .....

- (a) Principal
- (b) Sub-agent
- (c) Agent
- (d) anyone, as decided by the agent only

**(1 Mark)**

15. As per the provisions of the Indian Contract Act, 1872, the finder of lost goods:

- (a) cannot sue and also cannot retain the goods so found
- (b) can sue but cannot retain the goods so found
- (c) cannot sue but retain the goods so found
- (d) can sue and also retain the goods so found

**(1 Mark)**

16. X, a shareholder of a company lost his share certificate. He applied for the duplicate. The company agreed to issue the same on the term that X will compensate the company against the loss where any holder produces the original certificate. This is called:
- (a) Contract of indemnity
  - (b) Contract of Guarantee
  - (c) Quasi Contract
  - (d) Bailment
- (1 Mark)**
17. As per Rule of Literal Construction, Technical words are to understood in:
- (a) Normal sense
  - (b) Ordinary sense
  - (c) Technical sense
  - (d) Legal sense
- (1 Mark)**
18. A clause that begins with the words 'Notwithstanding anything contained' is called:
- (a) An obstacle clause
  - (b) A non- obstante clause
  - (c) An objectionable clause
  - (d) A superior clause
- (1 Mark)**
19. Pick the odd one out of the following aids to interpretation—
- (a) Preamble
  - (b) Marginal Notes
  - (c) Proviso
  - (d) Usage
- (1 Mark)**
20. In all Central Acts and Regulations, unless there is anything repugnant in the subject or context, words importing the masculine gender shall be taken:
- (a) To exclude females
  - (b) To exclude girl child
  - (c) To include females
  - (d) To exclude boy child
- (1 Mark)**

**II.** Waste Papers Ltd. is company engaged in the business of collecting waste papers and old newspapers and manufacture from these wastes the corrugated boxes which are used in packing of the products by various suppliers.

The company is earning good profit margin and paying dividend consistently, which can be seen by the following information:

(₹ in Lakh)

Year	Payment of dividend	Paid-up share capital	Free Reserves
2012-13 to 2017-18	10	100	45
2018-19	15	100	60
2019-20	20	100	75
2020-21	22	100	95
2021-22	24	100	120

During the year 2022-23, the company's business was severally affected due to low demand of the corrugated boxes on account of recession situation (slow- down of economy) prevailing all over the country. The company showed a loss of ₹ 20 lakh in the annual accounts.

However, the company wants to maintain its image of consistently dividend paying company and for this year also, it also wants to declare dividend. The company have accumulated free reserves in its hand and want to declare dividend @ 26% (since there is increasing trend of 2% from the preceding years).

During the year 2022-23, Somesh, a shareholder of the company died due to cardiac arrest. He was having 10,000 shares in his D-mat account in which he has made nomination in favour of his son Romesh. When Romesh applied for transmission of the shares, his sister Sanjana, objected and filed a case in the court that she also has right in the property of her father and mere making of nomination do not dilute the rights of the legal heirs to claim share in the property. The matter is sub-judice in the court of law awaiting decision.

The company has business dealing with Mahesh Kumar, who is also a shareholder of the company. The company has supplied some goods to Mahesh Kumar worth ₹ 10,000, but he was not making payment to the company. The company while making payment of the dividend to Mahesh Kumar deducted the due amount, and as a result, nothing was payable to Mahesh Kumar towards the dividend. Mahesh Kumar threatened to take action against the company.

**Based on the above facts, answer the following Q.No. 21 MCQ**

- 21.** In the given case, the amount due to be recovered from Mahesh Kumar was deducted by the company and nothing was now payable to him on account of dividend. Is the action of the company right:
- No, payment of dividend is a separate matter and should not be clubbed with any other matter
  - Yes, Mahesh Kumar can take action against the company for not paying any dividend to him
  - The company can adjust the any sum, due to it, from the shareholder
  - The company should take into confidence and consent of Mahesh Kumar's family members to adjust its dues

**(1 Mark)**

- 22.** Which of the following is not mandatorily required to include cash flow as part of its financial statement.
- Shiv Limited

(b) Shiv Private Limited (not a start- up company)

(c) Shiv (OPC) Private Limited

(d) Shiv Limited, having paid up share capital of 3 crore and turnover of 30 crore **(1 Mark)**

23. Which of the following statement is contrary to the provisions of the Companies Act, 2013?

(a) A private company can make a private placement of its securities.

(b) The company has to pass a special resolution for private placement.

(c) Minimum offer per person should have Market Value of ₹ 20,000.

(d) A public company can make a private placement of its securities. **(1 Mark)**

24. In case of an application for reservation of name or for change of its name by an existing company, the Registrar may reserve the name for a period of ..... from the date of approval

(a) 90 days

(b) 60 days

(c) 30 days

(d) 20 days **(1 Mark)**

25. Today, it's May 2023. Mr. Nilanjan Chattopadhyay a 24 years old Indian youngster, who returned back to India in January month of 2023 after completing his education in bio-nutrient and willing to form an OPC; but not sure about the requirements or pre-conditions regarding eligibility. He read some articles on provisions related to OPC and concluded;

(i) OPC can be formed by Indian Citizen only

(ii) He can't form OPC because in immediate previous year he was not resident in India

Choose the correct option:

(a) Both the conclusions are valid

(b) None of the conclusion is valid

(c) First conclusion is invalid

(d) Second conclusion is invalid **(1 Mark)**

26. Every company shall pay a penal rate of interest of ----- per annum for the overdue period in case of deposits, whether secured or unsecured, matured and claimed but remaining unpaid:

(a) 9%

(b) 14%

(c) 18%

(d) 24% **(1 Mark)**

27. Prem Limited decides to raise deposits of ₹ 20.00 lacs from its members. However, it proposes to secure such deposits partially by offering a security worth ₹ 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) These cannot be classified as deposits

**(1 Mark)**

28. In case of a Private company, quorum of Annual General Meeting is:

(a) 1 member personally present

(b) 2 members personally present

(c) 3 members personally present

(d) 5 members personally present

**(1 Mark)**

29. Compute the minimum amount the company (Natraj Limited) is required to spend on account of Corporate Social responsibility year 2022-2023, if during the financial years 2019-2020, 2020-2021 and 2021-2022 net profits are ₹ 30 crore, ₹ 25 crore and ₹ 32 crore respectively.

(a) ₹ 87 lac

(b) ₹ 1.14 crore

(c) ₹ 1.64 crore

(d) ₹ 58 lac

**(1 Mark)**

30. Prem found a Rado watch lying on the floor of Celebration Café. Prem tried to find the owner of the watch but all his efforts went in vain. Prem got the watch repaired from the showroom by paying ₹ 9,500. Three days after Prem found the watch, he came to know about the real owner of the watch, from the advertisement newspaper stating the loss of a watch in Celebration Café, along with the reward of ₹10,000 to the finder of the watch. Prem went to the owner to return the watch. Prem demanded ₹ 15,000 as he had paid ₹ 9,500 for the repair of the watch. According to the provision of the Indian Contract Act, 1872, choose the correct statement.

(a) Prem has a right to claim only the amount spent on repairing the watch.

(b) Prem has no right to claim the prize money.

(c) Prem can retain the watch till the owner pays him at least the prize money.

(d) The owner is not liable to pay anything to Prem. Rather, he can sue Prem for stealing the watch.

**(1 Mark)**

**DIVISION B****(70 Marks)****SUBJECTIVE QUESTIONS**

*Note: Question no. 1 is compulsory. Answer any three questions from the rest.*

**Question 1 (a)**

Innovative Ltd., a start-up by a few qualified professionals, which was incorporated in 2014. The company is booming and favouring the younger generation to work. The Capital Structure of the company is as follows:

<b>Particulars</b>	<b>INR (Crore)</b>
Authorised Share Capital	
100,00,000 Equity Shares of ₹ 10 each	10.00
Issued, Subscribed and Paid-up Share Capital	
50,00,000 Equity Shares of ₹ 10 each	5.00
Share Premium	1.00
General Reserve	3.52
Profit & Loss Account	1.58

The company decided to issue 30% sweat equity shares to a class of directors and permanent employees to keep them motivated and partner in growth. Lock-in period for sweat equity will be five years. For this purpose, a resolution in General meeting of company was passed in this manner.

“The Resolution specifies 15 lakh sweat equity shares, Current Market price ₹ 25 per share with a consideration of ₹ 5 per share to be issued to a class of directors and employees.”

The company seeks your advice with reference to the provision of issue of sweat equity shares under the Companies Act, 2013.

(i) Whether size of issue of sweat equity shares was appropriate?

(ii) Whether lock-in period was justifiable?

**(6 Marks)****Question 1 (b)**

ESPN Heavy Engineering Ltd. is a listed entity engaged in the business of providing engineering solutions to clients across the country. The company followed consistent growth over the years. Rate of Declaration of dividend in immediately preceding three financial years were 15%, 20%, and 25%.

Unfortunately, due to obsolescence of a special part of machinery, company incurred losses in current financial year.

Even though, during the financial year 2021-22, the company declared interim dividend of 10% on the equity shares.

The Board of Directors of the company approved the financial result for the financial year 2021-22 in its meeting held on 5th August, 2022, and recommended a final dividend of @15% in this board meeting.

The general meeting of the shareholders was convened on 31st August, 2022. The shareholders of the company demanded that since interim dividend @10% was declared by the company, so the final dividend should not be less than 20%. It was also submitted that Rate of Declaration of dividend in immediately preceding three years were 15%, 20% and 25%, but the Company Secretary emphasised that final dividend cannot be increased.

(i) Whether company can declare interim dividend, if company incurred losses during the current financial year? What should be correct rate interim dividend?

(ii) Do you think decision of Company Secretary is correct? What should be correct rate of final dividend?

Justify your answer with reference to provisions of the Companies Act, 2013.

**(6 Marks)**

### **Question 1 (c)**

'S' guarantees 'V' for the transactions to be done between 'V' & 'B' during the month of March, 2022. 'V' supplied goods of ₹ 30,000 on 01.03.2022 and of ₹ 20,000 on 03.03.2022 to 'B'. On 05.03.2022, 'S' died in a road accident. On 10.03.2022, being ignorant of the death of 'S', 'V' further supplied goods of ₹ 40,000. On default in payment by 'B' on due date, 'V' sued on legal heirs of 'S' for recovery of ₹ 90,000. Describe, whether legal heirs of 'S' are liable to pay ₹ 90,000 under the provisions of Indian Contract Act, 1872.

What would be your answer, if the estate of 'S' is worth of ₹ 45,000 only?

**(4 Marks)**

### **Question 1 (d)**

'A' drew a cheque for ₹ 20,000 payable to 'B' and delivered it to him. 'B' endorsed the cheque in favour of 'R' but kept it in his table drawer. Subsequently, 'B' died, and cheque was found by 'R' in 'B's table drawer. 'R' filed the suit for the recovery of cheque. Whether 'R' can recover cheque under the provisions of the Negotiable Instruments Act, 1881?

**(3 Marks)**

### **Question 2 (a)**

Happy Limited received a proxy form 54 hours before the time fixed for the start of the meeting. The company refused to accept the proxy form on the ground that the Articles of the company provided that a proxy form must be filed 60 hours before the start of the meeting. Define proxy and decide under the provisions of the Companies Act, 2013, whether the proxy holder can compel the company to admit the proxy in this case?

**(4 Marks)**

### **Question 2 (b)**

Explain the following as per the provisions of the Companies Act, 2013:

(i) Who shall sign Board's Report

(ii) Filing of financial statements with the Registrar when AGM is not held

**(6 Marks)**

**Question 2 (c)**

Examine whether the following constitute a contract of 'Bailment' under the provisions of the Indian Contract Act, 1872:

(i) Golu parks his car at a parking lot, locks it, and keeps the keys with himself.

(ii) Seizure of goods by customs authorities.

**(4 Marks)**

**Question 2 (d)**

What are the parties to promissory note and a bill of exchange.

**(3 Marks)**

**Question 3 (a)**

The aggregate value of the paid-up share capital of ABC Security Services, was ₹ 200 crore divided into 20 crore equity shares of ₹ 10/- each at the end of the Financial Year 2021-22 having its registered office at Mumbai. This company had been registered with an authorized share capital of ₹ 300 crore divided into 30 crore equity shares of ₹ 10/- each. The extract of Balance Sheet of the company as on 31st March, 2022 showed the following figures:

<b>Particulars</b>	<b>Amount (₹ in crore)</b>
Authorized share capital	300
Paid -up share capital	200
Free reserves created out of profits	200
Securities Premium account	80
Credit balance of Profit & Loss account	50
Reserves created out of revaluation of assets	25
Miscellaneous expenditure not written off	10

Turnover of the company during the Financial Year 2021-22 was ₹ 800 crore and the net profit calculated in accordance with section 198 of the Companies Act, 2013 with other adjustments as per CSR Rules was ₹ 4 crore only.

Praveen, Company Secretary of the company advised that the company attracts the provisions of section 135 of the Companies Act, 2013 and all the formalities have to be complied with accordingly.

Thereafter, on 30th April, 2022 a CSR committee was formed to comply with the provisions of Corporate Social Responsibility.

The Board of Directors of the company constituted of the following persons as its directors:

Mohan Singh Rohit and Bhavana Venkatesh, Isha, Mohit and Muskaan	Managing Director Independent Directors Directors
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On the basis of above facts and by applying applicable provisions of Companies Act, 2013, answer the following:

(i) Is the contention of Praveen, Company Secretary of the company that the company attracts the provisions of section 135 of the Companies Act, 2013 and is required to form a CSR committee is correct? Support your answer with the applicable provision and the required calculation.

(ii) It was decided that Mohan Singh, Venkatesh, Isha and Bhavna will be the members of CSR committee. Is this decision correct in the light of provisions of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014? **(6 Marks)**

**Question 3 (b)**

L Ltd. having 2,000 members with paid-up capital of ₹ 1 crore, decided to hold its Annual General Meeting (AGM) on 21st August, 2022. On 2nd July, 2022, 50 members holding paid-up capital of ₹ 6 lakh in aggregate, has given notice of their intention for a resolution to be passed at the Annual General Meeting for appointing Dawar & Co., as its Statutory auditor from Financial Year 2022-23 onwards, instead of its existing Statutory auditor, SNS & Co. which was originally appointed for 5 years term and had completed only 3 years term.

When such notice was received by existing auditors, they sent a representation in writing to the company along with a request for its notification to the members of the company.

In the context of aforesaid facts, answer the following question(s) according to provisions of the Companies Act, 2013:

(i) Whether the said notice was given by adequate number of members and within the prescribed time limit to L Ltd.?

(ii) Whether the company was bound to send such representation to its members made by SNS & Co?

**(4 Marks)**

**Question 3 (c)**

Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881:

(i) X receives a promissory note drawn by his father by way of gift.

(ii) A received a cheque for full and final settlement of his dues from his client but, he is prohibited by a court order from receiving the amount of the cheque.

(iii) B, the agent of C, is entrusted with an instrument without endorsement by C, who is the payee

(iv) P works in a bank. He steals a blank cheque of A and forges A's signature.

**(4 Marks)**

**Question 3 (d)**

Examine the validity of the following statements with reference to the Negotiable Instruments Act, 1881.

- (i) Alteration of rate of interest specified in the Promissory Note is not a material alteration.  
 (ii) Conversion of the blank indorsement into an indorsement in full is not a material alteration and it does not require authentication.

**(3 Marks)****Question 4 (a)**

Mr. Krish, a shareholder of ABC Ltd., has made a request to the company for providing a copy of minutes book of general meeting. His name is already entered in the register of members of the company. Whether the Mr. Krish is entitled to receive a copy of minutes book? Explain, provisions of the Companies Act, 2013.

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

Bhuj 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, 2023 showed the following position:

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

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

“The act done negligently shall be deemed to be done in good faith.”

Comment with the help of the provisions of the General Clauses Act, 1897.

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

When can the Preamble be used as an aid to interpretation of a statute?

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

The Board of Directors of Paper Limited, a subsidiary of Fish Limited, decides to grant a loan of ₹ 3 lakh to Mr. Money, the finance manager of Paper Limited, getting salary of ₹ 40,000 per month, to buy 500 partly paid-Up equity shares of ₹ 1,000 each of Paper Limited. Examine the validity of Board's decision with reference to the provisions of the Companies Act, 2013.

**(4 Marks)**

**Question 5 (b)**

The role of doctrine of 'Indoor management' is opposed to that of the role of 'Constructive notice'. Comment on this statement with reference to the Companies Act, 2013. **(6 Marks)**

**Question 5 (c)**

Explain the meaning of contract of guarantee according to the provisions of the Indian Contract Act, 1872. **(4 Marks)**

**Question 5 (d)**

"The act done negligently shall be deemed to be done in good faith."  
Comment with the help of the provisions of the General Clauses Act, 1897. **(3 Marks)**

**SPACE FOR ROUGH WORK**