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TEST-1

CA INTERMEDIATE

CORPORATE AND OTHER LAWS

Topics Covered:

Preliminary & Declaration and Payment of Dividend

QUESTION PAPER BOOKLET NO. 1102022

(02-10-2022 3:00 P.M. TO 6:00 P.M)

Roll No954762.....

Time allowed: 3 hours

Total No. of Printed Pages: 11

Maximum Marks: 100

GENERAL INSTRUCTIONS TO CANDIDATES

1. The Question Paper comprises two parts, Part I & Part II
2. Part I comprises Multiple choice Questions
3. Part II comprises questions which require descriptive type answers
4. Working notes should form part of the answer.

PART I

(30 marks)

MCQ (Multiple Choice Questions)

Each question carry 1 mark

Q.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 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 exceeded the limits applicable to a ‘small company’ in the next two years, then it can be treated as a ‘small company’.

Q.2. Dividend once declared, should be paid within _____ days from the date of declaration

(a) 14 days (b) 21 days (c) 30 days (d) 45 days

Q.3. Which of the following amount need not be credited to investor Education and Protection Fund Account (IEPF)?

(a) Amount in unpaid dividend account (UDA) of company

(b) Amount of matured deposits with the company

(c) Profit on sale of asset

(d) Amount of matured debentures with the company

Q.4. Amount to be transferred to reserves out of profits before any declaration of dividend is ____

(a) 5 % (b) 7.5 % (c) 10 % (d) At the discretion of the company

Q.5. The authorised and paid-up share capital of Avantika Ayurvedic Products Limited is ₹ 50.00 lacs divided into 5,00,000 equity shares of ₹ 10 each. As its Annual General Meeting (AGM) held on 24th September, 2019,

Q.11. The dividend for any financial year can be declared or paid out of _____.

- (a) Profits for that financial year
- (b) Profits for any previous financial year(s) and remaining undistributed
- (c) Both (a) and (b)
- (d) Both (a) and (b) and out of free reserves

Q.12. A company shall not declare any dividend on _____, if it has failed to comply with the provisions of section 73 or section 74.

- (a) Equity shares
- (b) Preference shares
- (c) Any shares, whether equity or preference
- (d) None of these

Q.13. In case of joint holders, the dividend shall be paid to _____.

- (a) The joint holder, who is authorised by all the joint holders in this regard
- (b) All the joint holders equally
- (c) The joint holder, who is first named in the register of members
- (d) All the joint holder in proportion of money invested by them

Q.14. _____, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

- (a) Associate company
- (b) Subsidiary company
- (c) Investing company
- (d) None of these

Q.15. A company incorporated outside India which has no place of business in India and which does not conduct any business activity in India in any manner is _____.

- (a) A foreign company
- (b) An Indian company
- (c) Company as defined in section 2(20)
- (d) None of these

Q.16. 'Company limited by guarantee' means a company having the liability of its members limited by _____ to such amount as the members may respectively undertake to contribute to the assets of the company in the event of its being wound up.

- (a) The Companies Act, 2013
- (b) The Articles
- (c) The memorandum
- (d) The Rules

Q.17. Government Company means any company in which not less than 51% of the paid up share capital is held-

- (a) By the Central Government
- (b) By any State Government(s)
- (c) Jointly by the Central Government and any State Government(s)
- (d) Any of these

Q.18. A private company shall have a minimum of ____ members and a maximum of ____ members.

- (a) 1; 100
- (b) 2; 200
- (c) 2; 100
- (d) 7; 50

Q.19. Private company means a company which by _____, prohibits any invitation to _____ to subscribe for any securities of the company.

- (a) Its articles; any person
- (b) Its articles; the public
- (c) Its memorandum; the public
- (d) Its memorandum; any person

Q.20. An institution may be notified as a public financial institution if ____ of the paid-up share capital of such institution is held or controlled by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments.

- (a) 25% or more
- (b) 50% or more
- (c) More than 50%
- (d) 51% or more

Q.21. Which of the following statement(s) is/are not correct?

- (a) The illegality of an illegal association cannot be cured by subsequent reduction in the number of its members.
- (b) The illegality of an illegal association can be cured by subsequent reduction in the number of its members.
- (c) Illegal association can be wound up even under the provisions relating to winding up of unregistered companies.
- (d) Both (b) and (c)

Q.22. Company which is created by Special Act of Parliament is known as _____?

- (a) Chartered Company
- (b) Statutory Company
- (c) Special Company
- (d) Government Company

Q.23. Reserve Bank of India, Life insurance Corporation of India, etc. are examples of _____ types of companies.

- (a) Chartered Company
- (b) Statutory Company

(c) Special Company

(d) Government Company

Q.24. Government Company means any company in which not less than 51% of the paid-up share capital is held by _____

(a) The Central Government

(b) The State Government(s)

(c) Partly by the Central Government and partly by one or more State Governments

(d) All of the above

Q.25. Which of the following statement(s) is/are not incorrect?

(a) Government Company is neither a Government department nor a Government establishment.

(b) Employees of a Government Company are not the employees of the Central or State Government

(c) A Government Company can be wound-up like any other company registered under the Act.

(d) All of the above

Q.26. Which of the following statement(s) is/are correct?

(a) As per section 19 of Companies Act, 2013, subsidiary company cannot hold any shares into its holding company either by itself or through its nominee.

(b) Holding company can allot or transfer any of its shares to its subsidiary. If transfer is made, it is valid.

(c) Both of the above

(d) None of the above

Q.27. In which of the following situation(s) subsidiary company can hold shares in holding company?

(a) It can hold shares as legal representative of deceased member of holding company

(b) it can hold shares as trustee

(c) it has become shareholder before it became a subsidiary company of holding company

(d) All of the above

Q.28. As soon as dividend is declared, the amount of dividend (Final dividend or Interim dividend as the case may be) shall be deposited in a separate bank account within 5 days from date of declaration of dividend. However, this provision is not applicable to

(a) Government company

(b) 100 % Government company

(c) Private company

(d) Both (a) and (c)

Q.29. Accounts of IEPF shall be audited by _____

- (a) CAG (b) Auditor (c) Statutory auditor (d) Inspector of Central Government

Q.30. In which of the following case(s), non-payment of dividend in 30 days is not considered as default?

- (a) Where directions given by shareholder for payment of dividend cannot be compiled with and same has not been communicated to him.
- (b) Where directions given by shareholder for payment of dividend cannot be compiled with and same has communicated to him.
- (c) Both of the above
- (d) None of the above

Part – II**(70 marks)****Descriptive Questions**

Q.1 Under what circumstances a company business subsidiary of another company under the provisions of the Companies Act, 2013? **(4 Marks)**

Q.2 Explain the concept of “Dormant Company” as envisaged in the Companies Act, 2013 **(4 Marks)**

Q.3 40% of the Paid-Up Share Capital of Company A is held by the Central Government and 11% by Public Financial Institutions like Life Insurance Corporation of India and the Unit Trust of India. Is Company A, a Government Company? **(4 Marks)**

Q.4. Star Ltd declared and paid dividend in time to all its Equity Holders for the Financial Year 2015-2016, except in the following two cases:

(a) Mrs. Sheela, holding 250 shares had mandated the company to directly deposit the Dividend Amount in her Bank Account, The Company, accordingly remitted the Dividend but the Bank returned the payment on the ground that there was difference in surname of the payee in the Bank Records. The Company, however, did not inform Mrs. Sheela about this discrepancy.

(b) Dividend Amount of ₹ 50,000 was not paid to Mr. Mohan, deceased, in view of Court Order restraining the payment due to family dispute about succession.

You are required to analyse these cases with reference to provisions of COA, 2013 regarding failure to distribute dividends. **(4 Marks)**

Q.5. The Directors of Som Limited proposed Dividend at 12% on Equity Shares for the Financial Year 2015-16. The same was approved in the Annual General Meeting of the company held on 20th September 2016. The Directors declared the approved Dividends. They seek your opinion on the following matters:

(a) Mr. Ashok, holding Equity Shares of Face value of ₹ 10 lakhs has not paid an amount of ₹ 1 lakh towards call money on Shares. Can the same be adjusted against the Dividend amount payable to him?

(b) Mr. Nini was the holder of 1,000 Equity Shares on 31st March 2016, but she has transferred the shares to Mr. Raj, whose name has been registered on 20th May 2016. Who will be entitled to the above Dividend? **(4 Marks)**

Q.6. Whether the following statements are True or false:

1. If the members composing the company die or dissociate themselves, the company also gets extinct.
2. A company can own property, have a Banking Account, raise Loans, incur Liabilities and enter into Contracts, whereas its Members cannot contract with the Company, acquire rights against it or incur liability to it.
3. A Subsidiary Company cannot hold Shares of its Holding Company.
4. Company is a Legal Person but not a citizen.

(1 x 4 Marks)

Q.7. The United Traders Association was consulted by two joint Hindu Families consisting of 54 members. The Association was carrying the business of trading as Retailers, with the object for acquisitions of gain. The Association was not registered as a Company under the Companies Act, or other-law. State whether United Traders Association is having any legal status? Will there be any change in the status of the Association if the members of the United Traders Association subsequently reduced to 45?

(4 Marks)

Q.8. Referring to the provisions of the Companies Act, 2013, examine the validity of the following:

The Board of Directors of ABC Ltd proposes to declare dividend at the rate of 20% to the equity shareholders, despite the fact that the company has defaulted in repayment of public deposits accepted before the commencement of this Act.

(2 Marks)

Q.9. Alpha Ltd. a section 8 company is planning to declare dividend in the Annual General Meeting for the financial year ended 31-3-2018. Mr. Chopra is holding 800 equity shares as on date. State whether the act of the company is according to the provisions of the Companies Act, 2013.

(2 Marks)

Q.10. AB Limited issued equity shares of ₹ 1,00,000 (10000 shares of ₹ 10 each) on 01.04.2020 which have been fully subscribed whereby XY Limited holds 4000 shares and PQ Limited holds 2000 shares in AB Limited. AB Limited is also holding 20% equity shares of RS Limited before the date of issue of equity shares stated above. RS Limited controls the composition of Board of Directors of XY Limited and PQ Limited from 01.08.2020. Examine with relevant provisions of the Companies Act, 2013:

(i) Whether AB Limited is a subsidiary of RS Limited?

(ii) Whether AB Limited can hold shares of RS Limited?

(iii) Whether AB Limited can vote at Annual General Meeting of RS Limited held on 20.09.2020? **(6 Marks)**

Q.11. Following are some of the securities, issued by different companies related with each other, as follows:-

Company	Securities Issued	Remarks
Kieshrahit Ltd.	Listed non-convertible redeemable preference shares issued on private placement basis in terms of relevant SEBI Regulations.	Has the power to appoint 2/3 rd directors in Indriyadaman Ltd.
Indriyadaman Ltd.	Listed non-convertible debt securities issued on private placement basis in terms of relevant SEBI Regulations.	Holding 60% voting power in Sajagta (P) Ltd.
Sajagta (P) Ltd.	Listed non-convertible debt securities issued on private placement basis in terms of relevant SEBI Regulations.	The company holds 52% equity shares in Pratibodh Ltd. as an investment on behalf of another company in a capacity of a trustee.

Equity shares issued by the Kieshrahit Ltd. and indriyadaman Ltd. are not listed in any of the recognized stock exchanges.

In the context of aforesaid facts, answer the following question(s): -

(a) Whether the aforesaid companies can be considered as listed company(ies)?

(b) Explain the relationship between the aforesaid companies?

(6 Marks)

Q.12. The Board of Directors of GEN X Fashions Limited at its meeting recommended a dividend on its paid-up equity share capital which was later on approved by the Shareholders at the Annual General Meeting. Thereafter, the directors at another meeting of the Board passed a board resolution for diverting the total dividend to be paid to the shareholders for purchase of certain short-term investments in the name of the company. As a result, dividend was paid to shareholders after 45 days.

Examining the provisions of the Companies Act, 2013, state whether the act of directors is in violation of the provisions of the Act and if so, state the consequences that shall follow for the above violative act.

(4 Marks)

Q.13. F, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a block of investment as an agent for it. The dividend and interest income received by the company was handed back to F as a pretended loan. This way F divided his income into three parts in a bid to reduce his tax liability.

Decide, for what purpose three companies were established? Whether the legal personality of all the three companies may be disregarded?

(4 Marks)

Q.14. What is meant by a Guarantee company? State the similarities and dissimilarities between a Guarantee company and a Company having share capital.

(6 Marks)

Q.15. MNP Private Ltd. is a company registered under the Companies Act, 2013 with a paid up share capital of ₹ 45 lakh and turnover of ₹ 3 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 MNP Private Ltd. can avail the status of Small Company?

(ii) What will be your answer if the turnover of the company is ₹30 crore?

(4 Marks)

Q.16. Difference between Interim Dividend and Final Dividend?

(5 Marks)

Q.17. Write down any 6 specified Amounts Credited to the IEPF under Sec 125.

(3 Marks)

SPACE FOR ROUGH WORK