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TEST-3

CA INTERMEDIATE

CORPORATE AND OTHER LAWS

Topics Covered:

1. PRELIMINARY
2. PROSPECTUS AND ALLOTMENT OF SECURITIES

QUESTION PAPER BOOKLET NO. 3112023

(04-11-2023 12:00 NOON TO 3:00 P.M.)

Roll No365874.....

Time allowed: 3 hours

Total No. of Printed Pages: 14

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

Q.1. 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.2. 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.3. 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.4. 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.5. 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.6. 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.7. Kaveri Goods Carriers Private Limited (KGCPL) issued 9% Non-convertible Debentures worth ₹ 10 lakhs and thereafter, the directors contemplated to get them listed. After due formalities, these privately placed non-convertible debentures of ₹ 10 lakhs were listed. Which of the following options is applicable in the given situation:

- (a) KGCPL shall be considered as a listed company.
- (b) KGCPL shall not be considered as a listed company.
- (c) KGCPL shall be considered as a listed company only when minimum amount of listed privately placed non-convertible debentures is ₹ 15 lakhs.
- (d) KGCPL shall be considered as a listed company only when minimum amount of listed privately placed non-convertible debentures is minimum ₹ 20 lakhs.

Q.8. A Ltd. is the holding company of B Ltd. Another company C Ltd. is the subsidiary company of B Ltd. Is there any relationship between A Ltd. and C Ltd.

- (a) There is no relationship between A Ltd. and C Ltd.
- (b) C Ltd. is deemed to be the subsidiary of A Ltd.
- (c) A Ltd. shall be deemed to be the holding company of C Ltd. provided A Ltd. acquires at least 10% stake in C Ltd.
- (d) C Ltd. shall be deemed to be the subsidiary of A Ltd. if the latter company acquires minimum 10% stake in the former company within six months after C Ltd. becomes subsidiary of B Ltd.

Q.9. A Ltd. is holding 61% shares in B Ltd. and B Ltd. holds 51% in C Ltd. State which is the correct statement here:

- (a) C Ltd. is the holding company to A Ltd.
- (b) C Ltd. is the holding company to B Ltd.
- (c) B Ltd. is the Subsidiary to C Ltd.
- (d) Both B Ltd. and C Ltd. are subsidiary to A Ltd

Q.10. Trident Limited is in process of making private placement of securities. It received application money on 2nd March 2023. It shall allot its securities by _____, if failed then repay application money to the subscribers by _____, else liable to repay that money with interest at the rate of _____.

- (a) 1st April, 16th April, and 12% respectively
- (b) 1st May, 16th May, and 12% respectively
- (c) 1st April, 16th April, and 6% respectively
- (d) 16th April, 1st May, and 12% respectively

Q.11. Where a company issues a shelf prospectus, it shall, prior to the issue of a second or subsequent offer of securities under the shelf prospectus, file _____ with the Registrar.

- (a) A deemed prospectus
- (b) A prospectus
- (c) An information memorandum
- (d) An abridged prospectus

Q.12. _____ means a prospectus which does not include complete particulars of the quantum or price of the securities included therein

- (a) Shelf prospectus
- (b) Red herring prospectus
- (c) Information memorandum
- (d) Abridged prospectus

Q.13. A Company proposing to issue a red herring prospectus shall file it with the Registrar at least ____ prior to the opening of the subscription list and the offer

- (a) 3 days
- (b) 7 days
- (c) 14 days
- (d) 15 days

Q.14. Any variation between the red herring prospectus and a prospectus shall be highlighted as variations in the _____

- (a) Deemed prospectus
- (b) Prospectus
- (c) Information memorandum
- (d) Abridged prospectus

Q.15. The application money on every security shall not be less than ____ of the nominal amount of the security

- (a) 2%
- (b) 2.5%
- (c) 5%
- (d) 10%

Q.16. A company shall file return of allotment with the Registrar on _____

- (a) Allotment of securities
- (b) Reissue of forfeited shares
- (c) Both (a) and (b)
- (d) Forfeiture of shares

Q.17. A company can issue Global Depository Receipts only if it is authorised by _____

- (a) An ordinary resolution
- (b) A special resolution
- (c) A unanimous resolution
- (d) None of these

Q.18. The Global Depository Receipts may be issued by way of _____

- (a) Public offering
- (b) Private Placement
- (c) Any manner prevalent abroad
- (d) Any of these

Q.19. A company making private placement shall issue _____

- (a) Private placement offer-cum-application
- (b) Prospectus
- (c) Abridged prospectus
- (d) Red herring prospectus

Q.20. A company may make a private placement of its securities only if its is authorised by _____

- (a) The Central Government
- (b) The Tribunal
- (c) The Court
- (d) None of these

Q.21. A company may make a private placement of its securities only if such proposal is approved by _____

- (a) The members by passing an ordinary resolution
- (b) The members by passing a special resolution
- (c) The Board by passing a unanimous resolution
- (d) Both (b) and (c)

Q.22. Every person willing to subscribe to the private placement issue shall pay to the company the subscription money by _____

- (a) Cheque
- (b) Cash
- (c) Either (a) or (b)
- (d) None of these

Q.23. A company making private placement shall allot the securities within _____ of receiving the application money for the securities.

- (a) 30 days
- (b) 45 days
- (c) 60 days
- (d) 90 days

Q.24. Newage Private Limited issued 9% Non-convertible Debentures worth ₹ 10 lakh and thereafter, the directors contemplated to get them listed. After due formalities, these privately placed non-convertible debentures of ₹ 10 lakh were listed. Which of the following options is applicable in the given situation:

- (a) Newage Private Limited shall be considered as a listed company.
- (b) Newage Private Limited shall not be considered as a listed company.
- (c) Newage Private Limited shall be considered as a listed company only when minimum amount of listed privately placed non-convertible debentures is ₹ 15 lakh.
- (d) Newage Private Limited shall be considered as a listed company only when minimum amount of listed privately placed non-convertible debentures is minimum ₹ 20 lakh.

Q.25. 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

Q.26. 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%

Q.27. Modern Furniture Limited, issued a document containing offer of securities for sale that is considered as deemed prospectus under section 25, which requires such document must contains certain matters/disclosures in addition to those required under section 26. Which of following are correct requirements;

- i. A statement of the net amount received or to be received as consideration for the securities to which the offer relates
- ii. The persons making the offer were named in the prospectus as promoters of the company.
- iii. The time and place at which the underlying contract for allotment may be inspected.

- (a) i or ii only
- (b) i or iii only
- (c) ii or iii only
- (d) All of i, ii and iii

Jai and Veeru, two friends, formed a private limited company as Basanti Taanga Private Limited and got it registered on 10th January, 2018. The registered office of the company was situated at Kolkata, West Bengal. The company had an authorised share capital of ₹ 50 lacs divided into 5 lacs equity shares of ₹ 10/- each. The issued, subscribed and paid-up share capital of the company was of ₹ 30 lacs divided into 3 lacs equity shares of ₹ 10 each. The company was engaged in supplying various motor parts to the vehicles companies. 'Basanti' was a registered Trade mark of Basanti Motorwala Private Limited of Mumbai since 15th January, 2016 under the Trade Marks Act, 1999. This company was also engaged in manufacturing and supplying various auto parts to the vehicles companies. Basanti Motorwala Private Ltd. of Mumbai came to know on 20th January, 2022 about Basanti Taanga Private Limited of Kolkata who was using identical name and mark. Being a registered proprietor of a trade mark, Basanti Motorwala Private Ltd. filed an objection with an appropriate authority under Companies Act, 2013 on 15th March, 2022 that the name Basanti Taanga Private Limited or the mark the company was using is found to be identical with or too nearly resembles to the registered trade mark of Basanti Motorwala Private Ltd. and as such the appropriate authority should direct Basanti Taanga Private Limited to change its name. The appropriate authority after going through all the details rejected the application of Basanti Motorwala Private Ltd.

Thereafter on 14th July, 2020, Basanti Motorwala Private Ltd. requested Basanti Taanga Private Limited to change its name and Basanti Taanga Private Limited accepted the same in good relationship. Basanti Taanga Private Limited complied with all the formalities under Companies Act, 2013 such as passing of all necessary resolutions, taking approval from appropriate authority, filing of documents with the Registrar of Companies etc. The name of the company Basanti Taanga Private Limited was changed to Jai Veeru Private Limited. A fresh certificate of incorporation was issued to the company by the Registrar after being satisfied with the name change application of the company. Subsequent to the issuance of the new incorporation certificate, steps were taken up to incorporate the new name in all copies of the Memorandum of Association, Articles of Association and other documents of the company.

Based on the above facts, answer the following 28 to 30 MCQs

Q.28. In the above case scenario, what can be the most evident reason for the appropriate authority to reject the application of Basanti Motorwala Private Ltd?

- (a) The appropriate authority rejected the application on the basis that the names of both the companies are different- Basanti Motorwala Private Ltd and Basanti Taanga Private Limited.
- (b) The appropriate authority rejected the application as Basanti Motorwala Private Ltd (owner of the registered mark) should have filed the objection within three years of the registration of company with identical name.
- (c) The appropriate authority could have rejected the application on the basis that both the companies are located in different cities and thus can use almost similar names.
- (d) The appropriate authority could have rejected the application on the basis that both the companies have different years of incorporation and both are located in different cities.

Q.29. In the above case scenario, what ought to have been the time limit within which Basanti Motorwala Private Ltd, should have filed the objection for wrong name:

- (a) On or before 9th January, 2021
- (b) On or before 9th January, 2022
- (c) On or before 9th January, 2023
- (d) They can file the objection at any time

Q.30. According to above case, a fresh certificate of incorporation was issued to the company by the Registrar after being satisfied with the name change application of the company. Which of the following statements is correct in this context?

- (a) The change in name of the company is said to be complete and effective from the date of passing of resolution in the general meeting of members.
- (b) The change in name of the company is said to be complete and effective from the date of issue of fresh certificate of incorporation by the Registrar.
- (c) The change in name of the company is said to be complete and effective from the date on which documents were filed with the Registrar.
- (d) The change in name of the company is said to be complete and effective from the date of the order of Ministry of Corporate Affairs approving the change of name.

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

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

Q.1 (a) XYZ Ltd. issued a Prospectus inviting the public for subscription of its Equity Shares stating in it that the Company possesses good financial health and paying dividends to its Equity Shareholders consistently and regularly at 20% over the last five years. The fact was, Company was running in loss since last three years and it was paying dividends to its Shareholders out of accumulated profits. Mr. Amit read the prospectus and bought 500 Shares from the Company. Discovering the mis-statement made by the Company in Prospectus, he wants to rescind the contract and claim damages from the Company. Referring the provisions of the Companies Act, decide, whether Mr. Amit will succeed. **(4 Marks)**

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

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

Q.1(c) H Ltd. is the holding company of S Pvt. Ltd. As per the last profit and loss account for the year ending 31st March, 2022 of S Pvt. Ltd., its turnover was ₹ 1.80 crore; and paid up share capital was ₹ 80 lakh. The Board of Directors wants to avail the status of a small company. The Company Secretary of the company advised the directors that the company cannot be categorized as a small company. In the light of the above facts and in accordance with the provisions of the Companies Act, 2013, you are required to examine whether the contention of Company Secretary is correct, explaining the relevant provisions of the Act. **(4 Marks)**

Q.1(d) 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 30.09.2020? **(5 Marks)**

Q.2 (a) With a view to issue shares to the general public, a Prospectus containing some false information was issued by a Company. X received a copy of the Prospectus from the Company, but did not apply for allotment of any shares. The allotment of shares to the general public was completed by the Company within the stipulated period. A few months later, X bought 2000 Shares through the Stock Exchange at a higher price, which later on fell sharply, X sold these shares at a heavy loss. X claims damages from the Company for the loss suffered on the ground the Prospectus issued by the Company contained a false statement. Examine whether X's claim for damages is justified. **(4 Marks)**

Q.2 (b) Referring the relevant provisions of the Companies Act, 2013, examine, whether following companies will be considered as listed company or unlisted company

- (i) ABC Limited, a public company, has listed its non-convertible Debt securities issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
- (ii) CHG Limited, a public company, has listed its non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.
- (iii) PRS Limited, a public company, which has not listed its equity shares on a recognized stock exchange but whose equity shares are listed on a stock exchange in a jurisdiction as specified in sub-section (3) of section 23 of the Companies Act, 2013. **(6 Marks)**

Q.2 (c) Unique Builders Limited decides to pay 2.5 percent of the value of debentures as underwriting commission to the underwriters but the Articles of the company authorize only 2.0 percent underwriting commission on debentures. The company further decides to pay the underwriting commission in the form of flats. Examine the validity of the above arrangements under the provisions of the Companies Act, 2013.

(4 Marks)

Q.2 (d) Write a short note on Red Herring Prospectus.

(3 Marks)

Q.3 (a) Ram Limited is planning to make a private placement of securities. The Managing Director arranged to obtain a brief note from some source explaining the salient features of the issue of private placement that the Board of Directors shall keep in mind while approving the proposal on this subject. The brief note includes, inter alia, the information / suggestions on the following points:

(i) A private placement shall be made only to a select group of identified persons not exceeding 200 in a financial year.

The aforesaid ceiling of identified persons shall not apply to the offer made to the qualified institutional buyers but is applicable to the employees of the Company who will be covered under the Company's Employees Stock Option Scheme.

(ii) The offer on private placement basis shall be made only once in a financial year for any number of identified persons not exceeding 200.

The Company solicits your remarks on the points referred above as to whether they are valid or not? Reasoned remarks should be given in accordance with the provisions of the Companies Act, 2013. **(6 Marks)**

Q.3 (b) Explain various instances which make the allotment of securities as irregular allotment under the Companies Act, 2013. **(5 Marks)**

Q.3 (c) Kite Limited issued 1,00,000 equity shares of ₹ 100 each at par to the public by issuing a prospectus. The prospectus discloses the minimum subscription amount of ₹ 15,00,000 required to be received on application of shares and share application money shall be payable at ₹ 20 per share. The prospectus further reveals that Kite Limited has applied for listing of shares in 3 recognized stock exchanges of which 1 application has been rejected. The issue was fully subscribed and Kite Limited received an amount of ₹20,00,000 on share application. Kite Limited, then proceeded for allotment of shares.

Examine the three disclosures in the above case study which are the deciding factors in an allotment of shares and the consequences for violation, if any under the provisions of the Companies Act, 2013. **(6 Marks)**

Q.4 (a) MBL Pharmaceutical Limited is committed to provide quality medicines at an affordable cost through relentless pursuit of excellence in its operations, product quality, documentation and services. The company is now focusing on oncology therapeutics & other generics with a vision to be a Global Leader in Oncology. The prospectus issued by the company contained some important extracts of the expert's report on research

by oncology department. The report was found untrue. Mr. Diwakar purchased the shares of MBL Pharmaceutical Limited on the basis of the expert's report published in the prospectus. Will Mr. Diwakar have any remedy against the company? State also the circumstances where an expert is not liable under the Companies Act, 2013. **(5 Marks)**

Q.4 (b) How does the Companies Act, 2013 regulate and restrict the following matters in respect of a company going for public issue of shares:

(i) Minimum Amount stated in the Prospectus; and

(ii) Application Money payable on shares

(5 Marks)

Q.4 (c) What is a Shelf-Prospectus? State the important provisions relating to the issuance of Shelf-Prospectus under the provisions of the Companies Act, 2013 and the Companies (Prospectus and Allotment of securities) Rules, 2014. **(3 Marks)**

Q.4 (d) Teresa Ltd. is a company registered in New York (U.S.A). The company has no place of business established in India, but it is doing online business through data interchange in India. Explain with reference to relevant provisions of the Companies Act, 2013 whether Teresa Ltd. will be treated as Foreign Company.

(4 Marks)

Q.5 (a) The Board of Directors of Chandra Mechanical Toys Limited proposes to issue a prospectus inviting offers from the public for subscribing to the equity 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. **(5 Marks)**

Q.5 (b) Write short note –

(i) Body Corporate

(ii) Illegal Association

(6 Marks)

Q.5 (c) 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?

What are the penalties in case of default in complying with the provisions related to issue of abridged prospectus? **(6 Marks)**

SPACE FOR ROUGH WORK
