

# M.K.G CA EDUCATION

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## TEST-3

### CA INTERMEDIATE

### CORPORATE AND OTHER LAWS

#### Topics Covered:

#### 1. Registration of charges

#### 2. Prospectus and allotment of securities

**QUESTION PAPER BOOKLET NO. 3112022**

**(27-11-2022 3:00 P.M. TO 6:00 P.M)**

Roll No .....345871.....

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)**

### **MCO (Multiple Choice Questions)**

**Each question consists of 1 mark**

**Q.1** The term 'Charge' is defined as an interest or lien created on the property or assets of a company or any of its \_\_\_\_\_ or both as security and includes a \_\_\_\_\_

- (a) Intellectual property right; mortgage
- (b) Undertakings; mortgage
- (c) Undertakings; hypothecation
- (d) Intellectual property rights; pledge

**Q.2** Where a company created a charge or any of its assets, it shall be the duty of the company to register such charge with the Registrar within \_\_\_\_\_ of its creation.

- (a) 15 days
- (b) 30 days
- (c) 45 days
- (d) 60 days

**Q.3** Where a charge is not registered within the stipulated time period, the company may make an application to the Registrar for condonation of delay. The registrar may allow the registration of the charge within \_\_\_\_ of creation of charge

- (a) 60 days
- (b) 120 days
- (c) 180 days
- (d) 300 days

**Q.4** For registration of charge the particulars of the charge together with a copy of the instrument, if any, creating the charge in Form No. \_\_\_\_\_ (for other than Debentures) or Form No. \_\_\_\_\_ (for debentures) shall be filed with the Registrar.

- (a) CHG-1; CHG-9
- (b) CHG-2; CHG-10
- (c) CHG-1; CHG-2
- (d) CHG-1; CHG-10

**Q.5** Where a charge is registered with the Registrar, the Registrar shall issue a certificate of registration of such charge in Form No. \_\_\_\_\_

- (a) CHG-1
- (b) CHG-2
- (c) CHG-3
- (d) CHG-4

**Q.6** Where the particulars of modification of charge is registered, the Registrar shall issue a certificate of modification of charge in Form No.

- (a) CHG-1
- (b) CHG-2
- (c) CHG-3
- (d) CHG-4

**Q.7** The Registrar shall keep a register of charges which shall be open to inspection by \_\_\_\_ on payment of fee

- (a) The company
- (b) The chargeholder
- (c) Both (a) and (b)
- (d) Any person

**Q.8** Where a registered charge is paid or satisfied in full, the company shall, within \_\_\_\_\_ give an intimation to the Registrar.

- (a) 15 days
- (b) 30 days
- (c) 45 days
- (d) 60 days

**Q.9** Where a registered charge is paid or satisfied in full, but the company does not give to the Registrar an intimation of such payment or satisfaction within the stipulated time period, the company or the charge-holder may make an application to the Registrar for condonation of delay. The Registrar may allow such intimation of payment or satisfaction to be made within \_\_\_\_\_ of such payment or satisfaction.

- (a) 15 days
- (b) 30 days
- (c) 45 days
- (d) 60 days

**Q.10** If the property charged \_\_\_\_\_, the Registrar may record the satisfaction of charge in the register of charges maintained by him notwithstanding the fact that no intimation of satisfaction of charge has been given to him by the company.

- (a) Has been released from charge
- (b) has Ceased to be the property of the company
- (c) Either (a) or (b)
- (d) None of these

**Q.11** If a person appointed as a receiver or manager ceases to hold his office, he shall give a notice of such fact to \_\_\_\_\_

- (a) The company
- (b) The Registrar
- (c) Either (a) or (b)
- (d) None of these

**Q.12** Every company shall keep at its registered office a register of charges in Form N. \_\_\_\_\_

- (a) CHG-7
- (b) CHG-8
- (c) CHG-9
- (d) CHG-10

**Q.13** The register of charges maintained by the company shall be preserved \_\_\_\_\_

- (a) For a period of 3 years
- (b) For a period of 6 years
- (c) For a period of 8 years
- (d) Permanently

**Q.14** the instrument creating a charge or modification thereon shall be preserved by the company for a period of 8 years from the date of \_\_\_\_\_ of charge

- (a) Creation
- (b) Modification
- (c) Satisfaction
- (d) None of these

**Q.15** If there is omission or mis-statement of any entry required to be entered in the register of charges and \_\_\_\_ is satisfied that it was accidental or due to inadvertence or due to some other sufficient cause, or it is just and equitable to grant relief, it may make an order for rectification of register of charges.

- (a) The Tribunal
- (b) The Central Government
- (c) The Court
- (d) The Registrar

**Q.16** The shelf prospectus shall indicate a period not exceeding \_\_\_\_\_ as the period of validity of such prospectus.

- (a) 3 months
- (b) 6 months
- (c) 1 year
- (d) 2 years

**Q.17** 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.18** \_\_\_\_\_ 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.19** 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.20** 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.21** 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.22** 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.23** 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.24** 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.25** A company making private placement shall issue \_\_\_\_\_

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

**Q.26** The private placement shall not be made, during the entire financial year, to more than \_\_\_\_\_ persons

- (a) 50
- (b) 100
- (c) 200
- (d) 250

**Q.27** 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.28** 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.29** 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.30** 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

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


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

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**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. **(5 Marks)**

**(b)** 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. **(5 Marks)**

**(c)** An Allottee of Shares in a Company brought action against a Director in respect of false statements in the Prospectus. The Director contended that the statements were prepared by the Promoters and he has relied on them. Is the Director liable under the circumstances? **(5 Marks)**

**(d)** Modern Furniture Limited was willing to purchase Teakwood Estate in Chhattisgarh State. Its Prospectus contained some important extracts from an Expert Report giving the number of teakwood trees and other relevant information in the estate in Chhattisgarh State. The report was found inaccurate. Mr. 'X' purchased the shares of Modern Furniture Limited on the basis of the above statement in the Prospectus. Will Mr. 'X' have any remedy against the Company? When an Expert will not be liable? State the provisions of the Companies Act, in this respect. **(4 Marks)**

**Q.2 (a)** Explain briefly whether the following statements are correct or incorrect.

- (i) Television Advertisements and Visual Clips giving all required details can be treated as a Prospectus. **(2.5 Marks)**
- (ii) Private Companies as well as Private Placement by any Company, do not require the issue of a Prospectus. **(2.5 Marks)**

**(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)**

**(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. **(6 Marks)**

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

**(b)** Renuka Soaps and Detergents Limited realised on 2nd May, 2019 that particulars of charge created on 12th March, 2019 in favour of a Bank were not registered with the Registrar of Companies. What procedure should the company follow to get the charge registered? Would the procedure be different if the company realised its mistake of not registering the charge on 7th June, 2019 instead of 2nd May, 2019? Explain with reference to the relevant provisions of the Companies Act, 2013. **(5 Marks)**

**(c)** Define the term “charge” and also explain what is the punishment for default with respect to registration of charge as per the provisions of the Companies Act, 2013. **(4 Marks)**

**(d)** ABC Limited created a charge in favour of OK Bank. The charge was duly registered. Later, the Bank enhanced the facility by another Rs. 20 crores. Due to inadvertence this modification in the original charge was not registered. Advise the company as to the course of action to be pursued in this regard. **(3 Marks)**

**Q.4 (a)** Mr. Antriksh purchased a commercial property in Delhi belonging to NRT Limited after entering into an agreement with the company. At the time of registration, Mr. Antriksh comes to know that the title deed of the company is not free and the company expresses its inability to get the title deed transferred in his name contending that he ought to have the knowledge of charge created on the property of the company. Explain, whether the contention of NRT Limited is correct? **(5 Marks)**

**(b)** Ranjit acquired a property from ABC Limited which was mortgaged to OK Bank. He settled the dues to OK Bank in full and the same was registered with the sub-registrar who has noted that the mortgage has been settled. But neither the company nor OK Bank has filed particulars of satisfaction of charge with the Registrar

of Companies. Can Mr. Ranjit approach the Registrar and seek any relief in this regard? Discuss this matter in the light of provisions of the Companies Act, 2013. **(5 Marks)**

**(c)** Distinguish between 'Fixed charge' and 'Floating charge'. **(4 Marks)**

**(d)** Point out the circumstances where under a floating charge becomes a fixed charge. **(3 Marks)**

**Q.5 (a)** 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)**

**(b)** 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)**

**(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. **(4 Marks)**

**(d)** Red Herring Prospectus **(3 Marks)**

**SPACE FOR ROUGH WORK**