

MOCK TEST PAPER
INTERMEDIATE (NEW): GROUP – I
PAPER – 2: CORPORATE AND OTHER LAWS

Division A is compulsory

In Division B, Question No.1 is compulsory

*Attempt any **Three** questions out of the remaining **Four** questions*

Time Allowed – 3 Hours

Maximum Marks – 100

Division A (30 Marks)

1. Mr. Abhinav Gyan is a tech expert and one among the promoter of Doon Technology Limited (DTL). He did his engineering from one of the prestigious IIT in CSE and then perused masters in management from IIM. He started DTL fifteen years back. DTL is famous for advance technologies such as artificial intelligence, block-chain solutions and many others. The company went public a decade ago but not listed. Since DTL is expanding its operations in wake of opportunities arises out of industrial revolution, hence willing to retain the profit for growth of the company, but shareholders are seeking dividend; because for shareholders larger the bottom line means larger the dividend. The outbreak of COVID-19 is another reason which forced the directors to retain the earnings. After the closure of books of account for year 2019-20, directors proposed the dividend of 10% against the expectation of 20% by shareholders. But considering the extended lock-down which causes a delay in delivering the projects (results in deferment of revenue and additional cost), directors are of the opinion to revoke the dividend. Shareholders seeks appointment of internal auditor for audit on a concurrent basis, whereas management of DTL states it does not require to appoint an internal auditor under the law and it will cause an unnecessary financial burden on the company. The excerpts from financial statements of the preceding financial year 2019-20 are as under:

Particulars	Amount in Crores
Paid-up share capital	45
Turnover	495
Outstanding loans or borrowings*	105
Outstanding deposits	22#

*Includes inter-corporate loan of INRs 25 crores

up-till 31st January, 2020 the outstanding deposit was INRs 30 crores

Mr. Gyan, one of the shareholder of DTL, out of his savings bought 40,000 shares of another company Time Consultancy Services (TCS) of face value 10 each. On such shares, the final call of 2 is due but unpaid by Mr. Gyan. In the meantime, TCS declared the dividend at a rate of 15%. Out of total dividend of INRs 8.4 crores declared on 31st August 2020, INRs 0.42 crores remain unpaid as on 30th September 2020 at the end of TCS. Out of such INRs 0.42 crores, INRs 12 lakhs are on account of the operation of law and INRs 3 lakhs on account of legal disputes of right. The unpaid dividend was finally paid on 12th December, 2020 in full.

Mr. Gyan came from humble background, hence as part of ethical commitment to uplift the society by promoting education to children of the economically weak section, he decided to form a section 8 company around 2 years back with the support of fellow professional, who later become a member of such a company. Receipts are excess of expenditure hence it was decided that Gyan foundation will declare some dividend to its members.

On the basis of above facts, answer the following MCQs [4 MCQs of 2 Marks each: Total 8 Marks]:

- (i) Regarding un-paid call money by Mr. Gyan, in light of dividend due to him from TCS, state which of following statements hold truth?
- (a) Dividend can't be adjusted against the unpaid call money
 - (b) The dividend of INRs 48,000 can be adjusted against unpaid call money
 - (c) The dividend of INRs 48,000 can be adjusted against unpaid call money, if consent is given by Mr. Gyan
 - (d) The dividend of INRs 64,000 can be adjusted against unpaid call money, if consent is given by Mr. Gyan
- (ii) Does DTL is required to appoint Internal Auditor under section 138 of Companies Act, 2013?
- (a) No, because DTL is unlisted company
 - (b) No, because paid-up share capital is less than INRs 50 crores
 - (c) Yes, because turnover is more than INRs 200 crores
 - (d) Yes, because outstanding loan is above INRs 100 crores
- (iii) With reference to the declaration of dividend by Gyan Foundation, state which of following statements hold truth?
- (a) Gyan Foundation can declare dividend out of the capital as well.
 - (b) Gyan Foundation can declare dividend either out of current years or previous years' profit, but need to transfer a certain % to reserve.
 - (c) Gyan Foundation can't declare the dividend because three years has not been elapsed since its incorporation.
 - (d) Gyan Foundation can't declare the dividend in any case.
- (iv) What will be the amount of penalty which TCS needs to pay under section 127 of the Companies Act, 2013?
- (a) Up-to INRs 1000 per day till the default continues
 - (b) INRs 64,800
 - (c) INRs 97,200
 - (d) INRs 1,08,000
2. Mr. Mohit Aggarwal is the director of Superior Carbonates and Chemicals Limited (SCCL). SCCL was incorporated by Mr. S. K. Aggarwal (father of Mr. Mohit) on 05th July 1995 as a public company. SCCL accepts a loan from Mr. Mohit of INRs 1.5 crores for short term purpose and expected to repay after 24 months. SCCL in its book of accounts, records such receipt as loan and borrowing under non-current liabilities. At the time of advancing loan, Mr. Mohit affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of such loan transactions are furnished in the board report.
- SCCL has its registered office in Paonta-sahib (Himachal Pradesh) and corporate office is situated in Dehradun (Uttarakhand) but around 15% of members whose name is entered in members' register are residents of Nainital (Uttarakhand). At Nainital, SCCL has Liaison Office. Management of the company is willing to place, register of members at Nainital Liaison Office.
- SCCL convene its 7th AGM on 10th September, 2020 at the registered office of the company. Notice for same was served on 21st August, 2020. More than 78% of members gave consent to convening AGM

at shorter notice due to ambiguity and possibility of another lockdown starting from 11th September 2020 on account of the second wave of COVID-19.

On the basis of above facts, answer the following MCQs **(3 MCQ of 2 Marks each: Total 6 Marks)**

- (i) With reference to the loan advanced by Mr. Mohit to SCCL, apprise whether same is classified as deposit or not?
- (a) Deposit, because any sum advanced by the director whether loan or otherwise is always classified as a deposit
 - (b) Deposit, because the length of the loan is for a period; more than six months.
 - (c) Not a deposit, because such amount is recorded as loan in books of account of SCCL
 - (d) Not a deposit, because the written declaration is provided by Mr. Mohit that said sum of loan is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others.
- (ii) Pick the right statement regarding SCCL's willingness to keep and maintain the register of members at the Nainital liaison office.
- (a) Register of members shall be kept at either registered office or within the same city that too after passing the resolution, hence SCCL can't place it at Nainital liaison office
 - (b) Register of members can't be kept at any other place by SCCL, without passing an ordinary resolution
 - (c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10th of the total members entered in the register of members reside there
 - (d) Register of members can't be kept at Nainital liaison office, even after passing a special resolution, because less than 1/5th of the total members entered in the register of members reside there
- (iii) Considering the provision dealt with length of Notice of AGM, pick the right option depicting the validity of notice served by SCCL.
- (a) Notice served by SCCL is not valid, because shorter length needs to be consented by all the members entitled to vote at AGM.
 - (b) Notice served by SCCL is not valid, because shorter length needs to be consented by at-least 95% of members entitled to vote thereat.
 - (c) Notice served by SCCL is valid because the shorter length is consented by 75% of members entitled to vote thereat.
 - (d) Notice served by SCCL is not valid, because shorter length need to be consented by at-least 50% of the members entitled to vote at AGM that too in writing.
3. When a copy of the contract for the payment of underwriting commission is required to be delivered to the Registrar:
- (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)**

4. Prithvi Cements Limited is desirous of issuing debentures carrying voting rights. Which of the following options is best suited in such a situation:
- (a) Prithvi Cements Limited can issue debentures carrying voting rights if an ordinary resolution is passed permitting such issue.
 - (b) Prithvi Cements Limited can issue debentures carrying voting rights if a special resolution is passed permitting such issue.
 - (c) Prithvi Cements Limited can issue debentures carrying voting rights if it mortgages land and buildings worth two times the amount of such debentures.
 - (d) Prithvi Cements Limited cannot issue debentures carrying voting rights. **(1 Mark)**
5. Which of the non financial matter, Statutory auditor is required to report in his report:
- (a) Whether employees appointed during the period covered by audit meet the requisite educational/professional qualification at the time of appointment.
 - (b) Whether every page of minute book of General meetings bears full signature of Chairman as per provisions of Companies Act, 2013.
 - (c) Whether the incorporation documents are managed properly.
 - (d) Whether any director is disqualified from being appointed as a director under section 164(2). **(1 Mark)**
6. If a company changes its name; which of the following is most accurate:
- (a) It is not allowed to use old name in any way
 - (b) New name should not be identical with old name
 - (c) Old name should be painted/printed for next 1 year along with new name
 - (d) Old name should be painted/printed for next 2 years along with new name **(1 Mark)**
7. Where 'A' obtains housing loan from LIC Housing and if 'B' promises to pay LIC Housing in the event of 'A' failing to repay, it is a _____
- (a) Contract of Indemnity
 - (b) Contract of Guarantee.
 - (c) Quasi Contract
 - (d) Contingent Contract **(1 Mark)**
8. A hires a carriage of B. The carriage is unsafe though B is not aware of it and A is injured
- (a) B is responsible to A for the injury
 - (b) B is not responsible to A for the injury
 - (c) No one is responsible to each other
 - (d) None of the above **(1 Mark)**
9. _____ is the cardinal rule of construction that words, sentences and phrases of a statute should be read in their ordinary, natural and grammatical meaning so that they may have effect in their widest amplitude
- (a) Rule of Literal Construction

- (b) Rule of Harmonious Construction
(c) Rule of Beneficial Construction
(d) Rule of Exceptional Construction **(1 Mark)**
10. Where an act or omission constitutes an offence under two or more enactments, then the offender shall be liable to be prosecuted and punished under
(a) Under either or any of those enactments
(b) Twice for the same offence
(c) Either a. or b. as per the discretion of the court
(d) none of these **(1 Mark)**
11. If X bails his ornaments to Y and specifically instructs Y to keep them in a bank, but Y keeps these ornaments in his own locker at his house along with his own ornaments. After two days, all the ornaments are lost/stolen in a riot then who will be responsible for the loss?
(a) X would be responsible for his loss
(b) Y would be responsible for the loss to X
(c) Both X and Y will share the loss equally
(d) Y will not be responsible for the loss to X **(2 Marks)**
12. With regards to the contract of agency, which of the following statement is incorrect?
(a) A person who is a major can appoint minor as an agent.
(b) If an agent happens to be a person incapable of contracting, the principal cannot hold the agent liable.
(c) No consideration is necessary to create an agency.
(d) The acceptance of the office by an agent is not a sufficient consideration for the appointment. **(2 Marks)**
13. Mr. Aylam issued a cheque amounting to INR 25,000 dated 2nd February 2020 to Mr. Gandhi which was deposited by Mr. Gandhi on 16th March 2020 in his bank account. The said cheque got dishonored on 17th March 2020 by the bank citing insufficient funds in the account of Mr. Aylam. Then Mr. Gandhi demanded the payment from Mr. Aylam by issuing the notice on 31st March 2020 which was received by Mr. Aylam on 2nd April 2020. Assuming that Mr. Aylam failed to make the payment within stipulated time, what is the last date by which Mr. Gandhi should have made a complaint in the court?
(a) 17th May 2020
(b) 2nd May 2020
(c) 17th April 2020
(d) 30th April 2020 **(2 Marks)**
14. What among the following could be considered in the term 'Immovable Property' as defined under section 3(26) of the General Clauses Act, 1897?
(i) The soil for making bricks
(ii) Right to catch fish
(iii) Right to drain water

(iv) Doors and Windows of the house

(a) Only (i) and (iv)

(b) Only (i), (ii) and (iv)

(c) Only (i) and (ii)

(d) Only (ii), (iii) and (iv)

(2 Marks)

Division B (70 Marks)

1. (a) OEMR Limited, a subsidiary of PQR Limited, decides to give a loan of ₹ 4,00,000 to its Human Resource Manager Mr. Shyam Kumar, who does not fall in the category of Key Managerial Personnel and draws a salary of ₹ 40,000 per month, to buy 500 partly paid-up equity shares of ₹ 1000 each in OEMR Limited. Examine the validity of company's decision under the provisions of the Companies Act, 2013. **(6 Marks)**
- (b) (i) Dev Pharma Limited is a manufacturing company & has proposed a dividend @ 10% for the year 2019-20 out of the profits of current year. The company has earned a profit of ₹ 910 crores during 2019-20. The company does not intend to transfer any amount to the general reserves out of the profits. Is Dev Pharma Limited allowed to do so? Comment.
- (ii) Alpha Herbals, a Section 8 company is planning to declare dividend in the Annual General Meeting for the Financial Year ended 31-03-2020. 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. **(6 Marks)**
- (c) Mr. Arora of Delhi engaged Mr. Saini as his agent to buy a house in West Extension area. Mr. Saini bought a house for ₹ 50 lakhs in the name of a nominee and then purchased it himself for ₹ 54 lakhs. He then sold the same house to Mr. Arora for ₹ 56 lakhs. Mr. Arora later comes to know the mischief of Mr. Saini and tries to recover the excess amount paid to Mr. Saini. Is he entitled to recover any amount from Mr. Saini? If so, how much? Explain with the help of provisions of the Indian Contract Act, 1872. **(4 Marks)**
- (d) P draws a bill on Q for ₹ 10,000. Q accepts the bill. On maturity, the bill was dishonored by non-payment. P files a suit against Q for payment of ₹ 10,000. Q proved that the bill was accepted for value of ₹ 7,000 and as an accommodation to the plaintiff for the balance amount i.e. ₹ 3,000. Referring to the provisions of the Negotiable Instruments Act, 1881 decide whether P would succeed in recovering the whole amount of the bill? **(3 Marks)**
2. (a) (i) One-fourth of the subscribed capital of AMC Limited was held by the Government of Rajasthan. Mr. Vikas, a Chartered Accountant, was appointed as an auditor of the Company at the Annual General Meeting held on 30th April, 2020 by an ordinary resolution. Mr. Mukesh, a shareholder of the Company, objects to the manner of appointment of Mr. Vikas on the ground of violation of the Companies Act, 2013. Decide whether the objection of Mr. Mukesh is tenable? Also examine the consequences of the above appointment under the said Act. **(3 Marks)**
- (ii) Whether a Company can keep books of Accounts in electronic mode accessible only outside India? **(3 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. **(4 Marks)**

- (c) Amar bailed 50 kg of high quality sugar to Srijith, who owned a kirana shop, promising to give ₹ 200 at the time of taking back the bailed goods. Srijith's employee, unaware of this, mixed the 50 kg of sugar belonging to Amar with the sugar in the shop and packaged it for sale when Srijith was away. This came to light only when Amar came asking for the sugar he had bailed with Srijith, as the price of the specific quality of sugar had trebled. What is the remedy available to Amar under the Indian Contract Act, 1872? **(4 Marks)**
- (d) On a Bill of Exchange for ₹ 1 lakh, X's acceptance to the Bill is forged. 'A' takes the Bill from his customer for value and in good faith before the Bill becomes payable. State with reasons whether 'A' can be considered as a 'Holder in due course' and whether he (A) can receive the amount of the Bill from 'X'. **(3 Marks)**
3. (a) A group of individuals intend to form a club namely 'Budding Pilots Flying Club' as limited liability company to impart class room teaching and aircraft flight training to trainee pilots. It was decided to form a limited liability company for charitable purpose under Section 8 of the Companies Act, 2013 for a period of ten years and thereafter the club will be dissolved and the surplus of assets over the liabilities, if any, will be distributed amongst the members as a usual procedure allowed under the Companies Act, 2013.

Examine the feasibility of the proposal and advise the promoters considering the provisions of the Companies Act, 2013. **(5 Marks)**

- (b) The Income Tax Authorities in the current financial year 2019-20 observed, during the assessment proceedings, a need to re-open the accounts of Chetan Ltd. for the financial year 2008-09 and, therefore, filed an application before the National Company Law Tribunal (NCLT) to issue the order to Chetan Ltd. for re-opening of its accounts and recasting the financial statements for the financial year 2008-09. Examine the validity of the application filed by the Income Tax Authorities to NCLT. **(5 Marks)**
- (c) X draws a bill on Y but signs it in the fictitious name of Z. The bill is payable to the order of Z. The bill is duly accepted by Y. M obtains the bill from X thus, becoming its holder in due course. Can Y avoid payment of the bill? Decide in the light of the provisions of the Negotiable Instruments Act, 1881. **(4 Marks)**
- (d) At the time of interpreting a statutes what will be the effect of 'Usage' or 'Practice'? **(3 Marks)**
4. (a) 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 ₹ 1.50 crore? **(6 Marks)**
- (b) Bazaar Limited called its AGM in order to lay down the financial statements for Shareholders' approval. Due to want of Quorum, the meeting was cancelled. The directors did not file the annual returns with the Registrar. The directors were of the idea that the time for filing of returns within 60 days from the date of AGM would not apply, as AGM was cancelled. Has the company contravened the provisions of Companies Act, 2013? If the company has contravened the provisions of the Act, how will it be penalized? **(4 Marks)**

- (c) As per the provisions of the Companies Act, 2013, a whole time Key Managerial Personnel (KMP) shall not hold office in more than one company except its subsidiary company at the same time. Referring to the Section 13 of the General Clauses Act, 1897, examine whether a whole time KMP can be appointed in more than one subsidiary company? **(4 Marks)**
- (d) Explain 'Mischieve Rule' for interpretation of statute. Also, give four matters it considers in construing an Act. **(3 Marks)**
5. (a) XYZ a One-Person Company (OPC) was incorporated during the year 2017-18 with an authorized capital of ₹ 45.00 lakhs (4.5 lakh shares of ₹ 10 each), The capital was fully subscribed and paid up. Turnover of the company during 2017-18 and 2018-19 was ₹ 2.00 crores and ₹ 2.5 crores respectively. Promoter of the company seeks your advice in following circumstances, whether XYZ (OPC) can convert into any other kind of company during 2019-20. Please, advise with reference to relevant provisions of the Companies Act, 2013 in the below mentioned circumstances:
- (i) If promoter increases the paid up capital of the company by ₹ 10.00 lakhs during 2019-20.
- (ii) If turnover of the company during 2019-20 was ₹ 3.00 crores. **(5 Marks)**
- (b) ABC Limited created a charge in favour of Z Bank. The charge was duly registered. Later, the Bank enhanced the facility by another ₹ 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. **(5 Marks)**
- (c) Mr. D was in urgent need of money amounting to ₹ 5,00,000. He asked Mr. K for the money. Mr. K lent the money on the sureties of A, B and N without any contract between them in case of default in repayment of money by D to K. D makes default in payment. B refused to contribute, examine whether B can escape liability under the Indian Contract Act, 1872? **(4 Marks)**
- (d) 'Repeal' of provision is different from 'deletion' of provision. Explain as per the General Clauses Act, 1897. **(3 Marks)**