

**CA - INTERMEDIATE
GROUP I - PAPER 2
CORPORATE & OTHER LAWS
Series - 3 (May 2020)**

Batch :All
Total No. of Questions: Part A & B
Maximum Marks: 100

Date : 16.03.2020
Time - 3 Hours

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**Part "A" is compulsory
Part "B" Question No. 1 is compulsory.
Attempt any four questions from the rest.**

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Part A

Q. (01 - 20) Carry 1 Marks Each
Q. (21 - 25) Carry 2 Marks Each

Total 30 Marks

Integrated Case Scenario/Multiple Choice Questions (Q1 - Q4)

ABC Company Limited was incorporated in the year 2002. The registered office of the company was situated in city K of state Y.

During the financial year beginning on 01/04/2018 and ending on 31/03/2019 the Paid up equity capital of the ABC Company Limited was Rs. 500 crore and Free reserve of the company was ₹ 1010 crore. The net profit of the company ABC Company Limited for the financial year 2018-19 was ₹ 4 crore.

ABC Company Limited at a general meeting of members of the company pass an ordinary resolution to buy-back 30% of its Equity Share Capital. The articles of the Company empower the company for buy-back of shares. The company further decide that the payment for buy- back be made out of the proceed of the company's' earlier issue of equity shares.

- 1 State whether the limit of buy-back is in order :**
 - (a) Yes, because a company can make buy- back of equity shares without any limit.
 - (b) Yes, because a company can make buy- back of equity shares up to 30% of paid-up equity capital and free reserve.
 - (c) No, because a company cannot take decision of buy- back in general meeting.
 - (d) No, because a company can make buy- back of equity shares up to 25% of paid-up equity capital and free reserve in any financial year.

- 2 State the required resolution for making buy-back up to the maximum limit in a financial year?**

(a) Ordinary resolution	(b) Unanimous resolution
(c) Special resolution	(d) Board resolution

- 3 What is the time period for completion of such buy-back ?**
 - (a) Within 3 months from passing of required resolution
 - (b) Within 6 months from passing of required resolution
 - (c) Within 9 months from passing of required resolution
 - (d) Within 12 months from passing of required resolution

- 4 State whether the company can make such buy-back out of the proceed of the company's' earlier issue of equity shares :**
 - (a) Yes.
 - (b) Yes, because a company can make buy- back of equity shares out of any sources as Board of directors of company think necessary
 - (c) No, because a company cannot make buy-back out of the proceed of the company's' earlier issue of equity shares

- (d) No, because a company can make buy- back out of free reserve or Securities premium account or the proceeds of the earlier issue of any shares or other specified securities but not of same kind

Integrated Case Scenario/Multiple Choice Questions (Q5 – Q8)

X limited wants to raise funds for it upcoming project. It has issued private placement offer letters to 75 persons in their individual name to issue its equity shares. Out of these 10 are qualified institutional buyers. Before allotment under this offer letter company issued another private placement offer letter to another 135 persons in their individual name for issue of its debentures.:

- 5 Being a public company can it issue securities in a private placement??**
- (a) No, because only a private company can make private placement
(b) Yes but after obtaining prior approval of Tribunal
(c) Yes but after obtaining prior approval of Central Government
(d) Yes because a private placement can be made by both public and private companies
- 6 Is it in compliance with provisions related to private placement or should these offers be treated as public offers?**
- (a) Yes such offer is in compliance with the related provisions to private placement.
(b) Yes such offer is in compliance with the related provisions to private placement if Special resolution is passed in general meeting.
(c) No because a company either can make private placement of equity shares or debentures in a financial year.
(d) No because a company cannot make fresh offer of securities until earlier offer is completed or withdrawn otherwise such offer is considered as a public issue/offers.
- 7 What if the offer for debentures is given after allotment of equity shares but within the same financial year?**
- (a) Such offer of debentures is also considered as a private placement.
(b) Such offer of debentures is considered as a public offer, because a company either can make private placement of equity shares or debentures in a financial year.
(c) Such offer of debentures now required prior approval of Tribunal.
(d) Such offer of debentures now required prior approval of Central Government.
- 8 What is the time period for allotment of securities in a private placement?**
- (a) Within 15 days from receipt of application money
(b) Within 30 days from receipt of application money
(c) Within 60 days from receipt of application money
(d) Within 120 days from receipt of application money if prior approval of central government is obtained
- 9 OPC shall file a copy of the duly adopted financial statements to registrar in :**
- (a) 30 days of the date of meeting in which it was adopted
(b) 90 days of the date of meeting in which it was adopted
(c) 90 days from the closure of the financial statement
(d) 180 days from the closure of the financial statement

- 10 In how many years the amount of unpaid dividend account should be transferred to Investor Education and Protection Fund**
- (a) 3 years (b) 5 years
(c) 7 years (d) 10 years
- 11 Which of the following is not the contract of Indemnity :**
- (a) Fire Insurance (b) Marine Insuran
(c) Life Insurance (d) General Insurance
- 12. Normally no deposits are repayable earlier than ___ from the date of such deposits or renewal thereof.**
- (a) 3 months (b) 6 months
(c) 12 months (d) 1 year
- 13. A, B and C have jointly deposited ₹ 1,00,000 in a company. In case of 'Either or Survivor' clause, the repayment of deposit on maturity shall be made to :**
- (a) all the three together i.e. A, B and C or the survivors
(b) either of the three i.e. either A or B or C or the survivor.
(c) the first named person i.e. A if he is the first named person or the survivor.
(d) the Second named person i.e. B if he is the Second named person or the survivor
- 14. Which of the following can exercise the right of general lien :**
- (a) Finder of goods (b) Partner of firm
(c) Bankers (d) Bailee
- 15. In case of summary trial maximum imprisonment u/s 143 of NI Act ,1881 is :**
- (a) 2 yrs. (b) 1 yr.
(c) 6 months (d) 9 months
- 16. When a banker may dishonor a cheque drawn by its customer :**
- (a) Amount of money standing to the credit of that account is insufficient to honor the cheque
(b) It exceeds the amount arranged to be paid from that account by an agreement made with that bank
(c) (a) or (b)
(d) Dishonor of cheque depends upon desire of a banker
- 17. In case of an appeal by the drawer of cheque against conviction against Section 138 of NI Act, 1881, the Appellate Court may order the appellant to deposit such sum which shall be :**
- (a) A minimum of 20% of the fine or compensation awarded by the Trial Court
(b) A minimum of 30% of the fine or compensation awarded by the Trial Court
(c) A maximum of 20% of the fine or compensation awarded by the Trial Court
(d) A maximum of 30% of the fine or compensation awarded by the Trial Court
- 18. An internal aid that may be added to include something within the section or to exclude something from it, is—**
- (a) Proviso (b) Explanation
(c) Schedule (d) Illustrations
- 19. The General Clauses Act is one of the oldest Acts, came into force on:**
- (a) 01st April, 1897 (b) 11th March, 1897
(c) 11th March, 1887 (d) 01st April, 1868

20. **A shelf prospectus filed with the ROC shall remain valid for a period of:**
- one year from the date of registration
 - one year from the date of closing of first issue
 - one year from the date of opening of first issue
 - Ninety days from the date on which a copy was delivered to ROC

21. **X Limited, a listed company has made the following profits, the profits reflect eligible profits under the relevant section of the Companies Act, 2013.**

Financial year	Amount (₹ In crores)
2012-13	40
2013-14	80
2014-15	60
2015-16	140
2016-17	100

Calculate the amount that the company has to spend towards CSR for the financial year 2017-18.

- Rs. 50,00,000
 - Rs. 1 crore
 - Rs. 2 crore
 - Rs. 3 crore
22. **MNP Ltd is a medium-sized company engaged in the business of pharmaceuticals. For the year ended 31 March 2018, the company is looking for appointment of GST (Goods and Services Tax) auditor. The company wants to appoint somebody for this work who is familiar with the business of the company i.e. who would have worked with the company in the past so that lesser efforts are required to get the GST audit completed. The company has following options, please suggest which one would be better for the company.**
- Statutory auditors can be appointed for this work.
 - Internal auditors can be appointed for this work.
 - Both statutory and internal auditors can be jointly appointed for this work.
 - Internal auditors along with the tax consultants of the company can be appointed for this work.
23. **Mr. P wanted a loan for expanding his business, from ABC Bank. Mr. P has pledged the stock of his business to obtain the loan from bank. However, the expansion of business did not reap the desired results and Mr. P was not able to repay the loan. Now, ABC bank wants to retain the stock for adjustment of their loan. Advise, ABC Bank whether they can retain the stock for the adjustment of their loan and also for payment of interest.**
- No, because the pawnee may retain the goods pledged, only for payment of the debt or the performance of the promise, but not for the interest, of the debt
 - Yes, because the pawnee may retain the goods pledged, not only for payment of the debt or the performance of the promise, but for the interest, of the debt, and all necessary expenses incurred by him(except extra ordinary expenses) in respect of the possession or for the preservation of the goods pledged
 - Yes, because the pawnee may retain the goods pledged, not only for payment of the debt or the performance of the promise, but for the interest of the debt also
 - Yes, because the pawnee may retain the goods pledged, not only for payment of the debt or the performance of the promise, but for the interest, of the debt, and all necessary expenses incurred by him(Including extra ordinary expenses) in respect of the possession or for the preservation of the goods pledged.

24. Register of members, debenture holders, other security holders or copies of return may also be kept at any other place in India in which _____ of the total number of members entered in the register of members reside, if approved by a special resolution passed at a general meeting of the company and the Registrar has been given a copy of the proposed special resolution in advance.

- (a) one-half
- (c) one-tenth

- (b) one-eight
- (d) more than one-tenth

25. Civil liability under section 34 for misstatement in prospectus may be avoided if : 1) the consent to become director was withdrawn 2) prospectus was issued without his knowledge 3) misstatement was immaterial 4) had reasonable ground to believe in truthfulness 5) it was based on statement of expert

- (a) 3 & 4
- (c) 1; 2 & 5

- (b) 1; 2; 3; 4 & 5
- (d) 3; 4 & 5

Part-B

- 1A.** Advise on the following situations as per the Companies Act, 2013: **4**
- (i) A company wants to transfer more percentage of profits to reserves.
 - (ii) A company wants to declare dividends out of past reserves instead of current year profits.
- B.** Mr. X, in association with his relative formed a company to promote education for the children of poor section. A licence was issued by the Central Government allowing the said company to be registered under section 8 of the Company. Government aids and lot of funds were contributed by public for the fulfilment of the benevolent object. However, on the complaint against the company, CG came to know about the manipulation of the funds in the company and so order to revoke the licence of the company. Further, directed for the amalgamation with another company registered under this section with an object to save girl child. Examine the legal position as to the order passed by the Central government in the given situation in the light of the Companies Act, 2013. **4**
- C.** 'Ashley' stands surety for 'Bommy' for any amount which 'Chand' may lend to 'Bommy' from time to time during the next three months subject to a maximum amount of ₹ 1,00,000 (one lakh only). One month later 'Ashley' revokes the surety, when 'Chand' had already lent to 'Bommy' ₹ 10,000 (ten thousand). Referring to the provisions of the Indian Contract Act, 1872. Decide: **4**
- (i) Whether 'Ashley' is discharged from all the liabilities to 'Chand' for any subsequent loan given to 'Bommy'?
 - (ii) What would be your answer in case 'Bommy' makes a default in paying back to 'Chand' the already borrowed amount of ₹ 10,000?
- D.** How far is 'preamble' in an enactment helpful in interpreting any of the parts of an enactment? **2**
- 2A.** Sunil borrowed a sum of ₹ 3 lakh from Rajendra. Sunil appointed Rajendra as his agent to sell his land and authorized him to appropriate the amount of loan out of the sale proceeds. Afterwards, Sunil revoked the agency. Decide under the provisions of the Indian Contract Act, 1872 whether the revocation of the said agency by Sunil is lawful? **3**
- B.** X, a registered shareholder of Y Limited left his share certificates with his broker. A forged the transfer deed in favour of Z, accompanied by these share certificates lodged the transfer deed alongwith the share certificates with the company for registration. The Company Secretary who had certain doubts, wrote to X informing him of the proposed transfer and in the absence of a reply from him (X) within the stipulated time, registered the transfer of shares in the name of Z. Subsequently, Z sold the shares to J and J's name was placed in the register of shareholders. Later on, X discovered that forgery has taken place. Referring to the provisions of the Companies Act, 2013, state the remedy available to X in the given case. Explain. **4**
- C.** Explain the essential elements of a promissory note. State, giving reasons, whether the following instruments are valid promissory notes: **3**
- (i) X promises to pay Y, by a promissory note, a sum of ₹ 5,000, fifteen days after the death of B.
 - (ii) X promises to pay Y, by a promissory note, ₹ 5000 and all other sums, which shall be due.

- D.** In section 115 JB of the Income tax Act, 1961, for calculation of book profits, the Companies Act, 1956 are required to be referred. With the advent of Companies Act, 2013, the corresponding change has not been made made in section 115 JB of the Income tax Act, 1961. Explain in the light of provisions of General Clauses Act, 1897 how such book profits to be calculated under section 115 JB of the Income Tax Act? **4**
- 3A.** Gujarat Textiles Limited is having a foreign subsidiary company. The said Indian holding company failed to furnish particulars of its foreign subsidiary company in its Balance Sheet. Decide the liability of Gujarat Textiles Limited under the Companies Act, 2013. **4**
- B.** To remove the Managing Director, 40% members of Global Ltd. submitted requisition for holding extra-ordinary general meeting. The company failed to call the said meeting and hence the requisitionists held the meeting. Since the Managing Director did not allow the holding of meeting at the registered office of the Company, the said meeting was held at some other place and a resolution for removal of the Managing Director was passed. Examine the validity of the said meeting and resolution passed therein in the light of the Companies Act, 2013. **3**
- C.** Do the following alteration of a negotiable instrument render the instrument void? **3**
- (a) The holder of a bill alters the date of the instrument to accelerate or postpone the time of payment.
 - (b) The drawer of a negotiable instrument draws a bill but forgets to write the words "or order". Subsequently, the holder of the instrument inserts these words.
 - (c) A bill payable three months after date is altered into a bill payable three months after sight.
 - (d) A bill was dated 2002 instead of 2003 and subsequently the agent of the drawer corrected the mistake.
 - (e) A bill is accepted payable at the Union Bank, and the holder, without the consent of the acceptor, scores out the name of the Union Bank and inserts that of the Syndicate Bank.
 - (f) A bill payable with 'lawful interest' is altered into one payable with 12% interest.
- D.** Ramesh Company Limited has entered into a contract with Suresh Company. You are invited to read and interpret the document of contract. What rules of interpretation of deeds and documents would you apply while doing so? **4**
- 4A.** Parkash Carriers Limited appointed Mr. Raman as its auditor in the Annual General Meeting held on 30th September, 2009. Initially, he accepted the appointment. But he resigned from his office on 31st October, 2009 for personal reasons. The Board of directors seeks your advice for filling up the vacancy by appointment of Mr. Albert as auditor. Advise as per the provisions of the Companies Act, 2013. **4**
- Also suggest the procedure to be adopted in case Mr. Albert is proposed to be removed from his office before the expiry of his term.
- B.** Ramesh, who is a resident of New Delhi, sent a transfer deed, for registration of transfer of shares to the company at the address of its Registered Office in Mumbai. He did not receive the shares certificates even after the expiry of four months from the date of dispatch of transfer deed. He lodged a criminal complaint in the Court at New Delhi. Decide, under the provisions of the Companies Act, 2013, whether the Court at New Delhi is competent to take action in the said matter? **2**

- C.** Explain the provisions of the Companies Act, 2013 relating to Rectification by Central Government in Register of Charges. **4**
- D.(i)** The shareholders at an annual general meeting passed a resolution for payment of dividend at a rate higher than that recommended by the directors. Discuss the validity of the resolution under the Companies Act, 2013. **2**
- (ii)** Mr. DP, Secretary, of City Handicrafts Ltd. called an extraordinary general meeting of the company on the requisition of some members. Mr. DP, Secretary of the Company, issued notice of the meeting without the authority of the Board of Directors. Discuss on the validity of the notice issued by Mr. DP, Secretary of the City Handicrafts Ltd. **2**
- 5A.** 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? **4**
- B.** Modern Furnitures 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 Furnitures Limited on the basis of the above statement in the prospectus. Will Mr. 'X' have any remedy against the company? When will an expert not be liable? State the provisions of the Companies Act, 2013 in this respect. **4**
- C.** Mr. Mahesh owned a land with fifty blackwood trees. He sold his land to (obtained after cutting the fifty trees) to Mr. Suresh. Mr. Mahesh wants to know whether the sale of timber tant amounts to sale of immovable property. Advise him with reference to provisions of "General Clauses Act, 1897". **3**
- D.** When can the 'dictionary definitions' be used as an external aid for interpretation of any of the word or expression of an enactment? **3**
- 6A.** MNO Private Limited, a subsidiary of PQR Limited, decides to give a loan of ₹ 4,00,000 to the HR (Human Resource) Manager, who is not a Key Managerial Personnel (KMP) of MNO Private Limited, drawing salary of ₹ 30,000 per month, to buy 500 partly paid-up Equity Shares of ₹ 1000 each in MNO Private Limited. Examine the validity of company's decision under the provisions of the Companies Act, 2013. **4**
- B.** Discuss the following situations in the light of 'deposit provisions' as contained in the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, as amended from time to time **6**
- (i) City Bakers Limited failed to repay deposits of ₹ 50.00 crores and interest due thereon even after the extended time granted by the Tribunal. Is the company or Swati, its officer-in-default, liable to any penalty?
- (ii) Shringaar Readymade Garments Limited wants to accept deposits of ₹ 50.00 lacs from its members for a tenure which is less than six months. Is it a possibility?

Or

Examine the validity of the following decision of Chairman of meeting with reference of the provisions of the Companies Act, 2013.

6

- (i) K, a member of MNO Limited, appoints L as his proxy to attend the general meeting of the company. Later he (K) also attends the meeting. Both K (the member) and L (the proxy) voted on a particular resolution in the meeting. K's vote was declared invalid by the chairman stating that since he has appointed the proxy and L's vote has been considered as valid. K objects to the decision of the Chairman. Decide, under the provisions of the Companies Act, 2013, whether K's objection shall be taxable.
- (ii) At a General meeting of a company, a matter was to be passed by a special resolution. Out of 40 members present, 20 voted in favour of the resolution, 5 voted against it and 5 votes were found invalid. The remaining 10 members abstained from voting. The Chairman of the meeting declared the resolution as passed.

With reference to the provisions of the Companies Act, 2013, examine the validity of the Chairman's declaration.

- C.** Sunil delivered his car to Mahesh for repairs. Mahesh completed the work, but did not return the car to Sunil within reasonable time, though Sunil repeatedly reminded Mahesh for the return of the car. In the meantime a big fire occurred in the neighborhood and the car was destroyed. Decide whether Mahesh can be held liable under the provisions of the Indian Contract Act, 1872.

2

- D.** SEBI (Issue of Capital and Disclosure Requirements) (Fifth Amendment) Regulations, 2015 was issued by SEBI vide Notification dated 14th August, 2015 with effect from 1 January, 2016. Referring to the provisions of the General Clauses Act, 1897, examine the date of enforcement of these Regulations?

2