

CA : INTERMEDIATE COURSE

PAPER 2 – Corporate & Other Laws

ICAI MCQ BOOKLET divided into CHAPTER-WISE MCQ

PRACER

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Part I:

Company Law

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Chapter 1: Preliminary

1. Roma along with her six friends has incorporated Roma Trading Ltd. in May 2019. The paid-up share capital of the company is INR 30 lacs. Further, in April 2020, she noticed that in the last financial year, the turnover of the company was well below INR 2 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 INR 50 lacs and also its turnover has not exceeded the threshold limit of INR 2 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 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 is 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 exceed the limits applicable to a 'small company' in the next two years, then it can be treated as a 'small company'.

2. Abhilasha and Amrita have incorporated a 'not for profit' private limited company which is registered under Section 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending 31st March, 2019, its turnover was less than INR 2.00 crores and its paid up share capital was less than INR fifty lacs. Advise.
 - (a) A section 8 company, which meets the criteria of 'turnover' and 'paid-up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in another 'small company' within the immediately following financial year.
 - (b) If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (*and not in the immediately following financial*

year) after meeting the criteria of 'turnover' and 'paid-up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.

(c) The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.

(d) A section 8 company, if incorporated as a private limited company (*and not as public limited company*) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid-up share capital'.

3. In view of the fact that a private company enjoys a number of privileges, Orange Pharma Limited having 20 members is contemplating to convert itself into the private company. For this purpose the company needs to alter its articles by inserting three restrictive clauses as specified in Section 2 (68) and the change in name is to be authorized by members by passing --.

(a) A special resolution and after obtaining approval of the Central Government.

(b) A special resolution and after obtaining approval of the National Company Law Tribunal (NCLT).

(c) A special resolution and after obtaining approval of the Registrar of Companies (ROC).

(d) A special resolution and after obtaining approval of the State Government.

Answer Key

1. (b)	2. (c)	3. (a)
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Chapter 2: Incorporation of Company and Matters Incidental Thereeto

1. Namita Ceramic Goods Limited having 152 members was incorporated with the main objects to manufacture ceramic goods, glazed, unglazed floor and wall tiles, etc. and to carry on trading in such products. After three years of successful operation, it wants to diversify its business by entering into the field of manufacturing electronic goods for which it is required to alter its objects clause. Advise the company in relation to alteration of Memorandum.
 - (a) The company can alter its Memorandum of Association by passing an ordinary resolution and getting it confirmed by the Regional Director (RD).
 - (b) The company can alter its Memorandum of Association by passing a special resolution in the shareholders' meeting.
 - (c) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution in the shareholders' meeting and getting it confirmed by the Regional Director (RD).
 - (a) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution in the shareholders' meeting and simultaneously publishing the contents of special resolution in two newspapers (one in English and the other one in vernacular language) circulating in that area

2. Swara Musical Instruments Private Limited was incorporated on 10th October, 2018 by converting existing partnership firm into company. Sohini and Mohini became the promoters of the company. Sohini's premises which was rented out to the partnership firm was to be used as the registered office. Mention the documents which need to be filed with the Registrar of Companies (ROC) for verification of registered office.
 - (a) A notarised copy of rent agreement along with rent receipt which is not older than one month.
 - (b) A copy of the public notice published in a local newspaper that the premises is rented out to the company along with certified copy of rent

agreement.

- (c) A notarised copy of rent agreement along with rent receipt which is not older than two months.
- (d) A notarised copy of rent agreement only.

3. Anupam got incorporated 'One Person Company' with his sister Alpana as the nominee and about three years have passed satisfactorily. From time to time Anupam does a number of charitable works and is associated with three NGOs. In the meantime his business under his OPC has also flourished. Now he is contemplating to convert the OPC either as a Section 8 company (i.e. formation of companies with charitable objects). Choose the correct option.

- (a) Since company belongs to Anupam, he has full discretion to convert the OPC either as a Section 8 company or as a private or public company
- (b) Since the company was formed as a private company, the only option available with Anupam is to convert it into a public limited company.
- (c) There is specific prohibition on converting OPC into a Section 8 company; otherwise it can be converted into a private or public company without any hindrance.
- (d) Since Anupam does a lot of charitable works there is no prohibition to converts his OPC into a Section 8 company (companies formed with charitable objects).

Answer Key

1. (b)	2. (a)	3. (c)
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Chapter 3: Prospectus and Allotment of Securities

1. A issue house (share broker) has issued an advertisement in two leading newspapers for selling a big number of shares allotted to it by a company under a private placement. In which of the following conditions the advertisement will not be deemed as prospectus:
 - (a) Advertisement was given within six months from the date of allotment
 - (b) Advertisement was given after six months from the date of allotment and the issue house paid the entire consideration to the company
 - (c) The issue house did not pay entire consideration to the company till the date of allotment
 - (d) advertisement was given within three month from the date of allotment

2. Which of the following statements is not true?
 - (a) in case of shares, the rate of underwriting commission to be paid shall not exceed five percent of the issue price of the share.
 - (b) underwriting commission should not be more than the rate specified by the Article of Association.
 - (c) in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
 - (d) amount of commission may be paid out of profits of the company.

3. Which of the following statement is contrary to the provisions of the Companies Act, 2013?
 - (a) A private company can make a private placement of its securities.
 - (b) The company has to pass a special resolution for private placement.
 - (c) Minimum offer per person should have Market Value of ` 20,000.
 - (d) A public company can make a private placement of its securities.

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

5. Shripad Religious Publishers Limited has received application money of INR 20,00,000 (2,00,000 equity shares of INR 10 each) on 10th October, 2019 from the applicants who applied for allotment of shares in response to a private placement offer of securities made by the company to them. Select the latest date by which the company must allot the shares against the application money so received.
 - (a) 9th November, 2019
 - (b) 24^h November, 2019
 - (c) 9th December, 2019.
 - (d) 8th January, 2020

6. Being in need of further capital, Rimsi Cotton-Silk Products Limited opted to offer 50 lacs equity shares of INR 1 each to 50 identified persons on 'private placement' basis and accordingly a letter of offer accompanied by application form was sent to them after fulfillment of due formalities including passing of special resolution. One of the applicants Rajan made a written complaint to the company highlighting the fact that the offer letter was incomplete as well as illegal, as it did not contain 'renunciation clause' as he wanted to exercise his 'right of renunciation' in favour of one of his son Uday. By choosing the correct option, advise the company in this matter.
 - (a) As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the offer letter and the application form.
 - (b) The company is prohibited from providing 'Right of Renunciation' so the offer letter and the application form need not include any such clause.
 - (c) Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to twenty five percent of offering.
 - (d) Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to fifty percent of offering.

7. Innovative Tech Sol Limited intends to invite subscription to INR 1.10 crores equity shares of INR 10 each on private placement basis. The persons identified as potential subscribers are within the statutory limit and also include the two other categories to which such statutory limit is not applicable. One such category is employees of the company who are offered equity shares under Employees' Stock Option Scheme. By choosing the correct option, name the other excluded category.

- (a) Quality Institutional Buyers
- (b) Qualified Institutional Buyers.
- (c) Qualificational Institutional Buyers.
- (d) Qualified Investing Institutional Buyers.

8. Neptune Metal Tools Limited was incorporated on 2nd December, 2018 with twenty-five subscribers and authorised capital of INR 50,00,000 (5,00,000 equity shares of INR 10 each). As the directors of the company are in a dilemma whether to issue physical share certificates to the subscribers or keep the shares in dematerialized form, they need to be advised correctly in this respect.

- (a) Being an unlisted company, Neptune may either issue physical share certificates to the subscribers or alternatively, issue them in dematerialized form.
- (b) Neptune needs to issue shares to the subscribers only in dematerialized form.
- (c) A company having more than 100 shareholders needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.
- (d) A company having authorised capital of INR fifty lakhs and above needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.

9. How much Security Deposit an unlisted public company is required to maintain, at all times, with the respective depository when it dematerializes its securities.

- (a) Equal to not less than one year's fees payable to the depository
- (b) Equal to not less than two years' fees payable to the depository
- (c) Equal to not less than two and a half years' fees payable to the depository
- (d) Equal to not less than three years' fees payable to the depository

10. On which offer of securities, commission is permitted to be paid to any underwriter by the company:
- (a) When securities are offered on rights basis
 - (b) When securities are offered in the form of bonus issue
 - (c) When securities are offered on private placement basis
 - (d) When securities are offered to the public for subscription
11. In case of 'offer of sale of shares by certain members of the company', which of the following options is applicable:
- (a) The provisions relating to minimum subscription are not applicable
 - (b) Entire minimum subscription amount is required to be received within three days of the opening date
 - (c) 25% of the minimum subscription amount is required to be received on the opening date and the remaining 75% within three days thereafter
 - (d) 50% of the minimum subscription is required to be received by the second day of the opening date and the remaining 50% within next three days after the second day
12. 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

Answer Key

1. (b)	2. (c)	3. (c)	4. (c)	5. (c)	6. (b)
7. (b)	8. (b)	9. (b)	10. (d)	11. (a)	12. (b)

Chapter 4: Share Capital and Debentures

1. Such shares which are issued by a company to its directors or employees at a discount or for a consideration other than cash for working extraordinary hard and achieving desired output is honoured with
 - (a) Equity Shares
 - (b) Preference Shares
 - (c) Sweat Equity Shares
 - (d) Redeemable preference shares

2. The Articles of Association of a private limited company state that the company may issue preference shares which will have preference of dividend only but no preference as to the repayment of capital, in the case of winding up. Is it possible for the company to issue such preference shares?
 - (a) No; as per section 43 preference shares should have both preferences.
 - (b) No; this will become equity share as per section 43.
 - (c) Yes; because as per section 43 preference shares should have any one preference.
 - (d) Yes; because Articles of Association of the company allow issue of such preference shares and the issuing company is a private limited company.

3. A general meeting of the company is to be held on 30th August, 2020. The company has not paid dividend for the financial year 2018-2019. It has also not yet paid any dividend for the year 2019-2020. In such case preference shareholders:
 - (a) will not have the right to vote because preferential shareholder has no right to vote
 - (b) will have the right to vote because dividend for last two years have not been paid
 - (c) will not have the right to vote because only equity shareholders can vote in general meetings

- (d) will have right to vote because preference shareholder have the right to vote in general meetings

4. In a company if any change of right of one class also affects the right of other class, then:

- (a) A resolution should be passed in general meeting in this case
- (b) Company need not to do anything else
- (c) Written consent of three fourth majority of that other class should be obtained
- (d) A resolution in joint meeting of both the classes should be passed

5. Rajesh Infrastructure Limited wants to issue preference shares for a period exceeding 20 years for financing its proposed infrastructure project. On the basis of which statement, company can do so?

- (a) Yes; company can issue irredeemable preference shares by passing special resolution
- (b) Yes; company can issue preference shares for a period of more than 20 years with the prior approval of Central Government
- (c) Yes; company can issue irredeemable preference shares for infrastructure project
- (d) Yes; company can issue preference shares for infrastructure project for a period up to 20 years.

6. If a company has Authorised Share Capital of INR 6,00,000; Paid-up Share Capital of INR 5,00,000; a loan of INR 2,00,000 obtained from the State Government. The State Government ask the company to convert its loan into shares, then such order shall have the effect of increasing:

- (a) The subscribed share capital of the company
- (b) The paid-up share capital of the company
- (c) The Authorised Share Capital of the company
- (d) All of the above

7. A company bought back 10% of its equity shares in August 2020. Due to certain miscalculations during the first buy-back, it again buy back another 10% equity shares in September 2020. Whether the company can resort to second buy-back?
- It can do so subject to the fulfilment of other conditions because maximum buy-back in a financial year is up to 25%
 - It cannot do so because there must be a time gap of 12 months between two buy-backs
 - It can buy back shares within one year but the company need to pass an ordinary resolution by its board of directors
 - It can buy back shares within one year but the company will have to pass a special resolution
8. Swagat Hospitality Limited defaulted in the repayment of last two instalments of term loan availed from National Commercial Bank. On 30th September, 2019, they cleared all the dues by repaying it. When can it issue equity shares with differential voting rights?
- Upon expiry of five years from the date on which the default was made good
 - Upon expiry of three years from the end of the financial Year in which the default was made good
 - Upon expiry of five years from the end of the financial Year in which the default was made good
 - Upon expiry of seven years from the end of the financial Year in which the default was made good
9. Ruchi was handed over an instrument of transfer dated 21st August, 2020, duly stamped and signed by Radha who had transferred 2000 equity shares of ₹ 100 each allotted to her by Murti Mechanical Toys Private Limited. Advise Ruchi regarding the date by which the instrument of transfer along with share certificates must be delivered to the company, to register the transfer in its register of members.
- 21st August, 2020.
 - 20th September, 2020
 - 20th October, 2020.
 - 19th November, 2020.

10. Shreem Lakshmi Jewellery Store Private Limited was incorporated on 27th August, 2020 with 30 persons as subscribers to the Memorandum of Association and with Authorised share capital of INR 1.00 crore divided into equal number of shares of INR 1 each. Each subscriber subscribed for INR 1.00 lac shares. Advise the company about the company by what date it needs to deliver the share certificates to the subscribers.

- (a) 17th September, 2020.
- (b) 30th September, 2020.
- (c) 27th October, 2020.
- (d) 27th November, 2020.

11. Keshika is the original owner of 1000 equity shares of INR 50 each being allotted by Modern Biscuits Private Limited. As she wanted these shares to be transferred to her younger sister Vanshika as a gift, she completed the transfer deed in all respects and delivered the same to the company along with share certificates on 17th July, 2020. However, the company did not register the transfer even after the expiry of more than one month nor did it send any notice of refusal. The lone reminder to the company remained unanswered. An appeal needs to be filed against the company with the National Company Law Tribunal (NCLT). Advise by choosing the correct option as to who has the right to file the appeal.

- (a) Keshika, who continues to remain owner and transferor of equity shares till they are registered in the name of Vanshika, has the right to file an appeal with NCLT against the company.
- (b) Vanshika, as transferee and 'would be' owner of equity shares, has the right to file an appeal with NCLT against the company.
- (c) Both Keshika and Vanshika have to file a joint appeal with NCLT against the company, for neither Keshika nor Vanshika are authorised to file the appeal individually.
- (d) As per its discretion, NCLT may allow either Keshika or Vanshika to file an appeal against the company.

12. It has been decided by Vanita Watches Limited to issue sweat equity shares to five of its employees for the 'value additions' made by them in term of economic benefits which proved beneficial to the company. For how many year(s), the employees who have been allotted sweat equity shares cannot transfer them:

- (a) One year from the date of allotment

- (b) Three years from the date of allotment
- (c) Five years from the date of allotment
- (d) Six months from the date of allotment

13. 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 after an ordinary resolution is passed by the company.
 - (b) Prithvi Cements Limited can issue debentures carrying voting rights if a special resolution is passed by the company.
 - (c) Prithvi Cements Limited can issue such voting rights only if it mortgages its land and buildings worth two times the amount of the debentures.
 - (d) Prithvi Cements Limited cannot issue debentures carrying voting rights.
14. While making an application to the Tribunal for seeking its confirmation in respect of extinguishing the liability of ` 3 per equity share, Medhavi Publishers Limited has to file a certificate along with the application, that the accounting treatment proposed by it for such reduction of share capital is in conformity with the accounting standards specified in the prescribed Section. Advise the company as to who can issue such certificate?
- (e) Any of the directors of the company as authorised by the Board may issue such certificate
 - (f) A practicing company secretary is authorised to issue such certificate
 - (g) The auditor of the company is authorised to issue such certificate
 - (h) The legal advisor of the company is authorised to issue such certificate

Answer Key

1. (c)	2. (d)	3. (b)	4. (c)	5. (d)	6. (d)	7. (b)
8. (c)	9. (c)	10. (c)	11. (b)	12. (b)	13. (d)	14. (c)

Chapter 5: Acceptance of Deposits by Companies

1. A reserve account that shall not be used by the company for any purpose other than repayment of deposits is called:
 - (a) Debenture redemption reserve account
 - (b) Deposit repayment reserve account
 - (c) Capital redemption reserve account
 - (d) Free reserve account

2. 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

3. Bhumi Real Estate Developers Limited has accepted deposits from its members which are being paid on the maturity without any default. As a statutory obligation, the company is required to deposit in a specified account opened with its bankers, a particular amount on or before 30th April of each year till the deposits are fully repaid. Advise the company regarding the quantum of amount which must be so deposited.
 - (a) Not less than 50% of the amount of its deposits maturing during the following financial year.
 - (b) Not less than 30% of the amount of its deposits maturing during the following financial year.
 - (c) Not less than 20% of the amount of its deposits maturing during the following financial year.
 - (d) Not less than 10% of the amount of its deposits maturing during the following financial year.

4. A Limited Company is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the minimum period for which it should mandatorily be preserved in good order.

- (a) Four years from the financial year in which the latest entry is made in the Register.
- (b) Six years from the financial year in which the latest entry is made in the Register.
- (c) Eight years from the financial year in which the latest entry is made in the Register.
- (d) Ten years from the latest date of entry.

5. Dream World Entertainment Limited, has accepted deposits worth INR 50.00 lacs from public on 1st April 2019 for a period of 24 months *i.e.* repayment of deposit would be made on 31st March 2021. The rate of interest payable on such deposits is 9% p.a. One of the depositors Mr. Aman requested the company on 1st June 2020 for premature repayment of his deposit of INR 6.00 lacs along with interest. Advise the company in the said matter.

- (a) The company can only make premature repayment of deposit with an intention to reduce the total amount of deposits to bring it within permissible limits. Hence, in the given case, the company cannot repay the deposit before the actual maturity.
- (b) The company can prematurely repay the deposit along with interest @9% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).
- (c) The company can prematurely repay the deposit along with interest @8% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).
- (d) The company can prematurely repay the deposit along with interest @8% p.a. for the period of 14 months (from 1st April 2019 to 31st May 2020).

6. Sunet Spices Limited decides to raise deposits of INR 20.00 lacs from its members. However, it is of the opinion to secure such deposits partially by offering security worth INR 15.00 lacs. Which of the following options best describe such deposits:

- (a) Fully secured deposits (except a small portion)
- (b) Unsecured deposits
- (c) Partially secured deposits

(d) None of the above

7. What is the maximum tenure for which a company can accept or renew deposits from its members as well as public?

- (a) 12 months
- (b) 24 months
- (c) 36 months
- (d) 48 months

8. Ruchita wants to renew her deposit of INR 5.00 lakh maintained with Kewal Constructions Limited before the expiry of original period with a view to avail higher rate of interest. For how much extended period, Ruchita is required to renew her deposit, so that the company shall pay her higher rate on deposits?

- (a) One and a half times the unexpired period of original deposit.
- (b) Double the unexpired period of original deposit.
- (c) Six months more in addition to the unexpired period of deposit.
- (d) Longer than the unexpired period of deposit.

Answer Key

1.	(b)	2.	(b)	3.	(c)	4.	(c)
5.	(c)	6.	(b)	7.	(c)	8.	(d)

Chapter 6: Registration of Charges

1. Any person acquiring property (on which charge is registered under section 77) shall be deemed to have notice of the charge from:
 - (a) Thirty days of such charge
 - (b) Date of application for charge
 - (c) Date of acquiring the property
 - (d) Date of such registration

2. An interest or lien created on the property or assets of a company or any of its undertakings or both as security is known as:
 - (a) Debt
 - (b) Charge
 - (c) Liability
 - (d) Hypothecation

3. A charge was created by Cygnus Softwares Limited on its office premises to secure a term loan of INR 1.00 crore availed from Next Gen Commercial Bank Limited through an instrument of charge executed by both the parties on 16th February, 2019. Inadvertently, the company could not get the charge registered with the concerned Registrar of Companies (ROC) within the first statutory period permitted by law and the default was made known to it by the lending banker with a stern warning to take immediate steps for rectification. Advise the company regarding the latest date within which it must register the charge with the ROC so that it is not required to pay a specific type of fees for charge registration.
 - (a) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 27th April, 2019.
 - (b) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 17th April, 2019.
 - (c) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 2nd May, 2019.
 - (d) The company cannot now get the charge register as the time prescribed

by Law has expired.

Answer Key

1 . (d)	2. (b)	3. (b)
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Chapter 7: Management & Administration

1. Which one of the following required ordinary resolution?
 - (a) To change the name of the company
 - (b) To alter the articles of association
 - (c) To reduce the share capital
 - (d) To declare dividends.

2. A resolution shall be a special resolution when the votes cast in favour of the resolution by members are not less than then _____ the number of votes, if any, cast against the resolution.
 - (a) Twice
 - (b) Three times
 - (c) Four times
 - (d) Two third of

3. Every listed company shall file with the Registrar a copy of the report on each annual general meeting within _____ of the conclusion of the annual general meeting.
 - (a) 7 days
 - (b) 30 days
 - (c) 60 days
 - (d) 90 days

4. The AGM needs to be called by giving 21 days clear notice. However, it can be called on shorter notice if members entitled to vote in that meeting give their consent in writing or by electronic mode. In such cases how many members have to give their consent?
 - (a) 75% of members entitled

- (b) 90% of members entitled
- (c) 91% of members entitled
- (d) 95% of members entitled

Answer Key

1. (d)	2. (b)	3. (b)	4. (d)
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Chapter 8: Declaration and Payment of Dividend

1. 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

2. Which of the following amount is not credited to IEPF Account?
 - (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.

3. 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.

4. The authorised and paid-up share capital of Avantika Ayurvedic Products Limited is INR 50.00 lacs divided into 5,00,000 equity shares of INR 10 each. At its Annual General Meeting (AGM) held on 24th September, 2019, the company declared a dividend of INR 2 per share by passing an ordinary resolution. Mention the latest date by which the amount of dividend must be deposited in a separate account maintained with a scheduled bank
 - (a) Latest by 29th September, 2019
 - (b) Latest by 4th October, 2019

- (c) Latest by 9th October, 2019
- (d) Latest by 24th October, 2019

5. The Directors of Silver tongue Solutions Limited proposed dividend at 18% on equity shares for the financial year 2018-2019. The same was approved in the Annual general body meeting held on 30th September 2019. The Directors declared the approved dividends. Mr. Jagan was the holder of 2000 equity of shares on 31st March, 2019, but he transferred the shares to Mr. Rajiv on 8th August 2019. Mr. Rajiv has sent the shares together with the instrument of transfer to the company for registration of the shares in his favour only on 25th September 2019. The registration of the transfer of shares is pending on 30th September 2019. With respect to the dividend declared the correct action to be taken by the company is:

- (a) Pay the dividend to Mr. Jagan
- (b) Pay the dividend to Mr. Rajiv
- (c) Transfer the dividend in relation to such shares to the Unpaid Dividend Account
- (d) Transfer the dividend in relation to such shares to the Investor Education and Protection Fund.

6. The Board of Directors of Jip Rise Pharmaceuticals Limited are contemplating to declare interim dividend in the last week of July, 2018 but the company has incurred loss during the current financial year up to the end of June, 2018. However, it is noted that during the previous five financial years i.e., 2013-14, 2014-15, 2015-16, 2016-17 and 2017- 18, the company had declared dividend at the rate of 8%, 9%, 12%, 11% and 10% respectively. Advise the Board as to the maximum rate at which they can declare interim dividend despite incurring loss during the current financial year.

- (a) Maximum at the rate of 10%.
- (b) Maximum at the rate of 11%.
- (c) Maximum at the rate of 10.5%.
- (d) Maximum at the rate of 11.5%.

Answer key

1. (c)	2. (c)	3. (d)	4. (a)	5. (c)	6. (b)
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Chapter 9: Audit of Items of Financial Statements

1. CSR Committee of the Board shall consist of:
 - (a) Directors forming 1/3rd of the total no of directors.
 - (b) At least 2 directors out of which one shall be independent director.
 - (c) 3 or more directors out of which one shall be managing director.
 - (d) 3 or more directors, out of which at least 1 director shall be an independent director.

2. Provisions of CSR are applicable to:
 - (a) Companies with net worth of INR 250 crore or more but less than 500 crore.
 - (b) Companies with turnover of INR 1000 crore or more.
 - (c) Companies with net profit of INR 1 crore or more but less than INR 5 crore in any financial year
 - (d) Companies having aggregate outstanding loans and deposits exceeding INR 50 crore or more in any financial year.

3. One Person Company shall file a copy of the duly adopted financial statements to the 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 year.
 - (d) 180 days from the closure of the financial year.

4. Vandana Operations Limited has reported a net profit of INR 2 crores for the half year ended 30th September 2020. During the previous financial year 2019-2020, the company has paid up share capital of INR 40 crore and outstanding loan from bank amounting to INR 80 crores on the date of last audited financial statement. Whether the company is required to appoint internal auditor for the current financial year ending on 31st March 2021?

- (a) Yes, the company is required to appoint internal auditor for FY ending on March 2021 as the net profit of the company is more than ₹ 1 crore.
- (b) No, the company is not required to appoint internal auditor for FY ending on March 2021 as the outstanding loans during the previous year ending on March 2020 is less than ₹ 100 crore.

- (c) Yes, the company is required to appoint internal auditor for FY ending on March 2021 as the paid up share capital of the company is more than 10 crore.
- (d) No, the company is not required to appoint internal auditor for FY ended March 2021 as the paid up share capital of the company is less than ₹ 50 crore during the preceding financial year.

5. Ayush Power Limited has reported a net profit of INR 6 crore, INR 7.5 crore and INR 3 crore for the financial year(s) ended on March 2017, March 2018 and March 2019 respectively. The board's report of the company for the year ended March 2020 did not disclose the composition of the CSR Committee on the grounds that company is not required to constitute CSR committee as net profit during the immediately preceding financial year is less than the statutory requirements laid down in section 135. You are required to examine in the given scenario whether the act of non-composition and non-disclosure of the composition of CSR committee in the Board's Report is valid in law?

- (a) No, the act of the company is not valid in law as every company is required to constitute a CSR committee and disclose the same in the board's report in every financial year irrespective of the profits earned by the company.
- (b) Yes, the act of the company is valid in law as the net profit of the company is less than INR 5 crore in the immediately preceding financial year.
- (c) No, the act of the company is not valid in law as non-composition and non-disclosure of composition of CSR Committee will attract only if the profits of the company are less than 5 crore for a consecutive period of 3 financial years.
- (d) The act of the company is valid only to the extent of non-disclosure of the composition of CSR committee as the net profit of the company is less than INR 5 crore in the immediately preceding financial year.

6. During the half year ended September 2019, the board of directors (BOD) of Vidyut Manufacturing Limited has made an application to the Tribunal for revision in the accounts of the company for the financial year ended on March 2017.

Further during the year ended March 2020, the BOD has again made an application to the Tribunal for revision in the board's report pertaining to the year ended March 2019. You are required to state the validity of the acts of the Board of directors.

- (a) The act of the BOD is valid only to the extent of application made for revisions in accounts as board's report are not eligible for revision.
- (b) The act of the BOD is valid as application made for revision in the accounts and board's report pertains to two different financial year.
- (c) The act of the BOD is invalid as the law provides for only one time application to be made in a financial year for revision of accounts and boards report.
- (d) The act of the BOD is invalid as to the application made for revision in accounts pertains to a period beyond 2 years immediately preceding the year 2020. The application made for revision in the Board report is however valid in law.

7. Adani Enterprises Limited has its shares listed on a recognized stock exchange in India. During the current financial year ended March 2020, the securities and exchange board of India (SEBI) has found some irregularities in the filings made by the company. Accordingly, SEBI proposes to make an application to the Tribunal for reopening of the books of accounts of the Company. You, as an expert, are called upon by SEBI to advise with which last financial year for reopening of books of accounts an application can be made?

- (a) 2015-2016
- (b) 2013-2014
- (c) 2010-2011
- (d) 2011-2012

8. Ganesh Company Ltd, a public company incorporated under the Companies Act, 2013 has Mr. Jay- Director, Mr. Sagar – Independent Director, Mr. Abhishek – Nominee Director and Mr. Yash – Whole time director. Mr. Abhishek wants to inspect the books of accounts of Shankar Company Limited, the subsidiary of Ganesh Company Limited. You are required to state whether Mr. Abhishek is eligible to inspect the books of accounts of Ganesh Company Limited?

- (a) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization of the public financial institution on whose

behalf he has been so appointed in the board of the Ganesh Company Ltd.

- (b) No. Mr. Abhishek being a nominee director can only inspect the books of accounts of Ganesh Company Ltd and not its subsidiary company.
- (c) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the board of directors.
- (d) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the members holding not less than 25% of the paid up share capital of the company.

Answer key

1 . (d)	2. (b)	3. (d)	4. (c)
5. (c)	6. (b)	7. (d)	8. (c)

PRACER

Chapter 10: Audit and Auditors

1. For appointing an auditor other than the retiring auditor,
 - (a) Special notice is required.
 - (b) Ordinary notice is required.
 - (c) Neither ordinary nor special notice is required
 - (d) Approval of Central Government is required.

2. The auditor of a Government Company shall be appointed or re- appointed by-
 - (a) The Central Government
 - (b) Comptroller and Auditor General of India (CAG).
 - (c) Central Government on the advise of Comptroller and Auditor General of India.
 - (d) None of the above

3. Which of the following is a prohibited service to be rendered by the auditor of the Company?
 - (a) Design and implementation of any financial information system
 - (b) Making report to the members of the company on the accounts examined by him
 - (c) Compliance with the auditing standards
 - (d) Reporting of fraud against the company by officers or employees to the Central Government

4. The word 'firm' for the purpose of Section 139 shall include-
 - (a) An individual auditor
 - (b) A LLP
 - (c) An individual auditor and LLP both
 - (d) A company

Answer Key

1. (a)	2. (b)	3. (a)	4. (b)
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PRACER

Part II:

Other Laws

PRACER

Chapter 1: The Indian Contract Act, 1872

1. A contracts to save B against the consequences of any proceedings, which C may take against B in respect of a certain sum of 500 rupees. This is a:
 - (a) Contract of guarantee
 - (b) Quasi contract
 - (c) Contract of indemnity
 - (d) Void contract

2. S and P go into a shop. S says to the shopkeeper, C, "Let P have the goods, and if he does not pay you, I will." This is a
 - (a) Contract of Guarantee
 - (b) Contract of Indemnity
 - (c) Wagering agreement
 - (d) Quasi-contract

3. A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself or by the conduct of any other person is called as:
 - (a) Surety Contract
 - (b) Simple contract
 - (c) Contract of Indemnity
 - (d) None of the above

4. Any guarantee obtained by means of misrepresentation made by the creditor or with his knowledge and assent concerning a material part of the transaction is
 - (a) Valid
 - (b) Invalid
 - (c) Both (a) and (b)

(d) None of the above

5. A continuing guarantee may at any time be revoked by the surety as to future transaction by giving notice to

- (a) The Creditor
- (b) Principal Debtor
- (c) Without giving any notice to any person
- (d) None of the above

6. Atul contracts to indemnify Neha against the consequences of any proceedings which Chirag may take against Neha in respect of a sum of INR 15000/- advanced by Chirag to Neha. Now, Neha who is called upon to pay the sum of money due to Chirag but she fails to do so. Now, as per the provisions of the Indian Contract Act, 1872, advise the future course of action to be taken by Chirag.

- (a) Chirag can recover the amount only from Neha
- (b) Chirag can recover the full amount from Atul
- (c) Chirag cannot recover the amount from Atul
- (d) Chirag can recover at least 10% of the total amount from Neha

7. The position of a finder of lost goods is that of a

- (a) Bailor
- (b) Bailee
- (c) Surety
- (d) Principal debtor

8. The delivery of goods by one person to another for some specific purpose and time is known as:

- (a) Mortgage
- (b) Pledge
- (c) Bailment
- (d) Charge

9. With respect to Contract of Bailment, which of the following statement is incorrect
- No consideration is necessary to create a valid contract of bailment.
 - It involves the delivery of goods from one person to another for some purposes.
 - Bailment is only for immovable goods and never for moveable goods
 - The change of possession does not lead to change of ownership.
10. Mr. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statement is correct in this regard?
- This is a case of bailment
 - The parking people has possession of the car of Mr. Vishal
 - The parking people has custody of car of Mr. Vishal
 - This is the case of mortgage
11. The Pawnee doesn't have the right to retain the goods pledged for
- Performance of the promise
 - Extraordinary expenses incurred by him for preservation of goods pledged
 - Payment of debt
 - Necessary expenses incurred by him in respect of possession of goods pledged
12. A hires a carriage of B. The carriage is unsafe though B is not aware of it and A is injured
- B is responsible to A for the injury
 - B is not responsible to A for the injury
 - No one is responsible to each other
 - None of the above

13. _____ is one who represents to be an agent of another when in reality he has no such authority from the other agent at all.

- (a) Substituted agent
- (b) Subordinate agent
- (c) Pretended agent
- (d) Both (a) & (b)

14. L made an offer to MD of a company. MD accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company had already ratified the MD's acceptance. State which of the statement given hereunder is correct:

- (a) L is bound with the offer due to ratification
- (b) An offer once accepted cannot be withdrawn
- (c) Both option (a) & (b) is correct
- (d) L is not bound to an offer.

15. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:

- (a) Implied agency
- (b) Agency by ratification
- (c) Agency by necessity
- (d) Express agency

16. An agent is not liable to the principal if

- (a) He is a minor
- (b) He is of unsound mind
- (c) (a) and (b) both
- (d) None of these

17. Mr. Jane has appointed Ms. Vinita as his agent to sell the garments manufactured by Jane. Vinita due to her personal issues could not work effectively. Hence she appointed Mr. Kanth to sell on her behalf. Can Mr. Jane be bound by the acts of

Mr. Kanth?

- (a) No, an agent without authority cannot lawfully appoint a sub- agent.
- (b) Yes, Vinita is liable for the acts of Kanth and in turn Jane is liable for the transaction.
- (c) No, Kanth will be liable on his own account for any sales made.
- (d) Yes, Kanth now becomes direct agent of Jane as Kanth has sold garments manufactured by Jane.

Answer Key

1. (c)	2. (a)	3. (c)	4. (b)	5. (a)	6. (b)
7. (b)	8. (c)	9. (c)	10. (c)	11. (b)	12. (a)
13. (c)	14. (c)	15. (d)	16. (c)	17. (a)	

PRACER

Chapter 2: The Negotiable Instruments Act, 1881

1. Days of grace provided to the Instruments at maturity is—
 - (a) 1 day
 - (b) 2 days
 - (c) 3 days
 - (d) 5 days

2. Parties to a negotiable instrument can be discharged from liability by—
 - (a) Cancellation
 - (b) Payment
 - (c) Release
 - (d) All of the above

3. Validity period for the presentment of cheque in bank is—
 - (a) 3 months
 - (b) 6 months
 - (c) 1 year
 - (d) 2 years

4. A negotiable instrument that is payable to order can be transferred by:
 - (a) Simple delivery
 - (b) Indorsement and delivery
 - (c) Indorsement
 - (d) Registered post

5. A negotiable instrument drawn in favour of a minor is
- (a) Void
 - (b) Void but enforceable
 - (c) Valid
 - (d) None of the above

6. As per the Negotiable Instruments Act, 1881, when the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due on the _____ .
- (a) Said public holiday
 - (b) 5 days succeeding public holiday
 - (c) Next succeeding business day
 - (d) Next preceding business day

7. Which of the following is an essential characteristic of a promissory note:
- (a) There must be an order to pay certain sum
 - (b) It must be payable to bearer
 - (c) It must be signed by the Payee
 - (d) It must contain an unconditional undertaking

8. 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 of Mr. Aylam 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

Answer Key

1. (c)	2. (d)	3. (a)	4. (b)
5. (c)	6. (d)	7. (d)	8. (a)

PRACER

Chapter 3: The General Clauses Act, 1897

1. Which of the following is not an Immovable Property?
 - (a) Land
 - (b) Building
 - (c) Timber
 - (d) Machinery permanently attached to the land

2. Where an act of parliament does not expressly specify any particular day as to the day of coming into operation of such Act, then it shall come into operation on the day on which
 - (a) It receives the assent of the President
 - (b) It receives the assent of the Governor General
 - (c) It is notified in the official gazette
 - (d) None of these

3. 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

Answer Key

1. (c)	2. (a)	3. (a)
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Chapter 4: Interpretation of Statutes

1. The preamble is most important in any legislation, it:
 - (a) Provides definitions in the Act.
 - (b) Expresses scope, object and purpose of the Act.
 - (c) Provides summary of the entire Act.
 - (d) None of the above.

2. As per a Rule of an Educational Institution, every student may come on weekends for extra classes but every student shall appear on a weekly test conducted in the institute, which means:
 - (a) Attending extra classes on weekend is optional but appearing in weekly test is compulsory
 - (b) Attending weekend classes is compulsory but appearing in weekly test is optional
 - (c) Attending weekend classes and appearing in weekly test, both are compulsory for students
 - (d) Attending weekend classes and appearing in weekly test both are optional for students.

3. Formal legal document which creates or confirms a right or record a fact is a—
 - (a) Document
 - (b) Deed
 - (c) Statute
 - (d) Instrument

4. The Rule in Heydon’s case is also known as—
 - (a) Purposive construction
 - (b) Mischief Rule
 - (c) Golden Rule
 - (d) None of the Above

5. Pick the odd one out of the following aids to interpretation—
- (a) Preamble
 - (b) Marginal Notes
 - (c) Proviso
 - (d) Usage

6. Which rule of construction is applicable where there is a real and not merely apparent conflict between the provisions of an Act, and one of them has not been made subject to the other—
- (a) Rule of Beneficial construction
 - (b) Rule of Literal construction
 - (c) Rule of Harmonious construction
 - (d) Rule of Exceptional construction

7. 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

Answer Key




1. (b)	2. (a)	3. (d)	4. (b)
5. (d)	6. (c)	7. (b)	

Case Scenarios

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