

INTERMEDIATE COURSE

PAPER : 2

Corporate and Other Laws

BOOKLET ON MCQs & CASE SCENARIOS



BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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Preface

In certain core papers at the Intermediate and Final levels, 30 marks has been dedicated for objective type questions in the form of MCQs. These questions would be compulsory and there would be no internal or external choice. MCQ'S carrying 30 marks segment, may comprise of case scenarios followed by a few MCQs and Independent MCQ'S to assess higher order application and analytical skills of students.

Each MCQ shall have four options out of which there should be only one correct option. The MCQs would be application-oriented in nature and would arise from the given information in the case scenario. The remaining independent MCQs will be knowledge /application based in nature respectively.

This booklet on Multiple Choice Questions and Case scenarios includes 100 Multiple choice Questions and 30 Case scenarios including their answers. The Board of Studies, through this release of booklet wishes to create awareness amongst the students about nature of question based on the Case scenarios and independent scenario to have understanding of the subject and developing the skill of applying and analysing the relevant laws in the given situation. Through this endeavour of BoS, an attempt has been made to bring more understanding and clarity in the concepts of the subject.

This booklet is relevant for May 2021 Examination and onwards.

Wishing you happy reading!

MULTIPLE CHOICE QUESTIONS

Part I: Companies Act, 2013

1. Roma along with her six friends has incorporated Roma Trading Ltd. in May 2019. The paid-up share capital of the company is ₹ 30 lacs. Further, in April 2020, she noticed that in the last financial year, the turnover of the company was well below ₹ 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 ₹ 50 lacs and also its turnover has not exceeded the threshold limit of ₹ 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 ₹ 2.00 crores and its paid up share capital was less than ₹ fifty lacs. Advise.

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- (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. 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).

- (d) 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
4. 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.
5. 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.

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- (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 convert his OPC into a Section 8 company (companies formed with charitable objects).
- 6. 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
- 7. 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.
- 8. 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.
9. 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
10. Shripad Religious Publishers Limited has received application money of ₹ 20,00,000 (2,00,000 equity shares of ₹ 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
11. Being in need of further capital, Rimsi Cotton-Silk Products Limited opted to offer 50 lacs equity shares of ₹ 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.

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- (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.
12. Innovative Tech Sol Limited intends to invite subscription to ₹ 1.10 crores equity shares of ₹ 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.
13. Neptune Metal Tools Limited was incorporated on 2nd December, 2018 with twenty-five subscribers and authorised capital of ₹ 50,00,000 (5,00,000 equity shares of ₹ 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 ₹ fifty lakhs and above needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.
14. 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
15. 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
16. 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

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- (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
17. 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
18. 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
19. 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.

20. 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
21. 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
22. 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.

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23. If a company has Authorised Share Capital of ₹ 6,00,000; Paid-up Share Capital of ₹ 5,00,000; a loan of ₹ 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
24. 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?
- (a) It can do so subject to the fulfilment of other conditions because maximum buy-back in a financial year is up to 25%
 - (b) It cannot do so because there must be a time gap of 12 months between two buy-backs
 - (c) It can buy back shares within one year but the company need to pass an ordinary resolution by its board of directors
 - (d) It can buy back shares within one year but the company will have to pass a special resolution
25. 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?
- (a) Upon expiry of five years from the date on which the default was made good
 - (b) Upon expiry of three years from the end of the financial Year in which the default was made good
 - (c) Upon expiry of five years from the end of the financial Year in which the default was made good

- (d) Upon expiry of seven years from the end of the financial Year in which the default was made good
26. 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.
- (a) 21st August, 2020.
- (b) 20th September, 2020
- (c) 20th October, 2020.
- (d) 19th November, 2020.
27. 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 ₹ 1.00 crore divided into equal number of shares of ₹ 1 each. Each subscriber subscribed for ₹ 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.
28. Keshika is the original owner of 1000 equity shares of ₹ 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.
29. 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
30. 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.
31. 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?

- (a) Any of the directors of the company as authorised by the Board may issue such certificate
 - (b) A practicing company secretary is authorised to issue such certificate
 - (c) The auditor of the company is authorised to issue such certificate
 - (d) The legal advisor of the company is authorised to issue such certificate
32. 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
33. 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
34. 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.

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- (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.
35. 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.
36. Dream World Entertainment Limited, has accepted deposits worth ₹ 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 ₹ 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).
37. Suneet Spices Limited decides to raise deposits of ₹ 20.00 lacs from its members. However, it is of the opinion to secure such deposits partially by offering security worth ₹ 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
38. 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
39. Ruchita wants to renew her deposit of ₹ 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.
40. 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
41. 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
42. A charge was created by Cygnus Softwares Limited on its office premises to secure a term loan of ₹ 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.
43. 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.
44. A resolution shall be a special resolution when the votes cast in favour of the resolution by members are not less than _____ the number of votes, if any, cast against the resolution.
- (a) Twice
 - (b) Three times
 - (c) Four times
 - (d) Two third of
45. 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
46. 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

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- (c) 91% of members entitled
 - (d) 95% of members entitled
47. 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
48. 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.
49. 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.
50. The authorised and paid-up share capital of Avantika Ayurvedic Products Limited is ₹ 50.00 lacs divided into 5,00,000 equity shares of ₹ 10 each. At its Annual General Meeting (AGM) held on 24th September, 2019, the company declared a dividend of ₹ 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

51. 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.
52. 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%.
53. 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.
54. Provisions of CSR are applicable to:
- (a) Companies with net worth of ₹ 250 crore or more but less than 500 crore.
 - (b) Companies with turnover of ₹ 1000 crore or more.
 - (c) Companies with net profit of ₹ 1 crore or more but less than ₹ 5 crore in any financial year
 - (d) Companies having aggregate outstanding loans and deposits exceeding ₹ 50 crore or more in any financial year.
55. 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.
56. Vandana Operations Limited has reported a net profit of ₹ 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 ₹ 40 crore and outstanding loan from bank amounting to ₹ 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.
57. Ayush Power Limited has reported a net profit of ₹ 6 crore, ₹ 7.5 crore and ₹ 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 ₹ 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 ₹ 5 crore in the immediately preceding financial year.

58. 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.
59. 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
60. 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.
61. 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.
62. 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
63. 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
64. 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
65. 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.

Part II: OTHER LAWS

66. 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
67. 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
68. 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
69. 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

70. 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
71. Atul contracts to indemnify Neha against the consequences of any proceedings which Chirag may take against Neha in respect of a sum of ₹ 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
72. The position of a finder of lost goods is that of a
- (a) Bailor
 - (b) Bailee
 - (c) Surety
 - (d) Principal debtor
73. 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

74. With respect to Contract of Bailment, which of the following statement is incorrect
- (a) No consideration is necessary to create a valid contract of bailment.
 - (b) It involves the delivery of goods from one person to another for some purposes.
 - (c) Bailment is only for immovable goods and never for moveable goods
 - (d) The change of possession does not lead to change of ownership.
75. 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?
- (a) This is a case of bailment
 - (b) The parking people has possession of the car of Mr. Vishal
 - (c) The parking people has custody of car of Mr. Vishal
 - (d) This is the case of mortgage
76. The Pawnee doesn't have the right to retain the goods pledged for
- (a) Performance of the promise
 - (b) Extraordinary expenses incurred by him for preservation of goods pledged
 - (c) Payment of debt
 - (d) Necessary expenses incurred by him in respect of possession of goods pledged
77. 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

78. _____ 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)
79. 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.
80. 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
81. 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
82. 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.
83. Days of grace provided to the Instruments at maturity is—
- (a) 1 day
 - (b) 2 days
 - (c) 3 days
 - (d) 5 days
84. Parties to a negotiable instrument can be discharged from liability by—
- (a) Cancellation
 - (b) Payment
 - (c) Release
 - (d) All of the above
85. Validity period for the presentment of cheque in bank is—
- (a) 3 months
 - (b) 6 months
 - (c) 1 year
 - (d) 2 years
86. A negotiable instrument that is payable to order can be transferred by:
- (a) Simple delivery
 - (b) Indorsement and delivery

- (c) Indorsement
 - (d) Registered post
87. A negotiable instrument drawn in favour of a minor is
- (a) Void
 - (b) Void but enforceable
 - (c) Valid
 - (d) None of the above
88. 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
89. 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
90. 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
91. 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.
92. 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.
93. Which of the following is not an Immovable Property?
- (a) Land
 - (b) Building
 - (c) Timber
 - (d) Machinery permanently attached to the land
94. 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
95. 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
96. Formal legal document which creates or confirms a right or record a fact is a—
- (a) Document
 - (b) Deed
 - (c) Statute
 - (d) Instrument
97. The Rule in Heydon's case is also known as—
- (a) Purposive construction
 - (b) Mischief Rule
 - (c) Golden Rule
 - (d) None of the Above
98. Pick the odd one out of the following aids to interpretation—
- (a) Preamble
 - (b) Marginal Notes
 - (c) Proviso
 - (d) Usage

99. 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
100. 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 Keys

| Question No. | Answer |
|--------------|---|
| 1 | (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'. |
| 2 | (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. |
| 3 | (b) The company can alter its Memorandum of Association by passing a special resolution in the shareholders' meeting. |
| 4 | (a) A notarised copy of rent agreement along with rent receipt which is not older than one month. |

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| 5 | (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. |
| 6 | (b) | Advertisement was given after six months from the date of allotment and the issue house paid the entire consideration to the company. |
| 7 | (c) | in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures. |
| 8 | (c) | Minimum offer per person should have Market Value of ₹ 20,000 |
| 9 | (c) | one year from the date of opening of first issue |
| 10 | (c) | 9 th December, 2019. |
| 11 | (b) | The company is prohibited from providing 'Right of Renunciation' so the offer letter and the application form need not include any such clause. |
| 12 | (b) | Qualified Institutional Buyers. |
| 13 | (b) | Neptune needs to issue shares to the subscribers only in dematerialized form. |
| 14 | (b) | Equal to not less than two years' fees payable to the depository. |
| 15 | (d) | When securities are offered to the public for subscription |
| 16 | (a) | The provisions relating to minimum subscription are not applicable |
| 17 | (b) | At the time of delivery of the prospectus for registration |
| 18 | (c) | Sweat Equity Shares |

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| 19 | (d) Yes; because Articles of Association of the company allow issue of such preference shares and the issuing company is a private limited company. |
| 20 | (b) will have the right to vote because dividend for last two years have not been paid |
| 21 | (c) Written consent of three fourth majority of that other class should be obtained |
| 22 | (d) Yes; company can issue preference shares for infrastructure project for a period up to 20 years. |
| 23 | (d) All of the above |
| 24 | (b) It cannot do so because there must be a time gap of 12 months between two buy-backs |
| 25 | (c) Upon expiry of five years from the end of the financial Year in which the default was made good |
| 26 | (c) 20th October, 2020. |
| 27 | (c) 27th October, 2020. |
| 28 | (b) Vanshika, as transferee and 'would be' owner of equity shares, has the right to file an appeal with NCLT against the company. |
| 29 | (b) Three years from the date of allotment |
| 30 | (d) Prithvi Cements Limited cannot issue debentures carrying voting rights. |
| 31 | (c) The auditor of the company is authorised to issue such certificate |
| 32 | (b) Deposit repayment reserve account |
| 33 | (b) 6 months |
| 34 | (c) Not less than 20% of the amount of its deposits maturing during the following financial year. |

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| 35 | (c) Eight years from the financial year in which the latest entry is made in the Register. |
| 36 | (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). |
| 37 | (b) Unsecured deposits |
| 38 | (c) 36 months |
| 39 | (d) Longer than the unexpired period of deposit. |
| 40 | (d) date of such registration |
| 41 | (b) Charge |
| 42 | (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. |
| 43 | (d) to declare dividends. |
| 44 | (b) Three times |
| 45 | (b) 30 days |
| 46 | (d) 95% of members entitled |
| 47 | (c) 30 days |
| 48 | (c) Profit on sale of asset |
| 49 | (d) at the discretion of the company. |
| 50 | (a) Latest by 29th September, 2019 |
| 51 | (c) Transfer the dividend in relation to such shares to the Unpaid Dividend Account |
| 52 | (b) Maximum at the rate of 11%. |
| 53 | (d) 3 or more directors, out of which at least 1 director shall be an independent director. |
| 54 | (b) Companies with turnover of ₹ 1000 crore or more. |

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| 55 | (d) | 180 days from the closure of the financial year. |
| 56 | (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. |
| 57 | (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. |
| 58 | (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. |
| 59 | (d) | 2011-2012 |
| 60 | (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. |
| 61 | (a) | Special notice is required. |
| 62 | (b) | Comptroller and Auditor General of India (CAG). |
| 63 | (a) | design and implementation of any financial information system |
| 64 | (b) | A LLP |
| 65 | (a) | A special resolution and after obtaining approval of the Central Government. |
| 66 | (c) | Contract of indemnity |
| 67 | (a) | Contract of Guarantee |
| 68 | (c) | Contract of Indemnity |
| 69 | (b) | Invalid |
| 70 | (a) | The Creditor |

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| 71 | (b) Chirag can recover the full amount from Atul |
| 72 | (b) Bailee |
| 73 | (c) Bailment |
| 74 | (c) Bailment is only for immovable goods and never for moveable goods |
| 75 | (c) The parking people has custody of car of Mr. Vishal |
| 76 | (b) Extraordinary expenses incurred by him for preservation of goods pledged |
| 77 | (a) B is responsible to A for the injury |
| 78 | (c) Pretended agent |
| 79 | (c) Both option (a) & (b) is correct |
| 80 | (d) Express agency |
| 81 | (c) a and b both |
| 82 | (a) No, an agent without authority cannot lawfully appoint a sub-agent. |
| 83 | (c) 3 days |
| 84 | (d) All of the above |
| 85 | (a) 3 months |
| 86 | (b) indorsement and delivery |
| 87 | (c) Valid |
| 88 | (d) next preceding business day |
| 89 | (d) next preceding business day |
| 90 | (a) 17th May 2020 |
| 91 | (b) Expresses scope, object and purpose of the Act. |
| 92 | (a) Attending extra classes on weekend is optional but appearing in weekly test is compulsory |

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| 93 | (c) Timber |
| 94 | (a) It receives the assent of the President |
| 95 | (a) Under either or any of those enactments |
| 96 | (d) Instrument |
| 97 | (b) Mischief Rule |
| 98 | (d) Usage |
| 99 | (c) Rule of Harmonious construction |
| 100 | (b) Explanation |

CASE SCENARIO

1. Mr. Varinder Singh is a philanthropist apart from being the owner of the renowned textile brand 'Paridhaan'. He is running an old age home, a shelter-home for orphans apart from a chain of art and language schools. These philanthropic initiatives and educational institutions established by him are operating under the banner of a charitable trust, in which he himself is one of the trustees. The textile business 'Paridhaan' is owned by a private limited company with paid-up share capital of INR 60 lakhs. 'Paridhaan' is losing market share due to stiff competition from readymade brands resulting decline in turnover to ₹ 180 lakhs during the immediately preceding financial year, out of which 45% is export sales.

His son Jimmy who is also a shareholder and director in 'Paridhaan', wishes to start a new business of e-learning platform and research-based technical education. He has opted for a corporate form for this business, because this may help in reaching out to leading global universities to sign MoUs for student and faculty exchange programs, in order to establish a global brand, especially after the rollout of the new education policy. Jimmy wants to retain the entire control of education activities. Jimmy met their family friend Mr. Chawla, who is a renowned practicing Chartered Accountant. Mr. Chawla explains the various kinds of companies, including One Person Company (OPC) with the procedural requirements for each which could be considered by Jimmy for his education business. Jimmy decided to form OPC after considering the various pros and cons.

Jimmy appoints Mr. Wilson as a nominee to his OPC. Mr. Wilson who is in his 30s, is an academician and scholar, a graduate from MIT in CSE, and has done his masters with Jimmy. Mr. Wilson is from Cambridge, Massachusetts, USA and is basically a US national. But, he has been residing in India for the last couple of years. Mr. Wilson helps Jimmy in the promotion of OPC.

Mr. Chawla is an auditor of Sirmaur Pharma Limited, the AGM of which was convened on 31st August 2020. As he had already confirmed his appointment with Jimmy to meet him on that day, he asked his paid

assistant, Mr. Anup, to attend the AGM on his behalf. Mr. Anup is Chartered Accountant, but in employment with Mr. Chawla's firm for the last year or so. Mr. Anup is not holding a certificate of practice. At that AGM, based upon the board's recommendation, Sirmaur Pharma Limited decided to issue fully paid-up bonus share to its members out of its reserve and surplus available with it, which are as follows:

| Source | Amount in ₹ |
|--|-------------|
| Free Reserves | 1.24 Crores |
| Securities Premium Account | 0.82 Crores |
| Capital Redemption Reserve Account | 1.07 Crores |
| Capitalizing reserves created by revaluation of assets | 0.63 Crores |

Multiple Choice Questions [2 Marks each]

- 1.1 Considering the validity of nominating Mr. Wilson to the One Person Company of Jimmy, out of the following, which statement holds truth?
- (a) Mr. Wilson is a valid nominee because he is a natural person.
 - (b) Mr. Wilson is a valid nominee because he is a natural person and resides in India.
 - (c) Mr. Wilson is a valid nominee because he attains the majority and also engaged in the promotion of OPC.
 - (d) Mr. Wilson is not a valid nominee, because he is not a citizen of India.
- 1.2 What is the maximum amount, upto which fully paid bonus shares can be issued by Sirmaur Pharma Limited?
- (a) ₹ 2.06 Crores
 - (b) ₹ 3.13 Crores

- (c) ₹ 3.76 Crores
 - (d) ₹ 2.69 Crores
- 1.3 Mr. Varinder wants to take the benefits of relaxation available to a small company. Does Paridhaan meet the criteria to be classified as a small company?
- (a) Yes, because turnover is less than prescribed limit
 - (b) Yes, because both paid-up share capital and turnover are less than the prescribed limit
 - (c) No, because paid-up share capital is more than the prescribed limit
 - (d) No, because both paid-up share capital and turnover are more than the prescribed limit
- 1.4 Jimmy is already a member of Paridhaan and has now promoted his own OPC. Is Jimmy eligible to Incorporate OPC as being an existing member and Director of 'Paridhaan', which of the following statements is correct?
- (a) Not eligible, because a person who is a member of any other company cannot incorporate an OPC.
 - (b) Not eligible, because a person who is director of any other company cannot incorporate an OPC as a member.
 - (c) Eligible, because a person can incorporate one OPC as a member despite being a member in any other form of companies, other-than OPC.
 - (d) Eligible, because a person can be a member of any number of companies including any number of OPCs.
- 1.5 Mr. Chawla who is appointed as auditor of Sirmaur Pharma Limited under section 139 of Companies Act 2013, didn't attend the AGM personally. Instead of attending the general meeting personally, he has directed Mr. Anup a qualified assistant to attend the AGM as his representative. Is Mr. Chawla guilty of contravention of the provisions of section 146, under section 147 of Companies Act, 2013?

- (a) No, because attending AGM is not mandatory for auditor
- (b) No, because Mr. Chawla attends the AGM through his representative (Mr. Anup)
- (c) Yes, because in all circumstances; auditor (Mr. Chawla) must attend the AGM that's too in person.
- (d) Yes, because representative appointed by him in this case (Mr. Anup) is not qualified to be appoint as an auditor of such a company.

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 1.1 | (d) Mr. Wilson is not a valid nominee, because he is not a citizen of India. |
| 1.2 | (b) ₹ 3.13 Crores |
| 1.3 | (c) No, because paid-up share capital is more than the prescribed limit |
| 1.4 | (c) Eligible, because a person can incorporate one OPC as a member despite being a member in any other form of companies, other-than OPC. |
| 1.5 | (d) Yes, because representative appointed by him in this case (Mr. Anup) is not qualified to be appoint as an auditor of such a company. |

2. Mr. Kumar Arijit is a renowned finance professional with wide experience in banking operations. Due to his experience, he has been appointed as director on the Board of various companies. He is working as the Executive Director - Finance of Doon Carbonates Limited (DCL) for the past 4-5 years and heading the finance department there. As per the object clause of the Memorandum of Association of DCL, it can raise funds by way of loans for the advancement of its business. Articles of Association of DCL authorizes the directors to borrow up to INR 50 lakhs on behalf of the company after passing a valid board resolution and any loans for amounts exceeding the above limit can be raised only after approval at a general meeting.

Board of Directors of DCL raised INR 80 lakhs from Srikant Finance Services after passing a board resolution and out of this amount, INR 60 lakhs was used to pay a legitimate liability of DCL by the directors. DCL is a widely held company with around 5600 members as per the members register. The 21st AGM of DCL is convened on 1st September 2020. A total of 34 members attended the meeting out of which 7 members attending through proxy. 6 of such members are represented by single proxy, Mr. Das. The articles of DCL is silent about the quorum.

Mr. Kumar is also director of Padmani Silk Limited (PSL). PSL was established around 25 years back as a private company operating as a micro business with 10 employees in a three- room building. During these years, the company grew exceptionally and went public and was also listed on SME exchange. PSL declares the interim dividend out of the previous year's undistributed profit on 31st August 2020 on the occasion of the 25th anniversary of the company. PSL deposited the amount of said dividend in a separate bank account with an NBFC on 4th of September, 2020.

Mr. Kumar hails from a farming family and carries on the business of cultivation and milling of paddy. He is also the sole member of Fair-Deal Limited (FDL), a one person company. FDL is operated as rice sheller and also deals in trading of high quality basmati rice. Mr. Kumar's father is operating as a nominee for the purposes of this OPC. The accounts department of FDL prepared and published only Profit and Loss Account and Balance Sheet as a financial statement and did not prepare cash flow statements and explanatory notes to accounts. A statement of changes in equity is not required in the case of FDL.

Multiple Choice Questions [2 Marks each]

- 2.1 Regarding compliance for declaration and distribution of Interim dividend by PSL, which of the following statements is correct?
- (a) There is a violation of the provisions because interim dividend can only be declared out of current year's profits.
 - (b) There is no violation at all, and all the provisions prescribed by law have been complied with.

- (c) There is a violation because the bank account shall be designated and shall be one of existing banks account of company.
 - (d) There is a violation because the bank account shall be opened with scheduled banks only.
- 2.2 Which of the following statements is correct, with reference to the requirement for financial Statements of 'Fair Deal Limited' (One Person Company)
- (a) FDL fails to meet the requirement because its financial statement do not include explanatory notes to accounts
 - (b) FDL fails to meet the requirement because its financial statements do not include cash flow statement
 - (c) FDL fails to meet the requirement because its financial statements do not include explanatory notes to account and cash flow statement
 - (d) FDL has complied with the requirements related to financial statements
- 2.3 The borrowing of the sum of INR 80 lakhs by the directors of DCL is
- (a) Void-ab-initio
 - (b) Void
 - (c) Voidable
 - (d) Valid
- 2.4 Regarding the validity of the 21st Annual General Meeting of DCL, which of the following statements is correct?
- (a) The meeting doesn't have a quorum, because 30 members need to be present in person at the meeting.
 - (b) The meeting is valid and has a quorum because 30 members are present at meeting either personally or through a proxy.

- (c) The meeting is valid and has a quorum, because only 5 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand
- (d) The meeting is valid and has a quorum, because only 15 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 2.1 | (d) There is a violation because the bank account shall be opened with scheduled banks only. |
| 2.2 | (a) FDL fails to meet the requirement because its financial statement do not include explanatory notes to accounts |
| 2.3 | (c) Voidable |
| 2.4 | (a) The meeting doesn't have a quorum, because 30 members need to be present in person at the meeting. |

3. Mr. B R Mohanty, promoted two companies about two-decades ago. He promoted these companies along with two of his elder brothers and few friends, who are pharmaceutical and chemical engineers by profession. The companies are Well-Mount Limited (WML) dealing in wellness products and pharmaceuticals; and Tex-Mount Limited (TML) dealing in textile products.

During these two decades, both WML and TML have grown magnificently as both the sectors expanded beyond imagination. Both companies went public and their stocks were listed on leading stock exchanges. TML did well in the past and emerged as a major export unit but in recent years the textile sector has witnessed stiff competition due to new entrants. The increased cost of the workforce and other input materials has also made the sector unprofitable. The recent

lockdown has also affected the sector adversely. TML's bottom line for the current financial year is in the red. TML was declaring dividends since the very first year of operation and is willing to continue the tradition considering dividend to be a signaling effect to an investor for the purpose of valuation. Rate of dividend declared for the immediately preceding five years was 9%, 10%, 8%, 5% and 2% (9% being five years ago and 2% being the previous year) respectively. The management at TML decided to declare dividends out of the accumulated profits of previous years.

TML deals in exports and hence came under the scanner of the enforcement directorate, who have called for the financial statements and books of account of TML for scrutiny for the last 10 preceding financial years. In response to the said notice TML furnished financial statements and books of accounts for last 8 immediately preceding financial years only, stating that as per its article of association; TML is required to maintain and keep the books of account only for 8 immediately preceding financial years and that too without any records of vouchers pertaining to such accounts.

WML is doing well, it has used the outbreak of COVID-19 as a business opportunity and has registered significant growth in both top and bottom line. For the past many years, WML declared a dividend at a constant rate of 20%. During the financial year 2019-20, WML earns a profit of 580 Crores. Board of directors of WML has declared 25% dividend on 15th June 2020 without transferring any amount to the reserves. On 14th July 2020 a portion of the dividend declared remains unpaid, due to operation of law. This amount has been transferred to unpaid dividend account on 20th July 2020.

CA. Dev was appointed as auditor under section 139 of Companies Act 2013 of WML in his individual capacity at the 17th AGM for the financial year 2018-19.

Multiple Choice Questions [2 Marks each]

- 3.1 In case of TML, which of the following statements are correct regarding the declaration of dividend

- (a) TML can't declare the dividend because it has made loss in the current financial year.
 - (b) TML can declare the dividend but only up to 9%.
 - (c) TML can declare the dividend but only up to 5%.
 - (d) TML can declare the dividend but only up to 6.8%
- 3.2 CA. Dev, who is the auditor of WML will have to vacate the office of the auditor in and can be reappointed again only in
- (a) 22nd AGM and 27th AGM
 - (b) 27th AGM and 32nd AGM
 - (c) 22nd AGM and 23rd AGM
 - (d) 22nd AGM and can't be re-appointed again.
- 3.3 In case of WML, which of the following statements is correct regarding the declaration of dividend?
- (a) WML can't declare the dividend at a rate more than 20%
 - (b) WML can declare the dividend out of current year's profit but it needs to transfer sum equal to 20% to reserve first.
 - (c) WML can declare the dividend out current year's profit but it needs to transfer sum equal to 10% of paid-up share capital to reserve first.
 - (d) WML can declare the dividend out of current years' profit without transferring any % to reserve.
- 3.4 In case of TML, regarding maintenance and preserving the books of account which of the following statements is correct?
- (a) TML needs to maintain and keep the books of account for 10 preceding financial years, hence TML has violated the law
 - (b) TML has not violated the provisions of law because it has preserved the books of account for 8 immediately preceding financial years.

- (c) TML has violated the provision of law because it has preserved the books of account for 8 immediately preceding financial years without preserving the relevant vouchers pertaining to such books of account.
 - (d) TML has not violated the provisions of law because it is complying with its article of association.
- 3.5 Regarding declaration and distribution of dividend by WML, which of the following statements is correct keeping in mind the various timelines?
- (a) WML has violated the law, because some of the dividend remain unpaid; irrespective of reason for non-payment
 - (b) WML has violated the law, because unpaid dividend has to be transferred to the unpaid dividend account by 19th July 2020.
 - (c) WML has not violated the law, because the unpaid dividend has been transferred to the unpaid dividend account prior to 21st July 2020.
 - (d) WML has not violated the law, because the unpaid dividend can be transferred to the unpaid dividend account at any time within 90 days from the date of declaration.

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 3.1 | (c) TML can declare the dividend but only up to 5%. |
| 3.2 | (a) 22 nd AGM and 27 th AGM |
| 3.3 | (d) WML can declare the dividend out of current years' profit without transferring any % to reserve. |
| 3.4 | (c) TML has violated the provision of law because it has preserved the books of account for 8 immediately preceding financial years without preserving the |

| | |
|------------|---|
| | relevant vouchers pertaining to such books of account. |
| 3.5 | (c) WML has not violated the law, because the unpaid dividend has been transferred to the unpaid dividend account prior to 21 st July 2020. |

4. Vignesh Fertilizers Limited (VFL) and Vivian Chemicals Private Limited (VCPL) were promoted around 30 years back by Mr. Vicky Tripathi and his family members. Mr. Vicky Tripathi and his younger brother Vinay Tripathi actively participate in the daily operations of both the companies. VCPL is wholly owned by Tripathi family, while Tripathi family has a majority stake of 65% in VFL.

Due to the poor economic conditions in the agriculture sector and shifting of the farmers' focus to organic farming, the sales of Vignesh Fertilizers Limited is dipping and its bottom line has been in the red for the last couple of years. The unabsorbed loss of VFL for the current financial year is ₹ 9.8 crores. VFL didn't pay any dividends during the last four years. VFL has accumulated profit in the form of the free reserves of ₹ 180 crores whereas paid-up share capital is 918 crores. Since pressure from shareholders of the free float is mounting, management at VFL decided to pay a dividend this year out of accumulated profit. Finally, the dividend was declared on 31st August 2020. Some of the dividend remained unpaid as on 30th September 2020, on account of operation of law; this was transferred to Unpaid Dividend Account and the list of such beneficiary owners along with contact details of the same were hosted on the website of the company on 9th November 2020.

VCPL is a mid-sized unlisted entity, with few branches (retail drug store) abroad and is not required to appoint a director under section 149 (4). During the immediately preceding year, net worth was 280 crores, turnover is 590 crores and net profit is 45.8 crores. The profits and other information of the immediately preceding three years is given below:

| Particulars | Year ended 31.3.2020 (in crores) | Year ended 31.3.2019 (in crores) | Year ended 31.3.2018 (in crores) |
|------------------------------|---|---|--|
| Profit for the year | 45.8 | 42.0 | 35.8 |
| Profit from foreign branches | 1.8 | 9.1 | 5.4 |
| Non-operating Income | 8.6 | 2.7 | 0.8 |
| Dividend Income | 4.2* | 0.0 | 2.4 |

*Out of ₹ 4.2 Crores, the amount of ₹ 1.8 crores is dividend received from a foreign company.

The Board of Directors of VCPL is not clear whether they have to compulsorily form a CSR committee. In order to avoid adverse legal consequences, VCPL constitutes a CSR committee consisting of two (2) non-executive directors and one (1) executive director who was appointed as chairperson of the committee.

Multiple Choice Questions [2 Marks each]

- 4.1 In case of VFL, regarding the un-paid dividend which of the following statements is correct?
- VFL is guilty of non-payment of dividend, because some of the dividends remain unpaid even after 30 days of declaration.
 - VFL is guilty because the list of beneficiaries of un-paid dividend is hosted on the website after 30 days from the date it falls in category of un-paid dividend
 - VFL is guilty because the list of beneficiaries does not contain the latest known address of beneficiaries and amount unpaid.
 - VFL is not guilty because it has full-filled all the provisions of law pertaining to un-paid dividend

- 4.2 During the current year, is VCPL required to constitute CSR committee under section 135 of Companies Act 2013?
- (a) No, because it is an unlisted private company
 - (b) No, because it is an unlisted company and it has net-worth less than ₹ 500 Crores
 - (c) Yes, because despite being unlisted company its turnover is above ₹ 500 cores
 - (d) Yes, because its net profit is above ₹ 5 crores
- 4.3 In the case of VFL, what can be the maximum amount of dividends payable out of accumulated profits?
- (a) ₹ 109.8 crores
 - (b) ₹ 100 crores
 - (c) ₹ 42.3 crores
 - (d) ₹ 32.5 crores
- 4.4 Considering the legal provisions regarding the constitution of CSR committee and the one constituted by VCPL, state which of following the statements hold truth?
- (a) Constitution of the committee is invalid because it doesn't consist of an independent director.
 - (b) Constitution of the committee is invalid because its chairperson is an executive director.
 - (c) Constitution of the committee is valid because it depends purely upon the discretion of management.
 - (d) Constitution of the committee is valid because company is not required to appoint an independent director.
- 4.5 What is the minimum amount to be spent by VCPL on CSR activities?
- (a) ₹ 89.06 Lakhs
 - (b) ₹ 78.20 Lakhs

- (c) ₹ 75.00 Lakhs
- (d) ₹ 73.80 Lakhs

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 4.1 | (c) VFL is guilty because the list of beneficiaries does not contain the latest known address of beneficiaries and amount unpaid. |
| 4.2 | (d) Yes, because its net profit is above ₹ 5 crores |
| 4.3 | (d) ₹ 32.5 crores |
| 4.4 | (d) Constitution of the committee is valid because company is not required to appoint an independent director. |
| 4.5 | (c) ₹ 75.00 Lakhs |

5. Mr. Abhinav Gyan is a techie and one of the promoters of Doon Technology Limited (DTL). He did his engineering from one of the prestigious IIT in Computer Science and then pursued his Masters in management from IIM. He started DTL fifteen years back. DTL is famous for advanced technologies such as artificial intelligence, block-chain solutions and many others. The company went public a decade ago, but has not been listed yet. DTL is expanding its operations in the wake of opportunities arising out of Industrial Revolution 4, therefore it wishes to retain the profit for reinvesting in the growth of the company, But the shareholders are seeking dividend based on the larger bottom line. The outbreak of COVID-19 was another reason which had forced the directors to retain the earnings. After the closure of books of account for the year, the directors proposed a dividend of 10% against the expectation of 20% by shareholders. But considering the extended lock-down which causes a delay in delivering the projects (resulting in deferment of revenue and additional cost), directors wish to revoke the dividend. The 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 that this will cause an unnecessary financial burden on the company. The

excerpts from financial statements of the preceding financial year 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 ₹ 25 crores

up-till 31st Jan the outstanding deposit was ₹ 30 crores

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

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

Multiple Choice Questions [2 Marks each]

- 5.1 Regarding un-paid call money by Mr. Gyan, in light of dividend due to him from TCS, state which of following the statements is correct?
- (a) Dividend cannot be adjusted against the unpaid call money

- (b) The dividend of ₹ 48,000 can be adjusted against unpaid call money
 - (c) The dividend of ₹ 48,000 can be adjusted against unpaid call money, if consent is given by Mr. Gyan.
 - (d) The dividend of ₹ 64,000 can be adjusted against unpaid call money, even if consent is not given by Mr. Gyan.
- 5.2 Does DTL is required to appoint Internal Auditor U/S 138 of Companies Act 2013?
- (a) No, because DTL is unlisted company
 - (b) No, because paid-up share capital is less than ₹ 50 crores
 - (c) Yes, because turnover is more than ₹ 200 crores
 - (d) Yes, because outstanding loan is above ₹ 100 crores
- 5.3 Considering the expectation of shareholders of DTL, choose the correct statement expressing the established legal precedent and legal provision regarding the declaration of dividend.
- (a) The declaration of dividend is right of the shareholders, they can ask for it at a general meeting
 - (b) The declaration can be declared only equal to what is proposed by directors
 - (c) The declaration can be declared at rate or amount more than proposed by the director
 - (d) The declaration proposed or declared can be revoked back.
- 5.4 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.
- 5.5 What will be the amount of penalty which TCS needs to pay under section 127?
- (a) Up-to ₹ 1000 per day till the default continues
- (b) ₹ 64,800
- (c) ₹ 97,200
- (d) ₹ 1,08,000

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 5.1 | (b) The dividend of ₹ 48,000 can be adjusted against unpaid call money |
| 5.2 | (c) Yes, because turnover is more than ₹ 200 crores |
| 5.3 | (d) The declaration proposed or declared can be revoked back. |
| 5.4 | (d) Gyan Foundation can't declare the dividend in any case. |
| 5.5 | (c) ₹ 97,200 |

6. Mr. Mohit Aggarwal is a 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 of ₹ 1.5 crores from Mr. Mohit for short term purpose and the loan is expected to be repaid after twenty four months. SCCL in its books of account, records the receipt as a loan 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 his loan transactions are furnished in the boards' report.

DBSL which is an unlisted public company, also accept the deposits from the public as on 1st November 2018, which is due for repayment on 30th September 2023. DBSL also accepts a LAP (Loan against property) for a

term of 10 years from a financial institution on 18th June 2020. Charge was created on that day, but DBSL has neglected to register the charge with the registrar. Finally, the application for registration of charge is furnished on 18th August 2020.

SCCL has 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). SCCL has a liaison Office at Nainital. Management of the company is willing to place, the Register of Members at the Nainital Liaison Office.

DBSL convene its 7th AGM on 10th September 2020 at the registered office of the company. Notice for same was served on 21st August 2020. 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.

Multiple Choice Questions [2 Marks each]

- 6.1 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 is not correct in placing it at the Nainital liaison office
 - (b) Register of members cannot 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 cannot 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

- 6.2 With reference to deposit accepted by DBSL and its duration, you are required to identify which of the following statements is correct:
- (a) There is no requirement relating to the duration of deposit, DBSL can accept a deposit for any duration.
 - (b) Since DBSL is an unlisted company, provision relating to the duration of the deposit is not applicable.
 - (c) There is a provision of a minimum duration of six months, but no upper cap to length is provided. Hence deposit accepted by DBSL is in compliance to provisions of Law.
 - (d) Acceptance of deposits by DBSL is in violation of provision of law, because the maximum period of acceptance of deposit cannot exceed thirty-six months.
- 6.3 With reference to application to the registrar for registration of charge by DBSL, which of the following statements is correct?
- (a) The charge cannot be registered now, even if the Registrar permits the same.
 - (b) The charge can be registered, if registrar permits with payment of ad-valorem fee.
 - (c) The charge can be registered, if registrar permits but with payment of an additional fee.
 - (d) The charge can be registered, with payment of a standard fee.
- 6.4 With reference to the loan advanced by Mr. Mohit to SCCL, state whether the same is to be classified as a 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 tenor of the loan is for a period of 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, who was a director when the loan was advanced that the loan is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others.
- 6.5 Considering the provision relating to length of Notice for AGM, pick out the right option:
- (a) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by all the members entitled to vote at AGM.
 - (b) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by at-least 95% of members entitled to vote thereat.
 - (c) Notice served by DBSL is valid because the shorter length has been consented to by 75% of members entitled to vote thereat.
 - (d) Notice served by DBSL is not valid, because notice given within a shorter length duration needs has to by at-least 50% of the members entitled to vote at AGM that too in writing.

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 6.1 | (c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10 th of the total members entered in the register of members reside there |
| 6.2 | (d) Acceptance of deposits by DBSL is in violation of provision of law, because the maximum period of |

| | | |
|-----|-----|---|
| | | acceptance of deposit cannot exceed thirty-six months. |
| 6.3 | (b) | The charge can be registered, if registrar permits with payment of ad-valorem fee |
| 6.4 | (d) | Not a deposit, because the written declaration is provided by Mr. Mohit, who was a director when the loan was advanced that the loan is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others. |
| 6.5 | (b) | Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by at-least 95% of members entitled to vote thereat. |

7. Dr. N. Kulshrestha is a renowned professional and a director on the Board of various companies. Two among these are Mount Electrolux Limited (MEL) and Rock Electronics Limited (REL). Both are unlisted public companies.

MEL accepts a contract from State Power Corporation to replace electromechanical meters with automated ("smart") meters for residential connections and fixing them out-side the properties. The expected duration of the project is 150 days. MEL is presently considering alternate sources of finance. The Board of MEL is looking forward to inviting deposits to ₹ 80 Crores, but Dr. Kulshrestha is of the opinion that deposits are meant for funding long term requirements, and the present need is for the short term period. A special resolution to give effect to the same was duly passed and the same is filed with ROC.

Extracts from the latest financial statement of MEL are as follows;

| Particulars | Amount in INR crores |
|----------------------------|----------------------|
| Turnover | 980 |
| Paid-up Share Capital | 410 |
| Free Reserve | 240 |
| Capital Redemption Reserve | 120 |

| | |
|--------------------------|-----|
| Security Premium Account | 150 |
|--------------------------|-----|

REL purchased an immovable property for its corporate office from GDI (Goenka Developer and Infrastructure). An agreement to sell was entered on 21st August 2020. On 31st August 2020 Property was registered in name of REL. One-month after the date of registration, on 30th September 2020, REL comes to know that title of the property was encumbered as there was a previous loan due to a financial institution, through a letter from such financial institution. In the letter it was mentioned that charge on such property was registered in the name of the financial institution from 16th May 2019.

21st AGM of REL was concluded on 30th May 2019 for the financial year 2018-19. The 22nd AGM for considering the financial statements of the year 2019-20 could not be convened till 30th September due to outbreak of COVID-19. Hence an application for extension was filed with the ROC. The ROC granted extension of two months and finally the 22nd AGM was convened and conducted on 9th November 2020.

At the said 22nd AGM, the Chairman of the Board of Directors was not present. In his absence, a member (Mr. Venugopal) having the largest voting right proposed that he be elected as chairperson, and members holding the majority of voting rights were in favour of this. But on the show of hands Mr. Anand is identified as chairman of the meeting. The other members demanded for a poll. The board members present were unanimously willing to appoint Dr. Kulshrestha as chairperson of the meeting and Dr. Kulshrestha also agreed for the same. The Articles of Association of REL is silent regarding election of chairman at general meetings.

Multiple Choice Questions (MCQs) [2 Marks each]

- 7.1 With reference to convening 22nd AGM of REL, which of the following statements is correct?
- (a) ROC has to grant an extension of 3 months
 - (b) REL has complied with the legal provisions relating to holding the AGM, by convening the 22nd AGM with the period of extension.

- (c) REL has failed to comply with the legal provisions because AGM must be held with six months from the end of the financial year in all cases.
 - (d) REL has failed to comply with the legal provisions because the time gap between 21st and 22nd AGM is more than 17 months
- 7.2 With reference to the duration of deposits (if invited and accepted by MEL), you are required to resolve the query/opinion of Dr. Kulshrestha?
- (a) MEL has to accept deposits for a minimum duration of six months.
 - (b) MEL can accept the deposit for five months for the entire ₹ 80 crores.
 - (c) MEL can accept the deposit for five months but maximum up to ₹ 77 crores.
 - (d) MEL can accept the deposit for five months but maximum up to ₹ 65 crores.
- 7.3 With reference to the encumbered nature of the property purchased by REL from GDI; identify the date from which REL has notice of charge against such property.
- (a) 16th May 2019
 - (b) 21st August 2020
 - (c) 31st August 2020
 - (d) 30th September 2020
- 7.4 With reference to sourcing of funds by acceptance of deposits, apprise the eligibility of MEL.
- (a) MEL is eligible to accept deposits
 - (b) MEL is not eligible to accept deposits, because it is a listed public company

- (c) MEL is not eligible to accept deposits, because it has a paid-up share capital of less than five hundred crores.
 - (d) MEL is not eligible to accept deposits, because it has a turnover of less than one thousand crores
- 7.5 With reference to the legal provisions, regarding chairman at AGM, in the context of 22nd AGM of REL; pick the right option.
- (a) Dr. Kulshrestha will be the chairperson, because present board members are unanimously willing to appoint him and it's the discretion of the board to accept the demand of poll or not.
 - (b) Mr. Anand will be the chairman of the meeting until conclusion, because he is elected through a show of hands.
 - (c) Mr. Anand will be the chairman of the meeting, but only until some other person is elected as Chairman as a result of a poll, if any.
 - (d) Mr. Venugopal will be the chairman of the meeting, because he is favoured by members holding the majority of voting rights.

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 7.1 | (d) REL has failed to comply with the legal provisions because the time gap between 21 st and 22 nd AGM is more than 17 months |
| 7.2 | (b) MEL can accept the deposit for five months for the entire ₹ 80 crores. |
| 7.3 | (a) 16 th May 2019 |
| 7.4 | (a) MEL is eligible to accept deposits |
| 7.5 | (c) Mr. Anand will be the chairman of the meeting, but only until some other person is elected as Chairman as a result of a poll, if any. |

8. Mr. Nitin Balwani is a finance professional and one of the promoters of Sind Chemicals Private Limited (SCPL) and director at Prism Telecommunication Limited (PTL). SCPL is a private company, whereas PTL is a listed public company. SCPL has 196 individual members apart from 6 employees including 3 KMPs (out of which 2 are in service and 4 are currently retired). The employees have been given shares of SCPL out of ESOP as part of their remuneration and have thus become a members of SCPL. In addition to this, Mr. A, Mr. B and Ms. C are joint owners of 1000 shares, Mr. X and Ms. Y are also joint owners of 1200 shares of SCPL. Mr. Balwani is of the opinion that SCPL has crossed the maximum limit for members in the case of a private company.

SCPL is growing, and is funding this growth through private equity placement. Allotment of shares took place on 18th August 2020 after a valid invitation to subscribe to a select group of persons. The return of allotment was duly filed with the Registrar against this private placement on 8th September 2020. SCPL doesn't have a separate corporate office, they operate from registered office. Considering the expanding operations need for better reach and shortage of the available space in present premises, SCPL shifted its registered office to the capital city of its domicile state as stated in Memorandum of Association on 28th August 2020. Copy of the rent agreement executed in this connection was furnished to the ROC on 9th October 2020 in the prescribed form along with an ordinary resolution passed in this regard.

PTL is expanding its network in the country, trying hard to reach remote villages and towns. Subscriber base is also increasing. PTL, too, requires funds for expansion. PTL has decided to raise money through issue of secured debentures. Debentures are redeemable after 12 years on 31st August 2020. Debenture trustees were duly appointed before the issue of letter of offer and debenture trust deed is executed on 9th November 2020.

PTL gives loan of ₹ 12 Lakhs to its company secretary-cum-law officer, who is a Key Managerial Person (KMP) under section 203 of Companies Act, 2013; for purchase of fully paid-up shares of the company (PTL). The consolidated monthly salary of company secretary-cum-law officer at PTL is ₹ 1.5 lakhs.

Multiple Choice Questions [2 Marks each]

- 8.1 With reference to shifting of registered office by SCPL, identify the correct option out of the statements mentioned below;
- (a) SCPL has complied with the legal provisions.
 - (b) SCPL should have passed special resolution instead of a ordinary resolution.
 - (c) SCPL should have furnished intimation to ROC within 30 days.
 - (d) SCPL should have passed special resolution instead of ordinary resolution and should have intimated the same to the ROC within 30 days.
- 8.2 With reference to the legal validity of the issue of secured debenture by PTL, identify the correct statement out of the following:
- (a) PTL has complied with the legal provision relating to issue and allotment of secured debentures.
 - (b) PTL has failed to comply with the law because the redemption period of the debentures is 12 years and a debenture trust deed is executed on 9th November 2020.
 - (c) PTL has failed to comply with the law because the redemption period of the debentures is 12 years.
 - (d) PTL failed to comply with the law because the debenture trust deed was executed on 9th November 2020.
- 8.3 Examine the legality of granting a loan to the company secretary-cum-law officer by PTL and pick the correct statement out of following.
- (a) Valid, because a loan is granted to acquire fully paid-up shares
 - (b) Invalid, because a loan is granted by the company to its KMP to acquire its own shares.

- (c) Invalid, because the amount of loan granted is more than the amount equal to six months' salary.
 - (d) Invalid, because a loan has been granted by the company to its KMP and that too for an amount exceeding six months' salary to acquire its own shares.
- 8.4 With reference to the requirement related to the maximum number of members in case of a private company, you are required to quantify the number of members:
- (a) 198 Members, because joint owners need to be considered as a single owner and members whose membership arises out employment will not be counted
 - (b) 201 Members, because joint owners will be counted in full and members whose membership arises out employment will not be counted
 - (c) 201 Members, because joint owners need to be considered as a single owner and members whose membership arises out employment as KMP will not be counted.
 - (d) 202 Members, because joint owners need to be considered as a single owner and members whose membership arises out of employment will not be counted provided they are in service.
- 8.5 Evaluate the legal validity of the return of allotment filed by SCPL in respect of the private placement, by selecting the correct option.
- (a) Default, because the return needs to be filed by 2nd of September, the penalty is ₹ 6000/-
 - (b) Default, because the return needs to be filed by 2nd of September, the penalty is ₹ 12000/-
 - (c) No Default, because the return needs to be filed by 17th of September, hence no penalty

- (d) No Default, because the return needs to be filed by 17th of October, hence no penalty

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 8.1 | (d) SCPL should have passed special resolution instead of ordinary resolution and should have intimated the same to the ROC within 30 days. |
| 8.2 | (b) PTL has failed to comply with the law because the redemption period of the debentures is 12 years and a debenture trust deed is executed on 9 th November 2020. |
| 8.3 | (d) Invalid, because a loan has been granted by the company to its KMP and that too for an amount exceeding six months' salary to acquire its own shares. |
| 8.4 | (a) 198 Members, because joint owners need to be considered as a single owner and members whose membership arises out employment will not be counted. |
| 8.5 | (a) Default, because the return needs to be filed by 2 nd of September, the penalty is ₹ 6000/- . |

9. Mr. I J Gulati is a renowned research scholar in the field of agricultural science and had worked as a professor in the Agricultural University of Rajasthan. Mr. Gulati possesses diverse experience in latest techniques in irrigation and shed farming with technological intervention. He joined the board of National Fertilizers Limited (NFL) and Doon Agro Products Limited (DAPL) as an expert advisor and was later elevated to director in both the companies.

The share capital of NFL is divided into different classes of shares. NFL wants to entrust varied rights to the shares of a particular class, for this purpose they took consent in writing from $\frac{3}{4}$ th of the holders of the issued shares of that class but didn't pass the special resolution. Although terms of issue of the shares of that class don't prohibit the variation, the memorandum of the company does not contain any such provision regarding the variation of rights.

Mr. Gulati incorporated OPC which helps farmers of the region with forecasts on the weather, new agricultural techniques, various fund schemes including the opportunity of interest subsidies and subvention, marketing opportunities, gains in supporting the business of fisheries, etc. Mr. Porwal who was appointed as a nominee, decided to permanently settle down with his son in USA. Hence prior to leaving for the US, he wishes to withdraw his consent as nominee.

NFL holds 54% of the total share capital of Doon Fertilizers Limited (DFL), by virtue of this, NFL can exercise voting rights equivalent to 48% of the total voting power at DFL. NFL can change the composition of the board because it can appoint 5 out of a total of 12 directors at the board of DAPL.

The relevant extracts from the balance sheet of DAPL are given below. DAPL has decided to buy-back its own shares.

| Liabilities | Amount (In Crores) |
|--|--------------------|
| Paid-up Share Capital (30 crores shares of ₹ 10 each, fully paid – up) | 300 |
| Reserve and Surplus (All reserves are free) | 350 |
| 6% Secured Debentures | 1000 |

The current market price of a share is ₹ 20 and the buy-back price is expected to be either ₹ 21 or 22 per share. The company is proposing to buy back at-least 3 crores shares. Apart from secured debentures, there is an unsecured debt of ₹ 200 crores. Since the price of ₹ . 21/22 is not acceptable to many members it was felt that special resolution is not expected to be passed. Therefore, it was decided to pass a board resolution to effect the buy-back. Buy-back process was initiated on 18th August 2020 and completed on 9th September 2020. Mr. Gulati heard some-where that the shares bought back should be physically destroyed.

Multiple Choice Questions [2 Marks each]

- 9.1 With reference to buy-back process initiated by DAPL, identify the correct statement:
- (a) DAPL can buy-back 3 crores shares @ ₹ 22 per share, as it can buy-back up to 7.5 crores shares.
 - (b) DAPL cannot buy-back 3 crores shares @ ₹ 22 per share, because the maximum amount available for buy-back is 65 crores.
 - (c) DAPL can buy-back 3 crores shares @ ₹ 21 per share, because the maximum amount available for buy-back is 65 crores.
 - (d) DAPL cannot buy-back 3 crores shares even @ ₹ 21 per share.
- 9.2 Identify the correct statement out of the following, regarding the status of DAPLL and its relationship with NFL
- (a) DAPL is a subsidiary of NFL, as NFL holds more than 50% of the total share capital of DFL
 - (b) DAPL is a subsidiary of NFL, as NFL can affect the composition of the board at DFL
 - (c) DAPL is a subsidiary of NFL, as NFL holds more than 50% of the total share capital of DFL and can affect the composition of the board at DFL
 - (d) DAPL is not a subsidiary of NFL
- 9.3 Examine the legality of variation of rights in respect of a particular class of shares by NFL & pick the correct statement out of the following regarding validity of variation of shareholders' rights and compliance by NFL:
- (a) Invalid, because variation of shareholders' right is not allowed by law
 - (b) Variation of shareholders' rights are valid, and necessary legal compliances are also met in full

- (c) Variation of shareholders' rights are valid, but NFL has failed to comply with the necessary requirement i.e. passing a special resolution at a separate meeting of the holders of the issued shares of that class.
 - (d) Variation of shareholders' rights are valid, but NFL is not authorized to entrust the same because its memorandum doesn't allow for the same.
- 9.4 Mr. Porwal can withdraw his consent as a nominee, by giving written notice to
- (a) The sole member of the company
 - (b) Registrar of companies
 - (c) The sole member of company and to OPC
 - (d) OPC and to Registrar of companies
- 9.5 By selecting the correct option, evaluate the legal validity of physically destroying the shares which were bought back by DAPL.
- (a) DAPL is not legally required to physically destroy the shares
 - (b) DAPL shall extinguish and physically destroy the shares within a reasonable time after completion of the process of buy-back
 - (c) DAPL shall extinguish and physically destroy the shares by 16th September 2020
 - (d) DAPL shall extinguish and physically destroy the shares by 24th September 2020

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 9.1 | (d) DAPL cannot buy-back 3 crores shares even at the rate of ₹ 21 per share. |
| 9.2 | (d) DAPL is not a subsidiary of NFL |

| | | |
|------------|------------|--|
| 9.3 | (b) | Variation of shareholders' rights are valid, and necessary legal compliances are also met in full. |
| 9.4 | (c) | The sole member of company and to OPC |
| 9.5 | (c) | DAPL shall extinguish and physically destroy the shares by 16 th September 2020. |

10. Mr. Manoj Samwal is retired chief librarian from Central University of Technical Education. After retirement, he joined his family business as a whole-time director of Samwal Paper Mill Limited (SPML). Mr. Manoj also incorporated another company Doon Printers and Publishers Limited (DPPL), which is engaged in printing and publishing books of academic and professional importance. Assets of SPML were charged in favour of a financial institution as collateral for a loan. Due to default in the re-payment of the amount due, financial institutions has moved the court. The court appoints Mr. Rawat as a receiver in its order dated 10th November 2020. A Copy of the order was received by him on 13th November 2020.

DPPL is growing its business, for which it requires funds. After considering the available sources of funds and the cost of capital, DPPL decided to raise funds through the public deposit route. DPPL accepted deposits on 1st September 2020. The opinion of management at DPPL was divided regarding the creation of charge. Nearly half of the directors suggested that the assets should be kept unencumbered, and to take up deposit insurance in order to keep the credit rating of the company healthy, whereas remaining directors were of the opinion that premium cost may be saved by registering a charge over the assets, they also argued that creating a charge is mandatory irrespective of whether deposit insurance is available or not.

During his employment, Mr. Manoj promoted a company for the purpose of promoting the customs, traditions, and language of the Garhwal region of Uttarakhand, the said company was licensed under section 8 with the name National Book Depot (NBD) along-with his friends and relatives. Due to terms of his employment, he kept himself away from the management and operational activities of NBD. But now he has started participating in the management and daily operations of NBD, which is mainly engaged in the publication as well as the distribution of

books based on Garhwal culture, the religious importance of Uttarakhand, and opportunity for tourism. NBD has a registered office in Haridwar. NBD organized a book fair at Garhwal Mandal Hall in Mussoorie, situated in the foothills of the Garhwal Himalayan range in Dehradun district.

Mr. Manoj felt that if NBD conducts its AGM as a continuation of the book fair, book fair will be a big hit as members could also enjoy and witness the culture Garhwal. There would also be a saving of cost. He therefore proposed this suggestion to the board of NBD. Board of directors at NBD decided to convene AGM at Mussoorie during the book-fair. One member objected to this as in his opinion either written permission from all the members in advance or permission from central government is required.

Mr. Barthwal, one of the members of NBD found it difficult to attend the AGM hence he authorized his son-in-law, Mr. Negi, a non-member as his proxy. Mr. Negi is a foreign national and was in India due to certain family ceremonies. Mr. Negi attended the meeting where he demanded a poll. The said meeting was adjourned to the next week, Mr. Negi attended the adjourned meeting too, where he requested to inspect the minute book.

Multiple Choice Questions [2 Marks each]

- 10.1 With reference to holding AGM at Mussoorie by NBD, identify the correct statement.
- (a) NBD has violated the provisions of the Act guilty because AGM can be held only at the registered office or at any other place in the same city.
 - (b) NBD is legally correct because the board of directors is authorized in this regard and hence their decision shall prevail.
 - (c) NBD can hold a meeting at a place outside the city in which registered office is situated, only after passing a special resolution and obtaining the permission of the central government.

- (d) NBD has to get consent from all the members in writing or through electronic mode in advance to convene AGM at a place other than the city in which the registered office is situated.
- 10.2 If DPPL decided to register the charge, rather than subscribing for deposit insurance; then such charge shall be registered by;
- (a) 16th September 2020
 - (b) 1st October 2020
 - (c) 16th October 2020
 - (d) 31st October 2020
- 10.3 In furtherance to a court order regarding the appointment of Mr. Rawat as a receiver, Mr. Rawat shall give notice (along with a copy of the order) of such appointment to
- (a) The company by 9th December 2020
 - (b) The company and the registrar by 9th December 2020
 - (c) The company by 12th December 2020
 - (d) The company and the registrar by 12th December 2020
- 10.4 Regarding acceptance of public deposits, DPPL needs to ensure the mode and value of the security. Pick the correct statement out of the following;
- (a) Either creating a charge against the assets of the company including intangible assets or subscribing deposit insurance or both for an amount equal to the amount of deposit
 - (b) Either creating a charge against the assets of the company excluding intangible assets or subscribing deposit insurance or both for an amount equal to the amount of deposit
 - (c) Either creating a charge against all assets (at market value) of the company excluding intangible assets or

subscribing deposit insurance or both for an amount equal to the amount of deposit and interest there-on

- (d) Either creating a charge against an assets (at book value) of the company excluding intangible assets or subscribing deposit insurance or both for an amount equal to the amount of deposit and interest thereon

10.5 Evaluate the legality of the appointment of Mr. Negi as proxy of Mr. Barthwal and his right, by selecting the correct option out of following;

- (a) Mr. Negi is a valid proxy, even if he not a member of NBD and holding foreign nationality.
- (b) Mr. Negi cannot call for a poll, he can only vote in the poll
- (c) Mr. Negi can attend adjourned meeting only if his appointment as proxy is ratified by Mr. Barthwal again.
- (d) Mr. Negi must be provided with the minute book for inspection.

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 10.1 | (b) NBD is legally correct because the board of directors is authorized in this regard and hence their decision shall prevail. |
| 10.2 | (b) 1 st October 2020 |
| 10.3 | (b) The company and the registrar by 9 th December 2020 |
| 10.4 | (c) Either creating a charge against all assets (at market value) of the company excluding intangible assets or subscribing deposit insurance or both for an amount equal to the amount of deposit and interest there-on. |
| 10.5 | (a) Mr. Negi is a valid proxy, even if he not a member of NBD and holding foreign nationality. |

11. NAGARJUN AIRCONDITIONERS LTD (NAL) is a contract manufacturing company incorporated on 1.2.2017 with the primary objective of manufacturing a full range of residential, commercial and portable air conditioners for renowned brands in India. NAL is a family owned unlisted public company, limited by shares. NAL has its registered office in Hyderabad, Telangana and marketing offices in four metropolitan cities at New Delhi, Kolkata, Mumbai and Bengaluru.

SAMUGA, one of the total 7 (seven) members, who also has subscribed to the memorandum of association of NAL, unfortunately met with a road accident and expired on 31.03.2017. All the remaining members attended the funeral. Business was as usual thereafter. All the members, as was the usual practice, were kept informed from time to time regarding all the important matters and issues relating to the company without fail by the CFO cum Company Secretary NIRANJAN. The Company continued its business only with its exiting other members for the next few months. SUGUNA, the wife of SAMUGA was taken as a member of NAL on official records only on 20.12.2017. Meanwhile, NAL borrowed unsecured loans of ₹ 15 Crores repayable on demand for meeting working capital needs between the period 15.10.2017 and 15.12.2017 from one of its directors MUDDU KRISHNA, who is only a family friend, but not a family member. The unsecured loan was borrowed with the stipulation of interest @10% P.A payable on monthly basis on the outstanding amount(s) to MUDDU KRISHNA, until the demand for payment of principal is made in writing to the company. However, MUDDU KRISHNA, because of his strained relationship with NAGARJUN, the managing director of NAL, resigned as a director of the company on 31.12.2017 and demanded immediate repayment of the entire sum of ₹ 15 Crores lent by him to NAL with interest of 10% P.A. NAL followed delaying tactics, which finally resulted in MUDDU KRISHNA suing NAGARJUN severally for the entire debts owed by NAL to him, since he was the head of the family.

MUDDU KRISHNA is also the member of One Person Company (OPC) MUDDU KRISHNA AGRO INDUSTRIES (OPC) PVT LTD. The OPC has been incorporated since the last one year. The Turnover of the OPC during the last financial year was ₹ 1 Crore. The paid up capital of the Company increased to ₹ 55 Lacs from ₹ 5 Lacs as on 15.01.2018. MUDDU

KRISHNA after leaving the directorship with NAL continued his business as the member of his OPC.

Years passed. Size of the business and share capital of NAL substantially increased. NAL plans to go for expansion in capacity, keeping in mind export market, which required about ₹ 25 Crores. NAL started looking for various options for financing. One of the options considered was offer or invitation for subscription of equity on private placement. The Board identified a select group of 50 persons and issued private placement offer and applications after passing a special resolution at a general meeting and also after duly following the required procedure under the corporate laws. Monies received on application were kept in a separate bank account with Canara Bank. However, for some reasons NAL could not allot the equity within a period of 60 days from the date of receipt of the application money. The private placement plan was effectively cancelled, duly following the required procedure. NAL later opted for bank loans to finance the expansion.

NAL is authorized by its articles of association to accept the whole or any part of the amount of remaining unpaid calls from any member although no part of that amount has been called up. NARESH, one of the shareholders deposits in advance the remaining amount due on his shares without any calls made by NAL. NAL declared dividend during the year. NARESH wanted to exercise his voting rights also in respect of call money paid in advance at the general meeting.

BHUSHAN AIRCONDITIONERS PVT LTD (BAPL) has been holding 5% equity in NAL since February 2018. During the month of February 2020, NAL invested in 70% Equity shares of BAPL. NAGARJUN wants to understand from NIRANJAN the implications of 5% holding of BAPL.

Multiple Choice Questions (MCQs) [2 Marks each]

11.1 MUDDU KRISHNA, because of his strained relationship with NAGARJUN, the Managing Director of NAL, resigned as a Director of the Company on 31.12.2017 and demanded immediate repayment of the entire sum of ₹ 15 Crores lent by him to NAL with interest of 10% P.A. NAL followed delaying tactics, which finally resulted in Muddu Krishna suing NAGARJUNA severally for

the debts owed by NAL to him, since he was the head of the family.

- (a) Only NAL, as a separate legal person, can be sued for the Debt of ₹ 15 Crores borrowed by NAL between 15.10.2017 and 15.12.2017;
- (b) NAGARJUNA can also be sued for the Debt of ₹ 15 Crores borrowed by NAL between 15.10.2017 and 15.12.2017 as per the provisions of the Companies Act, 2013;
- (c) Only the Board of Directors of NAL can be sued for the Debt of ₹ 15 Crores borrowed by NAL between 15.10.2017 and 15.12.2017;
- (d) NAGARJUNA can be severally sued not because of the provisions of the Companies Act, 2013, but because he is the head of the family run business.

11.2 The OPC has been incorporated one year ago. The Turnover of the OPC during the last financial year is ₹ 1 Crore. The paid up capital of the Company increased to ₹ 55 Lacs from ₹ 5 Lacs as on 15.01.2018. State which of the following is correct:

- (a) The OPC shall cease to be entitled to continue as a One Person Company w.e.f. 15.01.2018
- (b) The OPC cannot be converted at all into a Private Limited Company or a Public Limited Company
- (c) The OPC can be converted into a Private Limited Company or a Public Limited Company only after 2 years from the date of incorporation.
- (d) The OPC can be converted into a Private Limited Company only after achieving an annual turnover of IN₹ 2 Crores from the date of incorporation.

11.3 (i) The Board identified select group of 25 persons and issued private placement offer and applications duly following the required procedure under the corporate laws.

- (a) Public at large is to be informed about such an issue through release of public advertisement through utilizing any media, marketing, distribution channels or agents;
 - (b) A release of public advertisement in any local newspaper and one national newspaper informing private placement is sufficient.
 - (c) No company issuing securities under private placement shall release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an issue.
 - (d) Informing the public at large through advertisement or otherwise is optional and the Board of Directors by passing a Board Resolution may decide the matter.
- (ii) However, for some reasons NAL could not allot the equity within a period of 60 days from the date of receipt of the application money.
- (a) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company has failed, it shall also be liable to repay the money with interest @ 18% PA from the expiry of the 75th day;
 - (b) Since Private Placement, NAL can take further 60 days time with the subscribers agreeing to pay interest @18% PA from the extended date until the actual allotment.
 - (c) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company has failed, it shall also be liable to repay the money with interest @ 12% PA from the expiry of the 60th day;
 - (d) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company has failed, it shall also be liable to repay

the money with interest @ 12% PA from the expiry of the 75th day.

11.4 NARESH, one of the shareholders deposits in advance the remaining amount due on his shares without any calls made by NAL.

(i) NAL declared dividend during the year.

- (a) NARESH is not entitled to any dividend in respect of call money paid in advance;
- (b) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by a Board Resolution;
- (c) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by an Ordinary Resolution in a general meeting;
- (d) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by Articles of Association.

(ii) NARESH wanted to exercise his voting rights also in respect of call money paid in advance in a general meeting;

- (a) NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, since the relevant shares have been fully paid up.
- (b) There would be no voting rights on that advance amount of NARESH in a general meeting till the amount is duly called for and adjusted;
- (c) NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, if agreed by a Board resolution.

- (d) NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, if agreed by an Ordinary resolution of Members.

11.5 BHUSHAN AIRCONDITIONERS PVT LTD (BAPL) has been holding 5% equity in NAL since February 2018. During the month of February 2020, NAL invested in 70% Equity shares of BAPL. NAGARJUN wants to understand from NIRANJAN the implications of 5% holding of BAPL.

- (a) BAPL shall surrender its 5% equity holding to NAL immediately once it becomes the subsidiary of NAL;
- (b) BAPL shall transfer its 5% equity holding to any nominees of NAL before it becomes the subsidiary of NAL;
- (c) BAPL shall immediately transfer its 5% equity holding to any other legal person or entity before investment by NAL;
- (d) BAPL may continue to hold or reduce its 5% equity holding in NAL.

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 11.1 | (b) NAGARJUNA can also be sued for the Debt of ₹ 15 Crores borrowed by NAL between 15.10.2017 and 15.12.2017 as per the provisions of the Companies Act, 2013. |
| 11.2 | (a) The OPC shall cease to be entitled to continue as a One Person Company w.e.f. 15.01.2018. |
| 11.3 (i) | (c) No company issuing securities under private placement shall release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an issue. |
| 11.3 (ii) | (c) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 |

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| | | days and if the company has failed, it shall also be liable to repay the money with interest @ 12% PA from the expiry of the 60 th day. |
| 11.4 (i) | (d) | NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by Articles of Association |
| 11.4 (ii) | (b) | There would be no voting rights on that advance amount of NARESH in a general meeting till the amount is duly called for and adjusted; |
| 11.5 | (d) | BAPL may continue to hold or reduce its 5% equity holding in NAL. |

12. It was time for Triveni Kitchen and Home Gadgets Limited (TKHGL) based at Kozhikode, Kerala to redeem 30,000 redeemable preference shares of ₹ 100 each at a premium of ₹ 30 per share. These preference shares were issued five years back in January, 2015 *i.e.* during the Financial Year 2014-15 to finance the purchase of a state-of-the art compact plant which would replace certain worn-out machineries responsible for higher production costs. As a complimentary gesture, the employees who were required to operate the newly purchased plant were given the requisite training of fifteen days by the seller of the plant without any charge.

Triveni is an established name in the world of kitchen and home gadgets with Twelve Years of presence – be it pressure cook wares, cooktops, grinders, OTGs, Microwaves, Built-in Gas HOBs, or kitchen hoods, to name a few.

It was clarified by Shipra Dass, the financial controller of the company, that the profits were sufficient to meet the resultant liability arising out of the redemption of preference shares at a premium. Therefore, the redemption was carried out of the profits which were otherwise available for declaration of dividend to the shareholders of the company. After the redemption of preference shares, a requisite amount was transferred out of profits to Capital Redemption Reserve Account. As on the date of redemption, no liability on account of dividend payment to the preference shareholders was existing.

It may be noted that the company was incorporated with an Authorised Capital of ₹ 250.00 lacs divided into twenty-two lacs equity shares of ₹ 10 each and 30,000 redeemable preference shares of ₹ 100 each. The equity shares were fully subscribed at the time of incorporation but the preference shares were issued as fully paid-up only five years back. The reserves of Triveni consisted of General Reserves, Dividend Equalisation Fund, Workmen Compensation Reserve and Investment Fluctuation Reserve. Included in the list of non-current assets were Land and Building, Plant and Machinery, Vehicles, and Furniture and Fixtures.

Earlier, for the Financial Year 2018-19, the company had declared a dividend of ₹ 4 per share at its Annual General Meeting held on 7th September, 2019. However, a dividend of ₹ 42,000 payable on 10500 equity shares remained unclaimed even after the expiry of statutory period within which dividend was required to be paid.

The company owned a plot of land in Kochi, a prominent urban area of Kerala which was purchased by it after the date of its incorporation. As the property rates were going up, it was decided by Hariharan Nair, Venkatesh, Siva Kumar and Balakrishnan, the directors of the company, to revalue the plot during the current Financial Year 2019-20. It was found that the fair market value of the plot was approximately six times the original price based on a moderate estimate. This resulted in a revaluation profit of ₹ 75.00 lacs.

Multiple Choice Questions [2 Marks each]

- 12.1 In the above case scenario, the company has created Capital Redemption Reserve (CRR) Account after redemption 30,000 preference shares of ₹ 100 each at a premium of ₹ 30 per share. Out of the given options, which should be the purpose for which amount lying to the credit of CRR Account needs to be utilised:
- (a) Amount lying to the credit of CRR Account cannot be utilized for any purpose during the life-time of the company.
 - (b) Amount lying to the credit of CRR Account can be utilised for issuing fully paid-up bonus shares to the members of the company.

- (c) Amount lying to the credit of CRR Account can be utilised for declaration of dividend.
 - (d) Amount lying to the credit of CRR Account can be utilised for paying up fresh issue of debentures to the members and such debentures shall be redeemed only after ten years from the date of issue.
- 12.2 From the case scenario, it shall be observed that a dividend of ₹ 42,000 remained unclaimed even after the expiry of the statutory period within which dividend was required to be paid. State the period within which the company must have transferred this amount to a special account opened by it in that behalf in a scheduled bank.
- (a) Within three days after the expiry of the statutory period within which dividend was required to be paid.
 - (b) Within five days after the expiry of the statutory period within which dividend was required to be paid.
 - (c) Within seven days after the expiry of the statutory period within which dividend was required to be paid.
 - (d) Within ten days after the expiry of the statutory period within which dividend was required to be paid.
- 12.3 The given case scenario states that after redeeming 30,000 preference shares of ₹ 100 each at a premium of ₹ 30 per share, the company transferred the requisite amount to the Capital Redemption Reserve (CRR) Account. How much was that amount?
- (a) ₹ 39,00,000
 - (b) ₹ 30,00,000
 - (c) ₹ 19,50,000
 - (d) ₹ 15,00,000
- 12.4 According to the case scenario, the directors of the company decided to revalue the plot at Kochi and such revaluation resulted in a revaluation profit of ₹ 75.00 lacs. The directors are

contemplating to use the revaluation profit of ₹ 75.00 lacs along with other distributable profits for declaration of dividend in the next Financial Year. Advise them in this regard.

- (a) The directors can use the revaluation profit of ₹ 75.00 lacs along with other distributable profits for declaration of dividend.
- (b) The directors cannot use the revaluation profit of ₹ 75.00 lacs along with other distributable profits for declaration of dividend.
- (c) The directors can use only 75% of the revaluation profit of ₹ 75.00 lacs along with other distributable profits for declaration of dividend.
- (d) The directors can use only 50% of the revaluation profit of ₹ 75.00 lacs along with other distributable profits for declaration of dividend.

12.5 In the given case scenario, the redemption of preference shares was carried out by TKHGL through utilisation of the profits which were otherwise available for declaration of dividend to the shareholders of the company. If the company had decided not to utilise such profits for the purpose of redemption which other option could it have used for accomplishing the redemption.

- (a) No other option is available for the purpose of redemption of preference shares except profits which are otherwise available for declaration of dividend to the shareholders of the company.
- (b) Out of the proceeds of a fresh issue of shares made for the purpose of redemption of preference shares.
- (c) Out of the proceeds of a fresh issue of debentures to be redeemed only after ten years.
- (d) Out of the proceeds of a long-term loan raised from the bankers of the company for the purpose of redemption of preference shares.

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 12.1 | (b) Amount lying to the credit of CRR Account can be utilised for issuing fully paid-up bonus shares to the members of the company. |
| 12.2 | (c) Within seven days after the expiry of the statutory period within which dividend was required to be paid. |
| 12.3 | (b) ₹ 30,00,000 |
| 12.4 | (b) The directors cannot use the revaluation profit of ₹ 75.00 lacs along with other distributable profits for declaration of dividend. |
| 12.5 | (b) Out of the proceeds of a fresh issue of shares made for the purpose of redemption of preference shares. |

13. Vishal Crockery Limited was incorporated on 24th September, 2010 under the jurisdiction of Registrar of Companies, Rajasthan with its registered office located in Jaipur and its manufacturing units spread out in Mumbai, Kanpur, Delhi and Ludhiana. Under the dynamic leadership of Hans Rajpal, the Chairman and Managing Director (CMD) of the company, the company had reached new heights of success. The directors of the company numbered eight including CMD out of which two were the independent directors.

The turnover of the company for the Financial Year 2018-2019 was ₹ 750.00 crores – a whopping rise of more than 20% from the previous year and the net profit stood at an impressive figure of ₹ 6.60 crores – an increase of ₹ 1.80 crores as compared to the net profit of the previous year. The company had a net worth of ₹ 250.00 crores; and it was noticed that the net worth had also registered a northern-western trend by more than 15%. The authorised and paid-up share capital of the company was ₹ 8.00 crores. Keeping in view the applicability of forming a CSR Committee for the current financial year 2019-20, a CSR Committee was formed with four directors as members of which one was an independent director. The Committee was, among other objectives, given the responsibility of formulating and recommending to

the Board, a Corporate Social Responsibility Policy which would indicate the activities to be undertaken by the company within the framework specified in Schedule VII.

The company plans to diversify its business by adding another segment to manufacture steel utensils and therefore, is desirous of shifting its registered office to Mumbai from Jaipur which will help the company in carrying on the new business for effectively. Another strategically important segment which the company tapped earlier and now wishes to engage itself in on a large scale relates to manufacturing of stationery items.

The company hopes that with the shifting of registered office to Mumbai, it will be able to target international markets to export its quality products. As on date, the export turnover of the company is not significant. The directors, Janardan Mittal (Finance) and Ratish Jain (Marketing), however, have in-depth knowledge of export markets, particularly those existing in UK and Singapore, where they can place their products successfully and achieve wealth maximisation.

During the current Financial Year 2019-20, the company provided ample support for improvement of infrastructure in schools established at Mumbai, Kanpur, Delhi and Ludhiana as part of its CSR activities. In addition, the company contributed towards establishment of Digital Smart Classroom, Libraries and computer labs in these cities. The company also deployed mobile medical units equipped with medical facilities and qualified doctors. In addition to this a large number of public health and sanitation activities had been initiated under Swachh Bharat Abhiyan. The total amount spent on these activities was, till date, almost equal to the minimum amount prescribed and it is hoped that as the current Financial Year 2019-20 approaches its end, the total spending on CSR activities will certainly exceed the budgeted figure.

Multiple Choice Questions [2 Marks each]

- 13.1 Which of the following factors would have prompted Vishal Crockery Limited to mandatorily form a Corporate Social Responsibility (CSR) Committee for the current financial year?

- (a) The net profit had increased to ₹ 6.60 crores and it was more by ₹ 1.80 crores in comparison to previous year's net profit.
 - (b) The turnover was ₹ 750.00 crores which was an increase of more than 20% as compared to the previous year.
 - (c) The net worth was ₹ 250.00 crores which when compared to the previous year had registered an increase by more than 15%.
 - (d) The paid-up share capital was ₹ 8.00 crores.
- 13.2 For the purpose of shifting its registered office from Jaipur to Mumbai, the company is required to seek the approval of the Central Government through the Regional Director, in addition to various other formalities. What is the maximum time period within which, the Central Government shall dispose of the application filed by the company for shifting of its registered office to Mumbai in Maharashtra?
- (a) Maximum thirty days
 - (b) Maximum forty-five days
 - (c) Maximum sixty days
 - (d) Maximum ninety days
- 13.3 What is the minimum amount (in percentage) that Vishal Crockery Limited is required to spend during the Financial Year 2019-20 on the CSR activities?
- (a) 2% of the average net profits made during the two immediately preceding financial years.
 - (b) 2% of the average net profits made during the three immediately preceding financial years.
 - (c) 2.5% of the average net profits made during the two immediately preceding financial years.
 - (d) 2.5% of the average net profits made during the three immediately preceding financial years.

- 13.4 In the given case scenario, Vishal Crockery Limited decided to undertake CSR activities on its own. In case, it had decided to engage an external Section 8 company for undertaking its CSR activities and such charitable company is not established by Vishal nor it is established by the Central/State Government or by any entity established under an Act of Parliament or a State Legislature, then what should be the established track which this Section 8 company should have in undertaking similar programs or projects which Vishal Crockery Limited wants it to accomplish?
- Track record of minimum one year
 - Track record of minimum two years
 - Track record of minimum three years
 - None of the above

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 13.1 | (a) The net profit had increased to ₹ 6.60 crores and it was more by ₹ 1.80 crores in comparison to previous year's net profit. |
| 13.2 | (c) Maximum sixty days |
| 13.3 | (b) 2% of the average net profits made during the three immediately preceding financial years. |
| 13.4 | (c) Track record of minimum three years |

14. Satyavaan Expert Packers and Movers Limited, a reliable and well-established company, was incorporated on 20th September, 2014 with an aim to provide convenient and innovative ways of moving customers' household items, re-location of businesses and offices, shifting of vehicles, etc. in the northern region. Their services have been professionally designed to ensure maximum customers satisfaction. The company had been formed by the directors Vijay Khanna, Pranav Chaturvedi, Vansh Khurana, Roopali Datta and Shikha Kumar whose friendship had developed during their college days. By dint of hard work

and their business acumen, the promoters had successfully created a niche for themselves amid cut-throat competition.

The company has a fleet of over 500 vehicles, 55 branches, professionals and technical and non-technical employees. Over a period of time, Satyavaan has become a trusted brand and prospective customers prefer to engage it whenever they want to re-locate their offices or homes since services are provided in a convenient and cost-effective manner.

The authorised capital of the company is ₹ 150.00 lacs divided into 15,00,000 equity shares of ₹ 10 each. At the time of incorporation, its paid-up capital was ₹ 1,00,00,000 and there were 50 shareholders. The registered office of the company is situated in Green Park, Kanpur.

With a view to provide world-class relocation and moving solutions throughout the country, the directors decided to enlarge the capital base of the company. During the mid of the current financial year, it offered remaining 5,00,000 shares to another 120 persons at a premium of ₹ 10 per share on private placement basis. Among others, Ria, a freelance software consultant and her younger sister Ruchi, a management consultant in Infratech Solutions Limited which is well-known company for its high export turnover, were also identified as the prospective subscribers. However, they requested the company to offer them only the minimum number of shares. Similar requests were also received from another twelve persons. Their requests were given due consideration by the directors. All the identified persons who were offered shares paid the required amount (including premium) as per the terms of the offer. The allotment of the shares was made much before the statutory period.

Immediately after the aforesaid allotment of shares, the company rolled out its expansion plan as envisaged earlier and utilised the funds so obtained for the requisite purpose. However, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis during the remaining part of the current financial year. For this purpose, it is proposed to increase the authorised capital from the present ₹ 150.00 lacs to ₹ 300.00 lacs.

In addition to the further allotment of shares on private placement basis, the company is also contemplating to raise deposits from the members. However, Vijay Khanna and Roopali Datta are of the opinion that the company should consider raising of deposits only in the next financial year since the funds already raised need to be properly utilized.

Multiple Choice Questions [2 Marks each]

- 14.1 According to the case scenario, the company allotted the shares issued on the private placement basis well before the statutory period. What is the maximum period statutorily allowed within which the allotment of the shares must be made:
- (a) Shares must be allotted within 30 days of the receipt of application money towards such shares.
 - (b) Shares must be allotted within 45 days of the receipt of application money towards such shares.
 - (c) Shares must be allotted within 60 days of the receipt of application money towards such shares.
 - (d) Shares must be allotted within 90 days of the receipt of application money towards such shares.
- 14.2 According to the case scenario, the company is desirous of raising deposits from its members to augment the funding requirements. In case, the company also contemplates to raise deposits from public in addition to its members, which of the following option is applicable:
- (a) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 100 crores and a turnover of minimum ₹ 500 crores.
 - (b) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 150 crores and a turnover of minimum ₹ 250 crores.
 - (c) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 150 crores or a turnover of minimum ₹ 750 crores.

- (d) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 100 crores or a turnover of minimum ₹ 500 crores.
- 14.3 According to the above case scenario, during the mid of the current financial year, the company offered 5,00,000 shares to 120 persons at a premium of ₹ 10 per share on private placement basis. During the remaining part of the current financial year, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis. How many more such prospective shareholders can be invited by the company for investment in the capital of the company.
- (a) The company can offer equity shares maximum up to the 30 prospective shareholders in the remaining part of the current financial year.
- (b) The company can offer equity shares maximum up to the 55 prospective shareholders in the remaining part of the current financial year.
- (c) The company can offer equity shares maximum up to the 80 prospective shareholders in the remaining part of the current financial year.
- (d) The company can offer equity shares maximum up to the 130 prospective shareholders in the remaining part of the current financial year.
- 14.4 In the given case scenario, suppose the company has failed to allot the shares within the statutorily allowed period. In such a case, the only remedy available with the company is to refund the application money. State the time period within which the company is required to refund the application money to the subscribers if it has failed to allot the shares within the statutorily allowed period.
- (a) The application money must be refunded within sixty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.

- (b) The application money must be refunded within forty-five days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (c) The application money must be refunded within thirty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (d) The application money must be refunded within fifteen days from the expiry of statutorily allowed period within which the allotment of shares ought to have been made.

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 14.1 | (c) Shares must be allotted within 60 days of the receipt of application money towards such shares. |
| 14.2 | (d) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 100 crores or a turnover of minimum ₹ 500 crores. |
| 14.3 | (c) The company can offer equity shares maximum up to the 80 prospective shareholders in the remaining part of the current financial year. |
| 14.4 | (d) The application money must be refunded within fifteen days from the expiry of statutorily allowed period within which the allotment of shares ought to have been made. |

15. Ratnakar Cement Manufacturers and Traders Limited (RCMTL) having its registered office at Connaught Place, New Delhi was registered with an Authorised Share Capital of ₹ 5,00,00,000 divided into 50,00,000 shares of ₹ 10 each. As on date, its paid-up share capital is ₹ 4,00,00,000 (40,00,000 shares of ₹ 10 each) and its securities premium account has a balance of ₹ 40,00,000. Its cement-manufacturing plants are located at Faridabad (Haryana), Raebareli and Haldwani (Uttar Pradesh),

Rudrapur (Uttarakhand) and Chanderia (Rajasthan). The company which produces cement under the brand name 'Ratnakar Cement', has expertise in manufacturing 53 Grade Ordinary Portland Cement that is used mainly in RCC and pre-stressed concrete of higher grades; but in case of plant located at Faridabad, the company also additionally manufactures Portland Pozzolana Cement (PPC) and White Cement. Having higher degree of fineness and corrosion-resistant quality, PPC, manufactured by the company, is responsible for making the concrete more dense. Besides, due to its distinct impermeable excellence, PPC is preferred over ordinary cement for mass concreting work and therefore, RCMTL has a sizeable market to cater. The integrated network of traders pan India which RCMTL commands helps it in achieving its annual sales targets almost every year.

Except Faridabad cement plant which is of recent origin having state-of-the-art machinery, all other plants were taken over by the RCMTL at different time intervals from other cement manufacturers; and therefore, they either need renovation or replacement. Further, on the basis of market survey, RCMTL has gathered data which indicates that there is heavy demand for Sulphate Resisting Portland Cement (SRC) which is mainly used for foundation work, construction of basements and underground structures, sewage and water treatment plants, etc. where due to water or soil, 'sulphate attack' is more than anticipated. Thus, in addition to catering to the increasing demand for PPC, RCMTL is also desirous of manufacturing Sulphate Resisting Portland Cement (SRC). In view of these developments, the company has plans for upgrading its Rudrapur cement manufacturing plant by installing an ultra-modern unit so that it can also manufacture SRC and compete effectively with its competitors by providing high-quality cement across the whole range of different qualities currently available in the markets both in India and abroad. The banking needs of RCMTL are mainly fulfilled by the National Commercial Bank Limited.

Multiple Choice Questions [2 Marks each]

- 15.1 In the given case scenario, RCMTL is desirous of installing an ultra-modern cement plant for its Rudrapur works. It can finance fifty percent of the cost of plant from its own resources but the

remaining fifty percent of cost can be financed only by availing loan from National Commercial Bank Limited with whom it is banking since its incorporation. Which kind of loan its banker shall grant for part financing the cost of ultra-modern cement plant against the security of factory land and building situated at Rudrapur as well as the proposed ultra-modern cement plant?

- (a) Overdraft in the current account maintained by RCMTL
- (b) Term loan
- (c) Cash credit
- (d) Hypothecation loan

15.2 The loan proposal prepared by RCMTL for part financing the cost of ultra-modern cement plant against the security of factory land and building situated at Rudrapur as well as yet to be purchased ultra-modern plant, with a view to avail loan from National Commercial Bank Limited (NCBL) stands sanctioned by the Head Office of NCBL; and the sanction has been conveyed by the Connaught Place branch of NCBL to RCMTL. Which kind of charge shall be created by the NCBL on the factory land and building situated at Rudrapur as well as on the proposed ultra-modern cement plant?

- (a) Fixed Charge
- (b) Floating Charge
- (c) Either Fixed or Floating Charge as desired by RCMTL
- (d) Partly fixed and partly floating charge

15.3 For the registration of charge created in favour of NCBL concerning securities offered by RCMTL (*i.e.* factory land and building situated at Rudrapur as well as the ultra-modern cement plant yet to be financed), which Registrar of Companies needs to be approached?

- (a) ROC of Uttar Pradesh and Uttarakhand as the securities are located at Rudrapur (Uttarakhand)

- (b) ROC of Delhi and Haryana since RCMTL has registered office at Connaught Place, New Delhi
 - (c) As per the discretion of RCMTL, any of the ROCs can be approached
 - (d) ROC of West Bengal since the Head Office of NCBL which has sanctioned loan is situated at Kolkata
- 15.4 Installed charge has been created by RCTML in favour of NCBL on its factory land and building situated at Rudrapur as well as the ultra-modern cement plant yet to be installed. What is the time limit for within which this charge must be registered with the respective ROC?
- (a) Within 10 days of creation of charge
 - (b) Within 15 days of creation of charge
 - (c) Within 30 days of creation of charge
 - (d) Within 60 days of creation of charge
- 15.5 Due to some unintended mistake, RCMTL could not register the charge created on its fixed assets in favour of NCBL within the first statutory period so allowed. Advise the company, in next how many days, the charge can be permitted to be registered assuming that the charge was created after 02-11-2018.
- (a) Within next 10 days
 - (b) Within next 15 days
 - (c) Within next 20 days
 - (d) Within next 30 days

Answers to MCQs

| Question No. | Answers |
|--------------|-------------------------|
| 15.1 | (b) Term loan |
| 15.2 | (a) Fixed Charge |

| | | |
|------|-----|--|
| 15.3 | (b) | ROC of Delhi and Haryana since RCMTL has registered office at Connaught Place, New Delhi |
| 15.4 | (c) | Within 30 days of creation of charge |
| 15.5 | (d) | Within next 30 days |

16. Green Pepper Films and Media Limited (GPFML), a major and well-established entertainment company, is engaged in the activities relating to production of TV programmes, distribution of motion pictures, etc. It has its own privately-owned studio facility which is used to produce films either by the company or by other players belonging to film industry. The company was formed by Sourabh Sharma, Vaishnavi Valsara, Hiten Chaudhary and Ritwik Chopra - a team of core media professionals as an integrated media house in 2010; the quartet is also the directors on the board of the company. Later on, Vaishnavi transferred 1,00,000 equity shares held by her to Vasant, her cousin, who is based at London.

GPFML has become one of the leading TV production houses in the country with the passage of time. The authorized capital of the company is ₹ 5.00 crores divided into 4,00,00,000 equity shares of Re. 1 each and 1,00,000 8.5% non-cumulative preference shares of ₹ 100 each. Initially, the company issued 75% of its equity shares which were fully subscribed. Around 70% of equity shares issued so far are held by the four promoters and their relatives.

In the year 2016, the company issued 50,000 preference shares of ₹ 100 each to its existing shareholders on which, as per the terms which were already approved by the shareholders 8.5% dividend was payable when declared. It may be noted that the company had also issued the remaining 1,00,00,000 equity shares with a view to raise funds for TV software development.

For the financial year, 2018-19, the Board of Directors proposed to declare a dividend of ₹ 3 per equity share. It was ensured that only the residual profits remaining after making payment of dividend to the preference shareholders at 8.5% were to be utilised for making payment of dividend to the equity shareholders. As the residual profits were sufficient to meet the liability arising on payment of dividend of ₹ 3 per equity share, the proposed dividend was approved by the shareholders

at the Annual General Meeting held on 3rd August, 2019. Accordingly, the requisite amount on account of declared dividend was transferred to a special bank account opened with the company's bankers. However, dividend amounting to ₹ 15,600 payable to certain equity shareholders remained unclaimed even after the expiry of statutory period within which dividend was required to be paid. Accordingly, the directors took steps to transfer the unclaimed amount to the Unpaid Dividend Account.

Multiple Choice Questions [2 Marks each]

- 16.1 The case scenario states that the company declared a dividend of ₹ 3 per equity share at its AGM held on 3rd August, 2019 and the same was deposited in a separate bank account maintained with its bankers i.e. National Bank of India. What is the maximum time within which the amount of dividend must be deposited in a separate bank account.
- (a) The declared dividend needs to be deposited maximum within three days from the date of declaration.
 - (b) The declared dividend needs to be deposited maximum within five days from the date of declaration.
 - (c) The declared dividend needs to be deposited maximum within seven days from the date of declaration.
 - (d) The declared dividend needs to be deposited maximum within ten days from the date of declaration.
- 16.2 According to the case scenario, the company proceeded to issue 50,000 preference shares of ₹ 100 each to its existing shareholders on which 8.5% dividend was payable as and when declared. From the given four options choose the one which would not have found place in the resolution that was passed for authorizing the issue of preference shares.
- (a) The issue of preference shares is non-convertible.
 - (b) The issue of preference shares is convertible.
 - (c) The issue of preference shares is redeemable.
 - (d) The issue of preference shares is irredeemable.

16.3 According to the case scenario, after the declaration and payment of dividend, an amount of ₹ 15,600 being dividend payable to certain equity shareholders remained unclaimed even after the expiry of statutory period within which dividend was required to be paid. What is the time limit within which the unclaimed dividend must be transferred to a special account opened with a scheduled bank for this purpose.

- (a) The unpaid or unclaimed dividend must be transferred to a special account within three days from the expiry of the statutory period within which it was to be paid or claimed.
- (b) The unpaid or unclaimed dividend must be transferred to a special account within five days from the expiry of the statutory period within which it was to be paid or claimed.
- (c) The unpaid or unclaimed dividend must be transferred to a special account within seven days from the expiry of the statutory period within which it was to be paid or claimed.
- (d) The unpaid or unclaimed dividend must be transferred to a special account within ten days from the expiry of the statutory period within which it was to be paid or claimed.

16.4 The given case scenario states that the company proceeded to issue preference shares to its existing shareholders. As regards the redemption of these shares what is the maximum term the company could have prescribed so as to use the proceeds for the maximum possible period.

- (a) The company would have prescribed maximum twenty-five years from the date of issue within which the preference shares were required to be redeemed.
- (b) The company would have prescribed maximum twenty years from the date of issue within which the preference shares were required to be redeemed.
- (c) The company would have prescribed maximum fifteen years from the date of issue within which the preference shares were required to be redeemed.

- (d) The company would not have prescribed any term if the company wanted the preference shares to be irredeemable so as to use the proceeds forever.

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 16.1 | (b) The declared dividend needs to be deposited maximum within five days from the date of declaration. |
| 16.2 | (d) The issue of preference shares is irredeemable. |
| 16.3 | (c) The unpaid or unclaimed dividend must be transferred to a special account within seven days from the expiry of the statutory period within which it was to be paid or claimed. |
| 16.4 | (b) The company would have prescribed maximum twenty years from the date of issue within which the preference shares were required to be redeemed. |

17. ABZ Limited is engaged in generating power supply in the state of Karnataka. Forty per cent of the equity capital of ABZ Limited is held by the Central Government; twenty per cent by Chamundeshawari Electricity Supply Corporation, a State owned corporation and the balance forty per cent by other public shareholders. The market price of ABZ Limited is ₹ 150.

ABZ is having power to appoint Board of Directors of North South Private Limited engaged in manufacturing cosmetics for young India. Along with this, ABZ has control of 46% of voting power of East West limited, a company engaged in providing logistics solutions.

The structure of East West limited is that it holds 56% shares in WENS Ltd. having capital structure as follows:

Paid up capital – ₹ 200 lakhs and turnover ₹ 35 crores

The capital structure of the other companies mentioned above is as follows:

| | | | |
|----------------------------|----------------------------|------------------------------------|------------------------------------|
| ABZ | Net worth - 550 crore | Turnover - 1500 crore | - |
| East West limited | Paid up Capital – 20 crore | Bank borrowings from FIs– 15 crore | - |
| North South Pvt Ltd | Paid up capital – 15 crore | Turnover – 200 crore | bank borrowings from FIs– 55 crore |

As per the rules to be read within Section 204 of the Companies Act, 2013, particular classes of companies must appoint Secretarial Auditor to ensure that company complies with the applicable secretarial standard and also obtain a Secretarial Audit Report. But, the board of directors of WENS Ltd., have not appointed a company secretary as they do not know the criteria and conditions of appointment. But as they and the promoters of WENS Ltd need to expand business across India and globally as well, for which it needs to have fund and they are thinking of getting the shares of the company listed on NSE by inviting the public for subscription of shares. Finally, they issued prospectus as per section 32 of the Act on 30th Jan 2017 in which details regarding price and quantity of shares was not given. As they were not able to decide upon the exact price, they proceeded by giving floor price along with range within which bids can move and let on the subscriber to bid on quantity and price. After the end of bidding process, amount and price were determined and final prospectus was issued. Company WENS Ltd successfully raised capital. After two years of raising capital i.e. on 30th Jan 2019 capital structure of company was as follows:

| | |
|----------------------|----------|
| Unsecured loan | 15 lacs |
| Paid up capital | 350 lacs |
| Depreciation balance | 5 lacs |

| | |
|--------------------|---------|
| Securities premium | 8 lacs |
| Capital reserve | 10 lacs |
| Free reserve | 12 lacs |

Promoters of WENS Ltd have decided to Buy back their securities u/s 68(1) of Companies Act to consolidate their stake in company. They obtained necessary authorization and approval and followed prescribed procedure.

One group of shareholders of the above company i.e. WENS Ltd was claiming that the buyback was inconsistent with act and questioned the process of said Buy back. The auditor of the company, Mr. Love & Leu, published their opinion that this Buy back is authorized by Memorandum of Association and Articles of Association and hence outsider can assume that all detailed formalities have been complied with in due course.

Love & Leu is also Statutory auditor of North South Pvt. Ltd. They have been auditing the company since 31st March 2015. After auditing the company accounts for the year ended 31.03.2019 they are expressing their unwillingness to continue as auditor of said company and want to retire after the expiry of their term. The company has given their consent on this point.

Multiple Choice Questions [2 Marks each]

- 17.1 Out of above mentioned companies, which one(s) will be defined as Government company u/s 2(45) of Companies Act, 2013?
- (a) ABZ and North South Pvt. Ltd.
 - (b) ABZ and East West Limited
 - (c) ABZ and WENS Limited
 - (d) North South Pvt. Ltd. and WENS Ltd.
- 17.2 How is ABZ Limited related with North South Pvt. Ltd. and East West Ltd.?
- (a) Holding Company and Associate
 - (b) Subsidiary Company and Associate

- (c) Associate Company and Joint Venture
 - (d) Holding Company and Joint Venture
- 17.3 Whether the term of office of Love & Leu has expired? If yes, on what criteria can we conclude that their term has expired as per sec 139(2) of companies act?
- (a) Borrowings from Financial Institutions is ₹ 55 crore of North South Pvt. Ltd. and rotation of individual auditor is compulsory after 5 years
 - (b) Turnover is ₹ 200 crore or more and rotation of individual auditor is compulsory after 5 years
 - (c) Paid up share capital is ₹ 15 crore and rotation of individual auditor is compulsory after 5 years
 - (d) North South Pvt Ltd is subsidiary of A to Z Ltd. and rotation of individual auditor is compulsory after 5 years.
- 17.4 As per the data and statistics of funds available with us what is the maximum amount of Buy back WENS can make?
- (a) 28 lacs
 - (b) 20 lacs
 - (c) 30 lacs
 - (d) 12 lacs
- 17.5 Which type of prospectus has been issued by WENS Ltd. to raise capital from market
- (a) Shelf Prospectus
 - (b) Abridged Prospectus
 - (c) Red Herring Prospectus
 - (d) Deemed

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 17.1 | (a) ABZ and North South Pvt. Ltd. |
| 17.2 | (a) Holding Company and Associate |
| 17.3 | (a) Borrowings from Financial Institutions is ₹ 55 crore of North South Pvt. Ltd. and rotation of individual auditor is compulsory after 5 years |
| 17.4 | (a) 28 lacs |
| 17.5 | (c) Red Herring Prospectus |

18. Golden Oak Plaza Limited (GOPL) is a public company, dealing in designer items made from Oak wood. The objects clause in the memorandum empowers the company to give guarantee in respect of loans made to subsidiary or associate companies, but the Articles of Association has not delegated this power to the board of directors and reserves the power with members. The Board of Directors of GOPL passed board resolution to provide guarantee for one of the associate companies.

GOPL is in need of capital for further expansion of business. The Board of directors of GOPL is looking at both the options of public issue as well as private placement. Mr. Vivek Partap who is compliance officer of the company informed Mr. Bhavey Thakur, CFO, about the limitation associated with private placement, especially ceiling limit on the number of persons to whom securities can be offered. Office of Mr. Thakur has lined up the names of 120 investors to whom securities can be issued if private placement takes place.

After hours of discussion and deliberation, GOPL decided to float capital through capital market and entered in process of raising of further capital from capital market by issue of prospectus. Prospectus is registered with the Registrar of Companies (ROC) on 10th January 2020. GOPL hired Shark Broking Solution as underwriting agent. Underwriting commission was agreed at rate of 4%.

Mr. Alok who invested in securities issued by company, having knowledge about the internal irregularity in process of issue regarding

title of securities; remained silent. Later when the company denied making repayment to him due to defect in title, Mr. Alok sued the company quoting doctrine of indoor management as defence; but company denied his claim.

Multiple Choice Questions [2 Marks each]

- 18.1 What is the maximum number of persons to whom an offer may be made under Private placement?
- (a) Maximum of fifty persons in a particular financial year, including qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option;
 - (b) Maximum of fifty persons, in a particular financial year excluding qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option;
 - (c) Maximum of fifty persons, including qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option; inclusive of any such placement during previous years also;
 - (d) Maximum of fifty persons, excluding qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option; inclusive of any such placement during previous years also.
- 18.2 Assess the validity of board resolution by board of directors of GOPL to undertake guarantee for one of the associate companies
- (a) Valid
 - (b) Void
 - (c) Voidable
 - (d) Void-ab-initio

- 18.3 Is Mr. Alok eligible to take defence of 'Doctrine of Indoor Management'
- (a) Yes, because company deny in making payment to him
 - (b) Yes, defence of 'Doctrine of Indoor Management' is unconditional and without exception
 - (c) No, rule of constructive notice is absolute and doctrine of indoor management can't be raised
 - (d) No, because 'Doctrine of Indoor Management' has exception of knowledge of irregularity.
- 18.4 To keep prospectus valid, within how many days GOPL is supposed to issue the registered prospectus
- (a) Within 30 days from date of registration with ROC
 - (b) Within 60 days from date of registration with ROC
 - (c) Within 90 days from date of registration with ROC
 - (d) Within 120 days from date of registration with ROC
- 18.5 GOPL agrees to pay underwriting commission @ 4% for shares, which of following statement is legally valid in regard to underwriting commission offered by GOPL?
- (a) Maximum underwriting commission can be 5% in case of shares
 - (b) Maximum underwriting commission can be 2.5% in case of shares
 - (c) There is no maximum ceiling limit on underwriting commission in case share
 - (d) Underwriter cannot appoint sub-underwriters

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 18.1 | (b) Maximum of fifty persons, in a particular financial year excluding qualified institutional buyers and |

| | | |
|------|-----|---|
| | | employees of the company being offered securities under a scheme of employees stock option. |
| 18.2 | (d) | Void-ab-initio |
| 18.3 | (c) | No, rule of constructive notice is absolute and doctrine of indoor management can't be raised |
| 18.4 | (c) | Within 90 days from date of registration with ROC |
| 18.5 | (a) | Maximum underwriting commission can be 5% in case of shares |

19. Sirmaur Ispat Limited (SIL) deals in varieties of metals and products manufactured there from. Since the company is running into losses, SIL has decided to restructure its capital. In order to keep the morale of the shareholders high, SIL decided to declare dividend out of reserves.

Since there is limit on issue of dividend, out of past reserves, company decided to issue fully paid bonus shares. The CFO has asked you, the Finance Manager to study and report on the legal aspects involved in issue of bonus shares.

Company has borrowed monies, and the charge was created on 02.11.2019 against the land and building of the manufacturing unit of SIL. SIL has failed to register the charge till 01.12.2019. SIL a well-governed company which wishes to ensure favourable relations with investors through transparent reporting. Annual report of SIL contains details which are beyond the legal requirements. The latest AGM of SIL was conducted on 30th August 2019.

While finalizing the minutes of meeting of AGM, SIL's chairperson wishes to remove statement made by retiring director stating that the same is defamatory of the company in nature. One of the existing independent directors raises the question on exclusion of said matter and asked the office of company secretary to redraft the minutes containing said matter.

Multiple Choice Questions [2 Marks each]

- 19.1 What is the date by which SIL has to file the Annual Return for the year ended 31st March, 2019?
- (a) 14th September 2019

- (b) 29th September 2019
 - (c) 29th October 2019
 - (d) 28th November 2019
- 19.2 SIL cannot issue fully paid up bonus share to its members out of
- (a) Free Reserves
 - (b) Securities Premium Account
 - (c) Capital Redemption Reserve Account
 - (d) Capitalizing reserves created by revaluation of assets.
- 19.3 Which of the following is not a valid condition, for issue of fully paid bonus shares?
- (a) Should be authorized by AOA
 - (b) Can only be issued against fully paid shares
 - (c) Should be authorized by a special resolution
 - (d) Bonus Shares shall not be issued in lieu of dividend
- 19.4 Regarding exclusion of certain matter from minutes of AGM of SIL; which of following statement is correct?
- (a) All the matters need to incorporated in minutes
 - (b) It is chairperson's exclusive right to include or exclude certain matters from minutes of the AGM
 - (c) Chairperson can only express his opinion that which matter should be excluded from minutes, but his decision is not binding
 - (d) Since independent director has raised the question on exclusion of certain matter hence minutes need to be redrafted.

Answers to MCQs

| Question No. | Answers |
|--------------|-----------------------------------|
| 19.1 | (c) 29 th October 2019 |

| | | |
|-------------|------------|---|
| 19.2 | (d) | Capitalizing reserves created by revaluation of assets. |
| 19.3 | (c) | Should be authorized by a special resolution |
| 19.4 | (b) | It is chairperson's exclusive right to include or exclude certain matters from minutes of the AGM |

20. Mr. Purshottam Prasad, a business graduate from a leading B-School, has been running a chain of restaurants as a sole proprietor concern. The business is based in Chennai. Mr. Prasad, in order to develop the business; decided to corporatize his business but he is concerned with dilution of his control over business decisions.

Mr. Prasad, during a journey met Mr. Chinmay Dass; one of his old school friends. Mr. Chinmay Das is presently working in one of leading corporate advisory firms. Mr. Prasad seeks advice from Mr. Dass, regarding conversion of sole proprietorship concern to company and also explain his intention to keep the entire control in his hand. Mr. Dass informed Mr. Prasad, about a new type of company, called One Person Company (OPC), which can be formed under Companies Act, 2013. Mr. Dass quoted section 2(62), which defines 'one person company' as a company which has only one person as a member.

Mr. Prasad, felt OPC is correct form of business for him, hence he promoted an OPC 'Casa Hangout Private Limited' (One Person Company) on 14th September 2019, to which he sold his sole proprietary business and became the sole member. Mr. Prasad, appointed his younger son Mr. Vijay, who was 21 year old then, as Nominee to OPC. Mr. Anand who is a famous food blogger and old friend of Mr. Prasad was appointed as director of OPC, Mr. Prasad himself also become director of company.

Mr. Vijay is a professional photographer, and went abroad for a certification course on 23rd October 2019. He came back on 1st of March 2020. He established a photo-studio as an OPC called 'Best Click Private Limited' (one Person Company) on 20th March 2020, in which Mr. Prasad is nominee and he became sole member. In the mean time, Mr. Vijay also gave his consent as nominee to another OPC in which his elder brother Mr. Shankar is sole member.

Mr. Prasad met an accident on 25th March 2020, in which he lost his life. Nomination clause was invoked, as a result Mr. Vijay has to take charge over 'Casa Hangout Private Limited' (One Person Company) as member with immediate effect. On 30th March 2020 Mr. Shankar was appointed as a new nominee to 'Casa Hangout Private Limited' (One Person Company), who gave written consent on 31st March 2020. Mr. Shankar who is an investment banker by profession, is of the opinion that 'Casa Hangout Private Limited' (One Person Company) needs to amend its object clause and add 'carry out investment in securities of body corporate' as one of the objects.

The Financial year closed on 31st March 2020. Financial statements of 'Casa Hangout Private Limited' (One Person Company), which is not containing cash flow statements were signed by Mr. Anand who left as only director after death of Mr. Prasad.

Multiple Choice Questions [2 Marks each]

- 20.1 With reference to appointment of Mr. Vijay and Mr. Shankar as nominee to 'Casa Hangout Private Limited' (One Person Company)', out of followings, who is eligible to be nominee of OPC?
- (a) Any natural person excluding minor
 - (b) Any legal person excluding minor
 - (c) Any natural person, who is resident of India; but excluding minor
 - (d) Any natural person, who is resident as well as citizen of India; but excluding minor
- 20.2 Mr. Shankar if he wishes to withdraw his consent as nominee, can do so by giving written notice to
- (a) Director of OPC and to sole member of company
 - (b) Director of OPC and to Registrar of companies
 - (c) Sole member of company and to OPC
 - (d) Sole member of company and to Registrar of companies

- 20.3 In case of change of Nominee in 'Casa Hangout Private Limited' (One Person Company), a notice shall be given to ROC by OPC; in form number INC -4 along with written consent of Nominee in form INC-3 from Mr. Shankar; within
- (a) 30 days from appointment of Mr. Shankar
 - (b) 30 days from withdrawal (because he will become member) of consent as nominee by Mr. Vijay,
 - (c) 30 days from written consent of Mr. Shankar
 - (d) 15 days from written consent of Mr. Shankar
- 20.4 With reference to legal position of Mr. Vijay as member/s and nominee/s to various OPCs, which of the following statement is correct with reference to ceiling limit in relation to membership and being nominee to OPC? A person, other than minor; at specific point of time;
- (a) Can be member in any number of OPCs but nominee in one OPC
 - (b) Can be member in one OPC and nominee in any number of OPCs
 - (c) Can be member in one OPC and nominee in another one OPCs
 - (d) Can be member and nominee both in any number of OPCs
- 20.5 Which of following statement is correct, with reference to requirement for financial Statements of 'Casa Hangout Private Limited' (One Person Company)
- (a) Must be signed by one director
 - (b) Must be signed by at-least two directors
 - (c) Must contain cash flow statement as part of financial statements
 - (d) None of the above

- 20.6 With reference to opinion of Mr. Shankar to add 'carry out investment in securities of body corporate' object, 'Casa Hangout Private Limited' (One Person Company)
- (a) Cannot carry out non-banking financial investment activities & investment in securities of body corporate'
 - (b) Cannot carry out non-banking financial investment, but can invest in securities of body corporate'
 - (c) Can carry-out non-banking financial investment & invest in securities of body corporate'
 - (d) None of the above

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 20.1 | (d) Any natural person, who is resident as well as citizen of India; but excluding minor |
| 20.2 | (c) Sole member of company and to OPC |
| 20.3 | (b) 30 days from withdrawal (because he will become member) of consent as nominee by Mr. Vijay. |
| 20.4 | (c) Can be member in one OPC and nominee in another one OPCs |
| 20.5 | (a) Must be signed by one director |
| 20.6 | (a) Cannot carry out non-banking financial investment activities & investment in securities of body corporate' |

21. Michael Mascaren has is the Chief Finance Officer (CFO) and Sachin Bhat is the Company Secretary (CS) of Jitendra Iron Works Private Ltd (JIWPL), in Manipal, Karnataka State. JIWPL is an integrated set up of foundries and machine shops that add value by machining more than 75% of the castings manufactured to fully finished condition. JIWPL is one of the largest jobbing foundries producing grey iron castings required for automobile, farm equipment and diesel engines sectors. JIWPL serves customers globally. The turnover of JIWPL is about ₹ 600 Crores, including export turnover of about ₹ 250 Crores.

During the year 2019, JIWPL planned expansion to enhance its production capacity to meet the increasing demand from its customers, by importing fully automatic plant and equipments from Germany for the unit at Manipal and also by acquiring a machining unit at Nairobi, Kenya. The means of finance of the expansion project:-

- (a) JIWPL received an amount of Rs 25 Crores from Malini Shetty, wife of one of the promoter directors, Mahesh Shetty of JIWPL. Mahesh Shetty wanted Sachin Bhat to brief him regarding any compliance needed from the perspective of acceptance of Deposits.
- (b) The Board and the CFO also approached the main banker of the company viz., Bank of Baroda. The Bank after proper credit analysis, sanctioned -
 - 1. A term loan of ₹ 50 Crores to JIWPL, repayable in 6 years, for importing a fully automatic plant and equipment from Germany for the expansion project for the unit in Manipal against the security of the assets imported, along with the land and buildings in Manipal. Also sanctioned were interchangeable non funded limits for foreign letters of credit and bank guarantee totalling ₹ 25 Crores against the security of liquid assets in the form of fixed deposits and mutual funds.
 - 2. Along with the aforesaid term loan, JIWPL was also sanctioned an additional amount of ₹ 50 Crores for meeting the working capital needs of the expansion project, which included interchangeable limits of cash credit, foreign and inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, inventory and other current assets of the expansion project in Manipal of JIWPL.
 - 3. Further, a term loan for ₹ 75 Crores, repayable in 6 years was also sanctioned for acquisition of a machining plant along with land and buildings at Nairobi, Kenya for the subsidiary company by name Jitendra Machining Pvt Ltd

(JMPL). The said loan was disbursed through the overseas branch of Bank of Baroda at Nairobi specifically to meet the continuous demand of a major customer in Kenya with an eye also to capture the African market. The security is against the properties at Nairobi.

The CFO and the CS together coordinated with the legal department of the Bank on procedures relating to creation of security and registration of charges.

The registered office of JIWPL is located in Manipal. Out of the company's 180 members, 20 members, who are entered in the register of members (ROM) reside in Mangaluru, a nearby city. These members requested the company for some reasons to maintain the ROM in the company's liaison office in Mangaluru, instead of Manipal henceforth.

The board of JIWPL approved allotment of shares to Two (2) new members on 1.1.2020 and their names are to be entered into the Register of Members by the Secretarial Department.

M/S Suresh Poojary & Co are the statutory auditors of the company appointed at the Annual General Meeting of the company during the year 2018 to hold the office from the conclusion of that meeting till the conclusion of the sixth meeting thereafter. However, during the annual general meeting of the year 2019, no ratification resolution for the appointment of the auditor was passed.

Multiple Choice Questions [2 Marks each]

- 21.1 In connection with the loan from Malini Shetty, the CS has to ensure -:
- (a) That the particulars of amount received are immediately entered in the register of deposits maintained in such manner and in such format as prescribed;
 - (b) That a circular is immediately issued to the members of the company with a statement of deposits accepted as on date with the names of each depositor, amount(s) received as on date, the due date(s) and the liability(ies) on the due date(s) in respect of each depositor

- (c) That a declaration is obtained to the effect that the amount given is not sourced from borrowed funds or by accepting loans or deposits from others and disclose the details in the Board's Report;
 - (d) That the particulars of deposits received are filed within 30 days from the date of its receipt with the Registrar.
- 21.2 JIWPL was also sanctioned an additional amount of ₹ 50 Crores for meeting the working capital needs of the expansion project., which included interchangeable limits of cash credit, foreign and Inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, Inventory and other current assets of the expansion project of JIWPL. A floating Charge, in general is created by way of:
- (a) Passing a board resolution
 - (b) Signing and acknowledging the Credit Sanction letter
 - (c) Mortgage
 - (d) Hypothecation or lien.
- 21.3 In connection with the loan disbursed in Kenya, while creating a charge in India, where the instrument relates solely to the properties at Kenya, the copy can be verified by a Certificate issued-
- (a) Also under the hand of some person other than the company who is interested in the mortgage or charge;
 - (b) Also under the hand of some person other than the company who shall not be interested in the mortgage or charge
 - (c) Only under the hand of one of the directors of JIWPL
 - (d) Only under the hand of a practicing Company Secretary or a practicing Chartered Accountant

- 21.4 In connection with maintenance of the Register of Members (ROM) at the Liaison office at Mangaluru instead of Manipal, state which of the following statements is correct:
- (a) The ROM shall be maintained only at the registered office in Manipal and maintaining in a place other than the registered office is not permitted under the Companies Act 2013 and the relevant Rules there under.
 - (b) The ROM can be maintained in Mangaluru by passing a special resolution in a general Meeting
 - (c) The board of directors by passing a board resolution at one of its meetings, may direct the company secretary to maintain the ROM in Mangaluru,
 - (d) The ROM can be maintained at Mangaluru after passing a special resolution in a general Meeting provided more than 1/3rd of the members, whose names are entered in the ROM request for the change,
- 21.5 The board of JIWPL approved allotment of shares to two (2) new members on 1.1.2020 and their names are to be entered into the ROM by the Secretarial Department.
- (a) Entries in the ROM shall be made within 30 days of allotment of Shares, on Board approval
 - (b) Entries in the ROM shall be made immediately on allotment of shares, on Board approval.
 - (c) Entries in the ROM shall be made within 7 days of the date of the Board approving allotment
 - (d) Entries in the ROM shall be made within 10 days of the date of the Board approving allotment
- 21.6 M/S Suresh Poojary & Co are the statutory auditors of the company appointed during the annual general meeting of the company during the year 2018 to hold the office from the conclusion of that meeting till the conclusion of the sixth meeting thereafter. However, during the annual general meeting of the

year 2019, no ratification resolution for the appointment of the auditor was passed

- (a) JIWPL should have placed the matter relating to appointment of statutory auditor during the AGM 2019 by way of an Ordinary Resolution.
- (b) JIWPL should have placed the matter relating to appointment of statutory auditor during the AGM 2019 by way of a Special Resolution.
- (c) The statutory auditors appointed during the AGM of the year 2018 shall be deemed to have vacated the office, if no ratification by the members at every annual general meeting thereafter.
- (d) There is no need of ratification and the statutory auditors continue to hold office after the conclusion of the AGM held during the year 2019 also.

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 21.1 | (c) That a declaration is obtained to the effect that the amount given is not sourced from borrowed funds or by accepting loans or deposits from others and disclose the details in the Board's Report |
| 21.2 | (d) Hypothecation or lien. |
| 21.3 | (a) Also under the hand of some person other than the company who is interested in the mortgage or charge |
| 21.4 | (b) The ROM can be maintained in Mangaluru by passing a special resolution in a general Meeting |
| 21.5 | (c) Entries in the ROM shall be made within 7 days of the date of the Board approving allotment |
| 21.6 | (d) There is no need of ratification and the statutory auditors continue to hold office after the conclusion of the AGM held during the year 2019 also. |

22. The Board of Directors of LESCO Pharmaceuticals Limited (hereinafter referred to as “company”) were meeting again in the month of May 2019 for the discussion of two important agenda which had a direct relation to the ensuing Annual General Meeting scheduled for 30th September 2019. The first Agenda was related to the authentication of financial statements and the second one was in connection with Dividend. Although the first item in the agenda did not take much time and necessary Board resolution was passed, the second agenda was a matter of concern for the directors.

Ms. Sunita, one of the directors proposed that since the company had not made any profits during the year, it would not be appropriate to declare any dividend for the financial year 2018-19. However, all other directors felt that last year’s rate of dividend of 5% should be maintained and the same should at least be paid this year to keep the shareholders happy. Ms. Sunita again objected by saying that the legal provisions as envisaged under Section 123 of the Companies Act, 2013 clearly states that dividend by a company for any financial year can be paid or declared only out of the profits of the company of that year and since there was no profit there was no legal compulsion to pay dividend. She strongly contended that paying dividend was a matter of financial choice by the Board of Directors and accordingly, the board should take an informed decision. The priority for the Board is to ensure that cash flow is maintained first and then the “happiness” of the Shareholders be considered.

Another director, Mr. Robinder suggested that the company had made a substantial gain on revaluation of assets and if that would be considered then there would be sufficient profits for declaration of dividends out of such gain.

Finally, the Chairman-cum-Managing Director, Mr. Ramesh interfered and suggested that perhaps there is a provision in the Companies Act, 2013 relating to payment of dividend in the absence of profits and that the Company Secretary, Ms. Ameeka should work out the possibilities and all legal aspects connected and then call for another Board Meeting for finalising the payment of Dividend. The meeting then ended with a vote of thanks to the Chair.

Multiple Choice Questions [2 Marks each]

- 22.1 Based on the discussions in the Board Meeting of the Company, which of the following is a correct statement relating to the source for payment of Dividend by the Company:
- (a) Profits of the Company of that year only arrived at after providing for depreciation.
 - (b) Profits of the Company of that year or for any previous year or years after providing for depreciation and any reserves available.
 - (c) Profits of the Company of that year or for any previous year or years after providing for depreciation and remaining undistributed i.e. free reserves.
 - (d) Profits of the Company of that year or previous year but not necessary to provide for depreciation.
- 22.2 With reference to claim made by Ms. Sunita that Dividend could only be paid or declared out of profits and no other source, which of the following would you completely agree or partly agree?
- (a) Completely agree with the contention of Ms. Sunita that only profits are the source for payment of Dividend.
 - (b) Partly agree with Ms. Sunita but apart from Profits, a company can pay dividend out of money provided by the Central or State Government in pursuance of the guarantee given by them.
 - (c) Partly agree with Ms. Sunita that apart from profits (either current year or previous year), even in the event of inadequacy or absence of profits, a company may declare dividend out of free reserves, subject to fulfilling certain conditions.
 - (d) Partly agree with Ms. Sunita that company can pay dividends not only out of profits but also out of money provided by Central Government or State Government in pursuance of the guarantee given by them or out of

money available in free reserves, and in each case subject to fulfilment to conditions prescribed.

- 22.3 Which of the option is correct with regard to the proposal made by Mr. Robinder?
- (a) Gain made by a company in form of revaluation of assets is definitely available for payment of Dividend.
 - (b) Gain made by a company in form of revaluation of assets is available only upon satisfaction of terms and conditions prescribed.
 - (c) Gains made by a company in form of revaluation of assets in not available for computing profits for declaration of dividends.
 - (d) Gains made by a company in form of revaluation of assets which are only buildings are not available and in all other assets they are available.
- 22.4 As per the Chairman-cum-Managing Director, Mr. Ramesh, there is a provision in the Companies Act, 2013 relating to payment of dividend in the absence of profits. Which of the following is correct with respect to the rate of dividend in such cases?
- (a) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year.
 - (b) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the two years immediately preceding that year.
 - (c) The rate of dividend declared shall be the average of the rates at which dividend was declared by it in the five years immediately preceding that year.
 - (d) The rate of dividend declared shall not exceed the rate at which dividend was declared by it in any of the three years immediately preceding that year.

- 22.5 According to the Chairman-cum-Managing Director, Mr. Ramesh, there is a provision in the Companies Act, 2013 relating to payment of dividend in the absence of profits, which of the following is correct with respect to the amount that can be drawn from such accumulated profits of the previous year(s)?
- (a) The amount that can be drawn from such accumulated profits shall not exceed one fifth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
 - (b) The amount that can be drawn from such accumulated profits shall not exceed one tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
 - (c) The amount that can be drawn from such accumulated profits shall not exceed one tenth of its paid-up share capital as appearing in the latest audited financial statement.
 - (d) The amount that can be drawn from such accumulated profits shall not exceed one tenth of the average of its paid-up share capital and free reserves as appearing in the latest three years audited financial statement.

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 22.1 | (c) Profits of the Company of that year or for any previous year or years after providing for depreciation and remaining undistributed i.e. free reserves. |
| 22.2 | (d) Partly agree with Ms. Sunita that company can pay dividends not only out of profits but also out of money provided by Central Government or State Government in pursuance of the guarantee given by them or out of money available in free reserves, and in each case subject to fulfilment to conditions prescribed. |

| | | |
|-------------|------------|---|
| 22.3 | (c) | Gains made by a company in form of revaluation of assets in not available for computing profits for declaration of dividends. |
| 22.4 | (a) | The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year. |
| 22.5 | (b) | The amount that can be drawn from such accumulated profits shall not exceed one tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement. |

23. The Board of Directors of Dr. Mahindra Laboratories Limited (hereinafter referred to as the "company") were having their Board meeting on 10th July 2020. Despite the Covid-19 pandemic, the company results for the first quarter (hereinafter referred to as "Q-1") showed some great numbers. The maximum turnover was on account of sale of sanitisers, masks and other related products. All the directors felt jubilant about the results particularly at a time when majority of the companies were struggling to even pay salaries and meet their operating costs. One of the directors, Mr. Sanjay, was looking at the way the share price of the company was trading. It showed an upward trend despite stock prices falling for many reputed companies. The closing share price of the Company was ₹ 217.80. It was evident that the capital markets were responding well with the results of the Q-1 and also with the results of financial year 2019-20.

With these favourable aspects in mind, Mr. Sanjay, proposed to the Board that an interim dividend be declared for the shareholders. He expressed his view that this would not only boost the confidence of the investors in the wake of the Pandemic situation, but also strengthen the position of the company among its competitors. Accordingly, he proposed to declare an interim dividend of 10% and the source of interim dividend should be as follows:

- (a) Out of Profits earned in the Financial year 2019-20
- (b) Out of Profits earned in the Financial year 2020-21 (From the Q-1 ending 30th June 2020)

Ms. Jyoti, one of the directors expressed her concern whether interim dividend could be declared at this point of time or should the company wait for the ensuing Annual General Meeting (AGM). Mr. Sanjay clarified that as per Section 123(3) and 123(4) of the Companies Act, 2013, interim dividend can be declared during any financial year and at any time during the period from the closure of the financial year till the holding of the AGM. Since the AGM of the company was proposed to be held on 30th September 2020, the company can easily pay dividend to the shareholders. One of the Directors, Ms. Sharda, said that the results of the Financial Year 19-20 were already approved by the Board of Directors in meeting held on 10th May 2020 and the duly authenticated financial statement are presently in the process of audit. To this, Mr. Sanjay convinced all the directors that since the AGM is not yet held for FY 19-20, it is implied that the annual accounts were not yet adopted by the shareholders and hence there was still some scope for paying interim dividend out of profits of FY 19-20.

In view of the above discussion in the Board Meeting of the Company held on 10th July 2020, answer the following questions:

Multiple Choice Questions [2 Marks each]

- 23.1 Based on the recommendations of Mr. Sanjay, one of the directors, which of the following is correct with regard to the source out of which the interim dividend may be paid?
- (a) The interim dividend can be paid out of profits earned by the company in the FY 19-20 and also out of the profits earned in the first quarter of FY 20-21.
 - (b) The interim dividend cannot be paid out of profits earned by the company in the FY 19-20 but can be paid out of the profits earned in the first quarter of FY 20-21.
 - (c) The interim dividend can be paid out of profits earned by the company in the FY 19-20 but not out of the profits earned in the first quarter of FY 20-21
 - (d) The interim dividend can be paid out of accumulated profits only.

- 23.2 Going by the facts of the case, if the interim dividend of the company was declared in the meeting dated 10th July 2020, then by what date should the amount be deposited in a separate account maintained with the scheduled bank for dividend purposes?
- (a) By 14th July 2020
 - (b) By 15th July 2020
 - (c) By 16th July 2020
 - (d) By 17th July 2020
- 23.3 Which of the option is correct with regard to ratification of the payment of dividend?
- (a) Interim dividend is declared by the Board of Directors and can be ratified by the Managing Director of the company.
 - (b) Interim dividend needs the approval of the auditors with regard to the calculation of the rate and hence can be ratified on their subsequent approval.
 - (c) Interim dividend is declared by the Board of Directors but the same needs to be ratified at the ensuing AGM by the members.
 - (d) Interim dividend once declared and paid needs no ratification thereafter.
- 23.4 In case the company would have incurred loss during the current financial year upto the end of the quarter immediately preceding the date of declaration of interim dividend, then what should be the rate of the interim dividend?
- (a) The rate of interim dividend declared shall not be at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.
 - (b) The rate of interim dividend declared shall be less than the average of the rates at which dividend was declared by it in the five years immediately preceding that year.

- (c) The rate of interim dividend declared shall be exactly the average of the rates at which dividend was declared by it in the three years immediately preceding that year.
 - (d) In case of a loss, then interim dividend cannot be declared in the first place and only final dividend can be declared.
- 23.5 By what date should the interim dividend declared in the meeting held on 10th July 2020 be paid to the members of the company?
- (a) 8th August 2020
 - (b) 9th August 2020
 - (c) 10th August 2020
 - (d) 11th August 2020

Answers to MCQs

| Question No | Answers |
|-------------|--|
| 23.1 | (a) The interim dividend can be paid out of profits earned by the company in the FY 19-20 and also out of the profits earned in the first quarter of FY 20-21. |
| 23.2 | (a) By 14th July 2020 |
| 23.3 | (c) Interim dividend is declared by the Board of Directors but the same needs to be ratified at the ensuing AGM by the members. |
| 23.4 | (a) The rate of interim dividend declared shall not be at a rate higher than the average dividends declared by the company during the immediately preceding three financial years. |
| 23.5 | (a) 8th August 2020 |

24. VXN Steels Limited (hereinafter referred as the "Company"), a Public Limited Company, is a 100% export-oriented unit, in Koraput, in the State of Odisha. Its paid-up capital is ₹ 200 crores divided into 20 crores of shares of ₹ 10 each.

The company decided to make a capital expenditure of ₹ 100 crores towards purchase of equipments and land and ₹ 25 crores for machinery. The company approached banks and financial institutions (FI) for financing the capital requirement of equipment, land and machinery by way of term loans. The banks and FIs have agreed to advance money; but on a condition that the company has to give necessary security for the amount of advance/loans. In this regard, a charge on the property was also required to be created. The company has informed to the banks and FIs that it has mortgaged the fixed assets in favour of the banks and FIs in their books of accounts.

The company was formed in April 2019 and being a newly incorporated company, the company was not much well versed with the provisions of the Companies Act, 2013 (hereinafter referred to as the "Act") and also the company secretary was yet to be appointed. Accordingly, they have asked the banks and FIs to do the needful compliances with respect to the creation of charges. The banks and FIs informed the Company that as per relevant provisions of the Act, if a company contravenes any provisions, there shall be levied punishment/penalty provisions and hence the necessary legal requirements will have to be compiled by the company and not by them. The company was however of the view that "creation of charges" being a protection available to the bank and FIs, the legal requirement only relates to filing of charges and not of any other consequences. Hence, it was decided by the company to delay the process of filing the charges and regularising the same by paying additional fees for delayed filing. The company understood that there was no situation inviting any sort of imprisonment and at the worst situation, the enhanced punishment, if any, will lead to levy of fine.

The loan agreement was signed on 14th May 2019 and the documents creating charges were filed on 24th June 2019 with the Registrar of Companies for creation of charges. In this regard, the company decided to create floating charges on the assets namely land, equipments and machinery.

In view of the above scenario faced by the company, answer the following questions:

Multiple Choice Questions [2 Marks each]

- 24.1 Which of the Statement is correct with reference to above case regarding mortgage of the fixed assets and creation of charges:
- (a) Charges are required to be created whenever a company obtains term loans or working capital loans from financial institutions or Banks.
 - (b) Since it is mortgage of property, there is no need of creating any charge.
 - (c) A charge is to be created only when a company obtains term loans from financial institutions.
 - (d) Creation of charge or otherwise depends upon the Registrar of Companies and company can maintain their own records for repayment purposes.
- 24.2 In the given case scenario, by which date the creation of charges should have been filed at the first place?
- (a) By 14th June 2019
 - (b) By 13th June 2019
 - (c) By 14th July 2019
 - (d) By 13th July 2019
- 24.3 The company has created floating charges for the assets so mortgaged, namely equipment, Land and tools. Which of the following statement is correct with respect to the type of charge?
- (a) Fixed charges has to be created as it relates to specific assets i.e. Equipments, Land and machinery.
 - (b) Floating charges has to be created as the value of the mortgaged assets of the company are fluctuating in nature.
 - (c) Fixed charges has to be created for equipments and machinery and floating charge for land as the cost of land keeps changing every year.

- (d) Floating charges has to be created for equipments and machinery as their value keeps on reducing due to charge of depreciation and fixed charge has to be created on land as it is always appreciating in terms of value.
- 24.4 In the given case scenario, if the company fails to register the charge, then can the banks and FIs file the necessary charges?
- (a) It is the duty of the company to create charges and get it registered and no other entity can do so on behalf of the company. Hence penalty provisions will apply.
- (b) In case the company fails to register the charges, then the person in whose favour the charge is created has to mandatorily get the charge registered.
- (c) In case the company fails to register the charges within the prescribed period of 30 days then, the person in whose favour the charge is created can get the charge registered.
- (d) In case the company fails to register the charge then the Registrar of Companies can issue order to the Company or to the Charge-holder to take necessary action for registering the charge.

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 24.1 | (a) Charges are required to be created whenever a company obtains term loans or working capital loans from financial institutions or Banks. |
| 24.2 | (b) By 13th June 2019 |
| 24.3 | (a) Fixed charges has to be created as it relates to specific assets i.e. Equipment, Land and machinery. |
| 24.4 | (c) In case the company fails to register the charges within the prescribed period of 30 days then, the person in whose favour the charge is created can get the charge registered. |

25. Indian Mining Limited (hereinafter referred as "Company") has its mining unit in Koraput in the State of Odisha. Its paid-up capital is ₹ 15 crores divided into 15,00,000 equity shares of ₹ 100 each. The Company has also issued debentures to the extent of ₹ 20 crores. The company's registered office was located in the city of Bhubaneswar in the State of Odisha.

As per provisions of the Companies Act, 2013, Companies are required to maintain Statutory registers. The Company had a practice of maintaining one combine register for both Members as well as Debenture-holders.

The company has decided to declare dividend for the financial year 2018-19 and hence there is a requirement for closing the register of members. The company has closed its Register of Members, by giving a minimum of 10 days' notice.

It was observed that at least 80% of the total members were residing in the capital city of New Delhi. Hence the company decided to keep its register of members in one of its offices situated in the locality of Saket, New Delhi. It was felt that the appropriate place for keeping the register of members should be the place where majority of members are residing. Accordingly, it passed an ordinary resolution for maintaining the register of members at a place other than the registered office.

The practice of the company for making entries in the Register of members was within 10 days of the approval by the Board of the transfer of shares.

In view of the above scenario faced by the company, answer the following questions:

Multiple Choice Questions [2 Marks each]

- 25.1 Which of the following statements apply to Indian Mining Limited with respect to closing of the register of members?
- (a) Yes, the company can close the register of members by giving at least 14 days previous notice.
 - (b) Yes, the company can close the register of members by giving at least 7 days previous notice.

- (c) No, the Company is not allowed to close the register of members as it is the most important statutory register.
 - (d) Yes, the Company can close the register of members by giving at least 7 days previous notice and in such manner as specified by SEBI by advertisement one in vernacular newspaper and other in English newspaper.
- 25.2 What is the time limit for which the Register of Members (ROM) may be closed?
- (a) The ROM may be closed for any period not exceeding 45 days at any one time.
 - (b) The ROM may be closed for any period not exceeding 30 days and maximum 45 days.
 - (c) The ROM may be closed for any period not exceeding 30 days at any one time.
 - (d) The ROM may be closed for any period not exceeding 30 days at any one time and for an aggregate of 45 days in one year.
- 25.3 Is the company complying with the provisions of the Act in maintaining the register of members at New Delhi instead of Bhubaneswar?
- (a) Yes, the company is complying in maintaining the register at New Delhi instead of Bhubaneshwar as an ordinary resolution has been passed by the company.
 - (b) No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneshwar as no special resolution has been passed.
 - (c) No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneshwar as no special resolution of the members and the approval from the Central Government has been obtained for keeping the register of members in a different place other than the registered office.

- (d) Yes, the company is complying in maintaining the register at New Delhi instead of Bhubaneshwar as there is no restriction regarding the place where register has to be maintained.
- 25.4 Is the practice of the company correct in maintaining the same register for equity shareholders (members) as well as for debenture-holders?
- (a) Yes, it is correct because both are stakeholders of the company.
- (b) No, it is incorrect because there is a requirement of maintaining a separate register for debenture holders.
- (c) Yes, it is correct as there is no provision in company law regarding register of debenture holders. It is only for equity shareholders who are the members of the company for whom register is to be maintained.
- (d) Yes, it is correct because both equity shareholder and debenture holders contribute to the capital of the company.
- 25.5 The company has a practice of making the entries in the Register of Members within 10 days of the date of approval by the Board of the transfer of shares. Which of the following statement is correct with regard to the time period for the entries in the register?
- (a) The entries have to be made within 14 days of the date of approval by the Board.
- (b) The entries have to be made within 21 days of the date of approval by the Board.
- (c) The entries have to be made within 17 days of the date of approval by the Board.
- (d) The entries have to be made within 7 days of the date of approval by the Board.

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 25.1 | (b) Yes, the company can close the register of members by giving at least 7 days previous notice. |
| 25.2 | (d) The ROM may be closed for any period not exceeding 30 days at any one time and for an aggregate of 45 days in one year. |
| 25.3 | (b) No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneshwar as no special resolution has been passed. |
| 25.4 | (b) No, it is incorrect because there is a requirement of maintaining a separate register for debenture holders. |
| 25.5 | (d) The entries have to be made within 7 days of the date of approval by the Board. |

26. AXN Logistics Limited (hereinafter referred as “Company”) is a Public Limited Company with a share capital of Rs 200 crores divided into 2 crores equity shares of ₹ 100 each. It is engaged in the transportation of raw materials and goods, situated in Barbil, a mining town in the State of Odisha.

The Company wanted to expand from its existing line of logistics business to also providing services in the area of leasing of its equipments and vehicles. This was, however, mentioned as an “object” in the existing Object clause of the Memorandum of Association (“MOA”) of the Company. But there was a need to increase the share capital of the company and the existing amount stated in the capital clause of the MOA was not sufficient. Accordingly, the company decided to call an extra ordinary general meeting (EGM) to obtain the approval of the members for increasing the authorised share capital of the company from ₹ 200 crores to ₹ 250 crores for making a consequent amendment to its existing MOA.

The company decided to hold an EGM on 27th August 2020 and accordingly plans for the manner in which the notice, agenda and

explanatory statement needs to be sent to its shareholders. After undergoing the relevant provisions of the Companies Act, 2013 and its own Articles of Association, the following aspects were decided with regard to the sending of the notice of the EGM that was proposed to be held on 27th August 2020.

- (a) The proposed date for sending the notice would be 5th August 2020.

Notice would be sent only by email as an attachment to the e-mail.

- (b) The notice would be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member.

- (c) In the agenda, since there was only one item which required passing of ordinary resolution, the need for an explanatory statement to be annexed to the notice is not there as it would be an ordinary business.

- (d) In Article No. 34 of the Articles of Association of the Company, it was provided that if the company wishes to curtail the requirement of the minimum number of days with respect to the length of notice vis a vis provided in the Companies Act, 2013, then it can do so provided a unanimous Board resolution to that effect is passed by the Board of Directors.

In view of the above scenario faced by the company, answer the following questions:

Multiple Choice Questions [2 Marks each]

26.1 With regard to the contention of the company in fixing the date of the notice as 5th August 2020 for EGM scheduled on 27th August, 2020 which of the statement is correct?

- (a) No, it is not correct and notice should be dated 4th August 2020.
- (b) No, it is not correct and notice should be dated 6th August 2020.

- (c) Yes, it is correct only if notice is sent by email.
 - (d) No, it is not correct as the notice for the EGM should mandatorily be sent by post and the date of notice should be 3rd August 2020.
- 26.2 With regard to the contention of the company with respect to the mode of notice to be sent as an attachment to the email, which of the statement is correct?
- (a) The notice for an EGM can be sent as an attachment to e-mail.
 - (b) The notice for an EGM has to be mandatorily be sent by post.
 - (c) The notice for an EGM has to be sent by way of an attachment to an email as well as by post.
 - (d) The notice for an EGM has to be sent by way of an attachment to an email and by way of advertisement in the newspaper.
- 26.3 Regarding the contention of the company with respect to the persons to whom the notice is to be given, which of the following statement is correct?
- (a) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member.
 - (b) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member and the auditor or auditors of the company.
 - (c) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member, the auditor or auditors and every director of the company.

- (d) The notice shall be given to every member of the company and the legal representative of any deceased member.
- 26.4 As per the company, since an ordinary resolution is to be passed, there is no need for an explanatory statement to be annexed with the notice. Which of the statement is correct in this matter?
- (a) Only in Annual General Meeting (AGM) there may be special business or ordinary business depending on the matter of the agenda. Whereas, all business in Extraordinary Meeting (EGM) is Ordinary Business. Hence no need for explanatory statement.
- (b) Only in Annual General Meeting (AGM) there may be special business or ordinary business depending on the matter of the agenda. Whereas, all business in Extraordinary Meeting (EGM) is Special Business. Hence there is a need for explanatory statement.
- (c) Irrespective of AGM or EGM , special business will be decided on the basis of the type of resolution to be passed. In the case of the given company since it is ordinary resolution, the business is also ordinary and hence no need for explanatory statement.
- (d) An explanatory statement is needed when the company wants to furnish important information relating to the agenda. Thus, in this case there is need for explanatory statement.
- 26.5 Would you agree with the company's contention (as given in question - point "e" above) of curtailing the length of notice as the matter is permitted in the Articles of Association of the company.
- (a) The contention of the company is correct as wide powers are given to companies to decide upon the length of notice.

- (b) The contention of the company is not correct because the statutory provision on the length of notice would prevail over Articles of the company with respect to the minimum length of notice.
- (c) The contention of the company is correct because it is not a listed company.
- (d) The contention of the company is not correct because it did not provide newspaper advertisement regarding the length of the notice it has adopted.

Answers to MCQs

| Question No. | Answers |
|--------------|---|
| 26.1 | (c) Yes, it is correct only if notice is sent by email. |
| 26.2 | (a) The notice for an EGM can be sent as an attachment to e-mail. |
| 26.3 | (c) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member, the auditor or auditors and every director of the company. |
| 26.4 | (b) Only in Annual General Meeting (AGM) there may be special business or ordinary business depending on the matter of the agenda. Whereas, all business in Extraordinary Meeting (EGM) is Special Business. Hence there is a need for explanatory statement. |
| 26.5 | (b) The contention of the company is not correct because the statutory provision on the length of notice would prevail over Articles of the company with respect to the minimum length of notice. |

27. The Dohra Port Company Limited (hereinafter referred as "Company") is a 50:50 joint venture between two giant Companies in the country namely ATTA Steel Limited and B & T Limited. Its paid-up capital is ₹ 1500 crores divided into 15,00,00,000 equity shares of ₹ 100 each. The number of members of the company is 8500 members out of which

majority shares (80% to the total share capital) is held by the two giant companies.

The company was conducting its 5th Extra-Ordinary General Meeting (EGM) on 29th May 2019 at 11:00 AM in the registered office of the company and the following members were present in the meeting at the designated time.

- I. Mr. A (representative of ATTA Steel Limited holding 40% share capital)
- II. Mr. B (representative of B & T Limited holding 40% share capital)
- III. Mrs. C (holding 100 shares)
- IV. Ms. D (holding 500 shares)
- V. Ms. E (holding 1000 shares)
- VI. Mr. F (being Proxy of original shareholder of 10 shares)
- VII. Mr. G (holding 100 shares)
- VIII. Mr. H (holding 200 shares)

Another 25 members (each holding 500 shares) reported to the meeting at 11:45 AM as there was heavy traffic congestion on the way.

The Company Secretary, Ms. Kripa commenced the meeting at 11:00 AM as per the scheduled time because there were 5 members personally present (other than the representatives of corporates and the proxy) and the minimum quorum needed for a public limited company was already available by the 5 individual members. However, she requested the Chairman to go slow on the agenda as she received text messages from 25 members that they would be shortly joining the meeting.

Accordingly, when the rest of the members joined the meeting, the main agenda of the meeting was discussed at length. The auditor, present in the meeting objected at 11:55 AM that the quorum as required by company law was not present and hence the meeting should be adjourned. He said that since the meeting started late, it should be adjourned to 29th June 2019, exactly one month from the present date at the same time i.e. 11:00 AM and at the same place. In view of the above scenario faced by the company, answer the following questions

Multiple Choice Questions [2 Marks each]

- 27.1 What is the correct position with regard to quorum of the company for the EGM held on 29th May 2019?
- (a) The Company Secretary, Ms. Kripa had rightly ascertained the quorum for the meeting at 11:00 AM – as 5 members.
 - (b) The correct quorum was rightly ascertained only when the 25 members joined the meeting - $5 + 25 = 30$ members.
 - (c) The correct quorum was present as the major shareholders (holding 80% shares) were already present during the commencement of the meeting.
 - (d) The correct quorum was not ascertained as there were only 7 members present at the time of commencement of meeting.
- 27.2 Can the presence of Mr. F be counted for the purpose of Quorum?
- (a) Yes, he can be counted for the purpose of Quorum as he is physically present.
 - (b) No, he cannot be counted for the purpose of Quorum as he is a proxy.
 - (c) Yes, he can be counted for the purpose of Quorum as he is a proxy for the original shareholder.
 - (d) No, he cannot be counted for the purpose of Quorum as he is proxy for a shareholder who holds only 10 shares.
- 27.3 Is the objection of the auditor correct with respect to the adjournment of the meeting due to want of quorum?
- (a) Yes, the auditor is correct about the adjournment of the meeting.
 - (b) No, the auditor is not correct about the adjournment of the meeting as the required quorum was present after the 25 members joined the meeting at 11:45 AM.

- (c) Yes, the auditor is correct about the lack of quorum but not correct about the adjournment of the meeting.
 - (d) Yes, the auditor is correct about the lack of quorum as well about the adjournment of the meeting.
- 27.4 From the case it was observed that, "However, she requested the Chairman to go slow on the agenda as she received text messages from 25 members that they would be shortly joining the meeting". Is this kind of practice allowed as per the provisions of company law?
- (a) Yes, it is very much allowed, keeping the practical difficulties into consideration.
 - (b) No, it is never allowed, as there is no validity of messages being sent at the time of meeting.
 - (c) Yes, it is very much allowed, as the law provides for ascertainment of quorum at any point of time of the meeting.
 - (d) No, it is not allowed, as the law provides for the requirement of quorum within half an hour from the time appointed for the meeting.

Answers to MCQs

| Question No | Answers |
|-------------|--|
| 27.1 | (d) The correct quorum was not ascertained as there were only 7 members present at the time of commencement of meeting. |
| 27.2 | (b) No, he cannot be counted for the purpose of Quorum as he is a proxy. |
| 27.3 | (c) Yes, the auditor is correct about the lack of quorum but not correct about the adjournment of the meeting. |
| 27.4 | (d) No, it is not allowed, as the law provides for the requirement of quorum within half an hour from the time appointed for the meeting. |

28. Trusted Industries Limited (hereinafter referred as "Company"), a listed company on the National Stock Exchange (NSE) was holding its Annual General Meeting on 30th September 2019 at the large auditorium of its registered office in the city of Guwahati. The company wanted to apply the provision of the new mode of voting introduced in the Companies Act, 2013 which provided that a member in the prescribed class of companies can exercise his right to vote by electronic means. The company made all the arrangement relating to the holding of the meeting, especially for voting through electronic means. The company had sent notices to all concerned persons in the prescribed manner to enable them to carry out the procedure of voting. The company had clearly provided that the time for opening of e-voting shall remain open for not less than two days and shall close at 4 PM on the date preceding the date of the general meeting. The notice of the meeting provided the following information:

- That the company is providing facility for voting by electronic means and the business may be transacted through such voting;
- That the members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

Further, the company decided to publish a public notice by way of an advertisement in newspaper immediately on completion of dispatch of notices of the meeting. The company also specified in the notice that the remote e-voting will not be allowed beyond the specified date and time. The company appointed an independent Chartered Accountant in practice to be the scrutinizer for the remote e-voting process.

The meeting was successfully conducted and as soon as the results of the voting were ascertained, the results were declared along with the report of the scrutiner placed on the website of the company. The company had appointed an agency for the e voting and the results of the voting immediately thereafter were declared by the Chairman and were put up on the website of the agency.

Multiple Choice Questions [2 Marks each]

- 28.1 What is the correct position with regard to the time for opening of e-voting?
- (a) The time for opening of e-voting shall remain open for not less than two days and shall close at 4.00 PM on the date preceding the date of the general meeting.
 - (b) The time for opening of e-voting shall remain open for not less than three days and shall close at 4.00 PM on the date succeeding the date of the general meeting.
 - (c) The time for opening of e-voting shall remain open for not less than three days and shall close at 5.00 PM on the date preceding the date of the general meeting.
 - (d) The time for opening of e-voting shall remain open for not less than three days and shall close at 5.00 PM on the date succeeding the date of the general meeting.
- 28.2 Regarding the putting up of results of the voting on the website, which of the statement is correct in connection with the procedure followed by the Company?
- (a) It is sufficient to put up the results of the voting on the company's website immediately after the meeting.
 - (b) It is essential to put up the results of the voting on the company's website and also on the website of the agency immediately after the meeting.
 - (c) It is essential to put up the results of the voting on the company's website and also on the website of the agency immediately after the meeting. Along with this, the company should simultaneously forward results to the concerned stock exchange(s) where the shares are listed.
 - (d) It is sufficient to put up the results of the voting on the company's website immediately after the meeting and give a notice in the newspaper about the uploading of information on the website.

- 28.3 With respect to the information in the notice of the meeting about the facility for voting by electronic means and remote e-voting, which of the following statement should be added to the notice?
- (a) The notice is complete with respect to electronic voting and remote e-voting and hence no other information is needed.
 - (b) The notice should also provide that the facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting.
 - (c) The notice should also provide that the facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right to vote at the meeting.
 - (d) The notice should provide general information about the voting process and all detailed information shall be provided at the commencement of the meeting and also be uploaded / displayed on the company's website.
- 28.4 Regarding the newspaper advertisement as decided to be published by the company immediately on completion of dispatch of notices of the meeting, which of the following statement is correct?
- (a) The newspaper advertisement should be made at least 21 days before the date of general meeting.
 - (b) The newspaper advertisement should be made at least 14 days before the date of general meeting.
 - (c) The newspaper advertisement should be made at least 7 days before the date of general meeting.
 - (d) The newspaper advertisement should be made at least 10 days before the date of general meeting.

Answers to MCQs

| Question No | Answers |
|-------------|---|
| 28.1 | (c) The time for opening of e-voting shall remain open for not less than three days and shall close at 5.00 PM on the date preceding the date of the general meeting. |
| 28.2 | (c) It is essential to put up the results of the voting on the company's website and also on the website of the agency immediately after the meeting. Along with this, the company should simultaneously forward results to the concerned stock exchange(s) where the shares are listed. |
| 28.3 | (c) The notice should also provide that the facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right to vote at the meeting. |
| 28.4 | (a) The newspaper advertisement should be made at least 21 days before the date of general meeting. |

29. Purple Airlines Limited (hereinafter referred to as "Company"), a public limited company which is in the process of getting its shares listed on the National Stock Exchange (NSE), Kolkata. Many meetings of the board of directors and members were regularly held in this regard. One of the member of the Company Mr. Jyotiranjana, felt that certain decisions taken by the company were not being properly executed as there were numerous newspapers reports about the functions & feasibility of the company's going concern. Hence, he decided to inspect the minute book of the general meetings to understand the actual proceedings of the discussion held in the meetings.

He approached the company on 27th August 2020 and requested the Company Secretary to permit inspection of the minute book at 2:00 PM. The Company Secretary refused to allow for the inspection saying that

he could apply for taking the copies of the minutes of the meetings but was not entitled to inspect the minute book at the office.

Accordingly, he made an application for obtaining the copies of the minutes of the meeting held on 15th July 2020. The application was made by him on 28th August 2020 to the company in the prescribed form and along with the fees suggested by the company which was ₹ 100 for each page of the minute. The company informed that for soft copies it would be ₹ 50/- per page.

Mr. Jyotiranjan, waited for 10 days and when no copies were made available to him, he again approached the company for the copies. He was informed that since the Articles of Association prescribed a minimum period of 14 days, he would receive the copies of the minutes on or after 11th September 2020.

Finally, he received the copies of the minutes which consisted of 10 pages and a fees of ₹ 1,000/- was charged from him (₹ 100/- for each page). Jyotiranjan had also asked for furnishing soft copies of the minutes of the meeting in respect of the previous general meetings held during a period immediately preceding three financial years. (FY 16-17, FY 17-18 and FY 18-19) The total number of pages were 95 and he was asked to pay ₹ 4,750/- (Being the charges of ₹ 50 per page).

Mr. Jyotiranjan found that all the pages of the minutes were initialled and signed by the Chairman of the meeting. However, in 2 cases, he observed that the minutes were signed by another person, Mr. Ranjan, who was not the Chairman of the meeting but it was mentioned that he being the general manager was duly authorised by the Board of Directors to sign the minutes for the purpose. He also observed that the company followed a practice of recording the minutes within 2 weeks of the conclusion of the meeting.

In view of the observations made by Mr. Jyotiranjan regarding the maintenance of the minute book, answer the following questions:

Multiple Choice Questions [2 Marks each]

- 29.1 When the member, Mr. Jyotiranjan approached the company on 27th August 2020 and requested the Company Secretary to permit inspection of the minutes book at 2:00 PM, he was refused

the inspection saying that he could apply for taking copies of the minutes of the meetings and not entitled to inspect the minute book at the office. Which of the following statement is correct in this aspect?

- (a) Inspection of the minutes of general meetings cannot be permitted to any member and only copies can be furnished. The contention of the company was correct in this regard.
- (b) Inspection of the minutes of general meetings is permitted during business hours, to any member with charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 2 hours in each business day.
- (c) Inspection of the minutes of general meetings is permitted during business hours, to any member without charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 4 hours in each business day.
- (d) Inspection of the minutes of general meetings is permitted during business hours, to any member without charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 2 hours in each business day.

29.2 Is the fees prescribed by the company (for taking the copies of the minute book) which is ₹ 100 for each page of the minute and for the soft copies it is ₹ 50/- per page in line with the Company Law requirement?

- (a) Yes, it is correct, as the company is free to prescribe in its Articles of Association a reasonable fee for taking copies from the minute book maintained by the company.
- (b) The amount may be fixed in the Articles of Association but it should not exceed a sum of ₹ 10/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a

period immediately preceding three financial years has to be provided free of cost.

- (c) The amount may be fixed in the Articles of Association but it should not exceed a sum of ₹ 10/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a period immediately preceding three financial years, has to be provided for a sum of not exceeding ₹ 1/- for each page.
- (d) The amount may be fixed in the Articles of Association but it should not exceed a sum of ₹ 100/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a period immediately preceding three financial years has to be provided for a sum not exceeding ₹ 10/- for each page.

29.3 “Mr. Jyotiranjana, waited for 10 days and when no copies were made available to him, he again approached the company for the copies. He was told that since the Articles of Association prescribed a minimum period of 14 days, he would receive the copies of the minutes on or after 11th September 2020.” Which of the following statement is correct with regard to time period for furnishing the required copies of the minutes?

- (a) The contention of the company is correct.
- (b) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 11 working days.
- (c) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 7 working days.
- (d) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 3 working days.

- 29.4 It was found in the case of the company under discussion that in 2 cases the minutes were signed by another person, Mr. Ranjan, who was not the Chairman of the meeting but it was mentioned that he being the general manager was duly authorised by the Board of Directors to sign the minutes for the purpose. Which of the following is the correct provision in relating to signing of minutes of general meetings?
- (a) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 30 days or in the event of the death or inability of that Chairman within that period by a director duly authorized by the Board for the purpose.
 - (b) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 30 days or in the event of the death or inability of that Chairman then by the Chairman of the next succeeding meeting.
 - (c) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 7 days or in the event of the death or inability of that Chairman within that period by a director duly authorised by the Board for the purpose
 - (d) The practice of the company is correct.
- 29.5 The company followed a practice of recording the minutes within 2 weeks of the conclusion of the meeting. In this regard, which of the following statement is correct?
- (a) The practice of the company is correct in recording the minutes within 2 weeks of the conclusion of the meeting.
 - (b) The practice of the company is incorrect in recording the minutes within 2 weeks of the conclusion of the meeting. It should be recorded within 7 working days.

- (c) The practice of the company is incorrect in recording the minutes within 2 weeks of the conclusion of the meeting. It should be recorded within 10 working days.
- (d) The practice of the company is incorrect in recording the minutes within 2 weeks of the conclusion of the meeting. It should be recorded within 14 working days.

Answers to MCQs

| Question No. | Answers |
|--------------|--|
| 29.1 | (d) Inspection of the minutes of general meetings is permitted during business hours, to any member without charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 2 hours in each business day. |
| 29.2 | (b) The amount may be fixed in the Articles of Association but it should not exceed a sum of ₹ 10/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a period immediately preceding three financial years has to be provided free of cost. |
| 29.3 | (c) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 7 working days. |
| 29.4 | (a) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 30 days or in the event of the death or inability of that Chairman within that period by a director duly authorised by the Board for the purpose. |
| 29.5 | (a) The practice of the company is correct in recording the minutes within 2 weeks of the conclusion of the meeting. |

30. Magic Cosmetics Private Limited (MCPL) was incorporated on 12th August 2019 with its registered office situated in Dehradun and branch offices at Delhi and Jaipur. The company was engaged in the business of manufacturing herbal products used as cosmetics. The company had prepared its “books of accounts” and other relevant books and records and financial statements for the year ending 31st March 2020.

The company maintains its books of accounts on a double entry system of accounting on an accrual basis and keeps the books of account and other relevant books and papers and financial statements in the city of Jaipur in Rajasthan, which happens to be its major branch office.

Gradually, the activities of the company grew and it opened its first branch office outside India in Colombo, Sri Lanka. The business started developing well and necessary records and documents including the books of account of the branch were maintained. One of the Directors, Mr. Lal, felt it necessary to inspect the books of account and other relevant documents maintained at Colombo branch. However, due to his busy schedule, he could not personally inspect the records and accordingly sought necessary financial information through his attorney holder.

The board of directors of the company had entrusted Ms. Priyanka, the General Manager of the Company to fulfil all the duty with regard to the complying with the provisions of the company law in relation to maintaining the books of account, place of keeping the books of account, time period for preservation of books and all relevant papers and such things as prescribed under the Companies Act, 2013 in this regard.

In view of the aforesaid scenario relating to “books of account” of MCPL, answer the following questions:

Multiple Choice Questions [2 Marks each]

- 30.1 What is the company law requirement with reference to “books of account” that is required to be maintained by Magic Cosmetics Private Limited?

- (a) Records maintained in respect of all sales and purchases of goods and services by the company and the assets and liabilities of the company.
 - (b) Records maintained in respect of sum of money received and expended, all sales and purchases of goods and services by the company and the assets and liabilities of the company.
 - (c) Records maintained in respect of sum of money received and expended, all sales and purchases of goods and services by the company, the assets and liabilities of the company and the items of cost as prescribed.
 - (d) Journal, ledger, Trial balance and final accounts prepared therefrom.
- 30.2 It has been stated that the Company maintains its "books of account" in a place (Jaipur) other than the registered office (Dehradun) of the company. Which of the following is the correct statement relating to place of keeping "books of account"?
- (a) The company can maintain its "books of account" in any place within India as the Board of Directors may decide.
 - (b) The company can maintain its "books of account" in any place within India as the Board of Directors may decide but the same has to be intimated with the Registrar before 31st March of that year.
 - (c) The company can maintain its "books of account" in any place within India other than the registered office as the Board of Directors may decide but the same has to be intimated with the Registrar within 7 days of the decision of Board.
 - (d) The company cannot maintain its "books of account" in any place other than its registered office.
- 30.3 As observed in the case, can a director seek with respect to financial information maintained outside the country (i.e. financial information relating to books of account maintained in Colombo)

- (a) A director can inspect and seek information from any Branch of the Company located within the country only.
 - (b) The director can seek the information through his attorney holder with respect to financial information maintained outside the country also.
 - (c) The director can seek the information only individually and not through his attorney holder with respect to financial information maintained outside the country.
 - (d) The director can seek the information through his representative with respect to financial information maintained outside the country.
- 30.4 With regard to preservation of the books of MCPL, the books of accounts for the FY 2019-20 needs to be kept in good order until at least which of the following years?
- (a) FY 2026-27
 - (b) FY 2027-28
 - (c) FY 2028-29
 - (d) FY 2029-30
- 30.5 The board of directors of the company had entrusted Ms. Priyanka, the General Manager of the Company to fulfil all the duty with regard to complying with the provisions of the company law in relation to maintaining the books of account. Which of the statement is correct with respect to entrusting Ms. Priyanka for maintaining the books?
- (a) Only the Managing Director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
 - (b) Only the Managing Director or any Whole time director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.

- (c) Only Whole time director (in charge of finance) or Chief Financial Officer can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
- (d) Only the Managing Director or the Whole time director (in charge of finance) or Chief Financial Officer or any other person of a company charged by the Board with the duty can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.

Answers to MCQs

| Question No | Answers |
|-------------|---|
| 30.1 | (c) Records maintained in respect of sum of money received and expended, all sales and purchases of goods and services by the company, the assets and liabilities of the company and the items of cost as prescribed. |
| 30.2 | (c) The company can maintain its "books of account" in any place within India other than the registered office as the Board of Directors may decide but the same has to be intimated with the Registrar within 7 days of the decision of Board. |
| 30.3 | (c) The director can seek the information only individually and not through his attorney holder with respect to financial information maintained outside the country. |
| 30.4 | (b) FY 2027-28 |
| 30.5 | (d) Only the Managing Director or the Whole time director (in charge of finance) or Chief Financial Officer or any other person of a company charged by the Board with the duty can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc. |