

Roll No.

Total No. of Questions – 5

Total No. of Printed Pages – 12



Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 Marks

1. Question paper comprises 5 questions. Answer Question No. 1 which is compulsory and any 3 out of the remaining 4 questions.
2. Working note should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

HAT2

P.T.O.

1. (a) ABC Limited issued equity shares worth ₹ 1,00,000 (10,000 shares of ₹ 10 each) on 1st April, 2023 which has been fully subscribed, whereby XYZ Limited holds 3,500 equity shares and PQR Limited holds 2,500 equity shares. Prior to the issue of equity shares, ABC Limited already hold 20% of the equity shares of MNP Limited. Further, XYZ Limited holds 10% of MNP Limited's equity shares as a trustee. MNP Limited controls the composition of the Board of Directors of XYZ Limited and PQR Limited on 01.07.2023. Examine with reference to the relevant provisions of the Companies Act, 2013
- (i) Whether ABC Limited is a subsidiary of MNP Limited ?
- (ii) Whether ABC Limited and XYZ Limited have the right to vote on the Annual General Meeting of MNP Limited held on 30th September, 2023 ?
- (b) The company Herbal Wellness Products Ltd. was registered in April 2018 with an authorised share capital of ₹ 300 crores divided into 30 crore equity shares of ₹ 10 each having its registered office at Trivandrum and listed in Bombay Stock Exchange. The company was in compliance of all legal requirements on time. The company was producing health related products such as ayurvedic medicines, medical instruments, sanitizers, masks, medical soaps etc. The aggregate value of the paid-up share capital of the company was ₹ 200 crores divided into 20 crore equity shares of ₹ 10 each at the end of the financial year 2022-23. The extract of Balance Sheet of the company as on 31st March, 2023 showed the following figures –

HAT2

Particulars	Amount (₹) crores
Free reserves created out of profits	200
Securities Premium Account	70
Credit balance of Profit & Loss account	60
Reserves created out of revaluation of assets	25
Miscellaneous expenditure not written off	20

Turnover of the company during the financial year 2022-23 was ₹ 700 crores and the net profit calculated in accordance with section 198 of the Companies Act, 2013 with other adjustments as per CSR Rules was ₹ 4 crores.

The Board of Directors of the company consists of the following directors :

CA 'R.C Goel' as the Managing Director

'Rudra Mittal' and 'Pragya' as independent directors

'Varun', 'Prabodh', 'Disha' and 'Reshma' as executive directors

Vineet, Chief Compliance Officer of the company informed the Board on 20th April, 2023 that the company attracts the provisions of section 135 of the Companies Act, 2013 and all the formalities have to be complied with accordingly. Thereafter, on 30th April, 2023 a CSR Committee was formed consisting of the following members :

CA 'R.C Goel', 'Varun', 'Prabodh' and 'Vineet' to act and comply to the provisions of Corporate Social Responsibility.

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P.T.O.

The company proposed a list of activities to spend 4% of the average net profits of the company made during the immediately preceding three financial years in pursuance of its CSR Policy, as under :

- (I) The CSR projects for the benefit of employees of the company and their families only.
- (II) A contribution of ₹ 50,000 to a political party under the provisions of section 182 of the Companies Act, 2013.
- (III) A contribution to the PM CARES Fund during Covid pandemic.
- (IV) Local activities like promotion of child and women education.

On the basis of above facts and by applying applicable provisions of Companies Act, 2013 and the applicable Rules therein answer the following questions :

- (i) On what basis Vineet, Chief Compliance Officer arrived at this conclusion that the company attracts the provisions of section 135 of the Companies Act, 2013, as turnover of the company was only ₹ 700 crores ?
- (ii) Advise the company, how many members are eligible to be part of Committee and what is the criterion ? Whether CSR committee formed was in compliance with the provisions of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014 ?
- (iii) Whether activities proposed by company were in accordance with provisions of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014 ?

- (c) Mr. R extended a loan to Mr. D with X, Y, and Z as sureties. Each surety executed a bond with varying penalty amounts, X with a penalty of ₹ 10,000, Y with ₹ 20,000 and Z with ₹ 40,000, in the event of Mr. D's failure to repay the borrowed money to Mr. R. Examine the liabilities of the sureties in accordance with the Indian Contract Act, 1872, when Mr. D defaults to the tune of ₹ 42,000. Additionally, assess the situation, if there is no contractual arrangement among the sureties. 4
- (d) Calculate the date of maturity of the following bill of exchange explaining the relevant rules relating to determination of the date of maturity, as provided in the Negotiable Instruments Act, 1881. 4
- (i) The bill of exchange drawn on 21/06/2023. Date of maturity of a bill payable 100 days after date.
- (ii) A bill of exchange drawn on 20/04/2023 is payable twenty days after sight and the bill is presented for acceptance on 30/04/2023.
2. (a) Wills Pvt. Ltd. convened its Annual General Meeting (AGM) with the intention of presenting financial statements for approval by the shareholders. However, due to the absence of the required quorum, the meeting had to be cancelled. Subsequently, the company's directors forgot to submit the annual return to the RoC. The directors held the belief that the 60 days time frame for filing return from the AGM's date would not apply, since the AGM itself was cancelled. Has the company violated the stipulations outlined in the Companies Act, 2013 ? In case, if the company has breached the provisions of the Act, what are the potential penalties it might face ? 4

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- (b) PQR Private Limited operates as a manufacturing company, generating a turnover of ₹ 150 crores and holds an outstanding loan of ₹ 75 crores from a public financial institution solely in the previous financial year (with a total loan availed of ₹ 110 crores, but ₹ 35 crores were repaid during the same year). The company's Board has delegated the authority to CEO to designate an internal auditor to conduct internal audit. However, the CEO believes that the company is not legally obligated to have an internal auditor. Analyse the accuracy of the CEO's perspective by referring to the provisions outlined in the Companies Act, 2013. What would be your response if the Board of Directors wanted to appoint the Secretary of the company Mr. A as an internal auditor ? 6
- (c) While interpreting the statutes what will be the effect of 'Usage' or 'Customs and Practices' ? 3
- (d) Mr. Rama bought an electric watch of ₹ 50,000 from SN Watch Co. For the purpose of making payment, he drew a cheque payable to Mr. SN Dhawan, owner of the watch company or ordered. Mr. SN Dhawan put the cheque in office drawer. One of the employee Mr. Joseph stole the cheque from office drawer, forged the signature of Mr. Dhawan and indorsed it to Mr. Parashar for goods he bought from him of ₹ 50,000. Mr. Parashar encashed the cheque, on the very same day from Mr. Rama's account. After 3 days Mr. Dhawan came to know about the theft. He intimated Mr. Rama about the theft of the cheque. Examine the liability of the Mr. Rama in this case. 4

HAT2

3. (a) A group of enthusiastic women is planning to establish the Nursing Medicare Association, a limited liability company with the objective of providing comprehensive theory and practical training to aspiring nurses. The association aims to operate under the provisions of section 8 of the Companies Act, 2013, with a core objective of education. The intended duration for the association's operation is set at ten years, after which a dissolution will be initiated. In the event of dissolution, any remaining assets exceeding liabilities will be allocated among the members according to the standard procedures permitted by the Companies Act. 5

Assess the viability of the proposal and offer guidance to the promoters, taking into account the regulations outlined in the Companies Act, 2013.

- (b) A clause that begins with the words "notwithstanding anything contained" is a clause, that has the effect of making the provision prevail over others. It can operate at four levels. Explain any two of them. 4

- (c) Rajesh obtained a loan of ₹ 10 lakhs from Mahesh. Following this, Rajesh appointed Mahesh as his agent to facilitate the sale of his land, granting him the authority to deduct the loan amount from the proceeds of the sale. Later on, Rajesh wants to withdraw or cancel this agency arrangement. Assess the lawfulness of Rajesh's decision to revoke the above mentioned agency, taking into account the provisions of the Indian Contract Act, 1872. 4

HAT2

(d) Sunshine Limited, an unlisted company, registered in the State of U.P. with 40 shareholders, wants to organize the Annual General Meeting of the company for the financial year 2022-23 as under :

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(i) The meeting shall be held on 28th September, 2023 which happens to be Raksha Bandhan, a day declared as a holiday by the U.P. Government.

(ii) The venue for the meeting shall be Lonavala, a hill resort in Maharashtra. Out of 40 shareholders, 38 have given their consent in writing for conducting the meeting in Lonavala.

Advise the Company on the feasibility of the above with reference to the provisions of Companies Act, 2013.

4. (a) RNL Ltd. issued a post-dated cheque of ₹ 5.50 Lakhs to Mr. YR Gupta on account of full and final settlement of its liability for shares purchased of a renowned company. Company draws the cheque on 21.8.2023 and mentioned the cheque to be paid on 26.9.2023.

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Further, Company instructed the bank, on which cheque was drawn to stop the payment of cheque, if at the time of presentment, Bank account has insufficient funds to make payment. Mr. YR Gupta presented the cheque to bank for payment on 30.11.2023. On 30.11.2023 bank account maintained by company was having only ₹ 4.90 lakh. Bank denied for payment.

The cheque dishonored for non-payment. In the above case, who will be responsible for dishonor of cheque and payment of ₹ 5.50 lakh due to Mr. YR Gupta ?

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(b) Mr. Avinash currently holds the position of a Whole-time director (Key Managerial Personnel) at Moon Pharma Limited, a company that maintains substantial ownership stake in X Limited (55% shares), Y Limited (60% shares), and Z Limited (65% shares). Mr. Avinash has expressed his desire to expand his role as a Whole-time director to encompass both X Limited and Y Limited. Determine the validity of his appointment as a Whole-time director in these additional companies, as per the provisions of the General Clauses Act, 1897. 4

(c) WEE Remedies Ltd. incorporated on 26th November, 1995 with a paid-up capital of ₹ 25 crores. According to financial results of the company as on 31.3.2022 net worth of the company was ₹ 120 crores and turnover for the year 2021-22 was ₹ 350 crores. The Company proposed to accept the deposits as on 1st November, 2022, which would be due for repayment on 30th September, 2027 from the public for expansion and redevelopment programs of company. Besides that, company accepts a loan of ₹ 1.5 crores from Mr. P N Seth (Director) and the loan was expected to be repaid after twenty four months. Company in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. Seth affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of such loan transaction is furnished in the boards' report. 4

On the basis of above facts answer the following questions :

- (i) Whether Company was eligible to accept deposit from public ? What is the criteria for acceptance of deposit and tenure for which deposit can be accepted ? Whether the tenure decided by Company was in accordance with provisions of Companies Act, 2013 ?
- (ii) With reference to the loan advanced by Mr. Seth to Company, state whether the same is to be classified as a deposit or not ?

HAT2

(d) Majboot Cement Ltd. (MCL) is known for its hassle free and home building solutions. Its unique products tailor made for Indian climate conditions and sustainable operations. MCL was incorporated in July 2000 with an authorized capital of ₹ 1,000 crores. According to financial statements as on 31st March, 2023, paid-up capital of company was ₹ 600 crores and free reserves were ₹ 650 crores. Registered Office of the company situated in New Delhi, but around 15% of total members are resident of Faridabad (Haryana). Company wants to place its Register of Members at its branch office in Faridabad.

MCL is planning to expand its existence throughout the country. For this purpose, Company has taken ₹ 200 crores term loan and ₹ 125 crores of Working Capital loan from Banks on 18th June, 2023. Charge was created on all the assets of company on that day for above loan of ₹ 325 crores, but company failed to register the charge with the registrar of companies within the prescribed time. The Registrar granted a grace period of further 30 days to MCL in respect of application filed by it for the same, however, still it failed to register the charge within the grace period. Finally, the application for registration of charge was furnished on 18th August, 2023.

MCL wants to convene its 23rd AGM on 10th September, 2023 at the registered office of the company. Notice for the same was served on 22nd August, 2023. 78% of members have given their consent to convene AGM at shorter notice due to urgent need of funds for the expansion plan.

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HAT2

With reference to provisions of Companies Act, 2013, answer the following questions :

- (i) Company wants to maintain its Member's Register at Faridabad, advise whether the decision of company is valid ?
- (ii) Which type of Charge was created by Company on 18th June, 2023 ? Whether application filed by company on 18th August, 2023 was in compliance with provisions of Registration of Charge of Companies Act, 2013 ?
- (iii) Whether the notice given to convene AGM at shorter notice was in compliance of Companies Act, 2013 ?

5. (a) The Board of Directors of 'A Limited' made a private placement offer to a group of 150 persons to subscribe for 100 equity shares @ ₹ 100 each on 1st April, 2022 after passing a special resolution in this regard. The company received application money from the members on 15th April, 2022 but did not make an allotment of shares till 31st July, 2022. Instead, during this interim period, the Company opted to utilize the application money for the payment of dividend that had been declared by the company. Some of the members raised an objection that as the allotment was not done by the Company within the prescribed time limit, the company is liable to repay the application money with interest @ 15% p.a. for such non-compliance. Examine the validity of the objection raised by the members with reference to the Companies Act, 2013, and also decide whether application money can be used for the payment of dividends by the company.

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OR

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P.T.O.

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- (a) What are the requirements outlined in the Companies Act, 2013 regarding the appointment of a 'Debenture Trustee' by a company? Can the following entities be designated as a 'Debenture Trustee' : 5
- (i) An investor who holds advantageous stake.
 - (ii) A lender to whom the company has a debt of only ₹ 1,000.
 - (iii) An individual who has provided a guarantee for the repayment of the debenture amount issued by the company.
- (b) Assess the eligibility of the following individuals for appointment as Auditors in accordance with the regulations outlined in the Companies Act, 2013 : 6
- (i) "Ms. Rekha," a practicing Chartered Accountant, and "Mr. Alok," who happens to be a spouse of "Ms. Rekha," holds securities of "Charcoal Ltd." valued at a face amount of ₹ 85,000 (with a market value of ₹ 75,000/-). The directors of Charcoal Ltd. are considering the appointment of Ms. Rekha as an auditor for the company.
 - (ii) Mr. Puri, a practicing Chartered Accountant, has a debt of ₹ 7 lakhs owed to RAI Ltd. The directors of RAI Ltd. are considering the appointment of Mr. Puri as an auditor for the company.
 - (iii) Ms. Komal, the real sister of Mr. Sharad, a Chartered Accountant, holds the position of CFO at Biotech Ltd. The directors of Biotech Ltd. are considering the appointment of Mr. Sharad as an auditor for the company.
- (c) Define the concept of "Doctrine of Noscitur a Sociis" with example in accordance with the provisions of the Interpretation of Statutes. 3
- (d) Both a sub-agent and a substituted agent are appointed by the agent. But, however, there are some points of distinction between the two. Explain any three points. 3

HAT2

Private Notes
NCC