

TOPIC : FULL COURSE

Time allowed – 3 hours

PART – I (30 MARKS)

**INTEGRATED CASE SCENARIO (ICS)**

1. Ghosunda Refinery Limited (GRL) was incorporated in 2015 having its registered office at Hyderabad in the State of Andhra Pradesh. It's paid up share capital is 20 crores rupees constituted by 20 lakh equity shares of Rs. 100 each. GRL also issued secured debentures to the extent of Rs. 10 crores.

According to the provisions of the companies Act, 2013 GRL is required to maintain statutory registers. The company maintained a combined register for both members as well as debenture holders. All relevant entries were used to be made in single register of both the security holders i.e. equity shareholders and debenture holders.

The company decided to declare divided for the financial year 2020-2021. For this purpose it is required to close the register of members. GRL closed the register of members, by giving a minimum of 10 days notice.

From the scrutiny of the register it was found that more than 80% of the total members of GRL were residing in Bengaluru. Therefore, GRL decided to keep its register of member at M.G. road Bengaluru. It was also decided that the appropriate place for keeping the register of member should be the place where the majority of members are residing.

Accordingly, it was resolved by an ordinary resolution for maintaining the register of members at a place other than the registered office. In this process GRL was making entries in the register of member within 15 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 :**

- (1) Which of the following statements is correct so that it may be applicable to Ghosunda Refinery Ltd. for closing the register of members?
- (a) GRL can close the register of members by giving at least 14 days previous notice
  - (b) GRL can close the register of member by giving at least 7 days previous notice
  - (c) GRL cannot close the register of members at any cost being the statutory register
  - (d) GRL can close the register for any period which is deemed fit by giving a notice to be published in the newspaper
- (2) As per the provision of the companies Act, 2013 GRL may close the register of members:-
- (a) For any period not exceeding 45 days at a time

- (b) For any period not exceeding 30 days and maximum 45 days
- (c) For any period not exceeding 30 days in a year
- (d) For any period not exceeding 30 days at any time and for an aggregate of 45 days in one year

(3) Whether the company has followed the provision of the Companies Act, 2013 in maintaining the register of member at Bengaluru instead of Hyderabad? Which of the following is correct answer in this respect:-

- (a) Yes, by passing an ordinary resolution in the general meeting of the shareholders GRL has followed the Legal provision of the said Act.
- (b) No, after passing an ordinary resolution in General meeting the GRL has not obtained approval from the Central Government.
- (c) No, GRL has not passed the special resolution in the general meeting of the shareholders for this purpose.
- (d) No, GRL has not passed the unanimous resolution in the general meeting of the shareholders for this purpose.

**(3 \* 2 MARKS = 6)**

2. As per the provisions of the Companies Act, 2013, which of the following statement is correct with respect to the surplus arising out of the CSR activities :

- (a) The surplus cannot exceed five percent of total CSR expenditure of the company for the financial year.
- (b) The surplus shall not form part of the business profit of a company.
- (c) The surplus cannot exceed 10 percent of total CSR expenditure of the company for the financial year.
- (d) The surplus shall form part of the business profit of the company.

3. For the purpose of LLP, Resident in India means:.

- (a) Person who has stayed in India for a period of not less than 182 days during the current year.
- (b) Person who has stayed in India for a period of not less than 180 days during the immediately preceding one year.
- (c) Person who has stayed in India for a period of not less than 181 days during the immediately preceding one year
- (d) Person who has stayed in India for a period of not less than 120 days during the financial year.

4. 5K Cosmetic Shop plc., a company incorporated in Switzerland, is involved in digital supply services through electronic mode, the server of which is located outside India. The company follows calendar year as its financial year. Every year the company is required to prepare a balance sheet and profit and loss account. You are required to choose the correct timeline within which such documents shall be filed with the Registrar of Companies considering the provisions of Chapter XXII of the Companies Act, 2013:

- (a) Within a period of 30 days from the close of the financial year of 5K Cosmetic Shop plc.
  - (b) Within a period of 3 months from the close of the financial year of 5K Cosmetic Shop plc.
  - (c) Within a period of 60 days from the close of the financial year of 5K Cosmetic Shop plc.
  - (d) Within a period of 6 months from the close of the financial year of 5K Cosmetic Shop plc.
5. Modern Furniture incorporated on 30th June 2022, its directors filed a declaration under section 10A (1)(a) regarding receipt of payment i.e. value of share (against share subscribed by subscriber) to registrar on 18th April 2023. The company and its officers (officers who are in default) shall be charged with penalty of:
- (a) Rs. 1,11,000 and Rs. 1,11,000 respectively
  - (b) Rs. 50,000 and Rs. 1,11,000 respectively
  - (c) Rs. 1,11,000 and Rs. 50,000 respectively
  - (d) Rs. 50,000 and Rs. 1,00,000 respectively
6. The instrument creating a charge or modification thereon shall be preserved for a period of \_\_\_\_\_ years from the date of satisfaction of charge by the company.
- (a) 5
  - (b) 7
  - (c) 8
  - (d) 15
7. Which one of the following may not be included in the definition of immovable property under section 3(26) of the General Clauses Act, 1897.
- (a) Right of way to access from one place to another
  - (b) Right to drain of water
  - (c) Machinery fixed to the soil
  - (d) Standing crops
8. For the purpose of any Central Act or Regulation made after the commencement of the General clauses Act, 1897, the distance shall, unless a different intention appears be measured:
- (a) As per the map approved by the Court
  - (b) As per the map approved by the Central Government.
  - (c) In a straight line on horizontal plane
  - (d) As per the map approved by the Regulation framed under Central Act.
9. Which among the following is the cardinal rule of construction of statute that a statute must be constructed literally and grammatically giving the words their ordinary and natural meaning?

- (a) Harmonious Rule of construction
  - (b) Reasonable Rule of construction
  - (c) Literal Rule of construction
  - (d) Reasonable Rule of construction
10. When there is conflict between two or more statutes or two or more parts of statute then which rule is applicable?
- (a) Welfare construction
  - (b) Strict construction
  - (c) Harmonious construction
  - (d) Mischief Rule
11. As per section 3 (13) of the General Clauses Act, 1897 'commencement' used with reference to an Act or Regulation shall mean.
- (a) The day on which it was put up in the parliament.
  - (b) The day that receives the assent of Prime Minister.
  - (c) The day that receives the assent of President.
  - (d) The day on which the Act or Regulation comes into force.
12. The amount accumulated in the Investor Education and Protection Fund shall not be used for:
- (a) refunds in respect of unclaimed dividends, matured deposits, matured debentures, application money due for refund and interest thereon.
  - (b) reimbursement of legal expenses incurred in pursuing class action suits under section 37 and 245.
  - (c) grants or donation to the Central Government for the purpose of investor's education and training.
  - (d) distribution of any disgorged amount among eligible and identifiable applicants who have suffered losses.
13. "Associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. Here, the words 'significant influence' means:
- (a) Control of at least 10% of total voting power
  - (b) Control of at least 15% of total voting power
  - (c) Control of at least 20% of total voting power
  - (d) Control of at least 25% of total voting power
14. Standard Auto Finance Limited a non-banking finance company wants to offer redeemable preference shares to the public in two or more issues over a certain period of time. In this process which kind of the following prospectus is required?

- (a) Red Herring Prospectus
  - (b) Abridged Prospectus
  - (c) Deemed Prospectus
  - (d) Shelf Prospectus
15. The Registrar of companies shall register any alteration of the memorandum with respect to the objects of the company and certify the registration within a period of \_\_\_\_\_ from the date of filing of the special resolution.
- (a) 15 days
  - (b) 30 days
  - (c) 45 days
  - (d) 60 days
16. As per the provision of the companies Act, 2013 an ordinary resolution is required:-
- (a) to alter the articles of association of company
  - (b) to change the name of the company
  - (c) to declare dividends
  - (d) to change the name of the company
17. Who out of the following is empowered to make an application to the Company Law Tribunal regarding reopen of the books of accounts and recasting of the financial statements under the Companies Act, 2013:
- (a) Member
  - (b) Board of Directors
  - (c) Registrar
  - (d) Income Tax Authorities
18. In the case of a Government company if the auditor has not been appointed by the comptroller and Auditor General of India within 60 days from the date of the registration than the Board of directors of the company shall appoint such auditor within the next\_\_\_\_\_.
- (a) 30 Days
  - (b) 45 Days
  - (c) 60 Days
  - (d) 90 Days
19. Mr. Bhola is the sole member of his OPC (One Person Company). He appointed Mr. Shankar as his nominee having consent of Mr. Shankar in this respect. Shankar wants to live in U.S.A. permanently to set up his own business. He withdraws his consent to continue as nominee of the said OPC.
- (a) Shankar cannot withdraw his consent to act as a nominee of the OPC

- (b) As Shankar has already consented to be a nominee of the above OPC he cannot exercise the right to withdraw.
- (c) Shankar can withdraw his consent to Act as a nominee of the OPC by giving proper notice.
- (d) Shankar can withdraw his consent only becoming disabled but not due to the reason that he wants to setup his own business.
20. A company limited by shares may issue equity shares with differential voting rights. Which of the following statement is not correct regarding issue of such shares?
- (a) The articles of association of the company shall authorize issue of shares with differential rights.
- (b) The issue of shares shall be authorized by special resolution passed at a general meeting of the Shareholders.
- (c) The issue of shares shall be authorized by an ordinary resolution passed at a general meeting of the shareholders.
- (d) The company has not defaulted in filing financial statements and annual returns for three financial years immediately preceding the financial year in which it is decided to issue the shares.
21. Mr. Dholkia, a shareholder, of Genuine Fabrics limited wants to inspect the proxies lodged with the company. Notice in writing of the intention so to inspect should be given at least \_\_\_\_\_ before the meeting.
- (a) 1 day
- (b) 2 days
- (c) 3 days
- (d) 5 days
22. Sudarshan Cargo Limited is maintaining a register of charges along with all other books and registers. The entry for every creation, modification and satisfaction of charges is being done properly. The company is also preserving every instrument related to such charges. The instrument creating a charge or modification thereon shall be preserved for a period of \_\_\_\_\_ from the date of satisfaction of charge by the company.
- (a) 5 years
- (b) 6 years
- (c) 8 years
- (d) 10 years
23. Ankur Agro Industries Limited earned a huge profit in the financial year 2019-2020. The Company is also having certain reserves now the company wants to issue bonus shares to its current shareholders. Which of the following reserves may be used for issuing such shares?
- (a) Free reserves
- (b) The securities premium accounts

(c) The capital redemption reserve account

(d) All of the above

24. Securities Premium account may be used by the company.

(a) In writing off the preliminary expenses of the company

(b) In payment of dividend

(c) In purchasing of immovable property

(d) For paying managerial remuneration

25. Gulab Marmo Limited An unlisted company was incorporated in 2010 and has its registered office at Pune. Company wants to call its 10<sup>th</sup> annual General meeting in Banguluru. Whether it is possible?

(a) It is not possible because the registered office is at Pune

(b) It is possible if consent of 51% of members is received

(c) It is possible if consent of 75% of members is received

(d) It is possible if consent of 100% members is received

**(24 \* 1 MARK = 24)**

#### **PART-II (70 Marks)**

***Question 1 is compulsory. Answer any three out of remaining four***

#### **QUESTION : 1(A)**

(i) Konark Jutes Limited is the manufacturer of jute bags. The Board of Directors of the company decided to start a new unit of the same product for which the company raised its equity share capital of Rupees 250 Crore by issuing new equity shares. After utilizing half of the raised equity share capital for its existing business the company realized that there is no potential for expansion in manufacturing jute bags, because plastic bags were proved to be useful, easily available in the market and cheaper than the jute bags. Now the company wants to utilize remaining amount in manufacturing of plastic bags by adding a new object in its memorandum of association. Is it possible to change the objects of the company at this juncture? Advise the company within the limits of the provisions of the Companies Act, 2013.

**(3 MARKS)**

(ii) Swadesh Auto Limited is having a net worth of Rupees 120 crores wants to accept deposit from its members. Ravi, company secretary, contended that Swadesh Auto Limited falls in the category of eligible company. Decide,

(a) Whether the company is eligible to accept the deposits under the Companies Act, 2013?

(b) What special care has to be taken while accepting such deposits from members?

**(3 MARKS)**

**QUESTION : 1(B)**

Mr. Ankit Sharma wants to form a LLP taking him, his wife Mrs. Archika Sharma and One HUF as partners for that. Whether this LLP can be incorporated under LLP Act, 2008 ? Explain.

**(6 MARKS)**

**QUESTION : 1(C)**

The Board of Directors of Chandra Mechanical Toys Limited proposes to issue a prospectus inviting offers from the public for subscribing to the equity shares of the Company. State the reports which shall be included in the prospectus for the purposes of providing financial information under the provisions of the Companies Act, 2013

**(4 MARKS)**

**QUESTION : 1(D)**

Swift Pharmaceuticals, a Company registered in Singapore, has started its business in India during the financial year 2016. The Company has submitted all the required documents with registrar within the due date. On March 1, 2023, Swift Pharmaceuticals has shifted its principal office in Singapore. Does the Company required to undertake any steps due to change in address of principal office.

**(3 MARKS)**

**QUESTION : 2(A)**

Star Electronics Limited declared its dividend at the rate of 15 % for the financial year 2019-2020 in AGM which held on 20<sup>th</sup> June 2020. Some part of the declared dividend amount remained unpaid and unclaimed which the company transferred it to unpaid dividend account. After 2 years some of the entitled shareholders made liable Star Electronics Limited for noncompliance of section 124 of the Companies Act, 2013 and claimed for their unpaid dividend amount. Denying the contention of the shareholders company argued that due to legal issues on the entitlement of the dividend amount, it remained unpaid.

State in the light of the given facts whether the allegation marked by shareholders and claim for the dividend amount, against the Star Electronics Limited is justified?

**(4 MARKS)**

**QUESTION: 2(B)**

(i) Mr. Advani, was having 2000 equity shares of Excellent Fabrics Limited. He transferred 500 shares of the company to Mr. Shukla. The company refused to register transfer of shares and did not even send a notice of refusal to Mr. Advani or Mr. Shukla respectively within the prescribed period. Analysing the provisions of the Companies Act, 2013 decide whether the aggrieved party is entitled to exercise any right against such refusal of the company?

**(3 MARKS)**

(ii) Examine the validity of the following with reference to the relevant provision of the Companies Act, 2013:-



- (a) Regarding the decision of the Board of Directors of Tulsi Steels Limited the secretary of the company called an extraordinary general meeting upon the requisition of members. Lateron, the meeting was adjourned on the ground that the Quorum was not present at the meeting. Advice the company.
- (b) Mr. Suleman, director and member of Welcome Cargo Limited is holding 500 shares of total worth Rupees 5000/- only. Advice, whether he is entitled to inspect the Register of Members of the company?

**(3 MARKS)**

**QUESTION: 2(C)**

M/s Vardhman Steels LLP was incorporated on 01.09.2022. On 01.01.2023, one partner of a partnership firm named M/s Vardhimaan Steels is registered with Indian Partnership Act, 1932 since 01.01.2000 requested ROC that as the name of LLP is nearly resembles with the name of already registered partnership firm, the name of LLP should be changed. Explain whether M/s Vardhman Steels LLP is liable to change its name under the provisions of Limited Liability Act, 2008 ?

**(4 MARKS)**

**QUESTION : 2(D)**

Examine whether the following person is eligible for being appointed as auditor under the provisions of the Companies Act, 2013 :

“Mr. Prakash” is a practicing Chartered Accountant and “Mr. Aaksah”, who is a relative of “Mr. Prakash” is holding securities of “ABC Ltd.” having face value of Rs. 70,000/- (market value Rs. 1,10,000/-). Directors of ABC Ltd. want to appoint Mr. Prakash as an auditor of the company.

**(3 MARKS)**

**QUESTION : 3(A)**

Dhartidhan Distributors Limited, obtained a term loan of Rupees 40 Lacs from Sugam Commercial Bank Limited by creating a charge on one of its building situated in Kolkata and the charge was duly registered. Lateron, Amolak, resident of Kolkata purchased that building after entering into an agreement with the company. At the time of registration the company expressed its inability to get the title deed transferred in the name of Amolak contending that he ought to have the knowledge of charge created on the building of the company. Explain, whether the contention of Dhartidhan Distributors Limited is tenable under the Companies Act, 2013?

**(5 MARKS)**

**QUESTION : 3(B)**

MCI Export Limited was dealing in export of lead and zinc to some European countries. The company was willing to take on lease the lead and zinc mines for 30 years. The company appointed Mr. Narula, a mining engineer, having good experience of formation of such companies, as an expert to give his detailed report on the position of the said mines within the state of Orissa. The expert gave its detailed report to the company stating that there is a good stock of lead & zinc in these mines in the state and the company may go ahead. To raise its

share capital the company issued the prospectus which was containing some important extracts of the expert report and number of mines available in the state of Orissa. The report was found untrue. Mr. Vikram purchased the shares of MCI Export Limited on the basis of expert report published in the prospectus. Mr. Vikram claimed the compensation on the loss which he has sustained from the purchase of shares. Will Mr. Vikram have any remedy against the company? State also the circumstances where an expert is not liable under the Companies Act, 2013.

**(5 MARKS)**

**QUESTION : 3(C)**

'Printex Computer' is a Singapore based company having several business units all over the world. It has a unit for manufacturing computer printers with its headquarters in Pune. It has a Branch in Dubai which is controlled by the Headquarters in Pune. What would be the residential status under the FEMA, 1999 of printer units in Pune and that of Dubai branch ?

**(4 MARKS)**

**QUESTION : 3(D)**

State of Rajasthan enacted a statute for the citizens who are residing in this state, permitted its citizens to keep dogs, cows, buffaloes and "other animals", if they desire so. Mr. Jagan wants to keep camel. Decide whether Jagan should be allowed to keep the camel in the category of the above stated animals? Which rule of interpretation is appropriate for the interpretation of words "other animals". Explain.

**(3 MARKS)**

**QUESTION : 4(A)**

Discuss the following situations in the light of 'deposit' provisions as contained in the Companies Act, 2013 and the Companies (Acceptance of Deposit) Rules, 2014, as amended from time to time:

- (i) Golden Tools Limited failed to repay deposits of Rupees 50 crores and interest due thereon even after the extended time granted by the Tribunal. Is the company or Arun, an executive officer, being defaulter, liable to any penalty?
- (ii) HiFi Modern Garments Limited wants to accept deposits of Rupees 50 Lacs from its member for a tenure which is less than six months. Is there any possibility to do it?

**(4 MARKS)**

**QUESTION : 4(B)**

- (i) The Board of Aarti Perfumes Limited consists of A, B, C as Directors and D as Managing Director. The company is also having E as full time Secretary. The yearly financial statements (Profit and Loss Account and Balance sheet) of the company were signed by A and B, Examine whether the authentication on financial statements of the company was in accordance with the provisions of the Companies Act, 2013?

**(3 MARKS)**

- (ii) Safron Limited is a holding company of Bhima Pvt. Limited. As per the financial statements in the preceding year ending on 31<sup>st</sup> March, 2018 of Bhima Pvt. Limited, its

turnover was to the extent of Rupees 2 crores; and paid up share capital was Rupees 50 Lacs. As per the stated turnover and paid up share capital, Bhima Pvt. Limited completes the requirements to be a 'Small Company' it wants to be categorized as small company. Decide whether Bhima Pvt. Limited may be treated as 'Small Company' under the provisions of the companies Act, 2013?

**(3 MARKS)**

**QUESTION: 4(C)**

(i) In section 115 JB of the Income Tax Act, 1961, for calculation of book profits the Companies Act, 1956 are required to be referred. With the advent of Companies Act, 2013, the corresponding change has not been made in section 115 JB of the Income Tax Act, 1961. Referring to the provision of section 8 of the General Clauses Act, 1897, examine how the references to repealed enactment should be construed?

**(2 MARKS)**

(ii) Explain the terms "meaning of service by post" contained as per the provisions of the General Clause Act, 1897.

**(2 MARKS)**

**QUESTION : 4(D)**

Differentiate between "Mandatory provision" and "Directory provision". What factors decide whether a provision is directory a mandatory?

**(3 MARKS)**

**QUESTION : 5(A)**

Referring to the provisions of the Companies Act, 2013 examine the validity of the following decision taken by the BOD of Shridhar Organics Limited:-

- (i) In 10<sup>th</sup> Annual General Meeting, 80 members present in person or by proxy holding more than 1/10<sup>th</sup> of the total voting power demand for poll. The Chairman of the meeting rejected the request on the ground that only the members present in person can demand for poll.
- (ii) In the above Annual General Meeting, during the process of poll, the members who earlier demanded for poll want to withdraw it. The Chairman of the meeting rejected the request on the ground that once poll started, it cannot be withdrawn.

**(5 MARKS)**

**OR**

**QUESTION : 5(A)**

Who may be an internal auditor of a company? State the class of companies which shall be required to appoint an internal auditor.

**(5 MARKS)**

**QUESTION : 5(B)**

Rupali Chemicals Limited, a listed company, was incorporated on 1<sup>st</sup> February, 2020 with a paid up equity share capital of Rupees 300 crores. Since the date of its commencement of business it has earned tremendous profits and topped the charts of its high friendly environment. The company wants to issue sweat equity shares to its employees who worked hard in maintaining this scenario. Mr. Grover, Chartered Accountant, suggested to the M.D. of the company that the company cannot issue sweat equity shares as 2 years have not elapsed since the time the company has commenced the business. Decide, whether the company can issue sweat equity shares in such situation? Advise to M.D. of the company about the condition to be fulfilled before the issue of sweat equity shares.

**(5 MARKS)**

**QUESTION: 5(C)**

Referring to the provisions of the Foreign Exchange Management Act, 1999, state the kind of approval required for the following transactions :

- (i) M requires U.S. \$ 5,000 for remittance towards hiring charges of transponders.
- (ii) P requires U.S. \$ 2,000 for payment related to call back services of telephones.

**(4 MARKS)**

**QUESTION : 5(D)**

State the provisions of the General Clauses Act, 1897 regarding implementation of the rules that are issued between passing and commencement of the enactment

**(3 MARKS)**