

J.K. SHAH[®]

**TEST
SERIES**



SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- CORPORATE & OTHER LAW

Test Code – IMP 2402

BRANCH - () (Date :)

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MULTIPLE CHOICE QUESTIONS :

ANSWER No.		PARTICULARS	MARKS
1.	1.B	GRL can close the register of member by giving at least 7 days previous notice	2
	2.D	For any period not exceeding 30 days at any time and for an aggregate of 45 days in one year	2
	3.C	No, GRL has not passed the special resolution in the general meeting of the shareholders for this purpose.	2
2.	B	The surplus shall not form part of the business profit of a company.	1
3.	D	Person who has stayed in India for a period of not less than 120 days during the financial year.	1
4.	D	Within a period of 6 months from the close of the financial year of 5K Cosmetic Shop plc.	1
5.	D	Rs. 50,000 and Rs. 1,00,000 respectively	1
6.	C	8	1
7.	B	Right to drain of water	1
8.	C	In a straight line on horizontal plane	1
9.	C	Literal Rule of construction	1
10.	C	Harmonious construction	1
11.	D	The day on which the Act or Regulation comes into force.	1
12.	C	grants or donation to the Central Government for the purpose of investor's education and training.	1
13.	C	Control of at least 20% of total voting power	1
14.	D	Shelf Prospectus	1
15.	B	30 days	1
16.	C	to declare dividends	1
17.	D	Income Tax Authorities	1
18.	A	30 Days	1
19.	C	Shankar can withdraw his consent to Act as a nominee of the OPC by giving proper notice.	1
20.	B	The issue of shares shall be authorized by special resolution passed at a general meeting of the Shareholders.	1
21.	C	3 days	1
22.	C	8 years	1
23.	D	All of the above	1
24.	A	In writing off the preliminary expenses of the company	1
25.	D	It is possible if consent of 100% members is received	1

PART – II

ANSWER : 1(A)

(i) According to section 13 of the Companies Act, 2013 a company, which has raised money from public through prospectus and still has any unutilized amount out of the money so raised, shall not change its objects for which it raised the money through prospectus unless a special resolution is passed by the company and -

- (i) The details in respect of such resolution shall also be published in the newspapers (one in English and one in vernacular language) which is in circulation at the place where the registered office of the company is situated and shall also be placed on the website of the company, if any, indication therein the justification for such change;
- (ii) The dissenting shareholders shall be given an opportunity to exit by the promoters and shareholders having control in accordance with SEBI regulations.

Company will have to file copy of special resolution with ROC and he will certify the registration within a period of thirty days. Alteration will be effective only after this certificate by ROC.

Looking at the above provision we can say that company Konark Jutes Limited can add the object of manufacturing plastic bags in its memorandum and divert public money into that business. But for that it will have to comply with above requirements.

(3 MARKS)

(ii) “Eligible company” means a public company as referred to in sub-section (1) of section 76, having a net worth of not less than Rupees100 crores rupees or a turnover of not less than Rupees 500 crores and which has obtained the prior consent of the company in general meeting by means of a special resolution and also filed the said resolution with the Registrar of companies before making any invitation to the Public for acceptance of deposits:

However, an eligible company, which is accepting deposits within the limits specified under clause (c) of sub-section (1) of section 180, may accept deposits by means of an ordinary resolution.

An eligible company shall accept or renew any deposit from its members, if the amount of such deposit together with the amount of deposit outstanding as on the date of acceptance or renewal of such deposit from members exceeds 10% of the aggregate of the Paid-up share capital, free Reserves and securities premium account of the company.

Swadesh Auto Limited is having a net worth of 120 crores rupees. Hence, it can fall in the category of eligible company.

Thus, Swadesh Auto has to ensure that acceptance of deposits from member should not exceed 10% of the aggregate of the Paid-up share capital, free Reserves and securities premium account of the company.

(3 MARKS)

ANSWER : 1(B)

Section 5 of Limited Liability Partnership Act, 2008 provides any individual or body corporate may be a partner in an LLP. However, an individual shall not be capable of becoming a partner of a LLP, if

–

- (a) He has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force ;
- (b) he is an undischarged insolvent; or
- (c) he has applied to be adjudicated as an insolvent and his application is pending.

Further, Section (2)(1)(e) provides that a Body Corporate it means a company as defined in 'clause (20) of section 2 of the Companies Act, 2013 and includes –

- (i) an LLP registered under this Act ;
- (ii) an LLP incorporated outside India ; and
- (iii) a company incorporated outside India,

But does not include –

- (i) a corporation sole;
- (ii) a co – operative society registered under any law for the time being in force ; and
- (iii) any other body corporate (not being a company as defined in 'clause (20) of section 2 of the Companies Act, 2013 or a limited liability partnership as defined in this Act), which the Central Government may, by notification in the Official Gazette, specify in this behalf.

Therefore, HUF is not covered in the definition of body corporate and cannot be partner in LLP.

(6 MARKS)

ANSWER : 1(C)

As per Section 26(1) of the Companies Act, 2013, every prospectus issued by or on behalf of a public company either with reference to its formation or subsequently, or by or on behalf of any person who is or has been engaged or interested in the formation of a public company, shall be dated and signed and shall state such information and set out such reports on financial information as may be specified by the Securities and Exchange Board in consultation with the Central Government.

It is provided that until the Securities and Exchange Board specifies the information and reports on financial information under this sub – section, the regulations made by the Securities and Exchange Board under the Securities and Exchange Board of India Act, 1992, in respect of such financial information or reports on financial information shall apply.

According to clause (c) of section 26(1), the prospectus shall make a declaration about the compliance of the provisions of the Companies Act, 2013 and a statement to the effect that nothing in the prospectus is contrary to the provision of this Act, the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992 and the rules and regulations made thereunder.

Accordingly, the Board of Directors of Chandra Mechanical Toys Limited which proposes to issue the prospectus shall provide such reports on financial information as may be specified by the Securities and Exchange Board in consultation with the Central Government to comply with the above stated provisions and make a declaration about such compliance.

(4 MARKS)

ANSWER : 1(D)

Section 380(3) provides that where any alteration is made or occurs in the documents delivered to the Registrar under section 380, the foreign company shall, within 30 days of such alteration, deliver to the Registrar for registration, a return containing the particulars of the alteration in the prescribed form. The Companies (Registration of Foreign Companies) Rules, 2014, has prescribed that the return containing the particulars of the alteration shall be filed in form FC – 2 along with prescribed fees. Accordingly, Swift Pharmaceuticals is required to submit the full address of the new registered or principal office of the company by March 30, 2023.

(3 MARKS)

ANSWER : 2(A)

As per section 124 of the Companies Act, 2013, where a dividend has been declared by a company but has not been paid/claimed to/by shareholder within 30 days from the date of the declaration, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid/unclaimed to the Unpaid Dividend Account.

The company shall, within a period of 90 days of making any transfer of an amount, prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and place it on the web-site of the company, if any, and also on any other web-site approved by the Central Government for this purpose, in such form, manner and other particulars as may be prescribed.

Accordingly, in the given situation, Star Electronics Limited failed to give statement of Unpaid/unclaimed dividend and so liable for the said noncompliance of section 124 of the Companies Act, 2013. Any person claiming to be entitled to any money transferred under section 124 (1) to the Unpaid Dividend Account of the company may apply to the company for payment of the money claimed. Since Star Electronics Limited failed to comply with the requirements of this section as to the preparing of a statement of unpaid dividend, so shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than one lakh rupees but which may extend to 5 lakh rupees.

(4 MARKS)

ANSWER : 2(B)

(i)

The problem as asked in the question is governed by Section 58 of the Companies Act, 2013 dealing with the refusal to register transfer and appeal against refusal.

In the present case the company has committed the wrongful act of not sending the notice of refusal of registering the transfer of shares.

Under section 58 (4), if a public company without sufficient cause refuses to register the transfer of securities within a period of thirty days from the date on which the instrument of transfer is delivered to the company, the transferee may, within a period of sixty days of such refusal or where no intimation has been received from the company, within 'ninety days of the delivery of the instrument of transfer, appeal to the Tribunal.

Section 58 (5) further provides that the Tribunal, while dealing with an appeal made under sub-section (4), may, after hearing the parties, either dismiss the appeal, or by order-

- (a) direct that the transfer or transmission shall be registered by the company and the company shall comply with such order within a period of ten days of the receipt of the order, or
- (b) direct rectification of the register and also direct the company to any damages, if any, sustained by any party aggrieved;

In the present case Mr. Advani or Shukla of Excellent Fabrics Limited can make an appeal before the tribunal and claim damages.

(3 MARKS)

ANSWER : 2(B)

(ii)

- (a) According to section 100 (2) of the Companies Act 2013, the Board of Directors must convene a general meeting upon requisition by the stipulated minimum number of members.

As per Section 103 (2) (b) of the Companies Act, 2013, if the quorum is not present within half an hour from the appointed time for holding a meeting of the company, the meeting, if called on the requisition of members, shall stand cancelled. Therefore, the meeting stands cancelled and the stand taken by the Board of Directors of Tulsi Steels Limited, to adjourn it, is not proper.

- (b) As per section 94 (2) of the Companies Act, the registers and their indices, except when they are closed under the provisions of this Act, and the copies of all the returns shall be open for inspection by any member, debenture-holder, other security holder or beneficial owner, during business hours without payment of any fees and by any other person on payment of such fees as may be prescribed.

Accordingly, a Director of Wel-Come Cargo Limited, Mr. Suleman, who is a shareholder of the company, has a right to inspect the Register of Members during business hours without payment of any fees, as per the provisions of this section.

(3 MARKS)

ANSWER : 2(C)

Section 15 of LLP Act, 2008 provides no LLP shall be registered by a name which, in the opinion of the Central Government is –

- (a) undesirable; or
- (b) identical or too nearly resembles to that of any other 'LLP or a company or a registered trade mark of any other person under the Trade Marks Act, 1999'.

Further, section 17 provides, if the name of LLP is identical with or too nearly resembles to –

- (a) that of any other LLP or a company; or
- (b) a registered trade mark of a proprietor under the Trade Marks Act, 1999

Then on an application of such LLP or proprietor referred to in clauses (a) and (b) respectively or a company, the CG may direct that such LLP to change its name within a period of 3 months from the date of issue of such direction.

Following the above provisions, LLP need not change its name if its name resembles with the name of a partnership firm. These provisions are applicable only in case where name is resembles with LLP, company or a registered trade mark of a proprietor.

Hence, M/s Vardhman Steels LLP need not change its name even it resembles with the name of partnership firm.

(4 MARKS)

ANSWER : 2(D)

As per section 141(3) (d) (i) of the Companies Act, 2013, an auditor is disqualified to be appointed as an auditor if he, or his relative or partner holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company. Further as per proviso to this Section, the relative of the auditor may hold the securities or interest in the company of face value not exceeding of Rs. 1,00,000. In the present case, Mr. Aakash (relative of Mr. Prakash, an auditor), is having securities of ABC Ltd. having face value of Rs. 70,000 (market value Rs. 1,10,000), which is within the limit as per requirement of under the proviso to section 141(3) (d) (i). Therefore, Mr. Prakash will not be disqualified to be appointed as an auditor of ABC Ltd.

(3 MARKS)

ANSWER : 3(A)

Section 80 of the Companies Act, 2013 deals with the deemed notice of charge from the date of its registration. Accordingly where any charge on any property or assets of a company or any of its undertakings is registered under section 77, any person acquiring such property, assets, undertaking or parts there of or any share or interest therein shall be deemed to have notice of the charge from the date of such registration. This provision has cautionary effect. Thus, every person needs to be cautious or careful when he desires to acquire any asset or property of a company and must enquire whether such asset or property is subject to any charge by going through the record of charges maintained at the office of Registrar of companies before entering into the transaction. He shall be deemed to have notice of charge from the date of its registration. In case he enters into the transaction without making any enquiry and later on suffers loss, because of charge, he cannot succeed against the company for incurring loss, for it shall be deemed that he had notice of charge. Here, in this case at the time of registration, Amolak comes to know that the title deed of the company is not free and the company contended its inability to get the title deed transferred in his name therefore he cannot plead against such presumption by contending that he did not know about the charge if he suffers any loss at a later date because of the purchase of the commercial property.

But the contention of Dhartidhan Distributors is tenable under Section 80 of the Companies Act, 2013 because the registration of charge acts as a constructive notice. Amolak who is purchasing the property should verify whether the asset has any charge from the office of the Registrar of Companies.

(5 MARKS)

ANSWER : 3(B)

Under section 35 (1) of the Companies Act 2013, where a person has subscribed for securities of a company acting on any statement included in the prospectus which is misleading and has sustained

any loss or damage as a consequence thereof, the company and every person including an expert shall, be liable to pay compensation to the person who has sustained such loss or damage.

In the present case, Mr. Vikram purchased the shares of MCI Export Limited on the basis of the expert report published in the prospectus. Mr. Vikram can claim compensation for any loss or damage that he might sustained from the purchase of shares.

Hence, Mr. Vikram will have the remedy against the company.

Circumstances when an expert is not liable: An expert will not be liable for any mis-statements in the prospectus under the following situations:

- (i) Under section 26 (5) of the aforesaid Act, that having given this consent, but withdrew it in writing before delivery of the copy of prospectus for registration, or
- (ii) Under section 35 (2) of the aforesaid Act, that the prospectus was issued without his knowledge/consent and that on becoming aware of it, he forthwith gave a reasonable public notice that it was issued without his knowledge or consent;
- (iii) That, as regards every misleading statement purported to be made by an expert or contained in what purports to be a copy of or an extract from a report or valuation of an expert, it was a correct and fair representation of the statement, or a correct copy of, or a correct and fair extract from, the report or valuation: and he had reasonable ground to believe and did up to the time of the issue of the prospectus believe, that the person making the statements was competent to make it and that the said person had given the consent required by section 26 (5) to the issue of the prospectus and had not withdrawn that consent before delivery of a copy of the prospectus for registration or, to the defendant's knowledge, before allotment thereunder.

(5 MARKS)

ANSWER : 3(C)

Printex Computer being a Singapore based company would be person resident outside India [(Section 2 (w)]. Section 2(u) defines 'person' under clause (viii) thereof, as person would include any agency, office or branch owned or controlled by such person. The term such person appears to refer to a person who is included in clause (i) to (vi). Accordingly, Printex unit in Pune, being a branch of a company would be a 'person'.

Section 2(v) defines a person resident in India. Under clause (iii) thereof person resident in India would include an office, branch or agency in India owned or controlled by a person resident outside India. Printex unit in Pune is owned or controlled by a person resident outside India, and hence it, would be a 'person resident in India.'

However, Dubai Branch though not owned is controlled by the Printer unit in Pune which is a person resident in India. Hence, the Dubai Branch is a person resident in India.

(4 MARKS)

ANSWER : 3(D)

Rule of 'Ejusdem Generis':- The term 'ejusdem generis' means of the same kinds or species'. The meaning of this rule is that where an Act enumerates different subjects, general words following specific words are to be construed (and understood) with reference to the words that precede

them. Those general words are to be taken as applying to things of the same kind as the specific words previously mentioned, unless there is something to show that a wider sense was intended. Thus, this rule means that where specific words are used and after those specific words, some general words are used, the general words would take their colour from the specific words used earlier. Keeping the above meaning in its context, as per the problem asked in the question, it is clear that where an act permits keeping of dogs, cats, cows, buffaloes and other animals the expression other animals would not include with animals like lions and tigers, but would mean only domestic animals like camel, horse etc. Here keeping the camel comes under the category of domestic animals and thus the rule of ejusdem generis will be applicable.

If the particular words used exhaust the whole genus (category), then the general words are to be construed as a covering larger genus.

The general principle of 'ejusdem generis' applies only where the specific words are of the same nature. When they are of different categories, then the meaning of the general words following those specific words remains unaffected those general words then would not take colour from the earlier specific words. The courts have discretion whether to apply the 'ejusdem generis' doctrine in particular case or not.

(3 MARKS)

ANSWER : 4(A)

(i) By not repaying the deposit of Rupees 50.00 crores and the interest due thereon even after the extended time granted by the Tribunal, Golden Tools Limited has contravened the conditions prescribed under Section 73 of the Companies Act, 2013 Accordingly, following penalty is leviable:

- **Punishment for the company:** Golden Tools Limited shall, in addition to the payment of the amount of deposit and the interest due thereon, be punishable with fine which shall not be less than Rupees 1 crore or twice the amount of deposit accepted by the company, whichever is lower but which may extend to Rupees 10 crores.
- **Punishment for officer – in – default:** Arun, being the officer-in-default, shall be punishable with imprisonment which may extend to seven years and with fine which shall not be less than rupees twenty-five lakhs but which may extend to Rupees 2 crores.

(ii) Further, if it is proved that Arun had contravened such provisions knowingly or willfully with the intention to deceive the company or its shareholders or depositors or creditors or tax authorities, she will be liable for action under section 447 (Punishment for fraud).

According to Rule 3 (1), a company is not permitted to accept or renew deposits (whether secured or unsecured) which is repayable on demand or in less than six months. Further, the maximum period of acceptance of deposit cannot exceed thirty six months.

However, as an exception to this rule, for the purpose of meeting any of its short-term requirements of funds, a company is permitted to accept or renew deposits for repayment earlier than six months subject to the conditions that:

Such deposit shall not exceed ten percent of the aggregate of the paid-up share capital, free reserves and securities premium account of the company; and Such deposit is repayable only on or after three months from the date of such deposits or renewal.

In the given case of HiFi Modern garments Limited, it wants to accept deposits of Rupees 50.00 lacs from its members for a tenure which is less than six months. It can do so if it justifies that the deposits are required for the purpose of meeting any of its short-term requirements of funds but in no case such deposits shall exceed 10 % of the aggregate of its paid-up share capital, free reserves and securities premium account and further, such deposits shall be repayable only on or after three months from the date of such deposits.

(2 * 2 = 4 MARKS)

ANSWER : 4(B)

- (i) According to section 134(1) of the Companies Act, 2013, the financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by the Chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon.

In the instant case, the Balance sheet and Profit and Loss Account have been signed only by Mr. A and Mr. B, the directors. In view of Section 134(1) of the Companies Act, 2013, Mr. D the Managing Director should be one of the two signing directors. Since, the company has also employed E, a full-time Secretary, he should also sign the Balance Sheet and Profit and Loss Account.

(3 MARKS)

- (ii) **As per Section 2 (85) of the Companies Act, 2013 “small company”** means a company, other than a public company,-

- (i) Paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than ten crore rupees; and
- (ii) Turnover of which as per profit and loss account for the immediately preceding financial year does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than one hundred crore rupees:

As per the amendment, For the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees four crore and rupees forty crore respectively.

Provided that nothing in this clause shall apply to-

- (A) a holding company or a subsidiary company;
- (B) a company registered under section 8; or
- (C) a company or body corporate governed by any special Act.

Since Bhima Private Limited, as per the turnover and paid up share capital norms, qualifies for the status of a ‘small company’ it wants to be categorized as ‘small company’ Bhima

Private Limited cannot be categorized as a 'small company' because it is the subsidiary of another company Safron Limited (Proviso to section 2(85)).

(3 MARKS)

ANSWER : 4(C)

- (i) As per Section 8 of the General Clauses Act, 1897, where this Act or Central Act or Regulation made after the commencement of this Act, repeals and re-enacts, without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted.

In this case 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. On referring of section 8 of the General Clauses Act, 1897 book profits to be calculated under section 115 JB of the Income Tax Act will be as per the Companies Act, 2013.

(2 MARKS)

- (ii) **Meaning of Service by post:** As per section 27 of the General Clauses Act, 1897 where any legislation or regulation required any document to be served by post, then unless a different intention appears, the service shall be deemed to be effected by:

- (i) properly addressing
- (ii) Pre-paying, and
- (iii) Posting and registered post.

A letter containing the document to have been effected at this time at which the letter would be delivered in the ordinary course of post.

(2 MARKS)

ANSWER : 4(D)

Practically speaking, the distinction between a provision which is 'mandatory' and one which is 'directory' is that when it is mandatory, it must be strictly observed; when it is 'directory' it would be sufficient that it is substantially complied with. However, we have to look to the substance and not merely the form, an enactment in mandatory form might substantially be directory and, conversely, a statute in directory form may in substance be mandatory. Hence, it is the substance that counts and must take precedence over mere form. If a provision gives a power coupled with a duty, it is mandatory: whether it is or is not so would depend on such consideration as:

- the nature of the thing empowered to be done,
- the object for which it is done, and
- the person for whose benefit the power is to be exercised

(3 MARKS)

ANSWER : 5(A)

Section 109 of the Companies Act, 2013 provides for the demand of poll before or on the declaration of the result of the voting on any resolution on show of hands. Accordingly, law says that:-

Before or on the declaration of the result of the voting on any resolution on show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion, and shall be ordered to be taken by him on a demand made in that behalf:-

- (i) In the case a company having a share capital, by the members present in person or by proxy, where allowed, and having not less than one-tenth of the total voting power or holding shares on which an aggregate sum of not less than five lakh rupees or such higher amount as may be prescribed has been paid-up; and

In the case of any other company, by any member or members present in person or by proxy, where allowed, and having not less than one tenth of the total voting powers.

In the light of the above provision the decisions of the BOD of Sridhar Organics Limited is not tenable.

- (ii) **Withdrawal of the demand:** The demand for a poll may be withdrawn at any time by the persons who made the demand.

Hence, on the basis on the above provisions of the Companies Act, 2013:

The Chairman cannot reject the demand for poll subject to provision in the articles of company.

The Chairman cannot reject the request of the members for withdrawing the demand of the poll. Therefore, as per the above provisions of the aforesaid Act the Chairman of Sridhar Organics Limited cannot reject the request for withdrawing the demand of the poll.

(5 MARKS)

OR

ANSWER : 5(A)

- (1) “Such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board of conduct internal audit of the functions and activities of the company.
- (2) The Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.

Rule 13 of the Companies (Accounts) rules, 2014 states that:

- (i) Companies required to appoint Internal Auditor:**

(a) The following class of companies shall be required to appoint an internal auditor which may be either an individual or a partnership firm or a body corporate, namely:

(1) every listed company;

(2) Every unlisted public company having-

(a) Paid up share capital of 50 crore rupees or more during the preceding financial year; or

- (b) Turnover of 200 crore rupees or more during the preceding financial year; or
- (c) Outstanding loans or borrowing from banks or public financial institutions exceeding 100 crore rupees or more at any point of time during the preceding financial year; or
- (d) Outstanding deposits of 25 crore rupees or more at any point of time during the preceding financial year; and

- (3) (a) Turnover of 200 crore rupees or more during the preceding financial year; or
- (b) Outstanding loans or borrowings from banks or public financial institutions exceeding 100 crore rupees or more at any point of time during the preceding financial year.

(b) The Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate scope, functioning, periodicity and methodology for conducting the internal audit.

(5 MARKS)

ANSWER : 5(B)

Sweat equity shares of a class of shares already issued.

According to section 54 of the companies Act, 2013, a company may issue sweat equity shares of a class of shares already issued, if the following conditions are fulfilled, namely-

- (i) The issue is authorised by a special resolution passed by the company;
- (ii) The resolution specifies the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;
- (iii) Where the equity shares of the company are listed on a recognized stock exchange, the sweat equity shares are issued in accordance with the regulations made by the Securities and Exchange Board in this behalf and if they are not so listed, the sweat equity shares are issued in accordance with such rules as prescribed under Rule 8 of the Companies (share and Debentures) Rules, 2014,

The rights, limitations, restrictions and provisions as are for the time being applicable to equity shares shall be applicable to the sweat equity shares issued under this section and the holders of such shares shall rank paripassu with other equity shareholders.

Rupali Chemicals Limited can issue Sweat equity shares by following the conditions as mentioned above. It does not make a difference that the company is just a few months old.

(5 MARKS)

ANSWER : 5(C)

Under section 5 of the Foreign Exchange Management Act, 1999, and Rules relating thereto, some current account transactions require prior approval of the Central Government, some others require the prior approval of the Reserve Bank of India, some are freely permitted transactions and some others are prohibited transactions. Accordingly,

- (i) It is a current account transaction, where M is required to take approval of the Central government for drawal of foreign exchange for remittance of hire charges of transponders.

(ii) Withdrawal of foreign exchange for payment related to call back services of telephone is a prohibited transaction. Hence, Mr. P cannot obtain US \$ 2,000 for the said purpose.

(4 MARKS)

ANSWER : 5(D)

As per section 22 of the General Clauses Act, 1897 where, by any Central Act or Regulation which is not to come into force immediately, on the passing thereof, a power is conferred to make rules or bye-laws, or to issue orders with respect to the application of the Act or Regulation or with respect to the establishment of any Court or the appointment of any Judge or officer thereunder, or with respect to the person by whom, or the time when, or the place where, or the manner in which, or the fees for which, anything is to be done under the Act or Regulation, then that power may be exercised at any time after passing of the Act or Regulation; but rules, bye-laws or orders so made or issued shall not take effect till the commencement of the Act or Regulation.

It is an enabling provision, its content and purpose being to facilitate the making of rules, bye laws and orders before the commencement of the enactment in anticipation of its coming into force. In other words, it validates rules, bye laws and orders made before the coming into force of the enactment, provided they are made after its passing and as preparatory to the enactment coming into force.

(3 MARKS)