

**Attempt All MCQs (1 marks each X 15 MCQ = 15 Marks)**

- Q1: Normally no deposits are repayable earlier than \_\_\_\_ months from the date of such deposits or renewal thereof -**
- (a) 3 months
  - (b) 6 months
  - (c) 12 months
  - (d) 1 year
- Q2: 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
- Q3: 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
- Q4: 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.
- Q5: Where depositors so desire, deposits may be accepted in joint names not exceeding**
- (a) 2
  - (b) 3
  - (c) 5
  - (d) 7
- Q6: MN Limited failed to repay the Public Deposits on maturity after they are claimed. The company is required to pay penal interest at the rate of \_\_\_\_ for the overdue period.**
- (a) 12%
  - (b) 15%
  - (c) 18%
  - (d) 20%
- Q7: Any person acquiring property (on which charge is registered under section 77) shall be deemed to have notice of charge from**
- (a) 30 days of such change
  - (b) Date of application of charge
  - (c) Date of acquiring property
  - (d) Date of such registration
- Q8: 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 16<sup>th</sup> 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 27<sup>th</sup> 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 17<sup>th</sup> 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 2<sup>nd</sup> May, 2019.
- (d) The company cannot now get the charge registered as the time prescribed by Law has expired.

#### **Case Study Based MCQ 1**

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 10<sup>th</sup> November 2020. A Copy of the order was received by him on 13<sup>th</sup> 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 1<sup>st</sup> 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.

**Q9: If DPPL decided to register the charge, rather than subscribing for deposit insurance; then such charge shall be registered by;**

- (a) 16<sup>th</sup> September 2020
- (b) 1<sup>st</sup> October 2020
- (c) 16<sup>th</sup> October 2020
- (d) 31<sup>st</sup> October 2020

**Q10: 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 9<sup>th</sup> December 2020
- (b) The company and the registrar by 9<sup>th</sup> December 2020
- (c) The company by 12<sup>th</sup> December 2020
- (d) The company and the registrar by 12<sup>th</sup> December 2020

### Case Study Based MCQ 2

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.

**Q11: 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

**Q12: 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

**Q13: 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

**Q14: 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

**Q15: 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

**Question 1 is compulsory**

**Attempt any 3 out of remaining 4**

1. NOP Limited, since its incorporation in 2002, is engaged in the production of premium quality glass bottles. According to financial results of the company as on 31.3.2023 net worth of the company was ₹ 90 crore and turnover for the year 2022-23 was ₹ 510 crore. The company proposed to accept the deposits as on 1<sup>st</sup> February, 2024, which would be due for repayment on 30<sup>th</sup> September, 2028 from the public for expansion and redevelopment programs of company.

Furthermore, the company has accepted a loan of ₹ 1.5 crore from Mr. P Kishore (Director) and the loan was to be repaid after 24 months. Company in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. P Kishore 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.

On the basis of above facts answer the following questions:

- a. 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 the Companies Act, 2013?
  - b. With reference to the loan advanced by Mr. P Kishore to company, state whether the same is to be classified as a deposit or not?
2. Rose (Private) Limited on 3<sup>rd</sup> April 2019 obtained 30 Lakhs working capital loan by offering its Stock and Accounts Receivables as security and 5 Lakhs ad-hoc overdraft on the personal guarantee of a Director of Rose (Private) Limited, from a financial institution.
- (i) Is it required to create charge for working capital loan and ad-hoc overdraft in accordance with the provisions of the Companies Act, 2013?
  - (ii) State the provisions relating to extension of time and procedure for registration of charges in case the above charge was not registered within 30 days of its creation.
3. Comment with relevant provisions that the following amount received by a company will be considered as deposit or not:
- (i) The Promoters of Green Limited contributed in the form of unsecured loan to the company in fulfilment of the margin money requirements stipulated by State Industries Development Corporation Ltd. (SIDCL) for granting loan. In the light of the provisions of the Companies Act, 2013 and Rules made thereunder whether the unsecured loan will be regarded as Deposit or not?
  - (ii) 2,00,000 received from Mr. T, an employee of the company who is drawing annual salary of 1,50,000 under a contract of employment with the company in the nature of non-interest bearing security deposit.
  - (iii) Amount of 3,00,000 received by a private company from a relative of a Director, declared by the depositor as out of gift received from his mother.
4. Explain provisions for 'Appointment of Trustee for Depositors' under the Companies Act, 2013. Also specify the persons who cannot be appointed as the Depositors Trustee. Also specify the provision for removal of the trustee.
5. What is 'Floating Charge'? When does it get crystallised?

**(5 marks each)**



**Maximum Time = 1 hour**

**Part A - MCQ**

Q1.	b
Q2.	b
Q3.	c
Q4.	d
Q5.	b
Q6.	c
Q7.	d
Q8.	b
Q9.	b
Q10.	b
Q11.	b
Q12.	a
Q13.	b
Q14.	c
Q15.	d

## Part B – Subjective

1. (i) According to **Rule 2(1)(e)** of the Companies (Acceptance of Deposits) Rules, 2014 "**eligible company**" means a public company as referred to in section 76(1) of the Companies Act, 2013, having
- a **net worth** of not less than **INR 100 crore** or
  - a **turnover** of not less than **INR 500 crore** 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.
- Provided that an eligible company, which is accepting deposits within the limits specified under of section 180(1)(c), may accept deposits by means of an ordinary resolution.
- In the instant case, the **turnover of NOP Limited is ₹ 510 crore, hence it is eligible** to accept deposits from the public.
- Tenure for which Deposits can be Accepted** - As per Rule 3(1)(a) of the Companies (Acceptance of Deposits) Rules, 2014, a company is not permitted to accept or renew deposits which is repayable on demand or in less than 6 months. Further, the maximum period of acceptance of deposit cannot exceed 36 months.
- (ii) In terms of Rule 2(1) of the Companies (Acceptance of Deposits) Rules, 2014, any amount received from a person who is director of the company at the time of giving loan to the company shall not be treated as deposit if such director furnishes to the company at the time of giving money, a **written declaration to the effect that the amount is not being given out of funds acquired by him by borrowing** or accepting loans or deposits from others and further, the company shall disclose the details of money so accepted in the Board's report.
- In the given case, the said deposits by Mr. P Kishore shall not be treated as deposit.
2. As per the provisions of **Section 2** of the Companies Act, 2013, "**charge**" means an interest or lien created on the property or assets of a company or any of its undertakings or both as security and includes mortgage.
- Whenever a company obtains working capital loans from financial institutions by offering stock and Accounts Receivables as security, Rose (Private) Limited is required to create a charge on such property or assets in favour of the lender.
- (i) Hence, for ₹ 30 Lakhs working capital loan, it is required to create a charge on it. Rose (Private) Limited is not required to create a charge for ₹ 5 Lakh adhoc overdraft on the personal guarantee of a director. Since charge is always created on the property or assets of a company and personal guarantee of director is not a property or asset of company.
- (ii) As per the provisions of **Section 77** of the Companies Act, 2013, in case the above charge was not registered within 30 days of creation of the charge, the Registrar may, on an application by the company, allow such registration to be made within a period of **60 days of such creation** (i.e. another 30 days are granted after the expiry of original 30 days), on payment of **additional fees** as prescribed.
- Provided that, in case the charge is not registered as above, the company can still apply to Registrar within **further 60 days** (i.e. total upto 120 days from creation of charge) for registration of charge by paying **ad-valorem fees**.
3. **Rule 2 (1) (c)** of the Companies (Acceptance of Deposit) Rules, 2014 states various amounts received by a company which will not be considered as deposits. In terms of this Rule the answers to the given situations shall be as under –
- (i) Any amount brought in by the promoters of the company by way of unsecured loan in pursuance of the stipulation of any lending financial institution or a bank is not a deposit. Hence, in the instant case, the unsecured loan contributed by promoters of J Limited will not be regarded as deposit as the unsecured loan

is brought because of the stipulation imposed by the SIDCL and the loan is provided by the promoters themselves.

In case the entire loan obtained from SIDCL is repaid, then the unsecured loan provided by promoters of J Limited will be regarded as deposit.

- (ii) ₹ 2,00,000 received by Rishi Limited from its employee Mr. Tarun, who draws an annual salary of ₹ 1,50,000, as a non-interest bearing security deposit under a contract of employment will be considered as deposit in terms of sub-clause (x) of Rule 2 (1) (c), for the amount received is more than his annual salary of ₹ 1,50,000.
- (iii) Amount received by a private company from the relative of the director is not considered as deposit in terms of sub-clause (viii) of Rule 2(1)(c), provided that he furnishes to the company at the time of giving the money, a DECLARATION in writing to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board's report. Accordingly, in the present case, since the money is received as a gift, and not borrowing, it will not be considered as deposit.

#### **4. Appointment of Trustee for Depositors [Rule 7 of the Companies (Acceptance of Deposits) Rules, 2014] –**

- (1) No company referred to in sub-section (2) of section 73 or any eligible company shall issue a circular or advertisement inviting secured deposits unless the company has appointed one or more trustees for depositors for creating security for the deposits.

However, a written consent shall be obtained from the trustee for depositors before their appointment and a statement shall appear in the circular or circular in the form of advertisement with reasonable prominence to the effect that the trustees for depositors have given their consent to the company to be so appointed.

- (2) The company shall execute a deposit trust deed in DPT-2 at least 7 days before issuing the circular or circular in the form of advertisement.
- (3) No person including a company that is in the business of providing trusteeship services shall be appointed as a trustee for the depositors, if the proposed trustee -
  - (a) is a director, key managerial personnel or any other officer or an employee of the company or of its holding, subsidiary or associate company or a depositor in the company;
  - (b) is indebted to the company, or its subsidiary or its holding or associate company or a subsidiary of such holding company;
  - (c) has any material pecuniary relationship with the company;
  - (d) has entered into any guarantee arrangement in respect of principal debts secured by the deposits or interest thereon;
  - (e) is related to any person specified in clause (a) above.
- (4) No trustee for depositors shall be removed from office after the issue of circular or advertisement and before the expiry of his term except with the consent of all the directors present at a meeting of the board.

However, in case the company is required to have independent directors, at least one independent director shall be present in such meeting of the Board.

- 5. A 'Floating Charge' is a type of charge that is created on assets or a class of assets which are of fluctuating or changing in nature. The assets which are under floating charge may include raw material, stock-in-trade, debtors, etc. It is a charge created upon a class of assets both present and future.

The assets under floating charge keep on changing because the borrowing company is permitted to use them in the ordinary course of business.

The buyers of the assets covered under floating charge will get them free of charge.

#### **Crystallization of a Floating Charge**

In the following events, a floating charge will get crystallised or fixed:

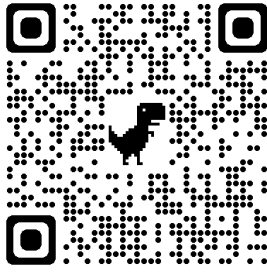


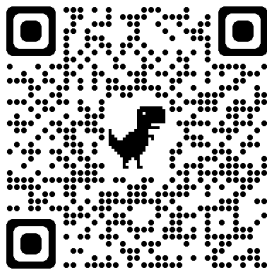
- a. When the creditor enforces the security due to the breach of terms and conditions of floating charge like there is non-payment of interest or default in repayment of instalments as per the terms of agreement.
- b. When the company ceases to continue its business.
- c. When the borrowing company goes into liquidation.

A floating charge remains dormant until it becomes fixed or crystallised. On crystallisation of charge, the security (i.e. raw material, stock-in-trade, etc.) becomes fixed and is available for realization so that borrowed money is repaid.





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