

Registration of Charges

1. What is the definition of a "charge" under Section 2(16) of the Companies Act 2013?
 - (a) A legal obligation to pay debt
 - (b) An interest or lien created on the property or assets of a company as security including a mortgage
 - (c) The cost incurred by a company during its operation
 - (d) A tax imposed by the government on a company
2. Which section of the Companies Act 2013 deals with the duty to register charges?
 - (a) Section 77
 - (b) Section 78
 - (c) Section 80
 - (d) Section 85
3. What does a "Floating Charge" typically cover?
 - (a) Specific, immovable assets of a company
 - (b) The company's intellectual property
 - (c) Assets or a class of assets which are of fluctuating or changing in nature
 - (d) Overseas assets of a company
4. What is the consequence of non-registration of a charge?
 - (a) The charge becomes void against liquidator and other creditors
 - (b) Immediate liquidation of the company
 - (c) A penalty of ten lakh rupees
 - (d) Revocation of the company's license
5. How long must, a company preserve the instrument creating a charge or modification thereof?
 - (a) 5 years
 - (b) 8 years
 - (c) 10 years
 - (d) Permanently
6. Who is deemed to have notice of the charge from the date of its registration under Section 80?
 - (a) Only the shareholders of the company
 - (b) Any person acquiring such charged property
 - (c) Only the directors of the company
 - (d) Government authorities only
7. What is the difference between a fixed charge and a floating charge?
 - (a) A fixed charge is on fluctuating assets, whereas a floating charge is on specific assets
 - (b) A fixed charge restricts the sale of the charged asset without permission, whereas a floating charge does not
 - (c) A floating charge covers intellectual property, whereas a fixed charge covers physical assets
 - (d) A floating charge is applicable to overseas assets, whereas a fixed charge is not
8. When a company borrows money against a property, creating an interest or lien on it, what is this process known as?
 - (a) Investment
 - (b) Charge creation
 - (c) Asset liquidation
 - (d) Collateral security
9. How does the registration of a charge help in protecting the interests of the charge holder?
 - (a) It guarantees the repayment of the loan
 - (b) It makes the charge public, preventing the company from fraudulently borrowing against the same asset
 - (c) It reduces the interest rates of the loan
 - (d) It converts the unsecured loan into a secured loan
10. Why is it necessary for a company to register a charge?
 - (a) To comply with international business standards
 - (b) To increase its credit rating
 - (c) To ensure legal recognition of the charge in case of liquidation or bankruptcy
 - (d) To enable the company to pay lower taxes
11. What is meant by "crystallization of a floating charge"?
 - (a) The process of converting the floating charge into fixed assets.
 - (b) The conversion of a floating charge into a fixed charge under certain conditions
 - (c) The valuation of assets under a floating charge
 - (d) The sale of assets under a floating charge
12. What happens when a charge is not registered within the prescribed time?
 - (a) It becomes a public record automatically
 - (b) It remains valid but loses its priority
 - (c) It becomes void against the liquidator and any other creditor
 - (d) The company is dissolved
13. What is the role of the Registrar of Companies (ROC) in the context of charge registration?
 - (a) The ROC lends money against the charge
 - (b) The ROC acts as an arbitrator in disputes related to charges

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- (c) The ROC maintains a register of all charges and modifications
(d) The ROC provides legal advice to companies regarding charge creation
14. Company X wants to secure a loan by creating a charge on its building. Which type of charge is most appropriate in this scenario?
(a) Floating charge (b) Fixed charge
(c) Unsecured charge (d) Operational charge
15. If a company fails to register a charge within 30 days of its creation, what is the first step it should take to rectify this?
(a) Pay the loan in full
(b) Apply to the ROC for an extension of time
(c) Convert the charge to a floating charge
(d) Dissolve the company
16. If a company discovers that a charge created two months ago has not been registered, what should be the immediate action?
(a) Notify all creditors about the unregistered charge
(b) Apply for the extension of time limit for registration under Section 77
(c) Create a new charge to replace the unregistered one
(d) Sell the assets under the charge to repay the loan
17. When a company acquires a property subject to a charge, what is its obligation regarding the existing charge?
(a) It must ensure the charge is transferred to the new owner
(b) It has no obligation as the charge is the responsibility of the previous owner
(c) It must get the charge registered in its name
(d) It should immediately pay off the charge
18. Which of the following best describes the process of crystallization of a floating charge?
(a) The conversion of a floating charge into a fixed charge upon liquidation of the company.
(b) The periodic reassessment of the value of assets under a floating charge.
(c) The process of registering a floating charge with the Registrar of Companies.
(d) The change in interest rates applicable to a floating charge,
19. How does the registration of a charge affect third parties dealing with a company?
(a) It invalidates any contract made by the company after the charge is registered.
(b) It serves as a public notice, thereby making third parties deemed to have knowledge of the charge.
(c) It restricts the company from entering into any further financial agreements.
(d) It automatically transfers the charge to the third party upon transaction with the company.
20. What is the consequence of non-registration of a charge under the Companies Act 2013?
(a) The charge becomes void against the liquidator and any creditor of the company.
(b) It leads to immediate dissolution of the company.
(c) The company's directors become personally liable for the company's debts.
(d) The charge becomes a permanent lien on the company's assets.
21. If a charge is created on a company's assets and is not registered within the prescribed period. What can the charge-holder do?
(a) The charge-holder has no recourse as per the Companies Act 2013.
(b) The charge-holder can apply for registration of the charge with the Registrar.
(c) The charge-holder can directly seize the assets without any legal process.
(d) The charge-holder must wait for the company to register the charge.
22. When a company fails to register a charge within the stipulated time, and a second charge is created and registered on the same property, which charge has priority?
(a) The first charge, regardless of its registration status.
(b) The second charge, as it was registered first.
(c) Both charges are treated equally.
(d) The priority is decided by the court.
23. In evaluating the effectiveness of charge registration in protecting creditors, which aspect is most critical?
(a) The speed of the registration process.
(b) The accuracy and completeness of the charge details registered.
(c) The amount of the charge registered.
(d) The number of charges a company can register.

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24. When evaluating a company's compliance with charge registration requirements, what is the primary concern of the Registrar of Companies?
(a) The financial stability of the company.
(b) The timeliness and accuracy of the charge registration.
(c) The value of assets under the charge.
(d) The creditworthiness of the charge-holder.
25. Design a protocol for a company to ensure timely and accurate registration of charges. Incorporating legal and administrative steps.
(a) Develop an automated reminder system, train staff on legal requirements, and establish a direct link with the Registrar's office.
(b) Rely solely on legal advisors to handle all aspects of charge registration.
(c) Implement a policy of registering charges only when legally challenged.
(d) Assign the task to an external agency without internal monitoring
26. Create a strategy for a company to manage multiple charges on its assets, ensuring legal compliance and operational efficiency.
(a) Consolidate all charges into a single charge with the highest creditor.
(b) Maintain a detailed register of all charges, prioritize them based on amount, and regularly review the company's financial position.
(c) Focus only on the largest charge and ignore the others until they are legally enforced.
(d) Transfer assets to a subsidiary company to avoid charge registration.
27. Propose a system for a company to effectively monitor and manage the renewal of registered charges, ensuring compliance with legal deadlines and maintaining financial stability.
(a) Establish an annual review of all charges and rely on external legal advice for renewal dates.
(b) Implement a digital tracking system that alerts the finance team about upcoming renewal deadlines.
(c) Delegate the responsibility of monitoring charge renewals to junior staff without a formal tracking system.
(d) Only focus on renewing charges when prompted by creditors or the Registrar of Companies.
28. Which section of the Companies Act 2013 defines 'charge'?
(a) Section 2(16) (b) Section 77
(c) Section 82 (d) Section 87
29. What is the main purpose of registering a charge?
(a) To document the company's debt
(b) To provide legal recognition to a creditor's security interest
(c) To increase the company's credit rating
(d) To comply with tax regulations
30. What happens if a charge is not registered?
(a) It becomes void
(b) It becomes a fixed charge
(c) It is automatically discharged
(d) It results in the immediate liquidation of the company
31. Who can inspect the register of charges without any fees?
(a) Any member of the public
(b) Only the creditors of the company
(c) Only the members of the company
(d) Both members and creditors of the company
32. What is a 'floating charge' primarily used for?
(a) Fixed assets like land and building
(b) Current assets like stock and debtors
(c) Long-term investments
(d) Intangible assets like patents
33. Under which section can a charge holder apply for registration of a charge if the company fails to do so?
(a) Section 77 (b) Section 78
(c) Section 82 (d) Section 87
34. What does the registration of a charge provide to potential creditors and buyers?
(a) Financial stability of the company
(b) Detailed financial statements of the company
(c) Public notice of the charge
(d) Assurance of no future charges
35. Why is the concept of 'crystallization of a floating charge' important?
(a) It determines the interest rate on the charge

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- (b) It transforms the charge from floating to fixed upon certain events
- (c) It changes the ownership of the charged assets
- (d) It allows the company to sell the charged assets freely
36. What distinguishes a 'fixed charge' from 'floating charge'?
- (a) The type of assets it covers
- (b) The amount of the charge
- (c) The duration of the charge
- (d) The creditor holding the charge
37. When can a 'floating charge' be considered as a 'fixed charge'?
- (a) When the company decides to convert it
- (b) Upon the liquidation of the company
- (c) After the charge has been registered
- (d) When the underlying assets are sold
38. What is the role of the Registrar of Companies in the context of charge registration?
- (a) To provide loans to companies
- (b) To maintain a public record of all registered charges
- (c) To approve the creation of charges
- (d) To negotiate the terms of charges between companies and creditors
39. What does the non-registration of a charge imply for the charge holder?
- (a) Loss of security interest in the charged assets
- (b) Automatic cancellation of the loan agreement
- (c) Transfer of ownership of the charged assets to the company
- (d) Increase in the interest rate of the loan
40. What does the 'deemed notice of charge' mean under Section 80 of the Companies Act 2013?
- (a) The company must inform all stakeholders about the charge
- (b) Potential buyers and creditors are considered to have knowledge of the registered charge
- (c) The charge is visible to the public only after a specific notice period
- (d) The company must advertise the charge in national newspapers
41. What are the consequences of late registration of a charge?
- (a) The charge cannot be registered anymore
- (b) It may result in additional fees and affect the priority of the charge
- (c) The company's directors are held personally liable
- (d) The charge is converted into a floating charge
42. If a company creates a charge on its assets on January 1st and fails to register it within the stipulated period, what is the latest date it can register the charge with additional fees to avoid it becoming void?
- (a) January 31st (b) February 30th
- (c) March 2nd (d) April 1st
43. If a company wishes to sell an asset that is under a fixed charge, what must it do to comply with legal requirements?
- (a) Obtain permission from the charge-holder
- (b) Register the sale with the Registrar of Companies
- (c) Pay off the entire loan amount
- (d) Convert the fixed charge into a floating charge
44. How should a company proceed if it discovers that a charge created six months ago was never registered?
- (a) The charge cannot be registered anymore
- (b) Apply for late registration with additional fees
- (c) Transfer the charged asset to a subsidiary
- (d) Declare the charge in its next annual general meeting
45. A company has multiple charges on its property. If it repays one of the loans, what should it do next?
- (a) Inform all the charge-holders about the repayment
- (b) Apply for the deregistration of the satisfied charge
- (c) Sell the property to pay off other charges
- (d) Convert the remaining charges into floating charges
46. Analyze how the registration of charges enhances transparency in financial dealings for a company.
- (a) It discloses the company's total debt to the public
- (b) It provides a detailed financial analysis of the company
- (c) It makes the information about security interests available to potential creditors and buyers
- (d) It shows the company's creditworthiness to stock market analysts
47. If a charge is registered late with the Registrar, what are the potential implications for the priority of the charge compared to other charges?

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- (a) It retains its original priority
(b) It may lose priority to charges registered earlier
(c) Its priority is determined by the amount of the charge
(d) It gains priority over all previous charges
48. In analyzing the protection offered to creditors, how does the concept of 'crystallization of a floating charge' serve their interests?
(a) It ensures immediate repayment of loans
(b) It converts a floating charge to a fixed charge, securing the assets for the creditors
(c) It increases the interest rate on the outstanding loan
(d) It allows creditors to take ownership of the company's assets
49. How does the registration of a charge impact the company's ability to dispose of the charged asset?
(a) It has no impact; the company can sell the asset freely
(b) It restricts the sale unless the charge is satisfied or permission is obtained from the charge-holder
(c) It lowers the market value of the asset
(d) It requires court approval for any sale of the asset
50. Analyze the effect of a charge becoming void due to non-registration on a company's financial stability and credibility.
(a) It improves the company's credit rating
(b) It has no impact on the company's financial position
(c) It may lead to loss of security for the creditor, affecting borrowing capacity the company's
(d) It automatically discharges the underlying debt
51. Evaluate the effectiveness of the Companies Act's provisions on charge registration in protecting the rights of creditors.
(a) Highly effective due to strict penalties for non-compliance
(b) Moderately effective, depends on the company's compliance
(c) Ineffective due to lenient enforcement
(d) Very effective, ensures full protection of creditors' rights
52. Evaluate the role of the Registrar of Companies in the context of charge registration and its impact on corporate transparency.
- (a) Crucial for ensuring corporate transparency and compliance
(b) Marginal impact, as companies are primarily responsible for transparency
(c) Insignificant, as the Registrar's role is mostly administrative
(d) Vital in protecting the interests of small investors and creditors
53. Devise a compliance strategy for a company to ensure that all charges, both fixed and floating, are registered within the statutory deadlines under the Companies Act 2013.
(a) Implement a manual tracking system and rely on periodic legal audits.
(b) Develop an automated compliance software that flags upcoming deadlines for charge registration.
(c) Assign the responsibility of tracking and registering charges to a designated legal team member.
(d) Only register charges when reminded by the charge-holders or during annual audits.
54. Propose a system to manage the prioritization of multiple charges on a company's assets, considering both legal compliance and financial strategy.
(a) Prioritize charges based on the amount of loan irrespective of the date of registration
(b) Register all charges but negotiate with creditors to restructure the order of priority
(c) Implement a first-come, first-served basis for registering and prioritizing charges.
(d) Use a dynamic management system that regularly updates the priority based on registration dates and loan amounts.
55. Design a training module for company directors and officers to enhance their understanding of the implications and legal requirements of charge registration.
(a) Focus exclusively on the penalties for non-compliance without detailing the registration process.
(b) Create a comprehensive module covering the registration process, legal implications, and case studies.
(c) Limit the training to the basic definitions of fixed and floating charges.
(d) Outsource the training to a legal firm without customizing it to the company's specific needs.

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56. As per Section 87 of the Companies Act 2013, which entity has the power to order rectification in the Register of Charges?
- (a) Registrar of Companies
 - (b) Central Government
 - (c) Company Law Board
 - (d) Securities and Exchange Board of India
57. Which section of the Companies Act 2013 deals with the 'Deemed Notice of Charge'?
- (a) Section 77
 - (b) Section 80
 - (c) Section 82
 - (d) Section 87
58. How does the 'Constructive Notice' concept Section 80 of the Companies Act 2013 affect third parties dealing with a company's charge assets?
- (a) They are assumed to have knowledge of charge irrespective of actual awareness
 - (b) They are only affected if they have direct knowledge of the charge
 - (c) They can claim ignorance of the charge in legal proceedings
 - (d) They are exempted from the charge if they are bona fide purchasers
59. What does Section 83 of the Companies Act 2013 empower the Registrar to do in the absence of intimation from the company about the satisfaction of a charge?
- (a) To automatically extend the time for registration
 - (b) To make entries of satisfaction and release of charges
 - (c) To impose penalties on the company
 - (d) To nullify the charge
60. In what scenario does Section 86(2) of the Companies Act 2013 bring 'punishment for fraud into effect'?
- (a) If a company fails to keep a Register of Charges
 - (b) If a person knowingly furnishes false information during charge registration
 - (c) If a company delays the satisfaction of a charge
 - (d) If there is a modification in the terms of the charge without notification
61. A company created a charge on 15th January 2023 but failed to register it within 30 days. Considering the provisions of the Companies Act 2013, what is the final deadline for the company to register the charge without paying ad valorem fees?
- (a) 14th March 2023
 - (b) 15th April 2023
 - (c) 16th February 2023
 - (d) 15th March 2023
62. If a charge holder wants to register a charge due to the company's failure in registration, what steps should they follow as per the Companies Act 2013?
- (a) Apply directly to the Central Government for registration
 - (b) File a lawsuit against the company for non-compliance
 - (c) Apply to the Registrar for registration of the charge
 - (d) Wait for the company to complete the registration process
63. Analyze the implications of a company not registering a charge within the prescribed period under the Companies Act 2013. What legal and financial consequences could the company face?
- (a) The company can face criminal charges for non-compliance
 - (b) The unregistered charge becomes void against the liquidator and creditors
 - (c) The company's directors can be disqualified
 - (d) The charge is automatically deemed as satisfied
64. Given a scenario where a charge is partially satisfied, how should the company proceed to update the Registrar of Companies as per the Companies Act 2013?
- (a) File a complete satisfaction of charge
 - (b) File a partial satisfaction of charge
 - (c) No action is required for partial satisfaction
 - (d) Apply for a new charge registration
65. Consider a situation where a company fails to register a charge within 300 days of its creation. Assess the options available to the company under the Companies Act 2013.
- (a) The company can no longer register the charge
 - (b) The company must seek an extension from the Central Government
 - (c) The company can register the charge with additional fees
 - (d) The company has to create a new charge
66. Design a strategy for a company to ensure compliance with the provisions of the Companies Act 2013

regarding the registration of charges and the consequences of non- registration.

- (a) Implement a robust legal review process for charge registration
- (b) Rely on external legal advice for charge- related matters
- (c) Train the finance team on the legal requirements of charge registration
- (d) Appoint a dedicated officer to handle charge registrations

67. Propose a process for a company to efficiently manage modifications in the terms of a charge, considering the provisions of the Companies Act 2013.
- (a) Regularly update the Registrar with any changes in charge terms
 - (b) Only notify the Registrar if the modification impacts the charge amount
 - (c) Modify the terms internally without informing the Registrar
 - (d) Seek shareholder approval for every modification in charge terms