

INTERMEDIATE COURSE

PAPER : 2

Corporate and Other Laws

BOOKLET ON MCQs & CASE SCENARIOS



BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Preface

In certain core papers at the Intermediate and Final levels, 30 marks has been dedicated for objective type questions in the form of MCQs. These questions would be compulsory and there would be no internal or external choice. MCQ'S carrying 30 marks segment, may comprise of case scenarios followed by a few MCQs and Independent MCQ'S to assess higher order application and analytical skills of students.

The Board of Studies, in its endeavour to assist students in their learning process, has come out with this MCQ booklet on Intermediate Paper 2: Corporate and Other Laws comprising of 100 independent MCQs and 40 case scenarios.

Each MCQ shall have four options out of which there shall be only one correct option. Case-scenario based MCQs are application-oriented and arise from the facts of the case. You need to apply the relevant provisions of laws to the facts of the case to choose the correct option. The independent MCQs may be application-oriented or knowledge-based.

The independent MCQs and case scenario based MCQs in this subject have to be answered on the basis of the provisions of Corporate and Other Laws. This booklet is amended for relevant notifications and circulars issued upto 31.10.2021.

Please note that before working out the independent MCQs and case scenarios based MCQs in this booklet, you have to be thorough with the concepts and provisions of Corporate and Other Laws discussed in the September, 2021 edition of the Study Material. Further, the students appearing in November 2022 examinations also need to go through the relevant amendments (containing significant notifications, circulars and other legislative amendments between 01.11.2021 and 30.04.2022) which will be web-hosted at the BoS Knowledge Portal.

After attaining conceptual clarity by reading the Study Material, you are expected to apply the concepts and provisions learnt in answering the independent and case scenario based MCQs given in this booklet. You have to read the case scenario and MCQs, identify the provisions of Corporate and Other Laws involved, apply the provisions correctly in addressing the issue

raised/making the computation required in the MCQ, and finally, choose the correct answer. This process of learning concepts and provisions of Corporate and Other Laws and solving independent and case scenario based MCQs based thereon will help you attain conceptual clarity and hone your application and analytical skills so that you are able to write the examination with confidence and a positive attitude.

Through this endeavour of BoS, an attempt has been made to bring more understanding and clarity in the concepts of the subject.

This booklet is relevant for May 2022 examinations and onwards.

Wishing you happy reading!

MULTIPLE CHOICE QUESTIONS

Part I: Companies Act, 2013

1. Roma along with her six friends has incorporated Roma Trading Ltd. in May 2019. The paid-up share capital of the company is ₹ 30 lacs. Further, in April 2020, she noticed that in the last financial year, the turnover of the company was well below ₹ 20 crores. Advise whether the company can be treated as a 'small company'.
 - (a) Roma Trading Ltd. is definitely a 'small company' since its paid-up capital is much below ₹ 2 crores and also its turnover has not exceeded the threshold limit of ₹ 20 crores.
 - (b) The concept of 'small company' is applicable only in case of a private limited company/OPC and therefore, despite meeting the criteria of 'small company' it being a public limited company it cannot enjoy benefits of 'small company'.
 - (c) Unlike a private limited company/OPC which automatically becomes a 'small company' as soon as it meets the criteria of 'small company', Roma Trading Ltd. being a public limited company has to maintain the norms applicable to a 'small company' continuously for two years so that, thereafter, it will be treated as a 'small company'.
 - (d) If all the shareholders of Roma Trading Ltd. give an undertaking to the ROC stating that they will not let the paid-up share capital and also turnover exceed the limits applicable to a 'small company' in the next two years, then it can be treated as a 'small company'.
2. Abhilasha and Amrita have incorporated a 'not for profit' private limited company which is registered under Section 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending 31st March, 2019, its turnover was less than ₹ 20 crores and its paid up share capital was less than ₹ 2 crores. Advise.
 - (a) A section 8 company, which meets the criteria of 'turnover' and 'paid-up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in

another 'small company' within the immediately following financial year.

- (b) If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (*and not in the immediately following financial year*) after meeting the criteria of 'turnover' and 'paid-up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.
 - (c) The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.
 - (d) A section 8 company, if incorporated as a private limited company (*and not as public limited company*) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid-up share capital'.
3. Namita Ceramic Goods Limited having 152 members was incorporated with the main objects of manufacture of ceramic goods, glazed, unglazed floor and wall tiles, etc. and to carry on trading in such products. After three years of successful operation, it wants to diversify its business by entering into the field of manufacturing electronic goods for which it is required to alter its objects clause. Advise the company in relation to alteration of Memorandum.
- (a) The company can alter its Memorandum of Association by passing an ordinary resolution and obtaining the confirmation of the Regional Director (RD).
 - (b) The company can alter its Memorandum of Association by passing a special resolution at the shareholders' meeting.
 - (c) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution at the shareholders' meeting and obtaining the confirmation of the Regional Director (RD).
 - (d) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution at the

shareholders' meeting and simultaneously publishing the contents of special resolution in two newspapers (one in English and the other one in vernacular language) circulating in that area

4. Due to the management disputes, Flow Writing Industries Limited could not hold its current Annual General Meeting by the latest due date. Even after lapse of the due date, it seemed rather impossible to convene the AGM. In such a grim situation, one option available was to approach National Company Law Tribunal (NCLT) and seek direction for the calling of AGM. Out of the following four options, which one is applicable in the given case:
 - (a) Any member of the company can make an application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
 - (b) A member of the company holding at least 1% of the total paid-up share capital must make an application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
 - (c) Minimum two members of the company holding at least 1% of the total paid-up share capital must make a joint application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
 - (d) Minimum five members of the company holding at least 1% of the total paid-up share capital must make a joint application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
5. Anupam incorporated a 'One Person Company' (OPC) with his sister Alpana as the nominee and about three years have passed satisfactorily. Anupam does a number of charitable works and is associated with three NGOs. His business under his OPC has also flourished. Now he is planning to convert the OPC into a Section 8 company (i.e. a company formed with charitable objects). Choose the correct option.
 - (a) Since the company belongs to Anupam, he has full discretion to convert the OPC either as a Section 8 company or as a private or public company

- (b) Since the company was formed as a private company, the only option available with Anupam is to convert it into a public limited company.
 - (c) There is specific prohibition on converting OPC into a Section 8 company; otherwise it can be converted into a private or public company without any hindrance.
 - (d) Since Anupam does a lot of charitable works there is no prohibition on converting his OPC into a Section 8 company.
6. An issuing house (share broker) has issued an advertisement in two leading newspapers for selling a large number of shares allotted to it by a company under a private placement. In which of the following conditions will the advertisement NOT be deemed to be a prospectus:
- (a) Advertisement was given within six months from the date of allotment
 - (b) Advertisement was given after six months from the date of allotment and the issuing house has paid the entire consideration to the company
 - (c) The issuing house did not pay entire consideration to the company till the date of allotment
 - (d) advertisement was given within three month from the date of allotment
7. Which of the following statements is not true?
- (a) in case of shares, the rate of underwriting commission to be paid shall not exceed five percent of the issue price of the share.
 - (b) underwriting commission should not be more than the rate specified by the Article of Association.
 - (c) in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
 - (d) amount of commission may be paid out of profits of the company.

8. Which of the following statement is contrary to the provisions of the Companies Act, 2013?
- (a) A private company can make a private placement of its securities.
 - (b) The company has to pass a special resolution for private placement.
 - (c) Minimum offer per person should have Market Value of ₹ 20,000.
 - (d) A public company can make a private placement of its securities.
9. A shelf prospectus filed with the ROC shall remain valid for a period of:
- (a) one year from the date of registration
 - (b) one year from the date of closing of first issue
 - (c) one year from the date of opening of first issue
 - (d) Ninety days from the date on which a copy was delivered to ROC
10. Shripad Religious Publishers Limited has received application money of ₹ 20,00,000 (2,00,000 equity shares of ₹ 10 each) on 10th October, 2019 from the applicants who applied for allotment of shares in response to a private placement offer of securities made by the company to them. Select the latest date by which the company must allot the shares against the application money so received.
- (a) 9th November, 2019
 - (b) 24^h November, 2019
 - (c) 9th December, 2019.
 - (d) 8th January, 2020
11. Being in need of further capital, Rimsi Cotton-Silk Products Limited offered 50 lacs equity shares of ₹ 1 each to 50 identified persons on 'private placement' basis and accordingly a letter of offer accompanied by application the necessary form was sent to them after fulfillment of due formalities including passing of special resolution. One of the applicants Rajan made a written complaint to the company highlighting the fact that the offer letter was incomplete as well as illegal, as it did not contain 'renunciation clause' as he wanted to exercise his 'right of

renunciation' in favour of his son Uday. By choosing the correct option, advise the company in this matter.

- (a) As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the offer letter and the application form.
 - (b) The company is prohibited from providing 'Right of Renunciation' so the offer letter and the application form need not include any such clause.
 - (c) Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to twenty five percent of offering.
 - (d) Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to fifty percent of offering.
12. Innovative Tech Sol Limited intends to invite subscription for ₹ 1.10 crores equity shares of ₹ 10 each on private placement basis. The persons identified as potential subscribers are within the statutory limit and also include the two other categories to which such statutory limit is not applicable. One such category is employees of the company who are offered equity shares under Employees' Stock Option Scheme. the other excluded category is:
- (a) Quality Institutional Buyers
 - (b) Qualified Institutional Buyers.
 - (c) Qualificational Institutional Buyers.
 - (d) Qualified Investing Institutional Buyers.
13. Neptune Metal Tools Limited was incorporated on 2nd December, 2018 with twenty-five subscribers and authorised capital of ₹ 50,00,000 (5,00,000 equity shares of ₹ 10 each). The directors of the company are in a dilemma whether to issue share certificates to the subscribers in physical form or in dematerialized form. Advise them correctly on this matter:
- (a) Being an unlisted company, Neptune may either issue physical share certificates to the subscribers or alternatively, issue them in dematerialized form.

- (b) Neptune needs to issue shares to the subscribers only in dematerialized form.
 - (c) A company having more than 100 shareholders needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.
 - (d) A company having authorised capital of fifty lakhs and above needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.
14. The amount that an unlisted public company is required to maintain as security deposit, at all times, with the respective depository when it dematerializes its securities shall be
- (a) Equal to not less than one year's fees payable to the depository
 - (b) Equal to not less than two years' fees payable to the depository
 - (c) Equal to not less than two and a half years' fees payable to the depository
 - (d) Equal to not less than three years' fees payable to the depository
15. Commission is permitted to be paid to any underwriter by the company only in respect of an offer of securities:
- (a) where securities are offered on rights basis
 - (b) where securities are offered in the form of bonus issue
 - (c) where securities are offered on private placement basis
 - (d) where securities are offered to the public for subscription
16. In case of 'offer of sale of shares by certain members of the company', which of the following options is applicable:
- (a) The provisions relating to minimum subscription are not applicable
 - (b) Entire minimum subscription amount is required to be received within three days of the opening date

- (c) 25% of the minimum subscription amount is required to be received on the opening date and the remaining 75% within three days thereafter
 - (d) 50% of the minimum subscription is required to be received by the second day of the opening date and the remaining 50% within next three days after the second day
- 17. The time limit within which a copy of the contract for the payment of underwriting commission is required to be delivered to the Registrar is:
 - (a) Three days before the delivery of the prospectus for registration
 - (b) At the time of delivery of the prospectus for registration
 - (c) Three days after the delivery of the prospectus for registration
 - (d) Five days after the delivery of the prospectus for registration
- 18. Shares issued by a company to its directors or employees at a discount or for a consideration other than cash for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called are known as:
 - (a) Equity Shares
 - (b) Preference Shares
 - (c) Sweat Equity Shares
 - (d) Redeemable preference shares
- 19. The Articles of Association of a private limited company state that the company may issue preference shares which will have preference with respect to payment of dividend only but no preference as to the repayment of capital, in the case of winding up. Is it possible for the company to issue such preference shares?
 - (a) No; as per section 43 preference shares should have both preferences.
 - (b) No; this will become an equity share as per section 43.
 - (c) Yes; because as per section 43 preference shares should have any one preference.

- (d) Yes; because Articles of Association of the company allow issue of such preference shares and the issuing company is a private limited company.
20. A general meeting of the company is to be held on 30th August, 2020. The company has not paid dividend in respect of its preference shares for the financial year 2018-19 as well as 2019-20. In such case preference shareholders:
- (a) will not have the right to vote because preferential shareholders have no right to vote
 - (b) will have the right to vote because dividend has not been paid for the last two years
 - (c) will not have the right to vote because only equity shareholders can vote in general meetings
 - (d) will have right to vote because preference shareholders have the right to vote in general meetings
21. Where there is a change in the rights of one class of shareholders of a company that also affects the rights of another class therein, then:
- (a) A special resolution should be passed at a general meeting in this regard
 - (b) The company need not to do anything further
 - (c) the consent in writing of three-fourths of such other class of shareholders shall also be obtained
 - (d) A resolution at a joint meeting of both the classes should be passed
22. Rajesh Infrastructure Limited wants to issue preference shares for a period exceeding 20 years for financing its proposed infrastructure project. On the basis of which statement, company can do so?
- (a) Yes, the company can issue irredeemable preference shares by passing a special resolution
 - (b) Yes, company can issue preference shares for a period exceeding 20 years with the prior approval of Central Government

- (c) Yes, the company can issue irredeemable preference shares for infrastructure project
 - (d) Yes, the company can issue preference shares for financing an infrastructure project for a period exceeding to 20 years.
23. If a company has Authorised Share Capital of ₹ 6,00,000, Paid-up Share Capital of ₹ 5,00,000 and a loan of ₹ 2,00,000 obtained from the State Government. The State Government has directed the company to convert its loan into equity shares, then such order shall have the effect of increasing:
- (a) The subscribed share capital of the company
 - (b) The paid-up share capital of the company
 - (c) The Authorised Share Capital of the company
 - (d) All of the above
24. A company bought back 10% of its equity shares in August 2020. Due to certain miscalculations during the first buy-back, it again bought back another 10% equity shares in September 2020. Is second buy-back valid?
- (a) It can do so subject to the fulfilment of other conditions because maximum buy-back in a financial year is up to 25%
 - (b) It cannot do so because there must be a time gap of 12 months between two buy-backs
 - (c) It can buy back shares within one year but the company should pass an ordinary resolution at a meeting of its board
 - (d) It can buy back shares within one year but the company will have to pass a special resolution
25. Swagat Hospitality Limited defaulted in the repayment of last two instalments of term loan availed from National Commercial Bank. On 30th September, 2019, they cleared all the dues by repaying it. When can it issue equity shares with differential voting rights?
- (a) Upon expiry of five years from the date on which the default was made good

- (b) Upon expiry of three years from the end of the financial Year in which the default was made good
 - (c) Upon expiry of five years from the end of the financial Year in which the default was made good
 - (d) Upon expiry of seven years from the end of the financial Year in which the default was made good
26. Radha, the original allottee of 2000 equity shares in Murti Mechanical Toys Private Limited has transferred the same to Ruchi. The instrument of transfer dated 21st August, 2020, duly stamped and signed by Radha was handed over to Ruchi. Advise Ruchi regarding the latest date by which the instrument of transfer along with share certificates must be delivered to the company, to register the transfer in its register of members.
- (a) 21st August, 2020.
 - (b) 20th September, 2020
 - (c) 20th October, 2020.
 - (d) 19th November, 2020.
27. Shreem Lakshmi Jewellery Store Private Limited was incorporated on 27th August, 2020 with 30 persons as subscribers to the Memorandum of Association and with an Authorised share capital of ₹ 1 crore divided into equal number of shares of ₹ 1 each. Each subscriber subscribed for ₹ 1.00 lac shares. Advise the company about by what date it needs to deliver the share certificates to the subscribers.
- (a) 17th September, 2020.
 - (b) 30th September, 2020.
 - (c) 27th October, 2020.
 - (d) 27th November, 2020.
28. Keshika, the original allottee and owner of 1000 equity shares of ₹ 50 each in Modern Biscuits Private Limited, wanted to transfer these shares to her younger sister Vanshika by way of gift. She completed the transfer deed in all respects and delivered the same to the company along with the share certificates on 17th July, 2020. However, the

company did not register the transfer even after the expiry of more than one month nor did it send any notice of refusal. The lone reminder to the company remained unanswered. An appeal is to be filed against the company with the National Company Law Tribunal (NCLT) against this failure to register transfer of the said shares. Who has the right to file the appeal in this regard?

- (a) Keshika, who continues to remain owner and transferor of the said equity shares till they are registered in the name of Vanshika, has the right to file an appeal with NCLT against the company.
 - (b) Vanshika, as transferee and potential owner of equity shares, has the right to file an appeal with NCLT against the company.
 - (c) Both Keshika and Vanshika have to file a joint appeal with NCLT against the company, for neither Keshika nor Vanshika are authorised to file the appeal individually.
 - (d) As per its discretion, NCLT may allow either Keshika or Vanshika to file an appeal against the company.
29. Vanita Watches Limited has proposed to issue sweat equity shares to five of its employees for the 'value additions' made by them in term of economic benefits which proved beneficial to the company. The period for which the employees who have been allotted the said sweat equity shares cannot transfer them is:
- (a) One year from the date of allotment
 - (b) Three years from the date of allotment
 - (c) Five years from the date of allotment
 - (d) Six months from the date of allotment
30. Prithvi Cements Limited is desirous of issuing debentures carrying voting rights. Choose the right option from the following:
- (a) Prithvi Cements Limited can issue debentures carrying voting rights by passing an ordinary resolution at a general meeting of the company.

- (b) Prithvi Cements Limited can issue debentures carrying voting rights by passing a special resolution at a general meeting of the company.
 - (c) Prithvi Cements Limited can issue such debentures carrying voting rights only if it mortgages its land and buildings worth two times the amount of the debentures.
 - (d) Prithvi Cements Limited cannot issue debentures carrying voting rights.
31. While making an application to the Tribunal for seeking its confirmation in respect of extinguishing the liability of ₹ 3 per equity share, Medhavi Publishers Limited has to file a certificate along with the application, that the accounting treatment proposed by it for such reduction of share capital is in conformity with the accounting standards specified in the prescribed Section. Advise the company as to who can issue such certificate?
- (a) Any of the directors of the company as authorised by the Board may issue such certificate
 - (b) A practicing company secretary is authorised to issue such certificate
 - (c) The auditor of the company is authorised to issue such certificate
 - (d) The legal advisor of the company is authorised to issue such certificate
32. A reserve account that shall not be used by the company for any purpose other than repayment of deposits is called:
- (a) Debenture redemption reserve account
 - (b) Deposit repayment reserve account
 - (c) Capital redemption reserve account
 - (d) Free reserve account
33. Normally no deposits are repayable earlier than _____ from the date of such deposits or renewal thereof.
- (a) 3 months

- (b) 6 months
 - (c) 12 months
 - (d) 1 year
34. Bhumi Real Estate Developers Limited has accepted deposits from its members. There is no default in repayment of such deposits on their maturity. The statutory amount to be deposited by the company on or before 30th April of each year in a specified account opened with its bankers, till the deposits are fully repaid is:
- (a) Not less than 50% of the amount of its deposits maturing during the following financial year.
 - (b) Not less than 30% of the amount of its deposits maturing during the following financial year.
 - (c) Not less than 20% of the amount of its deposits maturing during the following financial year.
 - (d) Not less than 10% of the amount of its deposits maturing during the following financial year.
35. A Limited Company is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the mandatory minimum period for which it should be preserved in good order.
- (a) Four years from the financial year in which the latest entry is made in the Register.
 - (b) Six years from the financial year in which the latest entry is made in the Register.
 - (c) Eight years from the financial year in which the latest entry is made in the Register.
 - (d) Ten years from the latest date of entry.
36. Dream World Entertainment Limited, has accepted deposits worth ₹ 50.00 lacs from public on 1st April 2019 for a period of 24 months *i.e.* repayment of deposit would be made on 31st March 2021. The rate of interest payable on such deposits is 9% p.a. One of the depositors Mr.

Aman requested the company on 1st June 2020 for premature repayment of his deposit of ₹ 6.00 lacs along with interest. Advise the company in the said matter.

- (a) The company can make premature repayment of deposits only with an intention to reduce the total amount of deposits to bring it within permissible limits. Hence, in the given case, the company cannot repay the deposit before the actual maturity.
 - (b) The company can prematurely repay the deposit along with interest @9% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).
 - (c) The company can prematurely repay the deposit along with interest @8% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).
 - (d) The company can prematurely repay the deposit along with interest @8% p.a. for the period of 14 months (from 1st April 2019 to 31st May 2020).
37. Suneet Spices Limited decides to raise deposits of ₹ 20.00 lacs from its members. However, it proposes to secure such deposits partially by offering a 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) These cannot be classified as deposits
38. 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

39. Ruchita wants to renew her deposit of ₹ 5.00 lakh with Kewal Constructions Limited before the expiry of original period for availing higher rate of interest. The fresh period, for which Ruchita is required to renew her deposit to be eligible for the higher rate shall be
- (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.
40. Any person acquiring property, on which charge is registered under section 77, shall be deemed to have notice of the charge from:
- (a) the expiry of thirty days of such charge
 - (b) the date of application for registration of the charge
 - (c) the date of acquiring the property
 - (d) the date of such registration
41. An interest or lien created on the property or assets of a company or any of its undertakings or both as security is known as:
- (a) Debt
 - (b) Charge
 - (c) Liability
 - (d) Hypothecation
42. 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 16th 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. The latest date within which the company must register the charge with the ROC so as to avoid paying ad valorem fees for registration of the charge is
- (a) 27th April, 2019.
 - (b) 17th April, 2019.

- (c) 2nd May, 2019.
 - (d) 16th June 2019
43. Which one of the following transactions requires the passing of an ordinary resolution?
- (a) To change the name of the company
 - (b) To alter the articles of association
 - (c) To reduce the share capital
 - (d) To declare dividends.
44. A resolution shall be a special resolution when the votes cast in favour of the resolution by members are not less than _____ the number of votes, if any, cast against the resolution.
- (a) Twice
 - (b) Three times
 - (c) Three fourth of
 - (d) Two third of
45. Every listed company shall file with the Registrar a copy of the report on each annual general meeting within _____ of the conclusion of the annual general meeting.
- (a) 7 days
 - (b) 30 days
 - (c) 60 days
 - (d) 90 days
46. The AGM shall be called by giving 21 clear days' notice. However, it can be called by giving shorter notice if members entitled to vote at that meeting give their consent in writing or by electronic mode. In such cases how many members have to give their consent?
- (a) 75% of members entitled
 - (b) 90% of members entitled

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- (c) 91% of members entitled
 - (d) 95% of members entitled
47. Dividend once declared, should be paid within _____ days from the date of declaration
- (a) 14 days
 - (b) 21 days
 - (c) 30 days
 - (d) 45 days
48. Which of the following amount need not be credited to Investor Education and Protection Fund Account (IEPF)?
- (a) Amount in unpaid dividend account (UDA) of company
 - (b) Amount of matured deposits with the company
 - (c) Profit on sale of asset
 - (d) Amount of matured debentures with the company.
49. Amount to be transferred to reserves out of profits before any declaration of dividend is _____
- (a) 5%
 - (b) 7.5%
 - (c) 10%
 - (d) at the discretion of the company.
50. The authorised and paid-up share capital of Avantika Ayurvedic Products Limited is ₹ 50.00 lacs divided into 5,00,000 equity shares of ₹ 10 each. At its Annual General Meeting (AGM) held on 24th September, 2019, the company declared a dividend of ₹ 2 per share by passing an ordinary resolution. Mention the latest date by which the amount of dividend must be deposited in a separate account maintained with a scheduled bank
- (a) Latest by 29th September, 2019
 - (b) Latest by 4th October, 2019

- (c) Latest by 9th October, 2019
 - (d) Latest by 24th October, 2019
51. The Directors of Silver tongue Solutions Limited proposed dividend at 18% on equity shares for the financial year 2018-2019. The same was approved at the Annual general body meeting held on 30th September 2019. Mr. Jagan was the holder of 2000 equity of shares on 31st March, 2019, but he transferred the shares to Mr. Rajiv on 8th August 2019. Mr. Rajiv has sent the shares together with the instrument of transfer to the company for registration of the shares in his favour only on 25th September 2019. The registration of the transfer of shares is pending on 30th September 2019. With respect to the dividend declared the correct action to be taken by the company is:
- (a) Pay the dividend to Mr. Jagan
 - (b) Pay the dividend to Mr. Rajiv
 - (c) Transfer the dividend in relation to such shares to the Unpaid Dividend Account
 - (d) Transfer the dividend in relation to such shares to the Investor Education and Protection Fund.
52. The Board of Directors of Jip Rise Pharmaceuticals Limited wish to declare interim dividend in the last week of July, 2018. The company has incurred a loss during the current financial year up to the end of June, 2018. However, it is noted that during the previous five financial years i.e., 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18, the company had declared dividend at the rate of 8%, 9%, 12%, 11% and 10% respectively. Advise the Board as to the maximum rate at which they can declare interim dividend despite incurring loss during the current financial year.
- (a) 10%.
 - (b) 11%.
 - (c) 10.5%.
 - (d) 11.5%.

53. CSR Committee of the Board of shall consist of:
- (a) Directors forming $\frac{1}{3}^{\text{rd}}$ of the total no of directors.
 - (b) At least 2 directors out of which one shall be independent director.
 - (c) 3 or more directors out of which one shall be managing director.
 - (d) 3 or more directors, out of which at least 1 director shall be an independent director.
54. Provisions of CSR are applicable to:
- (a) Companies with net worth of ₹ 250 crore or more but less than 500 crore.
 - (b) Companies with turnover of ₹ 1000 crore or more.
 - (c) Companies with net profit of ₹ 1 crore or more but less than ₹ 5 crore in any financial year
 - (d) Companies having aggregate outstanding loans and deposits exceeding ₹ 50 crore or more in any financial year.
55. One Person Company shall file a copy of the duly adopted financial statements to the Registrar within:
- (a) 30 days of the date of meeting at which it was adopted.
 - (b) 90 days of the date of meeting at which it was adopted.
 - (c) 90 days from the closure of the financial year.
 - (d) 180 days from the closure of the financial year.
56. Rema formed and occupied the office of director in Rem Stationers (OPC) Private Limited which deals in manufacturing and trading of various items of stationery. Rema noticed a changed provision which mandates that from the Financial Year 2020-21 onwards, an OPC shall file its Annual Return in MGT - 7A. Rema is also one of the directors in another company which too is required to file its Annual Return in MGT - 7A. Which is that 'other company' where Rema also occupies the office of director in addition to OPC.
- (a) That other company is a 'small company' where Rema also occupies the office of director in addition to OPC.

- (b) That other company is an 'associate company' where Rema also occupies the office of director in addition to OPC.
 - (c) That other company is a 'subsidiary company' where Rema also occupies the office of director in addition to OPC.
 - (d) That other company is a 'dormant company' where Rema also occupies the office of director in addition to OPC.
57. Ayush Power Limited has reported a net profit of ₹ 6 crore, ₹ 7.5 crore and ₹ 3 crore for the financial year(s) ended on March 2017, March 2018 and March 2019 respectively. The board's report of the company for the year ended March 2020 did not disclose the composition of the CSR Committee on the grounds that company is not required to constitute CSR committee as net profit during the immediately preceding financial year is less than the statutory requirements laid down in section 135. You are required to examine in the given scenario whether the act of non-composition and non-disclosure of the composition of CSR committee in the Board's Report is valid in law?
- (a) No, the act of the company is not valid in law as every company is required to constitute a CSR committee and disclose the constitution of same in the board's report in every financial year irrespective of the profits earned by the company.
 - (b) Yes, the act of the company is valid in law as the net profit of the company is less than ₹ 5 crore in the immediately preceding financial year.
 - (c) No, the act of the company is not valid in law as composition and disclosure of composition of CSR Committee will be required only if the profits of the company are not less than ₹ 5 crore for a consecutive period of 3 financial years.
 - (d) The act of the company is valid only to the extent of non-disclosure of the composition of CSR committee as the net profit of the company is less than ₹ 5 crore in the immediately preceding financial year.
58. During the half year ended September 2019, the board of directors (BOD) of Vidyut Manufacturing Limited has made an application to the

Tribunal for revision in the accounts of the company for the financial year ended as on March 2017. Further during the year ended March 2020, the BOD has again made an application to the Tribunal for revision in the board's report pertaining to the year ended March 2019. You are required to state the validity of the acts of the Board of directors.

- (a) The act of the BOD is valid only to the extent of application made for revisions in accounts as board's report are not eligible for revision.
 - (b) The act of the BOD is valid as the applications made for revision in the accounts and board's report pertain to two different financial years.
 - (c) The act of the BOD is invalid as the law provides for only one time application to be made in a financial year for revision of accounts and boards report.
 - (d) The act of the BOD is invalid as the application made for revision in accounts pertains to a period beyond 2 years immediately preceding the year 2020. The application made for revision in the Board report is however valid in law.
59. Adani Enterprises Limited has its shares listed on a recognized stock exchange in India. During the current financial year ending on 31st March 2020, the securities and exchange board of India (SEBI) has found some irregularities in the filings made by the company. Accordingly, SEBI proposes to make an application to the Tribunal for reopening of the books of accounts of the Company. You, as an expert, are called upon by SEBI to advise with which last financial year for reopening of books of accounts an application can be made?
- (a) 2015-2016
 - (b) 2013-2014
 - (c) 2010-2011
 - (d) 2011-2012
60. Ganesh Company Ltd, a public company incorporated under the Companies Act, 2013 has Mr. Jay- Director, Mr. Sagar – Independent

Director, Mr. Abhishek – Nominee Director and Mr. Yash – Whole time director. Mr. Abhishek wants to inspect the books of account of Shankar Company Limited, the subsidiary of Ganesh Company Limited. You are required to state whether Mr. Abhishek is eligible to inspect the books of accounts of Ganesh Company Limited?

- (a) Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization of the public financial institution on whose behalf he has been so appointed in the board of the Ganesh Company Ltd.
 - (b) No. Mr. Abhishek being a nominee director can only inspect the books of account of Ganesh Company Ltd and not its subsidiary company.
 - (c) Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization by way of resolution of the board of directors.
 - (d) Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization by way of resolution of the members holding not less than 25% of the paid up share capital of the company.
61. For appointing an auditor other than the retiring auditor,
- (a) Special notice is required.
 - (b) Ordinary notice is required.
 - (c) Neither ordinary nor special notice is required
 - (d) Approval of Central Government is required
62. The auditor of a Government Company shall be appointed or re-appointed by-
- (a) The Central Government
 - (b) Comptroller and Auditor General of India (CAG).
 - (c) Central Government on the advice of Comptroller and Auditor General of India.
 - (d) Chairman of the Board of Directors

63. Which of the following is a service prohibited to be rendered by the auditor of the Company?
- (a) Design and implementation of any financial information system
 - (b) Making report to the members of the company on the accounts examined by him
 - (c) Compliance with the auditing standards
 - (d) Reporting of fraud against the company by officers or employees to the Central Government
64. The word 'firm' for the purpose of Section 139 shall include-
- (a) An individual auditor
 - (b) LLP
 - (c) Both an individual auditor and LLP
 - (d) A company
65. In view of the fact that a private company enjoys a number of privileges, Orange Pharma Limited having 20 members is proposing to convert itself into a private company. For this purpose, the company needs to alter its articles by inserting three restrictive clauses as specified in Section 2(68) and the consequent change in the name of the company requires:
- (a) A special resolution and prior approval of the Central Government.
 - (b) A special resolution prior approval of the National Company Law Tribunal (NCLT).
 - (c) A special resolution and prior approval of the Registrar of Companies (ROC).
 - (d) A special resolution and prior approval of the State Government.

Part II: OTHER LAWS

66. A contracts to save B against the consequences of any proceedings, which C may take against B in respect of a certain sum of 500 rupees. This is a:
- (a) Contract of guarantee
 - (b) Quasi contract
 - (c) Contract of indemnity
 - (d) Void contract
67. S and P go into a shop. S says to the shopkeeper, C, "Let P have the goods, and if he does not pay you, I will." This is a
- (a) Contract of Guarantee
 - (b) Contract of Indemnity
 - (c) Wagering agreement
 - (d) Quasi-contract
68. A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself or by the conduct of any other person is called a :
- (a) Surety contract
 - (b) Simple contract
 - (c) Contract of indemnity
 - (d) Contract of guarantee
69. Any guarantee obtained by means of misrepresentation made by the creditor or with his knowledge and assent concerning a material part of the transaction is
- (a) Valid
 - (b) Invalid
 - (c) voidable at the option of the surety
 - (d) void

70. Mr. Sharad has recently shifted from Delhi to Noida. During the shifting some of the furniture was damaged. Mr. Sharad gave the items to Asian Arts, Greater Noida for repair, refabrication, and painting, etc. Asian Arts deals in the sale of furniture and repair thereof. It was decided that the whole work will be done on a lumpsum amount of ₹ 50,000. In between this period, the workshop at Asian Arts caught fire and there was no fault of the proprietors. Goods bailed by Mr. Sharad along with another furniture destroyed in this fire incident. Mr. Sharad has lost furniture due to fire at workshop of Asian Arts. What is the correct statement considering there was no specific contract?
- (a) Asian Arts is liable, because fire took place at his place
 - (b) Asian Arts is liable, because bailment is on going
 - (c) Asian Arts is not liable because risk of any loss during bailment is to be borne by bailor.
 - (d) Asian Arts is not liable because fire is not due to any negligence of their part.
71. Atul contracts to indemnify Neha against the consequences of any proceedings which Chirag may take against Neha in respect of a sum of ₹ 15000/- advanced by Chirag to Neha. Neha who is called upon to pay the sum of money due to Chirag fails to do so. Advise Chirag on the course of action to be taken as per the provisions of the Indian Contract Act, 1872.
- (a) Chirag can file a suit only against Neha
 - (b) Chirag can file a suit only against Atul
 - (c) Chirag can file a suit against both Neha and Atul
 - (d) Chirag can file a suit only against Atul but not against Neha
72. The position of a finder of lost goods is that of a
- (a) Bailor
 - (b) Bailee
 - (c) Surety
 - (d) Principal debtor

73. The delivery of goods by one person to another for some specific purpose is known as:
- (a) Mortgage
 - (b) Pledge
 - (c) Bailment
 - (d) Charge
74. With respect to Contract of Bailment, which of the following statement is incorrect:
- (a) No consideration is necessary to create a valid contract of bailment.
 - (b) It involves the delivery of goods from one person to another for a specific purpose.
 - (c) Bailment is only for immovable goods and never for moveable goods
 - (d) Change of possession in bailment does not lead to change of ownership.
75. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statements is correct in this regard?
- (a) This is a case of bailment
 - (b) The operator of the parking lot has possession of Vishal's car
 - (c) The operator of the parking lot has custody of Vishal's car
 - (d) This is a case of mortgage
76. The Pawnee doesn't have the right to retain the goods pledged for
- (a) Performance of the promise
 - (b) Extraordinary expenses incurred by him for preservation of goods pledged
 - (c) Payment of debt
 - (d) Necessary expenses incurred by him in respect of possession of goods pledged

77. A hires a carriage from B. The carriage is unsafe though B is not aware of it and A is injured. Choose the correct answer as per the provisions of the Indian Contract Act, 1872.
- (a) B is responsible to A for the injury
 - (b) B is not responsible to A for the injury
 - (c) Neither is responsible to the other
 - (d) A himself is responsible for his injury
78. _____ is one who represents to be an agent of another when in reality he has no such authority from the other agent at all.
- (a) Substituted agent
 - (b) Subordinate agent
 - (c) Pretended agent
 - (d) Both (a) & (b)
79. L made an offer to the Managing Director of a company. The Managing Director accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company had already ratified the Managing Director's acceptance. State which of the statements given below is correct:
- (a) L is bound by the offer due to ratification
 - (b) An offer once accepted cannot be withdrawn
 - (c) Both option (a) & (b) is correct
 - (d) L is not bound by the offer.
80. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:
- (a) Implied agency
 - (b) Agency by ratification
 - (c) Agency by necessity
 - (d) Express agency

81. Vinod, a transporter was transporting tomatoes of Avinash from his (Avinash's) farm to the market. However, due to heavy rains, Vinod was stuck for three days and thus he sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Choose the correct option in the light of the provisions of the Indian Contract Act, 1872.
- (a) Avinash will succeed in recovering losses of tomatoes from Vinod
 - (b) Avinash will not succeed in recovering losses of tomatoes from Vinod
 - (c) Vinod can sell the tomatoes only at a price higher than the market rate
 - (d) Avinash is liable to compensate Vinod as his truck was stuck for three days and hence, he (Vinod) could not complete the deliveries of other clients and thus he (Vinod) suffered loss
82. Jane has appointed Vinita as his agent to sell the garments manufactured by Jane. Vinita due to her personal issues could not work effectively. Hence, she appointed Kanth to sell on her behalf. Can Jane be bound by the acts of Kanth?
- (a) No, an agent without authority cannot lawfully appoint a sub-agent.
 - (b) Yes, Vinita is liable for the acts of Kanth and in turn Jane is liable for the transaction.
 - (c) No, Kanth will be liable on his own account for any sales made.
 - (d) Yes, Kanth now becomes direct agent of Jane as Kanth has sold garments manufactured by Jane.
83. Days of grace provided to the Instruments at maturity is—
- (a) 1 day
 - (b) 2 days
 - (c) 3 days
 - (d) 5 days

84. Parties to a negotiable instrument can be discharged from liability by—
- (a) Cancellation
 - (b) Payment
 - (c) Release
 - (d) All of the above
85. Validity period for the presentment of cheque in bank is—
- (a) 3 months
 - (b) 6 months
 - (c) 1 year
 - (d) 2 years
86. A negotiable instrument that is payable to order can be transferred by:
- (a) Simple delivery
 - (b) Indorsement and delivery
 - (c) Indorsement
 - (d) Registered post
87. A negotiable instrument drawn in favour of a minor is
- (a) Void ab initio
 - (b) Void but enforceable
 - (c) Valid
 - (d) Quasi contract
88. As per the Negotiable Instruments Act, 1881, when the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due on the..... .
- (a) Said public holiday
 - (b) 5 days succeeding public holiday
 - (c) Next succeeding business day
 - (d) Next preceding business day

89. Which of the following is an essential characteristic of a promissory note:
- (a) There must be an order to pay certain sum
 - (b) It must be payable to bearer
 - (c) It must be signed by the Payee
 - (d) It must contain an unconditional undertaking
90. Mr. Aylam issued a cheque amounting to ₹ 25,000 dated 2nd February 2020 to Mr. Gandhi which was deposited by Mr. Gandhi on 16th March 2020 in his bank account. The said cheque was returned unpaid on 17th March 2020 by the bank of Mr. Aylam citing insufficient funds in the account of Mr. Aylam. Mr. Gandhi demanded the payment from Mr. Aylam by issuing the notice on 31st March 2020 which was received by Mr. Aylam on 2nd April 2020. Assuming that Mr. Aylam failed to make the payment within stipulated time, what is the last date by which Mr. Gandhi should have made a complaint in the court?
- (a) 17th May 2020
 - (b) 2nd May 2020
 - (c) 17th April 2020
 - (d) 30th April 2020
91. The preamble is most important in any legislation, it:
- (a) Provides definitions in the Act.
 - (b) Expresses scope, object and purpose of the Act.
 - (c) Provides summary of the entire Act.
 - (d) provides side notes often found at the side of a section.
92. As per the rules of an educational institution, every student may come on weekends for extra classes but every student shall appear on a weekly test conducted in the institute, which means:
- (a) Attending extra classes on weekends is optional but appearing in weekly test is compulsory

- (b) Attending weekend classes is compulsory but appearing in weekly test is optional
 - (c) Attending weekend classes and appearing in weekly test, both are compulsory for students
 - (d) Attending weekend classes and appearing in weekly test both are optional for students.
93. Which of the following is not an Immovable Property?
- (a) Land
 - (b) Building
 - (c) Timber
 - (d) Machinery permanently attached to the land
94. Where an act of parliament does not expressly specify any particular day as to the day of coming into operation of such Act, then it shall come into operation on the day on which:
- (a) It receives the assent of the President
 - (b) It receives the assent of the Governor General
 - (c) It receives assent of both the houses of Parliament
 - (d) It receives assent of the Prime Minister
95. As per the provisions of the General Clauses Act, 1897, where an act or omission constitutes an offence under two or more enactments, then the offender shall be liable to be prosecuted and punished under:
- (a) Under either or any of those enactments
 - (b) Twice for the same offence
 - (c) Either (a) or (b) as per the discretion of the court
 - (d) Under the cumulative effect of both the enactments
96. Formal legal document which creates or confirms a right or records a fact is —
- (a) a Document
 - (b) a Deed

- (c) a Statute
 - (d) an Instrument
97. The Rule in Heydon's case is also known as—
- (a) Purposive construction
 - (b) Mischief Rule
 - (c) Golden Rule
 - (d) Exceptional Construction
98. Pick the odd one out of the following aids to interpretation—
- (a) Preamble
 - (b) Marginal Notes
 - (c) Proviso
 - (d) Usage
99. Which rule of construction is applicable where there is a real and not merely apparent conflict between the provisions of an Act, and one of them has not been made subject to the other—
- (a) Rule of Beneficial construction
 - (b) Rule of Literal construction
 - (c) Rule of Harmonious construction
 - (d) Rule of Exceptional construction
100. An internal aid that may be added to include something within the section or to exclude something from it, is—
- (a) Proviso
 - (b) Explanation
 - (c) Schedule
 - (d) Illustrations

Answer Keys

Question No.	Answer
1	(b) The concept of 'small company' is applicable only in case of a private limited company/OPC and therefore, despite meeting the criteria of 'small company' it being a public limited company cannot enjoy benefits of 'small company'.
2	(c) The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.
3	(b) The company can alter its Memorandum of Association by passing a special resolution at the shareholders' meeting.
4	(a) Any member of the company can make an application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
5	(c) There is specific prohibition on converting OPC into a Section 8 company; otherwise it can be converted into a private or public company without any hindrance.
6	(b) Advertisement was given after six months from the date of allotment and the issuing house has paid the entire consideration to the company.
7	(c) in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
8	(c) Minimum offer per person should have Market Value of ₹ 20,000
9	(c) one year from the date of opening of first issue
10	(c) 9 th December, 2019.
11	(b) The company is prohibited from providing 'Right of Renunciation' so the offer letter and the application form need not include any such clause.
12	(b) Qualified Institutional Buyers.

13	(b)	Neptune needs to issue shares to the subscribers only in dematerialized form.
14	(b)	Equal to not less than two years' fees payable to the depository.
15	(d)	When securities are offered to the public for subscription
16	(a)	The provisions relating to minimum subscription are not applicable
17	(b)	At the time of delivery of the prospectus for registration
18	(c)	Sweat Equity Shares
19	(d)	Yes; because Articles of Association of the company allow issue of such preference shares and the issuing company is a private limited company.
20	(b)	will have the right to vote because dividend has not been paid for the last two years.
21	(c)	the consent in writing of three-fourths of such other class of shareholders shall also be obtained
22	(d)	Yes, the company can issue preference shares for financing an infrastructure project for a period exceeding to 20 years.
23	(d)	All of the above
24	(b)	It cannot do so because there must be a time gap of 12 months between two buy-backs
25	(c)	Upon expiry of five years from the end of the financial Year in which the default was made good
26	(c)	20th October, 2020.
27	(c)	27th October, 2020.
28	(b)	Vanshika, as transferee and potential owner of equity shares, has the right to file an appeal with NCLT against the company.
29	(b)	Three years from the date of allotment
30	(d)	Prithvi Cements Limited cannot issue debentures carrying voting rights.

31	(c)	The auditor of the company is authorised to issue such certificate
32	(b)	Deposit repayment reserve account
33	(b)	6 months
34	(c)	Not less than 20% of the amount of its deposits maturing during the following financial year.
35	(c)	Eight years from the financial year in which the latest entry is made in the Register.
36	(d)	The company can prematurely repay the deposit along with interest @8% p.a. for the period of 14 months (from 1st April 2019 to 31st May 2020).
37	(b)	Unsecured deposits
38	(c)	36 months
39	(d)	Longer than the unexpired period of deposit.
40	(d)	the date of such registration
41	(b)	Charge
42	(b)	17th April, 2019.
43	(d)	to declare dividends.
44	(b)	Three times
45	(b)	30 days
46	(d)	95% of members entitled
47	(c)	30 days
48	(c)	Profit on sale of asset
49	(d)	at the discretion of the company.
50	(a)	Latest by 29th September, 2019
51	(c)	Transfer the dividend in relation to such shares to the Unpaid Dividend Account
52	(b)	11%.
53	(d)	3 or more directors, out of which at least 1 director shall be an independent director.
54	(b)	Companies with turnover of ₹ 1000 crore or more.
55	(d)	180 days from the closure of the financial year.

56	(a)	That other company is a 'small company' where Rema also occupies the office of director in addition to OPC.
57	(b)	Yes, the act of the company is valid in law as the net profit of the company is less than ₹ 5 crore in the immediately preceding financial year.
58	(b)	The act of the BOD is valid as the applications made for revision in the accounts and board's report pertain to two different financial years.
59	(d)	2011-2012
60	(c)	Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization by way of resolution of the board of directors.
61	(a)	Special notice is required
62	(b)	Comptroller and Auditor General of India (CAG).
63	(a)	design and implementation of any financial information system
64	(b)	LLP
65	(a)	A special resolution and prior approval of the Central Government.
66	(c)	Contract of indemnity
67	(a)	Contract of Guarantee
68	(c)	Contract of Indemnity
69	(b)	Invalid
70	(c)	Asian Arts is not liable because risk of any loss during bailment is to be borne by bailor.
71	(a)	Chirag can file a suit only against Neha
72	(b)	Bailee
73	(c)	Bailment
74	(c)	Bailment is only for immovable goods and never for moveable goods
75	(c)	The operator of the parking lot has custody of Vishal's car

76	(b) Extraordinary expenses incurred by him for preservation of goods pledged
77	(a) B is responsible to A for the injury
78	(c) Pretended agent
79	(c) Both option (a) & (b) is correct
80	(d) Express agency
81	(b) Avinash will not succeed in recovering losses of tomatoes from Vinod
82	(a) No, an agent without authority cannot lawfully appoint a sub-agent.
83	(c) 3 days
84	(d) All of the above
85	(a) 3 months
86	(b) indorsement and delivery
87	(c) Valid
88	(d) next preceding business day
89	(a) There must be an order to pay certain sum
90	(a) 17th May 2020
91	(b) Expresses scope, object and purpose of the Act.
92	(a) Attending extra classes on weekends is optional but appearing in weekly test is compulsory
93	(c) Timber
94	(a) It receives the assent of the President
95	(a) Under either or any of those enactments
96	(d) an Instrument
97	(b) Mischief Rule
98	(d) Usage
99	(c) Rule of Harmonious construction
100	(b) Explanation

CASE SCENARIO

1. Mr. Varinder Singh is a philanthropist apart from being the founder and director of Paridhaan (P) Ltd. with paid-up share capital of ₹ 3 crore, engaged in business of renowned textile brand named, 'Paridhaan'. He is running an old age home, a shelter-home for orphans apart from a chain of art and language schools. These philanthropic initiatives and educational institutions established by him are operating under the banner of a charitable trust, in which he himself is one of the trustees. The company is losing market share due to stiff competition from readymade brands resulting decline in turnover to ₹ 180 lakhs during the immediately preceding financial year, out of which 45% consists of export sales.

His son, Jimmy, who is also a shareholder and director in Paridhaan (P) Ltd., wishes to start a new business of e-learning platform and research-based technical education. He opted for a corporate form of doing business, because this may help in reaching out to leading global universities to sign MoUs' for student and faculty exchange programs, in order to establish a global brand, especially after the rollout of the new education policy. Jimmy wants to retain the entire control of educational activities. Jimmy met their family friend, Mr. Chawla, who is a renowned practicing Chartered Accountant. Mr. Chawla explains the various forms of companies, including One Person Company (OPC) with the procedural requirements for each, which could be considered by Jimmy for his education business. Jimmy decided to form OPC after considering the various pros and cons.

Jimmy appoints Mr. Wilson as a nominee to his OPC. Mr. Wilson who is in his 30s, is an academician and scholar, a graduate from MIT in CSE, and has done his masters with Jimmy. Mr. Wilson is from Cambridge, Massachusetts, USA and is basically a US national. But, he has been staying in India only, for the last couple of years. Mr. Wilson helps Jimmy in the promotion of OPC.

Mr. Chawla is an auditor of Sirmaur Pharma Limited, the AGM of which was convened on 31st August 2021. As he had already confirmed his appointment with Jimmy to meet him on that day, he asked his paid

assistant, Mr. Anup, to attend the AGM on his behalf as the company had not exempted the auditor from attending the said meeting. Mr. Anup is Chartered Accountant, but currently is in full time employment with Mr. Chawla's firm since the last year or so. Mr. Anup is not holding a certificate of practice. At that AGM, based upon the board's recommendation, Sirmaur Pharma Limited decided to issue fully paid-up bonus share to its members out of its reserve and surplus available with it, which are as follows:

Source	Amount in ₹
Free Reserves	1.24 crores
Securities Premium Account	0.82 crores
Capital Redemption Reserve Account	1.07 crores
Reserves created by the revaluation of assets	0.63 crores

Multiple Choice Questions [2 Marks each]

- 1.1 Considering the validity of nominating Mr. Wilson to the One Person Company of Jimmy, out of the following, which statement holds truth?
- (a) Mr. Wilson is a valid nominee because he is a natural person.
 - (b) Mr. Wilson is a valid nominee because he is a natural person and is resident in India.
 - (c) Mr. Wilson is a valid nominee because he attains the majority and also engaged in the promotion of OPC.
 - (d) Mr. Wilson is not a valid nominee, because he is not a citizen of India.
- 1.2 What is the maximum amount, upto which fully paid bonus shares can be issued by Sirmaur Pharma Limited?
- (a) ₹ 2.06 crores
 - (b) ₹ 3.13 crores

- (c) ₹ 3.76 crores
 - (d) ₹ 2.69 crores
- 1.3 Mr. Varinder wants to take the benefits of relaxation available to a small company. Does Paridhaan (P) Ltd. meets the criteria to be classified as a small company?
- (a) Yes, because turnover is less than prescribed limit
 - (b) Yes, because both paid-up share capital and turnover are less than the prescribed limit
 - (c) No, because paid-up share capital is more than the prescribed limit
 - (d) No, because both paid-up share capital and turnover is more than the prescribed limit
- 1.4 Jimmy is already a member of Paridhaan (P) Ltd. and has now promoted his own OPC. Is Jimmy eligible to incorporate an OPC as being an existing member and Director of Paridhaan (P) Ltd., which of the following statements is correct?
- (a) Not eligible, because a person who is a member of any other company cannot incorporate an OPC.
 - (b) Not eligible, because a person who is director of any other company cannot incorporate an OPC as a member.
 - (c) Eligible, because a person can incorporate one OPC as a member despite being a member in any other form of companies, other-than OPC.
 - (d) Eligible, because a person can be a member of any number of companies including any number of OPCs.
- 1.5 Is Mr. Chawla liable for punishment for contravention of the provisions of Section 146 and Section 147 of Companies Act, 2013?
- (a) No, because attending AGM is not mandatory for auditor

- (b) No, because Mr. Chawla attends the AGM through his representative (Mr. Anup)
- (c) Yes, because in all circumstances; auditor (Mr. Chawla) must attend the AGM and that too in person.
- (d) Yes, because representative appointed by him in this case (i.e. Mr. Anup) is not qualified to be appointed as an auditor of such a company.

Answer Keys

Question No.	Answers
1.1	(d) Mr. Wilson is not a valid nominee, because he is not a citizen of India.
1.2	(b) ₹ 3.13 Crores
1.3	(c) No, because paid-up share capital is more than the prescribed limit
1.4	(c) Eligible, because a person can incorporate one OPC as a member despite being a member in any other form of companies, other than OPC.
1.5	(d) Yes, because representative appointed by him in this case (i.e. Mr. Anup) is not qualified to be appointed as an auditor of such a company.

2. Mr. Kumar Arijit is a renowned finance professional with wide experience in banking operations. Due to his experience, he has been appointed as director on the Board of various companies. He is working as the Executive Director - Finance of Doon Carbonates Limited (DCL) for the past 4-5 years and heading the finance department there. As per the object clause of the Memorandum of Association of DCL, it can raise funds by way of loans for the advancement of its business. Articles of Association of DCL authorizes the directors to borrow up to ₹ 50 lakhs on behalf of the company after passing a valid board resolution and any loans for amounts exceeding the above limit can be raised only after prior approval at a duly convened general meeting.

Board of Directors of DCL raised ₹ 80 lakhs from Srikant Finance Services after passing a board resolution and out of this amount, ₹ 60

lakhs was used to pay a legitimate liability of DCL by the directors. Such an act was ratified by the members in an EGM conducted thereafter. DCL is a widely held company with around 5600 members as per the members register. The 21st AGM of DCL was convened on 1st September 2021. A total of 34 members attended the meeting out of which 7 members attending through proxy. 6 of such members were represented by single proxy, Mr. Das. The articles of DCL is silent about the quorum. The voting at such meeting was conducted through means of postal ballot for all the items of business on the agenda.

Mr. Kumar is also director of Padmani Silk Limited (PSL). PSL was established around 25 years back as a private company operating as a micro business with 10 employees in a three-room building. During those years, the company grew exceptionally and went public and was also listed on SME exchange. PSL declares the interim dividend out of the previous year's undistributed profit, on 31st August 2021, on the occasion of the 25th anniversary of the company. PSL deposited the amount of said dividend in a separate bank account with an NBFC on 4th of September, 2021. The company has not incurred any loss during current F.Y. 2021-22 in any quarter.

Mr. Kumar hails from a farming family and carries on the business of cultivation and milling of paddy. He is also the sole member of Fair-Deal Limited (FDL), a one person company. FDL is operated as rice sheller and also deals in trading of high quality basmati rice. Mr. Kumar's father is operating as a nominee for the purposes of this OPC. The accounts department of FDL prepared and published only Profit and Loss Account and Balance Sheet as a financial statement and did not prepare cash flow statements and explanatory notes to accounts. A statement of changes in equity is not required in the case of FDL.

Multiple Choice Questions [2 Marks each]

- 2.1 Regarding compliance for declaration and distribution of interim dividend by PSL, which of the following statements is correct?
- (a) There is a violation of the provisions because interim dividend can only be declared out of current year's profits.
 - (b) There is no violation at all, and all the provisions prescribed by law have been complied with.

- (c) There is a violation because the bank account shall be designated and shall be one of existing banks account of company.
 - (d) There is a violation because the bank account shall be opened with scheduled banks only.
- 2.2 Which of the following statements is correct, with reference to the requirement for financial Statements of 'Fair Deal Limited'
 - (a) FDL fails to meet the requirement because its financial statement do not include explanatory notes to accounts
 - (b) FDL fails to meet the requirement because its financial statements do not include cash flow statement
 - (c) FDL fails to meet the requirement because its financial statements do not include explanatory notes to account and cash flow statement
 - (d) FDL has complied with the requirements related to financial statements
- 2.3 The borrowing of the sum of ₹ 80 lakhs by the directors of DCL is
 - (a) Void-ab-initio
 - (b) Void
 - (c) Voidable
 - (d) Valid
- 2.4 Regarding the validity of the 21st Annual General Meeting of DCL, which of the following statements is correct?
 - (a) The meeting doesn't have a quorum, because 30 members need to be personally present at the meeting.
 - (b) The meeting is valid and has a quorum because 30 members are present at meeting either personally or through a proxy.

- (c) The meeting is valid and has a quorum, because only 5 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand
- (d) The meeting is valid and has a quorum, because only 15 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand

Answer Key

Question No.	Answers
2.1	(d) There is a violation because the bank account shall be opened with scheduled banks only.
2.2	(a) FDL fails to meet the requirement because its financial statement do not include explanatory notes to accounts
2.3	(d) Valid
2.4	(a) The meeting doesn't have a quorum, because 30 members need to be personally present at the meeting.

3. Mr. B R Mohanty, promoted two companies about two-decades ago. He promoted these companies along with two of his elder brothers and few friends, who are pharmaceutical and chemical engineers by profession. The companies are Well-Mount Limited (WML) dealing in wellness products and pharmaceuticals; and Tex-Mount Limited (TML) dealing in textile products.

During these two decades, both WML and TML have grown magnificently as both the sectors expanded beyond imagination. Both companies went public and their stocks were listed on leading stock exchanges. TML did well in the past and emerged as a major export unit but in recent years the textile sector has witnessed stiff competition due to new entrants. The increased cost of the workforce and other input materials has also made the sector unprofitable. The

recent lockdown has also affected the sector adversely. TML's bottom line for the current financial year is in the red. TML was declaring dividends since the very first year of operation and is willing to continue the tradition, considering dividend to be a signalling effect to an investor for the purpose of valuation. Rate of dividend declared for the immediately preceding five years was 9%, 10%, 8%, 5% and 2% (9% being five years ago and 2% being the previous year) respectively. The management at TML decided to declare dividends out of the accumulated profits of previous years.

TML deals in exports and hence came under the scanner of the enforcement directorate, who have called for the financial statements and books of account of TML for scrutiny for the last 10 preceding financial years. In response to the said notice TML furnished financial statements and books of accounts for last 8 immediately preceding financial years only, stating that as per its article of association; TML is required to maintain and keep the books of account only for 8 immediately preceding financial years and that too without any records of vouchers pertaining to such accounts.

WML is doing well, it has used the outbreak of COVID-19 as a business opportunity and has registered significant growth in both top and bottom line. For the past many years, WML declared a dividend at a constant rate of 20%. During the financial year 2020-21, WML earns a profit of ₹ 580 crores. Board of directors of WML has declared 25% dividend on 14th June 2021 without transferring any amount to the reserves. On 14th July 2021 a portion of the dividend declared remains unpaid, due to operation of law. This amount has been transferred to unpaid dividend account on 20th July 2021.

CA. Dev was appointed as auditor from F.Y. 2018-19 onwards, under section 139 of the Companies Act, 2013, of WML in his individual capacity at the 17th AGM conducted on 29.09.2018.

Multiple Choice Questions [2 Marks each]

- 3.1 In case of TML, which of the following statements is correct regarding the declaration of dividend
- (a) TML can't declare the dividend because it has made loss in the current financial year.

- (b) TML can declare the dividend but only up to 9% subject to satisfaction of other conditions as well.
 - (c) TML can declare the dividend but only up to 5% subject to satisfaction of other conditions as well.
 - (d) TML can declare the dividend but only up to 6.8% subject to satisfaction of other conditions as well.
- 3.2 CA. Dev, who is the auditor of WML will have to vacate the office of the auditor at and can be reappointed again only at
 - (a) 22nd AGM and 27th AGM
 - (b) 27th AGM and 32nd AGM
 - (c) 22nd AGM and 23rd AGM
 - (d) 22nd AGM and can't be re-appointed again.
- 3.3 In case of WML, which of the following statements is correct regarding the declaration of dividend?
 - (a) WML can't declare the dividend at a rate more than 20%
 - (b) WML can declare the dividend out of current year's profit but it needs to transfer sum equal to 20% to reserve first.
 - (c) WML can declare the dividend out current year's profit but it needs to transfer sum equal to 10% of paid-up share capital to reserve first.
 - (d) WML can declare the dividend out of current years' profit without transferring any % to reserve.
- 3.4 In case of TML, regarding maintenance and preserving the books of account which of the following statements is correct?
 - (a) TML needs to maintain and keep the books of account for 10 immediately preceding financial years, hence TML has violated the law
 - (b) TML has not violated the provisions of law because it has preserved the books of account for 8 immediately preceding financial years.

- (c) TML has violated the provisions of law because it has preserved the books of account for 8 immediately preceding financial years without preserving the relevant vouchers pertaining to such books of account.
- (d) TML has not violated the provisions of law because it is complying with its article of association.
- 3.5 Regarding declaration and distribution of dividend by WML, which of the following statements is correct keeping in mind the various timelines?
- (a) WML has violated the law, because some of the dividend remain unpaid; irrespective of reason for non-payment
- (b) WML has violated the law, because unpaid dividend has to be transferred to the unpaid dividend account on or before 19th July 2021.
- (c) WML has not violated the law, because the unpaid dividend has been transferred to the unpaid dividend account on or before 21st July 2021.
- (d) WML has not violated the law, because the unpaid dividend can be transferred to the unpaid dividend account at any time within 90 days from the date of declaration.

Answer Keys

Question No.	Answers
3.1	(c) TML can declare the dividend but only up to 5% subject to satisfaction of other conditions as well.
3.2	(a) 22 nd AGM and 27 th AGM
3.3	(d) WML can declare the dividend out of current years' profit without transferring any % to reserve.
3.4	(c) TML has violated the provisions of law because it has preserved the books of account for 8 immediately preceding financial years without preserving the relevant vouchers pertaining to such books of account.

3.5	(c) WML has not violated the law, because the unpaid dividend has been transferred to the unpaid dividend account on or before to 21 st July 2021.
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4. Vignesh Fertilizers Limited (VFL) and Vivian Chemicals Private Limited (VCPL) were promoted around 30 years back by Mr. Vicky Tripathi and his family members. Mr. Vicky Tripathi and his younger brother Vinay Tripathi actively participate in the daily operations of both the companies. VCPL is wholly owned by Tripathi family, while Tripathi family has a majority stake of 65% in VFL.

Due to the poor economic conditions in the agriculture sector and shifting of the farmers' focus to organic farming, the sales of Vignesh Fertilizers Limited is dipping and its bottom line has been in the red for the last couple of years. The unabsorbed loss of VFL for the current financial year is ₹ 9.8 crores. VFL didn't pay any dividends during the last four years. VFL has accumulated profit in the form of free reserves of ₹ 180 crores whereas paid-up share capital is 918 crores as per its latest audited financial statement and loss of ₹ 9.8 crores has not been deducted from such amount of free reserves. Since pressure from shareholders of the free float is mounting, management at VFL decided to pay a dividend this year out of accumulated profit. Finally, the dividend was declared on 31th August 2021. Some of the dividend remained unpaid as on 30th September 2021, on account of operation of law; this was transferred to unpaid Dividend Account and a statement containing only the names of such beneficiaries was hosted on the website of the company on 9th November 2021.

VCPL is a mid-sized unlisted entity, with few branches (retail drug store) abroad and is not required to appoint a director under section 149(4). During the immediately preceding F.Y., its net worth was ₹ 280 crores, turnover was ₹ 590 crores and net profit was ₹ 45.8 crores. The profits and other information of the immediately preceding three years is given below:

Particulars	Year ended 31.3.2021 (₹ in crores)	Year ended 31.3.2020 (₹ in crores)	Year ended 31.3.2019 (₹ in crores)
Net Profit for the year as per section 198, including the below mentioned income.	45.8	52.0	35.8
Profit from foreign branches	1.8	9.1	5.4
Non-operating Income	8.6	2.7	0.8
Dividend Income	4.2*	0.0	2.4

*Out of ₹ 4.2 crores, the amount of ₹ 1.8 crores is dividend received from a foreign company not having any place of business in India.

The Board of Directors of VCPL is not clear whether they have to compulsorily form a CSR committee. In order to avoid adverse legal consequences, VCPL constitutes a CSR committee consisting of two (2) non-executive directors and one (1) executive director who was appointed as chairperson of the committee.

Multiple Choice Questions [2 Marks each]

- 4.1 In case of VFL, regarding the unpaid dividend, which of the following statements is correct?
- VFL is guilty, of non-payment of dividend, because some of the dividends remain unpaid even after 30 days of declaration.
 - VFL is guilty, because the list of beneficiaries of unpaid dividend is hosted on the website after 30 days from the date it falls in the category of unpaid dividend.
 - VFL is guilty, because the list of beneficiaries does not contain the latest known address of beneficiaries and the amount unpaid.
 - VFL is not guilty, because it has full-filled all the provisions of law pertaining to unpaid dividend.

- 4.2 During the current year, is VCPL required to constitute CSR committee under section 135 of Companies Act 2013?
- (a) No, because it is a private company
 - (b) No, because it is an unlisted company and it has net-worth less than ₹ 500 crores
 - (c) Yes, because despite being unlisted company its turnover is above ₹ 500 crores
 - (d) Yes, because its net profit is above ₹ 5 crores
- 4.3 In the case of VFL, what can be the maximum amount of dividends payable out of accumulated profits?
- (a) ₹ 109.8 crores
 - (b) ₹ 100 crores
 - (c) ₹ 42.3 crores
 - (d) ₹ 32.5 crores
- 4.4 Considering the legal provisions regarding the constitution of CSR committee and the one constituted by VCPL, state which of following the statements hold truth?
- (a) Constitution of the committee is invalid because it doesn't consist of an independent director.
 - (b) Constitution of the committee is invalid because its chairperson is an executive director.
 - (c) Constitution of the committee is valid because it depends purely upon the discretion of management.
 - (d) Constitution of the committee is valid because company is not required to appoint an independent director.
- 4.5 What is the minimum amount to be spent by VCPL on CSR activities for F.Y. 2021-22?
- (a) ₹ 89.06 Lakhs
 - (b) ₹ 78.20 Lakhs

(c) ₹ 75.00 Lakhs

(d) ₹ 73.80 Lakhs

Answer Keys

Question No.	Answers
4.1	(c) VFL is guilty, because the list of beneficiaries does not contain the latest known address of beneficiaries and the amount unpaid.
4.2	(d) Yes, because its net profit is above ₹ 5 crores
4.3	(d) ₹ 32.5 crores
4.4	(d) Constitution of the committee is valid because company is not required to appoint an independent director.
4.5	(c) ₹ 75.00 Lakhs

5. Mr. Abhinav Gyan is a techie and one of the promoters of Doon Technology Limited (DTL). He did his engineering from one of the prestigious IIT in Computer Science and then pursued his Masters in management from IIM. He started DTL fifteen years back. DTL is famous for advanced technologies such as artificial intelligence, block-chain solutions and many others. The company went public a decade ago, but has not been listed yet. DTL is expanding its operations in the wake of opportunities arising out of Industrial Revolution IV, therefore it wishes to retain the profit for reinvesting in the growth of the company, but the shareholders are seeking dividend based on the larger bottom line. The outbreak of COVID-19 was another reason which had forced the directors to retain the earnings. After the closure of books of accounts for the year, the directors proposed a final dividend of 10% against the expectation of 20% by shareholders. However, considering the extended lock-down which caused a delay in delivering the projects (resulting in deferment of revenue and additional cost), directors wished to revoke the dividend. The shareholders sought appointment of internal auditor for audit on a concurrent basis, whereas management of DTL stated that it does not

require to appoint an internal auditor under the law and that this will cause an unnecessary financial burden on the company. The excerpts from financial statements of the preceding financial year are as under;

Particulars	Amount in crores
Paid-up share capital	45
Turnover	495
Outstanding loans or borrowings*	105
Outstanding deposits#	22

* Includes inter-corporate loan of ₹ 25 crores.

up-till 31st January, the outstanding deposit was ₹ 30 crores.

Mr. Gyan bought 40,000 shares of Time Consultancy Services Ltd. (TCS) of face value - ₹ 10 each, out of his savings. On such shares, the final call of ₹ 2 was due but remained unpaid by Mr. Gyan. In the meantime, TCS declared dividend at a rate of 15%. Out of the total dividend of ₹ 8.4 crores declared on 31st August 2021, ₹ 0.42 crores remained unpaid as on 30th September 2021. Out of such ₹ 0.42 crores, ₹ 12 lakhs are on account of the operation of law and ₹ 3 lakhs are on account legal disputes of right to receive dividend. The unpaid dividend of ₹ 0.42 lakhs was finally paid on 12th December 2021, in full.

Mr. Gyan comes from a humble background; hence as part of his ethical commitment to uplift the society by promoting education to children of the economically weak section, he decided to form a section 8 company named Gyan Foundation around 2 years back with the support of a fellow professional, who later become a member of such a company. Receipts were in excess of expenditure and hence, it was decided that Gyan foundation will declare some dividend to its members.

Multiple Choice Questions [2 Marks each]

- 5.1 Regarding unpaid call money by Mr. Gyan, in light of dividend due to him from TCS, state which of following the statements is correct?
- (a) Dividend cannot be adjusted against the unpaid call money

- (b) The dividend of ₹ 60,000 can be adjusted against unpaid call money
 - (c) The dividend of ₹ 48,000 can be adjusted against unpaid call money, if consent is given by Mr. Gyan.
 - (d) The dividend of ₹ 48,000 can be adjusted against unpaid call money, even if consent is not given by Mr. Gyan.
- 5.2 Does DTL is required to appoint Internal Auditor u/s 138 of Companies Act 2013?
 - (a) No, because DTL is unlisted company
 - (b) No, because paid-up share capital is less than the prescribed limit
 - (c) Yes, because turnover and outstanding deposits have been more than the prescribed limit
 - (d) Yes, because outstanding loan has been more than the prescribed limit
- 5.3 With reference to the declaration of dividend by Gyan Foundation, state which of following statements hold truth?
 - (a) Gyan Foundation can declare dividend out of the capital as well
 - (b) Gyan Foundation can declare dividend either out of current years or previous years' profit, but need to transfer a certain % to reserve.
 - (c) Gyan Foundation can't declare the dividend because three years has not been elapsed since its incorporation.
 - (d) Gyan Foundation can't declare the dividend in any case.
- 5.4 What will be the amount of penalty which TCS needs to pay under section 127 of the Companies Act, 2013?
 - (a) Up-to ₹ 1000 per day till the default continues
 - (b) ₹ 64,800
 - (c) ₹ 97,200
 - (d) ₹ 1,08,000

Answer Keys

Question No.	Answers
5.1	(b) The dividend of ₹ 60,000 can be adjusted against unpaid call money
5.2	(c) Yes, because turnover and outstanding deposits have been more than the prescribed limit
5.3	(d) Gyan Foundation can't declare the dividend in any case.
5.4	(c) ₹ 97,200

6. Mr. Mohit Aggarwal is a director of Superior Carbonates and Chemicals Limited (SCCL). SCCL was incorporated by Mr. S. K. Aggarwal (father of Mr. Mohit) on 05th July, 1995, as a public company. SCCL accepts a loan of ₹ 1.5 crores from Mr. Mohit and the loan is expected to be repaid after twenty four months. SCCL in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. Mohit 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.

DBSL which is an unlisted public company, also proposed to accept the deposits from the public as on 1st November, 2021, which would be due for repayment on 30th September, 2026. DBSL also accepts a LAP (Loan against property) for a term of 10 years from a financial institution on 18th June 2021. Charge was created on that day, but DBSL failed to register the charge with the registrar within the prescribed time. The Registrar granted a grace period of further 30 days to DBSL in respect of application filed by it for the same, however, still it failed to register the charge within the prescribed time. Finally, the application for registration of charge was furnished on 18th August 2021.

SCCL has registered office in Paonta-sahib (Himachal Pradesh) and corporate office is situated in Dehradun (Uttarakhand) but around 15% of total members whose name is entered in members register are residents of Nainital (Uttarakhand). SCCL has a liaison Office at

Nainital. Management of the company is willing to place the register of members at the Nainital Liaison Office.

DBSL convene its 7th AGM on 10th September, 2021 at the registered office of the company. Notice for same was served on 21st August 2021. 78% of members gave consent to convening AGM at shorter notice due to ambiguity and possibility of another lockdown starting from 11th September 2021, on account of the Omicron variant of COVID-19.

Multiple Choice Questions [2 Marks each]

- 6.1 Pick the right statement regarding SCCL's willingness to keep and maintain the register of members at the Nainital liaison office.
- (a) Register of members shall be kept at either registered office or within the same city that too after passing the resolution, hence SCCL is not correct in placing it at the Nainital liaison office
 - (b) Register of members cannot be kept at any other place by SCCL, without passing an ordinary resolution
 - (c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10th of the total members entered in the register of members reside there
 - (d) Register of members cannot be kept at Nainital liaison office, even after passing a special resolution, because less than 1/20th of the total members entered in the register of members reside there
- 6.2 With reference to deposit proposed to be accepted by DBSL and its duration, you are required to identify which of the following statements is correct:
- (a) There is no requirement relating to the duration of deposit, DBSL can accept deposit for any duration.

- (b) Since DBSL is an unlisted company, provisions relating to the duration of the deposit are not applicable to it.
 - (c) There is a provision of a minimum duration of six months, but no upper cap to length is provided. Hence deposit proposed to be accepted by DBSL would be in compliance to provisions of Law.
 - (d) Acceptance of deposits by DBSL would be in violation of provisions of law, because the maximum period of acceptance of deposit cannot exceed thirty-six months.
- 6.3 With reference to application to the registrar for registration of charge by DBSL, which of the following statements is correct?
- (a) The charge cannot be registered now, even if the Registrar permits the same.
 - (b) The charge can be registered, if registrar permits with payment of ad-valorem fees.
 - (c) The charge can be registered, if registrar permits but with payment of additional fees as prescribed.
 - (d) The charge can be registered, with payment of standard fees.
- 6.4 With reference to the loan advanced by Mr. Mohit to SCCL, state whether the same is to be classified as a deposit or not?
- (a) Deposit, because any sum advanced by the director whether loan or otherwise is always classified as a deposit.
 - (b) Deposit, because the tenor of the loan is for a period of more than six months.
 - (c) Not a deposit, because such amount is recorded as loan in books of account of SCCL.
 - (d) Not a deposit, because the necessary written declaration is provided by Mr. Mohit in respect of such loan advanced to SCCL.

6.5 Considering the provision relating to length of Notice for AGM, pick out the right option:

- (a) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by all the members entitled to vote at AGM.
- (b) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to, by at-least 95% of members entitled to vote thereat.
- (c) Notice served by DBSL is valid because such shorter notice has been consented to, by 75% of members entitled to vote thereat.
- (d) Notice served by DBSL is not valid, because notice given within shorter duration needs to be at-least consented by 50% of the members entitled to vote at the AGM and that too, in writing.

Answer Keys

Question No.	Answers
6.1	(c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10 th of the total members entered in the register of members reside there
6.2	(d) Acceptance of deposits by DBSL would be in violation of provisions of law, because the maximum period of acceptance of deposit cannot exceed thirty-six months.
6.3	(b) The charge can be registered, if registrar permits with payment of ad-valorem fees
6.4	(d) Not a deposit, because the necessary written declaration is provided by Mr. Mohit in respect of such loan advanced to SCCL.
6.5	(b) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by at-least 95% of members entitled to vote thereat.

7. Dr. N. Kulshrestha is a renowned professional and a director on the Board of various companies. Two among these are Mount Electrolux Limited (MEL) and Rock Electronics Limited (REL). Both are unlisted public companies.

MEL accepts a contract from State Power Corporation to replace electromechanical meters with automated ("smart") meters for residential connections and fixing them outside the properties. The expected duration of the project is 150 days. MEL is presently considering alternate sources of finance. The Board of MEL is looking forward to inviting deposits of ₹ 80 crores, but Dr. Kulshrestha is of the opinion that deposits are meant for funding long term requirements and the present need is for the short term period. A special resolution to take prior consent for the same was duly passed and filed with ROC.

Extracts from the latest audited financial statement of MEL are as follows:-

Particulars	Amount in ₹ crores
Turnover	980
Paid-up Share Capital	410
Free Reserve	240
Capital Redemption Reserve	120
Security Premium Account	150

REL purchased an immovable property for its corporate office from GDI (Goenka Developer and Infrastructure). An agreement to sell was entered on 21st August, 2021. On 31st August, 2021, property was registered in name of REL. One-month after the date of registration, on 30th September 2021, REL comes to know that the title of such property was encumbered as there was a previous loan due to a financial institution, through a letter from such financial institution. In the said letter, it was mentioned that charge on such property was registered in the name of the financial institution from 16th May 2020 with the Registrar of Companies.

21st AGM of REL was concluded on 30th May 2020 for the financial year 2019-20. The 22nd AGM for considering the financial statements of the year 2020-21 could not be convened till 30th September, 2021 due to out-break of COVID-19. Hence an application for extension was filed with the ROC. The ROC granted extension of two months and finally the 22nd AGM was convened and conducted on 9th November 2021.

At the said 22nd AGM, the chairman of the Board of Directors was not present. In his absence, a member (Mr. Venugopal) having the largest voting right proposed that he be elected as a chairperson, and members holding the majority of voting rights were in favour of this. But on the show of hands, Mr. Anand was identified as chairman of the meeting. The other members demanded for a poll. The board members present were unanimously willing to appoint Dr. Kulshrestha as chairperson of the meeting and Dr. Kulshrestha also agreed for the same. The Articles of Association of REL is silent regarding election of chairman at general meetings.

Multiple Choice Questions (MCQs) [2 Marks each]

- 7.1 With reference to convening 22nd AGM of REL, which of the following statements is correct?
- (a) ROC has to grant an extension of 3 months
 - (b) REL has complied with the legal provisions relating to holding the AGM, by convening the 22nd AGM with the period of extension.
 - (c) REL has failed to comply with the legal provisions because AGM must be held with six months from the end of the financial year in all cases.
 - (d) REL has failed to comply with the legal provisions because the time gap between 21st and 22nd AGM is more than 15 months
- 7.2 With reference to the duration of deposits (if invited and accepted by MEL), you are required to resolve the query/opinion of Dr. Kulshrestha?
- (a) MEL has to accept deposits for a minimum duration of six months.

- (b) MEL can accept the deposit for five months for the entire ₹ 80 crores.
 - (c) MEL can accept the deposit for five months but maximum up to ₹ 77 crores.
 - (d) MEL can accept the deposit for five months but maximum up to ₹ 65 crores.
- 7.3 With reference to the encumbered nature of the property purchased by REL from GDI; identify the date from which REL has notice of charge against such property.
 - (a) 16th May 2020
 - (b) 21st August 2021
 - (c) 31st August 2021
 - (d) 30th September 2021
- 7.4 With reference to sourcing of funds by acceptance of deposits, apprise the eligibility of MEL.
 - (a) MEL is eligible to accept deposits
 - (b) MEL is not eligible to accept deposits, because it is a listed public company
 - (c) MEL is not eligible to accept deposits, because it has a paid-up share capital of less than five hundred crores.
 - (d) MEL is not eligible to accept deposits, because it has a turnover of less than one thousand crores.
- 7.5 With reference to the legal provisions, regarding chairman at AGM, in the context of 22nd AGM of REL; pick the right option.
 - (a) Dr. Kulshrestha will be the chairperson, because present board members are unanimously willing to appoint him and it's the discretion of the board to accept the demand of poll or not.
 - (b) Mr. Anand will be the chairman of the meeting until conclusion, because he is elected through a show of hands.

- (c) Mr. Anand will be the chairman of the meeting, but only until some other person is elected as Chairman as a result of a poll, if any.
- (d) Mr. Venugopal will be the chairman of the meeting, because he is favoured by members holding the majority of voting rights.

Answer Keys

Question No.	Answers
7.1	(b) REL has complied with the legal provisions relating to holding the AGM, by convening the 22nd AGM with the period of extension
7.2	(b) MEL can accept the deposit for five months for the entire ₹ 80 crores.
7.3	(a) 16th May 2020
7.4	(a) MEL is eligible to accept deposits
7.5	(c) Mr. Anand will be the chairman of the meeting, but only until some other person is elected as Chairman as a result of a poll, if any.

8. Mr. Nitin Balwani is a finance professional and one of the promoters of Sind Chemicals Private Limited (SCPL) and director at Prism Telecommunication Limited (PTL). SCPL is a private company, whereas PTL is a listed public company.

SCPL has 196 individual members, apart from:

- 6 employees including 3 KMPs (out of which 2 are in service and 4 are currently retired) who have been given shares of SCPL out of ESOP as a part of their remuneration while in service and have thus, become members of SCPL.
- Mr. A, Mr. B and Ms. C, who are joint owners of 1000 shares, Mr. X and Ms. Y, who are also joint owners of 1200 shares of SCPL.

Mr. Balwani is the opinion that SCPL has crossed the maximum limit for members in the case of a private company.

SCPL is growing, and is funding this growth through private equity placement. Allotment of shares took place on 18th August 2021, after a valid invitation to subscribe to a selected group of persons. The return of allotment was duly filed with the Registrar against this private placement on 8th September 2021. SCPL doesn't have a separate corporate office and operates from its registered office itself. Considering the expanding operations, the need for better reach and the shortage of the available space in present premises, SCPL shifted its registered office to the capital city of its domicile state as stated in Memorandum of Association on 28th August 2021. Copy of the rent agreement executed in this connection was furnished to the ROC on 9th October, 2021, in the prescribed form, along with an ordinary resolution passed in this regard.

PTL is expanding its network in the country, trying hard to reach remote villages and towns. Member's base is also increasing. PTL also required funds for expansion and decided to raise money through issue of secured debentures. Debentures redeemable after 12 years were allotted on 31st August 2021. Debenture trustees were duly appointed before the issue of letter of offer and debenture trust deed is executed on 9th November 2021.

PTL gives loan of ₹ 12 Lakhs to its company secretary-cum-law officer, who is a Key Managerial Person (KMP) under section 203 of Companies Act, 2013; for purchase of fully paid-up shares of the company (PTL). The consolidated monthly salary of company secretary-cum-law officer at PTL is ₹ 1.5 lakhs.

Multiple Choice Questions [2 Marks each]

- 8.1 With reference to shifting of registered office by SCPL, identify the correct option out of the statements mentioned below;
- (a) SCPL has complied with the legal provisions.
 - (b) SCPL should have passed special resolution instead of a ordinary resolution.

- (c) SCPL should have furnished intimation to ROC within 30 days.
 - (d) SCPL should have passed special resolution instead of ordinary resolution and should have intimated the same to the ROC within 30 days.
- 8.2 With reference to the legal validity of the issue of secured debenture by PTL, identify the correct statement out of the following:
 - (a) PTL has complied with the legal provision relating to issue and allotment of secured debentures.
 - (b) PTL has failed to comply with the law because the redemption period of the debentures is 12 years and the debenture trust deed is executed on 9th November 2021.
 - (c) PTL has failed to comply with the law because the redemption period of the debentures is 12 years.
 - (d) PTL failed to comply with the law because the debenture trust deed is executed on 9th November 2021.
- 8.3 Examine the legality of granting a loan to the company secretary-cum-law officer by PTL and pick the correct statement out of following.
 - (a) Valid, because a loan is granted to acquire fully paid-up shares
 - (b) Invalid, because a loan is granted by the company to its KMP to acquire its own shares.
 - (c) Invalid, because the amount of loan granted is more than the amount equal to six months' salary.
 - (d) Invalid, because a loan has been granted by the company to its KMP and that too for an amount exceeding six months' salary to acquire its own shares.

- 8.4 With reference to the requirement related to the maximum number of members in case of a private company, you are required to quantify the number of members:
- (a) 198 Members, because joint owners need to be considered as a single owner and members whose membership arises out employment will not be counted
 - (b) 201 Members, because joint owners will be counted in full and members whose membership arises out employment will not be counted
 - (c) 201 Members, because joint owners need to be considered as a single owner and members whose membership arises out employment as KMP will not be counted.
 - (d) 202 Members, because joint owners need to be considered as a single owner and members whose membership arises out of employment will not be counted provided they are in service.
- 8.5 Evaluate the legal validity of the return of allotment filed by SCPL in respect of the private placement, by selecting the correct option.
- (a) Default, because the return needs to be filed by 2nd of September, the penalty is ₹ 6000/-
 - (b) Default, because the return needs to be filed by 2nd of September, the penalty is ₹ 12000/-
 - (c) No Default, because the return needs to be filed by 17th of September, hence no penalty
 - (d) No Default, because the return needs to be filed by 17th of October, hence no penalty

Answer Keys

Question No.	Answers
8.1	(d) SCPL should have passed special resolution instead of ordinary resolution and should have intimated the same to the ROC within 30 days.

8.2	(b)	PTL has failed to comply with the law because the redemption period of the debentures is 12 years and the debenture trust deed is executed on 9th November 2021.
8.3	(d)	Invalid, because a loan has been granted by the company to its KMP and that too for an amount exceeding six months' salary to acquire its own shares.
8.4	(a)	198 Members, because joint owners need to be considered as a single owner and members whose membership arises out employment will not be counted.
8.5	(a)	Default, because the return needs to be filed by 2 nd of September, the penalty is ₹ 6000/-.

9. Mr. I J Gulati is a renowned research scholar in the field of agricultural science and had worked as a professor in the Agricultural University of Rajasthan. Mr. Gulati possesses diverse experience in latest techniques in irrigation and shed farming with technological intervention. He joined the board of National Fertilizers Limited (NFL) and Doon Agro Products Limited (DAPL) as an expert advisor and was later elevated to director in both the companies.

The share capital of NFL is divided into different classes of shares. NFL wants to entrust varied rights to the shares of a particular class, for this purpose they took consent in writing from $\frac{3}{4}$ th of the holders of the issued shares of that class but didn't pass the special resolution. Although terms of issue of the shares of that class don't prohibit such a variation, the memorandum of the company does not contain any such provision regarding the variation of rights.

Mr. Gulati incorporated OPC which helps farmers with forecasts on the weather, new agricultural techniques, various fund schemes including the opportunity of interest subsidies and subvention, marketing opportunities, gains in supporting the business of agro-products, etc. Mr. Porwal who was appointed as a nominee, decided to permanently settle down with his son in USA. Hence prior to leaving for the US, he wishes to withdraw his consent as nominee.

NFL holds 54% of the total share capital of Doon Fertilizers Limited (DFL), by virtue of this, NFL can exercise voting rights equivalent to 48% of the total voting power at DFL. NFL can change the composition of the board because it can appoint 5 out of a total of 12 directors at the board of DFL.

DAPL has decided to buy-back its own shares and the relevant extracts from the balance sheet of DAPL are given below:-

Liabilities	Amount (₹ In crores)
Paid-up Share Capital (30 crores shares of ₹ 10 each, fully paid – up)	300
Reserve and Surplus (free reserves)	350
6% Secured Debentures	1000

The current market price of a share is ₹ 20 and the buy-back price is expected to be either ₹ 21 or 22 per share. The company is proposing to buy back at-least 3 crores shares. Apart from secured debentures, there is an unsecured debt of ₹ 200 crores. Since the price of ₹ 21/ ₹ 22 was not acceptable to many members, it was felt that special resolution is not expected to be passed. Therefore, it was decided to pass a board resolution to effect the buy-back. Buy-back process was initiated on 18th August 2021 and completed on 9th September 2021. Mr. Gulati had heard somewhere that the shares bought back should be physically destroyed.

Multiple Choice Questions [2 Marks each]

- 9.1 With reference to buy-back process initiated by DAPL, identify the correct statement:
- DAPL can buy-back 3 crores shares @ ₹ 22 per share, as it can buy-back up to 7.5 crores shares.
 - DAPL cannot buy-back 3 crores shares @ ₹ 22 per share, because the maximum amount available for buy-back is 65 crores.

- (c) DAPL can buy-back 3 crores shares @ ₹ 21 per share, because the maximum amount available for buy-back is 65 crores.
 - (d) DAPL cannot buy-back 3 crores shares, even @ ₹ 21 per share.
- 9.2 Identify the correct statement out of the following, regarding the status of DFL and its relationship with NFL
 - (a) DFL is a subsidiary of NFL, as NFL holds more than 50% of the total share capital of DFL
 - (b) DFL is a subsidiary of NFL, as NFL can affect the composition of the board at DFL
 - (c) DFL is a subsidiary of NFL, as NFL holds more than 50% of the total share capital of DFL and can affect the composition of the board at DFL
 - (d) DFL is not a subsidiary of NFL
- 9.3 Examine the legality of variation of rights in respect of a particular class of shares by NFL & pick the correct statement out of the following regarding validity of variation of shareholders' rights and compliance by NFL:
 - (a) Invalid, because variation of shareholders' right is not allowed by law.
 - (b) Variation of shareholders' rights is valid, and necessary legal compliances are also met in full.
 - (c) Variation of shareholders' rights is valid, but NFL has failed to comply with the necessary requirement i.e. passing a special resolution at a separate meeting of the holders of the issued shares of that class.
 - (d) Variation of shareholders' rights is valid, but NFL is not authorized to entrust the same because its memorandum doesn't allow for the same.
- 9.4 Mr. Porwal can withdraw his consent as a nominee, by giving written notice to
 - (a) The sole member of the company

- (b) Registrar of companies
 - (c) The sole member of company and to OPC
 - (d) OPC and to Registrar of companies
- 9.5 By selecting the correct option, evaluate the legal validity of physically destroying the shares which were bought back by DAPL assuming all the conditions for such buyback are satisfied by DAPL.
- (a) DAPL is not legally required to physically destroy the shares
 - (b) DAPL shall extinguish and physically destroy the shares within a reasonable time after completion of the process of buy-back
 - (c) DAPL shall extinguish and physically destroy the shares by 16th September 2021
 - (d) DAPL shall extinguish and physically destroy the shares by 24th September 2021

Answer Keys

Question No.	Answers
9.1	(d) DAPL cannot buy-back 3 crores shares, even @ ₹ 21 per share.
9.2	(d) DFL is not a subsidiary of NFL
9.3	(b) Variation of shareholders' rights is valid, and necessary legal compliances are also met in full.
9.4	(c) The sole member of company and to OPC
9.5	(c) DAPL shall extinguish and physically destroy the shares by 16 th September 2021.

10. 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 appointed Mr. Rawat as a receiver in its order dated 9th November, 2021. A copy of the order was received by him on 12th November 2021.

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 1st September 2021 by creating a charge on its assets.

During his employment, Mr. Manoj promoted a company for the purpose of promoting the customs, traditions, and language of the Garhwal region of Uttarakhand, the said company was licensed under section 8 with the name National Book Depot Foundation (NBD) along-with his friends and relatives. Due to terms of his employment, he kept himself away from the management and operational activities of NBD. But now he has started participating in the management and daily operations of NBD, which is mainly engaged in the publication as well as the distribution of books based on Garhwal culture, the religious importance of Uttarakhand, and the opportunity for tourism. NBD has a registered office in Haridwar. NBD organized a book fair at Garhwal Mandal Hall in Mussoorie, situated in the foothills of the Garhwal Himalayan range in Dehradun district of Uttarakhand.

Mr. Manoj felt that if NBD conducts its AGM at the place where book fair is conducted, book fair will be a big hit as members could also enjoy and witness the culture Garhwal. There would also be a saving of cost. He therefore proposed this suggestion to the board of NBD. Board of directors at NBD decided to convene AGM at Mussoorie during the book-fair. No directions with respect to place of AGM have been given to the Board of directors by the company at any of its general meetings.

Mr. Barthwal, one of the members of NBD found it difficult to attend the AGM, and so he authorized his son-in-law, Mr. Negi, a member as

his proxy. Mr. Negi is a foreign national and was in India due to certain family ceremonies. Mr. Negi attended the meeting where he demanded a poll. The said meeting was adjourned to the next week, Mr. Negi attended the adjourned meeting too, where he requested to inspect the minute book.

Multiple Choice Questions [2 Marks each]

- 10.1 With reference to holding AGM at Mussoorie by NBD, identify the correct statement.
- (a) NBD has violated the provisions of the Act and is guilty because AGM can be held only at the registered office or at any other place in the same city.
 - (b) NBD is legally correct because the board of directors is authorized in this regard and hence their decision shall prevail.
 - (c) NBD can hold a meeting at a place outside the city in which registered office is situated, only after passing a special resolution and obtaining the permission of the central government.
 - (d) NBD has to get consent from all the members in writing or through electronic mode in advance to convene AGM at a place other than the city in which the registered office is situated.
- 10.2 DPPL needs to register the charge by;
- (a) 16th September, 2021
 - (b) 1st October, 2021
 - (c) 16th October, 2021
 - (d) 31st October, 2021
- 10.3 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 9th December, 2021

- (b) The company and the registrar by 9th December, 2021
- (c) The company by 12th December, 2021
- (d) The company and the registrar by 12th December, 2021

Answer Keys

Question No.	Answers
10.1	(b) NBD is legally correct because the board of directors is authorized in this regard and hence their decision shall prevail.
10.2	(b) 1 st October, 2021
10.3	(b) The company and the registrar by 9 th December, 2021

11. NAGARJUN AIRCONDITIONERS LTD. (NAL) is a contract manufacturing company incorporated on 1.2.2021 with the primary objective of manufacturing a full range of residential, commercial and portable air conditioners for renowned brands in India. NAL is a family owned unlisted public company, limited by shares. NAL has its registered office in Hyderabad, Telangana and marketing offices in four metropolitan cities at New Delhi, Kolkata, Mumbai and Bengaluru.

SAMUGA, one of the seven members, who also had subscribed to the memorandum of association of NAL, unfortunately met with a road accident and expired on 31.03.2021. All the remaining members attended the funeral. Business was as usual thereafter. All the members, as was the usual practice, were kept informed from time to time regarding all the important matters and issues relating to the company without fail by the CFO cum Company Secretary NIRANJAN. The Company continued its business only with its exiting other members for the next few months. SUGUNA, the wife of SAMUGA was taken as a member of NAL on official records only on 20.12.2021. Meanwhile, NAL borrowed unsecured loans of ₹ 15 crores repayable on demand for meeting working capital needs between the period 15.10.2021 to 15.12.2021 from one of its directors. MUDDU KRISHNA, who is only a family friend, but not a family member. The unsecured loan was borrowed with the stipulation of interest @10% p.a. payable

on monthly basis on the outstanding amount(s) to MUDDU KRISHNA, until the demand for payment of principal is made in writing to the company. However, MUDDU KRISHNA, because of his strained relationship with NAGARJUN, the managing director of NAL, resigned as a director of the company on 31.12.2021 and demanded immediate repayment of the entire sum of ₹ 15 crores lent by him to NAL with interest of 10% p.a. NAL followed delaying tactics, which finally resulted in MUDDU KRISHNA suing NAGARJUN severally for the entire debts owed by NAL to him, since he was the head of the family. There was no unpaid amount of NAGARJUN on the shares held by him of NAL.

MUDDU KRISHNA is also the member of One Person Company (OPC) MUDDU KRISHNA AGRO INDUSTRIES (OPC) PVT LTD. The OPC has been incorporated since the last one year. The Turnover of the OPC during the last financial year was ₹ 1 Crore. The paid up capital of the Company increased to ₹ 55 Lacs from ₹ 5 Lacs as on 15.01.2022. MUDDU KRISHNA after leaving the directorship with NAL continued his business as the member of his OPC.

Years passed. Size of the business and share capital of NAL substantially increased. NAL plans to go for expansion in its capacity, keeping in mind export market, which required about ₹ 25 crores. NAL started looking for various options for financing. One of the options considered was offer or invitation for subscription of equity through private placement. The Board identified a select group of 50 persons and issued private placement offer and applications after passing a special resolution at a general meeting and also after duly following the required procedure under the corporate laws. Monies received on application were kept in a separate bank account with Canara Bank. However, for some reasons NAL could not allot the equity shares within a period of 60 days from the date of receipt of the application money. The private placement plan was effectively cancelled, duly following the required procedure. NAL later opted for bank loans to finance the expansion.

NAL is authorized by its articles of association to accept whole or any part of the amount of remaining unpaid calls from any member,

although till date, no part of that amount has been called up. NARESH, one of the shareholders deposited in advance the remaining amount due on his shares without any calls made by NAL. NAL declared dividend during the year after such advance money was paid by NARESH. NARESH wanted to exercise his voting rights also in respect of call money paid in advance at the general meeting.

BHUSHAN AIRCONDITIONERS PVT LTD (BAPL) has been holding 5% equity in NAL, since February 2018. During the month of February 2022, NAL invested in 70% equity shares of BAPL. NAGARJUN wants to understand from NIRANJAN the implications of 5% holding of BAPL.

Multiple Choice Questions (MCQs) [2 Marks each]

- 11.1 (i) The Board identified select group of 50 persons and issued private placement offer and applications duly following the required procedure under the corporate laws.
- (a) Public at large is to be informed about such an issue through release of public advertisement through utilizing any media, marketing, distribution channels or agents;
 - (b) A release of public advertisement in any local newspaper and one national newspaper informing private placement is sufficient.
 - (c) No company issuing securities under private placement shall release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an issue.
 - (d) Informing the public at large through advertisement or otherwise is optional and the Board of Directors by passing a Board Resolution may decide the matter.

- (ii) However, for some reasons NAL could not allot the equity within a period of 60 days from the date of receipt of the application money.
 - (a) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company fails to repay the application money within the aforesaid period, it shall also be liable to repay the money with interest @ 18% PA from the expiry of the 75th day;
 - (b) Since Private Placement, NAL can take further 60 days time with the subscribers agreeing to pay interest @18% PA from the extended date until the actual allotment.
 - (c) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company fails to repay the application money within the aforesaid period, it shall also be liable to repay the money with interest @ 12% PA from the expiry of the 60th day;
 - (d) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company fails to repay the application money within the aforesaid period, it shall also be liable to repay the money with interest @ 12% PA from the expiry of the 75th day.
- 11.2 NARESH, one of the shareholders deposits in advance the remaining amount due on his shares without any calls made by NAL.
- (i) NAL declared dividend during the year.
 - (a) NARESH is not entitled to any dividend in respect of call money paid in advance;

- (b) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by a Board Resolution;
 - (c) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by an Ordinary Resolution in a general meeting;
 - (d) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by Articles of Association.
- (ii) NARESH wanted to exercise his voting rights also in respect of call money paid in advance in a general meeting;
 - (a) NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, since the relevant shares have been fully paid up.
 - (b) There would be no voting rights on that advance amount of NARESH in a general meeting till the amount is duly called for and adjusted;
 - (c) NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, if agreed by a Board resolution.
 - (d) NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, if agreed by an Ordinary resolution of Members.

11.3 NAGARJUN wanted to understand from NIRANJAN the implications of 5% holding of BAPL.

- (a) BAPL shall surrender its 5% equity holding to NAL immediately once it becomes the subsidiary of NAL;

- (b) BAPL shall transfer its 5% equity holding to any nominees of NAL before it becomes the subsidiary of NAL;
- (c) BAPL shall immediately transfer its 5% equity holding to any other legal person or entity before investment by NAL;
- (d) BAPL may continue to hold 5% equity holding in NAL.

Answer Keys

Question No.	Answers
11.1 (i)	(c) No company issuing securities under private placement shall release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an issue.
11.1 (ii)	(c) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company fails to repay the application money within the aforesaid period, it shall also be liable to repay the money with interest @ 12% PA from the expiry of the 60 th day.
11.2 (i)	(d) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by Articles of Association
11.2 (ii)	(b) There would be no voting rights on that advance amount of NARESH in a general meeting till the amount is duly called for and adjusted
11.3	(d) BAPL may continue to hold 5% equity holding in NAL.

12. It was time for Triveni Kitchen and Home Gadgets Limited (TKHGL) based at Kozhikode, Kerala to redeem 30,000 redeemable preference shares of ₹ 100 each at a premium of ₹ 30 per share. These preference shares were issued five years back in January, 2017 *i.e.* during the Financial Year 2016-17 to finance the purchase of a state-of-the art compact plant which would replace certain worn-out machineries

responsible for higher production costs. As a complimentary gesture, the employees who were required to operate the newly purchased plant were given the requisite training of fifteen days by the seller of the plant without any charge.

Triveni is an established name in the world of kitchen and home gadgets with twelve years of presence – be it pressure cook wares, cooktops, grinders, OTGs, Microwaves, Built-in Gas HOBs, or kitchen hoods, to name a few.

It was clarified by Shipra Dass, the financial controller of the company, that the profits were sufficient to meet the resultant liability arising out of the redemption of preference shares at a premium. Therefore, the redemption was carried out of the profits which were otherwise available for declaration of dividend to the shareholders of the company. After the redemption of preference shares, a requisite amount was transferred out of profits to Capital Redemption Reserve Account. As on the date of redemption, no liability on account of dividend payment to the preference shareholders was existing.

It may be noted that the company was incorporated with an Authorised Capital of ₹ 250.00 lakhs divided into twenty-two lakhs equity shares of ₹ 10 each and 30,000 redeemable preference shares of ₹ 100 each. The equity shares were fully subscribed at the time of incorporation but the preference shares were issued as fully paid-up only five years back. The reserves of Triveni consisted of General Reserves, Dividend Equalisation Fund, Workmen Compensation Reserve and Investment Fluctuation Reserve. Included in the list of non-current assets were Land and Building, Plant and Machinery, Vehicles, and Furniture and Fixtures.

Earlier, for the Financial Year 2020-21, the company had declared a dividend of ₹ 4 per share at its Annual General Meeting held on 7th September, 2021. However, a dividend of ₹ 42,000 payable on 10,500 equity shares remained unclaimed even after the expiry of statutory period within which dividend was required to be paid.

The company owned a plot of land in Kochi, a prominent urban area of Kerala which was purchased by it after the date of its incorporation. As

the property rates were going up, it was decided by Hariharan Nair, Venkatesh, Siva Kumar and Balakrishnan, the directors of the company, to revalue the plot during the current financial year 2021-22. It was found that the fair market value of the plot was approximately six times the original price based on a moderate estimate. This resulted in a revaluation profit of ₹ 75.00 lakhs. The directors are contemplating to use the revaluation profit of ₹ 75.00 lakhs along with other distributable profits for declaration of dividend in the next Financial Year.

Multiple Choice Questions [2 Marks each]

- 12.1 Out of the given options, which should be the purpose for which amount lying to the credit of CRR Account can be utilised:
- (a) Amount lying to the credit of CRR Account cannot be utilized for any purpose during the life-time of the company.
 - (b) Amount lying to the credit of CRR Account can be utilised for issuing fully paid-up bonus shares to the members of the company.
 - (c) Amount lying to the credit of CRR Account can be utilised for declaration of dividend.
 - (d) Amount lying to the credit of CRR Account can be utilised for paying up fresh issue of debentures to the members and such debentures shall be redeemed only after ten years from the date of issue.
- 12.2 State the period within which the company must have transferred the unpaid dividend amount to a special account opened by it in that behalf in a scheduled bank.
- (a) Within three days after the expiry of the statutory period within which dividend was required to be paid.
 - (b) Within five days after the expiry of the statutory period within which dividend was required to be paid.

- (c) Within seven days after the expiry of the statutory period within which dividend was required to be paid.
 - (d) Within ten days after the expiry of the statutory period within which dividend was required to be paid.
- 12.3 How much amount the company would have transferred to Capital Redemption Reserve (CRR) Account?
 - (a) ₹ 39,00,000
 - (b) ₹ 30,00,000
 - (c) ₹ 19,50,000
 - (d) ₹ 15,00,000
- 12.4 Please advise the directors with respect to use of the revaluation profit.
 - (a) The directors can use the revaluation profit of ₹ 75.00 lakhs along with other distributable profits for declaration of dividend.
 - (b) The directors cannot use the revaluation profit of ₹ 75.00 lakhs along with other distributable profits for declaration of dividend.
 - (c) The directors can use only 75% of the revaluation profit of ₹ 75.00 lakhs along with other distributable profits for declaration of dividend.
 - (d) The directors can use only 50% of the revaluation profit of ₹ 75.00 lakhs along with other distributable profits for declaration of dividend.
- 12.5 If the company had decided not to utilise such profits for the purpose of redemption which other option could it have used for accomplishing such redemption?
 - (a) No other option is available for the purpose of redemption of preference shares except profits which are otherwise available for declaration of dividend to the shareholders of the company.

- (b) Out of the proceeds of a fresh issue of shares made for the purpose of redemption of preference shares.
- (c) Out of the proceeds of a fresh issue of debentures to be redeemed only after ten years.
- (d) Out of the proceeds of a long-term loan raised from the bankers of the company for the purpose of redemption of preference shares.

Answer Keys

Question No.	Answers
12.1	(b) Amount lying to the credit of CRR Account can be utilised for issuing fully paid-up bonus shares to the members of the company.
12.2	(c) Within seven days after the expiry of the statutory period within which dividend was required to be paid.
12.3	(b) ₹ 30,00,000
12.4	(b) The directors cannot use the revaluation profit of ₹ 75.00 lacs along with other distributable profits for declaration of dividend.
12.5	(b) Out of the proceeds of a fresh issue of shares made for the purpose of redemption of preference shares.

13. Vishal Crockery Limited was incorporated on 24th September, 2014 under the jurisdiction of Registrar of Companies, Rajasthan with its registered office located in Jaipur and its manufacturing units spread out in Mumbai, Kanpur, Delhi and Ludhiana. Under the dynamic leadership of Hans Rajpal, the Chairman and Managing Director (CMD) of the company, the company had reached new heights of success. There were eight directors in the company including the CMD out of which two were independent directors.

The turnover of the company for the Financial Year 2020-21 was ₹ 750.00 crores – a whopping rise of more than 20% from the previous year and the net profit stood at an impressive figure of ₹ 6.60 crores – an increase of ₹ 1.80 crores as compared to the net profit of

the previous year. The company had a net worth of ₹ 250.00 crores; and it was noticed that the net worth had also registered a northern-western trend by more than 15%. The authorised and paid-up share capital of the company was ₹ 8.00 crores. Keeping in view the applicability of forming a CSR Committee for the current financial year 2021-22, a CSR Committee was formed with four directors as members of which one was an independent director. The Committee was, among other objectives, given the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy which would indicate the activities to be undertaken by the company within the framework specified in Schedule VII.

The company plans to diversify its business by adding another segment to manufacture steel utensils and therefore, is desirous of shifting its registered office to Mumbai from Jaipur which will help the company in carrying on the new business effectively. Another strategically important segment which the company tapped earlier and now wishes to engage itself in on a large scale relates to manufacturing of stationery items.

The company hopes that with the shifting of registered office to Mumbai, it will be able to target international markets to export its quality products. As on date, the export turnover of the company is not significant. The directors, Janardan Mittal (Finance) and Ratish Jain (Marketing), however, have in-depth knowledge of export markets, particularly those existing in UK and Singapore, where they can place their products successfully and achieve wealth maximisation.

During the current Financial Year 2021-22, the company provided ample support for improvement of infrastructure in schools established at Mumbai, Kanpur, Delhi and Ludhiana as part of its CSR activities. In addition, the company contributed towards establishment of Digital Smart Classroom, Libraries and computer labs in these cities. The company also deployed mobile medical units equipped with medical facilities and qualified doctors. In addition to this a large number of public health and sanitation activities had been initiated under Swachh Bharat Abhiyan. The total amount spent on these activities was, till date, almost equal to the minimum amount prescribed and it is hoped

that as the F.Y. 2021-22 approaches its end, the total spending on CSR activities will certainly exceed the budgeted figure.

Vishal Crockery Limited had decided to engage an external Section 8 company for undertaking its CSR activities and such charitable company is not established by Vishal nor it is established by the Central/State Government or by any entity established under an Act of Parliament or a State Legislature.

Multiple Choice Questions [2 Marks each]

- 13.1 Which of the following factors would have prompted Vishal Crockery Limited to mandatorily form a Corporate Social Responsibility (CSR) Committee for the current financial year?
- (a) The net profit had increased to ₹ 6.60 crores during F.Y. 2020-21 and it was more by ₹ 1.80 crores in comparison to previous year's net profit.
 - (b) The turnover was ₹ 750.00 crores during F.Y. 2020-21 which was an increase of more than 20% as compared to the previous year.
 - (c) The net worth was ₹ 250.00 crores during F.Y. 2020-21 which when compared to the previous year had registered an increase by more than 15%.
 - (d) The paid-up share capital was ₹ 8.00 crores during F.Y. 2020-21.
- 13.2 What is the time period within which, the Central Government shall dispose of the application filed by the company for shifting of its registered office to Mumbai in Maharashtra?
- (a) within thirty days
 - (b) within forty-five days
 - (c) within sixty days
 - (d) within ninety days

- 13.3 What is the minimum amount (in percentage) that Vishal Crockery Limited is required to spend during the Financial Year 2021-22 on the CSR activities?
- (a) 2% of the average net profits made during the two immediately preceding financial years.
 - (b) 2% of the average net profits made during the three immediately preceding financial years.
 - (c) 2.5% of the average net profits made during the two immediately preceding financial years.
 - (d) 2.5% of the average net profits made during the three immediately preceding financial years.
- 13.4 What should be the established track, Section 8 company should have in undertaking similar programs or projects which Vishal Crockery Limited wants it to accomplish?
- (a) Track record of minimum one year
 - (b) Track record of minimum two years
 - (c) Track record of minimum three years
 - (d) Track record of minimum four years

Answer Keys

Question No.	Answers
13.1	(a) The net profit had increased to ₹ 6.60 crores and it was more by ₹ 1.80 crores in comparison to previous year's net profit.
13.2	(c) within sixty days
13.3	(b) 2% of the average net profits made during the three immediately preceding financial years.
13.4	(c) Track record of minimum three years

14. Satyavaan Expert Packers and Movers Limited, a reliable and well-established company, was incorporated on 20th September, 2014 with an aim to provide convenient and innovative ways of moving

customers' household items, re-location of businesses and offices, shifting of vehicles, etc. in the northern region. Their services have been professionally designed to ensure maximum customers satisfaction. The company had been formed by the directors Vijay Khanna, Pranav Chaturvedi, Vansh Khurana, Roopali Datta and Shikha Kumar whose friendship had developed during their college days. By dint of hard work and their business acumen, the promoters had successfully created a niche for themselves amid cut-throat competition.

The company has a fleet of over 500 vehicles, 55 branches, several professionals and technical and non-technical employees. Over a period of time, Satyavaan has become a trusted brand, and prospective customers prefer to engage it, whenever they want to re-locate their offices or homes, since services are provided in a convenient and cost-effective manner.

The authorised capital of the company is ₹ 150.00 lakhs divided into 15,00,000 equity shares of ₹ 10 each. At the time of incorporation, its paid-up capital was ₹ 1,00,00,000 and there were 50 shareholders. The registered office of the company is situated in Green Park, Kanpur.

With a view to provide world-class relocation and moving solutions throughout the country, the directors decided to enlarge the capital base of the company. During the mid of the current financial year, it offered remaining 5,00,000 shares to another 120 persons at a premium of ₹ 10 per share on private placement basis. Among others, Ria, a freelance software consultant and her younger sister Ruchi, a management consultant in Infratech Solutions Limited which is well-known company for its high export turnover, were also identified as the prospective subscribers. Similar requests were also received from another twelve persons. Their requests were given due consideration by the directors. All the identified persons who were offered shares paid the required amount (including premium) as per the terms of the offer. The allotment of the shares was made much before the statutory period.

Immediately after the aforesaid allotment of shares, the company rolled out its expansion plan as envisaged earlier and utilised the funds so obtained for the requisite purpose. However, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis during the remaining part of the current financial year. For this purpose, it was proposed to increase the authorised capital from the present ₹ 150.00 lakhs to ₹ 300.00 lakhs.

In addition to the further allotment of shares on private placement basis, the company is also contemplating to raise deposits from the members. However, Vijay Khanna and Roopali Datta are of the opinion that the company should consider raising of deposits only in the next financial year since the funds already raised need to be properly utilized.

Multiple Choice Questions [2 Marks each]

- 14.1 What is the maximum period statutorily allowed within which the allotment of such 5,00,000 shares must be made by the company:
- (a) Shares must be allotted within 30 days of the receipt of application money towards such shares.
 - (b) Shares must be allotted within 45 days of the receipt of application money towards such shares.
 - (c) Shares must be allotted within 60 days of the receipt of application money towards such shares.
 - (d) Shares must be allotted within 90 days of the receipt of application money towards such shares.
- 14.2 In case, the company also contemplates to raise deposits from public in addition to its members, which of the following option is applicable, apart from satisfying other conditions:
- (a) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 100 crores and a turnover of minimum ₹ 500 crores.

- (b) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 150 crores and a turnover of minimum ₹ 250 crores.
 - (c) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 150 crores or a turnover of minimum ₹ 750 crores.
 - (d) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 100 crores or a turnover of minimum ₹ 500 crores.
- 14.3 How many more such prospective shareholders can be invited by the company for investment in the capital of the company under private placement, if such offer is not to be made to qualified institutional buyers or to employees of the company under ESOP?
- (a) The company can offer equity shares maximum up to the 30 prospective shareholders in the remaining part of the current financial year.
 - (b) The company can offer equity shares maximum up to the 55 prospective shareholders in the remaining part of the current financial year.
 - (c) The company can offer equity shares maximum up to the 80 prospective shareholders in the remaining part of the current financial year.
 - (d) The company can offer equity shares maximum up to the 130 prospective shareholders in the remaining part of the current financial year.
- 14.4 State the time period within which the company is required to refund the application money to the subscribers if it had failed to allot the shares within the statutorily allowed period.
- (a) The application money must be refunded within sixty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.

- (b) The application money must be refunded within forty-five days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (c) The application money must be refunded within thirty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (d) The application money must be refunded within fifteen days from the expiry of statutorily allowed period within which the allotment of shares ought to have been made.

Answer Keys

Question No.	Answers
14.1	(c) Shares must be allotted within 60 days of the receipt of application money towards such shares.
14.2	(d) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 100 crores or a turnover of minimum ₹ 500 crores.
14.3	(c) The company can offer equity shares maximum up to the 80 prospective shareholders in the remaining part of the current financial year.
14.4	(d) The application money must be refunded within fifteen days from the expiry of statutorily allowed period within which the allotment of shares ought to have been made.

15. 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 denser. 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 now 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. 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.

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.

Multiple Choice Questions [2 Marks each]

- 15.1 Which kind of charge shall be created by the NCBL on the assets of the company to be secured?
- (a) Fixed Charge
 - (b) Floating Charge
 - (c) Either Fixed or Floating Charge as desired by RCMTL
 - (d) Partly fixed and partly floating charge
- 15.2 Which Registrar of Companies needs to be approached for the registration of charge created in favour of NCBL concerning the securities offered by RCMTL?
- (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
- 15.3 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

- 15.4 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 if due to some unintended mistake, RCMTL could not register the charge created on its fixed assets in favour of NCBL within the statutory period primarily allowed?
- (a) Within next 10 days
 - (b) Within next 15 days
 - (c) Within next 20 days
 - (d) Within next 30 days

Answer Keys

Question No.	Answers
15.1	(a) Fixed Charge
15.2	(b) ROC of Delhi and Haryana since RCMTL has registered office at Connaught Place, New Delhi
15.3	(c) Within 30 days of creation of charge
15.4	(d) Within next 30 days

16. Green Pepper Films and Media Limited (GPFML), a major and well-established entertainment company, is engaged in the activities relating to production of TV programmes, distribution of motion pictures, etc. It has its own privately-owned studio facility which is used to produce films either by the company or by other players belonging to film industry. The company was formed by Sourabh Sharma, Vaishnavi Valsara, Hiten Chaudhary and Ritwik Chopra - a team of core media professionals as an integrated media house in 2010; the quartet is also the directors on the board of the company. Later on, Vaishnavi transferred 1,00,000 equity shares held by her to Vasant, her cousin, who is based at London.

GPFML has become one of the leading TV production houses in the country with the passage of time. The authorized capital of the company is ₹ 5.00 crores divided into 4,00,00,000 equity shares of Re. 1 each and 1,00,000 8.5% non-cumulative preference shares of ₹ 100 each. Initially, the company issued 75% of its equity shares which

were fully subscribed. Around 70% of equity shares issued so far are held by the four promoters and their relatives.

In the year 2021, the company issued 50,000 preference shares of ₹ 100 each to its existing shareholders by augmenting its authorised share capital, on which, as per the terms which were already approved by the shareholders, 8.5% p.a. dividend was payable when declared. It may be noted that the company had also issued the remaining 1,00,00,000 equity shares with a view to raise funds for TV software development

For the financial year, 2021-22, the Board of Directors proposed to declare a dividend of ₹ 3 per equity share. It was ensured that only the residual profits remaining after making payment of dividend to the preference shareholders at 8.5% were to be utilised for making payment of dividend to the equity shareholders. As the residual profits were sufficient to meet the liability arising on payment of dividend of ₹ 3 per equity share, the proposed dividend was approved by the shareholders at the Annual General Meeting held on 3rd August, 2022. Accordingly, the requisite amount on account of declared dividend was transferred to a special bank account opened with the company's bankers. However, dividend amounting to ₹ 15,600 payable to certain equity shareholders remained unclaimed even after the expiry of statutory period within which dividend was required to be paid. Accordingly, the directors took steps to transfer the unclaimed amount to the Unpaid Dividend Account.

Multiple Choice Questions [2 Marks each]

- 16.1 What is the maximum time within which the amount of declared dividend must be deposited in a separate bank account?
- (a) The declared dividend needs to be deposited maximum within three days from the date of declaration.
 - (b) The declared dividend needs to be deposited maximum within five days from the date of declaration.
 - (c) The declared dividend needs to be deposited maximum within seven days from the date of declaration.
 - (d) The declared dividend needs to be deposited maximum within ten days from the date of declaration.

- 16.2 From the given four options choose the one which would not have found place in the resolution that was passed for authorizing the issue of preference shares.
- (a) The issue of preference shares is non-convertible.
 - (b) The issue of preference shares is convertible.
 - (c) The issue of preference shares is redeemable.
 - (d) The issue of preference shares is irredeemable.
- 16.3 What is the time limit within which the unclaimed dividend must be transferred to a special account opened with a scheduled bank for this purpose?
- (a) The unpaid or unclaimed dividend must be transferred to a special account within three days from the expiry of the statutory period within which it was to be paid or claimed.
 - (b) The unpaid or unclaimed dividend must be transferred to a special account within five days from the expiry of the statutory period within which it was to be paid or claimed.
 - (c) The unpaid or unclaimed dividend must be transferred to a special account within seven days from the expiry of the statutory period within which it was to be paid or claimed.
 - (d) The unpaid or unclaimed dividend must be transferred to a special account within ten days from the expiry of the statutory period within which it was to be paid or claimed.
- 16.4 As regards the redemption of the preference shares what is the maximum term, the company could have prescribed, so as to use the proceeds for the maximum possible period, if such issue made was not for funding any infrastructure projects?
- (a) The company would have prescribed maximum twenty-five years from the date of issue within which the preference shares were required to be redeemed.

- (b) The company would have prescribed maximum twenty years from the date of issue within which the preference shares were required to be redeemed.
- (c) The company would have prescribed maximum fifteen years from the date of issue within which the preference shares were required to be redeemed.
- (d) The company would not have prescribed any term if the company wanted the preference shares to be irredeemable so as to use the proceeds forever.

Answer Keys

Question No.	Answers
16.1	(b) The declared dividend needs to be deposited maximum within five days from the date of declaration.
16.2	(d) The issue of preference shares is irredeemable.
16.3	(c) The unpaid or unclaimed dividend must be transferred to a special account within seven days from the expiry of the statutory period within which it was to be paid or claimed.
16.4	(b) The company would have prescribed maximum twenty years from the date of issue within which the preference shares were required to be redeemed.

17. ABZ Limited is engaged in generating power supply in the state of Karnataka. Forty per cent of the equity capital of ABZ Limited is held by the Central Government; twenty per cent by State Government and the balance forty percent by other public shareholders. The market price of ABZ Limited is ₹ 150.

ABZ is having the power to appoint majority of the Board of Directors of North South Private Limited engaged in manufacturing cosmetics for young India. Along with this, ABZ has control of 46% of voting power of East West limited, a company engaged in providing logistics solutions.

East West limited holds 56% shares in WENS Ltd., and WENS Ltd. is having capital structure as follows:

Paid up capital – ₹ 200 lakhs and turnover ₹ 35 crores

The capital structure of the other companies mentioned above is as follows:

(figures in ₹)

ABZ	Net worth - 550 crore	Turnover - 1500 crore	-
East West limited	Paid up Capital – 20 crore	Bank borrowings from FIs– 15 crore	-
North South Pvt Ltd	Paid up capital – 15 crore	Turnover – 200 crore	bank borrowings from FIs– 55 crore

The promoters of WENS Ltd. wanted to expand business across India and globally as well, for which it needs to have funds and they are thinking of getting the shares of the company - listed on NSE by inviting the public for subscription of its shares. Finally, they issued prospectus as per section 32 of the Act on 30th January, 2021 in which details regarding price and quantity of shares was not given. As they were not able to decide upon the exact price, they proceeded by giving floor price along with a range, within which bids can move and let the subscribers to bid on the quantity and price. After the end of bidding process, price was determined and final prospectus was issued. Company WENS Ltd successfully raised capital. After round about a year of raising capital, the capital structure of company was as follows:

Particulars	₹
Unsecured loan	15 lakhs
Paid up capital	350 lakhs
Depreciation provision	5 lakhs

Securities premium	8 lakhs
Capital reserve	10 lakhs
Free reserve	12 lakhs

Promoters of WENS Ltd. have decided to buy back their securities u/s 68(1) of Companies Act to consolidate their stake in company. They obtained necessary authorization and approval and followed prescribed procedure.

Love & Co., a sole proprietor audit firm, is the statutory auditor of North South Pvt. Ltd. It has been auditing the company since F.Y. 2017-18.

Multiple Choice Questions [2 Marks each]

- 17.1 Which of the following companies will be defined as a Government company u/s 2(45) of the Companies Act, 2013?
- (a) ABZ and North South Pvt. Ltd.
 - (b) ABZ and East West Limited
 - (c) ABZ and WENS Limited
 - (d) North South Pvt. Ltd. and WENS Ltd.
- 17.2 How is ABZ Limited related with North South Pvt. Ltd. and East West Ltd.?
- (a) Holding Company and Associate
 - (b) Subsidiary Company and Associate
 - (c) Associate Company and Joint Venture
 - (d) Holding Company and Joint Venture
- 17.3 Whether the term of office of Love & Co. has expired, after conducting the audit for F.Y. 2021-22? If yes, on what criteria can we conclude that its term has expired as per Section 139(2) of Companies Act?
- (a) Borrowings from Financial Institutions is ₹ 55 crore of North South Pvt. Ltd. and rotation of individual auditor is compulsory after 5 years

- (b) Turnover is ₹ 200 crore or more and rotation of individual auditor is compulsory after 5 years
- (c) Paid up share capital is ₹ 15 crore and rotation of individual auditor is compulsory after 5 years
- (d) North South Pvt Ltd is subsidiary of ABZ Ltd. and rotation of individual auditor is compulsory after 5 years.
- 17.4 What is the maximum amount of buy-back, WENS Ltd. can make?
- (a) 28 lakhs
- (b) 20 lakhs
- (c) 30 lakhs
- (d) 12 lakhs
- 17.5 Which type of prospectus has been issued by WENS Ltd. to raise capital from market
- (a) Shelf Prospectus
- (b) Abridged Prospectus
- (c) Red Herring Prospectus
- (d) Deemed Prospectus

Answer Keys

Question No.	Answers
17.1	(a) ABZ and North South Pvt. Ltd.
17.2	(a) Holding Company and Associate
17.3	(a) Borrowings from Financial Institutions is ₹ 55 crore of North South Pvt. Ltd. and rotation of individual auditor is compulsory after 5 years
17.4	(a) 28 lacs
17.5	(c) Red Herring Prospectus

18. Golden Oak Plaza Limited (GOPL) is a public company, dealing in designer items made from Oak wood. The objects clause in the

memorandum empowers the company to give guarantee in respect of loans made to subsidiary or associate companies, but the Articles of Association has not delegated this power to the board of directors and reserves the power with members. The Board of Directors of GOPL passed board resolution to provide guarantee for one of the associate companies which was provided within the limits prescribed by section 186(2) of the Companies Act, 2013. However, such an act of the Board was not ratified by the members of the company in the subsequent meeting held.

GOPL is in need of capital for further expansion of business. The Board of directors of GOPL is looking at both the options of public issue as well as private placement. Mr. Vivek Partap who is compliance officer of the company informed Mr. Bhavay Thakur, CFO, about the limitation associated with private placement, especially ceiling limit on the number of persons to whom securities can be offered. Office of Mr. Thakur has lined up the names of 120 investors to whom securities can be issued if private placement takes place.

After hours of discussion and deliberation, GOPL decided to float capital through capital market and entered in process of raising of further capital from capital market by issue of prospectus. Prospectus is registered with the Registrar of Companies (ROC) on 10th January 2022. GOPL hired Shark Broking Solution as underwriting agent. Underwriting commission was agreed at rate of 4%.

Mr. Alok invested in securities issued by the company, and he was having knowledge about the internal irregularity within the company with respect to the process regarding title of securities but he remained silent. Later when the company denied making repayment to him due to defect in title, Mr. Alok sued the company quoting doctrine of indoor management as defence; but company denied his claim.

Multiple Choice Questions [2 Marks each]

- 18.1 What is the maximum number of persons to whom an offer may be made under Private placement?
- (a) Maximum of two hundred persons in a particular financial year, including qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option;

- (b) Maximum of two hundred persons, in a particular financial year excluding qualified institutional buyers and employees of the company being offered securities under a scheme of employee's stock option;
 - (c) Maximum of two hundred persons, including qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option; inclusive of any such placement during previous years also;
 - (d) Maximum of two hundred persons, excluding qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option; inclusive of any such placement during previous years also.
- 18.2 Assess the validity of board resolution by board of directors of GOPL to undertake guarantee for one of the associate companies.
- (a) Valid
 - (b) Void
 - (c) Voidable
 - (d) Void-ab-initio
- 18.3 Is Mr. Alok eligible to take defence of 'Doctrine of Indoor Management'
- (a) Yes, because company deny in making payment to him
 - (b) Yes, defence of 'Doctrine of Indoor Management' is unconditional and without exception
 - (c) No, rule of constructive notice is absolute and doctrine of indoor management can't be raised in any circumstances
 - (d) No, because 'Doctrine of Indoor Management' has exception of knowledge of irregularity.

- 18.4 To keep prospectus valid, within how many days GOPL, is supposed to issue the registered prospectus?
- (a) Within 30 days from date of registration with ROC
 - (b) Within 60 days from date of registration with ROC
 - (c) Within 90 days from date of registration with ROC
 - (d) Within 120 days from date of registration with ROC
- 18.5 Which of following statement is legally valid in regard to underwriting commission offered by GOPL if the articles of company are silent relating to such rate of commission?
- (a) Maximum underwriting commission can be 5% in case of shares
 - (b) Maximum underwriting commission can be 2.5% in case of shares
 - (c) There is no maximum ceiling limit on underwriting commission in case share
 - (d) Underwriter cannot appoint sub-underwriters

Answer Keys

Question No.	Answers
18.1	(b) Maximum of two hundred persons, in a particular financial year excluding qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option.
18.2	(d) Void-ab-initio
18.3	(c) No, rule of constructive notice is absolute and doctrine of indoor management can't be raised in any circumstances
18.4	(c) Within 90 days from date of registration with ROC
18.5	(a) Maximum underwriting commission can be 5% in case of shares

19. Sirmaur Ispat Limited (SIL) deals in varieties of metals and products manufactured there from. Since the company is running into losses, SIL has decided to restructure its capital. In order to keep the morale of the shareholders high, SIL decided to declare dividend out of reserves.

Since there is a limit on issue of dividend, out of past reserves, company decided to issue fully paid bonus shares. The CFO has asked you, the Finance Manager to study and report on the legal aspects involved in issue of bonus shares.

Company borrowed monies, and the charge was created on 02.11.2021, against the land and building of the manufacturing unit of SIL. SIL failed to register the charge till 01.12.2021. SIL a well-governed company which wishes to ensure favourable relations with investors through transparent reporting. Annual report of SIL contains details which are beyond the legal requirements. The latest AGM of SIL was conducted on 30th August 2021.

While finalizing the minutes of meeting of AGM, SIL's chairperson wishes to remove the statement made by retiring director stating that the same is defamatory in nature to the company. One of the existing independent directors raises the question on exclusion of said matter and requested the company secretary to redraft the minutes containing said matter.

Multiple Choice Questions [2 Marks each]

- 19.1 What is the date by which SIL has to file its Annual Return for the year ended 31st March, 2021?
- (a) 14th September, 2021
 - (b) 29th September, 2021
 - (c) 29th October, 2021
 - (d) 28th November, 2021
- 19.2 SIL cannot issue fully paid up bonus share to its members out of:-
- (a) Free Reserves

- (b) Securities Premium Account
 - (c) Capital Redemption Reserve Account
 - (d) Reserves created by the revaluation of assets.
- 19.3 Which of the following is not a condition, for issue of fully paid bonus shares?
- (a) Should be authorized by AOA
 - (b) Can only be issued against fully paid shares
 - (c) Should be authorized by a special resolution
 - (d) Bonus Shares shall not be issued in lieu of dividend
- 19.4 Regarding exclusion of certain matter from minutes of AGM of SIL; which of following statement is correct?
- (a) All the matters need to be incorporated in minutes
 - (b) It is chairperson's exclusive right to include or exclude certain matters from minutes of the AGM
 - (c) Chairperson can only express his opinion that which matter should be excluded from minutes, but his decision is not binding
 - (d) Since independent director has raised the question on exclusion of certain matter hence minutes need to be redrafted.

Answer Keys

Question No.	Answers
19.1	(c) 29th October, 2021
19.2	(d) Reserves created by the revaluation of assets.
19.3	(c) Should be authorized by a special resolution
19.4	(b) It is chairperson's exclusive right to include or exclude certain matters from minutes of the AGM

20. Mr. Purshottam Prasad, a business graduate from a leading B-School, has been running a chain of restaurants as a sole proprietor concern.

The business is based in Chennai. Mr. Prasad, in order to develop the business; decided to corporatize his business but he is concerned with dilution of his control over business decisions.

Mr. Prasad, during a journey met Mr. Chinmay Dass; one of his old school friends. Mr. Chinmay Das is presently working in one of the leading corporate advisory firms. Mr. Prasad seeks advice from Mr. Dass, regarding conversion of sole proprietorship concern to a company and also stated his intention to keep the entire control in his hands of the company. Mr. Dass informed Mr. Prasad, about a new type of company, called One Person Company (OPC), which can be formed under Companies Act, 2013. Mr. Dass quoted Section 2(62), which defines 'one person company' as a company which has only one person as a member.

Mr. Prasad, felt OPC is correct form of business for him, hence he promoted an OPC, 'Casa Hangout (OPC) Private Limited', on 14th September, 2021, by converting his sole proprietary business into a corporate form and became the sole member. Mr. Prasad, appointed his younger son, Mr. Vijay, who was 21 year old then, as nominee to the OPC. Mr. Anand who is a famous food blogger and old friend of Mr. Prasad was appointed as director of OPC, and Mr. Prasad, himself also became director of the company.

Mr. Vijay is a professional photographer, and went abroad for a certification course on 23rd October 2021. He came back on 1st of March 2022. He established a photo-studio as an OPC called 'Best Click (OPC) Private Limited' (one Person Company) on 20th March 2022, in which Mr. Raj is nominee and he became sole member.

Mr. Prasad met an accident on 25th March 2022, in which he lost his life. Nomination clause was invoked, as a result of which Mr. Vijay had to take charge over 'Casa Hangout (OPC) Private Limited' as its sole member with immediate effect. On 30th March 2022, Mr. Karan was appointed as a new nominee to 'Casa Hangout (OPC) Private Limited', who gave his written consent on 31st March 2022. Mr. Karan who is an investment banker by profession, is of the opinion that 'Casa Hangout (OPC) Private Limited' needs to amend its object clause and add 'carry

out investment in securities of any body corporate' as one of its objects.

The financial statements of 'Casa Hangout (OPC) Private Limited' for the financial year ended on 31st March 2022, did not contain cash flow statements signed by Mr. Anand who was left as only director after the death of Mr. Prasad.

Multiple Choice Questions [2 Marks each]

- 20.1 Which of the following persons is eligible to be nominee of an OPC?
- (a) Any natural person excluding minor
 - (b) Any legal person excluding minor
 - (c) Any natural person, who is resident of India; but excluding minor
 - (d) Any natural person, who is a citizen of India; but excluding minor
- 20.2 Mr. Karan, if he wishes to withdraw his consent as nominee, can do so by giving a written notice to:-
- (a) Director of OPC and to sole member of company
 - (b) Director of OPC and to Registrar of companies
 - (c) Sole member of company and to OPC
 - (d) Sole member of company and to Registrar of companies
- 20.3 In case of change of Nominee in Casa Hangout (OPC) Private Limited, a notice shall be given to ROC by OPC; in form number INC-4 along with written consent of Nominee in form INC-3 from Mr. Karan; within
- (a) 30 days from date of appointment of Mr. Karan
 - (b) 30 days of receipt of the notice of withdrawal (because he will become member) of consent as nominee by Mr. Vijay

- (c) 30 days from date of intimation of written consent of Mr. Karan
 - (d) 15 days from date of intimation of written consent of Mr. Karan
- 20.4 A person, other than minor; at specific point of time;
- (a) Can be a member in any number of OPCs but nominee in one OPC
 - (b) Can be a member in one OPC and nominee in any number of OPCs
 - (c) Can be a member in one OPC and nominee in another one OPC
 - (d) Can be a member and nominee both in any number of OPCs
- 20.5 Which of following statement is correct, with respect to financial Statements of 'Casa Hangout (OPC) Private Limited'?
- (a) Must be signed by one director
 - (b) Must be signed by at-least two directors
 - (c) Must contain cash flow statement as part of financial statements
 - (d) None of the above
- 20.6 With reference to opinion of Mr. Shankar to add 'carry out investment in securities of body corporate' object, 'Casa Hangout (OPC) Private Limited', choose the correct option:-
- (a) Cannot carry out non-banking financial investment activities & investment in securities of body corporate'
 - (b) Cannot carry out non-banking financial investment, but can invest in securities of body corporate'
 - (c) Can carry-out non-banking financial investment & invest in securities of body corporate'
 - (d) None of the above

Answer Keys

Question No.	Answers
20.1	(d) Any natural person, who is a citizen of India; but excluding minor
20.2	(c) Sole member of company and to OPC
20.3	(b) 30 days of receipt of the notice of withdrawal (because he will become member) of consent as nominee by Mr. Vijay.
20.4	(c) Can be member in one OPC and nominee in another one OPC
20.5	(a) Must be signed by one director
20.6	(a) Cannot carry out non-banking financial investment activities & investment in securities of body corporate'

21. Michael Mascaren is the Chief Finance Officer (CFO) and Sachin Bhat is the Company Secretary (CS) of Jitendra Iron Works Private Ltd. (JIWPL), respectively, located in Manipal city of Karnataka. JIWPL is an integrated set up of foundries and machine shops that add value by machining more than 75% of the castings manufactured to fully finished condition. JIWPL is one of the largest jobbing foundries producing grey iron castings required for automobile, farm equipment and diesel engines sectors. JIWPL serves customers globally. The turnover of JIWPL is about ₹ 600 crores, including export turnover of about ₹ 250 crores.

During the year 2021, JIWPL planned expansion to enhance its production capacity to meet the increasing demand from its customers, by importing fully automatic plant and equipments from Germany for the unit at Manipal and also by acquiring a machining unit at Nairobi, Kenya. The means of finance of the expansion project were as follows:-

- (a) JIWPL received an amount of ₹ 25 crores from Malini Shetty, wife of one of the promoter directors of the company, Mahesh Shetty. Mahesh Shetty wanted Sachin Bhat to brief him

regarding any compliance needed from the perspective of acceptance of such deposit amount.

(b) The Board also approached the main banker of the company viz., Bank of Baroda. The Bank after proper credit analysis, sanctioned:-

1. A term loan of ₹ 50 crores to JIWPL, repayable in 6 years, for importing a fully automatic plant and equipment from Germany for the expansion project for the unit in Manipal against the security of the assets imported, along with the land and building situated in Manipal. Also sanctioned were interchangeable non funded limits for foreign letters of credit and bank guarantee totalling to ₹ 25 crores against the security of liquid assets in the form of fixed deposits and mutual funds.
2. Along with the aforesaid term loan, JIWPL was also sanctioned an additional amount of ₹ 50 crores for meeting the working capital needs of the expansion project, which included interchangeable limits of cash credit, foreign and inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, inventory and other current assets involved in the expansion project of JIWPL in Manipal.
3. Further, a term loan for ₹ 75 crores, repayable in 6 years was also sanctioned for acquisition of a machining plant along with land and building at Nairobi, Kenya for its subsidiary company named - Jitendra Machining Pvt Ltd. (JMPL). The said loan was disbursed through the overseas branch of Bank of Baroda at Nairobi specifically to meet the continuous demand of a major customer in Kenya with an eye to capture the African market also. The loan given was against the security of properties at Nairobi.

The CFO and the CS together coordinated with the legal department of the Bank on procedures relating to creation of security and registration of charges.

The registered office of JIWPL is located in Manipal. Out of the company's 180 members entered in the register of members (ROM), 20 members, reside in Mangaluru, a nearby city. These members requested the company for some reasons to maintain the ROM in the company's liaison office in Mangaluru, instead of Manipal henceforth.

The board of JIWPL approved allotment of shares to two new members on 1.1.2022 and their names are to be entered into the Register of Members by the Secretarial Department.

M/S Suresh Poojary & Co. are the statutory auditors of the company appointed at the Annual General Meeting of the company during the year 2020 to hold the office from the conclusion of that meeting till the conclusion of the sixth meeting thereafter. However, in the annual general meeting held during the year 2021, no ratification resolution for the appointment of the auditor was passed for the F.Y. 2021-22.

Multiple Choice Questions [2 Marks each]

- 21.1 In connection with the loan from Malini Shetty, the CS has to ensure -:
- (a) That the particulars of amount received are immediately entered in the register of deposits maintained in such manner and in such format as prescribed;
 - (b) That a circular is immediately issued to the members of the company with a statement of deposits accepted as on date with the names of each depositor, amount(s) received as on date, the due date(s) and the liability(ies) on the due date(s) in respect of each depositor
 - (c) That a declaration is obtained to the effect that the amount given is not sourced from borrowed funds or by accepting loans or deposits from others and disclose the details of money so accepted in the Board's Report;

- (d) That the particulars of deposits received are filed within 30 days from the date of its receipt with the Registrar.
- 21.2 In connection with the loan disbursed in Kenya, while creating a charge in India, where the instrument relates solely to the properties at Kenya, the copy can be verified by a Certificate issued-
 - (a) under the hand of some person other than the company who is interested in the mortgage or charge;
 - (b) under the hand of some person other than the company who shall not be interested in the mortgage or charge
 - (c) Only under the hand of one of the directors of JIWPL
 - (d) Only under the hand of a practicing Company Secretary or a practicing Chartered Accountant
- 21.3 In connection with maintenance of the Register of Members (ROM) at the Liaison office at Mangaluru instead of Manipal, state which of the following statements is correct:
 - (a) The ROM shall be maintained only at the registered office in Manipal and maintaining in a place other than the registered office is not permitted under the Companies Act 2013 and the relevant Rules there under.
 - (b) The ROM can be maintained in Mangaluru by passing a special resolution in a general meeting.
 - (c) The board of directors by passing a board resolution at one of its meetings, may direct the company secretary to maintain the ROM in Mangaluru.
 - (d) The ROM can be maintained at Mangaluru after passing a special resolution in a general Meeting provided more than 1/3rd of the members, whose names are entered in the ROM request for such a change.
- 21.4 The board of JIWPL approved allotment of shares to two (2) new members on 1.1.2022 and their names are to be entered into the ROM by the Secretarial Department.
 - (a) Entries in the ROM shall be made within 30 days of allotment of Shares, on Board approval

- (b) Entries in the ROM shall be made immediately on allotment of shares, on Board approval.
 - (c) Entries in the ROM shall be made within 7 days of the date of the Board approving allotment.
 - (d) Entries in the ROM shall be made within 10 days of the date of the Board approving allotment.
- 21.5 M/S Suresh Poojary & Co. are the statutory auditors of the company appointed during the annual general meeting of the company during the year 2021 to hold the office from the conclusion of that meeting till the conclusion of the sixth meeting thereafter. However, during the annual general meeting of the year 2020, no ratification resolution for the appointment of the auditor was passed
- (a) JIWPL should have placed the matter relating to appointment of statutory auditor in the AGM during 2021 by way of an ordinary resolution.
 - (b) JIWPL should have placed the matter relating to appointment of statutory auditor in the AGM during 2021 by way of a special resolution.
 - (c) The statutory auditors appointed in the AGM during 2020 shall be deemed to have vacated the office, if no ratification by the members at every annual general meeting thereafter.
 - (d) There is no need of ratification and the statutory auditors can continue to hold office after the conclusion of the AGM held during the year 2021 also.

Answer Keys

Question No.	Answers
21.1	(c) That a declaration is obtained to the effect that the amount given is not sourced from borrowed funds or by accepting loans or deposits from others and disclose the details in the Board's Report

21.2	(a)	under the hand of some person other than the company who is interested in the mortgage or charge;
21.3	(b)	The ROM can be maintained in Mangaluru by passing a special resolution in a general meeting.
21.4	(c)	Entries in the ROM shall be made within 7 days of the date of the Board approving allotment
21.5	(d)	There is no need of ratification and the statutory auditors can continue to hold office after the conclusion of the AGM held during the year 2021 also.

22. The Board of Directors of LESCO Pharmaceuticals Limited (hereinafter referred to as "company") were meeting again in the month of May 2021 for the discussion of two important agenda which had a direct relation to the ensuing Annual General Meeting scheduled on 30th September 2021. The first agenda was related to the authentication of financial statements and the second one was in connection with dividend. Although the first item in the agenda did not take much time and necessary Board resolution was passed, the second agenda was a matter of concern for the directors.

Ms. Sunita, one of the directors proposed that since the company had not made any profits during the year, it would not be appropriate to declare any dividend for the financial year 2020-21. However, all other directors felt that last year's rate of dividend of 5% should be maintained and the same should at least be paid this year to keep the shareholders happy. Ms. Sunita again objected by saying that the legal provisions as envisaged under Section 123 of the Companies Act, 2013 clearly states that dividend by a company for any financial year should be paid or declared out of the profits of the company of that year and since there was no profit there was no requirement to pay SUCH dividend. She strongly contended that paying dividend was a matter of financial choice by the Board of Directors and accordingly, the board should take an informed decision. The priority for the Board is to ensure that cash flow is maintained first and then the "happiness" of the shareholders be considered.

Another director, Mr. Robinder suggested that the company had made a substantial gain on revaluation of assets and if that would be

considered then there would be sufficient profits for declaration of dividends out of such gain.

Finally, the Chairman-cum-Managing Director, Mr. Ramesh interfered and suggested that perhaps there is a provision in the Companies Act, 2013 relating to payment of dividend in the absence of profits and that the Company Secretary, Ms. Ameeka should work out the possibilities and all legal aspects connected therewith and then call for another Board Meeting for finalising the payment of dividend. The meeting then ended with a vote of thanks to the Chair.

Multiple Choice Questions [2 Marks each]

- 22.1 Which of the following is the correct statement relating to the source for payment of dividend by the company?
- (a) Profits of the Company of that year only arrived at after providing for depreciation.
 - (b) Profits of the Company of that year arrived at after providing for depreciation or for any previous year or years arrived at after providing for depreciation or through any reserves available.
 - (c) Profits of the Company of that year arrived at after providing for depreciation or for any previous year or years arrived at after providing for depreciation and remaining undistributed i.e. free reserves.
 - (d) Profits of the Company of that year or previous year(s) but not necessary to provide for depreciation.
- 22.2 With reference to claim made by Ms. Sunita relating to source of payment of dividend, whether you agree with such contention made by her?
- (a) Completely agree with the contention of Ms. Sunita that only profits are the source for payment of Dividend.
 - (b) Partly agree with Ms. Sunita but apart from Profits, a company can pay dividend out of money provided by the

Central or State Government in pursuance of the guarantee given by them.

- (c) Partly agree with Ms. Sunita that apart from profits (either current year or previous year), even in the event of inadequacy or absence of profits, a company may declare dividend out of free reserves, subject to fulfilling certain conditions.
 - (d) Partly agree with Ms. Sunita that company can pay dividends not only out of profits but also out of money provided by Central Government or State Government in pursuance of the guarantee given by them or out of money available in free reserves, and in each case subject to fulfilment of conditions as prescribed.
- 22.3 Which of the option is correct with regard to the proposal made by Mr. Robinder?
- (a) Gain made by a company in form of revaluation of assets is definitely available for payment of Dividend.
 - (b) Gain made by a company in form of revaluation of assets is available only upon satisfaction of terms and conditions prescribed.
 - (c) Gains made by a company in form of revaluation of assets is not available for computing profits for declaration of dividends.
 - (d) Gains made by a company in form of revaluation of assets which are only buildings are not available and in all other assets they are available.
- 22.4 Which of the following is correct with respect to the situation as referred by Mr. Ramesh to Ms. Ameeka assuming other conditions, if any, for the same would also be satisfied?
- (a) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year.

- (b) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the two years immediately preceding that year.
 - (c) The rate of dividend declared shall be the average of the rates at which dividend was declared by it in the five years immediately preceding that year.
 - (d) The rate of dividend declared shall not exceed the rate at which dividend was declared by it in any of the three years immediately preceding that year.
- 22.5 Which of the following is correct with respect to the situation as referred by Mr. Ramesh to Ms. Ameeka assuming other conditions, if any, for the same would also be satisfied?
- (a) The amount that can be drawn from such accumulated profits shall not exceed one fifth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
 - (b) The amount that can be drawn from such accumulated profits shall not exceed one tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
 - (c) The amount that can be drawn from such accumulated profits shall not exceed one tenth of its paid-up share capital as appearing in the latest audited financial statement.
 - (d) The amount that can be drawn from such accumulated profits shall not exceed one tenth of the average of its paid-up share capital and free reserves as appearing in the latest three years audited financial statement.

Answer Keys

Question No.	Answers
22.1	(c) Profits of the Company of that year or for any previous year or years after providing for depreciation and remaining undistributed i.e. free reserves.

22.2	(d) Partly agree with Ms. Sunita that company can pay dividends not only out of profits but also out of money provided by Central Government or State Government in pursuance of the guarantee given by them or out of money available in free reserves, and in each case subject to fulfilment to conditions prescribed.
22.3	(c) Gains made by a company in form of revaluation of assets in not available for computing profits for declaration of dividends.
22.4	(a) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year.
22.5	(b) The amount that can be drawn from such accumulated profits shall not exceed one tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.

23. The Board of Directors of Dr. Mahindra Laboratories Limited (hereinafter referred to as the "company") were having their Board meeting on 9th July 2021. Despite the Covid-19 pandemic, the company results for the first quarter (hereinafter referred to as "Q-1") showed some great numbers. The maximum turnover was on account of sale of sanitisers, masks and other related products. All the directors felt jubilant about the results particularly at a time when majority of the companies were struggling to even pay salaries and meet their operating costs. One of the directors, Mr. Sanjay, was looking at the way the share price of the company was trading. It showed an upward trend despite stock prices falling for many reputed companies. The closing share price of the Company was ₹ 217.80. It was evident that the capital markets were responding well with the results of the Q-1 and also with the results of financial year 2020-21.

With these favourable aspects in mind, Mr. Sanjay, proposed to the Board that an interim dividend be declared for the shareholders. He expressed his view that this would not only boost the confidence of the investors in the wake of the Pandemic situation, but also

strengthen the position of the company among its competitors. Accordingly, he proposed to declare an interim dividend of 10% and the source of interim dividend proposed was as follows:

- (a) Out of Profits earned in the Financial year 2020-21
- (b) Out of Profits earned in the Financial year 2021-22 (From the Q-1 ending 30th June 2021)

Ms. Jyoti, one of the directors expressed her concern whether interim dividend could be declared at this point of time or should the company wait for the ensuing Annual General Meeting (AGM). Mr. Sanjay clarified that as per Section 123(3) and 123(4) of the Companies Act, 2013, interim dividend can be declared during any financial year and at any time during the period from the closure of the financial year till the holding of the AGM. Since the AGM of the company was proposed to be held on 30th September 2021, the company can easily pay dividend to the shareholders. One of the Directors, Ms. Sharda, said that the results of the Financial Year 2020-21 were already approved by the Board of Directors in meeting held on 10th May 2021 and the duly authenticated financial statement are presently in the process of audit. To this, Mr. Sanjay convinced all the directors that since the AGM is not yet held for FY 2020-21, it is implied that the annual accounts have not yet been adopted by the shareholders and hence, there was scope for paying interim dividend out of profits of FY 2020-21.

Multiple Choice Questions [2 Marks each]

- 23.1 Which of the following is correct with regard to the source out of which the interim dividend may be paid?
- (a) The interim dividend can be paid out of profits earned by the company in the FY 2020-21 and also out of the profits earned in the first quarter of FY 2021-22.
 - (b) The interim dividend cannot be paid out of profits earned by the company in the FY 2020-21 but can be paid out of the profits earned in the first quarter of FY 2021-22.

- (c) The interim dividend can be paid out of profits earned by the company in the FY 2020-21 but not out of the profits earned in the first quarter of FY 2021-22.
 - (d) The interim dividend can be paid out of accumulated profits only.
- 23.2 Going by the facts of the case, if the interim dividend of the company was declared in the said board meeting held in July month, then by what date should the amount be deposited in a separate account maintained with the scheduled bank for dividend purposes?
- (a) By 14th July 2021
 - (b) By 15th July 2021
 - (c) By 16th July 2021
 - (d) By 17th July 2021
- 23.3 Which of the option is correct with regard to ratification of the payment of dividend?
- (a) Interim dividend is declared by the Board of Directors and can be ratified by the Managing Director of the company.
 - (b) Interim dividend needs the approval of the auditors with regard to the calculation of the rate and hence can be ratified on their subsequent approval.
 - (c) Interim dividend is declared by the Board of Directors but the same needs to be ratified at the ensuing AGM by the members.
 - (d) Interim dividend once declared and paid needs no ratification thereafter.
- 23.4 In case the company would have incurred loss during the current financial year upto the end of the quarter immediately preceding the date of declaration of interim dividend, then what should be the rate of the interim dividend?
- (a) The rate of interim dividend declared shall not be at a rate higher than the average dividends declared by the

company during the immediately preceding three financial years.

- (b) The rate of interim dividend declared shall be less than the average of the rates at which dividend was declared by it in the five years immediately preceding that year.
- (c) The rate of interim dividend declared shall be the average of the rates at which dividend was declared by it in the three years immediately preceding that year.
- (d) In case of a loss, then interim dividend cannot be declared in the first place and only final dividend can be declared.

23.5 By what date should the interim dividend declared in the meeting held in the July month, be paid to the members of the company?

- (a) 8th August 2021
- (b) 9th August 2021
- (c) 10th August 2021
- (d) 11th August 2021

Answer Keys

Question No	Answers
23.1	(a) The interim dividend can be paid out of profits earned by the company in the FY 2020-21 and also out of the profits earned in the first quarter of FY 2021-22.
23.2	(a) By 14 th July 2021
23.3	(c) Interim dividend is declared by the Board of Directors but the same needs to be ratified at the ensuing AGM by the members.
23.4	(a) The rate of interim dividend declared shall not be at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.
23.5	(a) 8 th August 2021

24. VVN Steels Limited (hereinafter referred as the "Company"), a Public Limited Company, is a 100% export-oriented unit, in Koraput, in the State of Odisha. Its paid-up capital is ₹ 200 crores divided into 20 crores of shares of ₹ 10 each.

The company decided to make a capital expenditure of ₹ 100 crores towards purchase of equipment and land and ₹ 25 crores for machinery. The company approached banks and financial institutions (FI) for financing the capital requirement of equipment, land and machinery by way of term loans. The banks and FIs have agreed to advance money; but on a condition that the company has to give necessary security for the amount of advance/loans. In this regard, a charge on the property was also required to be created. The company has informed to the banks and FIs that it has mortgaged the said fixed assets in favour of the banks and FIs in their books of accounts.

The company was formed in April 2021 and being a newly incorporated company, the company was not much well versed with the provisions of the Companies Act, 2013 (hereinafter referred to as the "Act") and also the company secretary was yet to be appointed. Accordingly, they have asked the banks and FIs to do the needful compliances with respect to the creation of charges. The banks and FIs informed the Company that as per relevant provisions of the Act, if a company contravenes any provisions, there shall be levied punishment/penalty provisions under the Companies Act, 2013, and hence the necessary legal requirements will have to be complied by the company and not by them. The company was however of the view that "creation of charges" being a protection available to the bank and FIs, the legal requirement only relates to filing of charges and not of any other consequences. Hence, it was decided by the company to delay the process of filing the charges and regularising the same by paying additional fees for delayed filing. The company understood that there was no situation inviting any sort of punishment and at the worst, the enhanced punishment, if any, will lead to levy of fine.

The loan agreement was signed and the charges were created on 14th May 2021, respectively, and the documents creating charges were filed

on 24th June 2021 with the Registrar of Companies for creation of charges.

Multiple Choice Questions [2 Marks each]

- 24.1 Which of the Statement is correct regarding mortgaging of the fixed assets?
- (a) Fixed Charges are created as security whenever a company obtains term loans from financial institutions or Banks.
 - (b) Floating Charges are created as security whenever a company obtains term loans from financial institutions or Banks.
 - (c) A charge is to be created only when a company obtains term loans from financial institutions.
 - (d) Creation of charge or otherwise depends upon the Registrar of Companies and company can maintain their own records for repayment purposes.
- 24.2 In the given case scenario, by which date the creation of charges should have been filed at the first place?
- (a) By 14th June 2021
 - (b) By 13th June 2021
 - (c) By 14th July 2021
 - (d) By 13th July 2021
- 24.3 In the given case scenario, if the company fails to register the charge, then can the banks and FIs file the necessary charges?
- (a) It is the duty of the company to create charges and get it registered and no other entity can do so on behalf of the company. Hence penalty provisions will apply.
 - (b) In case the company fails to register the charges, then the person in whose favour the charge is created has to mandatorily get the charge registered.

- (c) In case the company fails to register the charges within the prescribed period of 30 days then, the person in whose favour the charge is created can get the charge registered.
- (d) In case the company fails to register the charge then the Registrar of Companies can issue order to the Company or to the Charge-holder to take necessary action for registering the charge.

Answer Keys

Question No.	Answers
24.1	(a) Fixed Charges are created as security whenever a company obtains term loans from financial institutions or Banks.
24.2	(b) By 13th June 2021
24.3	(c) In case the company fails to register the charges within the prescribed period of 30 days then, the person in whose favour the charge is created can get the charge registered.

25. Indian Mining Limited, an unlisted public company, (hereinafter referred as "Company") has its mining unit in Koraput in the State of Odisha. Its paid-up capital is ₹ 15 crores divided into 15,00,000 equity shares of ₹ 100 each. The Company has also issued debentures to the extent of ₹ 20 crores. The company's registered office was located in the city of Bhubaneswar in the State of Odisha.

As per provisions of the Companies Act, 2013, Companies are required to maintain Statutory registers. The Company had a practice of maintaining one combine register for both Members as well as Debenture-holders.

The company has decided to declare dividend for the financial year 2021-22 and hence there is a requirement for closing the register of members. The company has closed its Register of Members, by giving a minimum of 10 days' notice.

It was observed that at least 80% of the total members were residing in the capital city of New Delhi. Hence the company decided to keep its register of members in one of its offices situated in the locality of Saket, New Delhi. It was felt that the appropriate place for keeping the register of members should be the place where majority of members are residing. Accordingly, it passed an ordinary resolution for maintaining the register of members at a place other than the registered office.

The practice of the company for making entries in the Register of members was within 10 days of the approval by the Board approving the transfer of shares.

Multiple Choice Questions [2 Marks each]

- 25.1 Which of the following statements apply to Indian Mining Limited with respect to closing of the register of members?
- (a) Yes, the company can close the register of members by giving at least 14 days prior notice.
 - (b) Yes, the company can close the register of members by giving at least 7 days prior notice.
 - (c) No, the Company is not allowed to close the register of members as it is the most important statutory register.
 - (d) Yes, the Company can close the register of members by giving at least 7 days prior notice and in such manner as specified by SEBI by advertisement one in vernacular newspaper and other in English newspaper.
- 25.2 What is the time limit for which the Register of Members (ROM) may be closed?
- (a) The ROM may be closed for any period not exceeding 45 days at any one time.
 - (b) The ROM may be closed for any period not exceeding 30 days at any one time and for an aggregate of 60 days in one year.

- (c) The ROM may be closed for any period not exceeding 30 days at any one time.
 - (d) The ROM may be closed for any period not exceeding 30 days at any one time and for an aggregate of 45 days in one year.
- 25.3 Is the company complying with the provisions of the Act in maintaining the register of members at New Delhi instead of Bhubaneswar?
- (a) Yes, the company is complying in maintaining the register at New Delhi instead of Bhubaneswar as an ordinary resolution has been passed by the company.
 - (b) No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneswar as no special resolution has been passed.
 - (c) No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneswar as no special resolution of the members and no approval from the Central Government has been obtained for keeping the register of members in a different place other than the registered office.
 - (d) Yes, the company is complying in maintaining the register at New Delhi instead of Bhubaneswar as there is no restriction regarding the place where register has to be maintained.
- 25.4 Is the practice of the company correct in maintaining the same register for equity shareholders (members) as well as for debenture-holders?
- (a) Yes, it is correct because both are stakeholders of the company.
 - (b) No, it is incorrect because there is a requirement of maintaining a separate register for debenture holders.

- (c) Yes, it is correct as there is no provision in company law regarding register of debenture holders. It is only for equity shareholders who are the members of the company for whom register is to be maintained.
- (d) Yes, it is correct because both equity shareholder and debenture holders contribute to the capital of the company.
- 25.5 Which of the following statement is correct with regard to the time period for the entries in the register of members?
- (a) The entries have to be made within 14 days of the date of approval by the Board.
- (b) The entries have to be made within 21 days of the date of approval by the Board.
- (c) The entries have to be made within 17 days of the date of approval by the Board.
- (d) The entries have to be made within 7 days of the date of approval by the Board.

Answer Keys

Question No.	Answers
25.1	(b) Yes, the company can close the register of members by giving at least 7 days prior notice.
25.2	(d) The ROM may be closed for any period not exceeding 30 days at any one time and for an aggregate of 45 days in one year.
25.3	(b) No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneswar as no special resolution has been passed.
25.4	(b) No, it is incorrect because there is a requirement of maintaining a separate register for debenture holders.
25.5	(d) The entries have to be made within 7 days of the date of approval by the Board.

26. AXN Logistics Limited (hereinafter referred as "Company") is a Public Limited Company with a share capital of ₹ 200 crores divided into 2 crores equity shares of ₹ 100 each. It is engaged in the transportation of raw materials and goods, situated in Barbil, a mining town in the State of Odisha.

The Company wanted to expand from its existing line of logistics business to also providing services in the area of leasing of its equipments and vehicles. This was, however, mentioned as an "object" in the existing Object clause of the Memorandum of Association ("MOA") of the Company. But there was a need to increase the share capital of the company and the existing amount stated in the capital clause of the MOA was not sufficient. Accordingly, the company decided to call an extra ordinary general meeting (EGM) to obtain the approval of the members for increasing the authorised share capital of the company from ₹ 200 crores to ₹ 250 crores for making a consequent amendment to its existing MOA.

The company decided to hold an EGM on 27th August 2021 and accordingly planned for the manner in which the notice, agenda and explanatory statement was required to be sent to its shareholders. After undergoing the relevant provisions of the Companies Act, 2013 and its own Articles of Association, the following aspects were decided with regard to the sending of the notice of the EGM that was proposed to be held on 27th August 2021.

- (a) The proposed date for sending the notice would be 5th August 2021.

Notice would be sent only by email as an attachment to the e-mail.

- (b) The notice would be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member.

- (c) In the agenda, since there was only one item which required approval, there is no need for an explanatory statement to be annexed to the notice.

- (d) In Article No. 34 of the Articles of Association of the Company, it was provided that if the company wishes to curtail the requirement of the minimum number of days with respect to the length of notice vis a vis provided in the Companies Act, 2013, then it can do so provided a unanimous Board resolution to that effect is passed by the Board of Directors.

Multiple Choice Questions [2 Marks each]

- 26.1 Which of the statement is correct with respect to date of sending notice and its mode of sending?
- (a) Yes, it is correct that notice is sent by email but it should be given on or before 4th August 2021.
 - (b) Yes, it is correct that notice is sent by email but it should be given on or before 6th August 2021.
 - (c) Yes, it is correct that notice is sent by email and also the proposed date for sending the same is proper.
 - (d) No, it is not correct as the notice for the EGM should mandatorily be sent by post and the notice should be given on or before 3rd August 2021.
- 26.2 Which of the statement is correct?
- (a) The notice for an EGM can be sent as an attachment to e-mail.
 - (b) The notice for an EGM has to be mandatorily be sent by post.
 - (c) The notice for an EGM has to be sent by way of an attachment to an email as well as by post.
 - (d) The notice for an EGM has to be sent by way of an attachment to an email and by way of advertisement in the newspaper.

26.3 Which of the following statement is correct?

- (a) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member.
- (b) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member and the auditor or auditors of the company.
- (c) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member, the auditor or auditors and every director of the company.
- (d) The notice shall be given to every member of the company and the legal representative of any deceased member.

26.4 Which of the statement is correct in respect of the contention made that there is no need for an explanatory statement to be annexed with the notice?

- (a) Only in Annual General Meeting (AGM) there may be special business or ordinary business depending on the matter of the agenda. Whereas, all businesses conducted in Extraordinary Meeting (EGM) are Ordinary Businesses. Hence no need for explanatory statement.
- (b) Only in Annual General Meeting (AGM) there may be special business or ordinary business depending on the matter of the agenda. Whereas, all businesses conducted in Extraordinary Meeting (EGM) are Special Businesses. Hence there is a need for explanatory statement.
- (c) Irrespective of AGM or EGM, special business will be decided on the basis of the type of resolution to be passed. In the case of the given company since only

ordinary resolution is required, the business is also ordinary and hence no need for explanatory statement.

- (d) An explanatory statement is needed when the company wants to furnish important information relating to the agenda. Thus, in this case there is need for explanatory statement.

26.5 Would you agree with the company's contention of curtailing the length of notice?

- (a) The contention of the company is correct as wide powers are given to companies to decide upon the length of notice.
- (b) The contention of the company is not correct because the statutory provision on the length of notice would prevail over Articles of the company with respect to the minimum length of notice.
- (c) The contention of the company is correct because it is not a listed company.
- (d) The contention of the company is not correct because it did not provide newspaper advertisement regarding the length of the notice it has adopted.

Answer Keys

Question No.	Answers
26.1	(c) Yes, it is correct that notice is sent by email and also the proposed date for sending the same is proper.
26.2	(a) The notice for an EGM can be sent as an attachment to e-mail.
26.3	(c) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member, the auditor or auditors and every director of the company.

26.4	(b) Only in Annual General Meeting (AGM) there may be special business or ordinary business depending on the matter of the agenda. Whereas, all businesses conducted in Extraordinary Meeting (EGM) are Special Businesses. Hence there is a need for explanatory statement.
26.5	(b) The contention of the company is not correct because the statutory provision on the length of notice would prevail over Articles of the company with respect to the minimum length of notice.

27. The Dohra Port Company Limited (hereinafter referred as "Company") is a joint venture between two giant Companies in the country namely ATTA Steel Limited and B & T Limited. Its paid-up capital is ₹ 1500 crores divided into 15,00,00,000 equity shares of ₹ 100 each. The number of members of the company is 8500 members out of which majority shares (80% to the total share capital) is held by the two giant companies.

The company was conducting its 5th Extra-Ordinary General Meeting (EGM) on 29th May 2021 at 11:00 AM in the registered office of the company and the following members were present in the meeting at the designated time.

- I. Mr. A (representative of ATTA Steel Limited holding 40% share capital)
- II. Mr. B (representative of B & T Limited holding 40% share capital)
- III. Mrs. C (holding 100 shares)
- IV. Ms. D (holding 500 shares)
- V. Ms. E (holding 1000 shares)
- VI. Mr. F (being Proxy of original shareholder of 10 shares)
- VII. Mr. G (holding 100 shares)
- VIII. Mr. H (holding 200 shares)

Another 25 members (each holding 500 shares) reported to the meeting at 11:45 AM as there was heavy traffic congestion on the way.

The Company Secretary, Ms. Kripa commenced the meeting at 11:00 AM as per the scheduled time because there were 5 members personally present (other than the representatives of corporates and the proxy) and the minimum quorum needed for a public limited company was already available. However, she requested the Chairman to go slow on the agenda as she received text messages from 25 members that they would be shortly joining the meeting.

Accordingly, when the rest of the members joined the meeting, the main agenda of the meeting was discussed at length. The auditor, present in the meeting objected at 11:55 AM that the quorum as required by company law was not present and hence the meeting should be adjourned. He said that since the meeting started late, it should be adjourned to 29th June 2021, exactly one month from the present date at the same time i.e. 11:00 AM and at the same place.

Multiple Choice Questions [2 Marks each]

- 27.1 What is the correct position with regard to quorum of the company for the EGM held on 29th May 2021?
- (a) The Company Secretary, Ms. Kripa had rightly ascertained the quorum for the meeting at 11:00 AM – as 5 members.
 - (b) The correct quorum was rightly ascertained only when the 25 members joined the meeting - $5 + 25 = 30$ members.
 - (c) The correct quorum was present as the shareholders holding majority shares were already present during the commencement of the meeting.
 - (d) The correct quorum was not ascertained as there were only 7 members present at the time of commencement of meeting.

- 27.2 Can the presence of Mr. F be counted for the purpose of Quorum?
- (a) Yes, he can be counted for the purpose of Quorum as he is physically present.
 - (b) No, he cannot be counted for the purpose of Quorum as he is a proxy.
 - (c) Yes, he can be counted for the purpose of Quorum as he is a proxy for the original shareholder.
 - (d) No, he cannot be counted for the purpose of Quorum as he is proxy for a shareholder who holds only 10 shares.
- 27.3 Is the objection of the auditor correct?
- (a) Yes, the auditor is correct about the adjournment of the meeting.
 - (b) No, the auditor is not correct about the adjournment of the meeting as the required quorum was present after the 25 members joined the meeting at 11:45 AM.
 - (c) Yes, the auditor is correct about the lack of quorum but not correct about the day of holding the adjourned meeting.
 - (d) Yes, the auditor is correct about the lack of quorum as well about the adjournment of the meeting.
- 27.4 From the case it was observed that, "However, she requested the Chairman to go slow on the agenda as she received text messages from 25 members that they would be shortly joining the meeting". Is this kind of practice allowed as per the provisions of company law?
- (a) Yes, it is very much allowed, keeping the practical difficulties into consideration.
 - (b) No, it is never allowed, as there is no validity of messages being sent at the time of meeting.

- (c) Yes, it is very much allowed, as the law provides for ascertainment of quorum at any point of time of the meeting.
- (d) No, it is not allowed, as the law provides for the requirement of quorum within half an hour from the time appointed for the meeting.

Answer Keys

Question No	Answers
27.1	(d) The correct quorum was not ascertained as there were only 7 members present at the time of commencement of meeting.
27.2	(b) No, he cannot be counted for the purpose of Quorum as he is a proxy.
27.3	(c) Yes, the auditor is correct about the lack of quorum but not correct about the day of holding the adjourned meeting.
27.4	(d) No, it is not allowed, as the law provides for the requirement of quorum within half an hour from the time appointed for the meeting.

28. Trusted Industries Limited (hereinafter referred as "Company"), a listed company on the National Stock Exchange (NSE) was holding its Annual General Meeting on 30th September 2021 at the large auditorium of its registered office in the city of Guwahati. The company wanted to apply the provision of the new mode of voting introduced in the Companies Act, 2013 which provided that a member in the prescribed class of companies can exercise his right to vote by electronic means. The company made all the arrangements relating to the holding of the meeting, especially for voting through electronic means. The company had sent notices to all concerned persons in the prescribed manner to enable them to carry out the procedure of voting. The company had clearly provided that the time for opening of e-voting shall remain open for not less than two days and shall close at 4:00 PM on the date preceding the date of the general meeting. The notice of the meeting provided the following information:

- That the company is providing facility for voting by electronic means and the business may be transacted through such voting;
- That the members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

Further, the company decided to publish a public notice by way of an advertisement in newspaper immediately on completion of dispatch of notices of the meeting. The company also specified in the notice that the remote e-voting will not be allowed beyond the specified date and time. The company appointed an independent Chartered Accountant in practice to be the scrutinizer for the remote e-voting process.

The meeting was successfully conducted and as soon as the results of the voting were ascertained, the results were declared along with the report of the scrutiner placed on the website of the company. The company had appointed an agency for the e-voting and the results of the voting immediately thereafter were declared by the Chairman and were put up on the website of the agency.

Multiple Choice Questions [2 Marks each]

- 28.1 What is the correct position with regard to the time for opening of e-voting?
- (a) The time for opening of e-voting shall remain open for not less than two days and shall close at 4.00 PM on the date preceding the date of the general meeting.
 - (b) The time for opening of e-voting shall remain open for not less than three days and shall close at 4.00 PM on the date succeeding the date of the general meeting.
 - (c) The time for opening of e-voting shall remain open for not less than three days and shall close at 5.00 PM on the date preceding the date of the general meeting.
 - (d) The time for opening of e-voting shall remain open for not less than three days and shall close at 5.00 PM on the date succeeding the date of the general meeting.

28.2 Regarding the putting up of results of the voting on the website, which of the statement is correct in connection with the procedure followed by the Company?

- (a) It is sufficient to put up the results of the voting along with the report of the scrutiniser on the company's website immediately after the meeting.
- (b) It is essential to put up the results of the voting along with the report of the scrutiniser on the company's website and also on the website of the agency immediately after the meeting.
- (c) It is essential to put up the results of the voting along with the report of the scrutiniser on the company's website and also on the website of the agency immediately after the meeting. Along with this, the company should simultaneously forward results to the concerned stock exchange(s) where the shares are listed.
- (d) It is sufficient to put up the results of the voting along with the report of the scrutiniser on the company's website immediately after the meeting and give a notice in the newspaper about the uploading of information on the website.

28.3 With respect to the information in the notice of the meeting about the facility for voting by electronic means and remote e-voting, which of the following statement should be added to the notice?

- (a) The notice is complete with respect to electronic voting and remote e-voting and hence no other information is needed.
- (b) The notice should also provide that the facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting.

- (c) The notice should also provide that the facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right to vote at the meeting.
- (d) The notice should provide general information about the voting process and all detailed information shall be provided at the commencement of the meeting and also be uploaded / displayed on the company's website.
- 28.4 Regarding the newspaper advertisement as decided to be published by the company immediately on completion of dispatch of notices of the meeting, which of the following statement is correct?
- (a) The newspaper advertisement should be made at least 21 days before the date of general meeting.
- (b) The newspaper advertisement should be made at least 14 days before the date of general meeting.
- (c) The newspaper advertisement should be made at least 7 days before the date of general meeting.
- (d) The newspaper advertisement should be made at least 10 days before the date of general meeting.

Answer Keys

Question No	Answers
28.1	(c) The time for opening of e-voting shall remain open for not less than three days and shall close at 5.00 PM on the date preceding the date of the general meeting.
28.2	(c) It is essential to put up the results of the voting along with the report of the scrutiner on the company's website and also on the website of the agency immediately after the meeting. Along with this, the company should

		simultaneously forward results to the concerned stock exchange(s) where the shares are listed.
28.3	(c)	The notice should also provide that the facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right to vote at the meeting.
28.4	(a)	The newspaper advertisement should be made at least 21 days before the date of general meeting.

29. Purple Airlines Limited (hereinafter referred to as "Company"), a public limited company which is in the process of getting its shares listed on the National Stock Exchange (NSE), Kolkata. In this regard, many meetings of the board of directors as well as of the members have regularly been held. One of the members of the Company, Mr. Jyotiranjana, felt that certain decisions taken by the company were not being properly executed as there were numerous newspapers reports about the functions & feasibility of the company's going concern. Hence, he decided to inspect the minute book of the general meetings to understand the actual proceedings of the discussion held in the meetings.

He approached the company on 27th August 2021, and requested the Company Secretary to permit inspection of the minute book at 2:00 PM. The Company Secretary refused to allow for the inspection saying that he could apply for taking the copies of the minutes of the meetings but was not entitled to inspect the minute book at the office.

Accordingly, he made an application for obtaining the copies of the minutes of the meeting held on 15th July 2021. The application was made by him on 28th August 2021 to the company in the prescribed form and along with the fees suggested by the company which was ₹ 100 for each page of the minute. The company informed that for soft copies it would be ₹ 50/- per page.

Mr. Jyotiranjan, waited for 10 days and when no copies were made available to him, he again approached the company for the copies. He was informed that since the Articles of Association prescribed a minimum period of 14 days, he would receive the copies of the minutes on or before 11th September 2021.

Finally, he received the copies of the minutes which consisted of 10 pages and a fees of ₹ 1,000/- was charged from him (₹ 100/- for each page). Jyotiranjan had also asked for furnishing soft copies of the minutes of the meeting in respect of the previous general meetings held during a period immediately preceding three financial years. (FY 18-19, FY 19-20 and FY 20-21) The total number of pages were 95 and he was asked to pay ₹ 4,750/- (Being the charges of ₹ 50 per page).

Mr. Jyotiranjan found that all the pages of the minutes were initialled and signed by the Chairman of the meeting. However, in 2 cases, he observed that the minutes were signed by another person, Mr. Ranjan, who was not the Chairman of the meeting but it was mentioned that he being the general manager was duly authorised by the Board of Directors to sign the minutes for the purpose. He also observed that the company followed a practice of recording the minutes within 2 weeks of the conclusion of the meeting.

Multiple Choice Questions [2 Marks each]

- 29.1 Which of the following statement is correct with respect to contention of the Company Secretary relating to inspection of the minutes of general meetings?
- (a) Inspection of the minutes of general meetings cannot be permitted to any member and only copies can be furnished. The contention of the company was correct in this regard.
 - (b) Inspection of the minutes of general meetings is permitted during business hours, to any member with charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 2 hours in each business day.

- (c) Inspection of the minutes of general meetings is permitted during business hours, to any member without charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 4 hours in each business day.
 - (d) Inspection of the minutes of general meetings is permitted during business hours, to any member without charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 2 hours in each business day.
- 29.2 Is the fees prescribed by the company (for taking the copies of the minute book) in line with the Company Law requirements?
- (a) Yes, it is correct, as the company is free to prescribe in its Articles of Association a reasonable fee for taking copies from the minute book maintained by the company.
 - (b) The amount may be fixed in the Articles of Association but it should not exceed a sum of ₹ 10/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a period immediately preceding three financial years has to be provided free of cost.
 - (c) The amount may be fixed in the Articles of Association but it should not exceed a sum of ₹ 10/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a period immediately preceding three financial years, has to be provided for a sum of not exceeding ₹ 1/- for each page.
 - (d) The amount may be fixed in the Articles of Association but it should not exceed a sum of ₹ 100/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a period immediately preceding three financial years has to be provided for a sum not exceeding ₹ 10/- for each page.

- 29.3 Which of the following statement is correct with regard to time period for furnishing the required copies of the minutes?
- (a) The contention of the company is correct.
 - (b) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 11 working days.
 - (c) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 7 working days.
 - (d) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 3 working days.
- 29.4 Which of the following is the correct provision with respect to signing of minutes of general meetings?
- (a) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 30 days or in the event of the death or inability of that Chairman within that period, by a director duly authorized by the Board for the purpose.
 - (b) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 30 days or in the event of the death or inability of that Chairman, then by the Chairman of the next succeeding meeting.
 - (c) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 7 days or in the event of the death or inability of that Chairman within that period, by a director duly authorised by the Board for the purpose
 - (d) The practice of the company is correct.

29.5 The company followed a practice of recording the minutes within 2 weeks of the conclusion of the meeting. In this regard, which of the following statement is correct?

- (a) The practice of the company is correct in recording the minutes within 2 weeks of the conclusion of the meeting.
- (b) The practice of the company is incorrect in recording the minutes within 2 weeks of the conclusion of the meeting. It should be recorded within 7 working days.
- (c) The practice of the company is incorrect in recording the minutes within 2 weeks of the conclusion of the meeting. It should be recorded within 10 working days.
- (d) The practice of the company is incorrect in recording the minutes within 2 weeks of the conclusion of the meeting. It should be recorded within 14 working days.

Answer Keys

Question No.	Answers
29.1	(d) Inspection of the minutes of general meetings is permitted during business hours, to any member without charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 2 hours in each business day.
29.2	(b) The amount may be fixed in the Articles of Association but it should not exceed a sum of ₹ 10/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a period immediately preceding three financial years has to be provided free of cost.
29.3	(c) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 7 working days.
29.4	(a) The practice of the company is not correct. Each page of the minute should be initialled or signed

		and the last page to be dated and signed by the Chairman of the same meeting within 30 days or in the event of the death or inability of that Chairman within that period, by a director duly authorised by the Board for the purpose.
29.5	(a)	The practice of the company is correct in recording the minutes within 2 weeks of the conclusion of the meeting.

30. Magic Cosmetics Private Limited (MCPL) was incorporated on 12th August 2021 with its registered office situated in Dehradun and branch offices at Delhi and Jaipur. The company was engaged in the business of manufacturing herbal products used as cosmetics. The company had prepared its books of accounts and other relevant books and records and financial statements for the year ending 31st March 2022.

The company maintains its books of accounts on a double entry system of accounting on an accrual basis and keeps the books of account and other relevant books and papers and financial statements in the city of Jaipur in Rajasthan, which happens to be its major branch office.

Gradually, the activities of the company grew and it opened its first branch office outside India in Colombo, Sri Lanka. The business started developing well and necessary records and documents including the books of account of the branch were maintained. One of the Directors, Mr. Lal, felt it necessary to inspect the books of account and other relevant documents maintained at Colombo branch. However, due to his busy schedule, he could not personally inspect the records and accordingly sought necessary financial information through his attorney holder.

The board of directors of the company had entrusted Ms. Priyanka, the General Manager of the Company to fulfil all the duties with regard to complying with the provisions of the company law in relation to maintaining the books of account, place of keeping the books of account, time period for preservation of books and all relevant papers and such things as prescribed in this regard.

The Company maintains its "books of account" in a place (Jaipur) other than the registered office (Dehradun) of the company.

Multiple Choice Questions [2 Marks each]

- 30.1 What is the company law requirement with reference to "books of account" that is required to be maintained by Magic Cosmetics Private Limited?
- (a) Records maintained in respect of all sales and purchases of goods and services by the company and the assets and liabilities of the company.
 - (b) Records maintained in respect of sum of money received and expended and matters in relation to which the receipts and expenditure take place, all sales and purchases of goods and services by the company and the assets and liabilities of the company.
 - (c) Records maintained in respect of sum of money received and expended and matters in relation to which the receipts and expenditure take place, all sales and purchases of goods and services by the company, the assets and liabilities of the company and the items of cost as prescribed.
 - (d) a balance sheet, profit and loss account, cash flow statement, any explanatory note annexed to.
- 30.2 Which of the following is the correct statement relating to place of keeping "books of account"?
- (a) The company can maintain its "books of account" in any place within India as the Board of Directors may decide.
 - (b) The company can maintain its "books of account" in any place within India as the Board of Directors may decide but the same has to be intimated with the Registrar before 31st March of that year.
 - (c) The company can maintain its "books of account" in any place within India as the Board of Directors may decide

but the same has to be intimated with the Registrar within 7 days of the decision of Board.

- (d) The company cannot maintain its "books of account" in any place other than its registered office.
- 30.3 As observed in the case, can a director seek with respect to financial information maintained outside the country (i.e. financial information relating to books of account maintained in Colombo)
- (a) A director can inspect and seek information from any Branch of the Company located within the country only.
 - (b) The director can seek the information through his attorney holder with respect to financial information maintained outside the country also.
 - (c) The director can seek the information only individually and not through his attorney holder with respect to financial information maintained outside the country.
 - (d) The director can seek the information through his representative with respect to financial information maintained outside the country.
- 30.4 With regard to preservation of the books of MCPL, the books of accounts for the FY 2021-22 needs to be kept in good order until at least which of the following years?
- (a) FY 2026-27
 - (b) FY 2027-28
 - (c) FY 2028-29
 - (d) FY 2029-30
- 30.5 Which of the statement is correct with respect to entrusting Ms. Priyanka for maintaining the books?
- (a) Only the Managing Director can be entrusted to take the responsibility for the maintenance of books of account etc.

- (b) Only the Managing Director or any Whole time director can be entrusted to take the responsibility for the maintenance of books of account etc.
- (c) Only Whole time director (in charge of finance) or Chief Financial Officer can be entrusted to take the responsibility for the maintenance of books of account etc.
- (d) Only the Managing Director or the Whole time director (in charge of finance) or Chief Financial Officer or any other person of a company charged by the Board with such duty can be entrusted to take the responsibility for the maintenance of books of account etc.

Answer Keys

Question No	Answers
30.1	(c) Records maintained in respect of sum of money received and expended and matters in relation to which the receipts and expenditure take place, all sales and purchases of goods and services by the company, the assets and liabilities of the company and the items of cost as prescribed.
30.2	(c) The company can maintain its "books of account" in any place within India as the Board of Directors may decide but the same has to be intimated with the Registrar within 7 days of the decision of Board.
30.3	(c) The director can seek the information only individually and not through his attorney holder with respect to financial information maintained outside the country.
30.4	(d) FY 2029-30
30.5	(d) Only the Managing Director or the Whole time director (in charge of finance) or Chief Financial Officer or any other person of a company charged by the Board with such duty can be entrusted to take the responsibility for the maintenance of books of account etc.

31. Dream Real Estate Builders and Developers Ltd. was incorporated in 2015 as a public company. The company is engaged in the business of development of agriculture land for commercial and residential use, construction of commercial malls and residential flats and the matters incidental thereto.

In the beginning of January, 2022, the company received a mega project to construct a commercial mall in the Wagholi area of Pune. The company was in advance stage of negotiation with some farmers having a total agriculture land area of 20 Bighas (approximately 5.38 lakhs Square feet). The cost of conversion of such agriculture land for urban uses, development of land and construction cost of the shopping mall and offices was estimated to ₹ 500 crores.

The promoters of the company planned to come out with public issue to finance this project. They dialogued with the Merchant Bankers, Bankers to the Issue and other intermediary agencies and professionals and filed Prospectus with the SEBI for its approval. In the prospectus the company mentioned about the construction of mall in Wagholi area of Pune, on the land, for which the company has got lease license rights for next 100 years from the present land owners. But in fact, the company was not having any lease agreement with the land owners and only the talks were at the pre-final stage.

The company entered in to agreement with the underwriters to pay commission @ 5% of the issue price at which the shares will be issued. However, the Articles of the company were silent on payment of such commission.

The prospectus filed with the SEBI got approved. The issue was launched, oversubscribed and the allotment formalities were completed within the prescribed time frame.

After the successful completion of the issue, the land owners changed their decisions and did not execute the lease deed in favour of the company. As a result, the purpose for which the money was raised from public could not be utilised for that specific project. The company therefore, invested such funds raised through the public issue, in buying and trading with equity shares of other companies and made a

good profit. The purpose for such buying and trading was to utilise the funds for the time being, till any new real estate project came in the hands of the company.

Suresh, is an advocate, based in Pune. The farmers who were land owners of their agriculture land in Wagholi, Pune had consulted, Suresh, some time before the launch of the public issue by the company, to know the pros and cons of giving of land on lease to the company.

Meanwhile, when the issue opened, Suresh, who was already having the idea of such land dealing, applied and got the allotment of shares. Later on, he came to know that farmers never executed lease license in favour of the company which leads to material mis-statement of facts in the prospectus issued by the company, at the time of issue. The company was actually not having the rights to use the land for the next 100 years, which in fact, the company had mis-stated in the prospectus, that it was having such lease license agreement. Aggrieved from this, Suresh filed a complaint against the company, its promoters and directors.

When the issue was listed on the bourses, it opened with the premium over the issue price. Mahendra purchased 1000 shares from the secondary market. When Mahendra came to know from some media sources, that the company had mis-represented the material facts in the prospectus, he also decided to initiate legal action against the company.

Multiple Choice Questions [2 Marks each]

- 31.1 What will be the fate in relation to the complaint file by Suresh?
- (a) The company is not liable for any civil liability in this case.
 - (b) The company is not liable since Surendra has not suffered any loss, as the issue opened above its issue price and Surendra could have sold his shares.
 - (c) Since the Prospectus was duly approved and vetted by the SEBI, the company cannot be held accountable for anything, which was later on proved wrong.

- (d) The company and every person who, is a director at the time of issue of the prospectus, has authorised himself to be named in the Prospectus as director, is a promoter, has authorised the issue of the prospectus and the expert, shall be liable for such mis- statement.
- 31.2 Whether Mahendra will get a decision in his favour if he files a case against the company?
- (a) Yes, as the company has raised money by misstatement of facts.
 - (b) No, since he has purchased the shares from the secondary market and not by first reading the Prospectus and then subscribing in IPO.
 - (c) No, as Mahendra can easily sale the shares in the secondary market and realise the amount.
 - (d) Mahendra should sale the shares in the secondary market and if there is any loss, then for such loss, he can file the case against the company for which he would get decision in his favour.
- 31.3 Who shall be held responsible for the criminal liability if it is proved that such misstatement in the prospectus was intended to mislead or deceive the subscribers?
- (a) The company shall be held responsible.
 - (b) Neither the company nor its employees shall be held responsible for the criminal liability.
 - (c) Every person who authorises the issue of prospectus containing the mis-leading statement shall be held responsible for the criminal liability.
 - (d) Only the Legal Adviser who drafted the Prospectus containing the mis-leading information shall be held responsible for the criminal liability.

- 31.4 Choose the correct option in relation to utilization of money raised by company through issue of prospectus:-
- (a) Since the idle funds earn no money, it is always better to deploy such funds in a judicious and profitable manner.
 - (b) The company has every right to utilise the money in other projects, if the project for which the money was raised could not be implemented.
 - (c) The company shall not use any amount raised by it through prospectus for buying or trading or otherwise dealing in equity shares of the other listed company.
 - (d) The company should refund the money so raised to the investors since the object behind raising the money could not be accomplished.
- 31.5 The company paid commission of underwriting @ 5% on the issue price of the shares. Is it violations of the provisions of the company law?
- (a) No, it is not violation since the Companies Act, 2013 permits for payment of such commission.
 - (b) The payment of commission should be authorised by the Board of the company.
 - (c) The payment of commission should be authorised by the Articles of Association of the company.
 - (d) The rate of commission was not reasonable looking to the size of the issue.

Answer key

Question No	Answers
31.1	(d) The company and every person who, is a director at the time of issue of the prospectus, has authorised himself to be named in the Prospectus as director, is a promoter, has authorise the

		issue of the prospectus and the expert, shall be liable for such mis-statement.
31.2	(b)	No, since he has purchased the shares from the secondary market and not by first reading the Prospectus and then subscribing in IPO.
31.3	(c)	Every person who authorises the issue of prospectus containing the mis-leading statement shall be held responsible for the criminal liability.
31.4	(c)	The company shall not use any amount raised by it through prospectus for buying or trading or otherwise dealing in equity shares of the other listed company.
31.5	(c)	The payment of commission should be authorised by the Articles of Association of the company.

32. Progressive Ltd is a public limited company engaged in the business of manufacturing of non-leather shoes, chappals and other footwear. It decided to raise funds to meet out the funding requirement for establishment of a new manufacturing unit in a village near Ahmedabad. The company issued a Follow-on Public Offer (FPO) to raise ₹ 30 crores as follows:

Particulars	Amount
Issue of Equity shares Number of Shares: 1,00,00,000 Face Value of ₹ 10 per share at a premium of ₹ 20 per share (Issue price @ ₹ 30 per equity share) The amount on equity shares would be called up in two instalments: <ul style="list-style-type: none"> ▪ First call @ ₹ 20 per share. ▪ Second and final call @ ₹ 10 per share. 	₹ 30 Crores

The issue was fully subscribed and the shares were allotted to the investors. The company had made only the first call, however some of the investors paid the entire amount in the first call itself (i.e., ₹ 30

per equity shares). The company accepted this money. The investors who paid the calls in advance were demanding for the payment of interest on the amount so un-called, but paid by them and also demanded for enhanced voting rights.

The company, after such successful completion of the FPO, was planning to raise further funds through issue of preference shares and debentures in order to meet out some foreign orders and expansion of its existing plant at Bhavnagar. The company proposed to issue as follows:-

Particulars	Amount ₹ in crores
Issue of Redeemable Preference Shares (Coupon rate - 10%) Number of Preference Shares: 20,00,000 Face Value of Preference Shares ₹ 100 [50% of the Preference shares shall be redeemed at the end of 10 th year from the date of allotment and rest 50% shall be redeemed at the end of 25 years from the date of allotment]	20
Issue of Irredeemable Preference Shares (Coupon rate - 20%) 10 lakh shares of Face Value of ₹ 100 each.	10
Issue of convertible Debentures with voting rights (Coupon rate - 10%) 10 lakh convertible debenture, face Value of ₹ 100 each (These debentures shall be converted into equity after the end of 5 years from the date of allotment. Till conversion, the debenture holders shall carry the voting rights)	10
Issue of secured Debentures maturing after 12 years 10 lakhs secured debentures, face Value ₹ 100 each, maturing at the end of 12 th year from the date of allotment.	10

The Articles of the company have requisite provisions for issue of capital through equity and preference shares and to raise money through debentures.

The company had also raised finance from a banking company earlier and total amount due as on 31.03.2021 was ₹ 20 crores. At the time of availment of loan from the bank, there was a clause in the loan agreement that if the company is not able to service the loan, the loan amount shall be converted into equity after 2 years from the date of availment. The conversion of debt into equity shares shall be at a discount of 10% of the face value. As the company was not able to service the repayment of interest on loan and payment of principal, the loan amount was now eligible for conversion at the pre-agreed discount rate.

The company approached you being a professionally qualified Chartered Accountant to get your professional advice on the issues planned and narrated by the company.

Multiple Choice Questions [2 Marks each]

- 32.1 What shall be your advice with respect to the calls-in-advance?
- (a) The company should return back such un-called amount to the investors.
 - (b) The company may retain such un-called amount, however no interest liability arises.
 - (c) The company may keep such amount, if so, authorised by the Articles. However, they are not entitled for any voting rights till the amount is duly called up.
 - (d) The company may forfeit the amount so un-called.
- 32.2 What is your opinion with respect to the issue of irredeemable preference shares proposed by company?
- (a) Yes, the company can issue any type of preference shares, whether it be redeemable or irredeemable.
 - (b) If the articles of the company permit the company to issue irredeemable preference Shares, then it can issue.

- (c) The financial position of the company is not good, since it could not repay the loan raised from the F.I.
 - (d) The company cannot issue irredeemable preference shares.
- 32.3 What is your opinion with respect to the issue of redeemable preference shares proposed by company if such funds are not to be raised for any infrastructure project?
- (a) There is no prohibition on issue of redeemable preference shares, by any company, having any maturity period.
 - (b) The company should avoid issuing the preference shares with such long term bearing the coupon rate @ 20%, since it may be a financial burden on the company, if the interest rates fall down in coming time.
 - (c) As per the provisions of the Companies Act, 2013, the redeemable period of the preference shares shall not exceed 20 years from the date of issue, so the tenure of rest 50% of the redeemable preference share should be reduced so as, not to exceed the issue period of 20 years.
 - (d) As the Article of the company permits, the preference shares can be issued maturing after 20 years from the date of issue.
- 32.4 How you will guide the company with respect to the issue of shares at discount to the banking company by converting the loan?
- (a) Companies Act, 2013 do not allow to issue shares at discount to the face value in any case.
 - (b) If the company is unable to liquidate the loan amount, it can seek special permission from the Central Govt. (MCA) to convert such loan into equity.

- (c) A company may issue shares at a discount to its creditor when its debts is converted into shares in pursuance of any statutory resolution plan or debt restructuring plan in accordance with any guidelines or directions or regulations specified by the RBI.
 - (d) The loan may be converted into equity but it should at par and not at discount.
- 32.5 Is it valid to issue convertible debentures carrying voting rights?
- (a) No, till the debentures are converted into equity, such debentures cannot carry the voting rights.
 - (b) If the articles of the Company permit, then the company may issue such debentures.
 - (c) If prior approval from the existing shareholders is obtained by the Company in the General Meeting, by an ordinary resolution, it can issue such debentures.
 - (d) The company can issue such debentures carrying the voting rights provided a special resolution is moved in the General Meeting of the company and it is approved by the 3/4th of majority of the shareholders.
- 32.6 Can the company issue such secured debentures as aforesaid if such funds are not to be raised for any infrastructure project?
- (a) Yes, the company can issue such debentures
 - (b) Yes, the company can issue such debentures, provided it contains such provisions in its articles for the same.
 - (c) The company may issue such debentures provided the date of its redemption shall not exceed 10 years from the date of issue.
 - (d) The company may issue such debentures if approved by its shareholders by passing a special resolution.

Answer Keys

Question No.	Answer
32.1	(c) The company may keep such amount, if so, authorised by the Articles. However, they are not entitled for any voting rights till the amount is duly called up.
32.2	(d) The company cannot issue irredeemable preference shares.
32.3	(c) As per the provisions of the Companies Act, 2013, the redeemable period of the preference shares shall not exceed 20 years from the date of issue, so the tenure of rest 50% of the redeemable preference share should be reduced so as, not to exceed the issue period of 20 years.
32.4	(c) A company may issue shares at a discount to its creditor when its debts is converted into shares in pursuance of any statutory resolution plan or debt restructuring plan in accordance with any guidelines or directions or regulations specified by the RBI.
32.5	(a) No, till the debentures are converted into equity, such debentures cannot carry the voting rights.
32.6	(c) The company may issue such debentures provided the date of its redemption shall not exceed 10 years from the date of issue.

33. Sudarshan Cement Ltd. is an unlisted public company. During the preceding financial years, the key parameters of the company were as under:

(₹ in crores)

Particulars	1 st F.Y.	2 nd F.Y.	3 rd F.Y.
Paid-up Capital	45	45	45
Turnover	150	190	195
Loans and Advances from Banks # (Sanctioned Limit: ₹ 120 crores)	95	80	97
Deposits #	20	27	24

Loans and Advances from Banks / Deposits: The Minimum and Maximum outstanding of loans and advances during the respective financial years were as under:

FY	1 st F.Y.		2 nd F.Y.		3 rd F.Y.	
Month	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Loan & Advances	89	115	90	97	92	99
Deposits	19	22	17	27	15	30

The Managing Director of the company had appointed Suresh (an employee of the company, posted in Accounts Dept. of the company) as an Internal Auditor for the company for 1st F.Y.

The Audit Committee of Board had objected such appointment and removed Suresh from such post and had recommended appointment of Anthony as internal auditor for 1st F.Y., which had been subsequently approved by the Board of Directors. Anthony had just cleared the final examination of the Institute of Chartered Accountants of India (ICAI) and he was neither having the membership of ICAI nor the Certificate of Practice from ICAI.

Multiple Choice Questions [2 Marks each]

- 33.1 Whether the company was required to appoint internal auditor for 2nd F.Y.?
- (a) Since the company is an unlisted public company, hence it was not required to appoint internal auditor.
 - (b) The company's paid-up capital, turnover, loans & advances and deposits were below the threshold limits, hence, was not required to appoint internal auditor.
 - (c) The highest outstanding amount in the head of 'loans and advances' during the 1st F.Y., was ₹ 115 crores, hence it required to appoint internal auditor for the 2nd F.Y.

- (d) The sanctioned limit for the loans and advances was ₹ 120 crores, which exceeded the threshold limit and hence it was required to appoint internal auditors for the 2nd F.Y.
- 33.2 Whether the company was required to appoint internal auditor for 3rd F.Y.?
- (a) Since the company is an unlisted public company, hence it was not required to appoint internal auditor.
 - (b) The company's paid-up capital, turnover and loans & advances were below the threshold limits, hence, was not required to appoint internal auditor.
 - (c) The highest outstanding amount in the head of 'loans and advances' during 2nd F.Y., was ₹ 97 crores, hence was not required to appoint internal auditor for 3rd F.Y.
 - (d) The highest deposit amount outstanding during 2nd F.Y., was ₹ 27 crores, which exceeds the threshold limit, hence it was required to appoint internal auditor for 3rd F.Y.
- 33.3 Whether the company was required to appoint internal auditor for 4th F.Y.?
- (a) Since the company is an unlisted public company, hence it was not required to appoint internal auditor.
 - (b) The company's paid-up capital, turnover, loans & advances and deposits were below the threshold limits, hence, was not required to appoint internal auditor.
 - (c) The highest outstanding amount in the head of 'loans and advances' during the 3rd F.Y., was ₹ 99 crores, which was below the threshold limit, hence was not required to appoint internal auditor for the 4th F.Y.
 - (d) The deposit amount outstanding at the end of 3rd F.Y., was ₹ 24 crores, which was below the threshold limit, but during the said FY the maximum outstanding was ₹ 30 crores, hence it was required to appoint internal auditor for the 4th F.Y.

33.4 Choose the correct option with respect to appointment of Anthony as Internal Auditor of the company:-

- (a) A person should be C.A. means he should at least have the membership of ICAI.
- (b) Appointment of CA who is not having the Certificate of Practice from ICAI is not a valid appointment for the post of internal auditor.
- (c) A person (CA, CMA or any other professional as may be decided by the Board) may be appointed as internal auditor whether engaged in practice or not.
- (d) It depends upon the discretion of the management.

Answer Keys

Question No.	Answer
33.1	(c) The highest outstanding amount in the head of 'loans and advances' during the 1st F.Y., was ₹ 115 crores, hence it required to appoint internal auditor for the 2nd F.Y.
33.2	(d) The highest deposit amount outstanding during 2nd F.Y., was ₹ 27 crores, which exceeds the threshold limit, hence it was required to appoint internal auditor for 3rd F.Y.
33.3	(d) The deposit amount outstanding at the end of 3rd F.Y., was ₹ 24 crores, which was below the threshold limit, but during the said FY the maximum outstanding was ₹ 30 crores, hence it was required to appoint internal auditor for the 4th F.Y.
33.4	(c) A person (CA, CMA or any other professional as may be decided by the Board) may be appointed as internal auditor whether engaged in practice or not.

34. Satguru Investments Ltd was incorporated on 25th April, 2021. The first Board meeting of company was held on 30th April, 2021, to discuss the business issues along with the appointment of first auditor

of the company. The Company Secretary put a panel of 5 auditors before the Board, however no consensus was arrived at, for the appointment of any of the auditor. The time prescribed under the Companies Act, 2013, for appointment of the first auditor lapsed and accordingly the company informed its members that first auditor for the company could not be appointed and called an Extraordinary General Meeting of the members for making appointment of the first auditor. The name of Bharat, a practicing CA, was proposed and the same was appointed by the members.

The first Annual General Meeting of the company was held on 15th December, 2021 in which, Bharat was appointed as an auditor of the company till the conclusion of the 6th Annual General Meeting.

In the month of January 2022, a news was published in the local newspaper that Bharat was sentenced for imprisonment of 2 years by a court of law for the offence of fraud for which he was going to appeal before the higher court against the decision of the lower court.

The company treated it as a casual vacancy of the auditor and the Board appointed another auditor named Gaurav, till the conclusion of the next AGM. The next AGM held on 20th August 2022, however in this AGM no appointment of auditor was made.

Multiple Choice Questions [2 Marks each]

- 34.1 The first auditor should be appointed by the Board of Directors within _____ days from the date of registration of the company, failing which the members of the company shall within _____ days at _____ appoint such auditor and such auditor shall hold office till the conclusion of the _____.
- (a) 30 days / 30 days / an EGM / 6th AGM
 - (b) 30 days / 60 days / an EGM / 6th AGM
 - (c) 30 days / 90 days / an EGM / First AGM.
 - (d) 30 days / 90 days / an EGM / 6th AGM

- 34.2 How, the company shall treat the situation of conviction of Bharat by the court of law?
- (a) The company shall continue with the appointment of such auditor.
 - (b) The company shall wait till the appeal and its final decision comes out.
 - (c) The company shall wait till the date when the execution of Bharat accomplished i.e., he is actually put behind the bars.
 - (d) The company shall treat this as casual vacancy.
- 34.3 In the given case the Board treating it as casual vacancy, appointed Gaurav. Such casual vacancy of auditor should be filled up by the Board of Directors _____ days and Gaurav shall continue as an auditor of the company till the conclusion of the next AGM.
- (a) Within 30 days
 - (b) Within 45 days
 - (c) Within 60 days
 - (d) Within 90 days
- 34.4 Gaurav was appointed by the Board as an auditor till the conclusion of the next AGM. However, in the next AGM, no appointment of auditor was made. Now what shall be the status:
- (a) The present auditor Gaurav, shall continue to be the auditor of the company.
 - (b) The present auditor Gaurav's term was only upto the conclusion of the next AGM so he should vacate the office as an auditor.
 - (c) The Board can appoint another person as auditor in place of Gaurav, treating it as casual vacancy.

- (d) When no appointment is made by the members in the AGM, an EGM shall be called upon to make the appointment of auditor within 90 days.
- 34.5 If the Board intends to remove Gaurav as an auditor before the expiry of his term, what procedure needs to be followed?
- (a) The auditor can be removed before expiry of his term by moving an ordinary resolution in the shareholder's meeting.
- (b) The auditor can be removed before expiry of his term by moving an ordinary resolution in the shareholder's meeting, after obtaining the previous approval of the Central Govt.
- (c) The auditor can be removed before expiry of his term by moving a special resolution in the shareholder's meeting.
- (d) The auditor can be removed before expiry of his term by moving a special resolution in the shareholder's meeting, after obtaining the previous approval of the Central Government.

Answer Keys

Question No.	Answer
34.1	(c) 30 days / 90 days / an EGM / First AGM.
34.2	(d) The company shall treat this as casual vacancy.
34.3	(a) Within 30 days
34.4	(a) The present auditor Gaurav, shall continue to be the auditor of the company.
34.5	(d) The auditor can be removed before expiry of his term by moving a special resolution in the shareholder's meeting, after obtaining the previous approval of the Central Government.

35. Anshul and Nikita are husband and wife. They are engaged in the business of trading of handloom items. They purchase handmade bedsheets, towels, napkins and other related items from Solapur-Maharashtra and sale them in Rajasthan.

One of their friends suggested them to form a private limited company. By corporatizing their business, they will be having more recognition and may also be able to export such handloom products.

They formed a company in the name of Anshul Textiles Pvt. Ltd. in which they both were the only members. They used to get the handloom work on job basis from the workers according to the demand and sale them in Indian market as well exporting the same.

The company also availed a line of credit facility from the bank to the tune of ₹ 20 lakhs. Anshul used to travel different places in order to search for the new market. One day, the air craft, in which he was travelling, crashed while landing at the Mumbai airport. All passengers including Anshul, died.

Now, Nikita was the only member in that private limited company. Their family friend suggested to include her brother as a member of the company, but Nikita did not agree to such suggestion. Instead, she thought to get it convert from private limited company to One Person Company (OPC) and make nomination in favour of her brother. Nikita's brother, Rohan, an Indian citizen, is presently in Auckland, New Zealand, in connection with his employment.

Multiple Choice Questions [2 Marks each]

- 35.1 After the death of Anshul, for how much time period, Nikita can carry on the business of company without incurring any personal liability on her part for the debts of the company?
- (a) Up to three months
 - (b) Up to four months
 - (c) Up to five months
 - (d) Up to six months

35.2 Who can be a nominee in OPC:

- (a) A nominee in an OPC shall be an Indian Citizen whether resident in India or otherwise
- (b) A minor can be a nominee
- (c) A person to become the nominee in OPC shall be at least 16 years but shall not be more than 60 years of age
- (d) Only a nominee in one OPC can be made nominee in another OPC

35.3 Whether Rohan can be a nominee of OPC?

- (a) Since he is out of India, hence cannot become the nominee
- (b) He can be a nominee of an OPC and has to provide his consent in the prescribed form.
- (c) Since he is in employment, hence cannot be a nominee of an OPC
- (d) He has to seek No objection certificate from his employer to become a nominee in an OPC and such NOC needs to be furnished to the Registrar

Answer Keys

Question No.	Answer
35.1	(d) Up to six months
35.2	(a) A nominee in an OPC shall be an Indian Citizen whether resident in India or otherwise
35.3	(b) He can be a nominee of an OPC and has to provide his consent in the prescribed form.

36. Rupesh took a house loan of ₹ 80 lakhs from Best Bank Ltd. While granting the house loan, the bank insisted to provide a guarantee. Rupesh's neighbour, Mithun, gave the guarantee for such housing loan.

Rupesh also purchased a life insurance policy on his life from A-One Life Insurance Company Ltd., for a sum assured of ₹ 1 crore for a policy term of 20 years. He paid the first premium to the insurance company. This policy was purchased by the Rupesh in order to protect his family, in case of untimely death of Rupesh. Rupesh made nomination of the policy in favour of Archana, his wife.

After some time Rupesh's business started running into losses and was not able to pay the instalments of housing loan to the bank. As a result, his loan account was classified by the bank as Non-Performing Asset (NPA) and the bank initiated to recover its pending dues. The Bank first sent the reminder letters/ mails to both the borrower and his guarantor and thereafter a legal notice was served.

Even after notices, when the loan account was not regularised, the bank filed a suit in Debt Recovery Tribunal (DRT) against the guarantor. The guarantor objected and asked the bank to first get it recover from the borrower and if the borrower does not pay, then only the guarantor will be liable to pay. But the bank continued to follow up the matter in DRT and ultimately the decree was passed in favour of the Bank to recover the dues from the guarantor.

Bank recovered entire outstanding loan from the guarantor as per the decree. Now the guarantor filed a suit against Rupesh to pay the amount, which he paid to the bank. Mithun also requested to the court to provide the possession and ownership of the house, if Rupesh is not able pay such amount.

Meanwhile, Rupesh met with an accident and died on the spot. Claim was lodged by his wife and the insurance company paid the sum assured along with bonus amount to Archana (nominee of the deceased). Archana paid the amount to Mithun, which had been paid by Mithun to the bank in discharge of his guarantee and settled down all the issues.

Multiple Choice Questions [2 Marks each]

36.1 In the given case, who is discharging the liability of a third person in case of his default in relation to the contract of guarantee?

(a) Mithun

- (b) Rupesh
- (c) Archana
- (d) The Bank

36.2 Choose the correct statement:-

- (a) The liability of surety is secondary and arises immediately on the default by the principal debtor and the bank can sue the surety directly after obtaining prior permission of the court.
- (b) The liability of surety is primary and the bank has the right to sue the surety directly without first proceeding against principal debtor.
- (c) The liability of surety is secondary and arises immediately on the default by the principal debtor and the bank has the right to sue the surety directly without first proceeding against principal debtor.
- (d) The liability of surety is primary and the bank can sue the surety directly after obtaining prior permission of the court.

36.3 What is the consideration in case of contract between Mithun and the Bank?

- (a) Promise made for the benefit of the principal debtor to avail loan on the guarantee of the surety
- (b) In contract of guarantee, there is no consideration involved between surety and the creditor
- (c) Mithun can freely utilise the house
- (d) Any past consideration

36.4 A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself, or by the conduct of any other person, is called:

- (a) A contract of Guarantee

- (b) A contract of indemnity
 - (c) A wager contract
 - (d) A void contract
- 36.5 A contract of life insurance is:
- (a) A contract of guarantee
 - (b) A Unilateral contract
 - (c) Not a contract of indemnity
 - (d) A contract of indemnity

Answer Keys

Question No.	Answer
36.1	(a) Mithun
36.2	(c) The liability of surety is secondary and arises immediately on the default by the principal debtor and the bank has the right to sue the surety directly without first proceeding against principal debtor.
36.3	(a) Promise made for the benefit of the principal debtor to avail loan on the guarantee of the surety
36.4	(b) A contract of indemnity
36.5	(c) Not a contract of indemnity

37. Kirtee Agarwal and Kishan Shaw are two friends studying in the Mumbai City College. They both are pursuing Bachelor of Commerce (Hons) and are in their Semester V. Kirtee Agarwal is also pursuing Chartered Accountancy Course. She has completed her Foundation Level and is presently preparing for the Intermediate Level. On the other hand, Kishan Shaw is interested in Fashion Designing and is preparing to become a fashion designer after completing B.COM (Hons).

One fine morning over a cup of tea both Kirtee and Kishan heard two persons promising to financially help each other. One person named Mr. P promised the other Mr. Q, that he will pay him a certain sum of money on the 76th Independence Day of India. To this Mr. Q asked Mr. P to pay this sum to Mr. R (friend of Mr. Q). After a moment's thought Mr. P changed his mind and promised to pay a reduced sum of money to Mr. R along with an I-Pad.

Over hearing this conversation both Kirtee and Kishan started discussing over Promissory Notes. Since Kirtee is a CA Student she shared her knowledge about Promissory notes and explained Kishan about Section 4 of the Negotiable Instrument Act, 1881.

Having heard the details Kishan was curious in his mind regarding Promissory Notes. He had the following questions for which he needed answers. Considering the above data and assuming you are Kirtee, answer the following questions of Kishan:

Multiple Choice Questions [2 Marks each]

- 37.1 Kishan asks, 'If Mr. P promises Mr. Q that he will pay ₹ 4,00,000. However, he will pay the sum to Mr. Q on the 76th Independence day of India'. Will this promise constitute a valid Promissory Note?
- (a) No. This is not a valid promissory note as it is conditional and promissory note should be unconditional.
 - (b) No. This is not a valid promissory note as there is no express of promise. It is a mere statement.
 - (c) Yes. This is a valid promissory note as the event stated in the promise is bound to happen.
 - (d) Yes. This is a valid promissory note as there is a promise to pay irrespective of the promise being conditional or unconditional.
- 37.2 Kishan asked, 'when Mr. P promises to pay a friend of Mr. Q, ₹ 2,00,000 along with an I-Pad, on his birthday'. Will that be a valid Promissory Note?
- (a) No. It is not a valid Promissory note as the order to pay must consist of money only.

- (b) No. It is not a valid promissory note as there is no clarity on which birthday the payment will be made. It is a promise for an indefinite period.
- (c) Yes. It is a valid promissory note as the maker and payee are certain, definite and different person.
- (d) Yes. It is a valid promissory note as there is an express promise to pay ₹ 2,00,000 along with I Pad on friend's birthday.

Answer Keys

Question No.	Answer
37.1	(c) Yes. This is a valid promissory note as the event stated in the promise is bound to happen.
37.2	(a) No. It is not a valid Promissory note as the order to pay must consist of money only.

38. Ronak and Bhowmik are brothers and they are engaged in the business of dairy. Ronak is having 10 cows. The monthly revenue and expenses of the cows is tabulated as under:

S. No.	Particulars	(₹)
1.	Revenue: (25 litres per cow per day) * (10 cows) * (Sale Price ₹ 40 per litre) * (30 days in a month) = 3,00,000.	3,00,000
2.	Expenses: i. For feeding: (300 per cow per day) * (10 cows) * (30 days in a month) = 90,000 ii. Medical Expenses (Salary to a Veterinary Doctor per month: 10,000 iii. Labour's Salary: (2 person * 10,000) = 20,000 iv. Petrol exp for milk delivery van: Lump sum = 10,000 Total Exp = 90,000 + 10,000 + 20,000 + 10,000 = 1,30,000	(1,30,000)

3.	Savings per month	1,70,000
4.	Yearly savings = 1,70,000*12 months	20,40,000
5.	Salary to Bhowmik for looking after Ronak's Dairy business: 10,000*12 = 1,20,000	(1,20,000)
6.	Less: Contingency Expenditure	(20,000)
7.	Net Revenue to be collected (after a year)	19,00,000

Ronak's son Chirag is doing Engineering in Dairy Science from Denmark and is in Final Year. He learnt a lot by his engineering education and want to invite his father to know the technical aspects of dairy business. Chirag insisted his parents to come to Denmark and stay for a year to learn the nitty gritty of the dairy business and also enjoy the life in travelling nearby places.

Ronak, talked to his brother Bhowmik and explained his plan to visit to Denmark for a year and requested to take care of his cows. The labourers are engaged for the maintenance of cows and delivery of the milk, and Bhowmik is just to have a watch over it, collect the revenues etc. and take care of the cows, till he returns back from Denmark. Ronak also offered Bhowmik that for taking care of his dairy business, he will pay to him ₹ 10000 per month. Ronak also told Bhowmik that the cows are covered under the Insurance Policy, for which he has already paid advance premium and also shared the Insurance Policy with Bhowmik. However, Ronak did not disclosed that one cow is under sickness, it very often falls sick and needs to be taken care. Bhowmik agreed and the cows were shifted to Bhowmik's Dairy Farm House.

Ronak and his wife went to Denmark to stay with their son and to understand the dairy business there and to visit the near places.

Bhowmik was now looking after the dairy business of Ronak along with his dairy business. During the year, 2 cows gave the birth to 2 calves. One cow, which often used to fall ill, had also influenced the other cows, as a result, one cow of Bhowmik, and one cow of Ronak which remained in close contact with this sick cow, also fell sick. All the three cows (2 of Ronak and 1 of Bhowmik) died.

When the insurance claim was lodged, the insurance company refused to pass on the claim on the following reasons:

- One cow of Ronak which was running sick was not insured.
- Post mortem Report of another two cows (one of Ronak and another of Bhowmik) revealed that these two cows were in close touch of the sick cow and due to infections, these two cows also died.

When Ronak returned back to India, he demanded his cows back. Bhowmik returned 8 cows (10-2) but did not returned calves. Bhowmik informed Ronak that due to one sick cow (of Ronak) his cow also became sick and died and no insurance claim was admitted.

Multiple Choice Questions [2 Marks each]

- 38.1 What was the fault on the part of Ronak (bailor) in this case?
- (a) Ronak has not taken the Insurance Policy of the sick cow.
 - (b) Ronak have not informed the continuous sickness of his cow, to Bhowmik
 - (c) Ronak has left the cows to his brothers and went to Denmark to enjoy the travelling and tourism.
 - (d) Ronak, before going to Denmark, should have sold this sick cow.
- 38.2 Can Bhowmik claim damages for loss of his cow, which died, since this cow, remained in the close contact of the sick cow of Ronak:
- (a) Ronak is not liable for such loss.
 - (b) Bhowmik should himself take care of his cow.
 - (c) Ronak is liable to pay the price of the deceased cow of Bhowmik, since this cow died on account close contact of sick cow of Ronak.
 - (d) Bhowmik should be vigilant in taking care of the cows.

38.3 Whether Bhowmik is responsible to give delivery of two calves which took birth during the year, when Ronak was on his tour to Denmark:

- (a) Bhowmik is not bound to give delivery of two calves, since he has already lost his own cow due to mistake of not disclosing the sickness of Ronak's cow by him (Ronak).
- (b) Bhowmik is duty bound to hand over the delivery of two calves.
- (c) Ronak should not insist for delivery of the calves.
- (d) Bhowmik can keep the calves with him as the calves were born when the cows were in Bhowmik's custody.

38.4 Bhowmik returns only 8 cows, since 2 cows of Ronak died. Whether Ronak is entitled to claim damages for 2 cows:

- (a) Ronak is not entitled to claim damages.
- (b) Ronak is entitled to claim damages only, if he can prove that Bhowmik has not taken care of the cows as a prudent person, not taken the medical help of the doctor etc.
- (c) Bhowmik should morally paid the loss of cows to his brother Ronak
- (d) Bhowmik should not claim his salary, since Ronak has already suffered the loss of two cows.

Answer Keys

Question No.	Answer
38.1	(b) Ronak have not informed the continuous sickness of his cow, to Bhowmik
38.2	(c) Ronak is liable to pay the price of the deceased cow of Bhowmik, since this cow died on account close contact of sick cow of Ronak.

38.3	(b) Bhowmik is duty bound to hand over the delivery of two calves.
38.4	(b) Ronak is entitled to claim damages only, if he can prove that Bhowmik has not taken care of the cows as a prudent person, not taken the medical help of the doctor etc.

39. Ankit and Amit are friends. Amit asked Ankit to become guarantor for his cousin Arav, a grocery seller, for an amount of ₹ 1,50,000. This was required so that Mr. Sunil, the supplier may from time to time supply goods on credit basis to Arav during the next 1 year. Ankit purchased items worth ₹ 50,000 from Mr. Sunil and paid the amount within 15 days. After one month Ankit bought items worth ₹ 50,000. Out of this amount, on 15th May 2021, Ankit paid ₹ 25,000 to Mr. Sunil. Ankit placed an order for items worth ₹ 15,000 on 17th May 2021. But due to some issues between Arav and Ankit, the later revokes the guarantee. Ankit conveys the same to Amit on 21st May 2021.

Amit wanted to build a new house in Jaipur. Mr. Amit was working in Agra and he was looking to hire a good architect so that he can build his dream house. Mr. Anuj, colleague of Mr. Ankit, suggested him to hire Mr. Mehta. Since, Mr. Amit never met Mr. Mehta, so he asked Mr. Anuj to stand as a guarantor for Mr. Mehta, to which Mr. Anuj agreed. He contacted Mr. Mehta, an architect to prepare the plan. Mr. Mehta prepared the plan and sent it to Mr. Ankit for final approval. The payment was to be made on instalments basis at various stages of completion. Mr. Amit, however, paid him the last three instalments together. But even after 6 months delay, Mr. Mehta couldn't complete the construction.

Mr. Ankit's company since last two years was buying raw materials from Dawe & Son's. The company required some more raw materials for its future use. The Company issued a cheque for ₹ 100,000 in favour of Dawe & Son's on 04.02.2022 and the company had sufficient amount in their bank account. Due to some internal issues Dawe international was not able to present the cheque to the Bank for

payment, within reasonable time. The bank failed before the cheque was presented by Dawe & Son's.

Mr. Ankit had a car in Agra. While he was travelling to Jaipur he parked his car at his colleague, Mr. Anuj's house. Mr. Ankit allowed Mr. Anuj only to use the car in his absence and Mr. Anuj allowed his neighbour to use the car. His neighbour rides with care, but unfortunately met with an accident. Mr. Anuj got it repaired with a local mechanic and handed over the car to Mr. Ankit, after he returned to Agra. Being unaware of the incident, Mr. Ankit took his car home. But after couple of days due to the accident, the car had a breakdown.

Mr. Amit lends his unused furniture to Mr. X gratuitously to be used for next one year. Mr. X incurs some amount on its repairs. After six months Mr. Amit asked Mr. X to return his furniture as he needed it for his personal use. Mr. X refused to deliver the furniture as the specified time period was not over.

Multiple Choice Questions [2 Marks each]

- 39.1 Referring to the provisions of the Indian Contract Act, 1872, decide whether Ankit is absolved from his liabilities to Mr. Sunil for the subsequent credit supply and for how much amount would Ankit be liable, in case Arav makes default in paying back for the goods already supplied on credit pending payment?
- (a) Ankit cannot be absolved from his liabilities and he needs to pay a total of ₹. 40,000 to Mr. Sunil.
 - (b) Ankit can be absolved from his liabilities but he needs to pay a total of ₹ 40,000 to Mr. Sunil.
 - (c) Ankit can be absolved from his liabilities but he needs to pay a total of ₹ 40,000 to Mr. Sunil.
 - (d) Ankit is absolved from his liabilities the moment he conveyed it to Amit and as such he need not required to pay anything in case of a default.

- 39.2 Mr. Mehta, even after 6 months of delay could not fulfil his promise and complete the construction of Mr. Ankit house. According to the provision of Indian Contract Act 1882, decide whether Mr. Anuj can be held liable for the loss?
- (a) Mr. Anuj being a guarantor is liable for the loss
 - (b) Mr. Anuj is discharged of all his liabilities, as soon as prepayment is done by Mr. Ankit.
 - (c) Mr. Anuj being a guarantor is liable only for the last 3 instalments.
 - (d) Mr. Anuj is only liable when he had the knowledge of the prepayments made by Mr. Ankit
- 39.3 Decide under the provisions of the Negotiable Instruments Act, 1881, how and from whom Dawe & Son's can recover the money?
- (a) from the company, by returning the cheque for non-payment.
 - (b) from the company, after remark by the bank for non-payment of the same.
 - (c) from the bank, as the company is discharged of his liability when it is not presented to bank on time.
 - (d) from any of the two, Dawe & Son's can claim the amount of the cheque.
- 39.4 Mr. Anuj before handing over the car to Mr. Ankit got it repaired from the local mechanic. According to the provisions of the Indian Contract Act, 1872, choose the correct option.
- (a) Mr. Anuj is liable to compensate Mr. Ankit for the loss done to the car.
 - (b) Mr. Anuj is not liable to compensate Mr. Ankit as he already got it repaired from the mechanic.

- (c) Mr Anuj is not liable to compensate Mr. Ankit as due care was taken while driving the car.
- (d) Mr. Anuj is liable only in case when he was driving the car.
- 39.5 According to the provision of the Indian Contract Act, 1872, do you think Mr. Amit has a right to take back his furniture before specified time of one year? Chose the correct option.
- (a) In case of premature termination Mr. Amit need to pay to Mr. X for the loss or damage suffered by Mr. X that is in excess of the benefit received out of the use of such furniture
- (b) Since it is a gratuitous bailment Mr. Amit is not required to pay anything to Mr. X
- (c) In case of a gratuitous bailment Mr. X can refuse to return the furniture before specified time.
- (d) In gratuitous bailment too, Mr. Amit is liable to indemnify the total loss incurred by Mr. X.

Answer Keys

Question No.	Answer
39.1	(c) Ankit can be absolved from his liabilities but he needs to pay a total of ₹ 40,000 to Mr. Sunil
39.2	(b) Mr. Anuj is discharged of all his liabilities, as soon as prepayment is done by Mr. Ankit
39.3	(c) from the bank, as the company is discharged of his liability when it is not presented to bank on time.
39.4	(a) Mr. Anuj is liable to compensate Mr. Ankit for the loss done to the car.
39.5	(a) In case of premature termination Mr. Amit need to pay to Mr. X for the loss or damage suffered by Mr. X that is in excess of the benefit received out of the use of such furniture

40. Mr. X and Mr. Y are friends. Mr. X runs a taxi business. Mr. Y hires a car from Mr. X for one month. Mr. Y paid ₹ 5000 to Mr. X. Mr. X instructed Mr. Y to deliver his car to one of his neighbour Mr. A, after the specified time, as he is going out of town for two months. With no malicious intention, after expiry of one month, Mr. Y thought to retain the car with himself. Mr. Y decided to pay ₹ 5000 to Mr. X, when he returns, as he can easily travel to his office on daily basis.

Mr. Gupta visited Mr. X. Mr. X needed ₹ 50,000 for his personal use. Mr. X promised to pay the amount in 3 months. Mr. X bought an imported T.V. from abroad. Since, Mr. Gupta deals in electronic goods, he asked Mr. X to pledge the T.V, to which Mr. X agreed. Mr. X pledged the T.V. against the loan amount of Mr. Gupta. The T.V's cable got damaged by Mr. X but TV was in a working condition. After the specified time, Mr. X did not pay off the debt. Finally, Mr. Gupta decided to sell the T.V, to recover his debt, but had to bear the cost of cable repair worth ₹ 5,000.

A customer bought a music system from Mr. Gupta on 4th January, 2022. The customer paid 10% of the amount in cash, and issued two cheques dated 21st January, 2022 and 10th February 2022. The 1st cheque issued by customer got cleared on 4th February. Mr. Gupta deposited the 2nd cheque on 12th May, 2022 which got returned due to insufficient funds in the bank account of the drawer. Mr. Gupta send notice to the customer within a week, after receiving the information from the bank regarding return of the cheque. The customer even after 15 days' time neither replied to the notice nor paid the amount to Mr. Gupta. Mr. Gupta asked his lawyer to sue the customer under the relevant law.

Mr. Gupta's son Amit, found a Rado watch in the cafe; lying on the floor. Amit tried to find the owner of the watch but all his efforts went in vain. Amit got the watch repaired from the showroom by paying ₹ 1000. Next day Amit came to know about the real owner of the watch, from the advertisement newspaper stating the loss of a watch in the cafe along with the reward of ₹ 4000 to the finder of the watch. Amit went to the owner to return the watch. Amit demanded ₹ 5,000 as he had paid ₹ 1000 for the repair of the watch.

Mr. X lent his car gratuitously to his banker friend Mr. Yaseen, till summer vacation. But after 15 days Mr. X terminated the contract and

took back his car. Due to summer vacation, no cars were available and Mr. Yaseen had to arrange another car for much higher price i.e. for ₹ 12,000, which is generally available for ₹ 8,000.

Multiple Choice Questions [2 Marks each]

- 40.1 With reference to the provision of the Indian Contract Act, 1872, how would you justify the action of Mr. Y?
- (a) Mr. Y can retain the car as he had no malicious intention and was ready to pay ₹ 5,000
 - (b) Mr. Y was authorised to retain the car as a Bailee and had an option either deliver it to Mr. Y or his neighbour
 - (c) The car can be retained by Mr. Y, after informing Mr. Y's neighbour
 - (d) It was not justifiable for Mr. Y to retain the car after 1 month
- 40.2 Will Mr. Gupta succeed in the suit to be made by him?
- I. No offence is constituted
 - II. The cheque was presented in the bank within specified time
 - IV. The drawer of the cheque failed to make payment of the said amount of money within 15 days of the receipt of the said notice
 - V. The notice in writing given to the drawer of the cheque, within a week regarding the return of the cheque as unpaid.
- (a) I
 - (b) II and IV
 - (c) III and IV
 - (d) II, III and IV

- 40.3 By referring to the provisions of the Indian Contract Act, 1872, what should be the liability of the owner to pay to Amit?
- (a) The owner needs to pay the reward amount as well as the repairing cost to Amit
 - (b) Amit has no right to claim the repairing amount of the watch.
 - (c) Amit can retain the watch till the owner pays him the repairing cost as well as the prize money and Amit can sue the owner for the prize money only.
 - (d) Amit has a right to claim the repairing amount of the watch.
- 40.4 According to the provision of the Indian Contract Act, 1872, how would you evaluate Mr. Yaseen's situation?
- (a) Mr. X is liable to compensate Mr. Yaseen for the loss, which is in excess of the benefit derived by Mr. Yaseen.
 - (b) Since there is no consideration involved, Mr. X is not liable to pay any compensation.
 - (c) No loss is caused to Mr. Yaseen, so he is not liable to get any compensation.
 - (d) Mr. Yaseen is liable to get compensation only if it is expressly mentioned in the contract.

Answer Keys

Question No.	Answer
40.1	(d) It was not justifiable for Mr. Y to retain the car after 1 month
40.2	(a) I
40.3	(c) Amit can retain the watch till the owner pays him the repairing cost as well as the prize money and Amit can sue the owner for the prize money only.
40.4	(a) Mr. X is liable to compensate Mr. Yaseen for the loss, which is in excess of the benefit derived by Mr. Yaseen