

**Mock Test Paper - Series I: July, 2025**

**Date of Paper: 22<sup>nd</sup> July, 2025**

**Time of Paper: 10 A.M. to 1 P.M.**

**INTERMEDIATE COURSE: GROUP – I**

**PAPER – 2: CORPORATE AND OTHER LAWS**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*

**PART I – Case Scenario based MCQs (30 Marks)**

**Part I is compulsory.**

**Case Scenario 1**

Neo Technologies Ltd., a listed company was incorporated in the year 2010. It has a share capital of ₹ 100 crore and turnover of ₹ 200 core. The company plans to raise capital through private placement of securities during FY 2014–15. The Board identifies 180 individual investors and passes a special resolution in the general meeting. In the same financial year, the company also offers shares to 25 mutual funds (Qualified Institutional Buyers) and grants stock options to its 30 employees under an approved Employee Stock Option Scheme (ESOP). The manager of the company objected to allotment of the shares as the total number of persons exceeds the permissible limit provided under the law.

The company has its registered office in Mumbai, Maharashtra. The company maintains its registers at the registered office by default. Last year the company opened a branch office in Hyderabad, Telangana. The total shareholders on record of the company are 21,000. Out of these, 2160 shareholders are residing in Hyderabad. The management believes that maintaining the register of members at the Hyderabad office is not a good idea as in order to maintain the register, atleast  $\frac{1}{4}$ <sup>th</sup> of the total shareholders should be living in Hyderabad.

The company has appointed Arun & Co., a chartered accountancy firm, as the auditors for two terms of 5 consecutive years each, from FY 2014–15 to FY 2023–24. The firm had two main partners CA. Rajan Mehta and CA. Nupur Jain. For the FY 2024–25 to F.Y. 2029-30, the company wanted to appoint Jain & Associates. However, it was later noted that CA Nupur Jain is a sleeping partner in Jain & Associates. The board is of view that since CA Nupur Jain is

sleeping partner in the company, there should be no issues in continuing the services of Jain & Associates as their auditors.

In January 2025, the company decided to accept fresh deposits from its members. The company in past has defaulted on the repayment of deposits to its members in 2019. The company faced many financial difficulties, but it successfully repaid all outstanding deposits and interest by March 2021. So now the board of directors has passed a resolution to accept ₹ 2 crore as deposit from its members.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-4, of 2 marks each) given herein under:

1. Considering the applicable provisions related to private placement as given under the Companies Act, 2013, which of the following statement is correct?
  - (a) The company has breached the 200-person limit, as the total number of persons to whom securities are offered are more than 200 in a financial year.
  - (b) The company has exceeded limit of 200 persons across both types of securities (excluding ESOPs).
  - (c) The company has not exceeded 200-person limit, because QIBs and ESOP are excluded from the calculation of threshold limit of identified persons.
  - (d) The company must seek prior approval of SEBI for any private placement involving QIBs.
2. The company had defaulted on repayment of deposits but wishes to accept deposits from its members again. What is a mandatory requirement before doing so?
  - (a) The company must wait for three years after making good the default before accepting new deposits.
  - (b) The company must obtain a statutory auditor's certificate, confirming that the default has been rectified, and five years have passed since then.
  - (c) The company can accept deposits immediately since it has repaid all previous defaults, without requiring any additional approvals.
  - (d) The company must seek approval from the Registrar before accepting deposits from its members, since only three years have elapsed from the date of making good the default.
3. The company completed two audit terms (10 years) with Arun & Co. and now intends to appoint Jain & Associates as its new auditor firm. But it found that CA. Nupur Jain is a

common partner in both firms. Which of the following best explains why Jain & Associates qualifies/disqualifies for the appointment as an auditor?

- (a) Appointment of Jain & Associates would violate the provisions of the Companies Act, 2013, as the firm has common partner with the retiring auditor firm, making it ineligible for five years under the Companies Act.
  - (b) Jain & Associates cannot be disqualified as CA. Nupur Jain is a sleeping partner of the firm.
  - (c) Jain & Associates can be appointed as the new auditor firm since it has partners apart from CA. Nupur Jain also.
  - (d) Jain & Associates disqualifies to be appointed as auditor of the firm as it needs to observe a cooling-off period of 2 years as it has common partners.
4. The board of directors are of view that they should maintain a register at Hyderabad only if one-fourth of members are residing there. Do you agree with the boards of directors' view of not maintaining the register at Hyderabad?
- (a) No, the company can maintain the register at the Hyderabad office without passing any resolution, as the Companies Act allows to maintain register at any branch office.
  - (b) Yes, the board needs to pass a resolution and notify ROC before maintaining register at branch office if atleast 1/4<sup>th</sup> shareholders are living in Hyderabad.
  - (c) No, only after passing a special resolution in a general meeting, the register can be maintained at Hyderabad because more than 10% of the members reside there.
  - (d) No, the company cannot maintain registers outside the registered office under any circumstance unless it is a foreign company.

### **Case Scenario 2**

Divine Associates was a well-established partnership firm operating in engineering and infrastructure consulting for over two decades. It includes four partners—Mr. Aryan (designated Partner), Ms. Simran (sleeping partner), Mr. Junaid (Finance Head) and Mr. Roy (Operations). The firm saw immense growth after securing multiple government infrastructure contracts. As the business expanded, they faced increasing compliance complexities, risk of personal liabilities and tax inefficiencies.

In early FY 2023-24, the partners unanimously decided to convert the partnership into a Limited Liability Partnership (LLP) for better risk protection and corporate governance. The firm was registered as Stellar Associates LLP on 20<sup>th</sup> October, 2023.

Ten days later after conversion, due to some chronic health issues Mr. Junaid resigned. The LLP continued operations with the remaining three partners. However, from 1<sup>st</sup> November, 2023, to 1<sup>st</sup> June, 2024, no new partner was appointed. During this time, significant project contracts and vendor negotiations were executed by Mr. Aryan and Mr. Roy.

Ms. Simran, despite being a silent partner, extended a ₹ 20 lakh personal loan to the LLP for temporary working capital. She signed a standard loan agreement and expected repayment within 18 months. The LLP treated this as external borrowing, with interest and principal obligations to her similar to a non-partner lender.

In April 2025, the LLP faced internal disputes regarding a transfer of Mr. Roy's profit share to Mr. Ketan (a third-party investor). The investor insisted on participating in decision-making after acquiring 20% profit rights, which was denied by the remaining partners.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 5-8, of 2 marks each) given herein under:

5. Mr. Junaid resigned from Stellar Associates LLP on 30<sup>th</sup> October, 2023. Choose the correct option:
  - (a) The LLP should file a notice with the Registrar within 30 days from the date Mr. Junaid ceases to be a partner.
  - (b) The LLP should file a notice with the Registrar within 7 days from the date of resignation.
  - (c) There is no statutory time limit for informing the Registrar of a partner's resignation.
  - (d) The LLP is under no obligation to inform the Registrar about such change. It is only the responsibility of outgoing partner to inform the Registrar.
6. From 1<sup>st</sup> November, 2023 to 1<sup>st</sup> June, 2024, the LLP functioned with only two partners. What is the most critical legal consequence under LLP law?
  - (a) The LLP must dissolve immediately after 3 months.
  - (b) All decisions taken during this period are valid as it needs two partners run an LLP
  - (c) The continuing partners may be personally liable for obligations incurred during the 6+ month period.
  - (d) There is no consequence if the partners are aware of the shortage.

7. Regarding Ms. Simran's ₹ 20 lakh loan to the LLP, what is the correct classification and its legal effect?
- (a) It must be treated as a capital contribution, but priority will be given to creditors loan.
  - (b) It qualifies as a partner's contribution and offers no creditor protection.
  - (c) It is treated as a third-party transaction and must be honoured like any external loan.
  - (d) Such loans are not permitted between partners and LLP.
8. Mr. Roy transferred 20% of his profit rights to Mr. Ketan who now demands management rights. So as per the provision of LLP Act how will you define Mr. Ketan position in the LLP?
- (a) The transferee automatically becomes a partner entitled to manage the LLP.
  - (b) Profit transfer doesn't entitle the transferee to management or access to LLP affairs.
  - (c) The transferee can veto management decisions involving Roy's capital.
  - (d) Only if more than 25% is transferred, management rights apply.

### **Case Scenario 3**

Evercrest Agro Equipments Private Limited ("EAEPL") was in the process of establishing a new agricultural machinery manufacturing unit in Nashik, Maharashtra. On 28<sup>th</sup> February 2024, the Board of Directors passed a resolution to acquire the following assets:

- An industrial warehouse
- 30 acres of farmland located next to the warehouse
- 150 tractors for operational use and resale
- A plantation of 200 timber trees on part of the farmland

Later, on 15<sup>th</sup> March 2024, the company received a government notification requiring that all newly established agro-industrial units must obtain a special regulatory clearance within 45 days from the date of establishment.

The notification also clarified that all existing permissions or orders issued under the repealed Agro-Industrial Development Act shall remain valid under the new replacement legislation.

As per the notification, intimation or service of orders must be made through registered post to all concerned stakeholders.

Now, the Managing Director of the company seeks your legal opinion on various implications under the General Clauses Act, 1897.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 9-11, of 2 marks each) given herein under:

9. Among the assets acquired by EAEPL, which of the following would not be classified as immovable property under the General Clauses Act, 1897?
  - (a) The industrial warehouse
  - (b) 30 acres of farmland
  - (c) 150 tractors
  - (d) Plantation of 200 timber trees
10. If the requirement was to obtain regulatory clearance within 45 days from the date of establishment (which was 28<sup>th</sup> February 2024), and 13<sup>th</sup> April 2024 was a public holiday, by which date must the clearance be obtained (assuming 13<sup>th</sup> April, 2024 is a Saturday)?
  - (a) 13<sup>th</sup> April 2024
  - (b) 12<sup>th</sup> April 2024
  - (c) 14<sup>th</sup> April 2024
  - (d) 15<sup>th</sup> April 2024
11. The government notification dated 15th March 2024 was sent to EAEPL via registered post on 18th March 2024, and the company returns it with an endorsement of refusal. As per the General Clauses Act, 1897, choose the correct option.
  - (a) It will be presumed that the notice has been served
  - (b) It will be deemed that the notice has not been served
  - (c) The notice has to be sent again till the time, the company does not validly accept the notice
  - (d) The notice will now be served on the shareholders of the company

**Independent case scenarios**

12. ABC Limited has its shares listed on a recognized stock exchange in India. During the current financial year ending on 31<sup>st</sup> March 2025, 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) 2016-2017
- (b) 2017-2018
- (c) 2020-2021
- (d) 2022-2023

**(2 Marks)**

13. Entrenchment enhance the protection. ABC Limited, an existing private company willing to insert the provisions for entrenchment; it

- (a) Can amend the article by passing an ordinary resolution
- (b) Can amend the article by passing a special resolution
- (c) Can amend the article agreed by all the members
- (d) Can't amend article to make the provisions for entrenchment

**(2 Marks)**

14. In September, 2024, Pawan visited Atlanta as well as Athens and thereafter, London and Berlin on a month-long business trip, for which he withdrew foreign exchange to the extent of US\$ 50,000 from his banker State Bank of India, New Delhi branch. In December, 2024 he further, withdrew US\$ 50,000 from SBI and remitted the same to his son Aryan who was studying in Toronto, Canada. In the first week of January, 2025, he sent his ailing mother Mrs. Savita for a specialised treatment along with his wife Mrs. Rashmi to Seattle where his younger brother Pranav, holder of Green Card, is residing. For the purpose of his mother's treatment and to help Pranav to meet increased expenses, he requested his banker SBI to remit US\$ 75,000 to Pranav account maintained with Citibank, Seattle. In February, 2025, Pawan's daughter Devanshi got engaged and she opted for a 'destination marriage' to be held in August, 2025 in Zurich, Switzerland. While on a trip to Dubai in the last week of March, 2025, he again withdrew US\$ 35,000 to be used by him and Devanshi for meeting various trip expenses including shopping in Dubai. Later, the event manager gave an estimate of US\$ 2,50,000 for the wedding of Devanshi at Zurich, Switzerland. Which option do you think is the correct one in the light of applicable provisions of Foreign Exchange Management Act, 1999 including obtaining of prior approval, if any, from Reserve Bank of India since Pawan withdrew foreign exchange on various occasions from his banker State Bank of India.

- (a) In respect of withdrawal of foreign exchange on various occasions from his banker State Bank of India and remitting the same outside India during the financial year 2024-25, Pawan is not required to obtain any prior approval.
- (b) In respect of withdrawal of US\$ 35,000 in the last week of March, 2025, for a trip to Dubai, Pawan must have obtained prior approval of Reserve Bank of India since the maximum amount of foreign exchange that can be withdrawn in a financial year is US\$ 1,75,000.

- (c) After withdrawing US\$ 1,00,000, Pawan must have obtained prior approval of Reserve Bank of India for the remaining remittances made during the financial year 2024-25, otherwise SBI would not have permitted further withdrawals.
- (d) After withdrawing US\$ 50,000, Pawan must have obtained prior approval of Reserve Bank of India for the remaining remittances made during the financial year 2024-25, otherwise SBI would not have permitted further withdrawals.

**(2 Marks)**

15. ABC Limited, an Indian company, holds a commercial plot in Chennai which it intends to sell. WXY, a real estate broker with its Head Office in the USA, has been appointed by ABC Limited to find some suitable buyers for the said commercial plot in Chennai which is situated at a prime location. WXY identifies Glory Estate Inc., based out of USA, as the potential buyer. It is to be noted that Glory Estate Inc. is controlled from India and hence, is a 'Person Resident in India' under the applicable provisions of Foreign Exchange Management Act, 1999. A deal is finalised and Glory Estate Inc. agrees to purchase the commercial plot for USD 600,000 (assuming 1 USD = ₹ 70). According to the agreement, ABC Limited is required to pay commission @ 7% of the sale proceeds to WXY for arranging the sale of commercial plot to Glory Estate Inc. and commission is to be remitted in USD to the Head Office of WXY located in USA. Considering the relevant provisions of Foreign Exchange Management Act, 1999, which statement out of the four given below is correct (ignoring TDS implications arising under the Income-tax Act, 1961):

- (a) There is no requirement of obtaining prior permission of Reserve Bank of India (RBI) for remittance of commission upto USD 25,000 by ABC Limited to WXY but for the balance commission of USD 17,000, prior permission of RBI is required to be obtained.
- (b) There is no requirement of obtaining prior permission of Reserve Bank of India (RBI) for remittance of commission upto USD 30,000 by ABC Limited to WXY but for the balance commission of USD 12,000, prior permission of RBI is required to be obtained.
- (c) There is no requirement of obtaining prior permission of Reserve Bank of India (RBI) for remittance of entire commission of USD 42,000 by ABC Limited to WXY.
- (d) It is mandatory to obtain prior permission of Reserve Bank of India (RBI) for remittance of entire commission of USD 42,000 by ABC Limited to WXY.

**(2 Marks)**



## PART – II Descriptive Questions (70 Marks)

*Question No.1 is compulsory.*

*Attempt any **Four** questions out of the remaining **Five** questions.*

1. (a) Referring the relevant provisions of the Companies Act, 2013, examine, whether following companies will be considered as listed company or unlisted company:
  - (i) ABC Limited, a public company, has listed its non-convertible Debt securities issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
  - (ii) XYZ Limited, a public company, has listed its non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.
  - (iii) RAM Limited, a public company, which has not listed its equity shares on a recognized stock exchange but whose equity shares are listed on a stock exchange in a jurisdiction as specified in sub-section (3) of section 23 of the Companies Act, 2013. **(5 Marks)**
- (b) Zeeta Polymers (P) Ltd. has earned profits for the first two quarters of the financial year 01.04.2024 to 31.03.2025. The Company has calculated, declared and paid interim dividends based on profits earned in the first two quarters after providing for full-year depreciation. The Company incurred losses in the next two quarters. The Company has incurred overall losses for the financial year ending 31.08.2025, leaving no surplus in its profit and loss account. The Company has not carried-over losses and unabsorbed depreciation. Applying the provisions of the Companies Act, 2013, decide whether the company contravened the provisions of the Companies Act, 2013 by declaring interim dividends despite incurring overall losses for the financial year? **(5 Marks)**
- (c) 'Lalji' is a Singapore based company having several business units all over the world. It has a unit for manufacturing computer chips with its Headquarters in Pune. It has a Branch in Dubai which is controlled by the Headquarters in Pune. What would be the residential status under the Foreign Exchange Management Act (FEMA), 1999 of printer chips in Pune and that of Dubai branch? **(4 Marks)**
2. (a) Blue Limited passed two resolutions by means of postal ballot. Keeping in view the relevant provisions of the Companies Act, 2013, you are required to advise the directors of the company regarding the provisions applicable for making

entries in the minutes book including the time limit within which the entries must be made. **(5 Marks)**

- (b) Aarna Ltd. was dealing in export of cotton fabric to specified foreign countries. The company was willing to purchase cotton fields in Punjab State. The prospectus issued by the company contained some important extracts of the expert report. The report was found untrue. Mr. Nick purchased the shares of Aarna Ltd. on the basis of the expert's report published in the prospectus. However, he did not suffer any loss due to purchase of such shares. Would Mr. Nick have any remedy against the company? State the circumstances where an expert is not liable under the Companies Act, 2013. **(5 Marks)**
- (c) What is the meaning of service by post as per provisions of the General Clauses Act, 1897? **(4 Marks)**
3. (a) Shubhkamna Private limited has registered its articles along with memorandum at the time of registration of company in 2010. Now directors of the company are of the view that provisions of articles regarding forfeiture of shares should not be changed except by a resolution of 90% majority. While as per section 14 of the Companies Act, 2013 articles may be changed by passing a special resolution only. One of the directors said that they cannot make a provision against the Companies Act. You are required to advise the company on this matter. **(5 Marks)**
- (b) Mr. A and Mr. B are joint holders of 5,000 equity shares of XYZ Limited. The company has a total share capital of 40,000 equity shares. A requisition for convening an Extraordinary General Meeting (EGM) was submitted to the company and was signed by Mr. A and Mr. B. The Board of Directors refuses to call the EGM, citing that the requisition is invalid since it does not meet the criteria as prescribed under the law.
- Examine the validity of the Board of Directors refusal with reference to the relevant provisions of the Companies Act, 2013. **(5 Marks)**
- (c) Define Grammatical Interpretation. What are the exceptions to grammatical interpretation? **(4 Marks)**
4. (a) M/s AT & Co. is a proprietary firm and M/s VK Associates, a partnership firm, had been appointed as the Joint statutory auditors of PQR Ltd. for & consecutive years from 1.4.2021 to 31.3.2026. The shareholders had delegated the responsibility to fix the auditor's remuneration to the Managing Director, Mr. D. On 29.03.2023, there was a change in the constitution of M/s AT & Co. from proprietorship to a partnership. In light of the above facts and referring to the provisions of the

Companies Act, 2013, answer each of the following questions:

- (i) Does the Company have the authority to delegate the power to the Managing Director to fix the remuneration of the statutory auditors?
  - (ii) Whether annual ratification necessary since the auditor is appointed for a consecutive term of 5 years?
  - (iii) Whether a revised ADT-1 Form is required to be filed with the details of the new firm, M/s AT & Co. after the change in its constitution? **(5 Marks)**
- (b) A dispute among the partners of Limited Liability Partnership (the LLP) jeopardized the stability of the business. Out of two partners, one due to a quarrel, left the LLP. The other partner alone continued the business of the LLP. You are being an expert in law is requested to explain the provisions governing the LLP being operated by a single partner. Give your answer as per the provisions of the Limited Liability Partnership Act, 2008. **(5 Marks)**
- (c) Explain the rule in 'Heydon's Case' while interpreting the Statutes quoting an example. **(4 Marks)**
5. (a) Mr. Rock and Amaan are partners in a Chartered Accountant's firm. Their firm has been appointed as the statutory auditor of a company. The accounts manager of the company obtained the signatures from the Directors, CFO, and CEO on the board reports, financial statements and other documents and submitted them to the statutory auditor for the audit. The audit was conducted by a team led by Mr. Rock, while Mr. Amaan signed the auditor's report on behalf of the firm Referring the provisions contained in the Companies Act, 2013, answer each of the following:
- (i) Has the Board complied with the relevant provisions?
  - (ii) Can Mr. Amaan sign the audit report in this case? **(5 Marks)**
- (b) Following are the extracts of information (as per the latest audited balance sheet) in respect of Play World Ltd.:

|                           | (₹ in crore) |
|---------------------------|--------------|
| (i) Paid-up share capital | 20           |
| (ii) Share premium        | 10           |
| (iii) Free reserves       | 30           |
| (iv) Turnover             | 510          |

The Company wants to accept deposits of 50 crore from the public and has obtained a credit rating. The tenure of the deposit is 36 months.

In light of the above data and referring to the provisions in the Companies Act, 2013, answer each of the following:

- (i) Can Play World Ltd. be permitted to accept deposits from the public other than its members after passing an ordinary resolution?
- (ii) Play World Ltd. needs 5 crore of funds for its short-term requirements and promises to repay the deposits within 5 months. Can the Company raise deposits under the Companies Act, 2013 and the applicable rules?

**(5 Marks)**

- (c) The Companies Act, 2013 provides that the amount of dividend remained unpaid/unclaimed on expiry of 30 days from the date of declaration of dividend shall be transferred to unpaid dividend account within 7 days from the date of expiry of such period of 30 days. If the expiry date of such 30 days is 30.10.2024, decide the last date on or before which the unpaid/unclaimed dividend amount shall be required to be transferred to a separate bank account in the light of the relevant provisions of the General Clauses Act, 1897?

**(4 Marks)**

6. (a) Tulip Gardens Ltd. maintains its Register of Members at its registered office in Mumbai. A group of members residing in Kolkata wants to keep the register of members at Kolkata.

- (i) Keeping in view the provisions of the Companies Act, 2013, explain whether Tulip Gardens Ltd. can keep the Registers and Returns at Kolkata.

- (ii) Whether Mr. Rich, a director holding only 400 shares of worth ₹ 4000, has the right to inspect the Register of Members?

**(5 Marks)**

- (b) Raysun Limited is an unlisted public company. As per its audited financial statements for the financial year 2023–24, the company had a paid-up share capital of ₹ 40 crore, a turnover of ₹ 210 crore, and outstanding loans of ₹ 90 crore from public financial institutions. The company also accepted public deposits amounting to ₹ 28 crore during the same financial year.

Based on the above facts, examine whether Raysun Limited is required to appoint an internal auditor as per the provision of the Companies Act, 2013. **(5 Marks)**

- (c) As per the provisions of the Foreign Exchange Management Act, 1999, a person resident in India is allowed to hold, own, transfer, or invest in foreign currency, foreign security, or immovable property situated outside India. List the transactions that are covered/ allowed to undertake. Support your answer with any clarifications issued by the Reserve Bank of India. **(4 Marks)**