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Questions & Answers

CORPORATE LAW

Relevant For:

- CA
- CS
- CMA



CA CS Shantam Gupta



TRUE OR FALSE

Nov. 2011	<p>A company is a legal person but not a citizen.</p> <p>Ans. The given statement is true.</p> <p>Reason: Citizenship under the Citizenship Act is available only to an individual. Therefore, no company can be a citizen of India.</p>
May 2014	<p>The concept of legal personality of a company is of absolute nature.</p> <p>Ans. The given statement is false.</p> <p>Reason: in certain cases, the separate identity (t.e. corporate personality or legal personality) of a company is ignored, termed as lifting of corporate veil.</p>

CHOOSE THE CORRECT ANSWER

Pick out the correct answer from the following and give reasons (1 Mark each):

May 2007 (Modified)	<p>A Private Company and Public Company must have a minimum paid-up capital of</p> <p>(a) Rs. 1 lakh and Rs. 2 lakhs respectively</p> <p>(b) Rs. 3 lakhs and Rs. 5 lakhs respectively</p> <p>(c) Rs. 2 lakhs and Rs. 3 lakhs respectively</p> <p>(d) such amount as may be prescribed.</p> <p>Ans. (d).</p> <p>Reason: As per Sec. 2(68), a private company must have such minimum paid up capital as may be prescribed. As per Sec. 2(71), a public company must have such minimum paid up capital as may be prescribed.</p>
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Chapter 2

Incorporation of Company and Matters
INCIDENTAL THERETO

May 2004	Explain the provisions of the Companies Act, 2013 relating to registration of a non-profit organization as a company. What procedure is required to be adopted for the said purpose?
May 2006	What is meaning of "Certificate of Incorporation" under the provisions of the Companies Act, 2013?
May 2007	Mr. Ram Lai and his friend desire to incorporate a Public Company and approach you for help. Advise
Nov. 2007	Mr. V, alongwith six other persons desires to float a company for charitable purposes, as permissible under Section 8 of the Companies Act, 2013. He seeks your advice about the procedure to be followed to give effect to the above proposal Advise him.
May 2011	Which documents are required to be filed with the Registrar of Companies at the time of registration of a company under the provisions of the Companies Act, 2013?
May 2016	State the documents and information for registration of One Person Company (OPC) required to be filled with the Registrar of Companies.



May 2018	Mr. A and B are partners in a firm AB & Co. since the last 10 years. Now their business has crossed Rs, 20 crores and they want to form a private limited company to take over the firm's business and to expand it at large scale. They approached their auditor to assist to incorporate a company in the name of AB Trading Private Ltd. Explain in brief what documents are required to be filed with the Registrar of Companies?
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Nov. 2008	Consequences where out of seven members of a public company, shares of one member are purchased by (Sec. 3A) another member
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A public limited company has only seven shareholders, all the shares being fully paid-up. All the shares of one such shareholder are sold by the court in an auction and purchased by another shareholder. The company continues to carry on business thereafter. Discuss the liabilities of the shareholders of the company under the Companies Act, 2013.

Answer	
The remaining 6 members are personally liable for debts of the company	<ul style="list-style-type: none">- since the number of members has reduced below statutory minimum, viz. 7;- provided the company continues to carry on business for more than 6 months.- However, only such of the remaining 6 members shall be liable who were cognisant of the fact of reduction in number of members;- The members shall be liable only for such of the debts as have been incurred by the company after a period of 6 months.

May 2010	Whether the members of the company are liable for loan taken by the company? (Sec. 3A)
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UMC Limited has only 7 shareholders having fully paid-up shares. On 30th April, 2017, all the shares of X (a shareholder of the company) are sold to Y (another shareholder of the company) in an auction by the order of the court. Z, (a shareholder of the company) was in USA for a business trip from January and thus he was not aware of the developments. The company continues to carry on its business thereafter. In December, 2017, the company borrowed a sum of Rs. 5 Lac from the Unique Bank. Later, the company was wound up and the Assets of the company were not sufficient for the payment of its Liabilities. The Bank filed a suit against Y and Z for recovery of the said loan from them. Decide the Liabilities of Y and Z under the provisions of Companies Act, 2013. Would your answer be the same, if the said loan was taken in the month of March, 2017?

Answer	
Y is personally liable for loan taken from Unique Bank	<ul style="list-style-type: none">- since the number of members has reduced below statutory minimum, viz. 7;- since the company continues to carry on business for more than 6 months, viz. after 31.10.2017.- since Y is cognisant of the fact of reduction in number of members;- since loan from Unique Bank was taken by the company after 6 months of the date the number of members was reduced below 7. viz. after 31.10.2017.



Z is not personally liable for loan taken from Unique Bank	- since Z was not cognisant of the fact of reduction in number of members, as he was not in India.
Limitation on liability of Y	Y shall be liable only for such of the debts as have been incurred by UMC Limited after a period of 6 months, viz. after 31.10.2017.
Y shall not be personally liable	- if the loan was obtained by the company in March, 2017, - since the personal liability u/s 3A arises only for such of the debts as are incurred by the company after a period of 6 months from the date of reduction in number of members below statutory minimum, viz. for such of the debts as have been incurred by UMC Limited after 31.10.2017.

May 2004	What do you understand by Pre-incorporation Contracts?
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Nov. 2007	What is meant by Pre-Incorporation Contracts? Can these contracts be enforced by the prospective company after its incorporation against the third parties with whom the promoters had entered into certain contracts? Explain.
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Nov. 2007	Whether a company is liable for a contract entered into before incorporation? (Sec. 15 and 19)
Sunrise Limited submitted the documents for incorporation on 5th October, 2014. It was incorporated and certificate of incorporation of the company was issued by the Registrar on 20th October, 2014. The company on 14th October, 2014 entered into a contract which created its contractual liabilities. The company denies the said liability on the ground that company is not bound by the contract entered into prior to issuing of certificate of incorporation. Decide under the provisions of the Companies Act, 2013 whether the company can be exempted from the said contractual liability.	

Answer	
The company is not bound by the contract entered in: a on 20.10.2014	- since a pre-incorporation contract is not binding on the company, as the company was not in existence when such contract was entered into. - Thus, the company is exempted from the said liability.
However, the company shall be bound by the contract entered into on 20.10.2014, if-	- the company, after incorporation, has adopted the pre-incorporation contract in accordance with the provisions of Sec. 15 and 19 of Specific Relief Act. 1963.



Nov. 2001	Liability of the promoters and of the company in respect of a pre-incorporation contract (Sec. 15 and 19) May 2013
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K Ltd. was in the process of incorporation. Promoters of the company signed an agreement for the purchase of certain furniture for the company and payment was to be made to the suppliers of furniture by the company after incorporation. The company was incorporated and the furniture was received and used by it. Shortly after incorporation, the company went into liquidation and the debt could not be paid by the company for the purchase of the above furniture. As a result supplier sued the promoters of the company for the recovery of money.

Examine whether promoters can be held liable for the payment under the following situation:

- When the company has already adopted the contract after incorporation?
- When the company makes a fresh contract with the suppliers in substitution of pre-incorporation contract?

Answer	
(i) if the company adopts the contract after incorporation	- the company shall be liable for the payment of furniture used by it: - the promoters shall not be personally liable.
(ii) if the company makes a fresh contract	(ii) if the company makes a fresh contract.

May 2008	Whether a person who contracts with the promoters to sell an immovable property to the proposed (Sec. 15 and 19)
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Nov. 2003	Company, can enforce the contract against the company after incorporation?
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Before the incorporation of the company, the promoters of the company entered into an agreement with Mr. Jainson to buy an immovable property on behalf of the company. After incorporation, the company refused to buy the said property. Advise Mr. Jainson whether he has any remedy under the provisions of the Companies Act?

OR

Before the incorporation of the company, the promoters of the company entered into an agreement with Mr. Jainson to buy an immovable property on behalf of the company. After incorporation, the company refused to buy the said property. Advise Mr. Jainson whether he has any remedy under the provisions of the Companies Act?

Answer

Mr. Jainson has no remedy against the company	- since a pre-incorporation contract is not binding on the company, as the company was not in existence when such contract was entered into: - unless the company, after incorporation, has adopted the pre-incorporation contract in accordance with the provisions of Sec. 15 and 19 of Specific Relief Act, 1963.
Mr. Jainson may hold the promoters liable	- for any loss incurred by him, since if a pre-incorporation contract is not adopted by the company after incorporation, the promoters are personally liable.



May 2018	Whether declaration of dividend by a company licenced u/s 8 is valid? (Sec. 8)
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Alpha Ltd., a Section 8 company is planning to declare dividend in the Annual General Meeting for the Financial Year ended 31 -032018. Mr. Chopra is holding 800 equity shares as on date. State whether the act of the company is according to the provisions of the Companies Act, 2013.

Answer

Declaration of dividend by Alpha Ltd. is not permissible	- since it is one of the conditions of formation of a company u/s 8 that the company shall not declare any dividend.
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July 2021	Consequences where the affairs of a company licenced u/s 8 are conducted fraudulently (Sec. 8)
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State Cricket Club was formed as a Limited Liability Company under Section 8 of the Companies Act, 2013 with the object of promoting cricket by arranging introductory cricket courses at district level and friendly matches. The club has been earning surplus. Of late, the affairs of the company are conducted fraudulently and dividend was paid to its members. Mr. Cool, a member decided to make a complaint with Regulatory Authority to curb the fraudulent activities by cancelling the licence given to the Company.

- (i) Is there any provision under the Companies Act, 2013 to revoke the licence? If so, state the provisions.
- (ii) Whether the Company may be wound up?
- (iii) Whether the State Cricket Club can be merged with M/s. Cool Net Private Limited, a company engaged in the business of networking?

Answer

(i) CG is empowered to revoke the licence granted to State Cricket Club	<ul style="list-style-type: none">- since the company (i.e. State Cricket Club) has contravened the provisions of Sec. 8 by declaring and paying dividend to members; and- since the affairs of the company (i.e. State Cricket Club) have been conducted fraudulently;- only after giving a reasonable opportunity of being heard.
(ii) CG is empowered to make an order of winding up of State Cricket Club	<ul style="list-style-type: none">- since CG has made an order or revocation of licence issued to State Cricket Club;- if CG is satisfied that the order of winding up is necessary in the public interest;- only after giving a reasonable opportunity of being heard.
(iii) State Cricket Club cannot be merged or amalgamated with M/s Cool Net Private Limited	<ul style="list-style-type: none">- since CG is empowered to make an order that a company registered u/s 8 shall be amalgamated with any other company registered u/s 8 having similar objects;- since M/s Cool Net Private Limited is not a company registered u/s 8;- since the objects of M/s Cool Net Private Limited are not similar to the objects of State Cricket Club.



May 2004 May 2007	May Removal of a law officer named in the articles - Implications (Sec. 10) 2013
<p>The articles of association of a limited company provided that 'X' shall be the law officer of the company and he shall not be removed except on the ground of proved misconduct. The company removed him even though he was not guilty of misconduct. Decide, whether company's action is valid?</p> <p style="text-align: center;">OR</p> <p>A limited company is formed with its Articles stating that one Mr. X shall be the solicitor for the company, and that he shall not be removed except on the ground of misconduct. Can the company remove Mr. X from the position of solicitor even though he is not guilty of misconduct?</p> <p style="text-align: center;">OR</p> <p>The Articles of a Public Company clearly stated that Mr. A will be the solicitor of the company. The Company in its general meeting of the shareholders resolved unanimously to appoint B in place of A as the solicitor of the company by altering the articles of association. Examine, whether the company can do so? State the reasons clearly.</p> <p style="text-align: center;">OR</p> <p>Articles of a public company clearly stated that Mr. L will be the Solicitor of the company. The company in its general meeting of the shareholders resolved unanimously to appoint Mr. M in place of Mr. L as the Solicitor of the company by altering the articles of association. State with reasons, whether the company can do so? If L files a case against the company for removal as a solicitor, will he succeed?</p>	

Answer	
Company's action is valid, and 'X' has no remedy against the	<ul style="list-style-type: none"> - since the memorandum and articles do not bind a company to the outsiders (Sec. 10); - since, unless 'X' /A proves a contract independent of the articles, he cannot enforce any right against company the company ns he has no right to rely on the articles [Eley v Positive Govt. Security Life Assurance Co.
Nov. 2015	What is the importance of registered office of a company?
Nov. 2013	State the procedure for shifting the registered office of a company from one State to another State under the provisions of the Companies Act, 2013.
May 2016	Rishi Pharmacy Ltd. decided to take up the business of food processing because of the downward trend in pharmacy business. There is no provision in the object clause of the Memorandum of Association to enable the company to carry on such business. State whether its object clause can be amended? Mention briefly the procedure to be adopted for change in the object clause.



May 2017	<p>The object clause of the Memorandum of Vprdhman Industries Ltd., empowers it to carry on real-estate business and any other business that is allied to it. Due to a downward trend in real-estate business the management of the company has decided to take up the business of food processing activity. The company wants to alter its Memorandum, so as to include the food Processing business in its objects clause.</p> <p>State whether the company can make such change as per the provisions of the Companies Act, 2013?</p>
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May 2018	<p>Discuss the procedure to be followed by Board of a Company to convert a public</p>
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May 2018	<p>Company into a private limited company.</p> <p>The Board of Directors of PV Limited wants to make some changes and to alter some Clauses of the Articles of Association which are to be urgently carried out, which include the increase in Authorized Capital of the company, issue of shares, increase in borrowing limits and increase in the number of directors.</p> <p>Please advise the company about the procedure to be followed for alteration of Articles of Association.</p>
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May 2014	<p>Company already holding shares in another becomes a subsidiary of such other company - Consequences (Sec. 19)</p> <p>Anson Limited held equity shares in Booban Limited. Later on Anson Limited became a subsidiary company of Booban Limited. Decide under the Companies Act, 2013 whether it is necessary for Anson Limited to surrender the equity shares of Booban Limited?</p>
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Answer	
Anson Limited can continue to hold equity shares in Boot an Limited	- since Anson Limited became a shareholder in Booban Limited even before it became a subsidiary company of Booban Limited.
Anson Limited shall n it have any right to vote	- in any general meeting of Booban Limited.

Nov. 2006	<p>Explain the provisions of the Companies Act, 2013 relating to the 'Service of Documents' on a company and the members of the company. When is service of document deemed to be effective in case the document is sent by post? Explain.</p>
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Nov. 2012	<p>Discuss the provisions of law contained in the Companies Act, 2013 as regards to the service of documents.</p>
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Nov. 2003	<p>Briefly explain the doctrine of 'ultra vires' under the Companies Act. What are the consequences of ultra vires acts of the company?</p>
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Nov. 1997	<p>Whether it is ultra vires to enter into partnership for trading in mangoes it the company is authorised by the memorandum to trade in mangoes?</p>
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The objects clause of the Memorandum of Association of the XYZ (Pvt.) Ltd., New Delhi, authorized to do trading in mangoes. The company, however, entered into partnership with Mr. A and traded in mangoes and incurred liabilities to Mr. A. The Company, subsequently, refused to admit the liability to 'A' on the ground of 'ultra vires' the Company'.

Advice whether stand of the company is legally valid and if so. gives reasons in support of your answer.



Answer

The company is not liable to A	<ul style="list-style-type: none"> - since the partnership agreement for trading in mangoes is an ultra vires contract, and an ultra vires contract is void ab initio, and is not binding on the company or the other party; - since the power to enter into partnership is not an ancillary or incidental power; - since such power can be legally exercised by the company only if the object clause of memorandum expressly authorises the company to enter into partnership.
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Nov. 2006	Consequences where a company engaged in real estate business carries on the business of arranging finance for development of land
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The principal business of XYZ Company Ltd. was the acquisition of vacant plots of land and to erect the houses. In the course of transacting the business, the Chairman of the Company acquired the knowledge of arranging finance for the development of land. The XYZ Company introduced a financier to another company ABC Ltd. and received an agreed fee of Rs. 2 lakhs for arranging the finance. The Memorandum of Association of the company authorises the company to carry on any other trade or business which can in the opinion of the board of directors, be advantageously carried on by the company in connection with the company's general business. Referring to the provisions of the Companies Act, examine the validity of the contract carried out by XYZ Company Ltd. with ABC Ltd.

Answer

Arranging finance or financier is an ultra vires act	<ul style="list-style-type: none"> - since it falls outside the object clause of memorandum; - since an object contained in the object clause is not valid if it authorises the company to carry on any other trade or business which can be advantageously carried on by the company.
The contract entered into by the company is ultra vires	<ul style="list-style-type: none"> - since the company has no power to arrange finance or financier; - since the Board cannot take the defence that the memorandum authorises the company to carry on any business which can be advantageously carried on in connection with company's present business (since, it is a 'specified purpose' given u/s 17 for alteration of object clause, but it cannot be the ground or basis for carrying on a business which is outside the object clause); - unless the memorandum is first altered by complying with the requirements of Sec. 17, and afterwards the business of arranging finance is carried on.



May 2007	Whether it is ultra vires to enter into partnership for trading in steel if the company is authorised by the memorandum to trade in fruits and vegetables?
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The object clause of the Memorandum of Association of LSR Private Ltd, Lucknow authorized to do trading in fruits and vegetables. The company, however, entered into a Partnership with Mr. J and traded in steel and incurred liabilities to Mr. J. The Company, subsequently, refused to admit the liability to J on the ground that the deal was 'Ultra Vires' the company. Examine the validity of the company's refusal to admit the liability to J Give reasons in support of your answer.

Answer

The company is not liable to J	<ul style="list-style-type: none">- since the partnership agreement for trading in steel is an ultra vires contract, and an ultra vires contract is void ab initio, and is not binding on the company or the other party;- since the power to enter into partnership is not an ancillary or incidental power;- since such power can be legally exercised by the company only if the object clause of memorandum expressly authorises the company to enter into partnership.
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NOV. 2007	Whether donation of Rs. 20 lakhs by a chemical manufacturing company is ultra vires?
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X, a chemical manufacturing company distributed 20 lac (Rs. Twenty Lac) to scientific institutions for furtherance of scientific education and research. Referring to the provisions of the Companies Act, decide whether the said distribution of money was "Ultra vires" the company?

Answer

Donation of Rs. 20 Lakhs for furtherance of scientific education and research is permissible	<ul style="list-style-type: none">- since it is incidental or ancillary to the main objects of the company;- since it is conducive to the continued growth of the company as chemical manufacturers as was held in Evans v Brunnner. Mood & Co. Ltd.
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May 2010	Whether a company is liable to make the payment of laptops purchased by it, if the object clause of memorandum authorises it to publish text books?
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The object clause of the Memorandum of Association of RST Limited authorizes it to publish and sell text-books for students. The company, however entered into an agreement with Q to supply 100 laptops of worth Rs. 5 lac for resale purposes. Subsequently, the company refused to make payment on the ground that the transaction was ultra vires the company. Examine the validity of the company's refusal for payment to Q under the provisions of the Companies Act.

Answer

The contract to purchase laptops	- is an ultra vires contract, and is therefore, void ab initio.
cannot enforce the contract against RST Limited	<ul style="list-style-type: none">- since the contract is ultra vires;- since no party to an ultra vires contract has a right to sue.
The Court may order RST Limited to deliver back the laptops to Q	<ul style="list-style-type: none">- if the laptops are still in the possession of the company;- if the Court, applying the principle of equity, deems it fit considering the circumstances of the case.



May 2003	Briefly explain the doctrine of 'Constructive Notice' under the Companies Act. 'Nov. 2018 Explain when doctrine of Constructive Notice will apply.
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May 2012	Explain the doctrine of "Indoor Management" as applicable in case of companies. Explain also the circumstances in which an outsider dealing with a company cannot claim any relief on the basis of doctrine of "Indoor Management".
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May 2015	The Doctrine of Indoor Management always protects the persons (outsiders) dealing with a company." Explain the above statement. Also, state the exceptions to the above rule.
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Nov. 2018	The persons (not being members) dealing with the company are always protected by the doctrine of Indoor management. Explain.
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May 2007	Whether share certificate issued by a secretary containing forged signatures of a director gives a good title to the holder? The Secretary of a Company issued a share certificate to 'A' under the Company's seal with his own signature and the signature of a Director forged by him. 'A' borrowed money from 'B' on the strength of this certificate. 'B' wanted to realise the security and requested the company to register him as a holder of the shares. Explain whether 'B' will succeed in getting the share registered in his name.
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Answer	
A or B is not entitled to shares	- since in case of forgery, there is not a defect in consent, but absence of consent, and therefore the share certificate issued by way of forgery is invalid (Ruben v Great Fingall Consolidated company).

Nov. 2007	Whether a share certificate issued by a secretary containing forged signatures of the directors is valid?
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P the secretary of XYZ Limited issues a Share certificate in favour of A purporting to be signed by the directors and the secretary and the seal of the company affixed to it. In fact the secretary forged the signature of the directors and has affixed the seal without authority. Can A hold the company liable for the shares covered by the Share certificate, under the provisions of the Companies Act?

Answer	
A is not entitled to shares and he cannot hold the company liable any loss company.	- since in case of forgery, there is not a defect in consent, but absence of consent, and therefore for the share certificate issued by way of forgery is invalid (Ruben v Great Fingall Consolidated).

May 2008	Borrowings of Rs. 35,000 made by the company from the directors - whether the contract is enforceable if the articles require the directors to obtain consent of GM for borrowings exceeding Rs. 10,000? Under the Articles of Association of Sunshine Ltd. Company directors had power to borrow up to Rs.10,000 without the consent of the general meeting. The Directors themselves lent Rs. 35,000 to the company without such consent and took debentures of the Company. Decide under the provisions of the Companies Act, whether the company is liable? If so, what is the extent of liability of the company in this case?
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Answer	
The company is not liable for Rs. 35,000	- since, the benefit of doctrine of indoor management can be availed of only by an outsider who has no knowledge of any irregularity in the internal management of the company.
The liability of the company is limited to Rs. 10,000	- since the directors, having knowledge of the fact that the limit of borrowings specified under the articles would be exceeded, themselves lent Rs. 35,000 without the consent of the general meeting; - since on the similar facts as in the given case, same decision was given in Howard v Patent Ivory • Manufacturing Company.

Nov. 2016	Company borrows money without obtaining authorisation from the members - Can the lender recover the money from the company?
The Articles of Association of XYZ Ltd. provides the Board of Directors has authority to issue bonds provided such issue is authorized by the shareholders by a necessary resolution in the general meeting of the company. The company was in dire need of funds and therefore, it issued the bonds to Mr. X without passing any such resolution in general meeting. Can Mr. X recover the money from the company? Decide referring the relevant provisions of the Companies Act, 2013.	

Answer	
The company is bound to Mr. X	- since the lender, Mr. X, had lent the money to the company assuming that the company was authorised to borrow money after obtaining authorisation from the members in GM; - since, on the same facts, the Court held in Royal British Bank v Turquand that the outsiders dealing with the company were not required to inquire into the internal management of the company, and the outsiders were entitled to assume that as far as internal proceedings of the company were concerned, everything had been done regularly (termed as doctrine of indoor management).

TRUE OR FALSE	
Nov. 2008	An Ultra vires transaction will not affect the right to acquire the property of a Company. Ans. The given statement is true. Reason: If the company acquires some property under an ultra vires transaction, the company has the right to hold that property and protect it against damage by other parties.
Nov. 2009	The Articles of Association of a Company can be altered by passing an ordinary resolution in the meeting of the shareholders. Ans. The given statement is false. Reason: As per Sec. 14, special resolution is required for alteration of articles.



Nov. 2011	<p>If the Central Government permits, a public company can be converted into a private company.</p> <p>Ans. The given statement is true.</p> <p>Reason: As per Sec. 14, approval of the Central Government is required for conversion of a public company into a private company.</p>
Nov. 2013	<p>Memorandum of Association is the Charter of the company.</p> <p>Ans. The given statement is true.</p> <p>Reason: Memorandum is a key document containing vital details about the company. This is the most fundamental document of the company specifying the most important information relating to the company. Therefore, memorandum is also called as the charter of the company.</p>
Nov. 2015	<p>A limited company can become a partner in a partnership firm.</p> <p>Ans. The given statement is true.</p> <p>Reason: A company is an artificial person capable of entering into contracts and having the capacity to sue and be sued in its own name. However, a company can become a partner in a partnership firm only if the power to enter into partnership is contained in the objects clause of memorandum.</p>

May 2014	<p>A subsidiary company cannot hold shares of its holding company.</p> <p>Ans. The given statement is false.</p> <p>Reason: As per Sec. 19, a subsidiary company may hold shares in the holding company in 3 cases, viz. Where shares are held by it as a legal representative of a deceased member of the holding company, where shares are held by it as a trustee and where shares were held by it before it became the subsidiary company.</p>
May 2018	<p>Only one person can form a company under the provisions of Companies Act, 2013. Ans. The given statement is true.</p> <p>Reason: As per Sec. 2(62) and Sec. 3, OPC can be formed by one person only.</p>
May 2018	<p>Number of members in a private company under the Companies Act 2013, cannot exceed 50 Ans. The given statement is false.</p> <p>Reason: As per Sec. 2(68), a private company can have a maximum of 200 members.</p>

**CHOOSE THE CORRECT ANSWER**

May 2007	<p>A Model Form of Articles contained in Table 'F' relates to a company limited by</p> <p>(a) Shares (b) Guarantee (c) Shares and Guarantee (d) None of the above - Ans. (a).</p> <p>Reason: As per Sec. 5, Table F shall apply to every company limited by shares in so far as the articles of such company do not exclude or modify the provisions contained in Table F</p>
Nov. 2007	<p>Alteration of object clause of Memorandum of association of a company requires</p> <p>(1) Special resolution (2) Approval of Registrar of companies (3) Approval of company law board (4) Special resolution and approval of company law board.</p> <p>Ans. (1).</p> <p>Reason: As per Sec. 13, special resolution is required for alteration of object clause of memorandum.</p>

Nov. 2009

Contracts which are entered into by agents or trustees on behalf of a prospective company before it has come into existence are called:

- (1) Provisional contracts
(2) Pre-incorporation contracts
(3) Both provisional and pre-incorporation contracts
(4) None of the above.

Ans. (2).

Reason: A pre-incorporation contract means a contract entered into by the promoters on behalf of a proposed company, /Ye. before incorporation of a company. These contracts are usually made by the promoters to acquire some property or right for the proposed company.

Multiple Choice Questions (Answers given at the end of this Chapter)

1.	The term 'resident in India' means a person who has stayed in India for a period of not less than during the immediately preceding financial year.			
	(a)	180 days	(b)	182 days
	(c)	183 days	(d)	120 days
2.	A person shall be eligible to incorporate OPC only if he is .			
	(a)	A natural person and an Indian citizen	(b)	An Indian citizen and is resident in India
	(c)	A natural person and is resident in India	(d)	A natural person and an Indian citizen and is resident in India



3.	A natural person a member of more than one OPC at any point of time and the said person a nominee of more than one OPC.			
	(a)	Shall not be; shall not be	(b)	May be; may be
	(c)	Shall not be; may be	(d)	May be; shall not be
4.	A private company other than a company registered under section 8 of the Act may convert itself into OPC by passing			
	(a)	An ordinary resolution	(b)	A special resolution
	(c)	A Board resolution	(d)	None of these
5.	Statement (1): An OPC cannot have more than 1 director. Statement (2): An OPC is a private company.			
	(a)	Only Statement (1) is correct	(b)	Only Statement (2) is correct
	(c)	Both the Statements are correct	(d)	None of the Statements is correct
6.	A limited company may be .			
	(a)	A company limited by shares	(b)	A company limited by guarantee having no share capital .
	(c)	A company limited by guarantee and having a share capital these	(d)	Any of by shares
7.	An unlimited company may be .			
	(a)	A company having no share capital	(b)	A company having a share capital
	(c)	Either (a) or (b)	(d)	A guarantee company

8.	A person shall be eligible to incorporate OPC or to be a nominee for the sole member of OPC only if-			
	(a)	He is a natural person and he is an Indian citizen	(b)	He is a natural person and he is resident in India
	(c)	He is an Indian Citizen and he is resident in India	(d)	None of these
9.	A minor - •			
	(a)	Cannot become a member of OPC	(b)	Cannot become a nominee of OPC
	(c)	Cannot hold beneficial interest in the shares of OPC	(d)	All of these
10.	OPC may be converted into _			
	(a)	A private company, other than a company registered u/s 8 of the Act	(b)	A public company, other than a company registered u/s 8 of the Act
	(c)	A private or public company, other than a company registered u/s 8 of the Act	(d)	A private or public company, including a company registered u/s 8 of the Act
11.	The memorandum of OPC shall state the name of any other person who shall become the member of OPC in case of of the subscriber to memorandum.			
	(a)	Death	(b)	Incapacity to contract
	(c)	Death or incapacity to contract	(d)	Death or insolvency



12.	The capital clause of memorandum shall state -			
	(a)	The amount of the authorised share capital	(b)	Number of shares
	(c)	Nominal value of each share	(d)	All of these
13.	_____ cannot be a subscriber to the memorandum and articles.			
	(a)	A company	(b)	Government
	(c)	Minor	(d)	All of these
14.	_____ cannot be a subscriber to the memorandum and articles.			
	(a)	Partnership firm	(b)	Limited Liability Partnership
	(c)	A foreigner	(d)	All of these
15.	Various forms of memorandum have been specified in in .			
	(a)	Tables A, B, C, D and E; Schedule I	(b)	Tables F, G, H, I and J; Schedule I
	(c)	Tables A, B, C, D and E; Schedule II	(d)	Tables F, G, H, I and J; Schedule II
16	The provisions contained in Table F shall apply to every company limited by shares in so far as the articles of such company do not or the provisions contained in Table F.			
	(a)	Exclude	(b)	Modify
	(c)	Either (a) or (b)	(d)	None of these

17.	In the case of a private company, the provisions for entrenchment may be made at the time of formation of the company or by an amendment of articles, .			
	(a)	By passing a special resolution	(b)	With the consent of all the members
	(c)	By passing a special resolution and obtaining the approval of the Central Government	(d)	With the consent of all members and obtaining the approval of the Central Government
18.	In the case of a public company, the provisions for entrenchment may be made at the time of formation of the company or by an amendment of articles, .			
	(a)	By passing a special resolution	(b)	With the of all the members
	(c)	By passing a special resolution and obtaining the approval of the Central Government	(d)	With the consent of all members and obtaining approval of the Central Government
19.	In case of a company having a share capital, the subscription clause of memorandum shall contain			
	(a)	The number of shares subscribed by each subscriber	(b)	Name, address and occupation of each subscriber
	(c)	Both (a) and (b)	(d)	None these
20.	For the purpose of incorporation of a company, there shall be filed with the Registrar, a declaration in Form No. INC-9, signed by .			
	(a)	Every subscriber to memorandum	(b)	Every person named as a first director in the articles
	(c)	Either (a) or (b)	(d)	Both (a) and (b)



21.	Where a company has been got incorporated by furnishing any false or incorrect information or by suppressing any material fact or information or by any fraudulent action, the Tribunal may, on being satisfied that the situation so warrants, .			
	(a)	Order for the winding up of the company	(b)	Direct removal of the name of the company from the register of companies
	(c)	Pass such other orders as it may deem fit	(d)	All of these
22.	Every subscriber to memorandum shall make a declaration that he has not been found guilty of any fraud or misfeasance or breach of duty during the preceding			
	(a)	1 year	(b)	2 years
	(c)	3 years	(d)	5 years
23.	Where a company is granted licence under section 8, it is not required to use the word(s) , even though the company is a limited company.			
	(a)	'Limited'	(b)	'Private Limited'
	(c)	'Limited' or 'Private Limited', as the case may be	(d)	Company
24.	A company licenced under section 8 may alter the provisions contained in its memorandum or articles only after obtaining the previous approval of			
	(a)	The Central Government	(b)	The Tribunal
	(c)	The Court	(d)	None of these

25.	A firm may become a member of			
	(a)	A private company	(b)	A public company
	(c)	Both (a) and (b)	(d)	A company licenced under section 8
26.	shall be engraved in legible characters on the common seal, if any, of the company.			
	(a)	The name of the company	(b)	The Corporate Identity Number
	(c)	Both (a) and (b)	(d)	The name and address of the registered office
27.	The telephone number, fax number, if any, e-mail address and the address of website, if any, shall be printed on .			
	(a)	Outside every office or place in which its business is carried on	(b)	All the business letters,
	(c)	Both (a) and (b) billheads, notices and other official publications	(d)	None of these
28.	In case of OPC, the words 'One Person Company' shall be mentioned.			
	(a)	In brackets	(b)	Below the name
	(c)	Both (a) and (b)	(d)	None of these
29.	Notice of every change in situation of the registered office shall be given to the Registrar, within of such change.			
	(a)	7 days	(b)	14 days
	(c)	15 days	(d)	30 days



30.	A company may change its registered office from the jurisdiction of one Registrar to the jurisdiction of another Registrar within the same State by .			
	(a)	Passing an ordinary resolution	(b)	Passing a special resolution
31.	(c)	Passing an ordinary resolution and obtaining the confirmation obtaining the confirmation of the Director	(d)	Passing a special resolution and obtaining the confirmation of the central Government
	Every company shall have its registered office within of its incorporation and at all times thereafter.			
32.	(a)	15 days	(b)	30 days
	(c)	45 days	(d)	60 days
32.	A company may change its registered office outside the local limits of the city, town or village in which the registered office is situated, by .			
	(a)	Passing an ordinary resolution	(b)	Passing a special resolution
32.	(c)	Passing an ordinary resolution and obtaining the confirmation obtaining the Regional Director	(d)	Passing a special resolution and obtaining the confirmation of the Central Government

33.	A company may change its registered office within the local limits of the city, town or village in which the registered office is situated, by .			
	(a)	Passing an ordinary resolution	(b)	Passing a special resolution
34.	(c)	Passing an ordinary resolution and obtaining the confirmation of the Central Government	(d)	None of these
	A company may change the place of its registered office from one State to another State by .			
35.	(a)	Passing an ordinary resolution	(b)	Passing a special resolution
	(c)	Passing an ordinary resolution and obtaining approval the Government	(d)	Passing an special resolution and obtaining approval the Central Government
35.	Alteration in situation clause of memorandum takes place where			
	(a)	Registered office is shifted outside the local limits of city, town or village	(b)	Registered office is shifted from the jurisdiction of one Registrar to the jurisdiction of another Registrar
35.	(c)	Registered office shifted from the one state to another state	(d)	All of the above



36.	A change in the name of a company requires.			
	(a)	An ordinary resolution and approval of the Central Government	(b)	A special resolution and approval of the Central Government
	(c)	A special resolution and approval of the Tribunal	(d)	An ordinary resolution and approval of the Tribunal
37.	The approval of the Central Government is not required, if the only change in the name of the company is			
	(a)	Deletion of the word 'private', consequent upon conversion of a private company into a public company	(b)	Addition of the word 'private' consequent upon conversion of a public company into a private company
	(c)	Either (a) or (b)	(d)	None of these
38.	A company may alter its objects clause of memorandum by .			
	(a)	Passing an ordinary resolution	(b)	Passing a special resolution
	(c)	Passing an ordinary resolution and obtaining approval of the Central Government	(d)	Passing a special resolution and obtaining approval of the Central Government
39.	The name clause of memorandum may be altered by way of .			
	(a)	Change of name	(b)	Rectification of name
	(c)	Either (a) or (b)	(d)	None of these

40.	Conversion of a private company into a public company requires .			
	(a)	A special resolution	(b)	A special resolution and approval of the Central Government
	(c)	A special resolution and approval of the Tribunal	(d)	An ordinary resolution
41.	Conversion of a public company into a private company requires .			
	(a)	A special resolution	(b)	A special resolution and approval of the Central Government
	(c)	A special resolution and of the approval Tribunal	(d)	An ordinary resolution
42.	Where the Central Government directs a company to rectify its name, the company shall rectify its name within .			
	(a)	1 month	(b)	2 months
	(c)	3 months	(d)	6 months
43.	Where a company is registered by a name, which in the opinion of the Central Government, is identical with, or too nearly resembles, the name of a company previously registered, then the Central Government may direct the company to rectify its name. When such a direction is given, the company shall rectify its name by .			
	(a)	Passing an ordinary resolution	(b)	Passing a special resolution
	(c)	Passing an ordinary resolution and obtaining approval of the Central government	(d)	Passing a and special resolution and obtaining approval of the Central Government



44.	The proprietor of a registered trade mark may make an application to the Central Government that the name of a company is identical with, or too nearly resembles, the registered trade mark of which he is the proprietor. Such an application may be made by the proprietor of the registered trade mark within of registration of the company by such name or registration of the company by such new name.			
	(a)	1 year	(b)	2 years
	(c)	3 years	(d)	5 years
45.	On receipt of an application from the proprietor of a registered trade mark, if the Central Government is of the opinion that the name of a company is identical with, or too nearly resembles, the registered trade mark, then the Central Government may direct the company to rectify its name. When such a direction is given, the company shall, within ,rectify its name.			
	(a)	1 month	(b)	2 months
	(c)	3 months	(d)	6 months
46.	On receipt of an application from the proprietor of a registered trade mark, if the Central Government is of the opinion that the name of a company is identical with, or too nearly resembles, the registered trade mark, then the Central Government may direct the company to rectify its name. When such a direction is given, the company shall rectify its name by .			
	(a)	Passing an ordinary resolution	(b)	Passing a special resolution
	(c)	Passing an ordinary resolution and obtaining approval of the Central Government	(d)	Passing a special resolution and obtaining approval of the Central Government

47.	A company shall not allot or transfer its shares to .			
	(a)	Its parent company	(b)	Its subsidiary company
	(c)	Its associate company	(d)	Joint venture company
48.	A subsidiary company may holds shares as of the holding company.			
	(a)	A legal representative of a deceased member	(b)	A trustee
	(c)	Either (a) or (b) or both	(d)	None of these
49.	A subsidiary company may holds shares in the holding company if such shares were acquired by the subsidiary company it became a subsidiary company of the holding company.			
	(a)	Before	(b)	After
	(c)	Within 15 days after	(d)	Within 30 days after
50.	An application for reservation of name 'Hemraj Chemicals Pvt. Ltd.' was made to the Registrar by Mr. Hem and Mr. Raj, the promoters of the proposed company. On 16th April, 2019, the Registrar granted his approval for the name 'Hemraj Chemicals Pvt. Ltd.'. Such approval shall remain in force till			
	(a)	1st May 2019	(b)	6th May, 2019
	(c)	16th May, 2019	(d)	15th June, 2019
51.	As per the doctrine of , outsiders dealing with the company are entitled to assume that as far as internal proceedings of the company are concerned, everything has been done regularly.			
	(a)	Ultra vires	(b)	Constructive notice
	(c)	Indoor management	(d)	None of these



52.	As per the doctrine of , any act which is not permitted or authorised by the Companies Act, 2013 and falls outside the object clause of memorandum is void and is of no legal effect.		
	(a) Ultra vires	(b) Constructive notice	
	(c) Indoor management	(d) None of these	
53.	Acts ultra vires the directors or articles .		
	(a) Are void	(b) Cannot become valid by estoppel or ratification	
	(c) Both (a) and (b)	(d) None of these	
54.	A promoter is _____ of the company		
	(a) An agent	(b) A trustee	
	(c) Both (a) and (b)	(d) None of these	
55.	Statement (1): A promoter stands in a fiduciary capacity towards the company.		
	(a) Only Statement (1) is correct	(b) Only Statement (2) is correct	
	(c) Both the Statements are correct	(d) None of the Statements is correct	
56.	Statement (1): A promoter can make a profit in respect of any transaction with the company, only if he makes a full and fair disclosure of such profit.		
	(a) Only Statement (1) is correct	(b) Only Statement (2) is Correct	
	(c) Both the Statements are correct	(d) None of the Statements is correct	

57.	As per the doctrine of , every person dealing with the company is presumed to have read the memorandum and articles and understood the provisions contained in them correctly.		
	(a) Ultra vires	(b) Constructive notice	
	(c) Indoor management	(d) None of these	

1	2	3	4	5	6	7
D	A	A	B	B	D	C
8	9	10	11	12	13	14
A	D	C	C	D	C	A
15	16	17	18	19	20	21
A	C	B	A	C	D	D
22	23	24	25	26	27	28
D	C	A	D	A	B	C
29	30	31	32	33	34	35
D	D	B	B	D	D	C
36	37	38	39	40	41	42
C	B	C	A	A	B	C
43	44	45	46	47	48	49
A	C	D	A	B	C	A
50	51	52	53	54	55	56
B	C	A	D	D	A	C
57						
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CA CS Shantam Gupta

About The Author

I am a Qualified CA engaged in the profession of coaching and mentoring students for over 6 years now with 11 AIR 's in CA and CMA Courses. Mentored over 15000 + students on offline and online medium.

Testimonials



I would like to thank you for being such a wonderful teacher. Your teaching style is wonderful. You made law very interesting and easy to understand. You have always provided doubt solving facility which makes you different from others. I have never thought that in online teaching, teacher will have a strong bond with his student but you proved me wrong thank you sir for always supporting and mentoring me.



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