

Mock Test Paper - Series II: December, 2025**Date of Paper: 8th December, 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**

Green Wave Beverages Private Limited, incorporated by two close friends, Arjun (MBA– Finance) and Kabir (MBA–Marketing) with Authorised Capital of ₹ 30 crore consisting of 3,00,00,000 equity shares of ₹ 10 each, had its Registered office at Indore, Madhya Pradesh. The company, having paid-up share capital of ₹ 20,00,00,000, subscribed by 102 shareholders, has been making its niche in the beverage industry for the last six years.

With quality and taste as its pillars, Green Wave made its presence felt not only in the city of Indore but also in Gwalior (Uttar Pradesh) and neighbouring areas through its variety of products which included fruit juices of various kinds, jeera drinks and lemonade. In the current financial year, the liability on account of a term loan, which was availed from Unity Bank Limited and whose repayment, both principal and interest till date, is quite regular, stood at ₹ 10 crore.

Anticipating robust future trends, Arjun and Kabir, holding the office of Managing Director and Whole-time Director respectively, and two other directors, named Nisha (wife of Arjun) and Rhea (wife of Kabir), were thinking of launching a new line of health-oriented drink after receiving positive market feedback. The same was discussed with the product development team as well as the marketing team of the company. It is heartening to note that the product development team was successful in creating a new line of health drink including formulation and taste testing. Use of taste testing methods ensured that the new health drink met the highest standards of quality and taste. The marketing team was also hopeful and confident enough to capture the substantial market throughout the country so far as the new line of health drink was concerned.

As the company needed a fresh dose of additional capital for production and marketing of the newly developed health drinks, the directors decided to offer 50,00,000 equity shares of ₹ 10 each through private placement to a selected group of identified persons. The equity shares were duly allotted to these shareholders after following the requisite provisions.

With the infusion of further capital, production of health drinks came swiftly into action. As expected, the marketing team developed and executed a successful campaign that significantly boosted the product's market presence and turnover rose much beyond expectations and so did the goodwill of the company.

The directors of Green Wave Beverages Private Limited decided to reward and motivate the top ten employees of the product development team and marketing team, who contributed significantly to the success of the company and made available rights in the nature of Intellectual Property Rights (IPR). Consequently, the company issued 5,00,000 Sweat Equity Shares of face value ₹ 10 each to them, each getting 50,000 shares for consideration other than cash, after passing the specified resolution. This issue recognised the hard work and achievements of the employees beyond their regular salaries and bonuses. Through this goodwill gesture, the employees developed a sense of ownership in the company. There

were great chances that by issuing Sweat Equity Shares, the company would be able to reduce the likelihood of employees leaving for other gainful opportunities in times to come. This way, the company not only enhanced employee satisfaction but also strengthened its overall organisational performance.

The graph of success went on rising day by day. With soaring demand, the company established five branch offices in Hyderabad, Jaipur, Lucknow, Nagpur and Kochi. The branch managers of these branches were ably handling almost all the areas of north, south and west of India. The company received a welcoming response from all corners and had a pan-India image. Motivated by this, the company crossed the boundaries of the country and began exporting to European countries as well. To handle and coordinate the business in a smooth manner, the company established its maiden overseas branch office in Lisbon, Portugal, which was the sixth one in the row after opening five Indian branches.

It is worth mentioning that Green Wave maintains its books of account and other books and papers in electronic mode. Accordingly, the backup of these books of account and other books and papers is duly kept on a server physically located in India.

The auditors, R. K. Deshpande & Associates, duly prepared the audit report stating the authenticity of the accounts, compliance of financial statements with the accounting standards, provision of adequate internal financial control with reference to the financial statements and the operating effectiveness of such controls. The company duly prepared its Annual Return and filed the same with the jurisdictional Registrar of Companies in addition to filing other financial statements.

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 (of 2 marks each) given herein under:

1. The Case Scenario states that the directors of Green Wave Beverages Private Limited decided to reward and motivate the top ten employees of the product development team and marketing team, who contributed significantly to the success of the company and made available rights in the nature of IPR, by issuing 5,00,000 equity shares for consideration other than cash. You are required to choose the correct option from those stated below as to whether the said Sweat Equity shares shall be subject to lock in/nontransferable for any specified period or not:
 - (a) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Green Wave Beverages Private Limited, shall not be subject to lock-in/non-transferable for any period, whatsoever.
 - (b) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Green Wave Beverages Private Limited, shall be subject to lock-in/non-transferable for a period of three years from the date of allotment.
 - (c) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Green Wave Beverages Private Limited, shall be subject to lock-in/non-transferable for a period of four years from the date of allotment.
 - (d) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Green Wave Beverages Private Limited, shall be subject to lock-in/non-transferable for a period of five years from the date of allotment.

Ans. (B) HINT: Sec. 54

2. The above Case Scenario states that Green Wave Beverages Private Limited needed a fresh dose of additional capital for production and marketing of newly developed health drinks and for that purpose it issued 50,00,000 equity shares of ₹ 10 each through private placement to the existing shareholders which were duly allotted. Select the appropriate option from those given below as to what is the maximum permissible time period within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them:
 - (a) The maximum permissible time period is sixty days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.
 - (b) The maximum permissible time period is fifteen days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.
 - (c) The maximum permissible time period is ninety days, within which the equity shares must have

been allotted to the existing shareholders after receipt of application money for such securities from them.

- (d) The maximum permissible time period is thirty days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.

Ans. (a) HINT: Sec. 42

3. According to the Case Scenario, Green Wave Beverages Private Limited issued 5,00,000 Sweat Equity shares to the top ten employees of the product development team and marketing team, for consideration other than cash, after passing the specified resolution. You are required to choose the correct option from those mentioned below as to within a period of how many months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing:

- (a) Within a period of not more than three months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.
- (b) Within a period of not more than twelve months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.
- (c) Within a period of not more than six months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.
- (d) Within a period of not more than nine months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.

Ans. (B) HINT: Sec. 54 Rule 8 (3)

4. According to the Case Scenario, Green Wave Beverages Private Limited established its sixth branch in Lisbon, Portugal, after establishing first five Indian branches in a row. As regards auditing the accounts of the present overseas branch, who according to you is authorised to audit the accounts of this foreign branch as per the applicable provisions? Choose the correct option from those stated below:

- (a) As regards auditing of sixth branch established in Lisbon, by Green Wave Beverages Private Limited, only the company's auditor R. K. Deshpande & Associates is authorised to audit its accounts.
- (b) As regards auditing of sixth branch established in Lisbon, by Green Wave Beverages Private Limited, the company's auditor R. K. Deshpande & Associates or an accountant or any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Portugal is authorised to audit its accounts.
- (c) As regards auditing of sixth branch established in Lisbon, by Green Wave Beverages Private Limited, the company's auditor R. K. Deshpande & Associates or any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Portugal, is authorised to audit its accounts.
- (d) As regards auditing of sixth branch established in Lisbon, by Green Wave Beverages Private Limited, an accountant or any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Portugal is authorised to audit its accounts.

Ans. (B) HINT: Sec. 143(8)

5. It is evident that Green Wave Beverages Private Limited issued 5,00,000 Sweat Equity shares for consideration other than cash to the top employees of the product development team and marketing team. Keeping in view the applicable provisions, you are required to select the apt answer from the options given below as to when the holders of these sweat equity shares shall rank pari passu with other equity shareholders of the company:

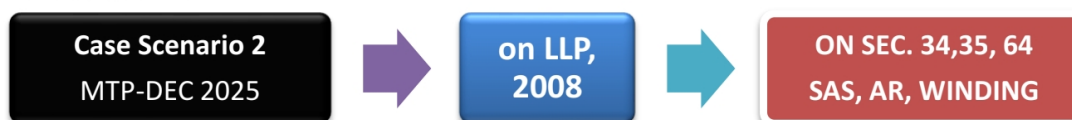
- (a) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank pari passu with other equity shareholders of the company only after the expiry of three years from the date of allotment.
- (b) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank pari passu with other equity shareholders of the company only after the expiry of four years from the date of allotment.
- (c) The top ten employees of the product development team and marketing team, being the holders of

5,00,000 sweat equity shares, shall rank pari passu with other equity shareholders of the company immediately from the date of allotment.

- (d) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank pari passu with other equity shareholders of the company only after the expiry of five years from the date of allotment.

Ans. (C) HINT: Sec. 54(2)

Case Scenario 2



Ramneek and Madhu, two young entrepreneurs, founded "New Education Innovators LLP" under the Limited Liability Partnership Act, 2008, with a focus on providing digital education solutions. Ramneek brought technical expertise, while Madhu managed the business operations. According to the LLP Agreement, both contributed equally and shared profits equally. After two years of growth, they decided to admit Amit, an industry expert, as a partner to expand their reach. Amit agreed to contribute additional capital and bring industry contacts. However, shortly after joining, Amit discovered that certain key compliance filings, including **Form 11 (Annual Return) and Form 8 (Statement of Accounts and Solvency)**, were pending. Concerned, Amit wanted to understand his liability and insisted that the LLP immediately address the compliance issues. Meanwhile, Ramneek proposed to amend the LLP Agreement to reflect Amit's new profit-sharing ratio and allocate specific decision-making powers to him. As they worked through these matters, they consulted a legal advisor to understand how the Limited Liability Partnership Act, 2008, impacted their responsibilities, liabilities, and compliance obligations.

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 given herein under:

6. When Amit joined New Education Innovators LLP, he discovered that key compliance filings, including the Annual Return and Statement of Accounts and Solvency, were pending. What is Amit's liability as a newly admitted partner concerning these past compliance lapses?
- Amit has no liability for past compliance lapses since he was not a partner when they occurred.
 - Amit shares equal liability for past compliance lapses because he is now a partner in the LLP.
 - Amit is only liable if the LLP Agreement specifically assigns responsibility to him for compliance.
 - Amit's liability for past compliance is limited to his capital contribution in the LLP.

Ans. (A) HINT: u/s 34 & 35 Penalty on non-filing is on LLP & DP

7. In light of Amit's concern about the pending compliance filings, which of the following best describes the responsibilities of the partners in New Education Innovators LLP regarding compliance with the LLP Act, 2008?
- Only the designated partners are responsible for ensuring compliance with filing obligations under the LLP Act.
 - All partners, including new partners like Amit, are equally responsible for compliance, regardless of the LLP Agreement.
 - Compliance responsibilities can only be assigned to one partner, who will bear full accountability.
 - The legal advisor is responsible for handling compliance, and the partners have no liability once they hire legal counsel.

Ans. (A) HINT: u/s 34 & 35 Penalty on non-filing is on LLP & DP

8. Suppose in the given scenario, New Education Innovators LLP fails to file the Statement of Account and Solvency or Annual Return for any five consecutive financial years, which of the following could occur?
- New Education Innovators LLP may be wound up the Tribunal
 - Takeover of New Education Innovators LLP by the persons appointed by the Registrar of Companies
 - Revocation of all partner rights until filings are complete
 - The losses for these 5 consecutive years shall be shared equally by all the partners irrespective of

the profit sharing ratio as decided in the LLP agreement.

Ans. (A) HINT: u/s 64(e)

Case Scenario 3



Arnav Mehta is a very bright student. He is a resident of Ahmedabad and lived in India throughout the Financial Year 2024–25. On 12 July 2025, he left India to pursue a two-year Master's program in Biotechnology at a reputed university in Geneva, Switzerland.

To meet the cost of his education, Arnav required USD 25,000 per year towards tuition fees and USD 30,000 annually for his living and incidental expenses. He approached his authorised dealer bank to obtain foreign exchange for these requirements under applicable the Foreign Exchange Management Act (FEMA), 1999 and Current Account Transaction Rules.

During this period, Arnav's father, Mr. Rajesh Mehta, who continued to reside in Ahmedabad, won a significant prize in a local lottery. Wishing to support Arnav financially while he studied abroad, Mr. Mehta approached his authorised dealer bank to remit a portion of the lottery winnings to Arnav's account in Switzerland. He submitted the required documents and sought guidance from the bank regarding the permissibility of such a remittance under FEMA.

Around the same time, a close family friend of the Mehtas, Mr. Raghav Shah, was advised by his doctors in India to undergo an advanced kidney transplant procedure at a specialized medical centre in New York, USA. Raghav contacted his authorised dealer bank to understand the procedure and limits for obtaining foreign exchange for medical treatment abroad. He also obtained the required medical estimates in support of his proposed treatment.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

9. Arnav requires USD 55,000 per year (tuition + living expenses). Can he obtain this foreign exchange?

- (a) Yes, up to USD 55,000 per academic year without RBI approval.
- (b) Yes, but only up to USD 25,000 without approval.
- (c) No, he must obtain RBI approval for the entire amount.
- (d) Yes, but only for tuition fees; living expenses require separate RBI approval.

Ans. (A) HINT: Schedule III 2.5 lakh LRS

10. Mr. Rajesh Mehta won a local lottery and wants to remit a part of the winnings to Arnav in Switzerland. The authorised dealer must evaluate whether the transaction is permissible. Which of the following statement is correct in respect of the authorised dealer (AD)?

- (a) AD will allow the remittance freely for an amount upto USD 5,000
- (b) AD will allow the remittance freely since it is below USD 2,50,000
- (c) AD will allow the remittance as long as it is for supporting education
- (d) AD will reject the request because lottery winnings cannot be remitted under any circumstances as it falls under prohibited current account transactions

Ans. (D) HINT: Schedule I Prohibited CUAT

11. If Raghav submits a medical estimate from the US hospital showing expenses of USD 4,00,000, what can the authorised dealer do?

- (a) Release only USD 2,50,000; the balance is prohibited
- (b) Release any amount without limit because it is a medical emergency
- (c) Authorised dealers shall release USD 2,50,000 without approval and release additional amounts if supported by medical estimate from the doctor/hospital without referring to RBI
- (d) Decline the request until Raghav becomes a non-resident

Ans. (C) HINT: Schedule III 2.5 lakh LRS or Higher amount as per doctor estimate

Independent MCQs

12. A Ltd. is incorporated on 3rd January, 2023. As per the Companies Act, 2013, what will be the financial year for the company:

- (a) 31st March, 2023
- (b) 31st December, 2023
- (c) 31st March, 2024
- (d) 30th September, 2024 (2 Marks)

Ans. (C) HINT: Sec. 2(41) FY if co. incorporated on/after 1st Jan, FY to end on next 31st March

13. A charge was created by Black Limited on its office premises to secure a term loan of ₹ 1 crore availed from Amro Bank Limited through an instrument of charge executed by both the parties on 16th February, 2025. 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, 2025
- (b) 17th April, 2025
- (c) 2nd May, 2025
- (d) 16th June 2025 (2 Marks)

Ans. (B) HINT: Sec. 77 First extension 30 days by RoC by paying additional fees

14. ABC Real Estate Ltd., a prominent real estate company, has recently acquired a piece of land in a suburban area. The land has a small lake that is expected to generate significant tourism revenue in the future. Additionally, the land has several old structures that are permanently fastened to the earth, such as a stone pavilion and a historical monument. ABC Real Estate Ltd. plans to develop the area by refurbishing the existing structures and enhancing the natural surroundings to attract tourists.

Considering the above scenario, identify which of the following components are classified as "Immovable Property" under the General Clauses Act, 1897:

- (a) Only the land and the stone pavilion.
- (b) Only the land and the benefits arising from the lake.
- (c) The land, benefits arising from the lake, and the stone pavilion.
- (d) The land, the benefits arising from the lake, the stone pavilion and the historical monument. (2 Marks)

Ans. (D) HINT: Sec. 3(26) of GCA

15. The Ministry of Transport is planning to construct a new highway that will connect City A and City B. According to the initial plan, the highway is expected to cover a distance of 180 kilometers. During the survey, the engineers measure the distance between the two cities as the crow flies, without considering the natural terrain and existing road curves. This method is in line with the provisions of the General Clauses Act, 1897 regarding the measurement of distance for the purposes of any Central Act or Regulation.

Considering the above scenario, which statement is correct about the measurement of distance as per the General Clauses Act, 1897?

- (a) The distance should be measured along the existing roadways and curves.
- (b) The distance should be measured considering the natural terrain and obstacles.
- (c) The distance should be measured in a straight line on a horizontal plane unless otherwise specified.
- (d) The distance should be measured as a combination of straight lines and natural curves. (2 Marks)

Ans. (C) HINT: Sec. 11 of GCA

PART – II Descriptive Questions (70 Marks)

Question No.1 is compulsory.

Attempt any Four questions out of the remaining Five questions.

1. (a) A Limited is planning to make a private placement of securities. The Managing Director arranged to obtain a brief note from some source explaining the salient features of the issue of private placement that the Board of Directors shall keep in mind while approving the proposal on this subject. The brief note includes, inter alia, the information on the following points:

(i) A private placement shall be made only to a select group of identified persons not exceeding 200 in a financial year.

The aforesaid ceiling of identified persons shall not apply to the offer made to the qualified institutional buyers but is applicable to the employees of the company who will be covered under the Company's Employees Stock Option Scheme.

(ii) The offer on private placement basis shall be made only once in a financial year for any number of identified persons not exceeding 200.

The company solicits your remarks on the points referred above as to whether they are valid or not? Reasoned remarks should be given in accordance with the provisions of the Companies Act, 2013.

(5 Marks)

Ans.

As per the provisions of **sub-section (2) of section 42** of the Companies Act, 2013, private placement shall be made only to a select group of persons who have been identified by the Board (herein referred to as "identified persons"), whose number shall not exceed 50 or such higher number as may be prescribed, in a financial year subject to such conditions as may be prescribed.

It is also provided that any offer or invitation made to qualified institutional buyers, or to employees of the company under a scheme of employees' stock option as per provisions of **section 62(1)(b)** shall not be considered while calculating the limit of **two hundred persons**.

According to **Rule 14 (2)** of the Companies (Prospectus and Allotment of Securities) Rules, 2014, an offer or invitation to subscribe securities under private placement shall not be made to persons more than two hundred in the aggregate in a financial year.

As per **Explanation** given in this Rule, it is clarified that the restrictions aforesaid would be reckoned individually for each kind of security that is equity share, preference share or debenture.

Referring to the above mentioned provisions of sub-section (2) of section 42 of the Companies Act, 2013 and Rule 14 the Companies (Prospectus and Allotment of Securities) Rules, 2014, we can conclude as follows:

(i) The **company is correct** in proposing that private placement shall be made only to a select group of identified persons not exceeding 200 in a financial year. This part of the proposal is correct. The company is also correct in proposing that the aforesaid ceiling of identified persons shall not apply to offer made to the qualified institutional buyers, but the company is not correct in saying that the said ceiling is applicable to employees covered under the Company's Employee Stock Option Scheme. Hence, the second part of the proposal is only partially correct.

(ii) The Companies (Prospectus and Allotment of Securities) Rules, 2014 provides that an offer or invitation to subscribe securities under private placement shall not be made to persons more than 200 in aggregate in a financial year.

Keeping the ceiling of 200 persons in aggregate during a financial year, offer of private placement can be made more than once in a financial year. Therefore, **the second statement is not fully correct.**

(b) (i) Three Chartered Accountants, Mr. Arjun, Mr. Siddharth and Mrs. Kavita formed a Limited Liability Partnership under the Limited Liability Partnership Act, 2008 in the name of ASK & Associates LLP, practicing chartered accountants. Zenith Resources Ltd. (ZR Ltd.) intends to appoint ASK & Associates LLP as the auditors of the company.

Examine the validity of the proposal of ZR Ltd. to appoint ASK & Associates LLP, a body corporate, as an auditor of the company as per the provisions of the Companies Act, 2013.

- (ii) The Board of Directors of Nova Communications Ltd. consists of Mr. Mehra and Ms. Singh (Directors) and Mr. Verma (Managing Director). The company has also appointed a full-time Company Secretary. The Profit and Loss Account and the Balance Sheet of the company have been signed by Mr. Mehra and Ms. Singh.

Examine whether the authentication of the financial statements of the company is in accordance with the provisions of the Companies Act, 2013. (5 Marks)

Ans.

- (i) As per the provisions of **section 141 (3)** of the Companies Act, 2013 read with **Rule 10** of Companies (Audit and Auditors) Rule 2014, a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008 shall not be qualified for appointment as auditor of a company.

In the given case, proposal of ZR Ltd. to appoint ASK & Associates LLP as auditors of the company is valid as the restriction marked for appointment as auditor for a body corporate is not applicable to Limited Liability Partnership.

- (ii) According to **section 134(1)** of the Companies Act, 2013, the financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon.

In the instant case, the Balance Sheet and Profit and Loss Account have been signed only by Mr. Mehra and Ms. Singh, the directors. In view of section 134(1) of the Companies Act, 2013, Mr. Verma, the Managing Director should have been one of the two signing directors.

Further, since the company has also employed a full- time Secretary, he should also sign the Balance Sheet and the Statement of Profit and Loss.

- (c) Pujari Sharma, a person resident outside India, has invested in four residential immovable properties under construction in Kolkata. Each property is negotiated at ₹ 2 crore, with the companies owned by builders. This amount is to be paid in two instalments as 60% on immediate basis on booking and the balance on possession of the properties.

The above transaction is done by the companies owned by builders through two brokers from USA on commission basis. Pujari Sharma as per the terms and conditions remitted 60% of the amount of all four immovable properties directly to the company.

Answer the following explaining the provisions of the Foreign Exchange Management Act (FEMA), 1999:

- (i) Whether investment by Pujari Sharma and payment of commission on this transaction is permissible?
 (ii) How much maximum amount of commission can be paid to each broker without Reserve bank of India (RBI) approval?
 (Ignore the USD - Rupee Exchange Rate) (4 Marks)

Ans.

The investment in immovable properties in India by Pujari Sharma, a resident outside India, is a Capital Account Transaction which is permissible as per Schedule II of the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 which permits Acquisition and Transfer of Immovable Property in India by a Person Resident Outside India.

According to **Schedule III** to Foreign Exchange Management (Current Account Transactions) Rules, 2000, remittances by persons other than individuals shall require prior approval of the Reserve Bank of India if Commission, per transaction, to agents abroad for sale of residential flats or commercial plots in India exceeds USD 25,000 or five percent of the inward remittance whichever is more.

As per the facts of the question and mentioned provisions, the following are the answers to the questions asked:

- (i) Yes, the investment by Pujari Sharma and payment of commission on this transaction is permissible.
- (ii) Calculation of maximum commission that can be paid without the approval of RBI.

The maximum amount of commission that can be paid to each broker for each transaction, without RBI approval is, more of- USD 25,000 or ₹ 6 lakh [i.e. 5% of (60% of 2 crore)].

Thus, ₹ 6,00,000 can be paid to each broker as commission without taking any prior approval of the RBI.

2. (a) Sun Light Limited was incorporated on 22nd January 2024 with the objects of providing software services. The company adopted its first financial year as from 22nd January 2024 to 31st March 2025. The financial statement for the said period, after providing for depreciation in accordance with Schedule II of the Companies Act, 2013 revealed net profit. The Board of Directors declared 20% interim dividend at their meeting held on 7th July 2025, before holding its first Annual General Meeting. In the light of the provisions of the Companies Act, 2013 and Rules made thereunder:
- (i) Whether the company has complied due diligence in declaring interim dividend?
 - (ii) Whether the company can declare dividend in case it was registered under Section 8 of the Companies Act, 2013?
- (5 Marks)

Ans.

- (i) According to **section 123(3)** of the Companies Act, 2013, the Board of Directors of a company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the annual general meeting out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

In the instant case, Sun Light Limited has complied due diligence in declaring interim dividend as it was declared by Board of Directors at their meeting held on 7th July, 2025 before holding its first Annual General Meeting. Also, the financial statement revealed net profit so the interim dividend can be paid out of profits of the financial year ending 31st March, 2025.

- (ii) According to **section 8(1)** of the Companies Act, 2013, a company having licence under Section 8 (Formation of companies with charitable objects, etc.) is prohibited from paying any dividend to its members. Its profits are intended to be applied only in promoting the objects for which it is formed.

- (b) Shree Private Limited was formed on 25th April, 2022. At the time of formation, it had provided in its articles that the company shall not be permitted to accept or keep advance subscription or call money in advance.

However, in the August 2025, the need was felt to amend the articles with respect to retention of calls-in-advance.

Decide whether the provision inserted in the articles at the time of formation of the company, can be considered as void?

(5 Marks)

Ans.

Section 50 of the Companies Act, 2013, deals with acceptance of call money in advance by a company which requires that such acceptance can be made **only if** the company is authorised by its articles to do so.

According to **section 6** of the Companies Act, 2013,
'Save as otherwise expressly provided in this Act—

- (a) the provisions of this Act shall have effect notwithstanding anything to the contrary contained in the memorandum or articles of a company, or in any agreement executed by it, or in any resolution passed by the company in general meeting or by its Board of Directors, whether the same be registered, executed or passed, as the case may be, before or after the commencement of this Act; and
- (b) any provision contained in the memorandum, articles, agreement or resolution shall, to the extent to

which it is repugnant (in conflict) to the provisions of this Act, become or be void, as the case may be.'

In simple words, the provisions of this Act shall have overriding effect. It is also to be noted that section 6, starts with "Save as otherwise". It means that if any other section of the Act says that article is superior then we will treat it accordingly.

Here, in the given case, articles of Shree Private Limited provide that the company shall not be permitted to accept or keep advance subscription or call money in advance and accordingly here, such provision contained in the articles of association will prevail and cannot be considered as void.

(c) Prem and Vicky had a long dispute regarding the ownership of a land for which a legal suit was pending in the court. The court fixed the date of hearing on 27th October 2025, which was announced to be a holiday subsequently by the Government. What will be the computation of time of the hearing in this case under the General Clauses Act, 1897? (4 Marks)

Ans.

According to **section 10** of the General Clauses Act, 1897, where by any legislation or regulation, any act or proceeding is directed or allowed to be done or taken in any court or office on a certain day or within a prescribed period then, if the Court or office is closed on that day or last day of the prescribed period, the act or proceeding shall be considered as done or taken in due time if it is done or taken on the next day afterwards on which the Court or office **is open**.

In the given question, the court fixed the date of hearing of dispute between Prem and Vicky, on 27th October 2025, which was subsequently announced to be a holiday.

Applying the above provisions we can conclude that the hearing date of 27th October 2025, shall be extended to the next working day.

3. (a) Bright Industries Limited, is planning to expand its manufacturing operations. To raise funds, the Board is considering accepting deposits from the public. The company has a net worth of ₹ 150 crore and a turnover of ₹ 620 crore as per its latest audited financial statements. The directors want to ensure compliance with the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 before proceeding.

(i) Explain the meaning of an "eligible company".

(ii) State the maximum amount of deposits it can accept from persons other than members.

(5 Marks)

Ans.

According to **Rule 2(1)(e)** of the Companies (Acceptance of Deposits) Rules, 2014 "**eligible company**" means a public company as referred to in sub-section (1) of section 76 of the Companies Act, 2013, having a net worth of not less than one hundred crore rupees or a turnover of not less than five hundred crore rupees and which has obtained the prior consent of the company in general meeting by means of a special resolution and also filed the said resolution with the Registrar of Companies before making any invitation to the Public for acceptance of deposits.

Provided that an eligible company, which is accepting deposits within the limits specified under clause (c) of sub-section (1) of section 180, may accept deposits by means of an ordinary resolution.

Maximum Amount of Deposits: As per Rule 3(4)(b) of the Companies (Acceptance of Deposits) Rules, 2014, an eligible company is permitted to accept or renew deposits from persons other than its members. As per the law the amount of such deposit together with the amount of outstanding deposits (excluding deposits from members) on the date of acceptance or renewal can be maximum **twenty-five per cent.** of the aggregate of its paid-up share capital, free reserves and securities premium account of the company.

(b) Mr. Ram is the auditor of XYZ Limited, which is a Government company. He has resigned on 31st December, 2025 while the financial year of the company ends on 31st March, 2026. Explain the provisions regarding filling or such vacancy. Would your answer differ if it is other than a Government company? (5 Marks)

Ans.

Casual vacancy: According to **section 139(8)** of the Companies Act, 2013,

- (1) In the case of a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor General (CAG) of India, casual vacancy of an auditor shall be filled by the CAG within 30 days.
- (2) In case the CAG does not fill the vacancy within the said period, the Board of Directors shall fill the vacancy within next 30 days.

XYZ Ltd. can follow the above provisions for filling of its casual vacancy of its auditor.

In case, XYZ Ltd. would have been a company other than a government company, the following provisions would be applicable for filling of its casual vacancy:

- (a) The Board may fill any casual vacancy in the office of an auditor within 30 days but where such vacancy is caused by the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the recommendation of the Board.
- (b) Any auditor appointed in a casual vacancy shall hold office until the conclusion of the next annual general meeting.

(c) Define the following terms with reference to the General Clauses Act, 1897:

- (i) Affidavit
- (ii) Good Faith

(4 Marks)

Ans.

- (i) **"Affidavit"**: According to **section 3(3)** of the General Clauses Act, 1897, 'Affidavit' shall include affirmation and declaration in the case of persons by law allowed to affirm or declare instead of swearing.

The above definition is inclusive in nature. It states that Affidavit shall include affirmation and declarations. This definition does not define affidavit. However, we can understand this term in general parlance. Affidavit is a written statement confirmed by oath or affirmation for use as evidence in Court or before any authority.

- (ii) **"Good Faith"**: According to **section 3(22)** of the General Clauses Act, 1897, a thing shall be deemed to be done in "good faith" where it is in fact done honestly, whether it is done negligently or not.

The question of good faith under the General Clauses Act is one of fact. It is to be determined with reference to the circumstances of each case. Thus, anything done with due care and attention, which is not malafide, whether it is done negligently or not is presumed to have been done in good faith.

4. (a) Wave Power Limited plans to raise funds through multiple tranches of securities using a shelf prospectus. After completing its first offer, the company is preparing for the second offer under the same shelf prospectus.

Before proceeding, Wave Power Limited needs to know what information must be filed with the Registrar along with the information memorandum. You as Chartered Accountant, are required to list the details that company is required to include in this information memorandum. (5 Marks)

Ans.

A company filing a shelf prospectus shall be required to file an **information memorandum** with the Registrar within the prescribed time, prior to the issue of a second or subsequent offer of securities under the shelf prospectus containing;

- a. All material facts relating to new charges created,
- b. Changes in the financial position of the company as have occurred between the first offer of securities or the previous offer of securities and the succeeding offer of securities, and
- c. Such other changes as may be prescribed.

- (b) ABC Pvt. Ltd. (OPC) is incorporated in 2024. The company has not appointed a company secretary due to its small scale of operations. At the end of the financial year 2024-25, the company needs to file its annual return. The director in state of dilemma, consulted the company law expert whether they need to submit a fullfledged annual return or an abridged version and who should sign the document.

Based on the provisions of the Companies Act, 2013, advise on the following:

- (i) What form should ABC Pvt. Ltd.(OPC) use to file its annual return?
 (ii) Who is authorized to sign the annual return?

(5 Marks)

Ans.

According to **section 92(1)** of the Companies Act, 2013, every company shall prepare a return (referred to as the Annual Return) in the prescribed form containing the specified particulars as they stood on the close of the financial year.

In terms of Second Proviso to section 91 (1), the Central Government may prescribe **abridged form** of annual return for One Person Company, small company and such other class or classes of companies as may be prescribed.

Accordingly, as per **Rule 11 (1)**, One Person Company and small company shall file the annual return from the financial year 2020-2021 onwards in **Form No. MGT-7A**. However, in relation to One Person Company and small company, the annual return shall be **signed by** the company secretary, or where there is no company secretary, by the director of the company.

Accordingly, following are the advise given by the expert:

- (i) As per section 92 and Rule 11(1), since ABC Pvt. Ltd. is a One Person Company (OPC), it should file its annual return in Form MGT-7A (abridged form) for the financial year 2024-25.
 (ii) In the absence of a company secretary, the annual return should be signed by the sole director of the company as per the provisions applicable to One Person Companies.

- (c) "Associate words to be understood in common sense manner." Explain this statement with reference to rules of interpretation of statutes. (4 Marks)

Ans.

Associated Words to be Understood in Common Sense Manner: When two words or expressions are coupled together one of which generally excludes the other, obviously the more general term is used in a meaning excluding the specific one. On the other hand, there is the concept of '**Noscitur A Sociis**' ('it is known by its associates'), that is to say 'the meaning of a word is to be judged by the company it keeps'. When two or more words which are capable of analogous (similar or parallel) meaning are coupled together, they are to be understood in their cognate sense (i.e. akin in origin, nature or quality). They take, as it were, their colour from each other, i.e., the more general is restricted to a sense analogous to the less general. It is a rule wider than the rule of ejusdem generis, rather ejusdem generis is only an application of the noscitur a sociis. It must be borne in mind that noscitur a sociis, is merely a rule of construction and it cannot prevail in cases where it is clear that the wider words have been deliberately used in order to make the scope of the defined word correspondingly wider.

5. (a) In a general meeting of a company, the shareholders passed a special resolution regarding some special matters. There were 30 members present in the meeting. Out of which 15 voted in favour of the resolution, 6 voted against it and 5 votes were found invalid. The remaining 4 members abstained from voting. The chairman of the meeting declared the resolution as passed. With reference to provisions of the Companies Act, 2013 examine the validity of chairman's declaration. (5 Marks)

Ans.

According to **section 114** of the Companies Act, 2013, a resolution shall be a special resolution when the votes cast in favour of the resolution, whether on a show of hands, or electronically or on a poll, as the case may be, by members who, being entitled so to do, vote in person or by proxy or by postal ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.

Thus, in terms of the requisite majority, votes cast in favour have to be compared with votes cast against the resolution. Abstentions or invalid votes, if any, are not to be taken into account.

Accordingly, in the given problem, the votes **cast in favour (15) being not more than 3 times of the votes cast against (6)**, therefore the decision of the chairman is not in order.

- (b) Amit and Priya are partners in XYZ LLP, a consulting firm. Recently, Priya moved to a new address but forgot to notify the LLP within the required period. A month later, Amit's cousin, Ramesh, expressed interest in joining XYZ LLP as a partner, and after a few discussions, he was accepted as a new partner.

However, XYZ LLP did not immediately update the Registrar of Companies (RoC) regarding Priya's address change or Ramesh's admission as a partner. Two months after Ramesh joined, the LLP filed a notice with the RoC about these changes.

Advise the LLP about the default on part of LLP about the non compliance in respect to not informing the ROC about:

- (i) Priya's address change
- (ii) Ramesh's admission as a partner.

(5 Marks)

Ans.

According to **section 25** of the Limited Liability Partnership Act, 2008,

- (1) Every partner shall inform the LLP of any change in his name or address within a period of **15 days** of such change.
- (2) A LLP shall—
 - (a) where a person **becomes or ceases** to be a partner, file a notice with the Registrar within 30 days from the date he becomes or ceases to be a partner; and
 - (b) where there is any **change in the name or address** of a partner, file a notice with the Registrar within 30 days of such change.
- (3) A notice filed with the Registrar under sub-section (2)—
 - (a) shall be in such form and accompanied by such fees as may be prescribed;
 - (b) shall be signed by the designated partner of the LLP and authenticated in a manner as may be prescribed; and
 - (c) if it relates to an incoming partner, shall contain a statement by such partner that he consents to becoming a partner, signed by him and authenticated in the manner as may be prescribed.

(i) Priya's Address Change: Under the provision, Priya was required to inform XYZ LLP of her address change within 15 days of the move. Following that, XYZ LLP was required to file a notice with the RoC within 30 days of being notified of Priya's new address. As Priya did not inform the LLP about change of address and consequently LLP did not file a notice regarding the change in address of Priya with the Registrar, XYZ LLP is not in compliance with the required timeline.

(ii) Ramesh's Admission as a Partner: For new partners, XYZ LLP must file a notice with the RoC within 30 days of a person becoming a partner. This notice should include Ramesh's consent statement, signed by him and authenticated as prescribed. The delay in filing means XYZ LLP did not meet the 30 day requirement.

- (c) What is External Aid to interpretation? Explain how the Dictionary definitions are the External Aids to Interpretations? (4 Marks)

Ans.

External aids are the factors that help in interpreting/ construing an Act and have been given the convenient nomenclature of 'External Aids to Interpretation'. Apart from the statute itself there are many matters which may be taken into account when the statute is ambiguous. These matters are called external aids.

Dictionary Definitions: Dictionary Definitions is one of the External Aids to interpretation. **First** we have to refer to the Act in question to find out if any particular word or expression is defined in it. Where we find that a word is not defined in the Act itself, we may refer to dictionaries to find out the general sense in which that word is commonly understood. However, in selecting one out of the several meanings of a word, we must always take into consideration the context in which it is used in the Act. It is the fundamental rule that the meanings of words and expressions used in an Act must take their colour from the context in which they appear. **Further**, judicial decisions laying down the meaning of words I construing statutes in 'pari materia' will have greater weight than the meaning furnished by dictionaries. However, for technical terms reference may be made to technical dictionaries.

6. (a) (i) Lotus Global Corporation is a company incorporated in Singapore. Its wholly owned Indian subsidiary, Meadow Limited, intends to adopt a financial year different from the one prescribed in India, in order to align with the consolidated accounts of its parent company prepared overseas. Explain the procedure that Meadow Limited must follow to implement such a change.
- (ii) Sunrise Enterprises Limited is planning to maintain its books of account using the Single Entry

System. Is such a method of accounting permissible under the Companies Act, 2013? (5 Marks)

Ans.

- (i) Where an application is made by a company or body corporate, which is a holding company or a subsidiary or associate company of a company incorporated outside India and which is required to follow a different financial year for consolidation of its accounts outside India, the Central Government may, on the basis of such application made in such form and manner as may be prescribed, allow any period as its financial year, whether or not that period is a year.

Meadow Limited is advised to follow the above procedure accordingly.

- (ii) According to **section 128(1)** of the Companies Act, 2013, every company shall prepare "books of account" and other relevant books and papers and financial statement for every financial year. These books of account should give a true and fair view of the state of the affairs of the company, including that of its branch office(s). These books of account must be kept on accrual basis and according to the double entry system of accounting. Hence, maintenance of books of account under Singly Entry System of Accounting by Sunrise Enterprises Limited **is not permitted**.

- (b) Arbrush Limited, a foreign company without establishing a place of business in India, proposes to issue prospectus for subscription of securities in India. Being a consultant of the company, advise on the procedure of such an issue of prospectus by Abroad Ltd. (5 Marks)

Ans.

As per **section 389** of the Companies Act, 2013, no person shall issue, circulate or distribute in India any prospectus offering for subscription in securities of a company incorporated or to be incorporated outside India, whether the company has or has not established, or when formed will or will not establish, a place of business in India, unless before the issue, circulation or distribution of the prospectus in India, a copy thereof certified by the chairperson of the company and two other directors of the company as having been approved by resolution of the managing body has been delivered for registration to the Registrar and the prospectus states on the face of it that a copy has been so delivered, and there is endorsed on or attached to the copy, any consent to the issue of the prospectus required by section 388 and such documents as may be prescribed under Rule 11 of the Companies (Incorporated outside India) Rules, 2014.

Accordingly, the Arbrush Limited a foreign company shall proceed with the issue of prospectus in compliance with the above stated provisions of section 379 of the Act.

- (c) Under a certain Act, an offence is stated to be "punishable with imprisonment." Explain what the term imprisonment means as per the General Clauses Act, 1897, and state the types of imprisonment that a Court may award under the Indian Penal Code. (4 Marks)

Ans.

As per **section 3(27)** of the General Clauses Act, 1897, the term imprisonment means imprisonment of either description as defined in the Indian Penal Code.

Under the Indian Penal Code, imprisonment is of two types:

1. **Rigorous** imprisonment – imprisonment with hard labour, and
2. **Simple** imprisonment – imprisonment without hard labour.

Therefore, when an Act provides that an offence is punishable with imprisonment, the Court may, in its discretion, award either rigorous or simple imprisonment.