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**Case Scenario 1 – (ICAI Mock Test Paper – Series I, March 2025)****[Chapter – Audit and Auditors, Management and administration, Incorporation]**

New Limited, a listed entity, passed a resolution in its Board meeting for the appointment of Verma & Associates, Chartered Accountants, as the statutory auditor of the company. The company obtained written consent from Verma & Associates and placed this recommendation before the Annual General Meeting (AGM) of shareholders, where it was duly approved. After securing approval, New Limited informed the firm of their appointment and filed a notice of appointment with the Registrar of Companies within the prescribed time. Verma & Associates has three partners: A Verma, B Verma, and C Verma.

The firm also take services of two persons, Dev Verma and Mia Verma, who work on a case-to-case basis and are not on a fixed salary. It is also informed that prior to this appointment, Agrawal Verma & Associates was serving as the statutory auditor of New Limited. This firm had six partners: Shrey Agrawal, Alam Agrawal, Vishal Agrawal, Vyom Agrawal, Dev Verma, and Mia Verma. Notably, Dev Verma and Mia Verma were common members in both Verma & Associates and Agrawal Verma & Associates. While working with New Limited, Verma & Associates started facing severe disagreements with the management regarding certain financial reporting matters and governance issues.

As a result of these persistent disputes, the firm decided to resign as the statutory auditor. Meanwhile, New Limited was also required to hold its Annual General Meeting (AGM) within the prescribed period, ensuring compliance with the legal provisions regarding financial reporting, auditor appointments, and shareholder approvals. However, due to internal conflicts and auditor resignation, the company faced challenges in adhering to these timelines. Additionally, New Limited decided to shift its registered office from Mumbai to Bengaluru for operational efficiency. The company passed a Board resolution for the change and later obtained shareholder approval in the AGM. However, due to an oversight, the filing of the notice of change of registered office with the Registrar of Companies was delayed. As a result, several important communications, including regulatory notices and shareholder correspondence, were being sent to the Mumbai office, causing disruptions in company operations.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5, of 2 marks each) given herein under:



Concept Tested: Section 141 – Disqualification of auditor if the proposed firm has common partners with retiring firm; not applicable if individuals are not partners

1. The newly appointed CA Firm (Verma & Associates) and retiring CA Firm (Agrawal Verma & Associates) have common persons i.e., Dev Verma and Mia Verma. Whether the appointment of Verma & Associates in New Limited is valid as per the provisions of the Companies Act

- (a) It not valid since both the CA Firms (New and Old) have common persons
- (b) Dev Verma and Mia Verma are working on case-to-case basis in Verma & Associates and are not the partners, hence appointment of Verma & Associates, is valid
- (c) Verma & Associates should expel Dev Verma and Mia Verma in order to retain its appointment
- (d) Agrawal Verma & Associates should expel Dev Verma and Mia Verma

ANSWER (b)

Concept Tested: Section 141 – A firm having common partners with the retiring auditor is disqualified from appointment

2. What would have been the position if, Dev Verma and Mia Verma are partners in Verma & Associates:

- (a) The position will remain same as MCQ 1 above
- (b) There shall be no change and the Verma & Associates may continue as audit firm
- (c) The appointment of Verma & Associates would not have been in terms of the provisions of the Companies Act, 2013
- (d) The company may obtain permission from the shareholders in the general meeting by way of Special Resolution for continuation of appointment of Verma & Associates

ANSWER (c)



Concept Tested: Section 140 – Auditor's resignation creates a casual vacancy to be filled by Board within 30 days and approved by members in GM within 3 months

3. In the given case, Verma & Associates due to some dispute with the management on some issues resigned from the company. Choose the correct option in respect to filling of this vacancy:

- (a) Verma & Associates cannot resign and has to hold the office till the conclusion of the next annual general meeting
- (b) The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board
- (c) This vacancy of auditor can be filled by the shareholders in consultation of the Central Government
- (d) This vacancy of auditor can be filled by the Board of Directors in consultation of the Comptroller and Auditor-General of India

ANSWER (b)

Concept Tested: Section 96 – Registrar may extend the time for holding AGM for a period not exceeding 3 months

4. AGM of New Limited could not be held within the prescribed time limit. Choose the correct statement in this case.

- (a) The company can postpone the AGM indefinitely until internal conflicts are resolved.
- (b) The company can apply to the Registrar of Companies (RoC) for an extension and Registrar can do so for a period not exceeding 3 months.
- (c) The Board should reappoint Verma & Associates if they agree to withdraw their resignation and then conduct the AGM by 31st January of the following year.
- (d) The company must approach the National Financial Reporting Authority (NFRA) for extension of date of AGM.

ANSWER (b)



Concept Tested: Section 13 – Shifting registered office from one state to another requires approval from Regional Director

5. If New Limited wants to shift its registered office from Maharashtra (Mumbai) to Karnataka (Bengaluru), which of the following is required?

- (a) Board approval only.
- (b) Only shareholder approval in a general meeting.
- (c) Approval from the Regional Director along with copy of proposed alteration in memorandum, copy of Board's resolution and Minutes of general meeting authorising the change from one state to another.
- (d) No approval is required.

ANSWER (c)

**Case Scenario 2 – (ICAI Mock Test Paper – Series I, March 2025)****[Chapter – LLP]**

Studies LLP was incorporated on 15th April, 2024, with Prem, Pramod, Naveen, and Vimal as partners. Among them, Prem and Pramod were designated partners. The LLP was established for the manufacturing and trading of toys, and its business operations were progressing smoothly. However, on 30th April, 2024, an individual named Samudra filed an application with the Registrar of LLPs, claiming that he owned a registered trademark under the name "Studies Masters", which had been registered before 15th April, 2024. He requested that Studies LLP change its name, as it closely resembled his registered trademark.

After conducting an initial investigation, the Registrar found merit in Samudra's claim and issued a directive to Studies LLP to change its name. The official notice, dated 5th May, 2024, was sent via post. However, due to a postal delay, the LLP received the notice only on 10th May, 2024.

Despite the directive, Studies LLP ignored the notice and continued operating under the same name. On 16th August, 2023, the Registrar, acting suo-moto, assigned the LLP a new name, "Sahitya Masterminds LLP", and updated the register of LLPs accordingly. A fresh Certificate of Incorporation reflecting the new name was issued. However, the partners were not comfortable with the new name and initiated steps to change it again.

Additionally, on 20th June, 2024, Vimal submitted a written notice to the LLP stating that he would cease to be a partner effective 22nd July, 2024. However, neither Vimal nor the LLP informed the Registrar about his cessation.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3, of 2 marks each) given herein under:



Concept Tested: Section 17 – Change of name by LLP if the name is identical or too nearly resembles to a registered trademark of any other person

1. On what basis did the Registrar direct Studies LLP to change its name?

- (a) The name of designated partners of both the LLPs were identical.
- (b) The LLP's name closely resembled a registered trademark owned by another party.
- (c) The LLP failed to register its name properly.
- (d) The LLP was engaged in fraudulent activities.

ANSWER (b)

Concept Tested: Section 17 – Registrar may allot a new name to the LLP if it fails to comply with direction to change name

2. If an LLP fails to comply with the Registrar's directive to change its name, what action can the Registrar take?

- (a) Impose a penalty but allow the LLP to continue using the same name.
- (b) Suo-moto allot a new name and issue a fresh Certificate of Incorporation.
- (c) Cancel the LLP's registration.
- (d) Allow the LLP to continue operating under the disputed name until the matter is resolved in court.

ANSWER (b)



Concept Tested: Section 25 – Both the LLP and the resigning partner must notify the Registrar of cessation of partnership

3. Vimal resigned as a partner with effect from 22nd July, 2024, but the LLP did not inform the Registrar. Who is legally responsible for updating the Registrar about his resignation?

- (a) The LLP and Vimal are both responsible for notifying the Registrar.
- (b) Only Vimal is responsible for reporting his resignation.
- (c) Only the designated partners of the LLP are responsible.
- (d) No one is responsible; this is an internal matter of the LLP.

ANSWER (a)

**Case Scenario 3 – (ICAI Mock Test Paper – Series I, March 2025)****[Chapter– FEMA]**

Mr. Arun Kumar, a software engineer from Bangalore, had worked with a US-based technology company in Silicon Valley for the past 4 years. In April 2023, he returned to India to establish a technology startup, Global Ventures Private Limited. He maintained his foreign currency accounts in USA, containing earnings from his previous employment.

His wife continues to work in USA. During August 2023, Mr. Kumar undertook several transactions:

- He received USD 200,000 from his US savings account to invest in his Indian startup
 - He gifted USD 75,000 to his brother in India for purchasing property
 - He imported specialized software equipment worth USD 150,000 from a Singapore-based supplier on 3 months' credit
 - He helped his wife (US-based) remit USD 40,000 for their daughter's higher education from a recognised university
- Global Ventures also set up a branch office in Singapore in October 2023, fully controlled and managed from its Bangalore headquarters.

The company plans to raise foreign currency loans and explore various overseas investment opportunities.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act (FEMA), 1999, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3, of 2 marks each) given herein under:



Concept Tested: Section 2 read with Explanation under FEMA, 1999 – A person residing in India for more than 182 days during the preceding financial year is a person resident in India

1. Under FEMA, 1999, what would be Mr. Arun Kumar's residential status for FY 2023-24?

- (a) Person Resident in India from April 2023
- (b) Person Resident Outside India throughout the year
- (c) Person Resident in India only after completing 175 days
- (d) Person Resident Outside India till August 2023

ANSWER (a)

Concept Tested: Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000 – Gift exceeding USD 250,000 per financial year under LRS requires prior RBI approval

2. Which of the following transactions by Mr. Kumar requires prior the Reserve Bank of India's approval?

- (a) Receiving USD 200,000 from his own foreign account
- (b) Gift of USD 75,000 to his brother
- (c) Import of equipment on credit terms
- (d) Setting up a branch office in Singapore

ANSWER (b)



Concept Tested: Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000 – Remittance for higher education abroad is a permissible current account transaction under LRS

3. Whether, Mr. Kumar's remittance of USD 40,000 for his daughter's higher education from a recognised university, permissible:

- (a) Yes
- (b) No, as it requires Reserve Bank of India's approval
- (c) It is a prohibited transaction under FEMA, 1999
- (d) Yes, after seeking approval from the Central Government

ANSWER (a)

**Case Scenario-4 (ICAI CA Inter Mock Test Paper – Series II, May 2025)****[Chapter – Management and Administration, Dividend, Share capital and debentures]**

Brilliant Company Ltd. has an existing paid-up equity share capital of Rs 100 crore. Over the past few years, it has already issued sweat equity shares worth Rs 20 crore. Now, it plans to issue additional sweat equity shares worth Rs 10 crore. The board of directors passed a resolution and gave the approval for the allotment of shares. Mr. Anuj and Ms. Anita are siblings who jointly hold 500 shares in AB Company.

The share certificate was issued solely in Ms. Anita's name. Mr. Anuj sent an email to the company, requesting the issuance of an additional share certificate in his name, as he is a joint holder of the shares. In his request, he emphasized his equal ownership and the need for documentation reflecting the same. However, in response, the company denied his request, stating that as per company policy and applicable regulations, a separate share certificate cannot be re-issued in his name. The company convened its 5th Annual General Meeting (AGM) on 12th September 2024 at the registered office. Notice for same was served on 20th August 2024. But due to certain technical errors the notice (which was delivered via e-mail) remained undelivered to the 3% of members who were to attend the AGM.

Hence, the members (who were not able to attend meeting) were desperate to hold AGM again as the number of members who were not able to attend meeting was quite big. The company has issued unconditional apologies to its member who were not able to attend the meeting. A shareholder, Mr. Dutta, who could not attend the meeting, wanted to inspect the minutes of the meeting. He visited the company's registered office on 16th September 2024 and was allowed to inspect the minutes for two hours. Later, he requested a physical copy of the minutes on 17th September 2024, along with the prescribed fees.

The company has declared dividend at the rate of 15% on its equity shares for the financial year ending 31st March 2025. However, the company has not made adequate profits during the financial year ending on 31st March 2025. The company had declared dividend of 10% in the financial year ending 31st March 2024. So now the company wants to declare the dividend at the rate of 15% out of its free reserves. A resolution for the same was passed by board of directors at the meeting.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple-Choice Questions (MCQs 1-5, of 2 marks each) given herein under:



Concept Tested: Section 54 – Sweat equity shares issued in a year shall not exceed 15% of existing paid-up equity capital or ₹5 crore, whichever is higher

1. The company has plans to issue additional sweat equity shares worth Rs 10 crore. Choose the correct statement:

- (a) Company can only issue Rs 5 crore this year and remaining Rs 5 crore next year.
- (b) Company has already exhausted the limit to issue sweat equity shares.
- (c) Company can issue only Rs 5 crore more to remain within the prescribed limit.
- (d) Company can issue only Rs 4 crore more to remain within the prescribed limit.

ANSWER (c)

Concept Tested: Section 46 – Company shall issue only one share certificate for joint holders; delivery to one is deemed delivery to all

2. The company refused to issue a share certificate to Mr. Anuj. Being a joint share holder (of 500 shares) is it Mr. Anuj's right to get the share certificate issued in his name also?

- (a) Yes, being a joint shareholder, Mr. Anuj has the right to get a share certificate issued in his name.
- (b) No. In case of joint holders, company shall issue only one share certificate and delivery of share certificate to any one of the joint holders will amount to delivery to all of them.
- (c) Yes, Mr. Anuj can file a complaint against the company and get the share certificate issued in his name.
- (d) Yes, because without share certificate Mr. Anuj will not be able to prove himself as shareholder of the company.

ANSWER (b)



Concept Tested: Section 101 – Accidental omission to give notice or non-receipt by any member shall not invalidate proceedings

3. Due to technical error in the software, the notice for the AGM remained undeliverable to few members. What will be the impact this on the proceedings of the meeting?

- (a) The meeting needs to be rescheduled as big number of persons missed their right to attend the meeting & vote.
- (b) An unintentional failure to give notice or its non-receipt by entitled members does not invalidate the meeting's proceedings.
- (c) If the error came to the company's notice prior to the meeting, the company is duty bound to reschedule it.
- (d) Members who missed the AGM due to a notice delivery failure can declare the proceedings to be invalid.

ANSWER (b)

Concept Tested: Section 123 read with Rule 3 of Companies (Declaration and Payment of Dividend) Rules, 2014 – Dividend can be declared from free reserves in case of inadequate profits, subject to prescribed conditions

4. The company wants to declare the dividend at the rate of 15% out of its free reserves. Choose the correct statement?

- (a) The company has to declare dividend higher than the rate as paid for the year ended 31st March 2024.
- (b) The dividend declared should not exceed the dividend paid in the year ended 31st March 2024.
- (c) The company cannot declare any dividend as it incurred losses in the previous financial year.
- (d) The company can declare dividend @15% inspite of inadequate profits in the financial year, if it fulfils the conditions as prescribed in the Companies Act, 2013 along with relevant Rules.

ANSWER (d)



Concept Tested: Section 119 – Company shall furnish a copy of minutes of general meeting within 7 working days to any member on request and payment of prescribed fee

5. Based on provision of the Companies Act, 2013, by which date is the company legally required to furnish Mr. Dutta a copy of the minutes?

- (a) Next working day
- (b) within 2 working days
- (c) within 7 working days
- (d) within 10 working days

ANSWER (c)



Case Scenario 5 – (ICAI CA Inter Mock Test Paper – Series II, May 2025)

[Chapter – LLP]

Star LLP is a limited liability partnership engaged in the business of eco-friendly product manufacturing. The LLP was initially established with three partners: Apeksha, Rajesh, and Riverview Limited, a corporate entity. Apeksha and Rajesh are the designated partners, with Apeksha being a resident in India. Riverview Limited has appointed Anil, an individual, as its nominee to act on its behalf.

After a few years, Rajesh decides to retire, leaving Apeksha and Riverview Limited as the remaining partners. Due to some administrative oversight, Star LLP continues its operations without appointing a new partner. This situation persists for seven months, with Apeksha being aware of the reduced number of partners. During this period, Star LLP enters several contracts and incurs significant financial obligations.

Based on above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3, of 2 marks each) given herein under:



Concept Tested: Section 7 – Every LLP must have at least two designated partners, and at least one of them shall be an individual who is a resident in India

1. Given that Rajesh retired and Star LLP continued with only Apeksha and Riverview Limited, what should Star LLP have done within six months to comply with the LLP Act?

- (a) Dissolved the LLP
- (b) Continue operating with one designated partner
- (c) Appoint at least one body corporate which should be a foreign company
- (d) Appointed at least one more partner who should also be a designated partner, as every LLP should have at least two designated partners

ANSWER (d)

Concept Tested: Section 7(1) – At least one designated partner in every LLP shall be a resident in India

2. According to the Limited Liability Partnership Act, 2008, choose the correct statement in relation to who must be a resident in India among the designated partners?

- (a) At least one individual designated partner shall be resident in India
- (b) All designated partners shall only be resident in India
- (c) It is mandatory for only corporate partners to be resident in India
- (d) At least four designated partners shall be resident in India

ANSWER (a)



Concept Tested: Section 6 – If an LLP carries on business with only one partner for more than six months, that partner becomes personally liable for all obligations incurred during that period

3. In the given case scenario suppose Riverview Limited also leaves the LLP and the LLP continues business for more than six months with only one partner, who is personally liable for the obligations incurred during that period?

- (a) Apeksha
- (b) Both Apeksha and Riverview Limited
- (c) Riverview Limited
- (d) Apeksha, Rajesh and Riverview Limited

ANSWER (a)

**Case Scenario 6 – (ICAI CA Inter Mock Test Paper – Series II, May 2025)****[Chapters – GCA]**

Green Wood Limited ("GWO") is establishing an integrated organic food processing facility in Kerala. On 15th January, 2024, the Central Food Safety Authority issued a comprehensive notification containing following requirements:

- All new food processing units must employ qualified Quality Assurance Officers ("QAOs") for each processing line
- The Managing Director of the company is authorized to appoint such QAOs, with appointment letters to be issued "within 30 days from selection"
- Each QAO must obtain mandatory certification from Food Safety Regulatory Board within "21 days from appointment"
- The facility must install specified safety equipment by 1st March, 2024
- Monthly compliance reports must be submitted from "1st to 7th of every month"

On 10th February, 2024, while implementing these requirements, GWO faced following situations:

- (a) A selected QAO candidate was found submitting forged experience certificates
- (b) Another QAO, after appointment, failed to maintain safety protocols leading to minor contamination
- (c) The 21st day for certification of one QAO fell on 29th February, 2024 (when the certification office was closed for local holiday), followed by weekend
- (d) The contamination incident violated both Food Safety Act and State Public Health Act On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3, of 2 marks each) given herein under:



Concept Tested: Section 16 – Power to appoint includes power to suspend or dismiss, unless a contrary intention appears

1.Regarding Managing Director's authority over QAOs, which power is available without explicit mention?

- (a) Power to accept resignation only
- (b) Power to suspend but not dismiss
- (c) Power to transfer between units
- (d) Power to suspend and dismiss

ANSWER (d)

Concept Tested: Section 9 – Commencement and termination of time period excludes the first day and includes the last day, unless the last day is a holiday

2.If a QAO is selected on 25th January 2024, what is the last date for issuing appointment letter?

- (a) 23rd February, 2024
- (b) 24th February, 2024
- (c) 25th February, 2024
- (d) 26th February, 2024

ANSWER (b)



Concept Tested: Section 26 – Provision when an act or omission constitutes an offence under two or more enactments: the offender can be prosecuted under either, but shall not be punished more than once

3.Regarding the contamination incident violating two Acts, what is the correct legal position?

- (a) Only major violation should be prosecuted
- (b) Only Food Safety Act being special law applies
- (c) Company can be prosecuted under either/both but punished only once
- (d) Both Acts must be independently enforced

ANSWER (c)

**Case Scenario 7– (September 2025 Revision Test Paper)****[Chapter – Share Capital and Debentures]**

Kapoor Limited is a mid-sized listed manufacturing company incorporated in the year 2010 by R.D. Kapoor. Mr. Kapoor has two son, Mr. Vineet and Mr. Aditya. Both Mr. Aditya and Mr. Vineet are working as directors in Kapoor Limited. Kapoor Limited had some compliance issues in the past. In 2016–17, the company issued redeemable preference shares but later failed to pay dividends on them for some time. In September 2018, the company fixed this by clearing all its loans and paying the pending dividends to the preference shareholders. After resolving these issues, the company proposed to issue new equity shares with differential rights for the financial year 2019–20.

As part of its broader capital raising strategy, the board of directors decided to issue three different securities:

- a rights issue of equity shares to existing shareholders,
- a new class of preference shares offered exclusively to current equity shareholders, and
- a public issue of convertible debentures.

So, for the rights issue, it prepares a simplified document omitting several disclosures required under section 26(1) and for the new preference shares, they created a detailed prospectus but excluded certain financial reporting. But for the convertible debentures, they prepare a complete prospectus with all section 26(1) requirements.

Further, Ms. Roshni, a shareholder, owned 1,500 partly paid equity shares in the company (Rs 8 paid out of Rs 10). On 5th July 2024, she applied to transfer 500 of these shares to Mr. Bakshi, who didn't know about it. The company sent him a notice on 10th July, 2024, which he received on 12th July, 2024. Since Mr. Bakshi was abroad, he saw the notice only on 20th July, 2024. After realizing the shares had unpaid amounts, he sent an objection email on 24th July, 2024. However, the company went ahead with the transfer on 27th July, 2024, saying his objection came too late. According to the company's rules, the Board can approve the transfer of partly paid shares if they believe the buyer can pay the remaining amount in the future. In another case, Mr. Varun, one of the shareholders of Kapoor Limited, is the legal representative of a deceased shareholder, Mr. Kartik. He had written an application to the company, to transfer the shares (of Mr. Kartik) in his name. But Mr. Varun did not receive any reply from the company. Mr. Varun went to the company office to inquire about the same.



The company refused to transfer the shares in his name, as he is not the registered member of the company. For your information, the company's financial position as of 31st March, 2024 is as follows:

- Paid-up equity share capital: Rs 200 crore (20 crore shares of Rs 10 each)
 - Free reserves: Rs 600 crore
 - Securities premium: Rs 150 crore
 - Secured loans: Rs 400 crore
 - Unsecured loans: Rs 300 crore
- The Board of Directors approved a buy-back proposal on 15th September, 2024, to purchase 3 crore equity shares at Rs 60 per share.

The company had previously conducted a buy-back of 1 crore shares (Rs 10 crore) in August 2023 during the financial year 2023-24. The new buy-back is planned for October 2024, which falls in financial year 2024-25. The Chief Financial Officer has confirmed that post-buy-back, the debt-to-capital ratio would remain within prescribed limits, and the shares are fully paid-up. In the light of the stated facts and figures, answer the following Multiple Choice Questions, as per the provisions of the Companies Act, 2013:



Concept Tested: Rule 4 of Companies (Share Capital and Debentures) Rules, 2014 – Defaulted in dividend payment

1. Since the default was made good in FY 2018–2019, the company considered to issue new equity share with differential rights. According to the provisions of the Companies Act, do you think the company is eligible to issue the shares for the financial year 2019–2020?

- (a) Yes, the company is immediately eligible to issue new shares as it has cleared all the dues and loan by September 2018.
- (b) No, the company is ineligible to issue the shares as the company needs to wait three years till March 31, 2022.
- (c) Yes, the company is eligible to issue new shares in the next financial year, as the default was made good in the previous FY year 2018–2019.
- (d) No, the company is ineligible to issue the new shares as the company needs to wait for five years till March 31, 2024.

ANSWER (d)

Concept Tested: Section 56 – Transfer of partly paid shares

2. According to the provision of the Companies Act, do you consider the company's action of affecting the transfer of partly paid shares to Mr. Bakshi is valid?

- (a) Yes, because the company waited for more than 7 days from the date of dispatch of notice before registering the transfer.
- (b) No, because the transferee did not give his explicit consent before the transfer of partly paid shares.
- (c) No, because Mr. Bakshi made objection within 2 weeks from the date of receipt of notice.
- (d) Yes, because the Board has assessed Mr. Bakshi's financial capability before approving the transfer.

ANSWER (c)



Concept Tested: Section 56 – Right of Legal Representative to register the shares

3. According to the provision of the Companies Act, can the company deny transferring shares in Mr. Varun's name and what is the company's obligation?

- (a) Yes, the company can refuse the transfer if he is not a registered shareholder.
- (b) No, the legal representative has the right to transfer even if they are not registered shareholder.
- (c) No, the company can deny if the legal representative's name is not registered with the company.
- (d) Yes, the company needs the approval from the Tribunal before transferring the shares.

ANSWER (b)

Concept Tested: Section 68 – A company can buy back equity shares up to 25% of its total paid-up equity capital in a financial year.

4. Based on the buy-back limitations under the provision of the Companies Act, do you think the proposed buy-back is valid?

- (a) Yes, the buy-back is valid as the total amount (Rs 180 crore) is within 25% of the aggregate paid-up capital and free reserves (Rs 800 crore), and the buy-back in the new financial year is not affected by the previous year's buy-back.
- (b) Yes, the buy-back is valid as the number of shares (3 crore) is within the 25% of the total paid-up equity capital (5 crore shares).
- (c) Yes, the buy-back is valid as the value of shares being bought back (Rs 180 crore) represents only 22.5% of the aggregate paid-up capital and free reserves (Rs 800 crore).
- (d) No, the buy-back is invalid as the total amount (Rs 180 crore) combined with the premium being paid (Rs 150 crore above face value) exceeds 25% of the aggregate paid-up capital and free reserves.

ANSWER (b)



Concept Tested: Section 68 – A company cannot make a second buy-back within one year from the date of the preceding buy-back

5. The company had earlier made buy-back of 1 crore shares in August 2023. Can it legally conduct another buy-back in October 2024?

- (a) Yes, as both of the gap between the buy backs is more than 1 year
- (b) No, as only one buy-back is allowed in the company's lifetime
- (c) No, only listed companies can do multiple buy-backs
- (d) Yes, but only if Tribunal gives specific permission

ANSWER (a)

Concept Tested: Section 68 – A company can buy back equity shares up to 25% of its total paid-up equity capital in a financial year.

6. Suppose, if Kapoor Limited's post-buy-back debt-to-equity ratio would have exceeded 2:1, which of the following is correct?

- (a) Buy-back is still valid if Board approves
- (b) Buy-back will be invalid unless a higher ratio is prescribed by the Central Government (through Notification) for the company
- (c) The ratio rule applies only to private companies
- (d) Buy-back is still valid as the Companies Act, 2013, does not prescribe any limit on debt-to-equity ratio.

ANSWER (b)

**Case Scenario 8 – (Revision Test Paper (RTP) – May 2024)****[Chapter– Accounts of Companies, Management & Administration]**

Golden Limited is a listed company which was incorporated in 2013 having its registered office at Delhi and corporate office in Noida. It is registered with an authorised share capital of Rs 20 crore divided into 2 crore equity shares of Rs 10/- each. The paid-up share capital of the company is Rs 10 crore divided into 1 crore equity shares of Rs 10/- each. The company is in construction activities like construction of buildings, roads, etc. On 8th January, 2022, the company incorporated a wholly owned subsidiary, D Limited which is involved in supplying of construction materials like steel, iron, cement, bricks, etc. D Limited elects to choose to prepare its first financial statements for the period from 8th January, 2022 to 31st March, 2022.

On 2nd January, 2022, Golden Limited incorporated a new wholly owned subsidiary, E Limited for providing project management consultancy service to its customers or to parent company. On 5th January, 2022, Golden Limited through its subsidiary, E Limited acquired 100% partnership interest in XYZ & Co., partnership firm. E Limited elects to choose to prepare its first financial statements for the period from 2nd January, 2022 to 31st March, 2023 and conducted its Annual General Meeting on 16th August, 2023.

On 1st July, 2022, the subsidiary company, D Limited incorporated a new wholly owned subsidiary, F Limited. Golden Limited prepared its standalone financial statements for the year 2021-22 and presented before the Board of Directors of the company on 25th August, 2022 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 2nd September, 2022. Golden Limited prepared its standalone and consolidated financial statements for the year 2022-23 and presented before the Board of Directors of the company on 20th August, 2023 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 26th September, 2023.

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 MCQs given herein under: –



Concept Tested: Time limit for holding first AGM – within 9 months from end of financial year if it is the first AGM Section 96(1)

1. What is the last date for conducting AGM for E Limited?

- (a) 30th September, 2022
- (b) 31st December, 2022
- (c) 30th September, 2023
- (d) 31st December, 2023

ANSWER (d)

Concept Tested: Due date for AGM – within 6 months from end of financial year Section 96(1)

2. What is the due date for conducting AGM for Golden Limited for the year ended March 31, 2023?

- (a) 30th September, 2023
- (b) 31st October, 2023
- (c) 30th November, 2023
- (d) 31st December, 2023

ANSWER (a)



Concept Tested: Requirement to include all subsidiaries and associate firms in CFS if control exists as on balance sheet date Section 129

3. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented at AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2022 includes, financial statements:

- (a) Golden Limited and D Limited
- (b) Golden Limited, D Limited and E Limited
- (c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm
- (d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm

ANSWER (c)

Concept Tested: Inclusion of all subsidiaries and associate entities (including step-down and partnership firm) in CFS for FY 2022–23 Section 129

4. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented before AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2023 includes:

- (a) Golden Limited and D Limited
- (b) Golden Limited, D Limited and E Limited
- (c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm
- (d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm

ANSWER (d)



Concept Tested: AGM must be held at registered office or any other place in the same city, town or village Section 96

5. Please select which is the correct option/ which is the most correct statement:

- (a) Golden Limited had given the notice for holding AGM in Mumbai on Monday, 26th September, 2023 at 11.00 A.M.
- (b) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 11.00 A.M.
- (c) Golden Limited had given the notice for holding AGM in Noida on Tuesday, 27th September, 2023 at 11.00 A.M.
- (d) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 8.30 A.M.

ANSWER (b)



Case Scenario 9 – (Revision Test Paper (RTP) – May 2024)

[Chapter – LLP, Foreign Company, FEMA]

Omx Software Private Limited is a private company and having its registered office in Bangalore and is a wholly owned subsidiary of Omx Software Inc, situated in USA. Mr. Rajat Kapoor, Mr. Shubham and Mr. Peter are directors of Omx Software Private Limited. Mr. Rajat and Mr. Shubham are Indian residents while Mr. Peter is a non-resident and stays in USA.

Mr. Peter is also a director in Omx Software Inc. Mr. Rajat left India on 2 nd November, 2021 for the purpose of looking after the business of Omx Software Inc. Mr. Rajat came to back to India on 12th February, 2022 to meet his family and left India on 26th February, 2022 and went back to USA to look after the business of Omx Software Inc. Mr. Rajat again visited India on 25th August, 2022 and stays in India for the whole year. Omx Software Private Limited had availed a consultancy service from a company situated in USA for development of software for the purpose of rendering service to its customers situated in India.

Mr. Rajat had purchased a residential property in USA on 27th April, 2022 which was self-occupied by him for his residential use.



Concept Tested: Determination of Residential Status under FEMA – Section 2(v)

1. . Considering the provisions of the Foreign Exchange Management Act, 1999, which of the following options correctly determines the residential status of Mr. Rajat Kapoor:

- (a) Mr. Rajat Kapoor to be treated as resident in India for Financial Year (FY) 2022–2023 and FY 2023–2024 since he stays in India for more than 182 days
- (b) Mr. Rajat Kapoor to be treated as non-resident in India for FY 2022–2023 since he left India for the purpose of carrying business of Omx Software Inc and resident for FY 2023–2024
- (c) Mr. Rajat Kapoor to be treated as non-resident for FY 2022–2023 and FY 2023–2024
- (d) Mr. Rajat Kapoor to be treated as resident in India for FY 2022– 2023 since he stays in India for more than 182 days and nonresident for FY 2023–2024

ANSWER (b)

Concept Tested: Remittance for Consultancy Services – Schedule III of FEM (Current Account Transactions) Rules, 2000

2. Considering the provisions of the Foreign Exchange Management Act, 1999, how much amount can company remit outside India:

- (a) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 1,000,000 per project
- (b) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 100,000 per project
- (c) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 200,000 per project
- (d) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 2,000,000 per project

ANSWER (a)



Concept Tested: Classification of Property Purchase Abroad – Capital vs. Current Account Transaction – FEMA

3. . Considering the provisions of the Foreign Exchange Management Act, 1999, in respect of purchase of residential property by Mr. Rajat in USA which of the following statement is correct?

- (a) Purchase of residential property by Mr. Rajat is a current account transaction
- (b) Mr. Rajat has to sell his property before returning to India permanently as he becomes resident in subsequent years
- (c) Purchase of residential property by Mr. Rajat is neither capital account transaction nor current account transaction
- (d) Purchase of residential property by Mr. Rajat is a capital account transaction

ANSWER (c)

Concept Tested: Filing of Partner's Change of Address – Section 25

4. Bhavesh, Yash and Chirag incorporated a Limited Liability Partnership for doing the business of trading of timber under the name Solid Lakkad LLP. Chirag has shifted his residence from 12, Block C, Kamla Nagar, Agra to 808, Sector 1, Bodla, Agra on 16th November, 2023. Chirag informed the firm about change of his address on 20th November, 2023 sending a written notice. Now, by which date Solid Lakkad LLP is required to file a notice with the registrar?

- (a) 01st December, 2023
- (b) 05th December, 2023
- (c) 16th December, 2023
- (d) 20th December, 2023

ANSWER (c)



Concept Tested: Declaration for Establishment of Place of Business by Foreign Company – Rule 3(3) of Companies (Registration of Foreign Companies) Rules, 2014

5. Druk Software Company Inc., a company incorporated in Australia, proposes to establish a place of business at Mumbai. The list of the Directors includes

(i) Mr. Arun – Managing Director,

(ii) Mr. Ranveer – Director,

(iii) Mr. Ramesh Malik – Director and

(iv) Mr. Navaaz – Director. Ms. Lavina has been appointed as the Secretary of Druk Software Company Inc. It is to be noted that Mr. Ramesh Malik and Mr. Navaaz, resident in India, are the persons who have been authorised by Druk Software Company Inc. to accept on behalf of the company service of process, notices or other documents required to be served on Druk Software Company Inc. In relation to the company's establishment, you are required to enlighten the Druk Company Inc. with respect to whose, a declaration will be required to be submitted to the Registrar of Companies by Druk Software Company Inc. for not being convicted or debarred from formation of companies in or outside India.

(a) Mr. Arun, Mr. Ranveer, Mr. Ramesh Malik, Mr. Navaaz and Ms. Lavina

(b) Mr. Arun, Mr. Ramesh Malik, Mr. Navaaz and Ms. Lavina

(c) Mr. Ramesh Malik and Mr. Navaaz

(d) Mr. Arun, Mr. Ranveer, Mr. Ramesh Malik and Mr. Navaaz

ANSWER (d)



Case Scenario 10 – (Revision Test Paper (RTP) – May 2024)

[Chapter – Share Capital and Debentures, Accounts of Companies]

Tejas Infra Limited was incorporated by Tejasvi Singh and his wife Meenakshi, along with seven other family members in 2001, with the objective of undertaking infrastructure projects related to transportation across India.

The company has successfully completed major construction projects including roads and canals in Delhi, Uttar Pradesh, and Chandigarh, and has grown to become a leading construction firm in the country.

Registered Office: Connaught Place, New Delhi

Capital Base: ₹100 crore, divided into 10 crore equity shares of ₹10 each

Board of Directors: 8 directors, including 3 independent directors

In 2019, Tejas Infra Limited secured new infrastructure projects from the State Government of Punjab involving the construction of four flyovers and underpasses in various cities.

To fund the expansion, the company decided to issue 1,00,000 preference shares of ₹100 each to existing shareholders. For this purpose, it resolved to increase its Authorised Share Capital by ₹5 crore, divided into 5,00,000 preference shares of ₹100 each.

Turnover (FY 2022–23): ₹3,600 crore

Net Worth: ₹550 crore

As the company crossed the prescribed threshold in FY 2022–23, a CSR Committee was formed under the chairmanship of independent director Mr. Paritosh, to handle budget allocation, project review, and guidance on CSR and sustainability initiatives. The focus areas included skill development, vocational training, and safe drinking water.

One of the directors, Mr. Lokesh, recommended contributing ₹5,00,000 to Janta Andolan Manch, a political party engaged in social service. The Board passed a unanimous resolution to treat this as part of the CSR expenditure.



Concept Tested: Redemption of preference shares by an infrastructure company – Section 55(2)(b)

1. From the case scenario, Tejas Infra Limited proposes to issue preference shares. What is the maximum redemption period permitted under law for a company engaged in infrastructure activities?

- (a) Tejas Infra Limited is allowed to specify a maximum redemption period of 35 years, provided at least 20% of the shares are redeemed annually from the 31st year onwards, on a proportionate basis, at the option of the shareholders.
- (b) Tejas Infra Limited is allowed to specify a maximum redemption period of 35 years, provided at least 10% of the shares are redeemed annually from the 26th year onwards, on a proportionate basis, at the option of the shareholders.
- (c) Tejas Infra Limited is allowed to specify a maximum redemption period of 30 years, provided at least 10% of the shares are redeemed annually from the 21st year onwards, on a proportionate basis, at the option of the shareholders.
- (d) Tejas Infra Limited is allowed to specify a maximum redemption period of 30 years, provided at least 20% of the shares are redeemed annually from the 26th year onwards, on a proportionate basis, at the option of the shareholders.

ANSWER (c)

Concept Tested: Applicability of CSR provisions – Net profit threshold – Section 135(1)

2. Apart from turnover and net worth, what is the third criterion under which it is mandatory to constitute a CSR Committee?

- (a) Net profit of ₹2 crore or more in the immediately preceding financial year
- (b) Net profit of ₹3 crore or more in the immediately preceding financial year
- (c) Net profit of ₹5 crore or more in the immediately preceding financial year
- (d) Net profit of ₹6 crore or more in the immediately preceding financial year

ANSWER (c)



Concept Tested: Sources for redemption of preference shares – Section 55(2)(a)

3. According to law, which source(s) can Tejas Infra Limited use for redeeming its outstanding preference shares?

- (a) Out of the profits available for dividend
- (b) Out of the proceeds of a fresh issue of shares made for redemption
- (c) Both (a) and (b)
- (d) Out of Capital Redemption Reserve

ANSWER (c)

Concept Tested: CSR Committee Composition – Section 135(1)

4. As per legal requirements, what is the minimum composition of the CSR Committee for a company like Tejas Infra Limited?

- (a) Minimum 2 directors
- (b) Minimum 3 directors, of which at least 1 shall be an independent director
- (c) Minimum 4 directors, of which at least 1 shall be an independent director
- (d) Minimum 4 directors, of which at least 2 shall be independent directors

ANSWER (b)

**Case Scenario 11 – (Revision Test Paper (RTP) – September 2024)****[Chapter– LLP]**

Greenfield LLP and Bluewave LLP were two thriving businesses operating in the renewable energy sector. Greenfield LLP specialized in solar panel manufacturing, while Bluewave LLP was known for its innovations in wind turbine technology. Both companies saw a strategic opportunity to join forces and create a more comprehensive renewable energy solution provider. They decided to merge into a single entity, to be named EcoFuture LLP.

To facilitate this merger, the management of both companies proposed a scheme of compromise and arrangement under Section 60 of the LLP Act. They approached the Tribunal to sanction this scheme, which involved transferring all assets, liabilities, and ongoing legal proceedings of both Greenfield LLP and Bluewave LLP to EcoFuture LLP.

The Tribunal reviewed the proposal and found that the merger scheme was designed for the reconstruction and amalgamation of Greenfield LLP and Bluewave LLP. The Tribunal issued an order under Section 62, sanctioning the scheme and setting forth several provisions to ensure a smooth transition:

All assets and liabilities of Greenfield LLP and Bluewave LLP were to be transferred to EcoFuture LLP.

Any ongoing legal proceedings involving either of the original LLPs would continue under the name of EcoFuture LLP.

Both Greenfield LLP and Bluewave LLP would be dissolved without the need for winding up.

However, a few partners from Greenfield LLP were not in favor of the merger. They dissented from the compromise and arrangement. The Tribunal provided specific directions to ensure that their interests were adequately addressed.

After the order was made, both LLPs had to file a certified copy of the Tribunal's order with the Registrar within 30 days for registration. Unfortunately, due to some administrative delays, this filing was not completed within the stipulated time, leading to penalties for both EcoFuture LLP and its designated partners.



Concept Tested: Section 60 – Scheme of Compromise or Arrangement for Reconstruction or Amalgamation of LLPs

1. What was the main purpose of the scheme proposed between Greenfield LLP and Bluewave LLP?

- (a) To dissolve both LLPs.
- (b) To transfer all assets to a third party.
- (c) For the reconstruction and amalgamation of the LLPs.
- (d) To liquidate the companies.

ANSWER (c)

Concept Tested: Section 60 & Section 62 – Powers of Tribunal to sanction, supervise, modify, and give directions in compromise or arrangement

2. What authority does the Tribunal have when it sanctions a compromise or arrangement under Section 60?

- (a) It can only supervise the arrangement.
- (b) It has no authority after sanctioning the arrangement.
- (c) It can supervise, modify, and give directions for the arrangement.
- (d) It can dissolve the LLPs directly without any conditions.

ANSWER (c)



Concept Tested: Section 62 – Filing order with Registrar within 30 days; failure attracts penalty of ₹10,000 and ₹100 per day for continuing default (up to ₹1,00,000 for LLP and ₹50,000 for partner)

3. What penalty applies if an LLP fails to comply with the 30-day filing requirement?
- (a) Immediate dissolution of the LLP.
 - (b) A fine of ₹10,000 and additional penalties for continuing contravention.
 - (c) Suspension of all business activities.
 - (d) Revocation of the Tribunal's order.

ANSWER (b)

**Case Scenario 12 – (Revision Test Paper (RTP) – September 2024)****[Chapter – Management and Administration, Accounts of companies]**

ABC Limited, was incorporated on 1st January, 2023. It operates in the manufacturing sector and aims to expand its business model to include e-commerce operations. ABC Limited's first financial year ended on 31st March, 2024, and the board is preparing for its first Annual General Meeting (AGM) to present the financial statements and discuss the new business model. ABC Limited's current board consists of five directors, including two independent directors appointed in line with best corporate governance practices. The company has a wholly owned subsidiary, XYZ Limited, which is primarily involved in research and development for new products. XYZ Limited's financial year also ended on 31st March, 2024. Additionally, ABC Limited has a 30% stake in an associate company, MNO Limited, which provides logistics and distribution services. The board is assessing if it is required to prepare consolidated financial statements (CFS) that combine the financials of ABC Limited, XYZ Limited, and MNO Limited, considering the exemptions available under the Companies Act, 2013.

The AGM agenda includes:

1. Approval of the financial statements for the financial year 2023-24.
2. Discussion of a special resolution to adopt a new e-commerce business model, which requires a threefold majority approval.
3. Approval of consolidated financial statements, if required.
4. Appointment of auditors and other general meeting proceedings. The board has provided notice to all members about the AGM agenda, including the proposal for the special item requiring special resolution. This notice was sent by email and registered post to ensure compliance with statutory notice requirements. All shareholders, including minority stakeholders, received this notice with proof of delivery available with the company.

Solve the MCQs (1-5) on the basis of the Companies Act, 2013.



Concept Tested: Section 96 – First AGM must be held within 9 months from end of first financial year

1. Given that ABC Limited's first financial year ended on 31st March, 2024, and it was incorporated on 1st January, 2023, what is the latest date by which ABC Limited must hold its first AGM?

- (a) 30th September, 2024.
- (b) 31st December, 2024.
- (c) 31st March, 2025.
- (d) 30th June, 2025.

ANSWER (b)

Concept Tested: Section 96 – Subsequent AGMs must be held within 6 months of the end of financial year, and gap between two AGMs should not exceed 15 months

2. Suppose ABC Limited holds its first AGM on 15th December, 2024. By when must it hold its subsequent AGM to remain compliant?

- (a) 15th December, 2025.
- (b) 30th September, 2025.
- (c) 30th June, 2025.
- (d) 31st March, 2025.

ANSWER (b)



Concept Tested: Section 129 – Consolidated financial statements are mandatory if company has one or more subsidiaries, associates, or joint ventures

3. . Under the Companies Act, 2013, does ABC Limited need to prepare consolidated financial statements (CFS) to present at the AGM?

- (a) Yes, because it has one wholly owned subsidiary and an associate company.
- (b) No, because it qualifies for exemption as a wholly owned subsidiary.
- (c) Yes, only if XYZ Limited and MNO Limited are listed companies.
- (d) No, if shareholders provide written consent exempting it from CFS preparation.

ANSWER (a)

Concept Tested: Section 114 – Special resolution must be specifically stated in notice and passed by at least 3 times the number of votes cast against

4. What must ABC Limited ensure to pass the special resolution approving the adoption of a new e-commerce business model at the AGM?

- (a) The resolution must have more than 50% of votes in favour.
- (b) The resolution must be stated as special in the notice, and votes in favour must be three times the votes against.
- (c) The resolution can be passed if votes in favour exceed votes against without being stated as special.
- (d) The resolution must have unanimous support from the board of directors.

ANSWER (b)



Concept Tested: Exemption from CFS applies to wholly owned subsidiaries if all members consent in writing and such intimation is filed

5. Under which conditions would ABC Limited be exempt from preparing consolidated financial statements?

- (a) If ABC Limited is a wholly owned subsidiary, all members agree in writing to the exemption, and proof of delivery of this intimation is available.
- (b) If XYZ Limited's shareholders unanimously agree to waive CFS requirements.
- (c) If MNO Limited's financials are not significant to ABC Limited's overall financial position.
- (d) If ABC Limited's board decides to skip CFS preparation with a simple majority vote.

ANSWER (a)

**Case Scenario 13 – (Revision Test Paper (RTP) – May 2025)****[Chapter – Management and Administration, Share Capital and Debentures, Accounts of Companies, Dividend]**

Shilpi and Shilpa, both known for their close friendship since college days, along with other close friends, incorporated a company named Baking Point Limited with its Registered Office in Connaught place, New Delhi. The company served chocolates, various types of cakes, pastries, rolls, etc. Their products and clients demonstrated testimony to over 10 years of service in this field. With over 50 branches in New Delhi and adjoining areas of National Capital Region (NCR), the products were embodiment of elegance; a sanctuary where flavours inter-twined and cherished moments came alive. Shilpi was the Chief Managing Director (CMD) whereas Shilpa was the Whole-time Director (WTD).

In addition to Shilpi and Shilpa, Baking Point Limited, ever proud of having a sincere management team, had Prabhat as the Director (Research & Development), Sahil as Director (Marketing), Vikalp as Director (Production) and Sukanya as Director (Finance). The company maintained and kept all the statutory registers at its registered office in Connaught Place.

Understanding the need and power of information technology and also giving due weightage to the demand of changing laws and considering trend of the society, Baking Point Limited availed the services of an Internet Service Provider (ISP) known by the name Etherwaves Tele-communications Private Limited, located in Chandigarh, India, which offered the company with high speed internet that was required for business application like cloud data back- up and tele-conferencing. It was thought that this magnificent and progressive step would help company's business to connect with the customers spreading across the nation as well as abroad. Even the employees of the company would be able to connect from anywhere to collaborate with their teams. The company had also registered its Unique Web Address www.bakingpoint.com for its website. With this development, Baking Point Limited started maintaining its books of account and other relevant papers in the electronic mode.

In order to reinforce loyalty among the shareholders, the directors of Baking Point Limited thought of issuing Bonus Shares in the ratio of 1:2 to the shareholders and in the process passed a resolution to this effect at the meeting of Board of Directors



Which was held on December 6, 2024. They felt that issue of Bonus Shares would use internal resources more efficiently and also this strategy would serve as an alternative to dividend payout at no extra cost. The issue of Bonus Shares was approved at the Extra-ordinary General Meeting held on January 9, 2025. The record date, i.e. the cut-off date being January 23, 2025, was set by the company to determine the eligibility of the shareholders for getting bonus shares. In order to proceed with the issue of Bonus Shares, the Register of Members was closed for twelve days by giving previous notice of fifteen days and an advertisement in this respect was also published.

At the time of declaration of Bonus issue, following was the position of some of the important figures as they appeared in the Balance Sheet:

Extract of Balance Sheet as at March 31, 2024

S. NO	PARTICULARS	Amount (in Crores)
1	Authorised Share Capital (one crore equity shares of Rs 10 each)	10
2	Paid-up Equity Share Capital (50 lakh equity shares of Rs 10 each)	5
3	Free Reserves	2.1
4	Securities Premium Account	0.3
5	Capital Redemption Reserve Account	0.25
6	Revaluation Reserve created by revaluation of fixed assets	1.50

The accounts relating to the Financial Year 2023-24 were duly audited by Raghvan & Associates of New Delhi and the requisite documents required to be submitted to the jurisdictional Registrar of Companies were duly filed in time under the supervision of whole-time Company Secretary Cyra Murthi.

Solve the MCQs (1-7) on the basis of the Companies Act, 2013.



Concept Tested: Section 91 – Register of Members may be closed for a period not exceeding 30 days at a time

1. According to the above Case Scenario, Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders. You are required to choose the correct option from those stated below as to the maximum time limit for which the Register of Members can be closed at any one time at a stretch by Baking Point Limited?

(a) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding forty-five days at any one time at a stretch.

(b) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding twenty days at any one time at a stretch.

(c) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding thirty days at any one time at a stretch.

(d) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding sixty days at any one time at a stretch.

ANSWER (c)

Concept Tested: Rule 14 of Companies (Share Capital and Debentures) Rules, 2014 – Revaluation reserves cannot be capitalized for bonus issue

2. Baking Point Limited declared issue of Bonus Shares in the ratio of 1:2 to its shareholders. Which one of the following resources Baking Point Limited was not permitted to capitalize for issuing Bonus Shares? Considering the applicable provisions, you are required to choose the correct option from those given below:



- (a) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the amount of Rs two crore ten lakh lying to the credit of free reserves.
- (b) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the amount of Rs thirty lakh shown by Securities Premium Account.
- (c) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the revaluation reserves of Rs one crore fifty lakh created by the Revaluation of Assets.
- (d) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the amount of Rs twenty-five lakh lying to the credit of Capital Redemption Reserve Account.

ANSWER (c)

Concept Tested: Section 91 – Aggregate period of closure of Register of Members in a year shall not exceed 45 days

3. . It is evident from the above Case Scenario that Baking Point Limited closed its Register of Members for the first time in the year 2025 for twelve days for the purpose of issuing Bonus Shares to its shareholders. Maximum for how many times and for how much period or periods, a company is permitted to close its Register of Members in each year? Considering the relevant provisions, you are required to choose the correct option from those mentioned below:

- (a) In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed forty-five days.
- (b) In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed sixty days.
- (c) In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed ninety days.
- (d) In each year, a company is permitted to close its Register of Members maximum for two times and such period or periods of closure in the aggregate shall not exceed one hundred days.

ANSWER (a)



Concept Tested: Section 63 – Bonus shares can be issued only if authorized by Articles of Association and approved by Board & shareholders

4. Baking Point Limited issued Bonus Shares to its shareholders in a 1:2 ratio. Which of the following statements is true regarding the issuance of Bonus Shares?

- (a) Bonus Shares can be issued only if authorized by the Articles of Association (AOA) of the company.
- (b) Bonus Shares can be issued without the approval of the Board of Directors.
- (d) Bonus Shares must be issued in exchange for additional capital contribution from shareholders.
- (d) Bonus Shares are issued at a price lower than the market value.

ANSWER (a)

Concept Tested: Section 124 – Unpaid dividend must be transferred to Unpaid Dividend Account within 7 days of expiry of 30 days from declaration

5. Baking Point Limited declared a final dividend for the financial year 2023–24 at its Annual General Meeting (AGM). As per the Companies Act, 2013, what should the company do if a shareholder does not claim the dividend within 30 days of declaration?

- (a) The company must immediately transfer the amount to the Investor Education and Protection Fund (IEPF).
- (b) The company must transfer the unpaid dividend to a special Unpaid Dividend Account within 7 days from the expiry of 30 days.
- (c) The dividend remains with the company until the shareholder claims it.
- (d) The company must cancel the dividend and credit the amount to its free reserves.

ANSWER (b)



Concept Tested: Books of Account must be retained for 8 years, even if maintained in electronic mode

6. As per the Companies Act, 2013, for how long must Baking Point Limited retain its Books of Account and other financial records in electronic mode?

- (a) 3 years
- (b) 5 years
- (c) 8 years
- (d) Indefinitely

ANSWER (c)

Concept Tested: Section 138 – Internal Auditor may be CA/CMA/other professional as decided by Board

7. Suppose now, Baking Point Limited wants to appoint an Internal Auditor to review its operations and compliance. As per the Companies Act, 2013, which of the following statements is correct?

- (a) Appointment of an Internal Auditor is mandatory for all companies.
- (b) An Internal Auditor must be a Chartered Accountant (CA) in practice.
- (c) The Internal Auditor may be a Chartered Accountant (CA) or Cost Accountant (CMA) or any other professional decided by the Board.
- (d) The Internal Auditor must be appointed by the shareholders through a special resolution.

ANSWER (c)

**Case Scenario 14 – (ICAI Booklet)****[Chapter – Management and administration, Dividend]**

LESCO Pharma & Labs Private Limited, a pharmaceutical company based at Lucknow, Uttar Pradesh (UP), was incorporated on May 1, 2005. Over the years, the company, under the direction of its promoters and founders Anant and Vivan, who founded it along with some of their close friends and near relatives, became a leading manufacturer, trader and exporter of wide range of pharmaceutical tablets, energy supplements, capsules, energy drinks, etc. It is worth mentioning that LESCO Pharma had been steering its way to success by and by with the support of its members and robust management team consisting of:

1. Anant – Chairman and Managing Director;
2. Vivan – Whole-time Director;
3. Aikta – Director, Research and Development (R&D);
4. Adwait – Director (Finance and Administration);
5. Trilokadhish – Director (Operations);
6. Chaturbhuj – Director (Marketing).

At present, LESCO Pharma has a paid-up capital of ₹ 100 crores. During the financial year 2023–24, its turnover had touched the level of ₹ 500 crores and the working capital limit availed from Super Commercial Bank Limited stood at ₹ 50 crores. The company is duly maintaining and preserving copies of all documents and information filed by it with the Registrar at the time of incorporation. It is not out of place to mention that though the entire financial year 2023–24 went by as per the plans discussed and finalised in the various meetings but despite the best efforts of the company and due to the unforeseen circumstances prevailing globally, there was a drop in the profit and ultimately, to the dismay of the directors, the bottom-line was in red though marginally, showing loss to the extent of ₹ twenty-two lakhs.

As always, the company took Annual General Meetings as an opportunity to build goodwill with its shareholders and tried to convey that the company cared for them and was committed itself to transparency. Each and every stakeholder was fully aware that it was an event where important decisions regarding corporate governance would be made. It would also provide an opportunity to its shareholders to hold the Directors accountable and ensure that the company operated in the best interests of the stakeholders. It was but natural for the members to look up to the Annual General meeting to know about the declaration of dividend too and more so the percentage of dividend to be declared thereat.

Being a universal fact, the dividend payout has always remained an important and crucial part of a company's cash flow while the shareholders expect to receive dividend regularly despite incurring of loss. So was the case with the one hundred and seventy-six members of the company.



It would be pertinent to note that in the earlier five years,

LESCO Pharma & Labs Private Limited declared dividend at the following rates (expressed in percentages):

Percentages of Dividends declared

Year of Declaration of Dividend	Percentage of Dividend Declared
2018-19	15%
2019-20	16%
2020-21	13%
2021-22	14%
2022-23	10%

One of the directors, Aikta was quite apprehensive regarding declaration of dividend in view of the fact that the company had not made any profits during the financial year 2023-24; rather it incurred loss to extent of ₹ twenty-two lakhs. She strongly contended that paying dividend was a matter of financial choice; and accordingly, the Board of Directors should take an informed decision. The priority for the Board needs to be to ensure that cash flow is maintained in the first instance and only thereafter, the 'happiness' of the members be considered. However, all other directors were of the opinion that to maintain the tradition of declaring dividend every year, ways should be explored to declare the dividend even if there was a loss.

As regards following the good governance standards, LESCO Pharma & Labs Private Limited is quite regular in filing its financial statements and Annual Returns as and when they become due. The audit report for the Financial Year 2023-24, duly prepared by the statutory auditors, M/s. Shikhar & Associates, and submitted to the Board of Directors of the company had specifically mentioned, *inter-alia*, that the company had in place adequate internal financial controls with reference to the financial statements and the operating effectiveness of such controls was up to the required level of satisfaction.

Rhonda, a citizen of Singapore, who holds office of the Whole-time Director (WTD) in a Singapore based SuperHealth Hospital Pte Limited, is a good friend of Trilokadish, for the past ten years or so. This Singaporean company, which along with hospital chains, pharmacies, primary care and diagnostic centres in its home country, is interested in showing its presence in India. Rhonda, while in a candid talk with Trilokadish, discussed the matter of opening a branch office in Lucknow so that her company could grab business opportunities in India which included providing healthcare and other related services; thus, helping her company in generating more income in times to come. After due formalities and genuine assistance from Trilokadish, SuperHealth Hospital Pte Limited established a branch office in Lucknow, a city known for its culture, cuisine and architecture, in August 2024.

**Concept Tested: concept tested – section 123**

1. From the Case Scenario, it is observed that the directors of LESCO Pharma & Labs Private Limited are desirous of declaring dividend at the Annual General Meeting (AGM) to be held at some future date in September 2024, though for the Financial Year 2023–24 its bottom-line was marginally in red, showing loss to the extent of ₹ twenty-two lakhs. Out of the following four options, which one do you think is correct:

(a) Since LESCO Pharma & Labs Private Limited did not earn profits in the Financial Year 2023–24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it cannot declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024.

(b) Even though LESCO Pharma & Labs Private Limited did not earn profits in the Financial Year 2023–24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at after providing for depreciation and remaining undistributed and utilising all types of available reserves.

(c) Even though LESCO Pharma & Labs Private Limited did not have profits in the Financial Year 2023–24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at after providing for depreciation and remaining undistributed i.e. free reserves.

(d) Even though LESCO Pharma & Labs Private Limited did not have profits in the Financial Year 2023–24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at without providing for depreciation since it is not mandatory to adjust depreciation from those profits from which dividend is declared and also utilising all types of reserves.

ANSWER (c)**Concept tested – Transfer of reserve before declaring dividend**

2. It can be gathered from the Case Scenario that LESCO Pharma & Labs Private Limited declared a dividend at the rate of 10% in the year 2022–23. As regards transferring of certain amount to the reserves, how much amount, do you think, must have been transferred to the reserve account before the declaration of said dividend by the company. Choose the correct option from those stated below:



(a) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred one-half of the rate of dividend of 10% i.e. five percentage of its profits for that financial year.

(b) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred one-fourth of the rate of dividend of 10% i.e. two and a half percentage of its profits for that financial year..

(c) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred one-tenth of the rate of dividend of 10% i.e. one percentage of its profits for that financial year.

(d) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred such percentage of its profits for that financial year as it considered appropriate.

ANSWER (b)

Concept tested – Rule 3

3. The above Case Scenario reveals that in spite of incurring loss to the extent of ₹ twenty-two lakhs in the preceding Financial Year 2023-24, LESCO Pharma & Labs Private Limited is still contemplating declaration of dividend at an appropriate rate at the forthcoming Annual General Meeting likely to be held at some future date in September 2024. For the purpose of declaring dividend under such a situation, the company is permitted to draw from the accumulated profits earned by it in the previous years and transferred to the specified reserves. As regards drawl of amount for declaration of dividend, you are required to choose the most suitable option from those mentioned below as to maximum how much amount can be drawn considering the applicable provisions:

(a) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-fifth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.

(b) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.



(c) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-tenth of its paid-up share capital as appearing in the latest audited financial statement.

(d) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-fourth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement..

ANSWER (d)

Concept tested – section 101

4. Under normal circumstances, Annual General Meeting is convened by giving notice of at least twenty-one clear days to the members of the company and all other persons who are entitled to receive the said notice. In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, whether the same is permissible? Choose the correct option from those given below:

(a) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 95% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

(b) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 90% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

(c) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 80% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

(d) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 85% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

ANSWER (a)

**Case Scenario 15 – (Model Test Paper 1)****[Chapter– Deposits, Accounts of Companies, Charges, Accounts of Companies, Definitions]**

Silver Private Limited was incorporated in 2016 having its registered office at Gurugram, Haryana. It is registered with an authorised share capital of Rs 10 crore divided into 1 crore equity shares of Rs 10/- each. The paid-up share capital of the company is Rs 50 lakh divided into 5 lakh equity shares of Rs 10/- each. The company is in manufacturing of rubber parts to be used in manufacturing of parts of passenger vehicles. Mr. Raj and Mr. Pawan are directors of the company. Mr. Siddharth (son of Mr. Raj) on January 8, 2022 had advanced a loan of Rs 50 lakh at an interest rate of 8% p.a. and the loan is expected to be repaid after a period of thirty six months. Silver Private Limited intends to accept deposits of Rs 60 lakh from its members for the purpose of expansion of its business. The financial particulars of the company are as below mentioned: –

PARTICULARS	AMOUNT(Rs) in Lakhs
Paid-up share capital	50
Free Reserves	20
Securities premium	10
Borrowings from banks	65
Turnover	200

As on the date of acceptance of deposits, the company has not defaulted in repayment of borrowings along with interest thereon. The Company Secretary of the company informed Board of Directors of the company that they need to appoint an internal auditor for audit of the company. The Board stated that statutory auditor is already performing audit function and there is no need to appoint internal auditor as it causes additional burden on the company. The company require funds for the purpose of meeting working capital requirements. The company has approached the bank for meeting working capital requirements and has availed a loan of Rs 65 lakh from bank. The loan is secured by the personal guarantee of the directors of the company.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under: –



Concept Tested: Rule 2(1)(c)(viii) of Companies (Acceptance of Deposits) Rules, 2014 – Loan from relative of director

1. With respect to loan advances by Mr. Siddharth to Silver Private Limited, whether the same can be classified as deposit or not?

- (a) It will be treated as deposit as the loan is advanced by Mr. Siddharth who is neither director nor shareholder of the company.
- (b) It will be treated as deposit as the loan is given by relative of the director.
- (c) It will not be treated as deposit as Mr. Siddharth has given loan to the company at an interest rate of 8% p.a.
- (d) It will not be treated as deposit if Mr. Siddharth gives a written declaration to the effect that loan is advanced by him from his own source of funds, not from borrowings or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board's Report.

ANSWER (d)

Concept Tested: Rule 3(3) of Companies (Acceptance of Deposits) Rules, 2014 – Private company may accept deposits from members

2. With respect to acceptance of deposits from members, which of the below mentioned statement is correct:

- (a) Silver Private Limited cannot accept deposits of more than paid-up share capital which is Rs 50 lakh.
- (b) Silver Private Limited can accept deposits of Rs 60 lakh from members, as it is less than twice of its paid up share capital or Rs 50 crore, whichever is less.
- (c) Silver Private Limited cannot accept deposits of more than higher of aggregate of paid-up share capital and free reserves which is Rs 70 lakh and borrowings which is Rs 65 lakh.
- (d) Silver Private Limited cannot accept deposits of more than aggregate of paid-up share capital and free reserves, which is Rs 70 lakh.

ANSWER (b)



Concept Tested: Section 138 read with Rule 13 of Companies (Accounts) Rules, 2014 – Internal audit not mandatory for private company – Threshold limit

3. Is Silver Private Limited required to appoint internal auditor in accordance with the provisions of the Companies Act, 2013?

- (a) Silver Private Limited is not required to appoint internal auditor as private companies are not required to appoint internal auditor.
- (b) Silver Private Limited is required to appoint internal auditor as borrowings is below prescribed limited.
- (c) Silver Private Limited is required to appoint internal auditor as aggregate of paid-up share, free reserves and security premium is more than prescribed limited.
- (d) Silver Private Limited is not required to appoint internal auditor as turnover is less than prescribed limited.

ANSWER (d)

Concept Tested: Section 77 – Charge registration not required when loan is secured by personal guarantee and not backed by company assets

4. Which of the following statement is correct in respect of loan of Rs 65 lakh availed by the company?

- (a) Silver Private Limited needs to create and register charge within 30 days from the date of sanction of loan.
- (b) Silver Private Limited is not required to create and register charge as the loan is against the personal guarantee of directors.
- (c) Silver Private Limited needs to create and register charge within 15 days from the date of sanction of loan.
- (d) Silver Private Limited needs to create and register charge within 60 days from the date of sanction of loan.

ANSWER (b)

**Concept Tested: Section 2(85) – Small company – Definition**

5. The management of Silver Private Limited for ease of doing business and reduce compliance burden, proposed, it to be registered as a small company. Within the provided information and the legal requirements under the Companies Act, 2013, recommend on the validity of the said proposal:

- (a) Proposal is valid, as any private limited company can apply for the status of small company.
- (b) Proposal is invalid, as the Silver Private Limited is not fulfilling the requirement of turnover of Rs 400 crore.
- (c) Proposal is valid, as the Silver Private Limited is fulfilling the requirement of paid up share capital and turnover which is within the prescribed limits.
- (d) Proposal is invalid, as Silver Private Limited is fulfilling the requirement of paid up share capital.

ANSWER (c)**Concept Tested: Section 135(1) – CSR provisions applicability**

6. The financial particulars of ABC Limited in respect of immediately preceding financial year are as under:

S. No	Particulars	Amount in crores
1	Net worth	280
2	Turnover	550
3	Net profit	5.5
4	Borrowings	60

Choose the correct option in terms that whether the provisions of Corporate Social Responsibility are applicable to ABC Limited.



- (a) No, as ABC Limited is having net worth of more than Rs 250 crore in the immediately preceding financial year.
- (b) Yes, as ABC Limited is having turnover of more than Rs 500 crore but less than Rs 800 crore in the immediately preceding financial year.
- (c) Yes, as ABC Limited is having net profit of more than Rs 5 crore in the immediately preceding financial year.
- (d) Yes, as ABC Limited is having loans and borrowings of more than Rs 50 crore in the immediately preceding financial year.

ANSWER (c)

Concept Tested: Proviso to Section 135 – If CSR amount to be spent \leq ₹50 lakh, CSR Committee not required; Board to discharge functions

7. Under what circumstances is the requirement for constituting a Corporate Social Responsibility (CSR) Committee waived, and who is responsible for discharging the functions of the CSR Committee in such cases?

- (a) When the amount to be spent by a company does not exceed fifty lakh rupees; the Board of Directors assumes the responsibility of the CSR Committee's functions.
- (b) When the amount to be spent by a company exceeds fifty lakh rupees; the Board of Directors assumes the responsibility of the CSR Committee's functions.
- (c) When the amount to be spent by a company does not exceed fifty lakh rupees; the shareholders assume the responsibility of the CSR Committee's functions.
- (d) When the amount to be spent by a company exceeds fifty lakh rupees; the shareholders assume the responsibility of the CSR Committee's functions.

ANSWER (a)

**Case Scenario 16 – (MODEL TEST PAPER 1)****[Chapter – LLP]**

Vidhya Masterminds LLP was incorporated on 15th April, 2023. Sagar, Manthan, Vishnu and Vasuki were partners in the firm. Sagar and Manthan were also the designated partners in this firm. The firm was incorporated with the object of manufacturing and trading of cycles. The business was going too smoothly. But on 30th April, 2023, some Mr. Vidhyaram Tolaramani filed an application to registrar that he has a registered trademark in the name of “Vidhya Masters” which he has got registered before 15.04.2023. Therefore, the LLP “Vidhya Masterminds LLP” should change its name. On the basis of basic investigation, registrar found that Mr. Vidhyaram Tolaramani was correct in contention. The registrar sent a direction to Vidhya Masterminds LLP to change its name as it too nearly resembles with the trademark of Mr. Vidhyaram Tolaramani i.e. “Vidhya Masters”. The notice was issued by the registrar on 5 th May, 2023 by post but due to some internal problem of postal department, notice reached the LLP on 10 th May, 2023. Vidhya Masterminds LLP ignored the notice and continued working under the same name. On 16 th August, 2023 the registrar suo-moto allotted the LLP a new name “Sahitya Masterminds LLP” and entered this new name in the register of LLP and also issued a fresh certificate of incorporation to Vidhya Masterminds LLP with new name. Vidhya Masterminds LLP, now “Sahitya Masterminds LLP” was not comfortable with new name. It started the process to change the name allotted by the registrar. Meanwhile, Vishnu was appointed as designated partner in Vidhya Masterminds LLP on 25th July, 2023 but this information was not sent to the registrar. On 20 th June, 2023, Mr. Vasuki had given a written notice to the LLP that he could not continue as a partner in LLP with effect from 22 nd July, 2023. This cessation from the LLP was also not informed by either LLP or Mr. Vasuki, to the Registrar.

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 MCQs (1- 3) given herein under: –



Concept Tested: Section 17 – LLP must change its name within 3 months from the date of issue of direction by the Registrar if it resembles an existing trademark

1. When the registrar directed Vidhya Masterminds LLP to change its name, by which date the LLP should have changed the name of LLP?

- (a) By 5th August, 2023 i.e. within a period of 3 months from the date of issue of such direction by registrar.
- (b) By 10th August, 2023 i.e. within a period of 3 months from the date of receiving of such direction by the firm.
- (c) By any time according to the convenience of Vidhya Masterminds LLP.
- (d) Vidhya Masterminds LLP is not liable to change its name.

ANSWER (a)

Concept Tested: Rule 22 of LLP Rules, 2009 – LLP must file particulars of appointment of designated partner within 15 days of such appointment (Form 4)

2. Vishnu was appointed as designated partner in the Vidhya Masterminds LLP on 25th July, 2023. By what time limit the LLP should have informed the registrar?

- (a) 9 th August, 2023 i.e. within 15 days of appointment
- (b) 24th August, 2023 i.e. within 30 days of appointment
- (c) 25th August, 2023 i.e. within 1 month of appointment
- (d) 25th October i.e. within 3 month of appointment.

ANSWER (a)



Concept Tested: Section 25 – A partner who ceases to be a partner remains liable unless the Registrar has been notified by such partner or the LLP

3. Whether Mr. Vasuki will be liable for penalty for not intimating the registrar about the appointment of Mr. Vishnu as designated partner?

- (a) No, as he was not partner in LLP on the date of appointment of designated partner.
- (b) Yes, as former partner is to be regarded still being a partner of the LLP unless a notice has been delivered to the Registrar by former partner or LLP.
- (c) Yes, even if a notice has been delivered to the Registrar by LLP about his retirement.
- (d) No, in any case Mr. Vasuki will not be liable.

ANSWER (b)

**Case Scenario 17– MODEL TEST PAPER 1****[Chapter– GCA]**

Tech Inspiration Private Limited was incorporated on 30.06.2018. The main object of the company was to provide guidance classes for engineering aspirants. For this purpose, they opened a coaching center at Freedom Plaza, Near Bhagwan Talkies, Bye Pass Road, Agra. The premise was owned by the company. The company also made a “Employee Appointment Committee” for the systematic selection and appointment of employees including faculties for teaching. In the first slab, committee appointed nine teachers, 3 clerical staff and one peon. For the purpose of expansion of business, company decided to open a branch of the company at nearby city of Agra. After the due research, the company decided to open its branch at city “Bharatpur” which was just 50 kilometers far from Agra. The company approached Mr. Raghuram Meena owner of land at Bharatpur suitable for company. Mr. Raghuram Meena leased his land for ten years to Tech Inspiration Private Limited. The land had a small temple of lord Ganpati at its centre. The company constructed the classrooms on the land and many students joined the coaching classes. Besides it, the temple generated some income in the form of “Chadhava” (donation). Mr. Raghuram Meena claimed the income of temple with the contention that he had leased only the land and not the temple. Further one more problem arose in the company. “Employee Appointment Committee” found that one of the faculties, Mr. Nitesh Gupta was not performing well. He was not justifying his duties. Therefore, “Employee Appointment Committee” decided to terminate him with effect from 31.01.2024 and send him notice of termination by properly addressing and by registered post to Mr. Nitesh Gupta. Mr. Nitesh Gupta refused to accept the notice and returned back it to the postman. After two months, on 01.04.2024, Mr. Nitesh Gupta filed a suit against the company for claiming the salary for the period from 01.01.2024 to 31.03.2024 with the view that his appointment cannot be terminated because of two reasons:

“Employee Appointment Committee” was established just to appoint the employees. They are not authorised for their termination.

Mr. Nitesh Gupta’s refused to accept the notice of termination with the contention that it was not properly served to him.

Based on 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 MCQs (1–3) given herein under: –



Concept Tested: Section 3(26) – Definition of “Immovable Property” includes land, benefits arising out of land, and things attached to the earth

1. Whether Mr. Raghuram Meena is correct in his claim? Whether he may claim the income of temple:

- (a) Yes, Mr. Raghuram Meena was correct in his views as he leased only land not the temple, situated on such land.
- (b) Yes, as temple is a constructed building, not land.
- (c) No. ‘Immovable Property’ in terms of the General Clauses Act, 1897 includes land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth. So, benefits attached to land and income from temple will be of Tech Inspiration Private Limited.
- (d) No. It is the right of Tech Inspiration Private Limited to decide that who will claim the income of temple.

ANSWER (c)

Concept Tested: Section 16 – Power to appoint includes the power to suspend or dismiss unless a different intention appears

2. Whether “Employee Appointment Committee” may terminate Mr. Nitesh Gupta even the authority letter given to “Employee Appointment Committee” has no specific clause authorizing it for termination of employees?

- (a) No, as “Employee Appointment Committee” was authorised only for appointment and not for termination of employees.
- (b) Yes, because section 16 of the General Clauses Act, 1897, provides that unless a different intention appears, power to appoint to include power to suspend or dismiss.
- (c) No, because section 16 of the General Clauses Act, 1897, provides that power to appoint does not include power to suspend or dismiss.
- (d) No, It's only board of directors of Tech Inspiration Private Limited who has the right to terminate its employees in board meeting.

ANSWER (b)



Concept Tested: Section 27 – Service by post is deemed to be effected when properly addressed, prepaid, and sent by registered post, even if refused

3. Whether the refusal to accept the notice sent by post, by Mr. Nitesh Gupta would be termed as not serving of notice of termination?

- (a) Yes, as Mr. Nitesh Gupta had not accepted the notice.
- (b) Yes, refusal to accept the post will always be considered as not served.
- (c) No, because as per section 27 of the General Clauses Act, 1897 the service by post shall be deemed to be effected by properly addressing, pre-paying, and posting by registered post.
- (d) No, Mr. Nitesh Gupta had the information of sending of notice.

ANSWER (c)

**Case Scenario 18- MODEL TEST PAPER 2****[Chapter – Charges, Dividend, Account of companies, Audit and auditors, Management and Administration]**

ACC Private Limited was incorporated in July 2001. It is registered with an authorised share capital of Rs 20 crore divided into 2 crore equity shares of Rs 10/- each. The paid-up share capital of the company is Rs 10 crore divided into 1 crore equity shares of Rs 10/- each. The Board of Directors of the company in their meeting held on 11th August, 2023 declared interim dividend. The Annual General Meeting of the company was held on 1st September, 2023. The company had incurred losses in the previous financial year as well as in the current financial year upto the period ended June 30, 2023. In the previous five financial years, the company had declared the dividend as under:

Financial Year	Ended Dividend declared per share (Rs)	Dividend declared rate
March 31, 2023	Nil	Nil
March 31, 2022	1.00	10%
March 31, 2021	1.10	11%
March 31, 2020	1.30	13%
March 31, 2019	1.20	12%

The company has deposited the amount of dividend declared in a separate account with ABC Bank on August 14, 2023. Out of the total dividend declared, Rs 60,000 payable to few equity shareholders remains unclaimed even after the expiry of statutory period within which dividend was required to be paid and had been transferred to a separate bank account Unpaid Dividend Account on 20th September 2023. The company prepares a statement containing the names of shareholders, their last known address and the unpaid dividend amount to such each shareholder and place on its website. Meanwhile, the company obtained a term loan of Rs 15 crore from Laxmi Bank Limited on August 20, 2023, securing it with a charge on the company's assets, including its own buildings (in India and Germany) and intangible assets (trademark right over the company's logo). According to the Companies Act, 2013, the company was required to register this charge with the Registrar within a specified timeframe. However, the company failed to complete the registration process within the prescribed timeline. The Board of Directors has requested their Company Secretary to confirm them whether they are required to incur expenditure towards



Corporate Social Responsibility during the financial year 2023–2024 and is required to constitute CSR committee. The financial particulars in respect of immediately preceding financial year are as under:

S.No	Particulars	Amount (Rs in crores)
1	Net worth	100
2	Turnover	1010
3	Net profit	4.9
4	Borrowings	60

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1–5) given herein under:



Concept Tested: Section 77 – Company can create a charge on assets (tangible or intangible), whether situated in or outside India

1. The company can create charge in favour of the lender on the assets which are:

- (a) Tangible Assets and situated in India only
- (b) Intangible Assets and situated in India only
- (c) Assets that are tangible or otherwise and situated in India or Germany
- (d) Assets that are tangible or otherwise and situated in India only

ANSWER (c)

Concept Tested: Section 123 – Average Rule

2. The maximum rate at which interim dividend can be declared by the Board during the current financial year is as under:

- (a) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding two financial years, i.e. 5%.
- (b) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding three financial years, i.e. 7%.
- (c) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding four financial years, i.e. 8.5%.
- (d) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding five financial years, i.e. 9.2%.

ANSWER (b)



Concept Tested: Section 124 – Unpaid dividend must be transferred to separate account within 7 days

3. In respect of dividend declared which of the Statement is not correct?

- (a) The company has transferred the dividend amount to separate bank account within 5 days from the date of declaration of dividend.
- (b) The company is required to pay dividend within 30 days from the date of declaration of dividend.
- (c) The company is required to transfer the Unpaid dividend to a separate bank account within 10 days from the date of expiry of statutory period from the date of declaration of dividend.
- (d) The company is required to prepare a statement containing the names of shareholders, their last known address and the unpaid dividend amount to such each shareholder and place on its website within 90 days from the date of transferring the amount to Unpaid Dividend Account.

ANSWER (c)

Concept Tested: Section 135 – CSR applicability

4. Choose the correct option in terms that whether the provisions of Corporate Social Responsibility are applicable to ACC Private Limited.

- (a) The provisions of Corporate Social Responsibility are not applicable to ACC Private Limited as it is a private limited company.
- (b) Yes, as ACC Private Limited is having turnover of more than Rs 1000 crore.
- (c) Yes, as ACC Private Limited is having net profit of more than Rs 2.5 crore in the immediately preceding financial year.
- (d) Yes, as ACC Private Limited is having net worth of more than Rs 50 crore in the immediately preceding financial year.

ANSWER (b)



Concept Tested: Section 101 – AGM notice must be sent at least 21 clear days before the meeting date

5. The notice for the Annual General Meeting should be served by:

- (a) 6th August 2023
- (b) 7th August 2023
- (c) 8th August 2023
- (d) 10th August 2023

ANSWER (a)

**Case Scenario 19 – MODEL TEST PAPER 2****[Chapter – LLP]**

Sudeep and Ankit are very fast friend since long. They decided to run a service unit which will provide “Financial and Investment Consultancy Services”. For this purpose they formed a limited liability partnership under the name M/s Etharkkum Advisors LLP on 17th April 2020. For this purpose, they prepared a Limited Liability Partnership Deed of which one of the clauses provides that a new partner may be admitted in the LLP with capital contribution which may be in kind or cash. Further new partner is also required to deposit the agreed amount of capital contribution within six months from the date of his admission. After some time, office of the firm was destroyed due to an earthquake and the LLP was in urgent need of an office premises and some funds for some renovation work. It is also informed that M/s Etharkkum Advisors LLP approached Manoj on 1st January 2023 to join the firm as third partner. Manoj was out of India for the period from 1st September 2021 to 23rd December 2022. He agreed to join the LLP and also agreed to contribute his office premises at Sanjay Place, Palwal and funds of Rs 5,00,000 as Capital Contribution in the firm. Manoj joined the firm on 25th January 2023 as limited liability partner. The above said office premises was purchased by Manoj five years ago for Rs 25,00,000 but the fair market value of this office on 25th January 2023 was Rs 32,25,000 and on 1st January 2023 was Rs 30,00,000. Manoj has provided his office to the firm with effect from his admission and promised to deposit the agreed amount of Rs 5,00,000 within six months as provided in the partnership deed. Before Manoj could deposit the amount with the firm, it was dissolved. Manoj denied depositing the amount of Rs 5,00,000 with the contention that he is liable only upto the amount contributed in the firm on the date of dissolution. A creditor of the firm sued Manoj to deposit the said amount so that the firm may pay off his liability.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple-Choice Questions (MCQs 1-3) given herein under: –



Concept Tested: Section 7 – Resident in India means a person who has stayed in India for at least 120 days during the financial year

1. Whether Manoj could be considered as resident or not as per the Limited Liability Act, 2008?

- (a) Manoj could not be considered resident in India as he was not in India for 182 days in preceding one year
- (b) Manoj could not be considered resident in India as he was not in India for 120 days in preceding one year i.e. only for 33 days from 24th December 2022 to 25th January 2023
- (c) Manoj could not be considered as he was not in India for 182 days during the financial year
- (d) Manoj will be considered as resident in India as he was in India for 120 days during the financial year (2021- 2022)

ANSWER (d)

Concept Tested: Section 32 – Form of contribution

2. What would be the worth of Capital Contribution by Manoj?

- (a) Rs 25,00,000
- (b) Rs 32,25,000
- (c) Rs 37,25,000
- (d) Rs 35,00,000

ANSWER (c)



Concept Tested: Section 33 – Obligation to contribute as per LLP agreement continues even during dissolution

3. Whether Manoj will be liable to contribute Rs 5,00,000 after dissolution of the firm?

- (a) Yes, because a partner is personally liable for the deficiency arising at the time of dissolution of LLP.
- (b) No, because a partner is never personally liable for the deficiency arose at the time of dissolution of LLP.
- (c) Yes, the partner is under obligation to contribute money also to LLP as per the agreement.
- (d) No, because a partner is personally liable only upto the amount contributed to the LLP on the date of dissolution of LLP.

ANSWER (c)

**Case Scenario 20 – MODEL TEST PAPER 2****[Chapter – GCA]**

M/s Aryan & Aryan LLP was registered on 2nd July 2019. Sudeep and Ankit were partners in the firm. Both Sudeep and Ankit were also the designated partners in this firm. The LLP deals in manufacturing and trading of electric ceiling fans. One day Sudeep met with Mr. Kishore, a director of Krtiken Electronics Private Limited. After discussion, Mr. Kishore showed interest that Krtiken Electronics Private Limited may work with M/s Aryan & Aryan LLP as partner. Krtiken Electronics Private Limited was incorporated on 1st June 2017 with the object to deal in electronics. The memorandum and articles of association of Krtiken Electronics Private Limited also authorised it to work as partner in a LLP. The partners of M/s Aryan & Aryan LLP and directors of Krtiken Electronics Private Limited approached a professional consultant Mrs. Archika Jain for providing the procedure for adding Krtiken Electronics Private Limited as a partner in M/s Aryan & Aryan LLP. She advised that Krtiken Electronics Private Limited could not be the partner in M/s Aryan & Aryan LLP because as per Limited Liability Partnership Act 2008, an individual or a body corporate can be a partner in LLP. She informed that the term 'body corporate' was defined in the Limited Liability Partnership Act, 2008 as a company which is defined in section 3 of the Companies Act, 1956. As Krtiken Electronics Private Limited is registered under Companies Act 2013, it cannot be termed as body corporate. On the advice of Mrs. Archika Jain, M/s Aryan & Aryan LLP dropped the idea to add Krtiken Electronics Private Limited. It is further informed that Ms. Shanaya was admitted as a new partner in the firm on 17th January 2024. The firm intimated the registrar about her admission on 31st January 2024. On 3rd February 2024, while going to office Ms. Shanaya met with an accident and lost her memory. The doctor declared her of unsound mind to work as partner in M/s Aryan & Aryan LLP. It was also confirmed by a competent court. On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 therein, choose the correct answer (one out of four) of the following MCQs (1-3) given herein under -



Concept Tested: Section 8 – Reference to repealed and re-enacted enactments must be construed with reference to the new enactment

1. Whether Krtiken Electronics Private Limited could be partner in M/s Aryan & Aryan LLP?

(a) No, as Krtiken Electronics Private Limited is not a body corporate as per the definition of "Body Corporate" given in Limited Liability Partnership Act, 2008.

(b) Yes, because section 8 of the General Clauses Act, 1897 provides where any Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted. Therefore, after the enactment of Companies Act, 2013, the definition of "Body Corporate" should be construed as a company which is defined in section 2(20) of the Companies Act, 2013.

(c) No, as provisions of section 8 of the General Clauses Act, 1897 will not be applicable because the Limited Liability Partnership (Amendment) Act, 2021, which amended the definition of "Body Corporate" considering the company registered under Companies Act, 2013, come to effect from 01.04.2022.

(d) Yes, as the provisions of the General Clauses Act, 1897 are not applicable while interpreting the provisions of the Limited Liability Partnership Act, 2008.

ANSWER (b)

Concept Tested: Section 9 – Computation of time: the first day shall be excluded and the last day included unless otherwise provided

2. Following the provisions of Limited Liability Act, 2008 read with the General Clauses Act, 1897, what should be the last date to inform the registrar about the admission of Ms. Shanaya.

(a) 15th February 2024

(b) 16th February 2024

(c) 17th February 2024

(d) 18th February 2024

ANSWER (b)



Concept Tested: Section 13 – Masculine gender includes feminine unless context indicates otherwise; hence “he” in LLP Act includes “she”

3. What would be the status of Ms. Shanaya in the firm, M/s Aryan & Aryan LLP after the accident?

- (a) She would continue as a partner in M/s Aryan & Aryan LLP even after being declared as of unsound mind.
- (b) Section 24(2) of the Limited Liability Partnership Act, 2008 provides that a person shall cease to be a partner of a LLP if he is declared to be of unsound mind by a competent court. As this sub – section provides only for male person (“he”), she would continue as a partner in M/s Aryan & Aryan LLP.
- (c) Following the provisions of the General Clauses Act, 1897 which provides that in all legislations and regulations, unless there is anything repugnant in the subject or context words importing the masculine gender shall be taken to include females. Hence, Ms. Shanaya will cease to be a partner M/s Aryan & Aryan LLP.
- (d) She can continue as partner if all other partners agree for that.

ANSWER (c)

**Case Scenario 21– MODEL TEST PAPER 3****[Chapter – Audit and Auditors]**

In the busy city of Nagpur, there is a company “Transfiguration Industries Limited”. As the Annual General Meeting (AGM) of the company approached, the Board of Directors of Transfiguration Industries Limited gathered to discuss the appointment and removal of auditors in accordance with the Companies Act, 2013. Mr. Jack, the Chairman of the board, opened the meeting by addressing the importance of adhering to the provisions outlined in Sections 139, 140, and 141 of the Companies Act, 2013. He emphasized the significance of appointing auditors who would uphold integrity and transparency in the company's financial reporting. As the discussion ensued, Ms. Sara, a diligent board member, raised a question regarding the tenure of auditors. She asked whether there were any restrictions on the duration for which an auditor could be appointed. The board referred to Section 139(2) of the Companies Act, 2013, and informed about maximum period for which auditors can be appointed. Dr. Patel, a seasoned member of the board, then inquired about the procedure for appointing the first auditor of the company. Mr. Jack explained that according to Section 139(1) and (6) of the Companies Act, 2013, the first auditor would be appointed by the Board of Directors within thirty days from the date of registration of the company. Amidst the discussion, Mr. CS, the Company Secretary, emphasized the importance of obtaining the auditor's written consent and certificate before their appointment. Finally, Mr. Jack concluded the meeting by reiterating the company's commitment to corporate governance and regulatory compliance. He emphasized the role of the Audit Committee as outlined in the Companies Act, 2013. Answer the following questions in the light of the given facts and the relevant legal provisions as per the Companies act, 2013:



Concept Tested: Section 139 – Maximum tenure: Individual auditor for 1 term of 5 years; audit firm for 2 terms of 5 years each

1. State which is the correct statement as regards the maximum tenure for which an individual auditor and an auditor firm can be appointed under the Companies Act, 2013?

- (a) Both for five years
- (b) Individual auditor for more than one term and an auditor firm for two terms
- (c) Individual auditor for one term of five consecutive years and an auditor firm for two term of five consecutive years
- (d) Individual auditor for more than two terms and an auditor firm for more two terms of five consecutive years

ANSWER (c)

Concept Tested: Section 139 – First auditor to be appointed by Board of Directors within 30 days from the date of registration

2. State on the correctness of the procedure explained for an appointment of the first auditor of a company by Mr. Jack?

- (a) Incorrect. Requirement of Act specifies appointment of first auditor is to be made by the shareholders in an EGM within ninety days
- (b) Correct. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days from the date of registration of the company
- (c) Incorrect. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days on the advise of Company Secretary
- (d) Incorrect. Requirement of Act specifies appointment of first auditor by the Registrar of Companies (ROC) within 15 days

ANSWER (b)



Concept Tested: Section 139 – Auditor must provide written consent and a certificate before appointment

3. What is the requirement before appointing an auditor as per Section 139(1) of the Companies Act, 2013?

- (a) Auditor's written consent and certificate
- (b) Approval from the Ministry of Corporate Affairs
- (c) Appointment by the Registrar of Companies (ROC)
- (d) Recommendation from the Audit Committee

ANSWER (a)

Concept Tested: Section 141 – Relative of a director can be appointed only if pecuniary relationship is within prescribed limit

4. During the meeting, Ms. Sara asks whether a relative of a director can be appointed as the company's auditor. What does the Companies Act, 2013, state with regard to disqualification of auditors in this case?

- (a) Relatives of directors can be appointed as auditors, without any restrictions if they are qualified Chartered Accountants.
- (b) Relatives of directors cannot be appointed as auditors under any circumstances
- (c) Relatives of directors can be appointed as auditors if their pecuniary relationship with the company is below the prescribed threshold
- (d) Relatives of directors can only be appointed with Registrar of Companies approval.

ANSWER (c)



Concept Tested: Section 140– Removal of auditor before expiry of term requires prior approval of Central Government and special resolution in general meeting

5. If the Board of Directors of Transfiguration Industries Limited seeks to remove an auditor before the expiry of their term, what procedure must be followed as per the provisions of the Companies Act, 2013?

- (a) The Board can remove the auditor by passing a resolution in a board meeting.
- (b) The Board must obtain prior approval from the Audit Committee and inform the Registrar.
- (c) The company must obtain prior approval from the Central Government and pass a special resolution in a general meeting.
- (d) The Board must notify the Comptroller and Auditor General of India, even if Transfiguration Industries Limited is not a Government company.

ANSWER (c)

**Case Scenario 22 – MODEL TEST PAPER 3****[Chapter – GCA]**

XYZ Limited was required to file an appeal with the National Company Law Tribunal (NCLT) under a statutory regulation that prescribed a filing deadline of October 2, 2025. However, as October 2 was a public holiday, the company's legal counsel did not file the appeal on that day, unaware of the legal provisions concerning deadlines falling on holidays. The office reopened on October 3, 2025, and the legal counsel filed the appeal on the same day. In a separate matter, XYZ Limited was involved in a property dispute where it needed to measure the distance between two boundary points for evidence submission. The applicable Regulation, governed by a Central Act enacted after 1950, required distances to be measured on a straight line along a horizontal plane unless otherwise specified. However, the company measured the distance by tracing the natural curvature of the land instead of adhering to the prescribed method. Answer the following MCQs (1-3) in the light of the General Clauses Act, 1897.



Concept Tested: Section 10 – If the last day for doing any act falls on a holiday, the act may be done on the next working day

1. According to the provisions of the General Clauses Act, 1897, was the filing of XYZ Limited's appeal on October 3, 2025, considered valid?

- (a) Yes, because the office was closed on October 2, 2025, and filing on the next open day is valid.
- (b) No, because the deadline was October 2, 2025, and it was not adhered to.
- (c) Yes, but only if the Tribunal provided an extension.
- (d) No, because the legal counsel failed to check whether holidays impact the deadline.

ANSWER (a)

Concept Tested: Section 11 – Measurement of distances to be taken in a straight line on a horizontal plane unless otherwise stated

2. In the property dispute involving XYZ Limited, was the method of measuring the distance valid?

- (a) Yes, because it followed the natural curvature of the land.
- (b) No, because distances under Central Acts must be measured in a straight line on a horizontal plane unless specified otherwise.
- (c) Yes, if the parties mutually agreed to the method.
- (d) No, because measuring methods are irrelevant to the dispute.

ANSWER (b)



Concept Tested: Section 11 – Specific provisions in a regulation override the general rule of straight-line measurement

3. If the Regulation explicitly required "measurement by natural terrain," would XYZ Private Limited's method of measuring the distance along the land's natural curvature be valid?

- (a) Yes, because the specific regulation would take precedence over the general rule.
- (b) No, because Central Acts universally mandate straight-line measurement on a horizontal plane.
- (c) Yes, provided the specific regulation was enacted only by a State Legislature.
- (d) Yes, provided the specific regulation was approved by a Court.

ANSWER (a)

**Case Scenario 23 – MODEL TEST PAPER 4****[Chapter – Accounts of Companies, Management and Administration]**

GlobalTech Pvt. Ltd., a technology giant with operations in software development, hardware manufacturing, and IT consulting, has recorded significant financial growth over the past few years. For the financial year 2023–2024, the company reported the following financial metrics:

Net worth: Rs 520 crore

Turnover: Rs 1,050 crore

Net profit: Rs 4.5 crore

In the financial year 2022–2023, GlobalTech Pvt. Ltd. had a net worth of Rs 480 crore, a turnover of Rs 1,020 crore, and a net profit of Rs 4 crore. The company has a subsidiary, TechSubs Ltd., and a foreign subsidiary, GlobalTech International, which has a branch office in India. GlobalTech Pvt. Ltd. spent Rs 1.2 crore on various CSR activities during the financial year 2023–2024. However, Rs 30 lakh remained unspent and was transferred to the Unspent Corporate Social Responsibility Account as per section 135(6) of the Companies Act, 2013. The company's board comprises members from different parts of the country and they ensure that the administrative overheads do not exceed the prescribed limit of total CSR expenditure. The company held its annual general meeting on 20th August, 2024 and filed the annual return in compliance with the provisions of the Companies Act, 2013.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1–5) given herein under:



Concept Tested: Section 135 – CSR applicability

1. . Based on the financial metrics of GlobalTech Pvt. Ltd., is the company required to constitute a Corporate Social Responsibility (CSR) Committee for the for the financial year 2023-2024?

- (a) Yes, because its net worth exceeds Rs 500 crore.
- (b) No, because it has not met the required net profit criteria.
- (c) Yes, because its turnover exceeds Rs 1,000 crore.
- (d) No, because its net profit is less than Rs 5 crore.

ANSWER (c)

Concept Tested: Section 135 – If unspent CSR amount pertains to ongoing project, company must maintain a CSR Committee in subsequent year

2. . Given that GlobalTech Pvt. Ltd. has Rs 30 lakh in its Unspent Corporate Social Responsibility Account, which of the following statements is true?

- (a) The company is not required to constitute a CSR Committee if it has unspent CSR funds.
- (b) The company must constitute a CSR Committee in Financial year 2024-2025, as it has balance in Unspent CSR account.
- (c) The company can use the unspent funds for any other business activity.
- (d) The company must transfer the unspent amount to the Prime Minister's National Relief Fund.

ANSWER (b)



Concept Tested: Section 135(5) – Minimum CSR spend = 2% of average net profit of last 3 financial years

3. If Global Tech Pvt. Ltd. had an average net profit of Rs 5 crore over the past three immediately preceding financial years, what is the minimum amount it must spend on CSR activities in the financial year 2024-2025?

- (a) Rs 5 lakh
- (b) Rs 10 lakh
- (c) Rs 20 lakh
- (d) Rs 30 lakh

ANSWER (b)

Concept Tested: Rule 7 of Companies (CSR Policy) Rules, 2014 – Administrative overheads must not exceed 5% of total CSR expenditure

4. Global Tech Pvt. Ltd. must ensure that the administrative overheads do not exceed a certain percentage of the total CSR expenditure. What is this percentage?

- (a) 2%
- (b) 5%
- (c) 10%
- (d) 15%

ANSWER (b)



Concept Tested: Section 92 – Annual return must be filed within 60 days from the date of AGM

5. What is the latest date by which Global Tech Pvt. Ltd. must it file its annual return with the Registrar of Companies (RoC)?

- (a) 10th September 2024
- (b) 15th September 2024
- (c) 10th October 2024
- (d) 19th October 2024

ANSWER (d)

**Case Scenario 24 – MODEL TEST PAPER 4****[Chapter– LLP]**

Green Leaf LLP is a limited liability partnership engaged in the business of eco friendly product manufacturing. The LLP was initially established with three partners: Priya, Sameer, and EcoCorp Ltd., a corporate entity. Priya and Sameer are the designated partners, with Priya being a resident in India. EcoCorp Ltd. has appointed Anil, an individual, as its nominee to act on its behalf. After a few years, Sameer decides to retire, leaving Priya and EcoCorp Ltd. as the remaining partners. Due to some administrative oversight, GreenLeaf LLP continues its operations without appointing a new partner. This situation persists for seven months, with Priya being aware of the reduced number of partners. During this period, GreenLeaf LLP enters into several contracts and incurs significant financial 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 (MCQs 1-3) given herein under:



Concept Tested: Minimum number of designated partners- Section 7

1. Given that Sameer retired and Greenleaf LLP continued with only Priya and Eco Corp Ltd., what should Greenleaf LLP have done within six months to comply with the LLP Act?

- (a) Dissolved the LLP
- (b) Continue operating with one designated partner
- (c) Appoint at least one body corporate which should be a foreign company
- (d) Appointed at least one more partner who should also be a designated partner, as every LLP should have at least two designated partners

ANSWER (d)

Concept Tested: Residency requirement for designated partners - Section 7

2. According to the Limited Liability Partnership Act, 2008, choose the correct statement in relation to who must be a resident in India among the designated partners?

- (a) At least one individual designated partner shall be resident in India
- (b) All designated partners shall only be resident in India
- (c) It is mandatory for only corporate partners to be resident in India
- (d) At least four designated partners shall be resident in India

ANSWER (a)



Concept Tested: Personal liability when LLP operates with less than two partner
- Section 6

3. In the given case scenario suppose EcoCorp Ltd. also leaves the LLP and the LLP continues business for more than six months with only one partner, who is personally liable for the obligations incurred during that period?

- (a) Priya
- (b) Both Priya and EcoCorp Ltd.
- (c) EcoCorp Ltd.
- (d) Priya, Sameer and EcoCorp Ltd.

ANSWER (a)

**Case Scenario 25 – MODEL TEST PAPER 4****[Chapter – FEMA]**

Amit, an Indian resident during the Financial Year (FY) 2021-2022, decided to pursue higher studies in Biotechnology in Switzerland. On 15th July 2022, he left India to begin his two-year academic program. The determination of Amit's residential status under the Foreign Exchange Management Act (FEMA), 1999, for the Financial Years 2022-2023 and 2023-2024, is crucial to understand his obligations and entitlements concerning foreign exchange transactions. In terms of financial requirements, Amit needs USD 25,000 annually to cover his tuition fees. Additionally, he requires USD 30,000 annually for incidental expenses and living costs while studying abroad. Thus, his total annual requirement amounts to USD 55,000, making it imperative to assess the provisions under the Foreign Exchange Management Act, 1999, that govern the remittance of foreign.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999, therein, choose the correct answer (one out of four) of the following MCQs (1-3) given herein under:



Concept Tested: Section 2 of FEMA, 1999 – Residential status

1. . What would be Amit's residential status for FY 2022–2023 under FEMA, 1999?

- (a) Resident in India
- (b) Non-Resident Indian (NRI)
- (c) Person of Indian Origin (PIO)
- (d) Overseas Citizen of India (OCI)

ANSWER (b)

Concept Tested: Section 2(v) of FEMA, 1999 – Residential Status

2. What would be Amit's residential status for FY 2023–2024 under FEMA, 1999?

- (a) Resident in India
- (b) Non-Resident Indian (NRI)
- (c) Person of Indian Origin (PIO)
- (d) Overseas Citizen of India (OCI)

ANSWER (b)



Concept Tested: Liberalised Remittance Scheme (LRS) under FEMA – USD 250,000 limit per financial year

3. Suppose now Amit wants more money for his living cost abroad. What is the maximum amount that can still be remitted abroad per financial year under the Liberalized Remittance Scheme (LRS)?

- (a) USD 100,000
- (b) USD 195,000
- (c) USD 200,000
- (d) USD 500,000

ANSWER (b)

**Case Scenario 26 – MODEL TEST PAPER 5****[Chapter – Management & Administration , Audit and auditors]**

XYZ Ltd. was incorporated on April 1, 2023. The Board of Directors, within the required timeframe, appointed Mr. A as the first auditor of the company on April 20, 2023. Mr. A was tasked with auditing the company's financial statements for the financial year 2022-23, and he held office until the conclusion of the first Annual General Meeting (AGM), which was held on September 30, 2023. During the AGM, the shareholders decided to appoint Mr. B, a partner in the audit firm MNO LLP, as the new auditor. MNO LLP is a limited liability partnership incorporated under the LLP Act, 2008. Mr. B and his firm were appointed to hold office from the conclusion of the 1st AGM until the conclusion of the 6th AGM in 2028. Five years later, in 2028, the company is considering whether to reappoint Mr. B and MNO LLP for another term. The shareholders are discussing the provisions of the Companies Act, 2013, and the implications of reappointing the same auditor or audit firm for multiple terms.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5, of 2 marks each) given herein under: -



Concept Tested: Section 139 – First auditor in case of a company other than government company to be appointed by BOD within 30 days

1. Who was responsible for appointing the first auditor of XYZ Ltd., and within what timeframe should the appointment have been made?

- (a) Shareholders, within 60 days of registration of company
- (b) Board of Directors, within 30 days of registration of company
- (c) Board of Directors, within 60 days of registration of company
- (d) Shareholders, within 30 days of registration of company

ANSWER (b)

Concept Tested: Section 139 – Listed and prescribed class of companies cannot reappoint an audit firm for more than two terms of five years

2. How long can MNO LLP, as an audit firm, hold office as the auditor of XYZ Ltd. according to the Companies Act, 2013?

- (a) One term of five consecutive years
- (b) Two terms of five consecutive years
- (c) One term of six consecutive years
- (d) Three terms of five consecutive years

ANSWER (b)



Concept Tested: Section 139 Proviso – Cooling-off period applies after two terms

3. . If XYZ Ltd. wants to reappoint MNO LLP for another term after 2028, what does the Companies Act, 2013, mandate?

- (a) MNO LLP can be reappointed for another term of five years.
- (b) MNO LLP cannot be reappointed, as they have already served one term.
- (c) MNO LLP cannot be reappointed, as they have already served two terms.
- (d) MNO LLP can be reappointed, but the tenure must be reduced to three years.

ANSWER (a)

Concept Tested: Section 139 – First auditor holds office until the conclusion of the first AGM

4. What is the maximum tenure for which Mr. A as the first auditor of XYZ Pvt. Ltd., can hold office?

- (a) From the date of appointment until the conclusion of the first AGM i.e. 30th September 2023
- (b) From the date of appointment until the conclusion of the second AGM (in 2024)
- (c) From the date of appointment until the conclusion of the third AGM (in 2025)
- (d) From the date of registration of company until the conclusion of the first AGM i.e. 30th September 2023

ANSWER (a)



Concept Tested: Section 92 – Annual return to be filed within 60 days of AGM

5. By what date the copy of the annual return is to be filed with the Registrar of companies in case of first AGM of XYZ Ltd.?

- (a) 29th November 2023
- (b) 30th December 2023
- (c) 31st January 2024
- (d) 29th February 2024

ANSWER (a)

**Case Scenario 27 – MODEL TEST PAPER 5****[Chapter– LLP]**

In 2023, Tech Innovations LLP was established as a Limited Liability Partnership under the Limited Liability Partnership Act, 2008. The LLP was formed with two partners: Alex and Jordan, who contributed equally to the capital. Alex contributed 5,00,000, while Jordan also contributed 5,00,000. The firm was registered with the Registrar of Companies on April 1, 2023. Tech Innovations LLP's operations focused on software development and technology consulting. As per the LLP agreement, both partners shared profits and losses equally. The LLP agreement also stipulated that any changes in the partnership, such as the addition of a new partner or transfer of interest, required the consent of both existing partners.

In June 2024, Tech Innovations LLP decided to admit a new partner, Priya, who brought in Rs 2,00,000 as her capital contribution. This change was duly recorded and filed with the Registrar of Companies. Furthermore, the LLP decided to hold an annual general meeting within six months from the end of the financial year to approve financial statements and discuss business matters.

On the basis of above facts and by applying applicable provisions of the Limited liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-2 of 2 marks each) given herein under:



Concept Tested: Section 22 of LLP Act, 2008 – Admission of a new partner requires consent of all existing partners, unless otherwise provided in the LLP agreement

1. . As per the LLP Act, 2008, what is required for admitting a new partner into the LLP?

- (a) The consent of one existing partner- Only Alex
- (b) A majority vote of existing partners- Either Alex or Jordan
- (c) The consent of all existing partners- Both Alex and Jordan
- (d) Approval from the Registrar of Companies

ANSWER (c)

Concept Tested: LLP Act does not mandate an Annual General Meeting (AGM); however, the deadline for filing Statement of Account and Solvency (Form 8) is 30th October and for Annual Return (Form 11) is 30th May. If AGM is voluntarily held, it is a contractual matter under LLP Agreement.

2. When is Tech Innovations LLP required to hold its annual general meeting?

- (a) By 30th April, 2024
- (b) By 30th June, 2024
- (c) By 31st July, 2024
- (d) By 30th September, 2024

ANSWER (d)

**Case Scenario 28- MODEL TEST PAPER 6****[Chapter – Dividend, Accounts of companies]**

Prakash Limited and Vasudha Private Limited (VPL) were incorporated in January 1999 by Mr. Vicky Tripathi and his family members. Both the companies are engaged in the business of manufacturing machineries used in agricultural sector. Mr. Vicky Tripathi and his younger brother Vinay Tripathi actively participate in the daily operations of both the companies. Vasudha Private Limited is wholly owned by Tripathi family, while Tripathi family has a majority stake of 51% in Prakash Limited. Due to the poor economic conditions in the agriculture sector and shifting of the farmers' focus to more advanced farming techniques, the sales of Prakash Limited is dipping and its bottom line has been in the red for the last couple of years. The unabsorbed loss of Prakash Limited for the current financial year is Rs 9.8 crore. Prakash Limited didn't pay any dividends during the last four years. Prakash Limited has accumulated profit in the form of free reserves of Rs 180 crore whereas paid-up share capital is Rs 918 crore as per its latest audited financial statement and loss of Rs 9.8 crore has not been deducted from such amount of free reserves. Since pressure from shareholders of the free float is mounting, management at Prakash Limited decided to pay dividend this year out of accumulated profit. Finally, the dividend was declared on 31st August 2024. Some of the dividend remained unpaid as on 30th September 2024, on account of operation of law; this was transferred to unpaid Dividend Account and a statement containing only the names of such beneficiaries was hosted on the website of the company on 9th November 2024. Vasudha Private Limited is a mid-sized unlisted entity, with few branches abroad and is not required to appoint an independent director under section 149(4). During the immediately preceding F.Y., its net worth was Rs 280 crore, turnover was Rs 590 crore and net profit was Rs 45.8 crore. The profits and other information for the immediately preceding three years are given below:

Particulars	Year ended 31.03.2024	Year ended 31.03.2023	Year ended 31.03.2022
Net profit for the year	41.6	42.9	28

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

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5, of 2 marks each) given herein under:



Concept Tested: Section 124 – Company must transfer unpaid dividend to the unpaid dividend account and publish on website the names, last known

1. In case of Prakash Limited, regarding the unpaid dividend, which of the following statements is correct?

- (a) Prakash Limited is guilty, of non-payment of dividend, because some of the dividends remain unpaid even after 30 days of declaration.
- (b) Prakash Limited is guilty, because the list of beneficiaries of unpaid dividend is hosted on the website after 30 days from the date it falls in the category of unpaid dividend.
- (c) Prakash Limited is guilty, because the list of beneficiaries does not contain the latest known address of beneficiaries and the amount unpaid.
- (d) Prakash Limited is not guilty, because it has full-filled all the provisions of law pertaining to unpaid dividend.

ANSWER (c)

Concept Tested: Section 135(1) – CSR applicability threshold: Net Profit \geq ₹5 crore in any of the 3 preceding financial years

2. During the current year, is Vasudha Private Limited required to constitute CSR committee under the provisions of the Companies Act, 2013?

- (a) No, because it is a private company
- (b) No, because it is an unlisted company and it has net-worth less than Rs 500 crore
- (c) Yes, because despite being unlisted company its turnover is above Rs 500 crore
- (d) Yes, because the company meets the threshold criteria having net profits exceeding ₹5 crore in the immediately preceding financial year

ANSWER (d)



Concept Tested: No mandatory dividend payout obligation under Companies Act unless declared

3. What is the implication of the fact that Prakash Limited has not paid dividends for the last four years while having free reserves?

- (a) The company is in violation of the Companies Act, 2013, for not declaring dividends.
- (b) The shareholders can legally challenge the management for not utilizing free reserves for dividends.
- (c) There is no legal obligation to declare dividends even if the company has free reserves.
- (d) The company must now use all of its free reserves to pay dividends to satisfy shareholder demands.

ANSWER (c)

Concept Tested: Section 135 Proviso – Private companies not required to appoint independent directors may form CSR committee without one

4. Considering the legal provisions regarding the constitution of CSR committee and the one constituted by Vasudha Private Limited, state which of following the statements hold truth?

- (a) Constitution of the committee is invalid because it doesn't consist of an independent director.
- (b) Constitution of the committee is invalid because its chairperson is an executive director.
- (c) Constitution of the committee is valid because it depends purely upon the discretion of management.
- (d) Constitution of the committee is valid because company is not required to appoint an independent director.

ANSWER (d)



Concept Tested: Section 135 – Minimum CSR spend = 2% of average net profits of 3 preceding financial years

5. What is the minimum amount to be spent by Vasudha Private Limited on CSR activities for F.Y. 2024-25?

- (a) Rs 89.06 Lakh
- (b) Rs 78.20 Lakh
- (c) Rs 75.00 Lakh
- (d) Rs 73.80 Lakh

ANSWER (c)

**Case Scenario 29 – MODEL TEST PAPER 6****[Chapter – LLP]**

Rahul and Meenakshi, two young entrepreneurs, founded “Educom Innovators LLP” under the Limited Liability Partnership Act, 2008, with a focus on providing digital education solutions. Rahul brought technical expertise, while Meenakshi 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 Anshul, an industry expert, as a partner to expand their reach. Anshul agreed to contribute additional capital and bring industry contacts. However, shortly after joining, Anshul discovered that certain key compliance filings, including Form 11 (Annual Return) and Form 8 (Statement of Accounts and Solvency), were pending. Concerned, Anshul wanted to understand his liability and insisted that the LLP immediately address the compliance issues. Meanwhile, Rahul proposed to amend the LLP Agreement to reflect Anshul’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 (MCQs 1-3, of 2 marks each) given herein under:



Concept Tested: Section 25 – A person admitted as a partner is not liable for anything done before becoming a partner.

1. When Anshul joined Educom Innovators LLP, he discovered that key compliance filings, including the Annual Return and Statement of Accounts and Solvency, were pending. What is Anshul's liability as a newly admitted partner concerning these past compliance lapses?

- (a) Anshul has no liability for past compliance lapses since he was not a partner when they occurred.
- (b) Anshul shares equal liability for past compliance lapses because he is now a partner in the LLP.
- (c) Anshul is only liable if the LLP Agreement specifically assigns responsibility to him for compliance.
- (d) Anshul's liability for past compliance is limited to his capital contribution in the LLP.

ANSWER (a)

Concept Tested: Section 8 – Designated partners are responsible for compliance with statutory filings.

2. In light of Anshul's concern about the pending compliance filings, which of the following best describes the responsibilities of the partners in Educom Innovators LLP regarding compliance with the LLP Act, 2008?

- (a) Only the designated partners are responsible for ensuring compliance with filing obligations under the LLP Act.
- (b) All partners, including new partners like Anshul, are equally responsible for compliance, regardless of the LLP Agreement.
- (c) Compliance responsibilities can only be assigned to one partner, who will bear full accountability.
- (d) The legal advisor is responsible for handling compliance, and the partners have no liability once they hire legal counsel.

ANSWER (a)



Concept Tested: Section 64 – LLP may be wound up by Tribunal if it has not filed Statement of Account and Solvency or Annual Return for any five consecutive financial years.

3. Suppose in the given scenario, Educom 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?

- (a) Educom Innovators LLP may be wound up the Tribunal
- (b) Takeover of Educom Innovators LLP by the persons appointed by the Registrar of Companies
- (c) Revocation of all partner rights until filings are complete
- (d) 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.

ANSWER (a)

**Case Scenario 30 – MODEL TEST PAPER 6****[Chapter – GCA]**

In 2024, New Limited, a company specializing in international trade, needed to send an important notice to one of its clients, Mr. A, regarding a contractual amendment. According to the company's internal regulations and the contract terms, the notice had to be served by post. On April 15, 2024, the company's legal department prepared the notice and addressed it to Mr. A at his registered address. The notice was properly addressed, prepaid, and sent via registered post with acknowledgment due to ensure the highest level of confirmation for delivery. A few days later, on April 20, 2024, the notice was returned with a stamp indicating that it was "not claimed" by Mr. A. The legal department recorded the return of the notice and noted the endorsement. The company's legal advisor referred to past case laws for similar scenarios to ensure that the notice was considered legally served under section 27 of the General Clauses Act, 1897. They reviewed the following precedents: *United Commercial Bank v. Bhim Sain Makhija*: It was noted that merely sending a notice by registered post without the acknowledgment due did not provide sufficient legal protection for proving service. *Jagdish Singh v. Natthu Singh*: This case demonstrated that if a notice sent by registered post was returned with a refusal endorsement, it was considered served. *Smt. Vandana Gulati v. Gurmeet Singh alias Mangal Singh*: It was established that if a notice sent by registered post to a proper address was returned with an endorsement like "not claimed", it was deemed served unless proven otherwise.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3 of 2 marks each) given herein under:



Section 27 – Meaning of service by post

1. According to section 27 of the General Clauses Act, 1897, what three conditions must be fulfilled for a service by post to be deemed effective?

- (a) Properly addressed, Pre-paid, and Posting by ordinary post
- (b) Properly addressed, Pre-paid, and Posting by registered post
- (c) Properly addressed, Pre-paid, and Sending by courier
- (d) Properly addressed, Pre-paid, and Hand delivery

ANSWER (b)

Concept Tested: Section 27 Meaning of Service by Post

2. In the case of United Commercial Bank v. Bhim Sain Makhija, why was the presumption of service under registered post found to be insufficient?

- (a) Because the notice was sent by ordinary post
- (b) Because the notice was sent by registered post but not with acknowledgment due
- (c) Because the address was incorrect
- (d) Because the recipient did not respond

ANSWER (b)



Concept Tested: Section 27 – Presumption of service when refused or not claimed

3. What does the case of Jagdish Singh v. Natthu Singh demonstrate about the service of notice?

- (a) Notice sent by registered post without return endorsement is invalid
- (b) Notice sent by registered post and returned with refusal endorsement is deemed served
- (c) Notice sent by ordinary post is deemed served if not returned
- (d) Notice served by hand delivery is always valid

ANSWER (b)

**Case Scenario 31 – MODEL TEST PAPER 7****[Chapter – Incorporation of company, Accounts of company]**

Mr. V started a new venture of on-line business of supply of grocery items at the door-step of consumers. Initially it was having the area of operations of Saharanpur city only. He employed some young boys having their own bikes and allocated the areas which they were accustomed of it, for making delivery of the grocery items as per their orders. He also got developed a website and Mobile App to receive the orders on-line. His friend Sundaram who is a Chartered Accountant, suggested him to corporatize this business form, from proprietorship business to a One Person Company (OPC). Mr. V agreed and a OPC was incorporated in the name of “Ask V Online Grocery (OPC) Pvt Ltd.” (for short OPC-1). In this OPC Mr. V became the member and director and Sudha (the mother of Mr. V) was made as nominee. After a year Mr. V got married with Vani. Since the business of on-line supply of grocery was on rising trend, day by day, he thought to start a new business of supply of Milk and Milk Products and another OPC in the name of “Vani Milk Products (OPC) Pvt Ltd” (for short OPC-2) was incorporated with the help of his professional friend Sundaram. In this OPC-2, Vani (his wife) became the member and director and Mr. V was named as Nominee. To summarise the position, the information is tabulated as under:

Name of OPC	Member and Director	Nominee
Ask Grocery Mr. (OPC) Pvt Ltd [OPC-1]	Mr. V	Sudha (Mother of Mr. V)
V4Online (OPC) Pvt Ltd	Mr. V	Sudha (Mother of Mr. V)
Vani Milk Products (OPC) Pvt Ltd [OPC-2]	Vani	Mr. V (Husband of Vani)

After some time, Sudha (the mother of Mr. V) passed away. However, before the death, Sudha had made a WILL, in which she mentioned that after her demise, her another son Krishh be made nominee in the OPC-1. When Krishh came to know this fact, he argued with Mr. V to fulfil the wish of Sudha as per her WILL (Mother of Mr. V and Krishh), but Mr. V denied this and appointed Vani (his wife) as nominee. Aggrieved from the decision of Mr. V for not nominating him (Krishh), Krishh threatened Mr. V to take appropriate legal action against him for not honouring the WILL of Sudha and consulted his lawyer. Meanwhile due to continuous threatening and unpleasant conversation between Krishh and Mr. V, Vani became mentally upset and became insane, as certified by the medical doctor, so lost her capacity to contract. In this situation,

LAW CASE BASED MCQ

Mr. V being the nominee in OPC-2 became member and director of this OPC-2. One of the friends of Mr. V advised him to do some charitable work of providing free education to the girl children of his native village near by Saharanpur. Mr. V thought about this proposal and asked his professional friend Sundaram to convert this OPC-2 into Section 8 company.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5, of 2 marks each) given herein under:



Concept Tested: Rule 4 of Companies (Incorporation) Rules, 2014 – Nominee shall be appointed by the sole member of OPC and can be changed by the member at any time

Since Vani, being insane, lost the capacity to contract, Mr. V (who was nominee) became the member of OPC-2. Now who will make nomination for this OPC:

- (a) Mr. V in the capacity of husband of Vani can nominate any person as Nominee of OPC-2
- (b) Mr. V (who was nominee) of OPC-2 has now become member of this OPC and now as a member of this OPC he can nominate any person as per his choice as Nominee for this OPC.
- (c) When no person is nominated, the Central Govt. will make nomination of such OPC-2.
- (d) When no person is nominated the Registrar shall order the company to be wound up.

ANSWER (b)

Concept Tested: Rule 3 of Companies (Incorporation) Rules, 2014 – OPC cannot be incorporated or converted into a company under Section 8 of the Companies Act, 2013.

2. Whether conversion of OPC-2 into a company governed by Section 8 is permissible?

- (a) Yes, OPC can be converted into Section 8 company
- (b) No, OPC cannot be converted into Section 8 company
- (c) This OPC-2 can be converted into section 8 company, provided the Central Govt give license
- (d) Providing of free education to girl child do not come under the specified objects mentioned for eligibility incorporation of section 8 company

ANSWER (b)



Concept Tested: Rule 3 of Companies (Incorporation) Rules, 2014 – An individual can be member in only one OPC at a time; in case of becoming member in another, must withdraw within 180 days.

3. Mr. V is a member in OPC-1 and became a member in another OPC-2 (on 2nd April, 2024) by virtue of his being a nominee in that OPC-2. Mr. V shall, by what date, meet the eligibility criteria that an individual can be a member in only one OPC:

- (a) 17th May 2024
- (b) 25th August 2024
- (c) 26th August 2024
- (d) 29th September 2024

ANSWER (d)

Concept Tested: Rule 4 of Companies (Incorporation) Rules, 2014 – Nominee must be capable of becoming a member; in case of death or incapacity, new nominee must be appointed by the member.

4. After the demise of Sudha (the mother of Mr. V), Vani was nominated by Mr. V for OPC-1 as Nominee. But now Vani has become insane, so what recourse you will suggest to Mr. V:

- (a) Mr. V is required to nominate another person as nominee
- (b) Mr. V should wait till Vani becomes good of her health and able to have the capacity to contract
- (c) Although Vani has become insane, but if she is able to sign, her nomination in OPC-1 may continue
- (d) Sundaram (the Chartered Accountant) who helped in incorporation of OPC-1, may act as legal consultant on behalf of Vani

ANSWER (a)



Concept Tested: Section 129 read with Section 134(1) of Companies Act, 2013 – For OPC, the financial statements are signed and approved by the Board (sole director) and filed directly with ROC.

5. Mr. V is preparing the financial statements for "Ask V Online Grocery (OPC) Pvt Ltd" for the financial year. Which of the following statements is correct regarding compliance with section 129 of the Companies Act, 2013?

- (a) Financial statements of OPC-1 must include a cash flow statement.
- (b) The financial statements must be presented and approved by a general meeting of members.
- (c) Mr. V, as the sole director, is responsible for approving the financial statements before filing with the ROC.
- (d) Consolidated financial statements must be prepared for OPC-1.

ANSWER (c)

**Case Scenario 32 – MODEL TEST PAPER 7****[Chapter – LLP]**

DEF LLP is a well-established limited liability partnership engaged in providing consulting services. It has four partners: A, B, C, and D, each contributing equally to the capital and holding an equal share of the profits and losses, as detailed in the LLP agreement. The partnership operates smoothly until Partner A encounters significant financial difficulties due to personal business losses and decides to transfer his entire share of profits and losses in the LLP to Mr. X, an external investor, in exchange for financial assistance. The decision, although legal as per the LLP agreement, creates a ripple of concerns among the other partners. After the transfer:

- Partner B argues that the LLP must be dissolved because Partner A's transfer of rights effectively amounts to exiting the partnership, thus impacting the continuity of the LLP.
- Mr. X, being the transferee, demands active participation in DEF LLP's decision-making processes and insists on accessing financial records to monitor his investment, citing the substantial stake he now holds in the LLP.
- Partner C voices concerns about the potential disruption in the LLP's management structure and operations, questioning whether Mr. X's involvement aligns with the LLP's existing framework and the provisions of the Limited Liability Partnership Act, 2008.
- Partner D, on the other hand, adopts a neutral stance but raises the issue of whether the LLP agreement sufficiently addresses such transfers to avoid future disputes.

The situation creates a complex dynamic within DEF LLP, raising questions about the rights of the transferee, the implications for the partnership's operations, and the legal provisions governing such transfers under the Limited Liability Partnership (LLP) Act, 2008. On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple-Choice Questions (MCQs 1-3, of 2 marks each) given herein under:



Concept Tested: Section 42 – Transfer of partnership rights (Permissible if provided in LLP agreement)

1. Can Partner A legally transfer their share of profits and losses to Mr. X?

- (a) No, Partner A cannot transfer their share without the consent of all other partners.
- (b) Yes, Partner A can transfer their share entirely in accordance with the LLP agreement.
- (c) No, such transfers are not allowed under the LLP Act.
- (d) Yes, but only if Mr. X becomes a partner in the LLP.

ANSWER (b)

Concept Tested: Section 42 – Transfer of rights does not by itself cause dissolution or disassociation of the partner Companies Act, 2013.

2. Does the transfer of Partner A's share to Mr. X result in the dissolution of DEF LLP?

- (a) Yes, because transferring all rights indicates Partner A's disassociation.
- (b) No, because the LLP Act, 2008 does not consider such transfers as grounds for dissolution.
- (c) Yes, because all partners must agree to such transfers to avoid dissolution.
- (d) No, unless it is explicitly stated in the LLP agreement.

ANSWER (b)



Concept Tested: Section 42 – Transferee has no right to participate in management or access information unless LLP agreement permits

3. Does Mr. X gain any right to participate in DEF LLP's management or access its financial records?

- (a) Yes, as he now holds Partner A's share in the LLP.
- (b) No, unless expressly allowed by the LLP agreement.
- (c) Yes, because it is essential to safeguard his investment.
- (d) Yes, as external transferees are automatically included in LLP management.

ANSWER (b)



Case Scenario 33 – MODEL TEST PAPER 7

[Chapter – GCA]

Sunrise Technologies Private Limited ("STPL") was in process of establishing its new software development center in Pune. On 28th February 2024, the Board of Directors passed a resolution to purchase a property consisting of:

- A three-storey building
- 25 acres of agricultural land adjacent to the building
- 100 motor cars
- An orchard with 100 fruit-bearing trees

The company received a government notification dated 15th March, 2024, requiring all new technology centers to obtain special clearance within 45 days of establishment. The notification mentioned that existing orders under the previous Technology Parks Act (which was repealed and replaced by new legislation) would continue to remain valid. The notification was to be served to all concerned parties through registered post. The Managing Director has approached you to understand various legal aspects under the General Clauses Act, 1897.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897, choose the correct answer (one out of four) of the following Multiple-Choice Questions (MCQs 1-3, of 2 marks each) given herein under:



Concept Tested: Section 3(26) – Definition of "Immovable Property"

1. With respect to the property being purchased by STPL, which of the following would not qualify as "immovable property" under the General Clauses Act, 1897?

- (a) The orchard with fruit-bearing trees
- (b) Motor Cars
- (c) The three-storey building
- (d) The agricultural land

ANSWER (b)

Concept Tested: Section 10 – Computation of Time (Last day falling on holiday)

2. The government notification requires clearance "within 45 days". If the notification was received on 20th March, 2024, and the 45th day falls on Sunday, May 4, 2024, what would be the last date for obtaining clearance?

- (a) 3rd May, 2024
- (b) 4th May, 2024
- (c) 5th May, 2024
- (d) 6th May, 2024

ANSWER (c)



Concept Tested: Section 6 – Effect of Repeal on Existing Orders and Rights

3. Concerning the previous orders under the repealed Technology Parks Act, which statement is correct?

- (a) All previous orders automatically become void
- (b) Previous orders continue to be valid unless explicitly cancelled
- (c) Previous orders require fresh validation under new law
- (d) Previous orders are valid for only 6 months after repeal

ANSWER (b)

**Case Scenario 34 – MODEL TEST PAPER 8****[Chapter – Deposits]**

ABC Publications Limited accepted deposits from the public to the tune of Rs 70 Lakh on 1st May 2021, for a period of 36 months at an interest rate of 10% per annum. The repayment would be made on 30th April, 2024. It has complied with all the statutory requirements for the acceptance of deposits by a Public Limited Company. One of the depositors Mr. Y was in urgent need of money as his son wanted to pursue his higher education abroad. His total deposit with ABC Publications Limited was Rs10 lakh. On 1st June 2022, he sent his request to the company asking for premature repayment of his deposit along with interest. Another depositor, Mr. U had deposited Rs 6 lakh in his name. On 18th September 2022, he sent an application to the company to change the name on his deposit and make it a joint holding in the names of himself, his wife and two children. The company is contemplating the requests received from its depositors. In addition to the deposits received from the public, the company had also raised funds by amount received from a Public Sector Bank, by issue of bonds and debentures and amounts against issue of commercial papers which were issued according to the guidelines issued by the Reserve Bank of India.

On the basis of the given facts, and by applying the applicable provisions of the Companies Act, 2013 and the Rules therein, choose the correct answer of the following Questions: (MCQs 1–3 of 2 marks each)



Concept Tested: Rule 15 of Companies (Acceptance of Deposits) Rules, 2014 – Conditions for premature repayment (allowed after 6 months, with interest reduced by 1%)

1. Advise ABC Publications Limited regarding the amount and the interest that can be repaid to Mr. Y:

- (a) The company cannot make premature repayment of the deposits.
- (b) The company can prematurely repay the deposit along with interest @ 10% for a period of 13 months (1st May 2021 to 31st May 2022)
- (c) The company can prematurely repay the deposit along with interest @ 9% for a period of 13 months (1st May 2021 to 31st May 2022)
- (d) The company can prematurely repay the deposit along with interest @ 9% for a period of 11 months (1st May 2021 to 31st March 2022)

ANSWER (c)

Concept Tested: Rule 2(1)(d) of Companies (Acceptance of Deposits) Rules, 2014 – Deposit can be held jointly by not more than 3 persons

2. Advise ABC Publications Limited regarding the request of Mr. U:

- (a) Mr. U cannot change his deposit to joint holding.
- (b) The deposits can be held jointly only by Mr. U and his wife.
- (c) The deposits can be held jointly by Mr. U, his wife and two children.
- (d) The deposits can be held jointly by Mr. U and any two members only.

ANSWER (d)



Concept Tested: Section 2(31) of Companies Act, 2013 read with Rule 2(1)(c) – Definition of “deposit” – only public deposits are covered; amounts from bonds, debentures, commercial papers are excluded if compliant with law

3. The Banker of ABC Publications Limited wanted a list of deposits accepted by the company. Advise the company on what among the following constitute deposit:

- (a) Amount raised through bonds and debentures
- (b) Any non-interest bearing amount received and held in trust
- (c) Amount received from Public
- (d) Amount raised through the issue of commercial paper as per the Reserve Bank of India guidelines and amount raised through bonds and debentures

ANSWER (c)

**Case Scenario 35 – MODEL TEST PAPER 8****[Chapter – Foreign company]**

Combat Gaming Limited is a company incorporated outside India with a place of business in Rajasthan. To improve its gaming software, the company wanted to apply Artificial Intelligence technology. In order to raise more funds to meet out the investment cost, the company decided to issue shares. It issued prospectus of the company which was properly dated and signed according to the provisions of the Companies Act, 2013 and delivered them to the Registrar of Companies on 16th August 2023. The Registrar on verification of the documents found that the particulars in the prospectus was incomplete and issued a notice to the company saying that the prospectus is invalid. Hence, the directors scrutinized the documents and during the scrutiny it was observed by the CFO that there was a mistake in one of the documents delivered to the Registrar and hence altered that on 29th September 2023. Analyse, based on the above scenario and answer the following Questions: (MCQs 1-3 of 2 marks each)



Concept Tested: Rule 7 of Companies (Registration of Foreign Companies) Rules, 2014 – Documents to be annexed to the prospectus

1. According to the Companies (Registration of Foreign Companies) Rules, 2014, of the Companies Act, 2013, which of the following documents shall not be annexed to the prospectus?

- (a) Any consent to the issue of the prospectus required from any person as an expert.
- (b) Statement of preliminary expenses;
- (c) A copy of contracts for appointment of Managing Director or Manager and in case of a contract not reduced into writing, a memorandum giving full particulars thereof
- (d) A copy of underwriting agreement

ANSWER (b)

Concept Tested: Rule 4(4) of Companies (Registration of Foreign Companies) Rules, 2014 – Intimation of alterations in delivered documents

2. Combat Gaming Limited has made alteration in documents delivered to the Registrar, they shall intimate to Registrar of Companies by _ _ _ _ _

- (a) 29th October 16
- (b) 13th November
- (c) 28th November
- (d) 9th October

ANSWER (a)



Concept Tested: Section 380 – Documents to be delivered to Registrar by foreign companies

3. Combat Gaming Limited has to deliver the required documents along with the appropriate fees to:

- (a) The Registrar of Companies, Rajasthan
- (b) The Comptroller and Auditor General Office, New Delhi
- (c) The Registrar of Companies. New Delhi
- (d) The Company Law Board, New Delhi

ANSWER (c)

**Case Scenario 36 – MODEL TEST PAPER 8****[Chapter – LLP]**

Mr. S is a well experienced technocrat in the field of manufacturing of computer hard discs and motherboard. He resigned from his job and wished to form a Limited Liability Partnership (LLP) with the object of manufacturing and trading of computer hardware. He wanted to include his close friends Mr. A, Mr. B, and Mr. C who are very familiar in the same field and worked in the foreign companies also. All three friends had accepted the invitation of Mr. S to be partners of the LLP. Mr. S wanted to ensure whether all the three friends are resident of India and requested them to provide the details of their stay in India. During the previous financial year, Mr. A has stayed in India for a period of 170 days, Mr. B stayed in India for 110 days and Mr. C stayed in India for 100 days. All the partners had given their consent to act as designated partners. He applied for the reservation of desired name to the Registrar and also paid the prescribed fees. Based on the above facts, answer the following Questions: (MCQs 1-3 of 2 marks each)



Concept Tested: Rule 18(5) of LLP Rules, 2009 – Name reserved by Registrar is valid for 3 months from the date of approval/intimation.

1. The name applied for has been approved by the Registrar. The approved name of LLP shall be valid for a period of _____ from the date of intimation by the Registrar.

- (a) 2 months
- (b) 1 month
- (c) 3 months
- (d) 6 months

ANSWER (c)

Concept Tested: Section 7(1) of LLP Act, 2008 – At least one designated partner must be a resident in India (120 days)

2. Which of the following combinations of partners, if appointed as designated partners, will not be in accordance with the provisions laid down by Limited Liability Partnership Act, 2008?

- (a) Mr. A, Mr. B and Mr. C
- (b) Mr. B and Mr. C
- (c) Mr. A and Mr. C
- (d) Mr. A and Mr. B

ANSWER (b)



Concept Testes – Section 7(4) of LLP Act, 2008 and Rule 10 of LLP Rules, 2009 –
Filing of consent to act as designated partner (Form 9) must be done within 30

3. In how many days, a Limited Liability Partnership shall file with the Registrar, the particulars of every individual who has given his consent to act as designated partner?

- (a) Within thirty days of incorporation of LLP
- (b) Within thirty days of his appointment
- (c) After forty-five days of incorporation of LLP
- (d) After sixty days of his appointment

ANSWER (b)

**Case Scenario 37 – March 24 MTP****[Chapters: FEMA]**

Progressive Management College have introduced a Global Management Diploma Course which is of 12 months duration. Out of 12 months, 11 months studies are held in India and rest of 1 month is earmarked for foreign tour. Rudra Pratap is the Principal of the college. After taking requisite permission from the competent Ministry, the cultural tour programme was chalked out and the team visited Malaysia, Singapore, Australia and New Zealand. Rudra Pratap's daughter Payal got admission in a medical college situated in California, United States of America. For fee and other expenses, Payal needs USD 2,25,000. Rudra Pratap contacted his banker to know the procedure for availing of foreign exchange and the authority to whom he shall apply. His banker properly guided all the relevant procedures for availing of the foreign exchange. Rudra Pratap's brother Sourya Pratap went to UK some years ago, where he joined a company in managerial position. He intermittently visits to India and maintains a Non-Resident Special Rupee Scheme Account (NRSR) in Mumbai. He wanted to make remittance of interest earned in the NRSR Account and asked his bankers for the required formalities.

Based on the above facts, answer the following Questions: (MCQs 1-3 of 2 marks each).



Concept Tested: Schedule II Approval for educational/cultural tours – Ministry of Human And Resources Development

1. For the purpose of cultural tours, approval of which Ministry is required to be obtained?

- (a) Ministry of Human Resources Development
- (b) Ministry of External Affairs
- (c) Ministry of Home Affairs
- (d) Ministry of Commerce and Industry

ANSWER (a)

Concept Tested: Liberalised Remittance Scheme (LRS) under FEMA – Individuals can remit up to USD 2,50,000 per financial year for permitted current/capital account transactions like education without prior RBI approval.

2. For availing foreign exchange for studying abroad, which of the following option is correct:

- (a) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad is prohibited.
- (b) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad requires prior approval of Government of India.
- (c) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad requires prior approval of RBI.
- (d) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad do not require prior approval of RBI.

ANSWER (d)



Concept Tested - Definition under Section 2(j) of FEMA – Payments for cultural, educational, and travel purposes are classified as current account transactions.

3. The remittance of foreign exchange for arranging of cultural tour for the students is an example of:

- (a) Capital Account Transactions
- (b) Current Account Transactions
- (c) Hybrid Transactions
- (d) Amortised Transactions

ANSWER (b)

**Case Scenario 38 – March 24 MTP****[Chapters – Management & Administration, Deposits, Charges]**

Mr. M. Mishra is a director of Superior Carbonates and Chemicals Limited (SCCL). SCCL was incorporated by Mr. S. K. Mishra (father of Mr. M. Mishra) on 5th July 1995 as a public company. SCCL accepts a loan of Rs 1.5 crores from Mr. M. Mishra for short term purpose and the loan is expected to be repaid after twenty-four months. SCCL in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. M. Mishra affirms in writing that s1.1ch amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of his loan transactions are furnished in the boards' report. OBSL which is an unlisted public company, also accept the deposits from the public as on 1st November 2018, which is due for repayment on 30th September 2023. OBSL also accepts a LAP (Loan against property) for a term of 10 years from a financial institution on 12th June 2020. Charge was created on that day, but OBSL has neglected to register the charge, with the registrar. Finally, the application for registration of charge is furnished on 12th August 2020. SCCL has registered office in Paonta-sahib (Himachal Pradesh) and corporate office is situated in Dehradun (Uttarakhand) but around 15% of members whose, name, is entered in members register are residents of Nainital (Uttarakhand). SCCL has a liaison Office at Nainital. Management of the company is willing to place, the Register of Members at the Nainital liaison Office. DBSL convenes its 7th AGM on 10th September 2020 at the registered office of the company. Notice for same was served on 21st August 2020. 72% of members gave consent to convening AGM at shorter notice due to ambiguity and possibility of another lockdown starting from 11th September 2020 on account of the second wave of COVID-19. Multiple, Choice Questions



Concept Tested – Section 94 – Place of keeping Register of Members

1. Pick the right statement regarding SCCL's willingness to keep and maintain the register of members at the Nainital liaison office.

- (a) Register of members shall be kept at either registered office or within the same city that too after passing the resolution, hence SCCL is not correct in placing it at the Nainital liaison office
- (b) Register of members cannot be kept at any other place by SCCL, without passing an ordinary resolution
- (c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10th of the total members entered in the register of members reside there
- (d) Register of members cannot be kept at Nainital liaison office, even after passing a special resolution, because less than 1/10th of the total members entered in the register of members reside there

ANSWER (c)

Concept Tested – Rule 3(3) of Companies (Acceptance of Deposits) Rules, 2014 – Term of Deposit

2. With reference to deposit accepted by DBSL and its duration, you are required to identify which of the following statements is correct:

- (a) There is no requirement relating to the duration of deposit, DBSL can accept a deposit for any duration.
- (b) Since DBSL is an unlisted company, provision relating to the duration of the deposit is not applicable.
- (c) There is a provision of a minimum duration of six months, but no upper cap to length is provided. Hence deposit accepted by DBSL is in compliance to provisions of Law.
- (d) Acceptance of deposits by DBSL is in violation of provision of law, because the maximum period of acceptance of deposit cannot exceed thirty-six months.

ANSWER (d)



Concept Tested – Section 77(1) & (3) – Registration of Charges (within 120 days with ad-valorem fee as per MCA notification)

3. There is no requirement relating to the duration of deposit, DBSL can accept a deposit for any duration. Since DBSL is an unlisted company, provision relating to the duration of the deposit is not applicable. There is a provision of a minimum duration of six months, but no upper cap to length is provided. Hence deposit accepted by DBSL is in compliance to provisions of Law. Acceptance of deposits by DBSL is in violation of provision of law, because the maximum period of acceptance of deposit cannot exceed thirty –six months. With reference to application to the registrar for registration of charge by DBSL, which of the following statements is correct?

- (a) The charge cannot be registered now, even if the Registrar permits the same.
- (b) The charge can be registered, if registrar permits with payment of ad-valorem fee.
- (c) The charge can be registered, if registrar permits but with payment of an additional fee.
- (d) The charge can be registered, with payment of a standard fee.

ANSWER (b)

Concept Tested – Rule 2(1)(c) of Companies (Acceptance of Deposits) Rules, 2014 – Exemption for director loans if declaration is made

4. With reference to the loan advanced by Mr. M. Mishra to SCCL, state whether the same is to be classified as a deposit or not?

- (a) Deposit, because any sum advanced by the director whether loan or otherwise is always classified as a deposit.
- (b) Deposit, because the tenor of the loan is for a period of more than six months.
- (c) Not a deposit, because such amount is recorded as loan in books of account of SCCL.
- (d) Not a deposit, because the written declaration is provided by Mr. M. Mishra, who was a director when the loan was advanced that the loan is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others.

ANSWER (d)



Concept Tested – Section 101 – AGM notice period and shorter notice requirement (95% consent)

5. Considering the provision relating to length of Notice for AGM, pick out the right option:
- (a) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by all the members entitled to vote at AGM.
 - (b) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by at-least 95% of members entitled to vote thereat.
 - (c) Notice served by DBSL is valid because the shorter length has been consented to by 75% of members entitled to vote thereat.
 - (d) Notice served by DBSL is not valid, because notice given within a shorter length duration need must be at-least 50% of the members entitled to vote at AGM that too in writing.

ANSWER (b)

**Case Scenario 39 – PYP Jan 2025****[Chapter – Audit and auditors, Definition]**

JK Logistics Ltd., is one of the leading companies in the logistics industry. Five years ago, 75% equity shares of JK Logistics Ltd., were acquired by RK Logistics Ltd. RK Logistics Ltd., has a presence in Haryana, Punjab and Rajasthan and is mainly into transporting of agricultural produce. As timely transportation of agricultural produce is of strategically importance, the state governments of the above three states holds stake in RK Logistics Ltd. The State Government's current stakes are as follows:

State of Haryana: 19%

State of Rajasthan: 20%

State of Punjab: 18%

On 29th September 2023, just after the conclusion of the AGM, Mr. Rohan, the auditor of JK Logistics Ltd., suffered a stroke and to reduce work load, resigned as the auditor of the company but unfortunately, he forgot to inform the concerned authorities about his resignation. It is important to note that auditor's (i.e. Mr. Rohan) annual remuneration was Rs 5 lakhs. The company on the other hand, appointed AG & Associates as their auditors after completing all the statutory formalities. Mr. Avinash, who is one of the partners of the audit firm, had borrowed a sum of Rs 3.5 lakhs from RK Logistics Ltd. and has dues of Rs 1.49 lakhs towards use of logistic services of the company. Both the sum borrowed and the cost of services taken are not yet paid by Mr. Avinash. Mr. Avinash is not signing the financials of JK Logistics Ltd. Based on the facts given in above case scenario and by applying the relevant provisions of the Companies Act, 2013 and Rules therein, choose the correct answer of the following questions: (Q. No. 1 to Q. No. 3)



Concept Tested: Auditor resignation reporting under Section 140(2)

1. To whom should have Mr. Rohan informed about his resignation? What could be the possible consequence for his non-compliance?

- (A) He should have informed the registrar and JK Logistics Ltd. As a consequence of his failure, he is liable to a penalty not exceeding 5 lakhs.
- (B) He should have informed the registrar. As a consequence of his failure, he is liable to a penalty not exceeding Rs 50,000.
- (C) He should have informed JK Logistics Ltd. as well as the registrar and C&AG. As a consequence of his failure, he is liable to a penalty not exceeding Rs 5 lakhs.
- (D) He should have informed JK Logistics Ltd. as well as the registrar and C&AG. As a consequence of his failure, he is liable to a penalty not exceeding Rs50,000

ANSWER (d)

Concept Tested: Definition of a Government Company ($\geq 51\%$ by Central/State/Combination)

2. Based on the shareholding pattern of JK Logistics Ltd. and RK Logistics Ltd., select the correct answer as to the classification of these companies:

- (A) RK Logistics Ltd. is a government company while JK Logistics Ltd. is a non-government company.
- (B) RK Logistics Ltd. is a non-government company while JK Logistics Ltd. is a government company.
- (C) RK Logistics Ltd. and JK Logistics Ltd. both are government companies.
- (D) RK Logistics Ltd. and JK Logistics Ltd. both are non-government companies

ANSWER (c)



Concept Tested: Auditor independence under Rule 10 of Companies (Audit and Auditors) Rules, 2014 – Limit is ₹5 lakh for relative/partner

3. With respect to the act carried out by Mr. Avinash, the partner of the new audit firm, what can you infer about the appointment of AG & Associates, as auditors of JK Logistics Ltd.?

- (A) It is valid since the in-debtness is within the prescribed limit.
- (B) It is not valid since the in-debtness exceeds the prescribed limit of Rs 1 lakh.
- (C) It is valid since Mr. Avinash is not signing the financials of JK Logistics Ltd.
- (D) It is valid since the in-debtness is not with JK Logistics Ltd

ANSWER (a)

**Case Scenario 40 – PYP Jan 2025****[Chapter – Accounts of Companies]**

The notice for conducting the annual general meeting of XYZ Limited was sent on 3rd August, 2024 to all the stakeholders, who were eligible to receive the notice. The said notice specified that the Annual General Meeting (AGM) will be held on 5th September 2024, But, due to want of quorum, said AGM was adjourned to 12th September 2024. In the said meeting held on the 12th September 2024, the financial statements of the company could not be adopted due to some unavoidable circumstances. Since the financial statements of the company could not be adopted in the above meeting, the directors did not file the financial statements relating to financial year 2023–2024 with the Registrar on the plea that the financial statements of the Company were not adopted in a general meeting and therefore there is no necessity to file any financial statement with the Registrar till the same are not adopted. On 2nd December, 2024, an extra-ordinary general meeting was conducted, in which the financial statements of the company were adopted. Since, the Company Secretary was on a business tour and was absent from India from 10th December, 2024 to 2nd January, 2025, the adopted financial statements were filed with the Registrar only on 3rd January, 2025. Based on the facts given in above case scenario and referring to the applicable provisions of the Companies Act, 2013 and Rules therein, choose the correct answer of the following questions: (Q. No. 1 to Q. No. 4)



Concept Tested: Filing of un-adopted financial statements if AGM not held

1. What is the course of action that XYZ Limited should take for filing of the financial statements with the Registrar with respect to the annual general meeting which could not be held on 5th September, 2024?

- (A) XYZ Limited should inform the Registrar the fact that the AGM could not be held for want of quorum and therefore the financial statements will be filed with the Registrar only when they are adopted in a general meeting.
- (B) XYZ Limited should inform the Registrar the fact that the AGM could not be held for want of quorum, but the un-adopted financial statements will be filed with the Registrar within a period of 30 days from 5th September, 2024.
- (C) There is no obligation on the part of XYZ Limited to inform the fact to the Registrar that the AGM could not be held for want of quorum, but the un-adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 5th September, 2024.
- (D) There is no obligation on the part of XYZ Limited to inform the Registrar the fact that the AGM could not be held for want of quorum. Also, the un-adopted financial statements will not be required to be filed with the Registrar in this situation.

ANSWER (c)



Concept Tested: Obligation to file un-adopted financials after adjourned AGM Companies Act, 2013.

2. What is the course of action that XYZ Limited should take for filing of the financial statements with the Registrar with respect to the adjourned annual general meeting held on 12th September, 2024?

(A) XYZ Limited should inform the Registrar the fact that the AGM was held on 12th September, 2024 and since the financial statements were not adopted, the financial statements will not be required to be filed with the Registrar.

(B) XYZ Limited is not required to inform the Registrar the fact that the AGM was held on 12th September, 2024 and since the financial statements were not adopted, the financial statements will also not be required to be filed with the Registrar.

(C) There is no obligation on the part of XYZ Limited to inform the Registrar the fact that the AGM was held on 12th September, 2024, but the un-adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 12th September, 2024, which will be considered by the Registrar as the provisional financial statements.

(D) There is no obligation on the part of XYZ Limited to inform the Registrar the fact that the AGM was held on 12th September, 2024, but the un-adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 12th September, 2024, which will be considered by the Registrar as the financial statements.

ANSWER (c)



Concept Tested: Filing adopted financials post-EGM

3. What is the course of action that XYZ Limited should take for filing of the financial statements with the Registrar with respect to the extra ordinary general meeting held on 2nd December, 2024?

(A) XYZ Limited should inform the Registrar the fact that the financial statements were not adopted in the adjourned AGM held on 12th September, 2024 and the adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 2nd December, 2024, which will be treated as the financial statements of XYZ Limited for the financial year 2023-2024.

(B) XYZ Limited is not required to inform the Registrar the fact that the financial statements were not adopted in the adjourned AGM held on 12th September, 2024; but the adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 2nd December, 2024, which will be treated as the financial statements of XYZ Limited for the financial year 2023-2024 and the previously filed un-adopted financial statements, if any, will be treated as provisional financial statements.

(C) XYZ Limited is not required to inform the Registrar the fact that the financial statements were not adopted in the adjourned AGM held on 12th September, 2024; but the adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 2nd December, 2024, and the previously filed un-adopted financial statements if any, will be returned back to the company.

(D) XYZ Limited is not required to inform the Registrar the fact that the financial statements were not adopted in the adjourned AGM held on 12th September, 2024; but the adopted financial statements will be required to be filed with the Registrar within a period of 30 days from 2nd December, 2024, which will be treated as the financial statements of XYZ Limited for the financial year 2023-2024 and the previously filed un-adopted financial statements, if any, will be considered as if no financial statements were filed earlier.

ANSWER (a \ b)



Concept Tested: Obligation under Section 137(2) when AGM is not held

4. In the above case scenario, in case XYZ Limited could not convene the annual general meeting till 2nd December, 2024 and the meeting held on that date was the annual general meeting, what will be the obligation of the company with regard to filing of the financial statements with the Registrar, before conducting the said meeting?

- (A) Since the annual general meeting was not held, XYZ Limited was not required to file any financial statement with the Registrar.
- (B) Since the annual general meeting was not held, XYZ Limited was not required to file any financial statement with the Registrar, but the statement of facts and reasons for not holding the annual general meeting should have been filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held.
- (C) Even the annual general meeting was not held, XYZ Limited was required to file the financial statements only with the Registrar within thirty days of the last date before which the annual general meeting should have been held.
- (D) Even the annual general meeting was not held, XYZ Limited was required to file the financial statements along with the statement of facts and reasons for not holding the annual general meeting should have been filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held.

ANSWER (d)

**Case Scenario 41 – PYP Jan 2025****[Chapter – Share capital and debentures, Management and administration]**

Natrajan Cleaners Limited (NCL), a corporate unlisted company, is a contract manufacturing company incorporated in 2017 with a primary objective of manufacturing a full range of residential, commercial and portable washing machine for established brands in India and other neighbouring countries. NCL is a family-owned company having its registered office in Bangalore. The company has its marketing office in all the major cities including port cities. All the members, as was the usual practice, were kept informed from time to time regarding all the important matters and issues relating to the company without fail by the CFO cum Company Secretary Nirad. Years passed. Size of the business and share capital of NCL substantially increased. NCL plans to go for expansion in its capacity, keeping in mind export market, which required about Rs 25 crores. NCL started looking for various options for financing. One of the options considered was offer or invitation for subscription of equity through private placement.

The Board identified a select group of 50 persons and issued private placement offer and applications after passing a special resolution at a general meeting and also after duly following the required procedure under the applicable corporate laws. Monies received on application were kept in a separate bank account with Canara Bank. However, for some reasons NCL could not allot the equity shares within a period of 60 days from the date of receipt of the application money.

The private placement plan was effectively cancelled, duly following the required procedure. NCL later opted for bank loans to finance the expansion. NCL is authorized by its articles of association to accept whole or any part of the amount of remaining unpaid calls from any member, although till date, no part of that amount has been called up. Yogesh, one of the shareholders deposited in advance the remaining amount due on his shares without any calls made by NCL. NCL declared dividend during the year after such advance money was paid by Yogesh. Yogesh wanted to exercise his voting rights also in respect of call money paid in advance at the general meeting. Bhisma Cleanser Private Limited (BCPL) has been holding 5% equity in NCL since February 2018. During the month of February 2022, NCL invested in 70% equity shares of BCPL. Based on the facts given in above case scenario and referring to the applicable provisions of the Companies Act, 2013 and Rules therein, choose the correct answer of the following questions: (Q. No. 1 to Q. No.3)



Concept Tested: Investment by subsidiary in holding company – Exception where shares are held before becoming a subsidiary

1. The Board of Directors of NCL wants to understand from Nirad the implications of 5% holding of BCPL.

- (A) BCPL shall surrender its 5% equity holding to NCL immediately once it becomes the subsidiary of NCL.
- (B) BCPL shall transfer its 5% equity holding to any nominees of NCL before it becomes the subsidiary of NCL.
- (C) BCPL shall immediately transfer its 5% equity holding to any other legal person or entity before investment by NCL.
- (D) BCPL may continue to hold 5% equity holding in NCL.

ANSWER (d)

Concept Tested: Rule 3 of Companies (Incorporation) Rules, 2014 – OPC cannot be incorporated or converted into a company under Section 8 of the

2. Yogesh, one of the shareholders deposits in advance the remaining amount due on his shares without any calls made by NCL. NCL declared dividend during the year.

- (A) Yogesh is not entitled to any dividend in respect of call money paid in advance.
- (B) Yogesh is entitled to proportionate dividend in respect of call money paid in advance, if authorized by a Board Resolution.
- (C) Yogesh is entitled to proportionate dividend in respect of call money paid in advance, if authorized by an Ordinary Resolution in a general meeting.
- (D) Yogesh is entitled to proportionate dividend in respect of call money paid in advance, if authorized by Articles of Association.

ANSWER (a)



Concept Tested: Restrictions on publicity in private placements

3. With reference to the Board identified select group of 50 persons and issued private placement offer and applications duly following the required procedure under the corporate laws.

- (A) Public at large is to be informed about such an issue through release of public advertisement through utilizing any media, marketing, distribution channels or agents.
- (B) A release of public advertisement in any local newspaper and one national newspaper informing private placement is sufficient.
- (C) No company issuing securities under private placement shall release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an issue.
- (D) Informing the public at large through advertisement or otherwise is optional and the Board of Directors by passing a Board Resolution may decide the matter.

ANSWER (c)

**Case Scenario 42 – PYP Jan 2025****[Chapter – FEMA]**

Aces High Builders Ltd. (AHBL) is Dehradun based public limited construction company engaged in the business of developing high-end flats and villas across prime locations in Uttarakhand, India. The company had procured land in the hills of Mussoorie in the year 2019. Since then, it has been engaged in the development of the above site thereby building a set of 12 villas and 75 flats. The builders have also tied-up with one of the U.S. based commission agent Mr. Cooper who would be promoting the above property amongst Non-Residents who would like to own their private accommodation in the above location. Mr. Cooper has successfully sealed a deal with a non-resident based in Las Vegas, U.S.A. for the purchase of one of the villas costing USD 600,000, for which he is to be paid a suitable commission on the above remitted amount.

The last year landslides and other geographical disruptions in the region during monsoon season has compelled the builders to obtain expert consultancy regarding shaping and curing of the land in and around the constructed site including designing the roads; power facilities in the region and other infrastructural backup so that the area can be made safe for living all around the year. Accurate Consultants Ltd. an U.S.A. based consultancy services company has been hired to provide such services. Negotiations are being carried regarding the consultancy fees to be charged by them.

AHBL has lately started another unit engaged in the manufacturing and export of mortar mixing machines. During the current year it has received a sale order for two such machines from Italy. The machines have been packed in containers and shipped via sea to the Italian customers. Such containers have reached the Italian port. The Detention charges to be paid by the sellers are well above the rate as prescribed by Director General of Shipping. The company has also explored areas near Rishikesh for developing of farmhouses. At the initial stage, it has selected a piece of land at the outskirts of the city for the above purpose. Since the development requires huge investments, it has issued advertisements regarding the same in electronic media which has a worldwide coverage. Mr. Tony, a man of Indian origin, having migrated to U.S.A. in 1977 and he is much influenced by the above advertisement and has contacted the company with an offer to invest USD 260,000 in the same with the condition that 50% of the payment shall be made by him immediately and the rest shall be paid only after the keys to the fully developed farm house has been handed over to him. The company has agreed to his terms and is currently inviting suggestions from its legal team regarding the various nuances and feasibility of the same. Based upon the above case scenario, you are required to opt the correct answer w.r.t. the following questions (Q. No. 1 to Q. No.3) in light of the applicable provisions of the FEMA, 1999:



Concept Tested: RBI approval thresholds for commission and consultancy fees

1. Considering the provisions of the FEMA, 1999 decide upon the maximum amount of commission that can be paid to Mr. Cooper as well as Consultancy charges to Accurate Consultants Ltd. for which approval of RBI would not be required under the above Act.

- (A) USD 30000 and USD 10,000,000 respectively
- (B) USD 25000 and USD 1,000,000 respectively
- (C) USD 10000 and USD 1,00,000 respectively
- (D) USD 15000 and USD 10000 respectively

ANSWER (A)

Concept Tested: Detention charges beyond prescribed limits Companies Act, 2013.

2. Considering the provisions of the FEMA, 1999 decide upon the process of releasing the containers from Italian ports by the Indian company.

- (A) AHBL shall have to obtain prior permission of Ministry of Surface Transport (DG Shipping) for payment of the detention charges as it exceeds the rates as prescribed by Director General of Shipping
- (B) AHBL shall have to obtain prior permission of both Ministry of Surface Transport as well as Ministry of Finance, Department of Economic Affairs as the transaction involves payment of foreign exchange as detention charges.
- (C) AHBL shall have to obtain prior permission of Ministry of Finance, Department of Economic Affairs for payment of the detention charges as it exceeds the rates as prescribed by Director General of Shipping.
- (D) AHBL need not obtain permission from any government authorities in India as now the ship is at the Italian ports away from Indian Jurisdiction.

ANSWER (A)



Concept Tested: Prohibition on acquisition of agricultural or farmhouse property by NRI/PIO

3. Considering the provisions of the FEMA, 1999 the possible suggestion that can be given by the legal team regarding investment of USD 260,000 by Mr. Tony in the Rishikesh farmhouse project.

- (A) Mr. Tony can very well invest USD 260,000 towards the farmhouse as being a person of Indian origin he is allowed to buy land in India.
- (B) Mr. Tony can very well invest but only up to USD 250,000 towards the farmhouse as being a person of Indian origin he is allowed to buy land in India.
- (C) Mr. Tony cannot invest USD 260,000 towards the farmhouse as being a non-resident.
- (D) Mr. Tony cannot invest USD 260,000 in instalments of 50%, but only after paying the full one-time amount

ANSWER (C)

**Case Scenario 43 – ICAI BOOKLET****[Chapter – Charges, Prospectus, Incorporation, Management and administration]**

Vaishnav, Nilax and Nandeesh, motivated by strong desire to offer unmatched quality steel products to their customers entered into the world of steel by incorporating VXN Steel Manufacturers & Traders Limited in Nagpur in the year 2010. Owned by seven hundred and fifty-two members, the company was involved in manufacturing and supplying a wide collection of stainless-steel architectural products like frameless railings, tubes, railing fittings, pipes, and other fittings, etc. The paid-up capital of the company was ₹ 100 crores divided into 10 crores equity shares of ₹ 10 each and also the company had issued 1,00,000 secured and non-convertible 9% Debentures of the face value of ₹ 100 each which were to be redeemed on December 31, 2029.

In addition to Vaishnav, occupying the office of Managing Director (MD), Nilax, acting as Whole-time Director (WTD) and Nandeesh, holding the office of Director (Marketing), there were four more directors, as mentioned below:

Nandini – Director (Operations)

Radhika – Director (Finance)

Sambhav – Director (Research and Development)

Sarthak – Director (Human Resource and other allied matters)

Shubhendu was the Company Secretary in whole-time employment of the company looking after all the compliances relating to corporate governance.

The company was supported by talented employees in all the spheres – production, quality control, logistics, marketing, research and development, etc. Collectively, they work amicably to meet the set targets.

Over the years, VXN Steel Manufacturers & Traders Limited attained the faith of customers by offering them 'quality approved' products at budget-friendly prices. As the lease of the factory situated in Nagpur was going to expire by the end of November 2024 and it would not be extended further since the owners were unwilling to renew the lease, the directors planned to shift the business of the company from Nagpur to Mumbai where the company already owned a building which could be used for establishing factory after fulfilling requisite formalities. They also wanted to explore new genre for business growth.



Therefore, all of them had a strong opinion that shifting of Registered Office to Mumbai would be a workable idea for exploiting much better market opportunities.

With the above mindset, VXN Steel Manufacturers & Traders Limited started the formalities for the said shifting of Registered Office from Nagpur to Mumbai and it was ultimately shifted in the beginning of August 2024. The company also decided to make a capital expenditure of ₹ 40.00 crores approximately towards purchase of modernised plant and machinery for its factory at Mumbai by raising a term loan of ₹ 30.00 crores from its bankers Swarn Commercial Bank Limited and to fund the remaining expenditure of ₹ 10.00 crores from its own resources. Further, a decision was taken to dismantle and sell the old plant and machinery located at Nagpur.

In continuation, Radhika – Director (Finance), on behalf of VXN Steel Manufacturers & Traders Limited, negotiated with the officials of Swarn Commercial Bank Limited to raise a term loan of ₹ 30.00 crores. In due course of time, Swarn Commercial Bank Limited sanctioned the said term loan to be disbursed in three equal instalments of ₹ 15.00 crores, ₹ 10.00 crores and ₹ 5.00 crores. As per the terms of the sanction, the next instalment of term loan would be released only after satisfactory utilisation of earlier released instalment. The security offered was to mortgage the building at Mumbai and the entire plant and machinery to be purchased in due course. In addition, all the directors were to give personal guarantees. The bank got executed necessary loan documents including an instrument of charge on September 2, 2024. The mortgage was duly registered with the Central Registry.

The company had duly maintained all the registers and documents at the Registered Office while in Nagpur and thereafter, they were shifted to Mumbai after the Registered Office was shifted.

At the end of the financial year, the annual accounts were duly made, and it was overwhelming that there was a rise in the net profit; a fact that the directors were planning to highlight in the Annual General Meeting (AGM) which was planned to be held on September 19, 2024. The Annual General Meeting was duly held at the scheduled date, time and venue.



Concept Tested: Concept tested – Shifting the registered office from one city to another within the same state but outside the local limits of the city or town requires altering the situation clause of the Memorandum of Association

1. It is evident from the Case Scenario that VXN Steel Manufacturers & Traders Limited shifted its Registered Office from Nagpur to Mumbai in the beginning of August 2024 due to the fact that the current lease of the factory situated in Nagpur could not be extended since the owners were unwilling to renew the lease after its expiry by the end of November 2024 and further the directors wanted to explore new genre for business growth. Considering the applicable provisions, you are required to choose the correct option from those given below as to the alteration of situation clause of its Memorandum of Association in view of the shifting of Registered Office from Nagpur to Mumbai:

(a) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing a Board Resolution with all the seven directors consenting to the proposal at a validly convened Board Meeting.

(b) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing an ordinary resolution at a at a validly convened General Meeting.

(c) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing a special resolution at a validly convened General Meeting.

(d) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing an ordinary resolution at a validly convened General Meeting and thereafter, sought approval from the Central Government through the jurisdictional Regional Director.

ANSWER (c)

Concept tested – Section 77

2. According to the Case Scenario, Radhika – Director (Finance), on behalf of VXN Steel Manufacturers & Traders Limited, negotiated with the officials of Swarn Commercial Bank Limited to raise a term loan of ₹ 30.00 crores.



You are required to choose the correct option from those stated below as to whether there is any need either for VXN Steel Manufacturers & Traders Limited or Swarn Commercial Bank Limited to register the charge with the jurisdictional Registrar of Companies when the mortgage was duly registered with the Central Registry:

- (a) There is no need either for VXN Steel Manufacturers & Traders Limited or Swarn Commercial Bank Limited to register the charge with the jurisdictional Registrar of Companies when the mortgage was duly registered with the Central Registry.
- (b) It is necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the jurisdictional Registrar of Companies within the specified time limit from September 2, 2024, even though the mortgage was duly registered with the Central Registry.
- (c) Irrespective of mortgage being registered with the Central Registry, VXN Steel Manufacturers & Traders Limited would be required to register the charge with the jurisdictional Registrar of Companies only after the release of all the three instalments of term loan of ₹ 30.00 crores and the specified time limit of registration would be computed from the date of release of last instalment of ₹ 5.00 crores.
- (d) Since the amount of term loan does not exceed ₹ 50.00 crores, it was sufficient that the mortgage was duly registered with the Central Registry and therefore, it was not necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the jurisdictional Registrar of Companies.

ANSWER (b)

Concept tested - Rule 27(1), Companies (Incorporation) Rules, 2014 – List of creditors and debenture holders must be prepared within 1 month prior to filing Form INC-23 for shifting registered office with Regional Director's approval

3. Due to the non-renewal of lease after its expiry by the end of November 2024 and also to explore new genre for business growth, VXN Steel Manufacturers & Traders Limited decided to shift its Registered Office from Nagpur to Mumbai and for that purpose, in addition to passing a specified resolution, it was required to obtain the approval from the Central Government through the jurisdictional Regional Director by filing an application in Form INC-23 and such application was to be accompanied with a list of creditors and debenture holders. Choose the correct option from those specified below as to the latest date by which



the list of creditors and debenture holders must be drawn preceding the date of filing the application in Form INC-23:

- (a) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than one month.
- (b) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than one and a half month.
- (c) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than two months.
- (d) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than fifteen days.

ANSWER (a)

Concept tested – Section 20

4. It is mentioned in the Case Scenario that the Annual General Meeting of VXN Steel Manufacturers & Traders Limited was duly convened and held on September 19, 2024. In case the company had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then by which time such service shall be deemed to have been effected? You are required to choose the correct option from those mentioned below considering the relevant provisions:

- (a) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of twenty-four hours after letter containing the notice of Annual General Meeting was posted.
- (b) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of forty-eight hours after the letter containing the notice of Annual General Meeting was posted.
- (c) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice



of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of ninety-six hours after letter containing the notice of Annual General Meeting was posted.

(d) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of seventy-two hours after letter containing the notice of Annual General Meeting was posted.

ANSWER (b)

Concept tested – As per Section 71(2) of the Companies Act, 2013, debentures do not carry voting rights at general meetings of a company

5. After reading the Case Scenario narrated above, it is noticed that VXN Steel Manufacturers & Traders Limited had issued 1,00,000 secured and non-convertible 9% Debentures of the face value of ₹100 each which did not carry voting rights and were to be redeemed on December 31, 2029. Keeping in view the relevant provisions, you are required to choose the correct option from those stated below as to whether the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company till redemption of 9% Debentures:

(a) Yes; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company but such voting rights were not to remain available after the expiry of fifth year from the date of issue.

(b) Yes; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company till redemption.

(c) Yes; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company but such voting rights were not to be made available to the debenture holders till the expiry of fifth year from the date of issue.

ANSWER (d)

**Case Scenario 44 –ICAI Booklet****[Chapter – Charges]**

Shiv IT Solutions Limited is a company engaged in the business of providing customised software to its clients. These software's are usually related to the employee's attendance, leave management, salary preparation, tax calculation and other matters incidental to Human Resource (HR).

The company is having its own building and other infrastructure in Bengaluru and also at Brussels, Belgium. The company have patent rights over few of its software's and also have the trade mark right over the company's logo.

The company got sanctioned term loan facility of ₹10 crore from Best Bank Limited on 1st January, 2022 by creating a charge on the assets of the company which includes the company's own buildings and intangible assets. The charge should have been created by the company within the time prescribed under the Companies Act, 2013 with the Registrar, however, the company could not get registration of charges within the prescribed time line.

During the course of Secretarial Audit of the company, for the year ended March 2023, it came in the knowledge of the Company Secretary in Practice, that charge was not registered with the Registrar. He mentioned it in the report and advised the company to get it registered. However, the Action Taken Report (ATR) on the audit objection made by the Company Secretary was not apprised to the Board and no follow up was made by the company thereafter.

Bank's concurrent auditor and statutory auditor also pointed out this issue and narrated that since charge was not created by the company, hence this advance be treated as clean advance and interest rate of clean / unsecured advance, which is 22% (as against the normal rate of 11%) should be applied from the date of disbursement on the outstanding amount till date. Bank also asked a professional, whether it can get the charge registered, at its own, to satisfy the audit objection.

The Bank applied for registration of charge which was considered by the Registrar and registration of creation of charge was granted. The Bank in order to address the audit objections, applied the interest @ 22% on the outstanding amount in the loan account of the company. The company aggrieved with the decision of the Bank, managed to liquidate the term loans account by raising funds from other sources and filed the 'Satisfaction of Charge' with the Registrar.



Concept tested- Section 77

1. The company can create charge in favour of the lender on the assets which are:

- (a) Tangible Assets and situated in India only
- (b) Intangible Assets and situated in India only
- (c) Assets that are tangible or otherwise and situated in India or Brussels (Belgium)
- (d) Assets that are tangible or otherwise and situated in India only

ANSWER (c)

Concept tested- Section 78

2. Where the company fails to get the registration of charge, whether the Best Bank Limited, in whose favour the charge was to be created, can move the application for creation of charge:

- (a) No. It is the responsibility of the borrower company only to get the charge registered in favour of the lender.
- (b) If the company do not get the charge registered in favour of the lender, the lender suo-moto cannot move application for registration of charge in its favour.
- (c) The borrower company can be held liable to pay the penalty only.
- (d) Yes. The lender company can move the application for registration of charge in its favour, if the borrower do not get the charge registered with the prescribed time.

ANSWER (d)



Case Scenario 45 – ICAI Booklet

[Chapter – Audit and Auditors]

Pristine Limited, a listed entity, passed a resolution in its Board meeting for appointment of Arora & Associates, a Chartered Accountants firm, as Statutory Auditor of the company. The company obtained the consent in writing from Arora & Associates and also placed this recommendation before the general meeting of the shareholder and got it approved.

The company thereafter informed the CA Firm about their appointment and also filed a notice of appointment with the Registrar of Companies within the prescribed time.

Arora & Associates, Chartered Accountants firm is having 3 partners namely, A Arora, B Arora, C Arora. In this firm D Arora and M Arora were associates and were being paid on case-to-case basis and not on fixed salary.

Prior to the appointment of Arora & Associates, the previous auditor was Agrawal Arora & Associates. In this CA firm there were 6 partners namely, Priya Agrawal, Mia Agrawal, Vishal Agrawal, Vyom Agrawal, D Arora and M Arora.

D Arora and M Arora were common persons in both the firms.

While working with Pristine Limited, Arora & Associates started facing a lot of issues with the management of the company. After some time, due to these disputes with the management, Arora & Associates resigned from the company.



Concept Tested – Section 139

1. The newly appointed CA Firm (Arora & Associates) and retiring CA Firm (Agrawal Arora & Associates) have common persons i.e., D Arora and M Arora. Whether the appointment of Arora & Associates in Pristine Limited is valid as per the provisions of the Companies Act, 2013:

- (a) It not valid since both the CA Firms (New and Old) have common persons
- (b) D Arora and M Arora are the associates in Arora & Associates and not the partners, hence appointment of Arora & Associates, is valid
- (c) Arora & Associates should expel D Arora and M Arora in order to retain its appointment
- (d) Agrawal Arora & Associates should expel D Arora and M Arora

ANSWER (B)

Concept Tested – Section 139

2. What would have been the position if, D Arora and M Arora are partners in Arora & Associates:

- (a) The position will remain same as MCQ 1 above [There will be no change in position]
- (b) There shall be no change and the Arora & Associates may continue as audit firm
- (c) The appointment of Arora & Associates would not have been in terms of the provisions of the Companies Act, 2013
- (d) The company may obtain permission from the shareholders in the general meeting by way of Special Resolution for continuation of appointment of Arora & Associates

ANSWER (C)



Concept Tested – Section 139

3. In the given case, Arora & Associates due to some dispute with the management on some issues resigned from the company. Choose the correct option in respect to filling of this vacancy:

- (a) Arora & Associates cannot resign and has to hold the office till the conclusion of the next annual general meeting
- (b) The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board
- (c) This vacancy of auditor can be filled by the shareholders in consultation of the Central Government
- (d) This vacancy of auditor can be filled by the Board of Directors in consultation of the Comptroller and Auditor-General of India

ANSWER (B)



Case Scenario 46 – PYP September 2024

[Chapter – FEMA]

Mr. V being the nominee in OPC-2 became member and director of this OPC-2.

One of the friends of Mr. V advised him to do some charitable work of providing free education to the girl children of his native village near by Saharanpur. Mr. V thought about this proposal and asked his professional friend Sundaram to convert this OPC-2 into Section 8 company.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5, of 2 marks each) given herein under:

For fee and other expenses, Payal needs USD 2,25,000. Rudra Pratap contacted his banker to know the procedure for availing of foreign exchange and the authority to whom he shall apply. His banker properly guided all the relevant procedures for availing of the foreign exchange. Rudra Pratap's brother Surya Pratap went to UK some years ago, where he joined a company in managerial position. He intermittently visits to India and maintains a Non-Resident Special Rupee Scheme Account (NRSR) in Mumbai. He wanted to make remittance of interest earned in the NRSR Account and asked his bankers for the required formalities. Based on the above facts, answer the following questions: (Q. No. 1 to Q. No. 3)



Concept Tested: Government approval for cultural tours

1. For cultural tours, approval of which Ministry is required to be obtained?

- (A) Ministry of Human Resources Development
- (B) Ministry of External Affairs
- (C) Ministry of Home Affairs
- (D) Ministry of Commerce and Industry

ANSWER (a)

Concept Tested: Liberalised Remittance Scheme (LRS) for education

2. For availing foreign exchange for studying abroad, which of the following option is correct:

- (A) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad is prohibited.
- (B) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad requires prior approval of Government of India.
- (C) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad requires prior approval of RBI.
- (D) The transaction of withdrawal of foreign exchange of USD 2,25,000 for studying abroad do not require prior approval of RBI.

ANSWER (D)



Concept Tested: Liberalised Remittance Scheme (LRS) for education

3. The remittance of foreign exchange for arranging of cultural tour for the students is an example of:

- (A) Capital Account Transactions
- (B) Current Account Transactions
- (C) Hybrid Transactions
- (D) Amortised Transactions

ANSWER (B)

**Case Scenario 47 – PYP MAY 2025****[Chapter – Accounts of companies, Management and administration]**

XYZ Technologies Ltd. is a public limited company registered under the Companies Act, 2013 and has a diverse shareholder base. Due to large number of shareholders and the fact that many of them reside in different parts of the country, there is a significant interest in appointing proxies to represent shareholders who cannot attend the meeting. The Directors of XYZ Technologies Limited, desire to conduct an Extra-ordinary General Meeting (EGM) to discuss an important fund raising proposal. The meeting is scheduled to be held at 3 PM on 2nd February, 2025, and the notice of the meeting is sent to all the members as required by the provisions of the Companies Act, 2013. As per the notice, the members who are unable to attend the meeting can appoint proxy and the proxy forms duly filled should be sent to the company so as to reach the company at least 48 hours before the meeting. Mr. Praveen, a shareholder and experienced investor has often represented many shareholders in prior meetings.

This time he has been approached by 52 members to act as their proxy. Based on the facts given in the above case and by applying the relevant provisions of the Companies Act, 2013 and the applicable rules therein, choose the correct answer of the following MCQs: (Q. No. 1 to 3)



Concept Tested: Proxy limit in public companies

1. Mr. Praveen has approached you to seek guidance that for how many members he can accord his confirmation to act as proxy as per the provisions of Section 105 of the Companies Act, 2013?

(A) Mr. Praveen can accord his confirmation to act as proxy for 52 members, if they are holding in aggregate more than 10 percent of the total share capital of the company carrying voting rights.

(B) Mr. Praveen can accord his confirmation to act as proxy for 52 members, if they are holding in aggregate not more than 10 percent of the total share capital of the company carrying voting rights.

(C) Mr. Praveen can accord his confirmation to act as proxy for 50 members, if they are holding in aggregate not more than 10 percent of the total share capital of the company carrying voting rights.

(D) Mr. Praveen can accord his confirmation to act as proxy for 50 members, if they are holding in aggregate more than 10 percent of the total share capital of the company carrying voting rights.

ANSWER (c)

Concept Tested: Inspection of proxies by members Companies Act, 2013.

2. Mr. Rajan, a member of the company, entitled to vote at a meeting of the company shall be entitled to inspect the proxies lodged provided he has given _____.

(A) Not less than twenty four hours' notice to the company in writing of the intention so as to inspect the proxies lodged with the company.

(B) Not less than three days' notice to the company in writing of the intention so as to inspect the proxies lodged with the company.

(C) Not less than two days' notice to the company in writing of the intention so as to inspect the proxies lodged with the company. (D) Not less than twelve hours' notice to the company in writing of the intention so as to inspect the proxies lodged with the company.

(d) Not less than twelve hours notice to the company in writing of the intention so as to inspect the proxies lodged with the company

ANSWER (b)



Concept Tested: Record preservation requirements

3. As the Company Secretary of the Company, advise the Board of Directors to reply to the question raised by a member in the meeting with respect to the prescribed period for which the company shall preserve the register of members and copies of documents filed with ROC respectively for _____ and _____.

- (A) 8 years, 8 years
- (B) 8 years, Permanently
- (C) Permanently, 8 years
- (D) Permanently, permanently

ANSWER (C)

**Case Scenario 48 – PYP MAY 2025****[Chapter Name: Share Capital, Debentures & Charges]**

Classical Diagnostics Ltd. (CDL) is a company engaged in the business of providing diagnostic services in all major cities of India. The CDL have paid-up capital of Rs 700 crore. The face value of each of the share is Rs 10 only. As a staff welfare scheme, the CDL has taken Group Mediclaim Policy for all its employees from Bharosa Insurance Company Ltd. (BICL).

BICL was incorporated in 2015 and was having paid-up capital of Rs 1,500 crore. In order to raise further funds, the BICL has issued bonds, Unit Linked Insurance Plan and debentures to the public. The BICL had also issued Preference Shares on private placement basis and were offered to the employees of the CDL. The CDL proposed to change the rights associated with the present shareholders. Out of the Rs 700 crore of the paid-up capital, the promoter's holding was 60% and rest of the 40% was with the public and other financial institutions.

The variation proposed in the shareholder's right is that whosoever surrenders their right to vote in the meeting will be given higher dividend (if declared by the company) which shall be 2% more than the shareholders who retain the right to vote. The CDL called on Extra-ordinary General Meeting (EGM) for passing of the special resolution. Some of the shareholders did not consent to the proposal of the company and moved to the Tribunal against the variation. Based on the facts given in the above case and by applying the relevant provisions of the Companies Act, 2013 and the applicable rules therein, choose the correct answer of the following MCQs: (Q. No. 1 to Q. No. 3)



Concept Tested: Meaning of "Securities"

1. Bharosa Insurance Company Ltd. (BICL) has issued certain instruments. Which among the following shall not be covered under the definition of "Securities"?

- (A) Bonds
- (B) Debentures
- (C) Preference Shares
- (D) Unit Linked Insurance Plan

ANSWER (D)

Concept Tested: Consent requirement for variation of class rights

2. Classical Diagnostics Ltd. (CDL) proposed for variation in the shareholder's voting right. How much percentage of issued shares of that class shall be required for consent for passing such resolution?

- (A) The holders of atleast 51% of the issued shares of that class
- (B) The holders of atleast 66% of the issued shares of that class
- (C) The holders of atleast 71% of the issued shares of that class
- (D) The holders of atleast 75% of the issued shares of that class

ANSWER (D)



Concept Tested: Shareholders' right to object and Tribunal intervention

3. Where the holders of at least _____ of the issued shares of a class who did not, consent to or vote in favour of the resolution for the variation, may apply to the Tribunal to have the variation cancelled, and where any such application is made, the variation shall not have effect unless and until it is confirmed by the Tribunal.

- (A) 1%
- (B) 10%
- (C) 66%
- (D) 95%

ANSWER (B)



Case Scenario 49 – PYP MAY 2025

[Chapter – FEMA]

Dr. Ronak Mosay, a renowned lyricist and a folk singer wants to perform with his musicians across the world on a Cultural tour, partially sponsored by Youth Welfare Department of his local government. His next show is in the city of Vancouver, Canada. Dr. Ronak Mosay is an Indian citizen and a person resident in India. Dr. Ronak Mosay is also having his brother living in Canada.

Dr. Ronak Mosay also regularly keeps promoting and sponsoring Cricket tournaments in Canada. For his forthcoming tour to Canada, he wants to remit foreign exchange for hotel and for other event booking expense. Based on the facts given in the above case and by applying the relevant provisions of the Foreign Exchange Management Act, 1999 and the applicable rules (if any) therein, choose the correct answer of the following MCQs: (Q. No. 1 to Q. No. 3)



Concept Tested: Government approval for cultural remittances

1. For his show in Canada, he needs to obtain prior approval for remittance of foreign exchange from:

- (A) Ministry of Finance
- (B) Ministry of Information and Broadcasting
- (C) Ministry of Communication and Information Technology
- (D) Ministry of Human Resources Development (Department of Education and Culture)

ANSWER (D)

Concept Tested: Permissible capital account transactions under LRS

2. Dr. Ronak Mosay has enquired from you that for which of the following purposes, is he allowed to draw foreign exchange?

- (A) For his own travel to Nepal
- (B) Remittance of US \$ 50,000 out of lottery winnings to his son in US
- (C) Remittance for purchase of sweepstakes
- (D) Gift of US \$ 10,000 to his brother in Canada

ANSWER (D)



Concept Tested: Government approval for sports-related remittances

3. Dr. Ronak Mosay desires to remit US \$ 1,50,000 for payment of prize money to the winning team in a cricket tournament in Canada. He needs to obtain approval from which of the following?

- (A) His bank only, as the amount is less than US \$ 2,50,000
- (B) No approval is required
- (C) The transaction is a prohibited transaction
- (D) Ministry of Human Resource Development (Department of Youth Affairs and Sports)

ANSWER (D)

**Case Scenario 50 – PYP MAY 2025****[Chapter – LLP]**

Rohit and Anushka after passing out the CA examination, incorporated an LLP to work as the practicing Chartered Accountant. Rohit and Anushka were also titled as designated partners. After sometime, Rohit got an opportunity to provide consultancy services on an ongoing basis to a company based in Singapore. Rohit remained in India for 90 days during the Financial Year 2023-24. The LLP continues its operations from India with Anushka whereas Rohit participates in decision making remotely. Based on the facts given in the above case and by applying the relevant provisions of the LLP Act, 2008 and the applicable rules therein, choose the correct answer of the following MCQs: (Q. No. 1 and Q. No. 2)



Concept Tested: Government approval for cultural remittances

1. As per the LLP Act, 2008, the term resident in India means a person who has stayed in India for a period of:

- (A) not less than one hundred and twenty days during the financial year
- (B) not less than sixty days during the financial year
- (C) not less than one hundred days during preceding one year
- (D) not less than ninety days during preceding one year

ANSWER (A)

Concept Tested: Designated partner residency requirement

2. As per the LLP Act, 2008, whether above LLP fulfills the requirements of designated partner?

- (A) No, as both of the designated partners Rohit and Anushka should be resident in India
- (B) No, as both of the designated partners should be non-resident
- (C) Yes, as Rohit is a resident of India as defined under the LLP Act, 2008
- (D) Yes, as at least one of the designated partners should be resident in India and Anushka is a resident of India

ANSWER (D)



Case Scenario 51 – Own Research

[Chapter – Share capital and debentures, Charges]

Muthu Finance Ltd., a listed public company, has a paid-up share capital of ₹15 crores and free reserves of ₹10 crores. The Board of Directors decided to issue bonus shares in the ratio of 1:3 from its free reserves. Around the same time, the company also raised funds through private placement of secured non-convertible debentures (NCDs) worth ₹8 crores, offered to 120 persons. These debentures were secured by creating a charge on the company's warehouse and vehicles.

The company created the charge but failed to register it within 30 days. Meanwhile, one of the directors raised concern that the bonus issue might violate legal conditions, and the private placement could be treated as a public offer.



Concept Tested: Conditions for a valid bonus issue

1. Which of the following conditions must be satisfied for a valid bonus issue?

- (A) Bonus shares can be issued out of revaluation reserves
- (B) Bonus shares should be authorized by the Articles and must not be issued in lieu of dividend
- (C) Bonus shares can be issued even if the company is in arrears in payment of statutory dues
- (D) The company can issue bonus shares even if defaulted in repayment of deposits

ANSWER (b)

Concept Tested: Private placement compliance and procedural requirements

2. Which of the following statements regarding the private placement of NCDs by Muthu Finance Ltd. is correct?

- (A) Since the number of offerees exceeds 100, it is deemed to be a public issue
- (B) Private placement of NCDs is allowed without any filing if offered to less than 200 persons
- (C) Private placement to 120 persons is valid only if offer letter and return of allotment are duly filed with the Registrar
- (D) Private placement rules do not apply to listed companies

ANSWER (C)



Concept Tested: Terms of redemption of debentures

3. The NCDs were redeemable after 36 months at a premium. Which of the following is most appropriate regarding such a redemption?

- (A) Redemption premium is not permitted for non-convertible debentures
- (B) Redemption must comply with the terms of issue and be disclosed in the offer document
- (C) NCDs can be redeemed only after 5 years as per Companies Act
- (D) Premium on redemption must be approved by SEBI in all cases

ANSWER (B)

Concept Tested: Charge registration delays and available remedies.

4. The charge created to secure the debentures was not registered within the initial 30 days. The company approaches the Registrar after 50 days. What is the correct legal position?

- (A) The charge becomes void and cannot be registered thereafter
- (B) Charge on movable property need not be registered under company law
- (C) Registrar may still allow registration within 60 days by accepting additional fees
- (D) The company must file a compounding application with the Tribunal

ANSWER (C)

**Case Scenario 52 – Own Research****[Chapter–Dividend, Management and administration,Accounts of companies]**

DVK, a veteran political party based in South India, started out with an aim to serve the public. Over the years, however, it expanded its footprint into various business and social service activities as well. It has historically enjoyed a loyal support base, but has recently been facing political setbacks.

Meanwhile, TMK, an emerging political party with massive youth appeal and growing public fanbase has started gaining momentum. TMK positions itself as transparent, tech-driven, and bold, and has been vocal about corporate governance and transparency issues in the corporate-political ecosystem

Recently, MOON TV, a private media house, gave a ₹1,000 crore CSR contribution directly to DVK for “social development initiatives.” TMK openly criticized this, alleging violation of CSR laws under the Companies Act, 2013.

On the corporate front, Lotus Ltd. and Green Leaf Ltd. are two heavyweight companies with major investments in infrastructure sectors like airports, railways, and alcohol manufacturing. Both are profitable and have a large shareholder base.

One shareholder, Mr. Thambimalai, held 8% equity in Lotus Ltd. and 3% in Green Leaf Ltd. During the year, he transferred his shares to his elder brother, but no official SBO disclosure under Section 90 of the Companies Act, 2013 was made.

Meanwhile, Lotus Ltd., flush with profits, declared a bonus issue in the ratio 1:5. On the other hand, DVK, having suffered massive losses for the last two years, is still considering declaring dividends, possibly to retain public goodwill and party morale.

TMK has now raised serious allegations against the corporate behavior of both Lotus Ltd. and Green Leaf Ltd., claiming negligence in SBO compliance and questioning the legality of MOON TV’s contribution to DVK.



Concept Tested: Companies (CSR Policy) Rules, 2014 — Contributions to political parties are explicitly excluded from CSR.

1. Is the ₹1,000 crore contribution by MOON TV to DVK a valid CSR activity under the Companies Act, 2013?

- (A) Yes, because the funds were for public welfare and upliftment programs
- (B) Yes, if it was approved by the Board and mentioned in the Director's Report
- (C) No, contribution to political parties is specifically excluded from the definition of CSR
- (D) Yes, if DVK used the funds for education and healthcare purposes

ANSWER (C)

Concept Tested: SBO threshold is $\geq 10\%$ beneficial interest. Separate holdings in different companies (8% + 3%) do not qualify as SBO. SBO = control/influence + threshold

2. After Thambimalai transferred his 8% stake in Lotus Ltd. and 3% in Green Leaf Ltd. to his elder brother, who holds beneficial ownership for SBO compliance?

- (A) Thambimalai's brother becomes the new SBO and must file Form BEN-1
- (B) TMK is correct that Thambimalai and his brother are avoiding SBO disclosure
- (C) They are only Beneficial Owners (BO), not Significant Beneficial Owners (SBO)
- (D) Both are SBOs and must jointly file disclosure under Section 90

ANSWER (C)



Concept Tested: Issuance of dividend

3. Can DVK, after incurring losses in the last two financial years, still go ahead and declare dividend in the current year?

- (A) Yes, if approved by a special resolution of the shareholders
- (B) Yes, if paid out of reserves without Central Government approval
- (C) Yes, using money raised from CSR or donations
- (D) No, dividend cannot be declared by DVK

ANSWER (D)

Concept Tested: Conditions for bonus issue under Companies (Share Capital and Debentures) Rules, 2014.

4. Lotus Ltd., which has 2,45,361 shareholders, issued a bonus in the ratio of 1:5. Which of the following conditions must be met for this issue to be valid?

- (A) Bonus must be issued only from revaluation reserves
- (B) Bonus is invalid if not issued through public offer
- (C) Bonus can be issued from free reserves or securities premium, and must not be in lieu of dividend
- (D) Bonus is not allowed for companies with more than 2 lakh shareholders without SEBI approval

ANSWER (C)



Case Scenario 53 – Own Research

[Chapter – Definition, Incorporation]

India Cements Ltd., a listed company, holds 58% stake in the cricket franchise Chennai Super Kings (CSK). The remaining shares are held by Sri Sarada Logistics Pvt. Ltd. (30%) and EWS Finance & Investment Pvt. Ltd. (12%). Mahendra Singh Dhoni has been the captain of CSK since 2008 and continues to hold this position till 2026. Though Dhoni is neither a shareholder nor a director in CSK, he exercises significant influence over major decisions of the franchise, including the appointment and removal of the Board of Directors.

Later, Sri Sarada Logistics decides to exit by offering its 30% stake via the Offer for Sale (OFS) mechanism. CSK's board passes a resolution to vary the rights of shareholders—excluding Sarada's rights. Sarada does not consent to this variation.

Subsequently, Dhoni acquires 10% shares in CSK from Sarada. At the time of incorporation, CSK's Articles contained an entrenchment provision stating that the appointment or removal of the captain shall require unanimous consent. Years later, CSK passes a special resolution to remove Dhoni as captain.



Concept Tested: Promoter Definition under Sec 2(69)

1. Based on the given facts, can Dhoni be classified as a "promoter" under Section 2(69) of the Companies Act, 2013?

- A. No, he is not a shareholder or director, hence not a promoter
- B. No, as he holds no official designation or shareholding in CSK
- C. Yes, since he exercises indirect control over the affairs of CSK
- D. He is a brand ambassador, not a promoter under the Act.

ANSWER (C)

Concept Tested: Section 48 – Consent Requirement for Class Rights Variation

2. Can CSK vary the shareholder rights of other shareholders (excluding Sarada's), and will such variation be valid if Sarada did not consent?

- A. Yes, rights of other shareholders can be varied without consent.
- B. Yes, if a majority approves, individual consent of Sarada is not necessary.
- C. No, variation is invalid as consent of not less than 75% of the affected class (including Sarada) was not obtained
- D. Variation is valid only if Sarada sells her shares.

ANSWER (C)



Concept Tested: Entrenchment Clause Validity under Sec 5

3. CSK had an entrenchment clause at incorporation requiring unanimous consent for the appointment or removal of captain. Can they now, after several years, remove Dhoni as captain through a special resolution?

- A. Yes, special resolution is sufficient .
- B. No, since entrenchment provision requires unanimous consent, it overrides special resolution.
- C. Yes, entrenchment can be overridden after 3 years .
- D. No, Dhoni's approval is needed only if he's a director.

ANSWER (B)



Case Scenario 54 – Own Research

[Chapter – Charges]

Vijay Mallya, once a flamboyant businessman and owner of Royal Royal Challengers Bengaluru (RCB), took four loans from different banks:

1. Loan 1 from State Bank of India on 1st April 2015 – charge registered within 30 days, but mistakenly in the name of *Vijay Balaya*.
2. Loan 2 from Bank of Baroda on 10th March 2016 – charge filed after the 30-day period.
3. Loan 3 from ICICI Bank on 15th August 2017 – charge registered after 60 days with ad valorem fees.
4. Loan 4 from Yes Bank on 1st January 2018 – charge never registered due to internal issues.

In 2025, Yes Bank appointed Mr. Dhoni as its new Manager. He wants to register the charge after a delay of 7 years.

To raise more funds, Vijay Mallya decided to issue debentures at 78% interest, with 672 investors from Bangalore subscribing to a ₹100 crore issue. The issue was entirely handled by Vijay Mallya himself.

In 2016, Vijay Mallya was convicted of fraud and left the country. In 2026, after repaying all his loans and posting public apologies on X (formerly Twitter), he returned to Chennai. In 2027, he proposed to start a company called Vijay Mallya Entertainment Management Pvt. Ltd., alongside his son Sid Mallya, to host fake sangeeths and celebrity events. He even obtained Central Government approval.



Concept Tested: Late Registration of Charge with CG Approval

1. Can Mr. Dhoni, the new manager at Yes Bank, register a charge now after 7 years from its creation?

- A. No, registration beyond 300 days is completely barred.
- B. Yes, if Central Government approval is obtained on just and equitable grounds under Section 87
- C. Yes, delay doesn't matter if parties mutually agree.
- D. Yes, since the delay was caused by unavoidable circumstances, registration is automatic.

ANSWER (B)

Concept Tested: Rectification of Name Error in Charge by CG

2. The charge for Loan 1 was registered within 30 days, but due to a clerical error, it mentioned "Vijay Balaya" instead of "Vijay Mallya". Can this be corrected after 3 years?

- A. No, such clerical errors cannot be corrected after 1 year.
- B. Yes, under Section 87, CG may allow rectification of such error even after 3 years.
- C. Yes, if both parties agree in writing.
- D. No, it can only be corrected by a court order.

ANSWER (B)



Concept Tested: Requirement of Debenture Trustee when more than 500 investors

3. Since the debenture issue involved more than 672 investors and was handled entirely by Vijay Mallya himself, was it mandatory to appoint a Debenture Trustee?

- A. Yes, because more than 500 people subscribed, debenture trustee is mandatory.
- B. Yes, since more than 500 people subscribed, a debenture trustee must be appointed as per Companies Act .
- C. No, 70% of 672 is less than 500 so it's not mandatory.
- D. No, debenture trustee is needed only when the issue crosses 200 investors.

ANSWER (B)

Concept Tested: Disqualification from Directorship due to Conviction

4. Vijay Mallya, who was convicted for fraud in 2016, repaid all dues and gained public sympathy. In 2027, he wants to start a new company along with his son. He has also received CG approval. Can he start the new company?

- A. Yes, as he has repaid all loans and obtained CG approval.
- B. Yes, if he is not a director.
- C. Yes, after publishing his apology publicly.
- D. No, as 5 years from conviction have not yet lapsed.

ANSWER (D)

**Case Scenario 55 – Own Research****[Chapter – LLP, Incorporation, Prospectus, Accounts of Companies]**

In 2020, actress Alia Bhatt launched an eco-conscious kids wear brand, Ed-a-Mamma, initially operating as a sole proprietorship with Ranbir Kapoor as an informal business partner. She also included her minor daughter Riha in the business structure for future benefit planning.

Upon the advice of CA Karan, they considered converting the business into either a Company or LLP. To help them decide, he outlined the following key differences:

Aspect	LLP (Limited Liability Partnership)	Company (Private/Public Limited)
Advantages	<ul style="list-style-type: none"> • Lower cost of incorporation and compliance • Flexibility in operations • No requirement for annual general meetings • Audit not mandatory unless turnover exceeds ₹40 lakhs 	<ul style="list-style-type: none"> • Easier access to equity funding • Perpetual succession with stronger legal status • Can issue various classes of shares • More credibility with VCs and large investors
Disadvantages	<ul style="list-style-type: none"> • Cannot raise equity from public • Cannot issue shares • Less recognition from institutional investors 	<ul style="list-style-type: none"> • Higher cost of compliance and regulatory filings • Mandatory audits and annual filings • Board meetings and ROC formalities are compulsory

The main advantage of LLP was lower cost and ease of compliance. However, since Alia and Ranbir had ample funds and aimed for rapid scalability, they opted to convert into a company.

In 2023, Reliance Group invested in Ed-a-Mamma in phases:

- January 2023 – 10%
- April 2023 – additional 15% (total 25%)
- September 2023 – further 26% (total 51%)

CA Inter Corporate and Other Laws

LAW CASE BASED MCQ

Now, Alia and Ranbir are planning further dilution of equity. During the 2024 AGM, shareholder Blue Sattai Maran questioned the lack of consolidated financials, arguing that since Reliance acquired shares in stages, consolidation was not necessary.



Concept Tested: Minor's legal capacity in LLPs

1. Can a minor like Riha be made a partner in an LLP if Alia Bhatt is her legal guardian?
- A. Yes, if represented by her guardian
 - B. No, a minor cannot be part of any registered business
 - C. Yes, but only if the LLP has no profits
 - D. No, a minor can be admitted only to the benefits of partnership in a traditional firm, not as a partner in an LLP

ANSWER (d)

Concept Tested: Appropriate issue mechanism for equity dilution

2. What is the appropriate method for Alia and Ranbir to further dilute their shareholding in Ed-a-Mamma?
- A. Rights Issue
 - B. Private Placement
 - C. Public Offer (IPO)
 - D. Offer for Sale (OFS)

ANSWER (b)



Concept Tested: Frequency and person-limit in private placements

3. How many times can Ed-a-Mamma make private placements in a financial year?

- A. Only once per financial year
- B. Only twice, with CG approval
- C. Unlimited, if CG permits and consent of all members where it is not exceeded 200 persons.
- D. Unlimited, but each offer must not exceed 200 persons

ANSWER (d)

Concept Tested: Compliance and operational flexibility of LLPs

4. Which of the following is a correct advantage of choosing LLP over a company?

- A. LLP is preferred for listing on stock exchange
- B. LLP enjoys lower compliance and cost advantages
- C. LLP can raise public funds easily like a company
- D. LLP must conduct AGMs just like companies act as legal consultant on behalf of Vani

ANSWER (b)



Concept Tested: Requirement of Consolidated Financial Statements

5. Reliance acquired Ed-a-Mamma shares in Jan, Apr, and Sep 2023, reaching 51%. Blue Sattai Maran claimed that consolidation of financials is not required. Is his claim valid?

- A. Yes, since acquisition happened at different months
- B. Yes, consolidation is required only for listed companies
- C. No, once holding crosses 50%, consolidation is mandatory regardless of acquisition timing
- D. No, unless Reliance controls the board directly

ANSWER (c)



Case Scenario 56 – Own Research

[Chapter – Prospectus, Interpretation of statutes, Definition]

In 1988, Universal Luggage issued a document to the public containing representations about its profit history and dividend payouts. Based on these representations, investor Mrs. Kiran Mehta subscribed to shares. Later, she suffered losses as the statements turned out to be misleading.

The company claimed the document was not a “prospectus” under the Companies Act. However, the court interpreted the statutory definition of “prospectus” and applied legal doctrines to hold the company liable for misstatements and concealment of material facts.



Concept Tested: Definition and scope of "Prospectus"

1. How did the court determine whether the document issued by Universal Luggage was a "prospectus"?

- A. It was titled "prospectus" and printed on stamp paper
- B. It was an invitation to the public for subscribing to shares, fulfilling the legal definition
- C. It was advertised in newspapers, so it qualified automatically
- D. It was signed by all directors, so it was treated as a formal prospectus

ANSWER (B)

Concept Tested: Golden Rule of interpreting prospectus obligations .

2. Which rule of interpretation did the court apply to assess the validity and content of the prospectus?

- A. Mischief Rule – only look at the purpose
- B. Golden Rule – mandate full and truthful disclosure
- C. Literal Rule – interpret only based on the text
- D. Ejusdem Generis – apply only to similar expressions

ANSWER (B)



Concept Tested: Civil and criminal liability for misstatements in a prospectus

3. Under the Companies Act, who can be held liable for misstatements in a prospectus?

- A. Only the Managing Director
- B. Only the person who drafted the prospectus
- C. Every person who authorized the issue of the prospectus, including directors and promoters
- D. Only promoters, not directors

ANSWER (C)



Case Scenario 57 – Own Research

[Chapter – Audit and auditors, Interpretation]

Satyam Computer Services Ltd., once India's 4th largest IT company, was founded in 1987 by Ramalinga Raju. Between 2003 and 2008, Satyam's books of accounts were systematically manipulated by overstating profits and showing inflated bank balances. By 2008, the fraud had crossed ₹7,000 crore, with over 13,000 fictitious employees added to payroll and bogus salaries paid.

Raju attempted to cover up the scam by proposing in December 2008 that Satyam would acquire Maytas Infra and Maytas Properties – companies owned by his family. Investor backlash followed, and on 7 January 2009, Raju confessed in a dramatic resignation letter, admitting he had falsified accounts for years. He stated he was "riding a tiger, not knowing how to get off."

PwC India, the statutory auditor from 2000 to 2008, failed to perform basic audit procedures like verifying cash balances and sending bank confirmations, instead relying solely on management inputs. Following the scam, SEBI barred PwC from auditing listed companies for two years, citing negligence.

The scam shook investor confidence, triggered regulatory reforms, and is now cited as a landmark in auditor accountability, interpretation of auditing standards, and the statutory duties under the Companies Act, 2013.



Concept Tested: Statutory duty of auditor to report on true and fair view

1. As per the Companies Act, whose primary duty is it to ensure that books of account give a true and fair view of the financial position of a company?

- A. Board of Directors
- B. Statutory Auditor
- C. Chief Financial Officer
- D. Audit Committee

ANSWER (B)

Concept Tested: Application of the Golden Rule in interpreting auditor responsibilities Companies Act, 2013.

2. PwC failed to verify bank balances and accepted management figures without confirmations. Which of the following statutory interpretations applies to the auditor's failure in this context?

- A. Mischief Rule – as intention of law was ignored
- B. Literal Rule – auditors did what was exactly written
- C. Golden Rule – auditors must go beyond formal procedures to ensure substance over form
- D. Strict Rule – law must be applied exactly as enacted

ANSWER (C)



Concept Tested: Auditor's liability for negligence in fulfilling statutory duties

3. Which of the following is true regarding the auditor's liability for negligence under the Companies Act?

- A. Auditor is not liable if management has hidden the fraud
- B. Auditor can escape liability if company is unlisted
- C. Auditor is liable if due diligence and professional skepticism are not exercised
- D. Auditor can only be held liable with shareholder approval

ANSWER (C)

Concept Tested: Auditor's responsibility for truthful and accurate financial statements

4. Ramalinga Raju confessed in a public letter that he "rode a tiger" to maintain the fictitious profits. What is the primary statutory duty of a statutory auditor under the Companies Act 2013?

- A. To maximize company profits
- B. To ensure financial statements are free from material misstatement and faithfully represent the company's financial position
- C. To prepare the financial statements
- D. To sign only after board approval

ANSWER (B)



Case Scenario 58 – Own Research

[Chapter – Prospectus]

Honasa Consumer Ltd, parent of the D2C brand Mamaearth, filed its Draft Red Herring Prospectus (DRHP) in December 2022 under SEBI ICDR Regulations. The IPO comprised:

A] A fresh issue of equity shares worth ₹400 crore

B] An Offer For Sale (OFS) of up to 46.8 million shares by existing investors, including celebrity investor Shilpa Shetty Kundra, who subscribed at an average acquisition cost of ₹41.86 per share and sold at ₹324.

The OFS involved more than 200 selling shareholders, and it raised ₹1,701 crore at the top end of the price band. Mamaearth utilized net IPO proceeds for brand promotion and expansion.

In the RHP dated October 2023, Honasa Consumer Ltd disclosed revenue of ₹1,492.75 crore and a net loss of ₹142.8 crore for FY 2023. However, it also claimed revenue growth at a CAGR of 80.14% from FY 2021–2023, which is arithmetically incorrect based on given numbers. Concerned investors accused the company of misstatement in the prospectus, potentially in violation of Sections 62–63 of the Companies Act or SEBI norms.



Concept Tested: Nature of Offer For Sale vs Fresh Issue in Share Capital structure

1. Which of the following is true regarding the Offer For Sale (OFS) in this IPO?

- A. OFS is treated as a fresh issue and increases the company's share capital.
- B. OFS is a transfer of existing shares by promoters/investors – it does not dilute the company's share capital.
- C. OFS proceeds accrue to the company's reserves for future exploitation.
- D. OFS is outside the scope of SEBI ICDR regulations and needs no regulatory approval.

ANSWER (B)

Concept Tested: Differences between private placement and OFS; SEBI vs Companies Act limits

2. If Mamaearth's DRHP involves 46.8 million shares being sold by 300 existing shareholders, the transaction is:

- A. A private placement under Section 42
- B. An Offer For Sale under SEBI regulations, unaffected by the limit of 200 persons
- C. Treated as a public offer under Section 67(3)
- D. Invalid due to breach of the 200-person private placement cap

ANSWER (B)



Concept Tested: Liability for misstatements in prospectus under Companies Act provisions

3. If the CAGR statement is found misleading, how is this treated under Indian law?

- A. It's only a disclosure mistake and not actionable.
- B. It can amount to a misstatement in prospectus, attracting civil and criminal liability under Sections 62 & 63.
- C. SEBI ICDR regulations allow such narrative growth claims.
- D. Unless funds were misused, no liability arises.

ANSWER (B)



Case Scenario 59 – Own Research

Byju's, once valued at US\$22 billion, defaulted on a US\$1.2 billion loan from lenders in early 2022. Court records revealed that US\$533 million was allegedly diverted through complex offshore transactions involving small hedge funds and shell entities, and later, some of these funds were "difficult to trace"

In June 2024, the Ministry of Corporate Affairs (MCA) completed its probe into Byju's corporate practices. It found significant governance lapses, including failure to hire qualified finance professionals, poor acquisition disclosures, and holding board meetings on very short notice. However, the MCA found "no direct evidence of financial fraud" at that time

Later, in February 2024, Byju's US unit filed for Chapter 11 insolvency in Delaware. Creditors filed legal suits alleging misappropriation of US\$533 million, and proceedings are ongoing. Simultaneously, the Central Registrar's Regional Office and SEBI initiated investigations into accounting misstatements and lack of disclosures



Concept Tested: Duty to maintain books of account and financial competence under Indian company law (Sec 128)

1: Which key statutory obligation under the Companies Act is least complied with, based on MCA's report of Byju's?

- A. Preparation of consolidated financial statements
- B. Conducting Annual General Meeting within prescribed timeline
- C. Maintaining proper financial records by qualified personnel
- D. Disclosure of related-party transactions in Board report

ANSWER (C)

Concept Tested: Internal financial controls and audit trail requirements under Section 134 & 143 Companies Act, 2013.

2: The alleged diversion of US\$533 million through undisclosed offshore transactions primarily indicates a failure of which internal control?

- A. Board meeting quorum
- B. Fraud risk assessment and audit trail of cash flows
- C. Timely filing of ESG disclosures
- D. Compliance with FEMA norms for foreign investment

ANSWER (B)



Concept Tested: Default in maintaining statutory books and board records under Sections 118 (Minutes) and Secretarial Standards (SS-1)

3. Byju's was reported to have held board meetings with inadequate notice and failed to keep proper records of key transactions. Under the Companies Act, such acts are classified as:

- A. Criminal breach under auditor responsibility
- B. Failure of maintaining statutory records and board meeting compliance under secretarial standards
- C. Voidable acts if not reported to the MCA
- D. Legally valid if shareholders approve later

ANSWER (B)



Case Scenario 60 – Own Research

[Chapter – FEMA, Foreign company]

Between 2007 and 2010, Google India Pvt Ltd (GIPL) engaged in two deferred payment transactions:

1. It received advertising services from Google Ireland, but ₹363.8 crore remained unpaid for over 4 years (as of May 2014).
2. It purchased fixed assets from Google US, with ₹1.08 crore unpaid for over 7 years (as of January 2014).

The Enforcement Directorate (ED) alleged these were External Commercial Borrowings (ECB) and GIPL violated Section 6(3)(d) of FEMA by not securing prior RBI approval—as GIPL was not eligible under the automatic route. GIPL argued these were routine trade credits, not loans, and invoked post-facto RBI approval to regularise the delays.

In May 2025, the Karnataka High Court directed GIPL to deposit 50% of the FEMA penalty (approximately ₹2.5 crore) while contesting the remainder



Concept Tested: Capital account treatment of deferred payments under Section 6(3)(d) of FEMA, requiring RBI approval for ECBs.

1: Under FEMA, classify GIPL's unpaid transactions as:

- A. Current Account Transactions — no RBI approval required
- B. Capital Account Transactions (ECB) — RBI approval required
- C. Below threshold remittances — exempt
- D. Trade Loan under current trade credit — requires only audit trail

ANSWER (b)

Concept Tested: Post-facto RBI approval is permissible under FEMA and can mitigate regulatory noncompliance, though penalty may still be imposed.

2: GIPL later obtained RBI's post-facto approval. Can this cure the violation?

- A. No, once FCA is violated, the penalty is automatic
- B. Yes, RBI approval can regularize the transaction, though a penalty may still apply
- C. Yes, and the penalty is waived automatically
- D. No, approvals only prevent civil liability, not criminal

ANSWER (B)



Concept Tested: Section 2(42) – Definition of a foreign company under the Companies Act, 2013

Google Ireland and Google US regularly transact with Google India Pvt Ltd and derive revenue from India through digital advertising services. Under the Companies Act, 2013, when will such an overseas entity be classified as a foreign company?

- A. If it owns any asset in India
- B. If it has a place of business in India (physical or digital) and conducts any business activity
- C. Only if it is incorporated under Indian law
- D. If its entire shareholding is held by Indian citizens

ANSWER (B)

**Case Scenario 61 – MTP September 2025 Series I****[Chapter-General Clauses Act, 1897]**

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

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

Later, on 15th March 2024, the company received a government notification requiring that all newly established agro-industrial units must obtain a special regulatory clearance within 45 days from the date of establishment. The notification also clarified that all existing permissions or orders issued under the repealed Agro-Industrial Development Act shall remain valid under the new replacement legislation. As per the notification, intimation or service of orders must be made through registered post to all concerned stakeholders. Now, the Managing Director of the company seeks your legal opinion on various implications under the General Clauses Act, 1897. On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3, of 2 marks each) given herein under:



Concept Tested: Section 3(26) – “Immovable property” includes land, benefits arising out of land, and things attached to the earth. Tractors are movable property

1. Among the assets acquired by EAEPL, which of the following would not be classified as immovable property under the General Clauses Act, 1897?

- (a) The industrial warehouse
- (b) 30 acres of farmland
- (c) 150 tractors
- (d) Plantation of 200 timber trees

ANSWER (c)

Concept Tested: Section 10 – If the last day for doing any act falls on a holiday, the act may be done on the next working day.

2. If the requirement was to obtain regulatory clearance within 45 days from 28th February 2024, and 13th April 2024 is a public holiday (Saturday), by which date must clearance be obtained?

- (a) 13th April 2024
- (b) 12th April 2024
- (c) 14th April 2024
- (d) 15th April 2024

ANSWER (d)



Concept Tested: Section 27 – A notice properly addressed, prepaid, and sent by registered post is deemed to be served even if refused by the recipient.

3. The government notification dated 15th March 2024 was sent to EAEPL via registered post on 18th March 2024, and the company returned it with an endorsement of refusal. As per the General Clauses Act, 1897, choose the correct option.

- (a) It will be presumed that the notice has been served
- (b) It will be deemed that the notice has not been served
- (c) The notice has to be sent again till the time, the company does not validly accept the notice
- (d) The notice will now be served on the shareholders of the company

ANSWER (a)

**Case Scenario 62 – MTP September 2025 Series I****[Chapter – LLP]**

Divine Associates was a well-established partnership firm operating in engineering and infrastructure consulting for over two decades. It includes four partners—Mr. Aryan (designated Partner), Ms. Simran (sleeping partner), Mr. Junaid (Finance Head) and Mr. Roy (Operations). The firm saw immense growth after securing multiple government infrastructure contracts. As the business expanded, they faced increasing compliance complexities, risk of personal liabilities and tax inefficiencies. In early FY 2023–24, the partners unanimously decided to convert the partnership into a Limited Liability Partnership (LLP) for better risk protection and corporate governance. The firm was registered as Stellar Associates LLP on 20th October, 2023.

Ten days later after conversion, due to some chronic health issues Mr. Junaid resigned. The LLP continued operations with the remaining three partners. However, from 1st November, 2023, to 1st June, 2024, no new partner was appointed.

During this time, significant project contracts and vendor negotiations were executed by Mr. Aryan and Mr. Roy. Ms. Simran, despite being a silent partner, extended a 20 lakh personal loan to the LLP for temporary working capital. She signed a standard loan agreement and expected repayment within 18 months. The LLP treated this as external borrowing, with interest and principal obligations to her similar to a non-partner lender. In April 2025, the LLP faced internal disputes regarding a transfer of Mr. Roy's profit share to Mr. Ketan (a third-party investor). The investor insisted on participating in decision-making after acquiring 20% profit rights, which was denied by the remaining partners.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1–4, of 2 marks each) given herein under:



Concept Tested: Section 25 of the LLP Act – Any change in partners must be filed with the Registrar within 30 days.

1. Mr. Junaid resigned from Stellar Associates LLP on 30th October, 2023. Choose the correct option:

- (a) The LLP should file a notice with the Registrar within 30 days from the date Mr. Junaid ceases to be a partner.
- (b) The LLP should file a notice with the Registrar within 7 days from the date of resignation.
- (c) There is no statutory time limit for informing the Registrar of a partner's resignation.
- (d) The LLP is under no obligation to inform the Registrar about such change. It is only the responsibility of outgoing partner to inform the Registrar.

ANSWER (a)

Concept Tested: Section 6 – LLP must have minimum two partners; continuing business with fewer partners for more than 6 months leads to personal liability.

2. From 1st November, 2023 to 1st June, 2024, the LLP functioned with only two partners. What is the most critical legal consequence under LLP law?

- (a) The LLP must dissolve immediately after 3 months.
- (b) All decisions taken during this period are valid as it needs two partners run an LLP
- (c) The continuing partners may be personally liable for obligations incurred during the 6+ month period.
- (d) There is no consequence if the partners are aware of the shortage.

ANSWER (c)



Concept Tested: Partner loans can be treated as external borrowings if supported by loan agreement; not part of capital contribution.

3. Regarding Ms. Simran's ₹ 20 lakh loan to the LLP, what is the correct classification and its legal effect?

- (a) It must be treated as a capital contribution, but priority will be given to creditors loan.
- (b) It qualifies as a partner's contribution and offers no creditor protection.
- (c) It is treated as a third-party transaction and must be honoured like any external loan.
- (d) Such loans are not permitted between partners and LLP.

ANSWER (c)

Concept Tested Section 42 – Assignment of profit share does not give transferee any management or inspection rights unless admitted as a partner.

4. Mr. Roy transferred 20% of his profit rights to Mr. Ketan who now demands management rights. So as per the provision of LLP Act how will you define Mr. Ketan's position in the LLP?

- (a) The transferee automatically becomes a partner entitled to manage the LLP.
- (b) Profit transfer doesn't entitle the transferee to management or access to LLP affairs.
- (c) The transferee can veto management decisions involving Roy's capital.
- (d) Only if more than 25% is transferred, management rights apply.

ANSWER (b)

**Case Scenario 63 – MTP September 2025 Series I****[Chapter – Prospectus, Deposits, Audit and auditors, Management and administration]**

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

The manager of the company objected to allotment of the shares as the total number of persons exceeds the permissible limit provided under the law. The company has its registered office in Mumbai, Maharashtra. The company maintains its registers at the registered office by default. Last year the company opened a branch office in Hyderabad, Telangana. The total shareholders on record of the company are 21,000. Out of these, 2160 shareholders are residing in Hyderabad. The management believes that maintaining the register of members at the Hyderabad office is not a good idea as in order to maintain the register, at least 1/4th of the total shareholders should be living in Hyderabad.

The company has appointed Arun & Co., a chartered accountancy firm, as the auditors for two terms of 5 consecutive years each, from FY 2014–15 to FY 2023–24. The firm had two main partners CA. Rajan Mehta and CA. Nupur Jain. For the FY 2024–25 to F.Y. 2029–30, the company wanted to appoint Jain & Associates. However, it was later noted that CA Nupur Jain is a sleeping partner in Jain & Associates. The board is of view that since CA Nupur Jain is sleeping partner in the company, there should be no issues in continuing the services of Jain & Associates as their auditors. In January 2025, the company decided to accept fresh deposits from its members. The company in past has defaulted on the repayment of deposits to its members in 2019. The company faced many financial difficulties, but it successfully repaid all outstanding deposits and interest by March 2021. So now the board of directors has passed a resolution to accept 2 crore as deposit from its members.

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



Concept Tested: Rule 14(2)(b) of Companies (Prospectus and Allotment of Securities) Rules, 2014 – Private placement limit of 200 does not include Qualified Institutional Buyers (QIBs) and ESOPs.

1. Considering the applicable provisions related to private placement as given under the Companies Act, 2013, which of the following statement is correct?

- (a) The company has breached the 200-person limit, as the total number of persons to whom securities are offered are more than 200 in a financial year.
- (b) The company has exceeded limit of 200 persons across both types of securities (excluding ESOPs).
- (c) The company has not exceeded 200-person limit, because QIBs and ESOP are excluded from the calculation of threshold limit of identified persons.
- (d) The company must seek prior approval of SEBI for any private placement involving QIBs.

ANSWER (c)

Concept Tested: Rule 3(3)(a) of Companies (Acceptance of Deposits) Rules, 2014 – A company which has defaulted in repayment of deposits cannot accept new deposits for 3 years from the date of rectification.

2. The company had defaulted on repayment of deposits but wishes to accept deposits from its members again. What is a mandatory requirement before doing so?

- (a) The company must wait for three years after making good the default before accepting new deposits.
- (b) The company must obtain a statutory auditor's certificate, confirming that the default has been rectified, and five years have passed since then.
- (c) The company can accept deposits immediately since it has repaid all previous defaults, without requiring any additional approvals.
- (d) The company must seek approval from the Registrar before accepting deposits from its members, since only three years have elapsed from the date of making good the default.

ANSWER (a)



Concept Tested: Section 139(2) Explanation – Audit firm having common partners with outgoing firm is ineligible for reappointment for 5 years.

3. The company completed two audit terms (10 years) with Arun & Co. and now intends to appoint Jain & Associates as its new auditor firm. But it found that CA. Nupur Jain is a common partner in both firms. Which of the following best explains why Jain & Associates qualifies/disqualifies for the appointment as an auditor?

- (a) Appointment of Jain & Associates would violate the provisions of the Companies Act, 2013, as the firm has common partner with the retiring auditor firm, making it ineligible for five years under the Companies Act.
- (b) Jain & Associates cannot be disqualified as CA. Nupur Jain is a sleeping partner of the firm.
- (c) Jain & Associates can be appointed as the new auditor firm since it has partners apart from CA. Nupur Jain also.
- (d) Jain & Associates disqualifies to be appointed as auditor of the firm as it needs to observe a cooling-off period of 2 years as it has common partners.

ANSWER (a)

Concept Tested: Section 94 and Rule 5 of Companies (Management and Administration) Rules, 2014 – Register of members may be kept at another place only if at least 1/10th of members reside there and board resolution with ROC intimation is done.

4. The board of directors are of view that they should maintain a register at Hyderabad only if one-fourth of members are residing there. Do you agree with the board of directors' view of not maintaining the register at Hyderabad?

- (a) No, the company can maintain the register at the Hyderabad office without passing any resolution, as the Companies Act allows to maintain register at any branch office.
- (b) Yes, the board needs to pass a resolution and notify ROC before maintaining register at branch office if at least 1/4th shareholders are living in Hyderabad.
- (c) No, only after passing a special resolution in a general meeting, the register can be maintained at Hyderabad because more than 10% of the members reside there.
- (d) No, the company cannot maintain registers outside the registered office under any circumstance unless it is a foreign company.

ANSWER (b)



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