

Test Series: March, 2022

MOCK TEST PAPER 1
INTERMEDIATE: GROUP – I
PAPER – 2: CORPORATE AND OTHER LAWS

Division A is compulsory

In Division B, Question No.1 is compulsory

*Attempt any **Three** questions out of the remaining **Four** questions*

Time Allowed – 3 Hours

Maximum Marks – 100

Division A (30 Marks)

- I. Sourabh Publishers Ltd., a listed entity, passed a resolution in its Board meeting for appointment of Jain & Jain, a Chartered Accountants firm, as Statutory Auditor of the company. The company obtained the consent in writing from Jain & Jain 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.

Jain & Jain, Chartered Accountants firm is having 3 partners namely, Mridula Jain, Shyamla Jain, Parul Jain. In this firm Mayank Jain and Shashank Jain were associates and were being paid on case-to-case basis and not on fixed salary.

Prior to the appointment of Jain & Jain, the previous auditor was Agrawal Jain & Associates. In this CA firm there were 6 partners namely, Prashant Agrawal, Vikas Agrawal, Vishal Agrawal, Vyom Agrawal, Mayank Jain and Shashank Jain.

Mayank Jain and Shashank Jain were common persons in both the firms.

While working with Sourabh Publishers Ltd., Jain & Jain started facing a lot of issues with the management of the company. After sometime, due to these disputes with the management, Jain & Jain resigned from the company.

Multiple Choice Questions [3 MCQs of 2 Marks each: Total 6 Marks]

1. The newly appointed CA Firm (Jain & Jain) and retiring CA Firm (Agrawal Jain & Associates) have common persons i.e., Mayank Jain and Shashank Jain. Whether the appointment of Jain & Jain in Sourabh Publishers Ltd. 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) Mayank Jain and Shashank Jain are the associates in Jain & Jain and not the partners, hence appointment of Jain & Jain, is valid
 - (c) Jain & Jain should expel Mayank Jain and Shashank Jain in order to retain its appointment
 - (d) Agrawal Jain & Associates should expel Mayank Jain and Shashank Jain
2. What would have been the position if, Mayank Jain and Shashank Jain are partners in Jain & Jain:
 - (a) The position will remain same as MCQ 1 above
 - (b) There shall be no change and the Jain & Jain may continue as audit firm
 - (c) The appointment of Jain & Jain 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 Jain & Jain

3. In the given case, Jain & Jain 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) Jain & Jain 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
- II. Rupesh took a house loan of ₹ 80 lakhs from Best Bank Ltd. While granting the house loan, the bank insisted to provide a guarantee. Rupesh's neighbour, Mithun gave the guarantee for such housing loan. Rupesh also purchased a life insurance policy on his life from A-One Life Insurance Company Ltd., for a sum assured of ₹ 1 crore for a policy term of 20 years. He paid the first premium to the insurance company. This policy was purchased by Rupesh in order to protect his family, in case of untimely death of Rupesh. Rupesh made nomination of the policy in favour of Archana, his wife.
- After some time Rupesh's business started running into losses and he was not able to pay the instalments of housing loan to the bank. As a result, his loan account was classified by the bank as Non-Performing Asset (NPA) and the bank initiated to recover its pending dues. The Bank first sent the reminder letters/ mails to both the borrower and his guarantor and thereafter a legal notice was served. Even after notices, when the loan account was not regularised, the bank filed a suit in Debt Recovery Tribunal (DRT) against the guarantor. The guarantor objected and asked the bank to first get it recovered from the borrower and if the borrower does not pay, then only the guarantor will be liable to pay. But the bank continued to follow up the matter in DRT and ultimately the decree was passed in favour of the Bank to recover the dues from the guarantor.
- Bank recovered entire outstanding loan from the guarantor as per the decree. Now the guarantor filed a suit against Rupesh to pay the amount, which he paid to the bank. Mithun also requested to the court to provide the possession and ownership of the house, if Rupesh is not able pay such amount.
- Meanwhile, Rupesh met with an accident and died on the spot. Claim was lodged by his wife and the insurance company paid the sum assured along with bonus amount to Archana (nominee of the deceased). Archana paid the amount to Mithun, which had been paid by Mithun to the bank in discharge of his guarantee and settled down all the issues.

Multiple Choice Questions [2 MCQs of 2 Marks each: Total 4 Marks]

4. In the given case, who is discharging the liability of a third person in case of his default in relation to the contract of guarantee?
- (a) Mithun
 - (b) Rupesh
 - (c) Archana
 - (d) The Bank

5. What is the consideration in case of contract between Mithun and the Bank?
- (a) Promise made for the benefit of the principal debtor to avail loan on the guarantee of the surety
 - (b) In contract of guarantee, there is no consideration involved between surety and the creditor
 - (c) Mithun can freely utilise the house
 - (d) Any past consideration
6. Kamya Ltd. is incorporated on 3rd January, 2021. As per the Companies Act, 2013, what will be the financial year for the company:
- (a) 31st March, 2021
 - (b) 31st December, 2021
 - (c) 31st March, 2022
 - (d) 30th September, 2022 **(2 Marks)**
7. As per the provisions of the Companies Act, 2013, which of the following statement is correct with respect to the surplus arising out of the CSR activities:
- (a) The surplus cannot exceed five percent of total CSR expenditure of the company for the financial year.
 - (b) The surplus shall not form part of the business profit of a company
 - (c) The surplus cannot exceed 10 percent of total CSR expenditure of the company for the financial year.
 - (d) The surplus shall form part of the business profit of a company **(1 Mark)**
8. Birthday Card Limited, a listed company can appoint or re-appoint, Mishra & Associates (a firm of Chartered Accountants), as their statutory auditors for:
- (a) One year only
 - (b) One term of 3 consecutive years only
 - (c) One term of 4 consecutive years only
 - (d) Two terms of 5 consecutive years **(1 Mark)**
9. Vinod is a director of Prem Limited. He intends to participate in the board meeting through video conferencing and has intimated the same to the chairperson at the beginning of calendar year. Advise, Vinod for how long such declaration shall be valid.
- (a) 1 month
 - (b) 6 month
 - (c) 1 year
 - (d) She has to furnish declaration for each meeting separately **(1 Mark)**
10. An interest or lien created on the property or assets of a company or any of its undertakings or both as security is known as:
- (a) Debt

- (b) Charge
 - (c) Liability
 - (d) Hypothecation **(1 Mark)**
11. Awareness Limited's General Meetings are held at its registered office situated in Delhi. The minute book of General meetings of Awareness Limited will be kept at:
- (a) That place where members of Awareness Limited will decide.
 - (b) That place where all employees of Awareness Limited will decide.
 - (c) Registered office of Awareness Limited.
 - (d) That place where senior officials of Awareness Limited will decide. **(1 Mark)**
12. Shares issued by a company to its directors or employees at a discount or for a consideration other than cash for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called are known as:
- (a) Equity Shares
 - (b) Preference Shares
 - (c) Sweat Equity Shares
 - (d) Redeemable preference shares **(1 Mark)**
13. The time limit within which a copy of the contract for the payment of underwriting commission is required to be delivered to the Registrar is:
- (a) Three days before the delivery of the prospectus for registration
 - (b) At the time of delivery of the prospectus for registration
 - (c) Three days after the delivery of the prospectus for registration
 - (d) Five days after the delivery of the prospectus for registration **(1 Mark)**
14. Goals Limited, a listed company has authorised share capital of ₹ 25,00,000 (issued, subscribed and paid up capital of ₹ 20,00,000). The company has planned to buy back shares worth ₹ 10,00,000. What is the maximum amount of equity shares that the company is allowed to buy back based on the total amount of equity shares?
- (a) ₹ 2,00,000
 - (b) ₹ 5,00,000
 - (c) ₹ 6,25,000
 - (d) ₹ 8,00,000 **(2 Marks)**
15. Fin Limited is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the minimum period for which it should mandatorily be preserved in good order.
- (a) Four years from the financial year in which the latest entry is made in the Register.
 - (b) Six years from the financial year in which the latest entry is made in the Register.
 - (c) Eight years from the financial year in which the latest entry is made in the Register.

- (d) Ten years from the latest date of entry. **(1 Mark)**
16. According to the _____, the words of the statute are to be given their plain and ordinary meaning. —
- (a) Literal rule
 - (b) golden rule
 - (c) natural rule
 - (d) mischief rule **(1 Mark)**
17. When there is a conflict between two or more statutes or two or more parts of a statute then which rule is applicable:
- (a) Welfare construction
 - (b) Strict construction
 - (c) Harmonious construction
 - (d) Mischief Rule **(1 Mark)**
18. As per the provisions of the General Clauses Act, 1897, where an act or omission constitutes an offence under two or more enactments, then the offender shall be liable to be prosecuted and punished under:
- (a) Under either or any of those enactments
 - (b) Twice for the same offence
 - (c) Either (a) or (b) as per the discretion of the court
 - (d) Under the cumulative effect of both the enactments **(1 Mark)**
19. Where an act of parliament does not expressly specify any particular day as to the day of coming into operation of such Act, then it shall come into operation on the day on which:
- (a) It receives the assent of the President
 - (b) It receives the assent of the Governor General
 - (c) It receives assent of both the houses of Parliament
 - (d) It receives assent of the Prime Minister **(1 Mark)**
20. The date of maturity of a bill payable hundred days after sight and which is presented for sight on 4th May, 2021, is:
- (a) 13 August, 2021
 - (b) 14 August, 2021
 - (c) 15 August, 2021
 - (d) 16 August, 2021 **(2 Marks)**
21. The Rule in Heydon's case is also known as—
- (a) Purposive construction
 - (b) Mischief Rule

- (c) Golden Rule
- (d) None of the Above

(1 Mark)

22. Pick the odd one out of the following aids to interpretation—

- (a) Preamble
- (b) Marginal Notes
- (c) Proviso
- (d) Usage

(1 Mark)

Division B (70 Marks)

1. (a) Kapila Limited issued equity shares of ₹ 1,00,000 (10,000 shares of ₹ 10 each) on 01.04.2021 which have been fully subscribed, whereby Kusha Limited holds 4000 shares and Prem Limited holds 2000 shares in Kapila Limited. Kapila Limited is also holding 20% equity shares of Red Limited before the date of issue of equity shares stated above. Red Limited controls the composition of Board of Directors of Kusha Limited and Prem Limited from 01.08.2021. Examine with relevant provisions of the Companies Act, 2013:
 - (i) Whether Kapila Limited is a subsidiary of Red Limited?
 - (ii) Whether Kapila Limited can hold shares of Red Limited? **(6 Marks)**
 - (b) Advise as per the provisions of the Companies Act, 2013, with regard to appointment of auditor:
 - (i) Mr. Shepra is a practising Chartered Accountant. He holds shares in X Limited. The nominal value of these shares is ₹ 50,000. Whether X Limited can appoint Mr. Shepra as auditor?
 - (ii) Mr. Showik, a practising Chartered Accountant has business relationship with Primus Hotels Limited. The hotel used to provide services to Mr. Showik frequently, on the same price as charged from other customers. Whether Primus Hotels Limited can appoint Mr. Showik as its auditor? **(6 Marks)**
 - (c) Anay bailed 100 kg of high quality sugar to Saksham, who owned a kirana shop, promising to give ₹ 800 at the time of taking back the bailed goods. Saksham's employee, unaware of this, mixed the 100 kg of sugar belonging to Anay with the sugar in the shop and packaged it for sale when Saksham was away. This came to light only when Anay came asking for the sugar he had bailed with Saksham, as the price of the specific quality of sugar had trebled. What is the remedy available to Anay, as per the provisions of the Indian Contract Act, 1872? **(4 Marks)**
 - (d) Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881:
 - (i) Madan was going to office through metro rail. He found a cheque payable to bearer, on the floor of coach number 6 and retains it.
 - (ii) Preeti, the agent of Mr. Rajesh, is entrusted with an instrument without indorsement by Mr. Rajesh, who is the payee. **(3 Marks)**
2. (a) Examine the validity of the following statements in respect of Annual General Meeting (AGM) as per the provisions of the Companies Act, 2013:
 - (i) The first AGM of a company shall be held within a period of six months from the date of closing of the first financial year.

- (ii) The Registrar may, for any special reason, extend the time within which the first AGM shall be held. **(4 Marks)**
- (b) Aura Ltd. is a listed company having a paid-up share capital of ₹ 25 crore as at 31st March, 2021 and turnover of ₹ 100 crore during the financial year 2020-21. The Company Secretary has advised the Board of Directors that Aura Ltd. is not required to appoint 'Internal Auditor' as the company's paid up share capital and turnover are less than the threshold limit prescribed under the Companies Act, 2013. Do you agree with the advice of the Company Secretary? Explain your view referring to the provisions of the Companies Act, 2013. **(6 Marks)**
- (c) Shiva appoints Ganesh as Shiva's agent to sell Shiva's land. Ganesh, under the authority of Shiva, appoints Gauri as agent of Ganesh. Afterwards, Shiva revokes the authority of Ganesh but not of Gauri. What is the status of agency of Gauri? Advise whether the said agency shall be terminated as per the provisions of the Indian Contract Act, 1872. **(4 Marks)**
- (d) What are the essential characteristics of Negotiable Instruments. (Write any five) **(3 Marks)**
3. (a) Swati Limited is intending to issue its securities on private placement basis. Explain to the directors of the company, the provisions of the Companies Act, 2013, on the following matters:
- (i) Meaning of Private Placement
- (ii) 'Time Limit for Allotment of Securities' and 'repayment of application money in case of default in allotment.' **(5 Marks)**
- (b) The Board of Directors of Mines Limited, a listed company appointed Mr. Guru, Chartered Accountant as its first auditor within 30 days of the date of registration of the company to hold office from the date of incorporation to conclusion of the first Annual General Meeting (AGM). At the first AGM, Mr. Guru was re-appointed to hold office from the conclusion of its first AGM till the conclusion of 6th AGM. In the light of the provisions of the Companies Act, 2013, examine the validity of appointment/ reappointment in the following cases:
- (i) Appointment of Mr. Guru by the Board of Directors.
- (ii) Re-appointment of Mr. Guru at the first AGM in the above situation. **(5 Marks)**
- (c) A bill of exchange is drawn by 'A' in Berkley where the rate of interest is 15% and accepted by 'B' payable in Washington where the rate of interest is 6%. The bill is indorsed in India and is dishonoured. An action on the bill is brought against 'B' in India.
- Advise as per the provisions of the Negotiable Instruments Act, 1881, what rate of interest 'B' is liable to pay? **(4 Marks)**
- (d) Write short note on:
- (i) Proviso
- (ii) Explanation,
- with reference to interpretation of Statutes, Deeds and Documents. **(3 Marks)**
4. (a) (i) "The offer of buy-back of its own shares by a company shall not be made within a period of six months from the date of the closure of the preceding offer of buy-back, if any and cooling period to make further issue of same kind of shares including allotment of further shares shall be a period of one year from the completion of buy back subject to certain exceptions." Examine the validity of this statement by explaining the provisions of the Companies Act, 2013 in this regard. **(3 Marks)**

- (ii) ABC Limited proposes to issue series of debentures frequently within a period of one year to raise the funds without undergoing the complicated exercise of issuing the prospectus every time of issuing a new series of debentures. Examine the feasibility of the proposal of ABC Limited having taken into account the concept of deemed prospectus dealt with under the provisions of the Companies Act, 2013. **(3 Marks)**
- (b) The Promoters of Green Limited contributed in the form of unsecured loan to the company in fulfilment of the margin money requirements stipulated by State Industries Development Corporation Ltd. (SIDCL) for granting loan. In the light of the provisions of the Companies Act, 2013 and Rules made thereunder whether the unsecured loan will be regarded as Deposit or not? **(4 Marks)**
- (c) Examine the validity of the following statements with reference to the General Clauses Act, 1897:
- (i) 'Things attached to the earth' have been held to be immovable property.
- (ii) The word "bullocks" could be interpreted to include "cows". **(4 Marks)**
- (d) "Associate words to be understood in common sense manner." Explain this statement with reference to rules of interpretation of statutes. **(3 Marks)**
5. (a) Gully Gilli Danda Club was formed as a Limited Liability Company under section 8 of the Companies Act, 2013 with the object of promoting Gilli Danda by arranging introductory courses at district level and friendly matches. The club has been earning surplus. Of late, the affairs of the company are conducted fraudulently and dividend was paid to its members. Mr. A, a member decided to make a complaint with Regulatory Authority to curb the fraudulent activities by cancelling the licence given to the company.
- (i) Is there any provision under the Companies Act, 2013 to revoke the licence? If so, state the provisions.
- (ii) Whether the company may be wound up?
- (iii) Whether the Gully Gilli Danda Club can be merged with Stick Private Limited, a company engaged in the business of networking? **(5 Marks)**
- (b) A Ltd. held its Annual General Meeting on September 15, 2021. The meeting was presided over by Mr. B, the Chairman of the Company's Board of Directors. On September 17, 2021, Mr. B, the Chairman, without signing the minutes of the meeting, left India to look after his father who fell sick in London. Referring to the provisions of the Companies Act, 2013, state the manner in which the minutes of the above meeting are to be signed in the absence of Mr. B and by whom? **(5 Marks)**
- (c) Enumerate the following as per the provisions of the Indian Contract Act, 1872:
- (i) Meaning of contract of guarantee
- (ii) Parties to a contract of guarantee. **(4 Marks)**
- (d) "The act done negligently shall be deemed to be done in good faith."
- Comment with the help of the provisions of the General Clauses Act, 1897. **(3 Marks)**