Test Series: April-2023

MOCK TEST PAPER-2

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. Waste Papers Ltd. is company engaged in the business of collecting waste papers and old newspapers and manufacture from these wastes the corrugated boxes which are used in packing of the products by various suppliers.

The company is earning good profit margin and paying dividend consistently, which can be seen by the following information:

(₹ in Lakh)

Year	Payment of dividend	Paid-up share capital	Free Reserves
2012-13 to 2017-18	10	100	45
2018-19	15	100	60
2019-20	20	100	75
2020-21	22	100	95
2021-22	24	100	120

During the year 2022-23, the company's business was severally affected due to low demand of the corrugated boxes on account of recession situation (slow- down of economy) prevailing all over the country. The company showed a loss of ₹ 20 lakh in the annual accounts.

However, the company wants to maintain its image of consistently dividend paying company and for this year also, it also wants to declare dividend. The company have accumulated free reserves in its hand and want to declare dividend @ 26% (since there is increasing trend of 2% from the preceding years).

During the year 2022-23, Somesh, a shareholder of the company died due to cardiac arrest. He was having 10,000 shares in his D-mat account in which he has made nomination in favour of his son Romesh. When Romesh applied for transmission of the shares, his sister Sanjana, objected and filed a case in the court that she also has right in the property of her father and mere making of nomination do not dilute the rights of the legal heirs to claim share in the property. The matter is sub-judice in the court of law awaiting decision.

The company has business dealing with Mahesh Kumar, who is also a shareholder of the company. The company has supplied some goods to Mahesh Kumar worth ₹ 10,000, but he was not making payment to the company. The company while making payment of the dividend to Mahesh Kumar deducted the due amount, and as a result, nothing was payable to Mahesh Kumar towards the dividend. Mahesh Kumar threated to take action against the company.

Based on the above facts, answer the following MCQs [3 MCQs of 2 Marks each: Total 6 Marks]

1. Whether Waste Papers Ltd, who suffered losses in year 2022-23, can make payment of dividend to the shareholders:

   (a) In case of losses, the company can't pay dividend

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(b) Company may pay dividend out of profits of previous years (which are free reserves), subject to the fulfilment of conditions prescribed for declaration of dividend when there is inadequacy of profits in a particular year

(c) Company may dividend out of Asset Revaluation Reserve Account

(d) Company may dividend without any restriction as it has enough amount in its Free reserves

2. Romesh (son of the deceased) made a complaint, that even after declaration of dividend, the company has not posted the dividend warrant at the address given in his transmission form. Which is the most correct statement in this regard:

(a) The company is not liable to pay dividend to a deceased person

(b) The company is not liable to pay dividend to the legal heirs of the deceased person

(c) The company should deposit the dividend in the court, where the matter is under consideration

(d) The company is not liable where there is a dispute regarding the right to receive the dividend.

3. In the given case, the amount due to be recovered from Mahesh Kumar was deducted by the company and nothing was now payable to him on account of dividend. Is the action of the company right:

(a) No, payment of dividend is a separate matter and should not be clubbed with any other matter

(b) Yes, Mahesh Kumar can take action against the company for not paying any dividend to him

(c) The company can adjust the any sum, due to it, from the shareholder

(d) The company should take into confidence and consent of Mahesh Kumar's family members to adjust its dues

4. Which of the following is not mandatorily required to include cash flow as part of its financial statement.

(a) Shiv Limited

(b) Shiv Private Limited (not a start- up company)

(c) Shiv (OPC) Private Limited

(d) Shiv Limited, having paid up share capital of 3 crore and turnover of 30 crore **(2 Marks)**

5. Which of the following statement is contrary to the provisions of the Companies Act, 2013?

(a) A private company can make a private placement of its securities.

(b) The company has to pass a special resolution for private placement.

(c) Minimum offer per person should have Market Value of ₹ 20,000.

(d) A public company can make a private placement of its securities. **(2 Marks)**

6. In case of an application for reservation of name or for change of its name by an existing company, the Registrar may reserve the name for a period of ……. from the date of approval

(a) 90 days

(b) 60 days

(c) 30 days

(d) 20 days **(1 Mark)**

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7. Today, it's May 2023. Mr. Nilanjan Chattopadhyay a 24 years old Indian youngster, who returned back to India in January month of 2023 after completing his education in bio-nutrient and willing to form an OPC; but not sure about the requirements or pre-conditions regarding eligibility. He read some articles on provisions related to OPC and concluded;

   (i) OPC can be formed by Indian Citizen only

   (ii) He can't form OPC because in immediate previous year he was not resident in India

   Choose the correct option:

   (a) Both the conclusions are valid

   (b) None of the conclusion is valid

   (c) First conclusion is invalid

   (d) Second conclusion is invalid **(2 Marks)**

8. Every company shall pay a penal rate of interest of ---------- per annum for the overdue period in case of deposits, whether secured or unsecured, matured and claimed but remaining unpaid:

   (a) 9%

   (b) 14%

   (c) 18%

   (d) 24% **(1 Mark)**

9. Prem Limited decides to raise deposits of ₹ 20.00 lacs from its members. However, it proposes to secure such deposits partially by offering a security worth ₹ 15.00 lacs. Which of the following options best describe such deposits:

   (a) Fully secured deposits (except a small portion)

   (b) Unsecured deposits

   (c) Partially secured deposits

   (d) These cannot be classified as deposits **(1 Mark)**

10. In case of a Private company, quorum of Annual General Meeting is:

   (a) 1 member personally present

   (b) 2 members personally present

   (c) 3 members personally present

   (d) 5 members personally present **(1 Mark)**

11. Compute the minimum amount the company (Natraj Limited) is required to spend on account of Corporate Social responsibility year 2022-2023, if during the financial years 2019-2020, 2020-2021 and 2021-2022 net profits are ₹ 30 crore, ₹ 25 crore and ₹ 32 crore respectively.

   (a) ₹ 87 lac

   (b) ₹ 1.14 crore

   (c) ₹ 1.64 crore

   (d) ₹ 58 lac **(2 Marks)**

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12. Prem found a Rado watch lying on the floor of Celebration Café. Prem tried to find the owner of the watch but all his efforts went in vain. Prem got the watch repaired from the showroom by paying ₹ 9,500. Three days after Prem found the watch, he came to know about the real owner of the watch, from the advertisement newspaper stating the loss of a watch in Celebration Café, along with the reward of ₹ 10,000 to the finder of the watch. Prem went to the owner to return the watch. Prem demanded ₹ 15,000 as he had paid ₹ 9,500 for the repair of the watch. According to the provision of the Indian Contract Act, 1872, choose the correct statement.

    (a) Prem has a right to claim only the amount spent on repairing the watch.

    (b) Prem has no right to claim the prize money.

    (c) Prem can retain the watch till the owner pays him at least the prize money.

    (d) The owner is not liable to pay anything to Prem. Rather, he can sue Prem for stealing the watch.

    (2 Marks)

13. Which among the following statements is TRUE about the contract of Bailment?

    (a) Hiring of bank locker is a contract of bailment

    (b) Bailee has right of general lien

    (c) Money deposited in fixed deposit with a bank is a contact of bailment

    (d) Seizure of goods by custom authorities is bailment **(2 Marks)**

14. As per the provisions of the Indian Contract Act, 1872, a person employed to do any act for another or to represent another in dealings with third person is called:

    (a) Labour

    (b) Servant

    (c) Agent

    (d) Principal **(1 Mark)**

15. The Negotiable Instruments Act, 1881, extends to:

    (a) Only to capital cities of States of India

    (b) The whole of India except Union territories

    (c) The whole of India except to the state of Jammu and Kashmir

    (d) The whole of India **(1 Mark)**

16. When the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due:

    (a) On the same day

    (b) On the next preceding business day

    (c) On the next business day

    (d) On the next succeeding business day **(1 Mark)**

17. When a promissory note or bill of exchange are payable, in which no time for payment is specified:

    (a) They are payable within 3 months

    (b) They are payable within 6 months

    (c) They are payable on demand

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(d) They are payable within a reasonable time **(1 Mark)**

18. Calendar year starts from:

(a) January

(b) April

(c) June

(d) September **(1 Mark)**

19. Which among the following is an External Aid to interpretation:

(a) Illustrations

(b) Dictionary

(c) Proviso clause

(d) Title **(1 Mark)**

20. Doctrine of Mischief Rule was given under:

(a) Foss vs. Harbottle

(b) Thomson vs. Clan Morris

(c) Foster vs. DiphwysCasson

(d) Heydon's Case **(1 Mark)**

21. **.....** means that when two or more words that are susceptible of analogous meaning, are coupled together they are understood to be used in their cognate sense.

(a) *Noscitur a Sociis*

(b) *Contemporanea Expositio*

(c) *prima facie*

(d) *absoluta sententia expositore non indiget* **(1 Mark)**

Division B (70 Marks)

1. (a) The Board of Directors of Prism Ltd. requested its Statutory Auditor to accept the assignment of designing and implementation of suitable financial information system to strengthen the internal control mechanism of the Company. How will you approach to this proposal, as Statutory Auditor of Prism Ltd., taking into account the consequences, if any, of accepting this proposal? **(6 Marks)**

(b) Bheem Ltd. issued 1,00,000 equity shares of ₹ 100 each at par to the public by issuing a prospectus. The prospectus discloses the minimum subscription amount of ₹ 15,00,000 required to be received on application of shares and share application money shall be payable at ₹ 20 per share. The prospectus further reveals that Bheem Ltd. has applied for listing of shares in 3 recognized stock exchanges of which 1 application has been rejected. The issue was fully subscribed and Bheem Ltd. received an amount of ₹ 20,00,000 on share application. Bheem Ltd., then proceeded for allotment of shares.

Examine the three disclosures in the above case study which are the deciding factors in an allotment of shares and the consequences for violation, if any under the provisions of the Companies Act, 2013. **(6 Marks)**

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(c) Rakshit borrowed a sum of ₹ 50,000 from a Bank on the security of gold on 1.07.2022 under an agreement which contains a clause that the bank shall have a right of particular lien on the gold pledged with it. Rakshit thereafter took an unsecured loan of ₹ 20,000 from the same bank on 1.08.2022 for three months. On 30.09.2022 he repaid entire secured loan of ₹ 50,000 and requested the bank to release the gold pledged with it. The Bank decided to continue the lien on the gold until the unsecured loan is fully repaid by Rakshit. Decide whether the decision of the Bank is valid within the provisions of the Indian Contract Act, 1872? **(4 Marks)**

(d) Calculate the date of maturity of bill of exchange drawn on 1.6.2022, payable 120 days after considering the relevant provisions of the Negotiable Instruments Act, 1881. **(3 Marks)**

2. (a) Mr. R, holder of 1000 equity shares of ₹ 10 each of Vimal Ltd. approached the company in the last week of September, 2022 with a claim for the payment of dividend of ₹ 2000 declared @ 20% by the Company at its Annual General Meeting held on 31.08.2014 with respect to the financial year 2013-14. The Company refused to accept the request of R and informed him that his shares on which dividend has not been claimed till date, have also been transferred to the Investor Education and Protection Fund.

Examine, in the light of the provisions of the Companies Act, 2013, the validity of the decision of the Company and suggest the remedy, if available, to him for obtaining the unclaimed amount of dividend and re-transfer of corresponding shares in his name. **(6 Marks)**

(b) Mr. Ram along with his brothers got registered a company in the state of Telangana by furnishing false information knowingly. What action may be taken against the company and its promoters under the provisions of the companies act, 2013? **(4 Marks)**

(c) Examine the validity of the following statements under the provisions of the Indian Contract Act, 1872.

(i) Creditor should proceed legal action first against the Principal Debtor and later against the surety.

(ii) A guarantee which extends to a single debt/ specific transaction is called continuing Guarantee. **(4 Marks)**

(d) Give three example when the alterations to an instrument do not effect the liabilities of parties thereto. **(3 Marks)**

3. (a) Star Ltd. is having its establishment in Canada. It obtained a loan there creating a charge on the assets of the foreign establishment. The company received a notice from the Registrar of Companies for not filing the particulars of charge created by the company on the property or assets situated outside India. The company wants to defend the notice on the ground that it shall not be the duty of the company to register the particulars of the charge created on the assets not located in India. Do you agree with the stand taken by the Star Ltd.? Give your answer with respect to the provisions of the Companies Act, 2013. **(5 Marks)**

(b) Moon Light Ltd. held its Annual General Meeting on September 15, 2022. The meeting was presided over by Mr. Shreeram, the Chairman of the Company's Board of Directors. On September 17, 2022, Mr. Shreeram, the Chairman, without signing the minutes of the meeting, left India to look after his father who fell sick in USA. 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. Shreeram and by whom? **(5 Marks)**

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(c) 'A' draws a cheque for ₹ 5,000 in favour of 'B'. 'A' had sufficient funds in his bank account to meet it, when the cheque ought to be presented in the bank. The bank fails before the cheque is presented. 'B' wants to claim it from 'A'. Decide, whether 'A' is liable as per the Negotiable Instruments Act, 1881. **(4 Marks)**

(d) Does an explanation added to a section widen the ambit of a section? **(3 Marks)**

4. (a) Mr. Krish, a shareholder of ABC Ltd., has made a request to the company for providing a copy of minutes book of general meeting. His name is already entered in the register of members of the company. Whether the Mr. Krish is entitled to receive a copy of minutes book? Explain, provisions of the Companies Act, 2013. **(4 Marks)**

(b) Bhuj Cement Limited is engaged in the manufacture of different types of cements and has got a good brand value. Over the years, it has built a good reputation and its Balance Sheet as at March 31, 2023 showed the following position:

1. Authorized Share Capital (25,00,000 equity shares of ₹ 10/- each) ₹ 2,50,00,000
2. Issued, subscribed and paid-up Share Capital (10,00,000 equity shares of ₹ 10/- each, fully paid-up) ₹ 1,00,00,000
3. Free Reserves ₹ 3,00,00,000

The Board of Directors are proposing to declare a bonus issue of 1 share for every 2 shares held by the existing shareholders. The Board wants to know the conditions and the manner of issuing bonus shares under the provisions of the Companies Act, 2013. **(6 Marks)**

(c) "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. **(4 Marks)**

(d) When can the Preamble be used as an aid to interpretation of a statute? **(3 Marks)**

5. (a) The Income Tax Authorities in the current financial year 2022-23 observed, during the assessment proceedings, a need to re-open the accounts of Sun Ltd. for the financial year 2011-12 and, therefore, filed an application before the National Company Law Tribunal (NCLT) to issue the order to Sun Ltd. for re-opening of its accounts and recasting the financial statements for the financial year 2011-12. Examine the validity of the application filed by the Income Tax Authorities to NCLT.

(6 Marks)

(b) Ganges Limited, a listed public company, conducted its Annual General Meeting on 31st August, 2022. However, 10 days have passed since 31st August, 2022, but it has still not filed report on Annual General Meeting. The Accountant of the company has approached you to advise them whether Ganges Limited is required to file report on Annual General Meeting? **(4 Marks)**

(c) Explain the following as per the provisions of the Indian Contract Act, 1872

(i) Specific Guarantee

(ii) General Guarantee. **(4 Marks)**

(d) Examine the validity of the following statements with reference to the General Clauses Act, 1897:

(i) Insurance Policies covering immovable property have been held to be immovable property.

(ii) The word "bullocks" could be interpreted to include "cows". **(3 Marks)**

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