

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. Madhu Oils and Fats Ltd. is a listed entity. It finalised its annual accounts for the year ended on 31st March, 2021. The Audit Committee of Board (ACB) recommended and subsequently the Board approved the same.

Annual General meeting of the shareholders was convened on 25th August, 2021, in which the annual accounts of the company were presented before the shareholders. The shareholders have approved dividend @ 10%.

A report of the Board of Directors was attached with the annual accounts of the company.

During the said meeting, a shareholder pointed out that during the year of 2020-21 there was a big news in the media and newspaper that a fraud has happened in the company of an amount of ₹ 75 lakhs, with the involvement of a senior management official of the company, who is absconding since the news came into media. However, there was no mention about the fraud in the Auditor's Report as well as no comment in the Board's Report. The auditor, who was also present in the General Meeting of the shareholders informed that fraud was detected during the course of audit but no further action was taken by him (auditor).

Multiple Choice Questions [4 MCQs of 2 Marks each: Total 8 Marks]

1. Going by the facts of the case, by what date should the amount be deposited in a separate account maintained with the scheduled bank for dividend purposes?
 - (a) By 30th August 2021
 - (b) By 1st September 2021
 - (c) By 7th September 2021
 - (d) By 24th September 2021
2. By what date should the dividend declared in the meeting, be paid to the members of the company?
 - (a) By 30th August 2021
 - (b) By 1st September 2021
 - (c) By 7th September 2021
 - (d) By 24th September 2021
3. With regard to preservation of the books of Madhu Oils and Fats Ltd, the books of accounts for the Financial Year (FY) 2020-21 needs to be kept in good order until at least which of the following years?
 - (a) FY 2025-26

- (b) FY 2026-27
 - (c) FY 2027-28
 - (d) FY 2028-29
4. The auditor had noticed the fraud that was committed by the senior management. Which is the correct statement in this respect:
- (a) The auditor shall report the matter to the Central Government immediately.
 - (b) It is not necessary to disclose the details of fraud in the Board's Report
 - (c) The auditor shall report the matter to the audit committee constituted under section 177 or to the Board.
 - (d) Since the Senior Management Personnel is absconding, the auditor is not required to take any action.
- II. Ramji Lal is in the business of selling wheat, rice, pulses and other food grain items under the banner of Ramji Lal & Sons. Bhim Singh was working as an employee with Ramji Lal, since past 10 years and have earned good image and trust. In the absence of Ramji Lal, Bhim Singh takes care of the business of Ramji Lal as a prudent person.

Ramji Lal executed a Power of Attorney in favour of Bhim Singh for doing the banking transactions i.e., to withdraw money, issue of cheque for making payment to creditors etc.

One day, Bhim Singh went to bank for withdrawal of ₹ 50,000 to make payments for utility bills and for some petty expenses. When Bhim Singh was counting cash after taking it from the cash window, some unscrupulous persons just standing behind him, snatched the cash from his hands and disappeared quickly. Bhim Singh immediately informed the manager of the Bank, lodged FIR with nearby Police Station and also informed Ramji Lal. Police visited the bank premises and asked for the CCTV footage. However, the incident was not recorded since the CCTV were found damaged. Ramji Lal was annoyed with this news and asked Bhim Singh that he should be very careful while dealing the banking transactions, and advised to take care in future.

Due to demand of the food grains in the nearby city, Ramji Lal opened a branch in that city and Bhim Singh was asked to take care of the business at the branch under the banner of Ramji Lal & Sons and shall not act beyond his delegated authority, nor he shall employ any staff or agent, without having the express authority of him (Ramji Lal). Bhim Singh started doing the business activity under the banner of Ramji Lal & Sons. He also appointed Chatur Singh, as manager there to look after this business, but this fact was not made known to Ramji Lal. Chatur Singh was a very cunning person. Since 'Ramji Lal & Sons' has established a good reputation in the market, so Chatur Singh started taking advantages of brand image. He raised money from several sources, in the name of 'Ramji Lal & Sons' and one day, ran away, without informing anyone and is absconding from that day.

The fraud came to the light when creditors started demanding money from Ramji Lal on the pretext that the branch was running the business in the name and style of Ramji Lal & Sons'.

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

5. When Bhim Singh was returning to shop after withdrawing money from the bank, theft had occurred. Who is to bear such loss?
- (a) Ramji Lal will bear the loss of money due to theft.
 - (b) Bhim Singh will bear the loss of money due to theft.
 - (c) Bank will be liable since the dacoity occurred in the bank's premises.
 - (d) The person in charge of the CCTV in the bank is responsible.

6. Bhim Singh while doing business in the banner of 'Ramji Lal & Sons', appointed another person Chatur Singh as manager of the business without informing his principal, Ramji Lal. Whether Bhim Singh have the authority to do so?
- It is usual to appoint staff to take care of the business. Looking to the volume of business, Bhim Singh has appointed Chatur Singh to manage the business.
 - Bhim Singh has done beyond the express authority of his principal (Ramji Lal) in employing Chatur Singh as Manager of that branch.
 - It is an implied authority to appoint sub-agent since the big business transactions cannot be handled by a single person.
 - Chatur Singh should have directly inform to Ramji Lal that he has been appointed as sub-agent.
7. _____ cannot be a subscriber to the Memorandum of Association and Articles of Association.
- A company
 - Government
 - Minor
 - Major **(1 Mark)**
8. In case of a private company, the provisions for entrenchment may be made at the time of formation of the company or by amendment of articles,
- By passing a special resolution
 - With the consent of all the members
 - By passing a special resolution and approval of the Central Government
 - With the consent of all the members and approval of the Central Government **(1 Mark)**
9. A resolution shall be a special resolution when the votes cast in favour of the resolution by members are not less than _____ the number of votes, if any, cast against the resolution :
- Twice
 - Three times
 - Three fourth of
 - Two third of **(1 Mark)**
10. Where a company is granted licence under section 8, it is not required to use the word even though it is a limited company:
- Guarantee company
 - Limited Liability Partnership
 - Limited or Private Limited, as the case may be
 - Development Authority **(1 Mark)**
11. The registrar shall keep a register of charges which shall be open to inspection by _____ on payment of fee:
- the company
 - the charge holder

- (c) holder
(d) any person **(1 Mark)**
12. Varsha 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)**
13. What is the maximum tenure for which a company can accept or renew deposits from its members as well as public?
(a) 12 months
(b) 24 months
(c) 36 months
(d) 48 months **(1 Mark)**
14. Amount to be transferred to reserves out of profits before any declaration of dividend is _____
(a) 5%
(b) 7.5%
(c) 10%
(d) at the discretion of the company. **(1 Mark)**
15. ABC Limited has its shares listed on a recognized stock exchange in India. During the current financial year ending on 31st March 2021, the securities and exchange board of India (SEBI) has found some irregularities in the filings made by the company. Accordingly, SEBI proposes to make an application to the Tribunal for reopening of the books of accounts of the Company. You, as an expert, are called upon by SEBI to advise with which last financial year for reopening of books of accounts an application can be made?
(a) 2016-2017
(b) 2014-2015
(c) 2011-2012
(d) 2012-2013 **(2 Marks)**
16. When the law is clear and unambiguous the court shall construe the meaning of a provision based on strict
(a) grammatical meaning
(b) logical meaning
(c) alternative interpretation
(d) hypothetical meaning **(1 Mark)**

17. According to _____ rule of interpretation, meaning of words should be known from its accompanying or associated words.
- (a) Mischief rule
 - (b) Primary Rule
 - (c) Noscitur a Sociis
 - (d) Golden Rule
- (1 Mark)**
18. An internal aid that may be added to include something within the section or to exclude something from it, is—
- (a) Proviso
 - (b) Explanation
 - (c) Schedule
 - (d) Illustrations
- (1 Mark)**
19. A negotiable instrument drawn in favour of a minor is
- (a) Void ab initio
 - (b) Void but enforceable
 - (c) Valid
 - (d) Quasi contract
- (1 Mark)**
20. Which of the following is an essential characteristic of a promissory note:
- (a) There must be an order to pay certain sum
 - (b) It must be payable to bearer
 - (c) It must be signed by the Payee
 - (d) It must contain an unconditional undertaking
- (1 Mark)**
21. The preamble is most important in any legislation, it:
- (a) Provides definitions in the Act.
 - (b) Expresses scope, object and purpose of the Act.
 - (c) Provides summary of the entire Act.
 - (d) provides side notes often found at the side of a section.
- (1 Mark)**
22. Mr. A issued a cheque amounting to ₹ 25,000 dated 2nd February 2020 to Mr. G which was deposited by Mr. G on 16th March 2020 in his bank account. The said cheque was returned unpaid on 17th March 2020 by the bank of Mr. A citing insufficient funds in the account of Mr. A. Mr. G demanded the payment from Mr. A by issuing the notice on 31st March 2020 which was received by Mr. A on 2nd April 2020. Assuming that Mr. A failed to make the payment within stipulated time, what is the last date by which Mr. G should have made a complaint in the court?
- (a) 17th May 2020
 - (b) 2nd May 2020
 - (c) 17th April 2020
 - (d) 30th April 2020
- (2 Marks)**

Division B (70 Marks)

1. (a) Gajendra Ltd. was incorporated in 1995 in the town of Alwar. Its main business is manufacturing tiles. It is in the process of appointing statutory auditors for the financial year 2021-22. Advise whether the following persons are qualified to be appointed as statutory auditor of the Gajendra Ltd :
- (i) Maninder, a qualified Chartered Accountant, holds equity shares of nominal value of ₹ 2,00,000 of Narender Ltd., which is an associate company of Gajendra Ltd.
 - (ii) Dinesh, a qualified Chartered Accountant, whose son owes Gajendra Ltd. a sum of ₹ 99,000
 - (iii) Rajender, a qualified Chartered Accountant, who has been convicted in the year 2005 by a Court for an offence involving fraud. **(6 Marks)**
- (b) AJD Pvt. Ltd. is having paid up share capital of ₹ 45 Lakhs and annual turnover of ₹185 Lacs. It is a wholly owned subsidiary of K Ltd. - a listed company. Can AJD Pvt. Ltd. be called a small company as per the provisions of the Companies Act, 2013. **(6 Marks)**
- (c) A Ltd. sells its products through some agents and it is not the custom in their business to sell the products on credit. Mr. Pintu, one of the agents sold goods of A Ltd. to Parul Pvt. Ltd. (on credit) which was insolvent at the time of such sale. A Ltd. sued Mr. Pintu for compensation towards the loss caused due to sale of products to Parul Pvt. Ltd. Will A Ltd. succeed in its claim? **(4 Marks)**
- (d) Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881:
- (i) Babita, stole a blank cheque of Aman and forged Aman's signature.
 - (ii) Arvind, the payee of the cheque, who is prohibited by a court order from receiving the amount of the cheque. **(3 Marks)**
2. (a) Comment quoting relevant provisions of the Companies Act, 2013, whether the following amounts received by a company will be considered as deposits or not:
- (i) ₹ 2,00,000 received by Yash Limited from its employee Mr. A, who draws an annual salary of ₹ 1,50,000, as a non-interest bearing security deposit under a contract of employment.
 - (ii) Textile Traders Limited received a loan of ₹ 30,00,000 from R who is one of its directors. **(4 Marks)**
- (b) Adil is a student of CA Intermediate. His friend (who is also in CA Intermediate) has approached him to explain to him the provisions of the Companies Act, 2013, on the following:
- (i) Inspection of books of account and other books and papers of the company.
 - (ii) Period of preservation of books of accounts **(6 Marks)**
- (c) Prisha acquired valuable diamond at a very low price by a voidable contract under the provisions of the Indian Contract Act, 1872. The voidable contract was not rescinded. Prisha pledged the diamond with Mr. Vikas. Is this a valid pledge under the Indian Contract Act, 1872? **(4 Marks)**
- (d) What are the ways by which a bill of exchange is said to be dishonoured by non-acceptance. (Write any four) **(3 Marks)**
3. (a) Sai along with his six friends desires to incorporate a Section 8 Company under the Companies Act, 2013. He is seeking your advice in the following matters :
- (i) What is the minimum paid-up capital requirement in case of a Section 8 Company ?

- (ii) Whether a firm can be member of the Section 8 Company ?
- (iii) Whether the Section 8 Company can pay dividend to its members ?

Advise, Sai with reference to the provisions of Companies Act, 2013. **(5 Marks)**

- (b) Guru limited is facing loss in business during the financial year 2018-2019. In the immediate preceding three financial years, the company had declared dividend at the rate of 7%, 11% and 12% respectively. The Board of Directors has decided to declare 12% interim dividend for the current financial year atleast to be in par with the immediate preceding year. Is the act of the Board of Directors valid? **(5 Marks)**

- (c) Mr. Mudit is the employee in Senior Research Analyst Private Limited. He went to a Super Mall, a departmental store, where he purchased some goods for his personal use on credit. Mr. Mudit gave a cheque drawn on the Senior Research Analyst Private Limited's account to Super Mall towards the full payment of the dues. The cheque was dishonoured by the company's bank. Mr. Mudit was neither a director nor a person in-charge of the company.

Explain under the provisions of the Negotiable Instruments Act, 1881, whether Mr. Mudit has committed an offence under section 138. **(4 Marks)**

- (d) Write short notes on the following in understanding definitions while interpreting statutes:
 - (i) Ambiguous definitions
 - (ii) Definitions subject to a contrary context **(3 Marks)**

- 4. (a) Paritosh and friends got registered a company in the name of Taxmann advisory Private Limited. Taxmann is a registered trademark. After 5 years when the owner of trademark came to know about the same, it filed an application with relevant authority. Can the company be compelled to change its name by the owner of trademark? Can the owner of registered trademark request the company and then company changes its name at its discretion? **(6 Marks)**

- (b) Mr. Parth purchased a commercial property in Delhi belonging to PQR Limited after entering into an agreement with the company. At the time of registration, Mr. Parth comes to know that the title deed of the company is not free and the company expresses its inability to get the title deed transferred in his name contending that he ought to have the knowledge of charge created on the property of the company. Explain, whether the contention of PQR Limited is correct? Give your answer as per the provisions of the Companies Act, 2013. **(4 Marks)**

- (c) Examine the validity of the following statements with reference to the General Clauses Act, 1897:
Board of Directors of Sabarwal Construction Private Limited authorised by passing resolution in board meeting Mr. Munim to appoint five employees for accounts department of company. Mr. Munim appointed five employees including Mr. Rupal who was relative of one of the director of company. After one month, Mr. Munim observed that Mr. Rupal was not performing his duties honestly. Mr. Munim issued the order of dismissal of Mr. Rupal with proper reasons. Mr. Rupal filed a petition in the court that his dismissal order is not valid as Board of Directors had authorised Mr. Munim only for appointment of employees not for dismissal. Whether is Mr. Rupal correct with his words? **(4 Marks)**

- (d) Radha Limited has entered into a contract with Gopal Limited. You are invited to read and interpret the document of contract. What rules of interpretation of deeds and documents would you apply while doing so? **(3 Marks)**

5. (a) Amar, a director of Gokul Electricals Ltd. gave in writing to the company that the notice for any general meeting and of the Board of Directors' meeting be sent to him only by registered post at his residential address at Kanpur for which he deposited sufficient money. The company sent notice to him by ordinary mail under certificate of posting. Amar did not receive this notice and could not attend the meeting and contended that the notice was improper.

Decide, as per the provisions of the Companies Act, 2013:

- (i) Whether the contention of Amar is valid.
- (ii) Will your answer be the same if Amar remains in U.S.A. for one month during which the notice of the meeting was served and the meeting was held? **(5 Marks)**
- (b) Kurt Limited is a company engaged in the business of manufacturing papers. The company has approached you to explain them the following as per the provisions of the Companies Act, 2013:
- (a) Quorum for the general meeting if the company has 800 members.
- (b) Quorum for the general meeting if the company has 6500 members.
- (c) Quorum for the general meeting if the company has 5500 members. The articles of association has prescribed the quorum for the meeting to be 50. **(5 Marks)**
- (c) Explain the following as per the provisions of the Indian Contract Act, 1872
- (i) What is the meaning of 'Agent' and 'Principal'?
- (ii) Who can appoint an agent. **(4 Marks)**
- (d) What is the meaning of the following as per provisions of the General Clauses Act, 1897?
- (i) Movable Property
- (ii) Person **(3 Marks)**