

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. The aggregate value of the paid-up share capital of Sai Ram Limited, a listed company, was ₹ 200 crore divided into 20 crore equity shares of ₹10/- each at the end of the financial year 2021-22 having its registered office at Pune. This company had been registered with an authorised share capital of ₹ 300 crore divided into 30 crore equity shares of ₹10/- each. The company has very good reputation in compliance of all legal requirements on time. The company produces health related products such as ayurvedic medicines, medical instruments, sanitizers, masks, medical soaps etc. The extract of Balance Sheet of the company as on 31st March, 2022 showed the following figures–

Particulars	Amount (₹ in crore)
Free reserves created out of profits	200
Securities Premium account	80
Credit balance of Profit & Loss account	50
Reserves created out of revaluation of assets	25
Miscellaneous expenditure not written off	10

Turnover of the company during the financial year 2021-22 was ₹ 700 crore and the net profit calculated in accordance with section 198 of the Companies Act, 2013 with other adjustments as per CSR Rules was ₹4 crore only.

The Board of Directors of the company constituted of the following persons as directors- a Chartered Accountant 'Sai Ram' as the Managing Director, 'Roshan' and 'Prachita' as independent directors, 'Hari Om', 'Bindu', 'Reddy' and 'Komal'. Prakash, Chief compliance officer of the company informed the Board on 20th April, 2022 that the company attracts the provisions of section 135 of the Companies Act, 2013 and all the formalities have to be complied with accordingly. Thereafter, on 30th April, 2022 a CSR committee was formed to act and comply the provisions of Corporate Social Responsibility.

The company proposed a list of activities to spend 4% of the average net profits of the company made during the three immediately preceding financial years in pursuance of its CSR Policy as under –

1. The CSR projects for the benefit of employees of the company and their families only.
2. A contribution of ₹ 10,000/- to a political party under section 182 of the Companies Act, 2013.
3. A contribution to the PM CARES Fund during Covid pandemic.
4. Local activities like promotion of child and women education.
5. Activities carried out for fulfilment of any other statutory obligations under any law in force in India.
6. CSR projects undertaken through a Section 8 company.

On the basis of above facts and by applying applicable provisions of Companies Act, 2013 and the applicable Rules therein, choose the correct answer.

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

1. Prakash, Chief compliance officer of the company informed the Board on 20th April, 2022 that the company attracts the provisions of section 135 of the Companies Act, 2013. On what basis of the following he arrived at this conclusion -
 - (a) On the basis of turnover of the company.
 - (b) On the basis of turnover and net profit of the company taken together.
 - (c) On the basis of net worth of the company.
 - (d) On the basis of net worth and turnover of the company taken together.
 2. For the purpose of section 135 of the Companies Act, 2013, the net worth has to be calculated as defined under section 2(57) of the Act. In this context, which of the following statements is correct with reference to the above case –
 - (a) The net worth of Sai Ram Limited during the financial year 2021-22 was ₹520 crore.
 - (b) The net worth of Sai Ram Limited during the financial year 2021-22 was ₹530 crore.
 - (c) The net worth of Sai Ram Limited during the financial year 2021-22 was ₹555 crore.
 - (d) The net worth of Sai Ram Limited during the financial year 2021-22 was ₹620 crore.
 3. Sai Ram Limited constituted a Corporate Social Responsibility Committee as per the provisions of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014, therein consisting of-
 - (a) Sai Ram, Hari Om, Bindu and Reddy
 - (b) Hari Om, Bindu, Reddy and Prakash
 - (c) Sai Ram, Hari Om, Bindu and Prakash
 - (d) Sai Ram, Hari Om, Bindu and Roshan
- II. Akash wants to wear a new coat for his seminar which is to be held (after 20 days). He bought cloth material from the market to make a new coat. Akash gives material to Mr. Stitch, a tailor, to make the coat. Mr. Stitch promised Akash to deliver the coat within the stipulated time of one week. Akash paid 10% advance so that he stitches his coat on priority basis. After one week when Akash went to the tailor he was shocked to see that the coat is still unstitched. The tailor demanded two more days' time from Akash to stitch the coat, but Akash refused and asked the tailor to return his piece of cloth. Tailor retained the cloth and asked Akash to pay the price, as he already did the cutting of the cloth.
- Nishant, Akash's friend left his car at the company's authorised showroom for servicing. As Nishant's house is located in the remote area of the city, so he instructed the manager of the showroom to park the vehicle at Akash's residence. So as per Nishant's instructions the car was sent to Akash's house after servicing. The worker of the showroom parked the car outside Akash's residence and handed over the key to Akash's servant. Next day, when Nishant went to pick up his car he found that somebody has hit the car while it was parked there.
- Nishant found a mobile phone and a branded pen lying on the road outside Akash's residence. Nishant tried to enquire about the real owner. He took the phone and pen with him and kept it in the drawer of his study table. Next day, Nishant's wife came to the room searching for a pen, she saw the pen and took the pen and went out. Unfortunately, Nishant's wife lost the pen. After two days, the real owner, approached him (Nishant), Nishant humbly delivered his phone and apologized for the loss of pen.

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

4. According to the provisions of the Indian Contract Act, 1872, do you think the tailor has a right of lien over the cloth?
- (a) Yes, he is entitled to retain the coat until he is paid.
 - (b) No, he has not completed the work within the agreed time
 - (c) Yes, in case of particular lien he can retain the cloth.
 - (d) No, but he is not required to return the advance amount
5. Referring to the provision of the Indian Contract Act, 1872, what are the repercussions, when Nishant found goods belonging to another and takes them into his custody? Choose the correct statement.
- (a) He becomes subjected to the same responsibility as of a bailee.
 - (b) merely possession of the goods does not make him a bailee
 - (c) No act is done by owner for placing the goods in the possession of Nishant, so he cannot be treated as bailee.
 - (d) In the absence of any express or implied contract, absolves Nishant's liabilities as bailee
6. A Private Company cannot issue securities:
- (a) By way of rights issue
 - (b) By way of bonus issue
 - (c) By way of private placement
 - (d) By issue of Prospectus in Public **(1 Mark)**
7. The Annual General Meeting of Yellow Limited was held on 25th June 2022. According to the provisions of Companies Act, 2013, till what date the company should submit report on AGM to the registrar?
- (a) 30.06.2022
 - (b) 10.07.2022
 - (c) 24.07.2022
 - (d) 25.07.2022 **(2 Marks)**
8. 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)**

9. Where a company is granted licence under section 8, it is not required to use the word even though it is a limited company:
- (a) Guarantee company
 - (b) Limited Liability Partnership
 - (c) Limited or Private Limited, as the case may be
 - (d) Development Authority **(1 Mark)**
10. 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 is notified in the official gazette
 - (d) It receives assent of both the houses of Parliament **(1 Mark)**
11. K Limited decides to raise deposits of ₹ 10.00 lakh from its members. However, it proposes to secure such deposits partially by offering a security worth ₹ 5.00 lakh. 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)**
12. 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)**
13. When the dividend is declared at the Annual General Meeting of the company, it is known as
- (a) Final Dividend
 - (b) Interim Dividend
 - (c) Dividend on preference shares
 - (d) Scrip Dividend **(1 Mark)**
14. Every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its:
- (a) Second annual general meeting
 - (b) Fourth annual general meeting
 - (c) Sixth annual general meeting

- (d) Eight annual general meeting **(1 Mark)**
15. A Ltd. is holding 61% shares in B Ltd. and B Ltd. holds 51% in C Ltd. State which is the correct statement here:
- (a) C Ltd. is the holding company to A Ltd.
(b) C Ltd. is the holding company to B Ltd.
(c) B Ltd. is the Subsidiary to C Ltd.
(d) Both B Ltd. and C Ltd. are subsidiary to A Ltd. **(1 Mark)**
16. The Best Dry Fruits Ltd was incorporated under the Companies Act, 1913. Whether the provisions of the Companies Act, 2013 shall apply on it:
- (a) No, the provisions of the Companies Act, 2013 shall not apply on it.
(b) Yes, the provisions of the Companies Act, 2013 shall apply on it.
(c) The Companies Act, 1913 was enacted by the British Government, hence only an Act made by British Government shall apply on such company.
(d) Since, this company was incorporated by the British Government, hence the Companies Act of UK Govt shall apply. **(2 Marks)**
17. The financial statement in relation to a dormant company may not include:
- (a) balance sheet
(b) cash flow statement
(c) applicable explanatory note
(d) profit and loss account **(1 Mark)**
18. Any instrument is at maturity on the day after the day on which it is expressed to be payable.
- (a) first
(b) second
(c) third
(d) fourth **(1 Mark)**
19. An instrument which is vague and cannot be clearly identified either as a bill of exchange, or as a promissory note, is called as:
- (a) Bearer instrument
(b) Ambiguous instrument
(c) Order instrument
(d) Inland instrument **(1 Mark)**
20. When there is a conflict between two or more statues 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)**
21. A promissory note dated 31st August, 2022, is made payable three months after date. What will the maturity date for this instrument?
- (a) 30th October, 2022
- (b) 31st October, 2022
- (c) 2nd December, 2022
- (d) 3rd December, 2022 **(2 Marks)**
22. _____ is the cardinal rule of construction that words, sentences and phrases of a statute should be read in their ordinary, natural and grammatical meaning so that they may have effect in their widest amplitude.
- (a) Rule of Literal Construction
- (b) Rule of Harmonious Construction
- (c) Rule of Beneficial Construction
- (d) Rule of Exceptional Construction **(1 Mark)**

Division B (70 Marks)

1. (a) The Annual General Meeting of ABC Bakers Limited held on 30th May, 2022, declared a dividend at the rate of 30% payable on its paid-up equity share capital as recommended by Board of Directors. However, the Company was unable to post the dividend warrant to Mr. Ranjan, an equity shareholder, up to 25th July, 2022. Mr. Ranjan filed a suit against the Company for the payment of dividend along with interest at the rate of 20 percent per annum for the period of default. Decide in the light of provisions of the Companies Act, 2013, whether Mr. Ranjan would succeed? Also, state the directors' liability in this regard under the Act. **(6 Marks)**
- (b) Octagon Limited is holding 58% of the paid up share capital of Pentagon Limited. Vijay, one of the shareholders of Octagon Limited, holding 10% shares of the company, has made a charitable trust. He donated his 10% shareholding in Octagon Limited and ₹ 20 crore to the trust. He appointed Pentagon Limited as the trustee. All the assets of the trust are held in the name of Pentagon Limited.
- As per the provisions of the Companies Act, 2013, decide whether Pentagon Limited can hold shares of Octagon Limited. **(6 Marks)**
- (c) Mr. Shiv, a cargo owner, chartered a vessel to carry a cargo of wheat from a foreign port to Tuticorin. The vessel got stranded on a reef in the sea 300 miles from the destination. The ship's managing agents signed a salvage agreement for Mr. Shiv. The goods (wheat) being perishable, the salvors stored it at their own expense. Salvors intimated the whole incident to the cargo owner. Mr. Shiv refuse to reimburse the salvor, as it is the Ship-owner, being the bailee of the cargo, who was liable to reimburse the salvor until the contract remained untermiated. Referring to the provision of The Indian Contract Act 1872, do you acknowledge or decline the act of salvor, as an agent of necessity, for Mr. Shiv. Explain? **(4 Marks)**
- (d) Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881:

- (i) Babita finds a cheque payable to bearer, on the road and retains it.
- (ii) Biswas, the agent of Chandan, is entrusted with an instrument without indorsement by Chandan, who is the payee. **(3 Marks)**
2. (a) The Articles of Association of ABC Limited require the personal presence of 7 members to constitute quorum of General Meetings. The company has 870 members as on the date of meeting. The following persons were present in the extra-ordinary meeting to consider the appointment of Managing Director:
- (i) A, the representative of Governor of Karnataka.
- (ii) B and C, shareholders of preference shares,
- (iii) D, representing Green Limited and Blue Limited
- (iv) E, F, G and H as proxies of shareholders.
- Can it be said that the quorum was present in the meeting? **(6 Marks)**
- (b) The Companies Act, 2013, prescribes certain classes of unlisted public companies to appoint internal auditor. Enumerate such unlisted public companies that are required to appoint internal auditor. **(4 Marks)**
- (c) Shweta and Mira are very good friends. Shweta bailed her jewellery with Mira on the condition to safeguard it in a bank's safe locker. However, Mira kept it in safe locker at her residence, where she usually keeps her own jewellery. After a month all jewellery was lost in a religious riot. Shweta filed a suit against Mira for recovery. Referring to provisions of the Indian Contract Act, 1872, state whether Shweta will succeed. **(4 Marks)**
- (d) What is the meaning of 'Acceptor for honour' and 'payment for honour'? Give your answer in terms of the Negotiable Instruments Act, 1881. **(3 Marks)**
3. (a) Explain the provisions of the Companies Act, 2013 relating to the 'Service of Documents' on a company and the members of the company? **(5 Marks)**
- (b) Gizmo Limited was incorporated in 1990 in the town of Alwar. Its main business is manufacturing high quality bangles. 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 Gizmo Limited:
- (1) Priyansh, a qualified chartered accountant, is an employee of Gizmo Limited.
- (2) Vinod is a practicing Chartered Accountant indebted to Gizmo Limited for rupees 2 lakh. **(5 Marks)**
- (c) Mr. Krishna draws a cheque of ₹ 20,000 and gives to Mr. Balram by way of gift. State with reason whether -
- (1) Mr. Balram is a holder in due course as per the Negotiable Instrument Act, 1881?
- (2) Mr. Balram is entitled to receive the amount of ₹ 20,000 from the bank? **(4 Marks)**
- (d) Explain the principles of "Grammatical Interpretation" and "Logical Interpretation" of a Statute. **(3 Marks)**
4. (a) The persons (not being members) dealing with the company are always protected by the doctrine of indoor management. Explain. **(6 Marks)**

- (b) Sasha Private Limited received ₹ 3,00,000 from one of the relatives of a Director. The said relative has furnished a declaration that the amount was received by him from his mother as a gift. Decide as per the relevant provisions of the Companies Act, 2013, whether the said amount received by the company will be considered as deposits or not. **(4 Marks)**
- (c) Mr. Sridhar has issued a promissory note of ₹1000 to Mr. Mohan on 17th May 2022 payable 3 months after date. After that, a sudden holiday was declared on 20th August 2022 due to Moharram. As per the provisions of the General Clauses Act 1897, what should be the date of presentment of promissory note for payment? Whether it should be 19th August 2022 or 21st August 2022? **(4 Marks)**
- (d) Enumerate when does the rule of Ejusdem Generis apply. **(3 Marks)**
5. (a) Following is the extract of the Balance sheet ABC Ltd. as on 31st March, 2022:

Particulars		Amount (₹)
Equity & Liabilities		
(1) Shareholder's Fund		
(a) Share Capital:		
Authorized Capital:		
10,000, 12% Preference Shares of ₹ 10 each	1,00,000	
1,00,000 equity shares of ₹ 10 each	10,00,000	<u>11,00,000</u>
Issued & Subscribed Capital:		
8000, 12% Preference Shares of ₹ 10 each fully paid up		80,000
90,000 equity shares of ₹ 10 each, ₹ 8 paid up		7,20,000
(b) Reserve and Surplus		
General Reserve	1,20,000	
Capital Reserve	75,000	
Securities Premium	25,000	
Surplus in statement of P& L	<u>2,00,000</u>	<u>4,20,000</u>
(2) Non-Current Liabilities:		
Long-term borrowings:		
Secured Loan: 12% partly convertible		
Debenture @ ₹ 100 each		5,00,000

On 1st April, 2022 the company has made final call at ₹ 2 each on 90,000 Equity Shares. The call money was received by 25th April, 2022. Thereafter, the company decided to capitalize its reserves by way of bonus @ 1 share for every 4 shares to existing shareholders.

Answer the following questions according to the Companies Act, 2013, in above case:

- (A) Which of the above-mentioned sources can be used by company to issue bonus shares?
- (B) Calculate the amount to be capitalized from free reserves to issue bonus shares?

(5 Marks)

- (b) Mr. Raj acquired a property from XYZ Limited which was mortgaged to ABC Bank. He settled the dues to ABC Bank in full and the same was registered with the sub-registrar who has noted that the mortgage has been settled. But neither the company nor ABC Bank has filed particulars of satisfaction of charge with the Registrar of Companies. Can Mr. Raj approach the Registrar and seek any relief in this regard? Discuss this matter in the light of provisions of the Companies Act, 2013. **(5 Marks)**
- (c) As per the provisions of the Indian Contract Act, 1872, what is the meaning of:
- (1) Continuing guarantee
 - (2) Gratuitous Bailment **(4 Marks)**
- (d) What is the meaning of service by post as per provisions of the General Clauses Act, 1897? **(3 Marks)**