

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. Jai and Veeru, two friends, formed a private limited company as Basanti Taanga Private Limited and got it registered on 10th January, 2018. The registered office of the company was situated at Kolkata, West Bengal. The company had an authorised share capital of ₹ 50 lacs divided into 5 lacs equity shares of ₹ 10/- each. The issued, subscribed and paid-up share capital of the company was of ₹ 30 lacs divided into 3 lacs equity shares of ₹ 10 each. The company was engaged in supplying various motor parts to the vehicles companies. 'Basanti' was a registered Trade mark of Basanti Motorwala Private Limited of Mumbai since 15th January, 2016 under the Trade Marks Act, 1999. This company was also engaged in manufacturing and supplying various auto parts to the vehicles companies.

Basanti Motorwala Private Ltd. of Mumbai came to know on 20th January, 2022 about Basanti Taanga Private Limited of Kolkata who was using identical name and mark. Being a registered proprietor of a trade mark, Basanti Motorwala Private Ltd. filed an objection with an appropriate authority under Companies Act, 2013 on 15th March, 2022 that the name Basanti Taanga Private Limited or the mark the company was using is found to be identical with or too nearly resembles to the registered trade mark of Basanti Motorwala Private Ltd. and as such the appropriate authority should direct Basanti Taanga Private Limited to change its name. The appropriate authority after going through all the details rejected the application of Basanti Motorwala Private Ltd.

Thereafter on 14th July, 2020, Basanti Motorwala Private Ltd. requested Basanti Taanga Private Limited to change its name and Basanti Taanga Private Limited accepted the same in good relationship. Basanti Taanga Private Limited complied with all the formalities under Companies Act, 2013 such as passing of all necessary resolutions, taking approval from appropriate authority, filing of documents with the Registrar of Companies etc. The name of the company Basanti Taanga Private Limited was changed to Jai Veeru Private Limited. A fresh certificate of incorporation was issued to the company by the Registrar after being satisfied with the name change application of the company. Subsequent to the issuance of the new incorporation certificate, steps were taken up to incorporate the new name in all copies of the Memorandum of Association, Articles of Association and other documents of the company.

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

1. In the above case scenario, what can be the most evident reason for the appropriate authority to reject the application of Basanti Motorwala Private Ltd?
- (a) The appropriate authority rejected the application on the basis that the names of both the companies are different- Basanti Motorwala Private Ltd and Basanti Taanga Private Limited.
 - (b) The appropriate authority rejected the application as Basanti Motorwala Private Ltd (owner of the registered mark) should have filed the objection within three years of the registration of company with identical name.
 - (c) The appropriate authority could have rejected the application on the basis that both the companies are located in different cities and thus can use almost similar names.

- (d) The appropriate authority could have rejected the application on the basis that both the companies have different years of incorporation and both are located in different cities.
2. In the above case scenario, what ought to have been the time limit within which Basanti Motorwala Private Ltd, should have filed the objection for wrong name:
- (a) On or before 9th January, 2021
 (b) On or before 9th January, 2022
 (c) On or before 9th January, 2023
 (d) They can file the objection at any time
3. According to above case, a fresh certificate of incorporation was issued to the company by the Registrar after being satisfied with the name change application of the company. Which of the following statements is correct in this context?
- (a) The change in name of the company is said to be complete and effective from the date of passing of resolution in the general meeting of members.
 (b) The change in name of the company is said to be complete and effective from the date of issue of fresh certificate of incorporation by the Registrar.
 (c) The change in name of the company is said to be complete and effective from the date on which documents were filed with the Registrar.
 (d) The change in name of the company is said to be complete and effective from the date of the order of Ministry of Corporate Affairs approving the change of name.
- II. Prem and Amar are friends. Prem is the owner of three cars. Amar is a resident of Bhiwadi. He had to daily commute from Bhiwadi to Gurugram. He was using the services of various cab providers for commuting. Due to the rising prices and daily tension of booking a cab, Amar asked his friend Prem to rent one of his cars to him for a period of two month. They mutually agreed for a monthly rent of ₹ 8,000. Prem bought a new car to gift to his son on his 19th birthday. Prem's son Guddu, wanted to take his friends out for a ride in the new car for a treat. They went the famous Labela Café. Guddu found a Rado watch in the cafe; lying on the floor. Guddu tried to find the owner of the watch but all his efforts went in vain. Guddu got the watch repaired from the showroom by paying ₹ 9,500. Three days after Guddu 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 Labela Café, along with the reward of ₹ 10,000 to the finder of the watch. Guddu went to the owner to return the watch. Guddu demanded ₹ 15,000 as he had paid ₹ 9,500 for the repair of the watch.

After the expiry of one month from the date of lending the car to Amar, Prem went to Paris for 1.5 months. Prem informed Amar to return back the car at his residence. After the expiry 2 months (from the date of renting the car), Amar thought to retain the car with him for a further period of 1 month, for the ease of commuting. However, he did not inform Prem about the same and thought of paying ₹ 4,000 for this extra 15 days to Prem (Prem was already not in India for 15 days, so in any case car could not be delivered to him directly).

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

4. With reference to the provision of the Indian Contract Act, 1872, which of the statement is correct?
- (a) Amar can retain the car as he had no malicious intention and was ready to pay ₹ 4,000 for retaining the car for 15 days
 (b) Amar being a friend of Prem is authorised to retain the car after 2 months and also Prem was not in India at that time

- (c) After the expiry of 2 months, the car can be retained at least for the time of 15 days when Prem was not in India but not for the balance 15 days for which Amar was ready to pay ₹ 4,000
- (d) It was not justifiable for Amar to retain the car after the expiry of 2 months
5. According to the provision of the Indian Contract Act, 1872, choose the correct statement.
- (a) Guddu has a right to claim only the amount spent on repairing the watch.
- (b) Guddu has no right to claim the prize money.
- (c) Guddu can retain the watch till the owner pays him at least the prize money.
- (d) The owner is not liable to pay anything to Guddu. Rather, he can sue Guddu for stealing the watch.
6. The instrument creating a charge or modification thereon shall be preserved for a period of _____ years from the date of satisfaction of charge by the company.
- (a) 5
- (b) 7
- (c) 8
- (d) 15 **(1 Mark)**
7. Shreya is a director of Shree Limited. She 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, Shreya 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)**
8. Order Instrument is an instrument which is payable to a person or payable to a person or his order or payable to order of a person or where the last indorsement is in full, such instrument can be negotiated by
- (a) Simple delivery
- (b) Indorsement and delivery
- (c) Indorsement
- (d) Registered post **(2 Mark)**
9. A bill of exchange is due on 2nd January, 2022. How many days of grace shall be provided to this bill of exchange due at maturity:
- (a) 1 day
- (b) 2 days
- (c) 3 days
- (d) 5 days **(1 Mark)**

10. What among the following could be considered in the term 'Immovable Property' as defined under section 3(26) of the General Clauses Act, 1897?
- (i) The soil for making bricks
 - (ii) Right to catch fish
 - (iii) Right to drain water
 - (iv) Doors and Windows of the house
- (a) Only (i) and (iv)
(b) Only (i), (ii) and (iv)
(c) Only (i) and (ii)
(d) Only (ii), (iii) and (iv) **(2 Marks)**
11. The Annual General Meeting (AGM) of Green Limited was held on 31.8.2022. Suppose the Chairman of the company after two days of AGM went abroad for next 31 days. Due to the unavailability of the Chairman, within time period prescribed for submission of copy of report of AGM with the registrar, the report as required was signed by two Directors of the company, of which one was additional Director of the company. Comment on the signing of this report of AGM.
- (a) Yes, the signing is in order as the report can be signed by any director in the absence of Chairman.
(b) No, the signing is not in order as only the Chairman is authorised to sign the report
(c) Yes, the signing is in order, as in the absence of Chairman at least two directors should sign the report.
(d) No, the signing is not in order, since in case the Chairman is unable to sign, the report shall be signed by any two directors of the company, one of whom shall be the Managing director, if there is one and company secretary of the company. **(2 Marks)**
12. Yellow Limited's General Meetings are held at its registered office situated in Kochi. The minute book of General meetings of Yellow Limited will be kept at:
- (a) That place where members of Yellow Limited will decide.
(b) That place where all employees of Yellow Limited will decide.
(c) Registered office of the company Yellow Limited.
(d) That place where senior officials of Yellow Limited will decide. **(1 Mark)**
13. Red 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)**
14. During the half year ended September 2021, the board of directors (BOD) of New Era Limited has

made an application to the Tribunal for revision in the accounts of the company for the financial year ended on March 2019. Further during the year ended March 2022, the BOD has again made an application to the Tribunal for revision in the board's report pertaining to the year ended March 2021. You are required to state the validity of the acts of the Board of directors.

- (a) The act of the BOD is valid only to the extent of application made for revisions in accounts as board's report are not eligible for revision.
 - (b) The act of the BOD is valid as application made for revision in the accounts and board's report pertains to two different financial year.
 - (c) The act of the BOD is invalid as the law provides for only one time application to be made in a financial year for revision of accounts and boards report.
 - (d) The act of the BOD is invalid as to the application made for revision in accounts pertains to a period beyond 2 years immediately preceding the year 2022. The application made for revision in the Board report is however valid in law. **(2 Marks)**
15. One Person Company shall file a copy of the duly adopted financial statements to the Registrar in:
- (a) 30 days of the date of meeting in which it was adopted.
 - (b) 90 days of the date of meeting in which it was adopted.
 - (c) 90 days from the closure of the financial year.
 - (d) 180 days from the closure of the financial year. **(1 Mark)**
16. The AGM shall be called by giving 21 clear days' notice. However, it can be called by giving shorter notice if members entitled to vote at that meeting give their consent in writing or by electronic mode. In such cases how many members have to give their consent?
- (a) 75% of members entitled
 - (b) 90% of members entitled
 - (c) 91% of members entitled
 - (d) 95% of members entitled **(1 Mark)**
17. 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)**
18. Pick the odd one out of the following aids to interpretation:
- (a) Preamble
 - (b) Marginal Notes
 - (c) Proviso
 - (d) Usage **(1 Mark)**

19. _____ 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)**
20. 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) Purple Limited wants to raise funds for its upcoming project. Accordingly, it has issued private placement offer letters for issuing equity shares to 55 persons, of which four are qualified institutional buyers and remaining are individuals. Before the completion of allotment of equity shares under this offer letter, company issued another private placement offer letter to another 155 persons in their individual names for issue of its debentures.
- Being a public company is it possible for Purple Limited to issue securities under a private placement offer? By doing so, whether the company is in compliance with provisions relating to private placement or should these offers be treated as public offers? What if the offer for debentures is given after allotment of equity shares but within the same financial year? **(6 Marks)**
- (b) (i) A Limited declared and paid 10% dividend to all its shareholders except Mr. B, holding 500 equity shares, who instructed the company to deposit the dividend amount directly in his bank account. The company accordingly remitted the dividend, but the bank returned the payment on the ground that the account number as given by Mr. B doesn't tally with the records of the bank. The company, however, did not inform Mr. B about this discrepancy. Comment on this issue with reference to the provisions of the Companies Act, 2013 regarding failure to distribute dividend.
- (ii) G Medical Instruments Limited is a manufacturing company & has proposed a dividend @ 10% for the year 2021-2022 out of the profits of current year. The company has earned a profit of ₹ 910 crores during 2021-2022. The company does not intend to transfer any amount to the general reserves out of the profits. Is G Medical Instruments Limited allowed to do so, as per the provisions of the Companies Act, 2013? **(6 Marks)**
- (c) Ricky is the owner of electronics shop. Prisha reached the shop to purchase an air conditioner whose compressor should be of copper. As Prisha wanted to purchase the air conditioner on credit, Ricky demand a guarantor for such transaction. Mr. Shiv (a friend of Prisha) came forward and gave the guarantee for payment of air conditioner. Ricky sold the air conditioner of a particular brand, misrepresenting that it is made of copper while it is made of aluminium. Neither Prisha nor Mr. Shiv had the knowledge of fact that it is made of aluminium. On being aware of the facts, Prisha denied for payment of price. Ricky filed the suit against Mr. Shiv. Explain with reference to the Indian Contract Act 1872, whether Mr. Shiv is liable to pay the price of air conditioner?

- (d) 'Shama' made a promissory note for ₹ 4,500 payable to 'Vihari', and delivered the same to 'Vihari' on the condition that he ('Vihari') will demand payment only on the death of 'Kayah'. Before the death of 'Kayah', 'Vihari' indorsed and delivered the promissory note to 'Deepak', who receive the promissory note in good faith. On the date of maturity, 'Deepak' presented the promissory note for payment but 'Shama' denied for payment by stating that he issued this promissory note on the condition that it can be paid only on the death of 'Kayah'. Can 'Deepak' recover the amount due on the promissory note from 'Shama' under the provisions of the Negotiable Instrument Act 1881?
2. (a) Rashmika Ltd. received share application money of ₹ 50.00 Lakh on 01.06.2021 but failed to allot shares within the prescribed time limit.
- The share application money of ₹ 5.00 Lakh received from Mr. Kumar, a customer of the company, was refunded by way of book adjustment towards the dues payable by him to the company on 30.07.2021. The Company Secretary of Rashmika Ltd. reported to the Board that the entire amount of ₹ 50.00 Lakh shall be deemed to be 'Deposits' as on 31.07.2021 and the company is required to comply with the provisions of the Companies Act, 2013 applicable to acceptance of deposits in relation to this amount.
- You are required to examine the validity of the reporting of the Company Secretary in the light of the relevant provisions of the Companies Act, 2013. **(4 Marks)**
- (b) The Companies Act, 2013 has prescribed an additional duty on the Board of directors to include in the Board's Report a "Directors' Responsibility Statement". Briefly enumerate any four matters to be furnished in the said statement. **(6 Marks)**
- (c) Explain whether the agency shall be terminated in the following cases under the provisions of the Indian Contract Act, 1872:
- (i) A gives authority to B to sell A's land, and to pay himself, out of the proceeds, the debts due to him from A. Afterwards, A becomes insane.
- (ii) A appoints B as A's agent to sell A's land. B, under the authority of A, appoints C as agent of B. Afterwards, A revokes the authority of B but not of C. What is the status of agency of C? **(4 Marks)**
- (d) A signs his name on a blank cheque with 'not negotiable crossing' which he gives to B with an authority to fill up a sum of ₹ 3,000 only. But B fills it for ₹ 5,000. B then endorsed it to C for a consideration of ₹ 5,000 who takes it in good faith. Examine whether C is entitled to recover the full amount of the instrument from B or A as per the provisions of the Negotiable Instruments Act, 1881. **(3 Marks)**
3. (a) P Cricket Club was formed as a Limited Liability Company under Section 8 of the Companies Act, 2013 with the object of promoting cricket by arranging introductory cricket 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. Y, a member decided 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 P Cricket Club can be merged with Z Net Private Limited, a company engaged in the business of networking? **(5 Marks)**

- (b) XYZ & Associates, a firm of Chartered Accountants was re-appointed as auditors at the Annual General Meeting of ABC Ltd. held on 30-09-2021. However, the Board of Directors recommended to remove them before expiry of their term by passing a resolution in the Board Meeting held on 31-03-2022. Subsequently, having given consideration to the Board recommendation, XYZ & Associates were removed at the general meeting held on 25-05-2022 by passing a special resolution. The approval of the Central Government was not taken before passing the special resolution. Explaining the provisions for removal of second and subsequent auditors, examine the validity of removal of XYZ & Associates by ABC Ltd. under the provisions of the Companies Act, 2013. **(5 Marks)**
- (c) Examine the following cases with respect to their validity. State your answer with reasons.
- (i) A bill of exchange is drawn, mentioning expressly as 'payable on demand'. The bill will be at maturity for payment on 04-01-2022, if presented on 01-01-2022.
- (ii) A holder gives notice of dishonor of a bill to all the parties except the acceptor. The drawer claims that he is discharged from his liability as the holder fails to give notice of dishonour of the bill to all the parties thereto. **(4 Marks)**
- (d) Explain the impact of the two words "means" and "includes" in a definition, while interpreting such definition. **(3 Marks)**
4. (a) The Articles of Association of a Company may contain provisions for entrenchment under Section 5 of the Companies Act, 2013. What is meant by entrenchment provisions in this context? Also state the relevant provisions of the said Act dealing with entrenchment provisions. **(6 Marks)**
- (b) Krish (Private) Limited on 7th May 2022 obtained ₹ 25 lakhs working capital loan by offering its Stock and Accounts Receivables as security and ₹ 5 Lakhs adhoc overdraft on the personal guarantee of a Director of Krish (Private) Limited, from a financial institution. Is the company required to create charge for working capital loan and adhoc overdraft in accordance with the provisions of the Companies Act, 2013? **(4 Marks)**
- (c) A confusion, regarding the meaning of 'financial year' arose among the financial executive and accountant of a company. Both were having different arguments regarding the meaning of financial year & calendar year. What is the correct meaning of financial year under the provision of the General Clauses Act, 1897? How it is different from calendar year? **(4 Marks)**
- (d) In what way are the following terms considered as external aid in the interpretation of statutes:
- (i) Historical Setting
- (ii) Use of Foreign Decisions **(3 Marks)**
5. (a) Yuvan Limited is a public company incorporated in Pune. The Board of Directors (BOD) of the company wants to bring a public issue of 1,00,000 equity shares of ₹ 10 each. The BOD has appointed an underwriter for this issue for ensuring the minimum subscription of the issue. The underwriter advised the BOD that due to current economic situation of the Country it would be better if the company offers these shares at a discount of ₹ 1 per share to ensure full subscription of this public issue. The Board of Directors agreed to the suggestion of underwriter and offered the shares at a discount of ₹ 1 per share. The issue was fully subscribed and the shares were allotted to the applicants in due course.
- (1) Decide whether the advise of underwriter to issue of shares as mentioned above is valid as per provisions of the Companies Act, 2013.

- (2) What would be your answer in the above case if the shares are issued to employees as Sweat equity shares? **(5 Marks)**
- (b) Bows Limited is required to create a charge on one of its assets. However, the above charge could not be registered within the required period of 30 days. State the provisions related to extension of time and procedure for registration of charges, in case when the charge was not registered within 30 days of its creation. **(5 Marks)**
- (c) Distinguish between a contract of Indemnity and a contract of Guarantee as per the Indian Contract Act, 1872. **(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)**