



CA MENTORING PROGRAM  
CA RAVI AGARWAL

# CA INTER LAW

## ONE STOP SOLUTION

FOR ALL **MCQ's**



### KEY HIGHLIGHTS :

- Covers Integrated Case Study based MCQs
- All MCQs of Study Material by ICAI
- Covers all MCQs of MTPs and RTPs
- Attempt wise Distribution of MCQs
- All Booklet MCQs also included
- Chapter wise Distribution of MCQs

SCORE **70<sup>+</sup>** IN LAW

SUBSCRIBE TO OUR YOUTUBE CHANNEL FOR MOTIVATIONAL  
VIDEOS & LATEST UPDATES REGARDING CA COURSE.

[https://tiny.cc/CA\\_Ravi\\_Agarwal](https://tiny.cc/CA_Ravi_Agarwal)



**CA RAVI AGARWAL**

Founder, CA Mentoring Program

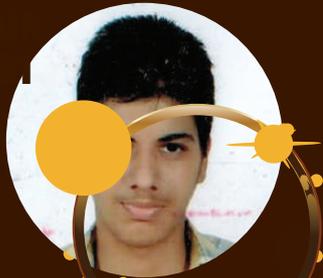
(Making Audit & Law easy)

[www.caraviagarwal.com](http://www.caraviagarwal.com)



8334866117

STAR PERFORMERS OF CA RAVI AGARWAL'S MENTORING PROGRAM



CA BISHAL TIMSINA



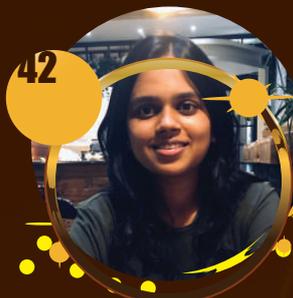
CA SHRUTHI PS



CA TANAY AGARWAL



CA YATHARTH BAPHNA



CA PRATIMA GARG



CA MONIKA AGGARWAL

JOIN THE MENTORING PROGRAM BY CA RAVI AGARWAL TO  
CRACK YOUR CA EXAMS IN ONE ATTEMPT



SUBSCRIBE TO "CA RAVI AGARWAL" YOUTUBE CHANNEL FOR  
MOTIVATIONAL VIDEOS & LATEST UPDATES REGARDING CA COURSE.

DON'T MISS A VIDEO ANYMORE, SUBSCRIBE NOW AND HIT THE  
BELL ICON TO GET NOTIFICATIONS ON LATEST VIDEOS.

[https://tiny.cc/CA\\_Ravi\\_Agarwal](https://tiny.cc/CA_Ravi_Agarwal)



*This attempt,  
Get your pass result*

**CA FINAL / INTER / FOUNDATION  
MENTORING FOR CA STUDENTS**

BY FOUNDER MENTOR CA RAVI AGARWAL



**JOIN THE LEAGUE OF AIR's**

ENROLLMENT IN PROGRESS FOR MAY 2022 & NOV 2022

**OUR CA FINAL START PERFORMERS**



CA ANIL TIMSINA



CA SHRUTHI PS



CA TANAY AGARWAL



CA YATHARTH BAPHNA



CA PRATIMA GARG



CA MONIKA AGGARWAL

**JOIN MENTORING BY CA RAVI AGARAWAL  
& CRACK YOUR CA EXAMS IN ONE ATTEMPT**

Register > [CAmentoringprogram.org](http://CAmentoringprogram.org)

8334866117

## INDEX

CHAPTER NAME	PAGE NO:
--------------	----------

### PART I: COMPANY LAW

Chapter 1: Preliminary	02-04
Chapter 2: Incorporation of Company and Matters Incidental Thereto	05-21
Chapter 3: Prospectus and Allotment of Securities	22-28
Chapter 4: Share Capital and Debentures	29-37
Chapter 5: Acceptance of Deposits by Companies	38-41
Chapter 6: Registration of Charges	42-50
Chapter 7: Management & Administration	51-71
Chapter 8: Declaration and Payment of Dividend	72-80
Chapter 9: Accounts of Companies	81-95
Chapter 10: Audit and Auditors	96-98

### PART II: OTHER LAWS

Chapter 1: The Indian Contract Act, 1872	
Unit-1: Contract of indemnity and guarantee	99-103
Unit-2: Bailment and Pledge	104-108
Unit-3: Agency	109-115
Chapter 2: The Negotiable Instruments Act, 1881	116-123
Chapter 3: The General Clauses Act, 1897	124-127
Chapter 4: Interpretation of Statutes	128-132
Integrated Case Scenarios	133-189

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



PAGE NO.

1

## PART I: COMPANY LAW

# 1

## PRELIMINARY

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	-	-	Q1	-	-	-
RTP	-	-	Q2	-	-	-
Booklet	-	-	Q3	-	-	-

### Mock Test Papers

#### October 2021:

1. The word 'firm' for the purpose of Section 139 shall include-

- (a) An individual auditor (c) An individual auditor and LLP both  
(b) LLP (d) A company

Answer: (c)

#### November 2020:

2. Roma along with her six friends has got incorporated Roma Trading Ltd. in May 2019. She kept the paid-up share capital at Rs. 30 lacs. Further, in April 2020, she noticed that in the last financial year, the turnover of the company was well below Rs. 2 crores. Advise whether the company can be treated as a 'small company'.

- (a) Roma Trading Ltd. is definitely a 'small company' since its paid -up capital is much below Rs. 50 lacs and also its turnover has not exceeded the threshold limit of Rs. 2 crores.  
(b) The concept of 'small company' is applicable only in case of a private limited company/OPC and therefore, despite meeting the criteria of 'small company' it being a public limited company cannot enjoy benefits of 'small company'.

(c) Unlike a private limited company/OPC which automatically becomes a 'small company' as soon as it meets the criteria of 'small company', Roma Trading Ltd. being a public limited company has to maintain the norms applicable to a 'small company' continuously for two years so that, thereafter, it is treated as a 'small company'.

(d) If all the shareholders of Roma Trading Ltd. give an undertaking to the ROC stating that they will not let the paid share capital and also turnover exceed the limits applicable to a 'small company' in the next two years, then it can be treated as a 'small company'.

Answer: (b)

### Revision Test Papers

#### November 2020:

3. Roma along with her six friends has incorporated Roma Trading Ltd. in May 2019. The paid-up share capital of the company is Rs. 30 lacs. Further, in April 2020, she noticed that in the last financial year, the turnover of the company was well below Rs. 2 crores. Advise whether the company can be treated as a 'small company'.

(a) Roma Trading Ltd. is definitely a 'small company' since its paid-up capital is much below Rs. 50 lacs and also its turnover has not exceeded the threshold limit of Rs. 2 crores.

(b) The concept of 'small company' is applicable only in case of a private limited company/OPC and therefore, despite meeting the criteria of 'small company' it being a public limited company cannot enjoy benefits of 'small company'.

(c) Unlike a private limited company/OPC which automatically becomes a 'small company' as soon as it meets the criteria of 'small company', Roma Trading Ltd. being a public limited company has to maintain the norms applicable to a 'small company' continuously for two years so that, thereafter, it is treated as a 'small company'.

(d) If all the shareholders of Roma Trading Ltd. give an undertaking to the ROC stating that they will not let the paid-up share capital and also turnover exceed the limits applicable to a 'small company' in the next two years, then it can be treated as a 'small company'.

Answer: (b)

### Booklet

4. Roma along with her six friends has incorporated Roma Trading Ltd. in May 2019. The paid-up share capital of the company is Rs. 30 lacs. Further, in April 2020, she noticed that in the last financial year, the turnover of the company was well below Rs. 2 crores. Advise whether the company can be treated as a 'small company'.

(a) Roma Trading Ltd. is definitely a 'small company' since its paid-up capital is much below Rs. 50 lacs and also its turnover has not exceeded the threshold limit of Rs. 2 crores.



## 2

INCORPORATION OF COMPANY AND  
MATTERS INCIDENTAL THERETO

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	-	Q1-3, 18	Q19	-	Q4	Q 5 - 8
RTP	Q20	-	Q 21	-	-	Q 9- 12
Booklet	Q13 - 17, 22	Q13 - 17, 22	Q 13- 17, 22	Q 13 - 17, 22	Q 13 - 17, 22	Q 13 - 17, 22

## Mock Test Papers

April 2021:

1. Anu got incorporated 'One Person Company' with her sister Alpa as the nominee and about three years have passed satisfactorily. From time to time, Anu does a number of charitable works and is associated with three NGOs. In the meantime, her business under her OPC has also flourished. Now she is contemplating to convert the OPC either as a Section 8 company (i.e., formation of companies with charitable objects). Choose the correct option.

- (a) Since company belongs to Anu, she has full discretion to convert the OPC either as a Section 8 company or as a private or public company
- (b) Since the company was formed as a private company, the only option available with Anu is to convert it into a public limited company.
- (c) There is specific prohibition on converting OPC into a Section 8 company; otherwise, it can be converted into a private or public company without any hindrance.
- (d) Since Anu does a lot of charitable works there is no prohibition to converts his OPC into a Section 8 company (companies formed with charitable objects).

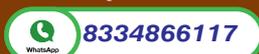
Answer: (c)

2. If a company is registered by furnishing incorrect information, then it's winding up may be ordered by:

- (a) Central Government
- (b) Registrar of Companies
- (c) National Company Law Tribunal
- (d) Court

Answer: (c)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



PAGE NO.

5



**March 2019:**

6. Shruti, a common friend of Suchitra and Sukanya, got incorporated OPC sometime before and during a chit-chat with her friends informed them that there is some limit on the maximum capital which her OPC can have and she would have to convert her OPC either into a private or public limited company if such limit exceeded. Suchitra and Sukanya who are desirous of forming a private limited company for carrying on textile trading business, are unsure about the maximum capital which a private limited company can have. Advise.

- (a) A private limited company can have maximum of Rs. One crore as share capital.
- (b) A private limited company can have maximum of Rs. Two crores as share capital.
- (c) A private limited company can have maximum of Rs. Five crores as share capital.
- (d) A private limited company can have unlimited share capital.

Answer: (d)

7. In Roopali Marketing Company Private Limited (Authorised capital 50,000 shares of Rs. 10 each and paid-up share capital of Rs. 4,50,000), 1000 shares are jointly held by Abeer and Abheek; another 800 shares are jointly held by Seema and Srividya; and another 1200 are jointly held by Ramesh, Raksha and Rajneesh. Further, 42,000 shares are held by 193 individual persons in their individual capacity. Is it possible for the company to induct more persons?

- (a) The company is unable to induct more persons since it already has two hundred individual members.
- (b) The company can induct four more persons as members.
- (c) The company can induct another 20 persons (*i.e., 10% of two hundred individual members*) after seeking permission from the concerned ROC.
- (d) If the company does not want to seek permission of the concerned ROC, it can induct only 10 more persons (*i.e., 5% of two hundred individual members*).

Answer: (b)

8. Vinay and Sanjay made a name reservation application accompanied by requisite fee to the Registrar for forming a new private company. The Registrar accorded its approval for reservation of most preferred name Vinanjay Softwares Private Ltd. on 7th July, 2018. By which date necessary documents for incorporation of the company must be submitted to the Registrar so that the reserved name does not get lapsed.

- (a) Latest by 20th July, 2018
- (b) Latest by 27th July, 2018
- (c) Latest by 4th August, 2018
- (d) Latest by 4th September, 2018

Answer: (b)

**Revision Test Papers**

**May 2019:**

9. Rajesh has formed a 'One Person Company (OPC)' with his wife Roopali as nominee. For the last two years his wife Roopali is suffering from terminal illness and due to this hard fact, he wants to change her as nominee. He has a trusted and experienced friend Ramnivas who could be made nominee or his (Rajesh) son Rakshak who is of seventeen years of age. Whom should he nominate as nominee in place of his wife?

- (a) Since blood relation can only be appointed as nominee in case of OPC, Rajesh needs to appoint his son Rakshak.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- (b) Rajesh can appoint his friend Ramnivas as nominee in his OPC
- (c) Roopali is not agreeable to the proposal of Rajesh and hence, Rajesh cannot change her as the nominee
- (d) Either Rakshak or Mr. Ramnivas can be appointed as nominee

Answer: (b)

10. A Ltd. is the holding company of B Ltd. Another company C Ltd. is the subsidiary company of B Ltd. Is there any relationship between A Ltd. and C Ltd.

- (a) There is no relationship between A Ltd. and C Ltd.
- (b) C Ltd. is deemed to be the subsidiary of A Ltd.
- (c) A Ltd. shall be deemed to be the holding company of C Ltd. provided A Ltd. acquires at least 10% stake in C Ltd.
- (d) C Ltd. shall be deemed to be the subsidiary of A Ltd. if the latter company acquires minimum 10% stake in the former company within six months after C Ltd. becomes subsidiary of B Ltd.

Answer: (b)

11. Shruti, a common friend of Suchitra and Sukanya, got incorporated OPC sometime before and during a chit-chat with her friends informed them that there is some limit on the maximum capital which her OPC can have and she would have to convert her OPC either into a private or public limited company if such limit exceeded. Suchitra and Sukanya who are desirous of forming a private limited company for carrying on textile trading business, are unsure about the maximum capital which a private limited company can have. Advise.

- (a) A private limited company can have maximum of Rs. One crore as share capital.
- (b) A private limited company can have maximum of Rs. Two crores as share capital.
- (c) A private limited company can have maximum of Rs. Five crores as share capital.
- (d) A private limited company can have unlimited share capital.

Answer: (d)

12. Vinay and Sanjay made a name reservation application accompanied by requisite fee to the Registrar for forming a new private company. The Registrar accorded its approval for reservation of most preferred name Vinanjay Software's Private Ltd. on 7th July, 2018. By which date necessary documents for incorporation of the company must be submitted to the Registrar so that the reserved name does not get lapsed.

- (a) Latest by 20th July, 2018
- (b) Latest by 27th July, 2018
- (c) Latest by 4th August, 2018
- (d) Latest by 4th September, 2018

Answer: (b)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



Booklet

13. Abhilasha and Amrita have incorporated a 'not for profit' private limited company which is registered under Section 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending 31st March, 2019, its turnover was less than Rs. 2.00 crores and its paid-up share capital was less than Rs. fifty lacs. Advise.

- (a) A section 8 company, which meets the criteria of 'turnover' and 'paid-up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in another 'small company' within the immediately following financial year.
- (b) If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (and not in the immediately following financial year) after meeting the criteria of 'turnover' and 'paid-up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.
- (c) The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.
- (d) A section 8 company, if incorporated as a private limited company (and not as public limited company) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid-up share capital'.

Answer: (c)

14. Namita Ceramic Goods Limited having 152 members was incorporated with the main objects to manufacture ceramic goods, glazed, unglazed floor and wall tiles, etc. and to carry on trading in such products. After three years of successful operation, it wants to diversify its business by entering into the field of manufacturing electronic goods for which it is required to alter its objects clause. Advise the company in relation to alteration of Memorandum.

- (a) The company can alter its Memorandum of Association by passing an ordinary resolution and getting it confirmed by the Regional Director (RD).
- (b) The company can alter its Memorandum of Association by passing a special resolution in the shareholders' meeting.
- (c) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution in the shareholders' meeting and getting it, it confirmed by the Regional Director (RD).
- (d) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution in the shareholders' meeting and simultaneously publishing the contents of special resolution in two newspapers (one in English and the other one in vernacular language) circulating in that area.

Answer: (b)

15. Swara Musical Instruments Private Limited was incorporated on 10th October, 2018 by converting existing partnership firm into company. Sohini and Mohini became the promoters of the company. Sohini's premises which was rented out to the partnership firm was to be used as the registered office. Mention the documents which need to be filed with the Registrar of Companies (ROC) for verification of registered office.

- (a) A notarised copy of rent agreement along with rent receipt which is not older than one month.
- (b) A copy of the public notice published in a local newspaper that the premises is rented out to the company along with certified copy of rent agreement.
- (c) A notarised copy of rent agreement along with rent receipt which is not older than two months.
- (d) A notarised copy of rent agreement only.

Answer: (a)

16. Anupam got incorporated 'One Person Company' with his sister Alpana as the nominee and about three years have passed satisfactorily. From time-to-time Anupam does a number of charitable works and is associated with three NGOs. In the meantime, his business under his OPC has also flourished. Now he is contemplating to convert the OPC either as a Section 8 company (i.e., formation of companies with charitable objects). Choose the correct option.

- (a) Since company belongs to Anupam, he has full discretion to convert the OPC either as a Section 8 company or as a private or public company
- (b) Since the company was formed as a private company, the only option available with Anupam is to convert it into a public limited company.
- (c) There is specific prohibition on converting OPC into a Section 8 company; otherwise, it can be converted into a private or public company without any hindrance.
- (d) Since Anupam does a lot of charitable works there is no prohibition to convert his OPC into a Section 8 company (companies formed with charitable objects).

Answer: (c)

17. In view of the fact that a private company enjoys a number of privileges, Orange Pharma Limited having 20 members is contemplating to convert itself into the private company. For this purpose, the company needs to alter its articles by inserting three restrictive clauses as specified in Section 2 (68) and the change in name is to be authorized by members by passing -----.

- (a) A special resolution and after obtaining approval of the Central Government.
- (b) A special resolution and after obtaining approval of the National Company Law Tribunal (NCLT).
- (c) A special resolution and after obtaining approval of the Registrar of Companies (ROC).
- (d) A special resolution and after obtaining approval of the State Government.

Answer: (a)

## CASE SCENARIOS

### Mock Test Papers

#### April 2021:

18. Mr. Anay, a business graduate from a leading B-School, has been running a chain of restaurants as a sole proprietor concern. The business is based in Chennai. Mr. Anay, in order to develop the business; decided to corporatize his business but he is concerned with dilution of his control over business decisions. Mr. Anay, during a journey met Mr. Dsouza; one of his old school friends. Mr. Dsouza is presently working in one of leading corporate advisory firms.

Mr. Anay seeks advice from Mr. Dsouza, regarding conversion of sole proprietorship concern to company and also explain his intention to keep the entire control in his hand. Mr. Dsouza informed Mr. Anay, about a new type of company, called One Person Company (OPC), which can be formed under Companies Act, 2013. Mr. Dsouza quoted section 2(62), which defines 'one person company' as a company which has only one person as a member.

Mr. Anay felt OPC is correct form of business for him, hence he promoted an OPC 'Casa Hangout Private Limited' (One Person Company) on 14th September 2019, to which he sold his sole proprietary business and became the sole member. Mr. Anay, appointed his younger son Mr. Amar, who was 21 year old then, as Nominee to OPC. Mr. Anand who is a famous food blogger and old friend of Mr. Anay was appointed as director of OPC, Mr. Anay himself also become director of company.

Mr. Amar is a professional photographer, and went abroad for a certification course on 23rd October 2019. He came back on 1st of March 2020. He established a photo-studio as an OPC called 'Best Click Private Limited' (one Person Company) on 20th March 2020, in which Mr. Anay is nominee and he became sole member. In the meantime, Mr. Amar also gave his consent as nominee to another OPC in which his elder brother Mr. Shankar is sole member.

Mr. Anay met with an accident on 25th March 2020, in which he lost his life. Nomination clause was invoked, as a result Mr. Amar has to take charge over 'Casa Hangout Private Limited' (One Person Company) as member with immediate effect. On 30th March 2020 Mr. Shankar was appointed as a new nominee to 'Casa Hangout Private Limited' (One Person Company), who gave written consent on 31st March 2020. Mr. Shankar who is an investment banker by profession, is of the opinion that 'Casa Hangout Private Limited' (One Person Company) needs to amend its object clause and add 'carry out investment in securities of body corporate' as one of the objects.

The Financial year closed on 31st March 2020. Financial statements of 'Casa Hangout Private Limited' (One Person Company), which is not containing cash flow statements were signed by Mr. Anand who left as only director after death of Mr. Anay.



(i) With reference to appointment of Mr. Amar and Mr. Shankar as nominee to 'Casa Hangout Private Limited' (One Person Company)', out of followings, who is eligible to be nominee of OPC?

- (a) Any natural person excluding minor
- (b) Any legal person excluding minor
- (c) Any natural person, who is resident of India; but excluding minor
- (d) Any natural person, who is resident as well as citizen of India; but excluding minor

Answer: (d)

(ii) Mr. Shankar if he wishes to withdraw his consent as nominee, can do so by giving written notice to

- (a) Director of OPC and to sole member of company
- (b) Director of OPC and to Registrar of companies
- (c) Sole member of company and to OPC
- (d) Sole member of company and to Registrar of companies

Answer: (c)

(iii) With reference to legal position of Mr. Amar as member/s and nominee/s to various OPCs, which of the following statement is correct with reference to ceiling limit in relation to membership and being nominee to OPC? A person, other than minor; at specific point of time;

- (a) Can be member in any number of OPCs but nominee in one OPC
- (b) Can be member in one OPC and nominee in any number of OPCs
- (c) Can be member in one OPC and nominee in another one OPC
- (d) Can be member and nominee both in any number of OPCs

Answer: (c)

**November 2020:**

19. Mr. Purshottam Prasad, a business graduate from a leading B-School, has been running a chain of restaurants as a sole proprietor concern. The business is based in Chennai. Mr. Prasad, in order to develop the business; decided to corporatize his business but he is concerned with dilution of his control over business decisions.

Mr. Prasad, during a journey met Mr. Chinmay Dass; one of his old school friends. Mr. Chinmay Das is presently working in one of leading corporate advisory firms. Mr. Prasad seeks advice from Mr. Dass, regarding conversion of sole proprietorship concern to company and also explain his intention to keep the entire control in his hand. Mr. Dass informed Mr. Prasad, about a new type of company, called One Person Company (OPC), which can be formed under Companies Act, 2013. Mr. Dass quoted section 2(62), which defines 'one person company' as a company which has only one person as a member.

Mr. Prasad, felt OPC is correct form of business for him, hence he promoted an OPC 'Casa Hangout Private Limited' (One Person Company) on 14th September 2019, to which he sold his sole proprietary business and became the sole member. Mr. Prasad, appointed his younger son Mr. Vijay, who was 21-year-old then, as Nominee to OPC. Mr. Anand who is a famous food blogger and old friend of Mr. Prasad was appointed as director of OPC, Mr. Prasad himself also become director of company.

Mr. Vijay is a professional photographer, and went abroad for a certification course on 23rd October 2019. He came back on 1st of March 2020. He established a photo-studio as an OPC called 'Best Click Private Limited' (one Person Company) on 20th March 2020, in which Mr. Prasad is nominee and he became sole member. In the meantime, Mr. Vijay also gave his consent as nominee to another OPC in which his elder brother Mr. Shankar is sole member.

Mr. Prasad met an accident on 25th March 2020, in which he lost his life. Nomination clause was invoked, as a result Mr. Vijay has to take charge over 'Casa Hangout Private Limited' (One Person Company) as member with immediate effect. On 30th March 2020 Mr. Shankar was appointed as a new nominee to 'Casa Hangout Private Limited' (One Person Company), who gave written consent on 31st March 2020. Mr. Shankar who is an investment banker by profession, is of the opinion that 'Casa Hangout Private Limited' (One Person Company) needs to amend its object clause and add 'carry out investment in securities of body corporate' as one of the objects.

The Financial year closed on 31st March 2020. Financial statements of 'Casa Hangout Private Limited' (One Person Company), which is not containing cash flow statements were signed by Mr. Anand who left as only director after death of Mr. Prasad.

19.1 With reference to appointment of Mr. Vijay and Mr. Shankar as nominee to 'Casa Hangout Private Limited' (One Person Company)', out of followings, who is eligible to be nominee of OPC?

- (a) Any natural person excluding minor
- (b) Any legal person excluding minor
- (c) Any natural person, who is resident of India; but excluding minor
- (d) Any natural person, who is resident as well as citizen of India; but excluding minor

Answer: (d)

19.2 Mr. Shankar if he wishes to withdraw his consent as nominee, can do so by giving written notice to

- (a) Director of OPC and to sole member of company
- (b) Director of OPC and to Registrar of companies
- (c) Sole member of company and to OPC
- (d) Sole member of company and to Registrar of companies

Answer: (c)

19.3 In case of change of Nominee in 'Casa Hangout Private Limited' (One Person Company), a notice shall be given to ROC by OPC; in form number INC -4 along with written consent of Nominee in form INC-3 from Mr. Shankar; within

- (a) 30 days from appointment of Mr. Shankar

- (b) 30 days from withdrawal (because he will become member) of consent as nominee by Mr. Vijay,
- (c) 30 days from written consent of Mr. Shankar
- (d) 15 days from written consent of Mr. Shankar

Answer: (b)

19.4 With reference to legal position of Mr. Vijay as member/s and nominee/s to various OPCs, which of the following statement is correct with reference to ceiling limit in relation to membership and being nominee to OPC? A person, other than minor; at specific point of time;

- (a) Can be member in any number of OPCs but nominee in one OPC
- (b) Can be member in one OPC and nominee in any number of OPCs
- (c) Can be member in one OPC and nominee in another one OPCs
- (d) Can be member and nominee both in any number of OPCs

Answer: (c)

19.5 Which of following statement is correct, with reference to requirement for financial Statements of 'Casa Hangout Private Limited' (One Person Company)

- (a) Must be signed by one director
- (b) Must be signed by at-least two directors
- (c) Must contain cash flow statement as part of financial statements
- (d) None of the above

Answer: (a)

19.6 With reference to opinion of Mr. Shankar to add 'carry out investment in securities of body corporate' object, 'Casa Hangout Private Limited' (One Person Company)

- (a) Cannot carry out non-banking financial investment activities & investment in securities of body corporate'
- (b) Cannot carry out non-banking financial investment, but can invest in securities of body corporate'
- (c) Can carry-out non-banking financial investment & invest in securities of body corporate'
- (d) None of the above

Answer: (a)

Revision Test Papers

**November 2021:**

20. Ramesh started a new venture of on-line business of supply of grocery items at the door- step of consumers. Initially it was having the area of operations of Jaipur City only. He employed some young boys having their own bikes and allocated the areas which they were accustomed of it, for making delivery of the grocery items as per their orders. He also got developed a website and Mobile App to receive the orders on-line. His friend Sudhanshu who is a Chartered Accountant, suggested him to corporatize this business form, from proprietorship business to a One Person Company (OPC). Ramesh agreed and a OPC was incorporated in the name of "Ask Ramesh4Online Grocery (OPC) Pvt Ltd." (for short OPC-1). In this OPC Ramesh became the member and director and Sudha (the mother of Ramesh) was made as nominee.

After a year Ramesh got married with Rachna. Since the business of on-line supply of grocery was on rising trend, day by day, he thought to start a new business of supply of Milk and Milk Products and another OPC in the name of "Rachna Milk Products (OPC) Pvt Ltd" (for short OPC-2) was incorporated with the help of his professional friend Sudhanshu. In this OPC-2, Rachna (his wife) became the member and director and Ramesh was named as Nominee.

To summarize the position, the information is tabulated as under:

Name of OPC	Ask Ramesh4Online Grocery (OPC) Pvt Ltd [OPC-1]	Rachna Milk Products (OPC) Pvt Ltd [OPC-2]
Member and Director	Ramesh	Rachna
Nominee	Sudha (Mother of Ramesh)	Ramesh (Husband of Rachna)

One of the friends of Ramesh advised him to do some charitable work of providing free education to the girl children of his native village near by Jaipur. Ramesh thought about this proposal and asked his professional friend Sudhanshu to convert this OPC-2 into Section 8 company.

Based on the above facts, answer the following MCQs:

20.1 Since Rachna, being insane, lost the capacity to contract, Ramesh (who was nominee) became the member of OPC-2. Now who will make nomination for this OPC:

- (a) Ramesh in the capacity of husband of Rachna can nominate any person as Nominee of OPC-2
- (b) Ramesh (who was nominee) of OPC-2 has now become member of this OPC and now as a member of this OPC he can nominate any person as per his choice as Nominee for this OPC.
- (c) When no person is nominated, the Central Govt. will make nomination of such OPC-2.
- (d) When no person is nominated, the Registrar shall order the company to be wound up.

Answer: (b)

20.2 Whether conversion of OPC-2 into a company governed by Section 8 is permissible?

- (a) Yes, OPC can be converted into Section 8 company
- (b) No, OPC cannot be converted into Section 8 company
- (c) This OPC-2 can be converted into section 8 company, provided the Central Govt give license
- (d) Providing of free education to girl child do not come under the specified objects mentioned for eligibility incorporation of section 8 company

Answer: (b)

20.3 Ramesh is a member in OPC-1 and became a member in another OPC-2 (on 2nd April, 2020) by virtue of his being a nominee in that OPC-2. Ramesh shall, by what date, meet the eligibility criteria that an individual can be a member in only one OPC:

- (a) 17th May 2020
- (b) 25th August 2020
- (c) 26th August 2020
- (d) 29th September 2020

Answer: (d)

20.4 After the demise of Sudha (the mother of Ramesh), Rachna was nominated by Ramesh for OPC-1 as Nominee. But now Rachna has become insane, so what recourse you will suggest to Ramesh:

- (a) Ramesh is required to nominate another person as nominee
- (b) Ramesh should wait till Rachna becomes good of her health and able to have the capacity to contract
- (c) Although Rachna has become insane, but if she is able to sign, her nomination in OPC-1 may continue
- (d) Sudhanshu (the Chartered Accountant) who helped in incorporation of OPC-1, may act as legal consultant on behalf of Rachna

Answer: (a)

**November 2020:**

21. Mr. Purshottam Prasad, a business graduate from a leading B-School, has been running a chain of restaurants as a sole proprietor concern. The business is based in Chennai. Mr. Prasad, in order to develop the business; decided to corporatize his business but he is concerned with dilution of his control over business decisions.

Mr. Prasad, during a journey met Mr. Chinmay Dass; one of his old school friends. Mr. Chinmay Das is presently working in one of leading corporate advisory firms. Mr. Prasad seeks advice from Mr. D ass, regarding conversion of sole proprietorship concern to company and also explain his intention to keep the entire control in his hand. Mr. Dass informed Mr. Prasad, about a new type of company, called One Person

Company (OPC), which can be formed under Companies Act, 2013. Mr. Dass quoted section 2(62), which defines 'one person company' as a company which has only one person as a member.

Mr. Prasad, felt OPC is correct form of business for him, hence he promoted an OPC 'Casa Hangout Private Limited' (One Person Company) on 14th September 2019, to which he sold his sole proprietary business and became the sole member. Mr. Prasad, appointed his younger son Mr. Vijay, who was 21-year-old then, as Nominee to OPC. Mr. Anand who is a famous food blogger and old friend of Mr. Prasad was appointed as director of OPC, Mr. Prasad himself also become director of company.

Mr. Vijay is a professional photographer, and went abroad for a certification course on 23rd October 2019. He came back on 1st of March 2020. He established a photo-studio as an OPC called 'Best Click Private Limited' (one Person Company) on 20th March 2020, in which Mr. Prasad is nominee and he became sole member. In the meantime, Mr. Vijay also gave his consent as nominee to another OPC in which his elder brother Mr. Shankar is sole member.

Mr. Prasad met an accident on 25th March 2020, in which he lost his life. Nomination clause was invoked, as a result Mr. Vijay has to take charge over 'Casa Hangout Private Limited' (One Person Company) as member with immediate effect. On 30th March 2020 Mr. Shankar was appointed as a new nominee to 'Casa Hangout Private Limited' (One Person Company), who gave written consent on 31st March 2020. Mr. Shankar who is an investment banker by profession, is of the opinion that 'Casa Hangout Private Limited' (One Person Company) needs to amend its object clause and add 'carry out investment in securities of body corporate' as one of the objects.

The Financial year closed on 31st March 2020. Financial statements of 'Casa Hangout Private Limited' (One Person Company), which is not containing cash flow statements were signed by Mr. Anand who left as only director after death of Mr. Prasad.

21.1 With reference to appointment of Mr. Vijay and Mr. Shankar as nominee to 'Casa Hangout Private Limited' (One Person Company)', out of followings, who is eligible to be nominee of OPC?

- (a) Any natural person excluding minor
- (b) Any legal person excluding minor
- (c) Any natural person, who is resident of India; but excluding minor
- (d) Any natural person, who is resident as well as citizen of India; but excluding minor

Answer: (d)

21.2 Mr. Shankar if he wishes to withdraw his consent as nominee, can do so by giving written notice to

- (a) Director of OPC and to sole member of company
- (b) Director of OPC and to Registrar of companies
- (c) Sole member of company and to OPC
- (d) Sole member of company and to Registrar of companies

Answer: (c)

21.3 In case of change of Nominee in 'Casa Hangout Private Limited' (One Person Company), a notice shall be given to ROC by OPC; in form number INC -4 along with written consent of Nominee in form INC-3 from Mr. Shankar; within

- (a) 30 days from appointment of Mr. Shankar
- (b) 30 days from withdrawal (because he will become member) of consent as nominee by Mr. Vijay,
- (c) 30 days from written consent of Mr. Shankar
- (d) 15 days from written consent of Mr. Shankar

Answer: (b)

21.4 With reference to legal position of Mr. Vijay as member/s and nominee/s to various OPCs, which of the following statement is correct with reference to ceiling limit in relation to membership and being nominee to OPC? A person, other than minor; at specific point of time;

- (a) Can be member in any number of OPCs but nominee in one OPC
- (b) Can be member in one OPC and nominee in any number of OPCs
- (c) Can be member in one OPC and nominee in another one OPCs
- (d) Can be member and nominee both in any number of OPCs

Answer: (c)

21.5 Which of following statement is correct, with reference to requirement for financial Statements of 'Casa Hangout Private Limited' (One Person Company)

- (a) Must be signed by one director
- (b) Must be signed by at-least two directors
- (c) Must contain cash flow statement as part of financial statements
- (d) None of the above

Answer: (a)

21.6 With reference to opinion of Mr. Shankar to add 'carry out investment in securities of body corporate' object, 'Casa Hangout Private Limited' (One Person Company)

- (a) Cannot carry out non-banking financial investment activities & investment in securities of body corporate'
- (b) Cannot carry out non-banking financial investment, but can invest in securities of body corporate'
- (c) Can carry-out non-banking financial investment & invest in securities of body corporate'

(d) None of the above

Answer: (a)

### Booklet

22. Mr. Purshottam Prasad, a business graduate from a leading B-School, has been running a chain of restaurants as a sole proprietor concern. The business is based in Chennai. Mr. Prasad, in order to develop the business; decided to corporatize his business but he is concerned with dilution of his control over business decisions.

Mr. Prasad, during a journey met Mr. Chinmay Dass; one of his old school friends. Mr. Chinmay Das is presently working in one of leading corporate advisory firms. Mr. Prasad seeks advice from Mr. D ass, regarding conversion of sole proprietorship concern to company and also explain his intention to keep the entire control in his hand. Mr. Dass informed Mr. Prasad, about a new type of company, called One Person Company (OPC), which can be formed under Companies Act, 2013. Mr. Dass quoted section 2(62), which defines 'one person company' as a company which has only one person as a member.

Mr. Prasad, felt OPC is correct form of business for him, hence he promoted an OPC 'Casa Hangout Private Limited' (One Person Company) on 14th September 2019, to which he sold his sole proprietary business and became the sole member. Mr. Prasad, appointed his younger son Mr. Vijay, who was 21-year-old then, as Nominee to OPC. Mr. Anand who is a famous food blogger and old friend of Mr. Prasad was appointed as director of OPC, Mr. Prasad himself also become director of company.

Mr. Vijay is a professional photographer, and went abroad for a certification course on 23rd October 2019. He came back on 1st of March 2020. He established a photo-studio as an OPC called 'Best Click Private Limited' (one Person Company) on 20th March 2020, in which Mr. Prasad is nominee and he became sole member. In the meantime, Mr. Vijay also gave his consent as nominee to another OPC in which his elder brother Mr. Shankar is sole member.

Mr. Prasad met an accident on 25th March 2020, in which he lost his life. Nomination clause was invoked, as a result Mr. Vijay has to take charge over 'Casa Hangout Private Limited' (One Person Company) as member with immediate effect. On 30th March 2020 Mr. Shankar was appointed as a new nominee to 'Casa Hangout Private Limited' (One Person Company), who gave written consent on 31st March 2020. Mr. Shankar who is an investment banker by profession, is of the opinion that 'Casa Hangout Private Limited' (One Person Company) needs to amend its object clause and add 'carry out investment in securities of body corporate' as one of the objects.

The Financial year closed on 31st March 2020. Financial statements of 'Casa Hangout Private Limited' (One Person Company), which is not containing cash flow statements were signed by Mr. Anand who left as only director after death of Mr. Prasad.

22.1 With reference to appointment of Mr. Vijay and Mr. Shankar as nominee to 'Casa Hangout Private Limited' (One Person Company)', out of followings, who is eligible to be nominee of OPC?

- (a) Any natural person excluding minor
- (b) Any legal person excluding minor
- (c) Any natural person, who is resident of India; but excluding minor
- (d) Any natural person, who is resident as well as citizen of India; but excluding minor

Answer: (d)

22.2 Mr. Shankar if he wishes to withdraw his consent as nominee, can do so by giving written notice to

- (a) Director of OPC and to sole member of company
- (b) Director of OPC and to Registrar of companies
- (c) Sole member of company and to OPC
- (d) Sole member of company and to Registrar of companies

Answer: (c)

22.3 In case of change of Nominee in 'Casa Hangout Private Limited' (One Person Company), a notice shall be given to ROC by OPC; in form number INC -4 along with written consent of Nominee in form INC-3 from Mr. Shankar; within

- (a) 30 days from appointment of Mr. Shankar
- (b) 30 days from withdrawal (because he will become member) of consent as nominee by Mr. Vijay,
- (c) 30 days from written consent of Mr. Shankar
- (d) 15 days from written consent of Mr. Shankar

Answer: (b)

22.4 With reference to legal position of Mr. Vijay as member/s and nominee/s to various OPCs, which of the following statement is correct with reference to ceiling limit in relation to membership and being nominee to OPC? A person, other than minor; at specific point of time;

- (a) Can be member in any number of OPCs but nominee in one OPC
- (b) Can be member in one OPC and nominee in any number of OPCs
- (c) Can be member in one OPC and nominee in another one OPCs
- (d) Can be member and nominee both in any number of OPCs

Answer: (c)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.





# 3

## PROSPECTUS AND ALLOTMENT OF SECURITIES

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1-5	-	-	Q6	Q7-8	-
RTP	-	Q9	-	-	Q10	-
Booklet	Q11-22	-	-	-	-	-

### Mock Test Papers

#### October 2021:

1. A prospectus which does not include complete particulars of the quantum or price of the securities included therein is called:

- (a) A deemed Prospectus  
 (b) A Shelf Prospectus  
 (c) An Abridged Prospectus  
 (d) A Red Herring Prospectus

Answer: (d)

2. The minimum amount of subscription in a public issue shall be received within \_\_\_ days from the date of issue of prospectus.

- a) 30  
 b) 60  
 c) 90  
 d) 12

Answer: (a)

3. Which of the following statements is not true?

- (a) in case of shares, the rate of underwriting commission to be paid shall not exceed five percent of the issue price of the share.  
 (b) underwriting commission should not be more than the rate specified by the Article of Association.  
 (c) in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.  
 (d) amount of commission may be paid out of profits of the company.

Answer: (c)

4. In case of 'offer of sale of shares by certain members of the company', which of the following options is applicable:

- (a) The provisions relating to minimum subscription are not applicable
- (b) Entire minimum subscription amount is required to be received within three days of the opening date
- (c) 25% of the minimum subscription amount is required to be received on the opening date and the remaining 75% within three days thereafter
- (d) 50% of the minimum subscription is required to be received by the second day of the opening date and the remaining 50% within next three days after the second day

Answer: (a)

5. Prithvi Private Limited was incorporated on 27th August, 2020 with 30 persons as subscribers to the Memorandum of Association and with Authorised share capital of ₹ 1 crore divided into equal number of shares of ₹ 1 each. Each subscriber subscribed for ₹ 1 lac shares. Advise the company about the company by what date it needs to deliver the share certificates to the subscribers.

- (a) 17th September, 2020.
- (b) 30th September, 2020.
- (c) 27th October, 2020.
- (d) 27th November, 2020.

Answer: (c)

**May 2020:**

6. Extra Limited is a growing Company and requires additional funds for expansion from time to time. They are following the same process for making an offer to public and then issue those shares. This is very time and energy consuming for them. Kindly advise them if there is any way out.

- a) During first offer they shall file prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
- b) During first offer they shall file prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
- c) During first offer they shall file shelf prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
- d) During first offer they shall file shelf prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required.

Answer:(c)

**November 2019:**

7. Being in need of further capital, Rimsi Cotton-Silk Products Limited opted to offer 50.00 lacs equity shares of Rs. 1 each to 50 identified persons on 'private placement' basis and accordingly a letter of offer accompanied by serially numbered application form was sent to them after fulfilment of due formalities including passing of special resolution. One of the applicants, Rajan made a written complaint to the company highlighting the fact that the letter of offer was incomplete as well as illegal, for the same did not contain 'renunciation clause' though he wanted to exercise his 'right of renunciation' in favour of one of his son Uday. By choosing the correct option, advise the company in this matter.

- (a) As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the letter of offer and the application form.

(b) The company is prohibited from providing 'Right of Renunciation' and therefore, the letter of offer and the application form need not include any such clause.

(c) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to twenty five percent of offering.

(d) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to fifty percent of offering.

Answer: (b)

8. Dwapar Equipment Finance Limited, a non-banking finance company (NBFC), is desirous of offering secured, redeemable, non-convertible 9% Debentures to the public in three or more tranches over a certain period of time. Which kind of prospectus it is required to issue so that its purpose is served and there arises no need to take out a fresh prospectus for second and subsequent offer of securities.

(a) Deemed Prospectus.

(c) Red Herring Prospectus.

(b) Shelf Prospectus.

(d) Abridged prospectus.

Answer: (b)

### Revision Test Papers

#### May 2021:

9. 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 Rs. 20,000.

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

Answer: (c)

#### November 2019:

10. Delight Sports Garments Limited is contemplating to raise funds through issue of prospectus in which, according to the directors, a sum of Rs. 50 crores should be stated as the minimum amount that needs to be subscribed by the prospective subscribers. The funds shall be raised in four instalments consisting of application, allotment, first call and second & final call. Advise the company by which instalment it should receive the minimum subscription stated in the prospectus.

(a) Along with amount subscribed as application money.

(b) Along with amount subscribed as final call money.

(c) Along with amount subscribed as first call money.

(d) Along with amount subscribed as second and final call money.

Answer: (a)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



PAGE NO.

24

Booklet

11. A issue house (share broker) has issued an advertisement in two leading newspapers for selling a big number of shares allotted to it by a company under a private placement. In which of the following conditions the advertisement will not be deemed as prospectus:

- (a) Advertisement was given within six months from the date of allotment
- (b) Advertisement was given after six months from the date of allotment and the issue house paid the entire consideration to the company
- (c) The issue house did not pay entire consideration to the company till the date of allotment
- (d) advertisement was given within three months from the date of allotment.

Answer: (b)

12. Which of the following statements is not true?

- (a) in case of shares, the rate of underwriting commission to be paid shall not exceed five percent of the issue price of the share.
- (b) underwriting commission should not be more than the rate specified by the Article of Association.
- (c) in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
- (d) amount of commission may be paid out of profits of the company.

Answer: (c)

13. 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 Rs. 20,000.
- (d) A public company can make a private placement of its securities.

Answer: (c)

14. A shelf prospectus filed with the ROC shall remain valid for a period of:

- (a) one year from the date of registration.
- (b) one year from the date of closing of first issue.
- (c) one year from the date of opening of first issue.
- (d) Ninety days from the date on which a copy was delivered to ROC.

Answer: (c)

15. Shripad Religious Publishers Limited has received application money of Rs. 20,00,000 (2,00,000 equity shares of Rs. 10 each) on 10th October, 2019 from the applicants who applied for allotment of shares in response to a private placement offer of securities made by the company to them. Select the latest date by which the company must allot the shares against the application money so received.

- (a) 9th November, 2019. (c) 9th December, 2019.  
(b) 24h November, 2019. (d) 8th January, 2020.

Answer: (c)

16. Being in need of further capital, Rimsi Cotton-Silk Products Limited opted to offer 50 lacs equity shares of Rs. 1 each to 50 identified persons on 'private placement' basis and accordingly a letter of offer accompanied by application form was sent to them after fulfilment of due formalities including passing of special resolution. One of the applicants Rajan made a written complaint to the company highlighting the fact that the offer letter was incomplete as well as illegal, as it did not contain 'renunciation clause' as he wanted to exercise his 'right of renunciation' in favour of one of his son Uday. By choosing the correct option, advise the company in this matter.

- (a) As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the offer letter and the application form.  
(b) The company is prohibited from providing 'Right of Renunciation' so the offer letter and the application form need not include any such clause.  
(c) Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to twenty five percent of offering.  
(d) Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to fifty percent of offering.

Answer: (b)

17. Innovative Tech Sol Limited intends to invite subscription to Rs. 1.10 crores equity shares of Rs. 10 each on private placement basis. The persons identified as potential subscribers are within the statutory limit and also include the two other categories to which such statutory limit is not applicable. One such category is employees of the company who are offered equity shares under Employees' Stock Option Scheme. By choosing the correct option, name the other excluded category.

- (a) Quality Institutional Buyers  
(b) Qualified Institutional Buyers.  
(c) Qualificational Institutional Buyers.  
(d) Qualified Investing Institutional Buyers.

Answer: (b)

18. Neptune Metal Tools Limited was incorporated on 2nd December, 2018 with twenty-five subscribers and authorised capital of Rs. 50,00,000 (5,00,000 equity shares of Rs. 10 each). As the directors of the company are in a dilemma whether to issue physical share certificates to the subscribers or keep the shares in dematerialized form, they need to be advised correctly in this respect.

- (a) Being an unlisted company, Neptune may either issue physical share certificates to the subscribers or alternatively, issue them in dematerialized form.
- (b) Neptune needs to issue shares to the subscribers only in dematerialized form.
- (c) A company having more than 100 shareholders needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.
- (d) A company having authorised capital of Rs. fifty lakhs and above needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.

Answer: (b)

19. How much Security Deposit an unlisted public company is required to maintain, at all times, with the respective depository when it dematerializes its securities.

- (a) Equal to not less than one year's fees payable to the depository.
- (b) Equal to not less than two years' fees payable to the depository.
- (c) Equal to not less than two and a half years' fees payable to the depository.
- (d) Equal to not less than three years' fees payable to the depository.

Answer: (b)

20. On which offer of securities, commission is permitted to be paid to any underwriter by the company:

- (a) When securities are offered on rights basis
- (b) When securities are offered in the form of bonus issue
- (c) When securities are offered on private placement basis
- (d) When securities are offered to the public for subscription

Answer: (d)

21. In case of 'offer of sale of shares by certain members of the company', which of the following options is applicable:

- (a) The provisions relating to minimum subscription are not applicable
- (b) Entire minimum subscription amount is required to be received within three days of the opening date



# 4

## SHARE CAPITAL AND DEBENTURES

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1,25	-	-	Q2	Q3	Q4-6
RTP	Q7-9	-	-	-	-	Q10
Booklet	Q11-24	-	-	-	-	-

### Mock Test Papers

#### October 2021:

1. Vanraj Limited is desirous of issuing debentures carrying voting rights. Which of the following options is best suited in such a situation:

- (a) Vanraj Limited can issue debentures carrying voting rights after an ordinary resolution is passed by the company.
- (b) Vanraj Limited can issue debentures carrying voting rights if a special resolution is passed by the company.
- (c) Vanraj Limited can issue such voting rights only if it mortgages its land and buildings worth two times the amount of the debentures.
- (d) Vanraj Limited cannot issue debentures carrying voting rights.

Answer: (d)

#### May 2020:

2. In Roopali Marketing Company Private Limited (Authorised capital 50,000 shares of Rs. 10 each and paid-up share capital of Rs. 4,50,000), 1000 shares are jointly held by Abeer and Abheek; another 800 shares are jointly held by Seema and Srividya; and another 1200 are jointly held by Ramesh, Raksha and Rajneesh. Further, 42,000 shares are held by 193 individual persons in their individual capacity. Is it possible for the company to induct more persons?

- (a) The company is unable to induct more persons since it already has two hundred individual members.
- (b) The company can induct four more persons as members.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



(c) The company can induct another 20 persons (i.e., 10% of two hundred individual members) after seeking permission from the concerned ROC.

(d) If the company does not want to seek permission of the concerned ROC, it can induct only 10 more persons (i.e., 5% of two hundred individual members).

Answer: (a)

**November 2019:**

3. Part of the capital for which application have been received from the public and shares allotted to them:

- (a) Nominal capital (c) Subscribed capital  
(b) Issued capital (d) Called up capital

Answer: (c)

**April 2019:**

4. The paid-up share capital of ABC Ltd. Are 5000000 shares of Rs. 200 each. 20% of its paid-up share capital is held by 4 of its promoters, who wants to off load their holding by making an offer of sale to the public by issuing a prospectus. They want to authorise someone to take all actions and complete all formalities related to such offer of sale. From the following who can be authorised by them to do so—

- (a) Any person who has agreed to fulfil all the formalities related to such offer of sale  
(b) Any one or more director of the company.  
(c) Company itself whose shareholding they want to offload.  
(d) Any competent officer of the company.

Answer:(c)

5. The Authorised share capital clause of LMN & Co. ltd. consisted of Preference share capital and Equity share capital both. With regard to equity share capital, the article of association of the company has given authorisation to issue differential equity shares. Apart from authorisation by the Articles, from the following strike out the condition, which is not mandatory to comply with—

- (a) Such issue of shares must be authorised by an ordinary resolution passed at a general meeting of the shareholders or by postal ballot, as the case may be  
(b) The company must have consistent track record of distributable profit for the last five years.  
(c) The company has no subsisting default in the payment of the declared dividend to its shareholders.  
(d) The company has not defaulted in filing financial statements and annual returns for three financial years immediately preceding the financial year in which it is decided to issue such shares

Answer: (b)

**March 2019:**

6. Corrupt Limited has received a request from Mr. Suresh for transfer of 100 partly paid equity shares, to Mr. Ramesh. However, Mr. Ramesh expired in the meantime, but no intimation of the same has been received by the company. In the given circumstances, advise as per the provisions of the Companies Act, 2013:

- (a) Corrupt Limited will not register the transfer the shares in the name of Mr. Ramesh, without verification from Mr. Suresh

- (b) Corrupt Limited can register the shares in the name of Mr. Ramesh as it is not aware of the untoward incident.
- (c) Corrupt Limited will not register the transfer the shares in the name of Mr. Ramesh, without verification from Mr. Ramesh
- (d) Corrupt Limited will give the shares back to Mr. Suresh

Answer: (b)

### Revision Test Papers

#### November 2021:

7. A Limited made a public issue of Debentures. The articles of the company authorise the payment of underwriting commission at 2 per cent of the issue price. The company has negotiated with the proposed underwriters, Gama Brokers and has finalised the rate at 2.25 per cent. The amount that the company is eligible to pay as underwriting commission is:

- (a) 5% (b) 2% (c) 2.5% (d) 2.25%

Answer: (b)

8. Krishna Religious Publishers Limited has received application money of Rs. 20,00,000 (2,00,000 equity shares of Rs. 10 each) on 10th October, 2019 from the applicants who applied for allotment of shares in response to a private placement offer of securities made by the company to them. Select the latest date by which the company must allot the shares against the application money so received.

- (a) 9th November, 2019 (c) 9th December, 2019
- (b) 24th November, 2019 (d) 8th January, 2020

Answer: (c)

9. Such shares which are issued by a company to its directors or employees at a discount or for a consideration other than cash for working extraordinary hard and achieving desired output is honoured with:

- (a) Equity Shares (c) Sweat Equity Shares
- (b) Preference Shares (d) Redeemable preference shares

Answer: (c)

#### May 2019

10. A Company limited by shares can issue equity shares with differential voting rights. Which of the following is not a necessary condition to be fulfilled before issue of such shares:

- (a) The articles of association of the company shall authorize issue of shares with differential rights;

- (b) The issue of shares shall be authorized by an ordinary resolution passed at a general meeting of the shareholders;
- (c) The issue of shares shall be authorized by special resolution passed at a general meeting of the shareholders;
- (d) The company shall have consistent track record of distributable profits for the last three years;

Answer: (c)

**Booklet:**

11. Such shares which are issued by a company to its directors or employees at a discount or for a consideration other than cash for working extraordinary hard and achieving desired output is honoured with

- (a) Equity Shares
- (b) Preference Shares
- (c) Sweat Equity Shares
- (d) Redeemable preference shares

Answer: (c)

12. The Articles of Association of a private limited company state that the company may issue preference shares which will have preference of dividend only but no preference as to the repayment of capital, in the case of winding up. Is it possible for the company to issue such preference shares?

- (a) No; as per section 43 preference shares should have both preferences.
- (b) No; this will become equity share as per section 43.
- (c) Yes; because as per section 43 preference shares should have any one preference.
- (d) Yes; because Articles of Association of the company allow issue of such preference shares and the issuing company is a private limited company.

Answer: (d)

13. A general meeting of the company is to be held on 30th August, 2020. The company has not paid dividend for the financial year 2018-2019. It has also not yet paid any dividend for the year 2019-2020. In such case preference shareholders:

- (a) will not have the right to vote because preferential shareholder has no right to vote
- (b) will have the right to vote because dividend for last two years have not been paid
- (c) will not have the right to vote because only equity shareholders can vote in general meetings
- (d) will have right to vote because preference shareholder have the right to vote in general meetings

Answer: (b)

14. In a company if any change of right of one class also affects the right of other class, then:

- (a) A resolution should be passed in general meeting in this case
- (b) Company need not to do anything else
- (c) Written consent of three fourth majority of that other class should be obtained
- (d) A resolution in joint meeting of both the classes should be passed

Answer: (c)

15. Rajesh Infrastructure Limited wants to issue preference shares for a period exceeding 20 years for financing its proposed infrastructure project. On the basis of which statement, company can do so?

- (a) Yes; company can issue irredeemable preference shares by passing special resolution
- (b) Yes; company can issue preference shares for a period of more than 20 years with the prior approval of Central Government
- (c) Yes; company can issue irredeemable preference shares for infrastructure project
- (d) Yes; company can issue preference shares for infrastructure project for a period up to 20 years.

Answer: (d)

16. If a company has Authorised Share Capital of Rs. 6,00,000; Paid-up Share Capital of Rs. 5,00,000; a loan of Rs. 2,00,000 obtained from the State Government. The State Government ask the company to convert its loan into shares, then such order shall have the effect of increasing:

- (a) The subscribed share capital of the company
- (b) The paid-up share capital of the company
- (c) The Authorised Share Capital of the company
- (d) All of the above

Answer: (d)

17. A company bought back 10% of its equity shares in August 2020. Due to certain miscalculations during the first buy-back, it again buys back another 10% equity shares in September 2020. Whether the company can resort to second buy-back?

- (a) It can do so subject to the fulfilment of other conditions because maximum buy-back in a financial year is up to 25%
- (b) It cannot do so because there must be a time gap of 12 months between two buy-backs

(c) It can buy back shares within one year but the company need to pass an ordinary resolution by its board of directors

(d) It can buy back shares within one year but the company will have to pass a special resolution

Answer: (b)

18. Swagat Hospitality Limited defaulted in the repayment of last two instalments of term loan availed from National Commercial Bank. On 30th September, 2019, they cleared all the dues by repaying it. When can it issue equity shares with differential voting rights?

(a) Upon expiry of five years from the date on which the default was made good

(b) Upon expiry of three years from the end of the financial Year in which the default was made good

(c) Upon expiry of five years from the end of the financial Year in which the default was made good

(d) Upon expiry of seven years from the end of the financial Year in which the default was made good

Answer: (c)

19. Ruchi was handed over an instrument of transfer dated 21st August, 2020, duly stamped and signed by Radha who had transferred 2000 equity shares of Rs. 100 each allotted to her by Murti Mechanical Toys Private Limited. Advise Ruchi regarding the date by which the instrument of transfer along with share certificates must be delivered to the company, to register the transfer in its register of members.

(a) 21st August, 2020.

(c) 20th October, 2020.

(b) 20th September, 2020

(d) 19th November, 2020.

Answer: (c)

20. Shreem Lakshmi Jewellery Store Private Limited was incorporated on 27th August, 2020 with 30 persons as subscribers to the Memorandum of Association and with Authorised share capital of Rs. 1.00 crore divided into equal number of shares of Rs. 1 each. Each subscriber subscribed for Rs. 1.00 lac shares. Advise the company about the company by what date it needs to deliver the share certificates to the subscribers.

(a) 17th September, 2020.

(c) 27th October, 2020.

(b) 30th September, 2020.

(d) 27th November, 2020.

Answer: (c)

21. Keshika is the original owner of 1000 equity shares of Rs. 50 each being allotted by Modern Biscuits Private Limited. As she wanted these shares to be transferred to her younger sister Vanshika as a gift, she completed the transfer deed in all respects and delivered the same to the company along with share certificates

on 17th July, 2020. However, the company did not register the transfer even after the expiry of more than one month nor did it send any notice of refusal. The lone reminder to the company remained unanswered. An appeal needs to be filed against the company with the National Company Law Tribunal (NCLT). Advise by choosing the correct option as to who has the right to file the appeal.

- (a) Keshika, who continues to remain owner and transferor of equity shares till they are registered in the name of Vanshika, has the right to file an appeal with NCLT against the company.
- (b) Vanshika, as transferee and 'would be' owner of equity shares, has the right to file an appeal with NCLT against the company.
- (c) Both Keshika and Vanshika have to file a joint appeal with NCLT against the company, for neither Keshika nor Vanshika are authorised to file the appeal individually.
- (d) As per its discretion, NCLT may allow either Keshika or Vanshika to file an appeal against the company.

Answer: (b)

22. It has been decided by Vanita Watches Limited to issue sweat equity shares to five of its employees for the 'value additions' made by them in term of economic benefits which proved beneficial to the company. For how many year(s), the employees who have been allotted sweat equity shares cannot transfer them:

- (a) One year from the date of allotment
- (b) Three years from the date of allotment
- (c) Five years from the date of allotment
- (d) Six months from the date of allotment

Answer: (b)

23. Prithvi Cements Limited is desirous of issuing debentures carrying voting rights. Which of the following options is best suited in such a situation:

- (a) Prithvi Cements Limited can issue debentures carrying voting rights after an ordinary resolution is passed by the company.
- (b) Prithvi Cements Limited can issue debentures carrying voting rights if a special resolution is passed by the company.
- (c) Prithvi Cements Limited can issue such voting rights only if it mortgages its land and buildings worth two times the amount of the debentures.
- (d) Prithvi Cements Limited cannot issue debentures carrying voting rights.

Answer: (d)

24. While making an application to the Tribunal for seeking its confirmation in respect of extinguishing the liability of Rs. 3 per equity share, Medhavi

Publishers Limited has to file a certificate along with the application, that the accounting treatment proposed by it for such reduction of share capital is in conformity with the accounting standards specified in the prescribed Section. Advise the company as to who can issue such certificate?

- (a) Any of the directors of the company as authorised by the Board may issue such certificate
- (b) A practicing company secretary is authorised to issue such certificate
- (c) The auditor of the company is authorised to issue such certificate
- (d) The legal advisor of the company is authorised to issue such certificate

Answer: (c)

## CASE SCENARIOS

### Mock Test Papers

#### October 2021:

25. Mr. Hari Dutta is an Operation head of North India region of Hilton Ltd. He was a full-time employee of the company. Mr. Hari draws a monthly salary of Rs. 1,00,000. On 14th May 2020, Mr. Hari applied for a loan of Rs. 10,00,000, to buy 1000 fully paid-up equity shares of Rs. 1000 each in Mohan Limited (holding company of Hilton Ltd). The company refused to grant loan to Mr. Hari saying he is not eligible for the loan for the said amount of Rs. 10,00,000.

Hilton Ltd. is a listed company, authorized by its articles to purchase its own securities. According to the balance sheet and Annual statements of the company for the year 2020-21:

- Issued, subscribed and paid-up Share Capital (20,00,000 equity shares of Rs. 100 each, fully paid-up)
- Free Reserves Rs. 30,00,00,000
- The security premium account Rs. 20,00,00,000
- The secured and unsecured Debt Rs. 50,00,00,000
- Accumulated losses Rs. 50,00,000

The company issued a circular as it wanted to buy back shares worth Rs. 10,00,00,000 from the funds it has in its free reserve and security premium account. The board of directors passed a resolution for the same on 28th April, 2021.

The company has filed with the Registrar of Companies a Letter of Offer in e-form SH-8 on 1st May 2021. The company had also filed with the Registrar of Companies, along with the letter of offer, a declaration of solvency.

The Letter of Offer was dispatched to all the shareholders on 3rd May, 2021. The company announced to avail the buy back offer latest by 10th May, 2021. Many shareholders who approached the company after

the due date were not considered applicable for this buy back scheme. The shareholders raised strong objection on giving just 7 days time to avail the offer by the company.

A special resolution has been passed at a general meeting of the company authorizing the buy-back of shares, which was accompanied by an explanatory statement containing the particulars required to be mentioned as per the provisions of the Companies Act, 2013.

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

(i) The company has planned to buy back shares worth rupees 10,00,00,000. 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) Rs. 2,00,00,000 (c) Rs. 7,00,00,000  
(b) Rs. 5,00,00,000 (d) Rs. 8,00,00 000

Answer: (b)

(ii) Suppose the company intends to buy back some partly paid equity shares. Which of the following statement is correct?

- (a) The company is allowed to buy back partly paid equity shares  
(b) The company is allowed to buy back partly paid equity shares if the total amount of such partly paid equity shares does not exceed 2% of the total buy back.  
(c) The company is allowed to buy back partly paid equity shares but it cannot buy back partly paid other specified securities.  
(d) All the shares or other specified securities for buy back must be fully paid up.

Answer: (d)

(iii) Some shareholders and officers of the company are of the opinion that it was not necessary for the company to pass a special resolution in general meeting with respect to buy back. Choose the correct reasoning:

- (a) It was not necessary to pass the special resolution as the approval of Board had already been granted for such buy back of shares  
(b) It was necessary to pass special resolution as the amount of buy back exceeds ten percent of the total paid up equity share capital and free reserves  
(c) It was not necessary to pass the special resolution as the buy back was authorized by the articles of the company  
(d) It was necessary to pass special resolution as the amount of buy back exceeds fifteen percent of the total paid up equity share capital and free reserves

Answer: (b)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



## 5

ACCEPTANCE OF DEPOSITS BY  
COMPANIES

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1	Q2-3	-	-	Q4	-
RTP	-	-	-	-	-	-
Booklet	Q5-12	Q5-12	Q5-12	Q5-12	Q5-12	Q5-12

## Mock Test Papers

October 2021:

1. Amit 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.

Answer: (d)

April 2021:

2. Where depositors so desire, deposits may be accepted in joint names not exceeding

- (a) 2
- (b) 3
- (c) 5
- (d) 7

Answer: (b)

3. A company shall execute a deposit trust deed at least -----days before issuing the circular or circular in the form of advertisement.

- (a) 7
- (b) 14
- (c) 21
- (d) 28

Answer: (a)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



**November 2019:**

4. No deposits are repayable earlier than \_\_\_\_\_ from the date of such deposits or renewal thereof.

- (a) 3 months                      (b) 6 months                      (c) 9 months                      (d) 12 months

Answer: (a)

**Booklet**

5. A reserve account that shall not be used by the company for any purpose other than repayment of deposits is called:

- (a) Debenture redemption reserve account  
(b) Deposit repayment reserve account  
(c) Capital redemption reserve account  
(d) Free reserve account

Answer: (b)

6. Normally no deposits are repayable earlier than \_\_\_\_\_ from the date of such deposits or renewal thereof.

- (a) 3 months                      (b) 6 months                      (c) 12 months                      (d) 1 year

Answer: (b)

7. Bhumi Real Estate Developers Limited has accepted deposits from its members which are being paid on the maturity without any default. As a statutory obligation, the company is required to deposit in a specified account opened with its bankers, a particular amount on or before 30th April of each year till the deposits are fully repaid. Advise the company regarding the quantum of amount which must be so deposited.

- (a) Not less than 50% of the amount of its deposits maturing during the following financial year.  
(b) Not less than 30% of the amount of its deposits maturing during the following financial year.  
(c) Not less than 20% of the amount of its deposits maturing during the following financial year.  
(d) Not less than 10% of the amount of its deposits maturing during the following financial year.

Answer: (c)

8. A Limited Company 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.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- (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.

Answer: (c)

9. Dream World Entertainment Limited, has accepted deposits worth Rs. 50.00 lacs from public on 1st April 2019 for a period of 24 months i.e., repayment of deposit would be made on 31st March 2021. The rate of interest payable on such deposits is 9% p.a. One of the depositors Mr. Aman requested the company on 1st June 2020 for premature repayment of his deposit of Rs. 6.00 lacs along with interest. Advise the company in the said matter.

- (a) The company can only make premature repayment of deposit with an intention to reduce the total amount of deposits to bring it within permissible limits. Hence, in the given case, the company cannot repay the deposit before the actual maturity.
- (b) The company can prematurely repay the deposit along with interest @9% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).
- (c) The company can prematurely repay the deposit along with interest @8% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).
- (d) The company can prematurely repay the deposit along with interest @8% p.a. for the period of 14 months (from 1st April 2019 to 31st May 2020).

Answer: (c)

10. Suneet Spices Limited decides to raise deposits of Rs. 20.00 lacs from its members. However, it is of the opinion to secure such deposits partially by offering security worth Rs. 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) None of the above

Answer: (b)





- (a) It is not necessary either for the bank or the company to register the charge on plot of land with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry.
- (b) It is necessary to get the charge on plot on land registered with the concerned Registrar of Companies (ROC) irrespective of the fact that mortgage is registered with the Central Registry.
- (c) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the actual liability of the company with the Bank exceeds Rs. 1.00 crore.
- (d) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the term loan sanctioned by the bank to the company exceeds Rs. 2.00 crores.

Answer: (b)

4. On receipt of intimation of satisfaction of charge, the registrar issues a notice to the holder calling a show cause within such time not exceeding \_\_\_\_\_ days as to why payment or satisfaction in full should not be regarded as intimated to the Registrar:

- (a) 14 (b) 21 (c) 30 (d) 300

Answer: (a)

**April 2019:**

5. Purvi Pvt. Ltd. is maintaining a register of charges along with all other necessary books and registers. The entry for every creation, modification and satisfaction of charges is being done properly. The company is also preserving every instrument related to such charges. From the following for how long the instrument of charges shall be maintained/preserved by the company---

- (a) for minimum 8 years from the date of creation of charge
- (b) For minimum 10 years from the date of creation of charge
- (c) For minimum 8 years from the date of satisfaction of charge
- (d) permanently, without any time limit

Answer: (c)

**Revision Test Papers**

**November 2019**

6. Eztech Machines Limited owns a plot of land which was mortgaged to Urbane Commercial Bank Limited for raising term loan of Rs. 2.00 crore. The mortgage was duly registered with the Central Registry. First loan instalment of Rs. 50.00 lacs was released immediately after sanction of term loan with the condition that subsequent three instalments of Rs.50.00 lacs shall be released as soon as the earlier released instalment is utilized satisfactorily. Is it necessary either for the company or the bank to register the charge on plot with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry?

- (a) It is not necessary either for the bank or the company to register the charge on plot of land with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry.
- (b) It is necessary to get the charge on plot on land registered with the concerned Registrar of Companies (ROC) irrespective of the fact that mortgage is registered with the Central Registry.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



(c) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the actual liability of the company with the Bank exceeds Rs. 1.00 crore.

(d) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the term loan sanctioned by the bank to the company exceeds Rs. 2.00 crores.

Answer: (b)

7. With a view to augment its production, Surya Techno-Products Limited availed a loan of Rs. 50.00 lacs from Shrilaxmi First Bank Limited for purchase of a new machinery by offering its factory worth Rs. 2.25 crores as security. However, the company did not initiate any steps to get the charge on factory registered in favour of lending banker within the specified time. As soon as the charge-holder bank came to know about the non-registration of charge with the ROC, it applied to the Registrar for registration of charge along with the instrument creating the charge and paid the requisite fees when demanded. Advise the bank whether it can recover the fees so paid for registration of charge from Surya Techno-Products.

(a) Yes, the bank can recover the fees paid by it for registration of charge.

(b) No, the bank cannot recover the fees paid by it for registration of charge because the bank is equally responsible for getting the charge registered.

(c) Only when it obtains recovery orders from Regional Director (RD), the bank can recover the fees paid by it for registration of charge from the company.

(d) Only when it obtains recovery orders from National Company Law Tribunal (NCLT), the bank can recover the fees paid by it for registration of charge from the company.

Answer: (a)

8. A charge was created by Cygnus Software's Limited on its office premises to secure a term loan of Rs. 1.00 crore availed from NextGen Commercial Bank Limited through an instrument of charge executed by both the parties on 16th February, 2019. Inadvertently, the company could not get the charge registered with the concerned Registrar of Companies (ROC) within the first statutory period permitted by law and the default was made known to it by the lending banker with a stern warning to take immediate steps for rectification. Advise the company regarding the latest date within which it must register the charge with the ROC so that it is not required to pay a specific type of fees for charge registration.

(a) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 27th April, 2019.

(b) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 17th April, 2019.

(c) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 2nd May, 2019.

(d) The company cannot now get the charge register as the time prescribed by Law has expired.

Answer: (b)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



9. Cyplish Games and Toys Limited was sanctioned a term loan of Rs. 60.00 lacs by Zawnn Industrial Bank Limited on 21st November, 2018. As a security, the company offered its office premises situated at B andra, Mumbai and an instrument of charge was executed. However, the company failed to get the charge registered with the concerned Registrar within the first as well as second statutory period available as per law. This was adversely commented by the internal auditors of the bank and therefore, after a strict advisory received from Shahji, the senior manager of the bank, the company was prompted to take steps for registration of charge. Name the specific type of fees which the company is now required to pay for registration of charge.

- (a) Special Fees. (c) A Late Registration Fees.  
(b) Ad-valorem Fees. (d) Ad-valorem Duty.

Answer: (b)

### Booklet

10. Any person acquiring property (on which charge is registered under section 77) shall be deemed to have notice of the charge from:

- (a) Thirty days of such charge (c) Date of acquiring the property  
(b) Date of application for charge (d) Date of such registration

Answer: (d)

11. 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 (c) Liability  
(b) Charge (d) Hypothecation

Answer: (b)

12. A charge was created by Cygnus Softwares Limited on its office premises to secure a term loan of Rs. 1.00 crore availed from Next Gen Commercial Bank Limited through an instrument of charge executed by both the parties on 16th February, 2019. Inadvertently, the company could not get the charge registered with the concerned Registrar of Companies (ROC) within the first statutory period permitted by law and the default was made known to it by the lending banker with a stern warning to take immediate steps for rectification. Advise the company regarding the latest date within which it must register the charge with the ROC so that it is not required to pay a specific type of fees for charge registration.

- (a) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 27th April, 2019.

(b) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 17th April, 2019.

(c) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 2nd May, 2019.

(d) The company cannot now get the charge register as the time prescribed by Law has expired.

Answer: (b)

### CASE SCENARIOS

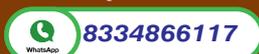
13. Ratnakar Cement Manufacturers and Traders Limited (RCMTL) having its registered office at Connaught Place, New Delhi was registered with an Authorised Share Capital of Rs. 5,00,00,000 divided into 50,00,000 shares of Rs. 10 each. As on date, its paid-up share capital is Rs. 4,00,00,000 (40,00,000 shares of Rs. 10 each) and its securities premium account has a balance of Rs. 40,00,000. Its cement-manufacturing plants are located at Faridabad (Haryana), Raebareli and Haldwani (Uttar Pradesh),

Rudrapur (Uttarakhand) and Chanderia (Rajasthan). The company which produces cement under the brand name 'Ratnakar Cement', has expertise in manufacturing 53 Grade Ordinary Portland Cement that is used mainly in RCC and pre-stressed concrete of higher grades; but in case of plant located at Faridabad, the company also additionally manufactures Portland Pozzolana Cement (PPC) and White Cement. Having higher degree of fineness and corrosion-resistant quality, PPC, manufactured by the company, is responsible for making the concrete more dense. Besides, due to its distinct impermeable excellence, PPC is preferred over ordinary cement for mass concreting work and therefore, RCMTL has a sizeable market to cater. The integrated network of traders pan India which RCMTL commands helps it in achieving its annual sales targets almost every year.

Except Faridabad cement plant which is of recent origin having state-of-the-art machinery, all other plants were taken over by the RCMTL at different time intervals from other cement manufacturers; and therefore, they either need renovation or replacement. Further, on the basis of market survey, RCMTL has gathered data which indicates that there is heavy demand for Sulphate Resisting Portland Cement (SRC) which is mainly used for foundation work, construction of basements and underground structures, sewage and water treatment plants, etc. where due to water or soil, 'sulphate attack' is more than anticipated. Thus, in addition to catering to the increasing demand for PPC, RCMTL is also desirous of manufacturing Sulphate Resisting Portland Cement (SRC). In view of these developments, the company has plans for upgrading its Rudrapur cement manufacturing plant by installing an ultra-modern unit so that it can also manufacture SRC and compete effectively with its competitors by providing high-quality cement across the whole range of different qualities currently available in the markets both in India and abroad. The banking needs of RCMTL are mainly fulfilled by the National Commercial Bank Limited.

13.1 In the given case scenario, RCMTL is desirous of installing an ultra-modern cement plant for its Rudrapur works. It can finance fifty percent of the cost of plant from its own resources but the remaining fifty percent of cost can be financed only by availing loan from National Commercial Bank Limited with whom it is

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



banking since its incorporation. Which kind of loan its banker shall grant for part financing the cost of ultra-modern cement plant against the security of factory land and building situated at Rudrapur as well as the proposed ultra-modern cement plant?

- (a) Overdraft in the current account maintained by RCMTL
- (b) Term loan
- (c) Cash credit
- (d) Hypothecation loan

Answer: (b)

13.2 The loan proposal prepared by RCMTL for part financing the cost of ultra-modern cement plant against the security of factory land and building situated at Rudrapur as well as yet to be purchased ultra-modern plant, with a view to avail loan from National Commercial Bank Limited (NCBL) stands sanctioned by the Head Office of NCBL; and the sanction has been conveyed by the Connaught Place branch of NCBL to RCMTL. Which kind of charge shall be created by the NCBL on the factory land and building situated at Rudrapur as well as on the proposed ultra-modern cement plant?

- (a) Fixed Charge
- (b) Floating Charge
- (c) Either Fixed or Floating Charge as desired by RCMTL
- (d) Partly fixed and partly floating charge

Answer: (a)

13.3 For the registration of charge created in favour of NCBL concerning securities offered by RCMTL (i.e., factory land and building situated at Rudrapur as well as the ultra-modern cement plant yet to be financed), which Registrar of Companies needs to be approached?

- (a) ROC of Uttar Pradesh and Uttarakhand as the securities are located at Rudrapur (Uttarakhand)
- (b) ROC of Delhi and Haryana since RCMTL has registered office at Connaught Place, New Delhi
- (c) As per the discretion of RCMTL, any of the ROCs can be approached
- (d) ROC of West Bengal since the Head Office of NCBL which has sanctioned loan is situated at Kolkata

Answer: (b)

13.4 Installed charge has been created by RCTML in favour of NCBL on its factory land and building situated at Rudrapur as well as the ultra-modern cement plant yet to be installed. What is the time limit for within which this charge must be registered with the respective ROC?

- (a) Within 10 days of creation of charge
- (b) Within 15 days of creation of charge
- (c) Within 30 days of creation of charge
- (d) Within 60 days of creation of charge

Answer: (c)

13.5 Due to some unintended mistake, RCMTL could not register the charge created on its fixed assets in favour of NCBL within the first statutory period so allowed. Advise the company, in next how many days, the charge can be permitted to be registered assuming that the charge was created after 02-11-2018.

- (a) Within next 10 days
- (b) Within next 15 days
- (c) Within next 20 days
- (d) Within next 30 days

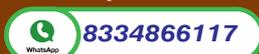
Answer: (d)

14. VXN Steels Limited (hereinafter referred as the "Company"), a Public Limited Company, is a 100% export-oriented unit, in Koraput, in the State of Odisha. Its paid-up capital is Rs. 200 crores divided into 20 crores of shares of Rs. 10 each.

The company decided to make a capital expenditure of Rs. 100 crores towards purchase of equipment's and land and Rs. 25 crores for machinery. The company approached banks and financial institutions (FI) for financing the capital requirement of equipment, land and machinery by way of term loans. The banks and FIs have agreed to advance money; but on a condition that the company has to give necessary security for the amount of advance/loans. In this regard, a charge on the property was also required to be created. The company has informed to the banks and FIs that it has mortgaged the fixed assets in favour of the banks and FIs in their books of accounts.

The company was formed in April 2019 and being a newly incorporated company, the company was not much well versed with the provisions of the Companies Act, 2013 (hereinafter referred to as the "Act") and also the company secretary was yet to be appointed. Accordingly, they have asked the banks and FIs to do the needful compliances with respect to the creation of charges. The banks and FIs informed the Company that as per relevant provisions of the Act, if a company contravenes any provisions, there shall be levied punishment/penalty provisions and hence the necessary legal requirements will have to be compiled by the company and not by them. The company was however of the view that "creation of charges" being a protection available to the bank and FIs, the legal requirement only relates to filing of charges and not of any other consequences. Hence, it was decided by the company to delay the process of filing the charges and regularising the same by paying additional fees for delayed filing. The company understood that there was no situation

Get yourself trained by Founder of CA Mentoring Program in India - CA Ravi Agarwal  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



inviting any sort of imprisonment and at the worst situation, the enhanced punishment, if any, will lead to levy of fine.

The loan agreement was signed on 14th May 2019 and the documents creating charges were filed on 24th June 2019 with the Registrar of Companies for creation of charges. In this regard, the company decided to create floating charges on the assets namely land, equipment's and machinery.

In view of the above scenario faced by the company, answer the following questions:

14.1 Which of the Statement is correct with reference to above case regarding mortgage of the fixed assets and creation of charges:

- (a) Charges are required to be created whenever a company obtains term loans or working capital loans from financial institutions or Banks.
- (b) Since it is mortgage of property, there is no need of creating any charge.
- (c) A charge is to be created only when a company obtains term loans from financial institutions.
- (d) Creation of charge or otherwise depends upon the Registrar of Companies and company can maintain their own records for repayment purposes.

Answer: (a)

14.2 In the given case scenario, by which date the creation of charges should have been filed at the first place?

- (a) By 14th June 2019
- (b) By 13th June 2019
- (c) By 14th July 2019
- (d) By 13th July 2019

Answer: (b)

14.3 The company has created floating charges for the assets so mortgaged, namely equipment, Land and tools. Which of the following statement is correct with respect to the type of charge?

- (a) Fixed charges has to be created as it relates to specific assets i.e., Equipment's, Land and machinery.
- (b) Floating charges has to be created as the value of the mortgaged assets of the company are fluctuating in nature.
- (c) Fixed charges has to be created for equipment's and machinery and floating charge for land as the cost of land keeps changing every year.
- (d) Floating charges has to be created for equipment's and machinery as their value keeps on reducing due to charge of depreciation and fixed charge has to be created on land as it is always appreciating in terms of value.

Answer: (a)



## 7

## MANAGEMENT &amp; ADMINISTRATION

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1-4, Q22	Q5-8	Q9	Q10-11	Q12	Q13-15
RTP	-	-	-	Q16-17, 23	Q18	-
Booklet	Q19-21, 24-27	Q19-21, 24-27	Q19-21, 24-27	Q19-21, 24-27	Q19-21, 24-27	Q19-21, 24-27

## Mock Test Papers

October 2021:

1. The Annual General Meeting (AGM) of ALL- WELL Limited was held on 31.8.2021. 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.

Answer: (c)

2. The Annual General Meeting of Brother Limited was held on 25th May 2021. According to the provisions of Companies Act, 2013, till what date the company should submit report of AGM to the registrar?

- (a) 04.06.2021                      (b) 09.06.2021                      (c) 24.06.2021                      (d) 25.06.2021

Answer: (d)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



PAGE NO.

51

3. Gama Limited's General Meetings are held at its registered office situated in Delhi. The minute book of General meetings of Gama Limited will be kept at:

- (a) That place where members of Gama Limited will decide.
- (b) That place where all employees of Gama Limited will decide.
- (c) Registered office of the company Gama Limited.
- (d) That place where senior officials of Gama Limited will decide.

Answer: (d)

4. Asha Pvt. Ltd. wants to change its object clause of the Memorandum of Association of the Company. This needs:

- (a) Shareholders approval by way of Ordinary Resolution
- (b) Shareholders approval is not required for change of object clause of the company.
- (c) Shareholders approval by way of Special Resolution
- (d) The approval from Tribunal for changing object clause of the company.

Answer: (c)

**April 2021:**

5. 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.

- (a) Twice
- (b) Three times
- (c) One third
- (d) One fourth

Answer: (b)

6. Lalit made an offer to Managing Director (MD) of a company. MD accepted the offer though he had no authority to do so. Subsequently Lalit withdrew the offer but the company had already ratified the MD's acceptance. State which of the statement given hereunder is correct:

- (a) Lalit is bound with the offer due to ratification
- (b) An offer once accepted cannot be withdrawn
- (c) Both option (a) & (b) is correct
- (d) Lalit is not bound to an offer.

Answer: (c)

**March 2021:**

7. Neha is a director of Primus 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, Neha for how long such declaration shall be valid.

- (a) 1 month
- (b) 6 months
- (c) 1 year
- (d) She has to furnish declaration for each meeting separately

Answer: (c)

8. In a company if any change of right of one class also affects the right of other class, then:

- (a) A resolution should be passed in general meeting in this case
- (b) Company need not to do anything else
- (c) Written consent of three fourth majority of that other class should be obtained
- (d) A resolution in joint meeting of both the classes should be passed

Answer: (c)

**November 2020:**

9. Red Flag Ltd., which has its registered office at Delhi and having 12500 members is holding its Annual General Meeting in Ashoka Hotel. Despite swanky arrangements most of the members did not turn up and quorum was not present within half an hour of the schedule time of the meeting, as a result meeting was adjourned. However, due to heavy booking schedule, hotel authorities could not make available, for adjourned meeting, sufficient space in the same hall where meeting was originally called but allowed conduct of meeting in a different hall on a different floor next week at same time. Please advise the option available to board:

- (a) The meeting stands adjourned automatically to the same place and time next week as per provisions of law. There is no alternate but to hold meeting in the same hall,
- (b) As same banquet hall is not available meeting can be held at different place as may be decided appropriate by the Board,
- (c) As the same hall is not available to conduct meeting after one week, a fresh notice of 21 days is needed for a different location,
- (d) As the same hall is not available to conduct the meeting, the company needs to conduct meeting electronically through internet and give sufficient notice to shareholders,

Answer: (b)

**May 2020:**

10. Which one of the following requires ordinary resolution?

- (a) to change the name of the company
- (b) to alter the articles of association

- (c) to reduce the share capital
- (d) to declare dividends.

Answer: (d)

11. Swastik Private Limited passed a Special Resolution to change its name to Swastik Darshan Private Limited on 30th May, 2019. Relevant MCA filing was done on due time and then Company got its new stationery printed on 1st July, 2019. However, there was a delay in issue of Certificate and Company received new certificate on 20th August, 2019 which was issued on 10th August, 2019. Company wants to enter into a lease agreement for new premise. When they can do such agreement in new name of the Company?

- (a) 30th May, 2019
- (b) 1st July, 2019
- (c) 20th August, 2019
- (d) 10th August, 2019

Answer: (d)

**November 2019:**

12. In the current financial year Zunee Traders Limited, a non-listed company, has 556 members, increased from 451 members which it had in the immediate previous financial year. For the forthcoming Annual General Meeting (AGM), advise the company whether it is required to provide to its members the facility to exercise their right to vote at this AGM by electronic means.

- (a) Since the company has more than 500 members it is required to provide to its members the facility to exercise their right to vote at the forthcoming AGM by electronic means.
- (b) The company is not required to provide to its members the facility to exercise their right to vote at the forthcoming AGM by electronic means since its members are less than one thousand.
- (c) Though the company is required to provide to its members the facility to exercise their right to vote at the forthcoming AGM by electronic means because it has more than 500 members, it can, as a one-time measure, seek exemption from ROC beforehand and in that case, it need not provide facility of voting by electronic means.
- (d) Only a listed company is required to provide to its members the facility to exercise their right to vote at the General Meetings by electronic means.

Answer: (b)

**April 2019:**

13. The Annual General meeting of Tirupati Limited was scheduled for 28th December, 2017. Mr. Ananat, shareholder of Tirupati Limited has desired to inspect inspection of proxies lodged with the company. The notice for inspection should be given at least ..... before the meeting:

- (a) 24 hours
- (b) 1 day
- (c) 2 days
- (d) 3 days

Answer: (d)

**March 2019:**

14. Annual general meeting need to be called by giving 21 days' clear notice. However, it can be called on a shorter notice if members entitled to vote in that meeting give their consent in writing or by electronic mode.

In such case, how many members have to give their consents?

- (a) 75% of members entitled; (c) 91% of members entitled;  
(b) 90% of members entitled; (d) 95% of members entitled;

Answer: (d)

15. Supertech Computers Pvt. Ltd has 120 members. It sends notice to all of them. 20 members did not attend the meeting. Out of remaining 100 members, 20 members abstained from voting. Advice the company, how many members should vote in favour of resolution, if it has to be passed as a Special Resolution?

- (a) 60 Votes (b) 80 Votes (c) 41 votes (d) 20 votes

Answer: (a)

**Revision Test Papers**

**May 2020:**

16. The minute book of General meetings of Alpha Limited will be kept at:

- (a) That place where members of Alpha Limited will decide.  
(b) That place where all employees of Alpha Limited will decide.  
(c) Registered office of the company Alpha Limited.  
(d) That place where senior officials of Alpha Limited will decide.

Answer: (c)

17. Red Flag Ltd., which has its registered office at Delhi and having 12500 members is holding its Annual General Meeting in Ashoka Hotel. Despite swanky arrangements most of the members did not turn up and quorum was not present within half an hour of the schedule time of the meeting, as a result meeting was adjourned. However, due to heavy booking schedule, hotel authorities could not make available, for adjourned meeting, sufficient space in the same hall where meeting was originally called but allowed conduct of meeting in a different hall on a different floor next week at same time. Please advise the option available to board:

- (a) The meeting stands adjourned automatically to the same place and time next week as per provisions of law. There is no alternate but to hold meeting in the same hall,  
(b) As same banquet hall is not available meeting can be held at different place as may be decided appropriate by the Board,  
(c) As the same hall is not available to conduct meeting after one week, a fresh notice of 21 days is needed for a different location,

(d) As the same hall is not available to conduct the meeting, the company needs to conduct meeting electronically through internet and give sufficient notice to shareholders,

Answer: (b)

**November 2019:**

18. All the 40 members of Taxila Traders Limited have valid voting rights. Due to some urgency, its directors are desirous of convening Annual General Meeting (AGM) at a shorter notice than statutorily required. Is it possible for them to do so?

- (a) Taxila Traders Limited cannot convene AGM at shorter notice than statutorily required.
- (b) Taxila Traders Limited can convene AGM at shorter notice than statutorily required, if consent in writing or by electronic mode is accorded by all the forty members who are entitled to vote at the AGM.
- (c) Taxila Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 38 members who are entitled to vote at the AGM.
- (d) Taxila Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 36 members who are entitled to vote at the AGM.

Answer: (c)

**Booklet**

19. 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.

- (a) Twice
- (b) Three times
- (c) Four times
- (d) Two third of

Answer: (b)

20. Every listed company shall file with the Registrar a copy of the report on each annual general meeting within \_\_\_\_\_ of the conclusion of the annual general meeting.

- (a) 7 days
- (b) 30 days
- (c) 60 days
- (d) 90 days

Answer: (b)

21. The AGM needs to be called by giving 21 days clear notice. However, it can be called on shorter notice if members entitled to vote in 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

Answer: (d)

Get yourself trained by Founder of CA Mentoring Program in India - CA Ravi Agarwal  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



## CASE SCENARIOS

### Mock Test Papers

#### October 2021:

22. Ramola Textiles is a listed public company with the share capital of ten crores. The share value of the share is ₹100/share. The company has maintained the following registers:

- Register of Members indicating separately for each class of equity and preference shares held by each member residing in or outside India
- Register of Debenture-holder

The company has a registered office in Ahmedabad (Gujarat) and its Corporate office is situated in Mumbai. Around 17% of members who are equity share holders and 10% of the members who are preferential shareholders resides in Jaipur (Rajasthan). So out of these members 9% equity share holders and 5% preferential share holder made an application addressed to the company to shift its register of members to its liaison office in Jaipur. The company refused the request of the members by quoting that the register can only be maintained at registered office of the company.

Mr. Raheem, a shareholder of the company, wants to sell all his shares in the company and wants to settle abroad. Mr. Raheem sold his equity shares to Mr. Ram on 7th May 2021. After completing all the formalities of transfer of shares Mr. Raheem left India on 10th May 2021. After three days span Mr. Ram figured out that his name was still not registered in company Register of Members (ROM). The Annual General Meeting was scheduled to be held on 25th May 2021. So, Mr. Ram wrote an e-mail to the company regarding addition of his name in ROM. But finally, after no response from the company, Mr. Ram approached the Tribunal to get his name registered in ROM. The Tribunal passed the order on 20th May 2021 to enter Mr. Ram's name in register of members of the company.

In the Annual General Meeting (AGM) the company declared to pay 10% dividend to all its shareholders out of the profits which it earned in previous financial year. Mr. Krish, a member of the company is holding 1000 equity shares in the company. Two years back Mr. Krish jointly bought fully paid 1000 equity shares of the company, with Mr. Azim, who is also a member of the company holding 1000 equity shares. Mr. Krish needs to pay final call of ₹ 20 per share.

After the Annual General Meeting a report on the meeting including the confirmation to the effect that the meeting was convened, held and conducted as per the provisions of the Act and the rules made thereunder is required to be filed. A copy of the report was filed with the Registrar in Form No. MGT -15 with prescribed fees.

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

- The Tribunal passed an order dated 20.05.2021. Latest by what date should the entry of Mr. Ram's name be made in the register of members?
  - 25.05.2021
  - 27.05.2021
  - 30.05.2021
  - 31.05.2021

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



Answer: (c)

- (ii) 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.

Answer: (d)

- (iii) According to the provision of Companies Act, 2013, till what date the company should submit report of AGM to the registrar?

- (a) 04.06.2021
- (b) 09.06.2021
- (c) 24.06.2021
- (d) 25.06.2021

Answer: (c)

### Revision Test Papers

#### May 2020:

23. GHWX Private Limited was incorporated in the year 2009. The registered office of the company GHWX Private Limited was situated in city T of state V. The Board of Directors of GHWX Private Limited comprised of five directors namely Mr. K, Mr. N, Mr. R, Mr. U and Mr. W. During the financial year beginning on 01/04/2018 and ending on 31/03/2019 the second meeting of Board of Directors of GHWX Private Limited was held on 7 September, 2018.

Out of 5 directors, Mr. K, Mr. N, Mr. R and Mr. W were present for the said meeting. During the meeting of Board of Directors, a resolution on one of the important matters was passed. While three directors namely Mr. K, Mr. N and Mr. R agreed with the resolution and voted in favour of resolution, however, Mr. W did not agree with the resolution and voted against the resolution.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



8334866117



[caraviagarwal.com](http://caraviagarwal.com)



[https://tiny.cc/CA\\_Ravi\\_Agarwal](https://tiny.cc/CA_Ravi_Agarwal)

PAGE NO.

58

The minutes of the second meeting of Board of Directors of GHWX Private Limited held on 7 September, 2018 were prepared and they were entered in Minutes Book of meeting of Board of Directors of GHWX Private Limited. One of the director Mr. K was of the opinion that minutes of second meeting of Board of Directors of GHWX Private Limited must be prepared and entered in Minute Book of meeting of Board of Directors of GHWX Private Limited by end of October, 2018. The remaining four directors namely Mr. N, Mr. R, Mr. U and Mr. W did not agree with the opinion of Mr. K because they thought that it was not within the time limit as prescribed by the law.

One of the directors, Mr. N. opined that minute books of meetings of Board of Directors of GHWX Private Limited for the years starting with 2009 to 2015 should be shredded to ruins as these papers were taking a lot of space. He further added that since the Companies Act, 2013 is silent as to maintaining the minute book of meetings of Board of Directors, it is not necessary to maintain such minute books.

The Board of Directors of GHWX Private Limited did not decide any place where minute book of meetings of Board of Directors of GHWX Private Limited will be kept.

(A) The second meeting of Board of Directors of GHWX Private Limited was held on 7 September, 2018 for the financial year 2018-19. The minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 must contain:

- (a) Name of director Mr. U who was absent from the meeting of Board of Directors held on 7 September, 2018.
- (b) Names of all the directors Mr. K, Mr. N, Mr. R, Mr. U and Mr. W comprising Board of Directors of GHWX Private Limited.
- (c) Name of one director Mr. U who was absent and at least one director who was present in the meeting of Board of Directors held on 7 September, 2018.
- (d) Names of directors Mr. K, Mr. N, Mr. R and Mr. W who were present in the meeting of Board of Directors held on 7 September, 2018.

Answer: (d)

B) In case of the resolution talked in the case study, the minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 held on 7 September, 2018 must contain:

- (a) Name of any two directors who were present in meeting and voted in the resolution.
- (b) Name of director Mr. W who voted against the resolution.
- (c) Name of directors Mr. K, Mr. N and Mr. R who voted in favour of the resolution.
- (d) Names of all the directors Mr. K, Mr. N, Mr. R, Mr. U and Mr. W who all had the right to attend the meeting and vote in the resolution.

Answer: (b)

(C) The opinion of one of the directors, Mr. K was that minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 must be prepared and entered in minutes book of meeting of Board of Directors of GHWX Private Limited by the end of October, 2018 is incorrect. The opinion of Mr. K is incorrect because:

- (a) Minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 must be entered in minute book of meeting of Board of Directors within thirty days of the conclusion of meeting on 7 September, 2018.

(b) Minutes of second meeting of Board of Directors of GHWX Private Limited for the financial year 2018-19 must be entered in minute book of meeting of Board of Directors within sixty days of the conclusion of meeting on 7 September, 2018.

(c) Minutes of second meeting of Board of Directors of GHWX Private Limited for the financial year 2018-19 must be entered in minute book of meeting of Board of Directors within ninety days of the conclusion of meeting on 7 September, 2018.

(d) Minutes of second meeting of Board of Directors of GHWX Private Limited for financial year 2018-19 must be entered in minute book of meeting of Board of Directors within one twenty days of the conclusion of meeting on 7 September, 2018.

Answer: (a)

### Booklet

24. Indian Mining Limited (hereinafter referred as "Company") has its mining unit in Koraput in the State of Odisha. Its paid-up capital is Rs. 15 crores divided into 15,00,000 equity shares of Rs. 100 each. The Company has also issued debentures to the extent of Rs. 20 crores. The company's registered office was located in the city of Bhubaneswar in the State of Odisha.

As per provisions of the Companies Act, 2013, Companies are required to maintain Statutory registers. The Company had a practice of maintaining one combine register for both Members as well as Debenture-holders.

The company has decided to declare dividend for the financial year 2018-19 and hence there is a requirement for closing the register of members. The company has closed its Register of Members, by giving a minimum of 10 days' notice.

It was observed that at least 80% of the total members were residing in the capital city of New Delhi. Hence the company decided to keep its register of members in one of its offices situated in the locality of Saket, New Delhi. It was felt that the appropriate place for keeping the register of members should be the place where majority of members are residing. Accordingly, it passed an ordinary resolution for maintaining the register of members at a place other than the registered office.

The practice of the company for making entries in the Register of members was within 10 days of the approval by the Board of the transfer of shares.

24.1 Which of the following statements apply to Indian Mining Limited with respect to closing of the register of members?

(a) Yes, the company can close the register of members by giving at least 14 days previous notice.

(b) Yes, the company can close the register of members by giving at least 7 days previous notice.

(c) No, the Company is not allowed to close the register of members as it is the most important statutory register.

(d) Yes, the Company can close the register of members by giving at least 7 days previous notice and in such manner as specified by SEBI by advertisement one in vernacular newspaper and other in English newspaper.

Answer: (b)



24.5 The company has a practice of making the entries in the Register of Members within 10 days of the date of approval by the Board of the transfer of shares. Which of the following statement is correct with regard to the time period for the entries in the register?

- (a) The entries have to be made within 14 days of the date of approval by the Board.
- (b) The entries have to be made within 21 days of the date of approval by the Board.
- (c) The entries have to be made within 17 days of the date of approval by the Board.
- (d) The entries have to be made within 7 days of the date of approval by the Board.

Answer: (d)

25. AXN Logistics Limited (hereinafter referred as "Company") is a Public Limited Company with a share capital of Rs 200 crores divided into 2 crores equity shares of Rs. 100 each. It is engaged in the transportation of raw materials and goods, situated in Barbil, a mining town in the State of Odisha.

The Company wanted to expand from its existing line of logistics business to also providing services in the area of leasing of its equipment's and vehicles. This was, however, mentioned as an "object" in the existing Object clause of the Memorandum of Association ("MOA") of the Company. But there was a need to increase the share capital of the company and the existing amount stated in the capital clause of the MOA was not sufficient. Accordingly, the company decided to call an extra ordinary general meeting (EGM) to obtain the approval of the members for increasing the authorised share capital of the company from Rs. 200 crores to Rs. 250 crores for making a consequent amendment to its existing MOA.

The company decided to hold an EGM on 27th August 2020 and accordingly plans for the manner in which the notice, agenda and

explanatory statement needs to be sent to its shareholders. After undergoing the relevant provisions of the Companies Act, 2013 and its own Articles of Association, the following aspects were decided with regard to the sending of the notice of the EGM that was proposed to be held on 27th August 2020.

- (a) The proposed date for sending the notice would be 5th August 2020.

Notice would be sent only by email as an attachment to the e-mail.

- (b) The notice would be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member.

- (c) In the agenda, since there was only one item which required passing of ordinary resolution, the need for an explanatory statement to be annexed to the notice is not there as it would be an ordinary business.

- (d) In Article No. 34 of the Articles of Association of the Company, it was provided that if the company wishes to curtail the requirement of the minimum number of days with respect to the length of notice vis a vis provided in the Companies Act, 2013, then it can do so provided a unanimous Board resolution to that effect is passed by the Board of Directors.

In view of the above scenario faced by the company, answer the following questions:

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



25.1 With regard to the contention of the company in fixing the date of the notice as 5th August 2020 for EGM scheduled on 27th August, 2020 which of the statement is correct?

- (a) No, it is not correct and notice should be dated 4th August 2020.
- (b) No, it is not correct and notice should be dated 6th August 2020.
- (c) Yes, it is correct only if notice is sent by email.
- (d) No, it is not correct as the notice for the EGM should mandatorily be sent by post and the date of notice should be 3rd August 2020.

Answer: (c)

25.2 With regard to the contention of the company with respect to the mode of notice to be sent as an attachment to the email, which of the statement is correct?

- (a) The notice for an EGM can be sent as an attachment to e-mail.
- (b) The notice for an EGM has to be mandatorily be sent by post.
- (c) The notice for an EGM has to be sent by way of an attachment to an email as well as by post.
- (d) The notice for an EGM has to be sent by way of an attachment to an email and by way of advertisement in the newspaper.

Answer: (a)

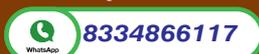
25.3 Regarding the contention of the company with respect to the persons to whom the notice is to be given, which of the following statement is correct?

- (a) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member.
- (b) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member and the auditor or auditors of the company.
- (c) The notice shall be given to every member of the company, legal representative of any deceased members or the assignee of an insolvent member, the auditor or auditors and every director of the company.
- (d) The notice shall be given to every member of the company and the legal representative of any deceased member.

Answer: (c)

25.4 As per the company, since an ordinary resolution is to be passed, there is no need for an explanatory statement to be annexed with the notice. Which of the statement is correct in this matter?

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



(a) Only in Annual General Meeting (AGM) there may be special business or ordinary business depending on the matter of the agenda. Whereas, all business in Extraordinary Meeting (EGM) is Ordinary Business. Hence no need for explanatory statement.

(b) Only in Annual General Meeting (AGM) there may be special business or ordinary business depending on the matter of the agenda. Whereas, all business in Extraordinary Meeting (EGM) is Special Business. Hence there is a need for explanatory statement.

(c) Irrespective of AGM or EGM, special business will be decided on the basis of the type of resolution to be passed. In the case of the given company since it is ordinary resolution, the business is also ordinary and hence no need for explanatory statement.

(d) An explanatory statement is needed when the company wants to furnish important information relating to the agenda. Thus, in this case there is need for explanatory statement.

Answer: (b)

25.5 Would you agree with the company's contention (as given in question - point "e" above) of curtailing the length of notice as the matter is permitted in the Articles of Association of the company.

(a) The contention of the company is correct as wide powers are given to companies to decide upon the length of notice.

(b) The contention of the company is not correct because the statutory provision on the length of notice would prevail over Articles of the company with respect to the minimum length of notice.

(c) The contention of the company is correct because it is not a listed company.

(d) The contention of the company is not correct because it did not provide newspaper advertisement regarding the length of the notice it has adopted.

Answer: (b)

26. The Dohra Port Company Limited (hereinafter referred as "Company") is a 50:50 joint venture between two giant Companies in the country namely ATTA Steel Limited and B & T Limited. Its paid-up capital is Rs. 1500 crores divided into 15,00,00,000 equity shares of Rs. 100 each. The number of members of the company is 8500 members out of which

majority shares (80% to the total share capital) is held by the two giant companies.

The company was conducting its 5th Extra-Ordinary General Meeting (EGM) on 29th May 2019 at 11:00 AM in the registered office of the company and the following members were present in the meeting at the designated time.

I. Mr. A (representative of ATTA Steel Limited holding 40% share capital)

II. Mr. B (representative of B & T Limited holding 40% share capital)

III. Mrs. C (holding 100 shares)

Get yourself trained by Founder of CA Mentoring Program in India - CA Ravi Agarwal  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



IV. Ms. D (holding 500 shares)

V. Ms. E (holding 1000 shares)

VI. Mr. F (being Proxy of original shareholder of 10 shares)

VII. Mr. G (holding 100 shares)

VIII. Mr. H (holding 200 shares)

Another 25 members (each holding 500 shares) reported to the meeting at 11:45 AM as there was heavy traffic congestion on the way.

The Company Secretary, Ms. Kripa commenced the meeting at 11:00 AM as per the scheduled time because there were 5 members personally present (other than the representatives of corporates and the proxy) and the minimum quorum needed for a public limited company was already available by the 5 individual members. However, she requested the Chairman to go slow on the agenda as she received text messages from 25 members that they would be shortly joining the meeting.

Accordingly, when the rest of the members joined the meeting, the main agenda of the meeting was discussed at length. The auditor, present in the meeting objected at 11:55 AM that the quorum as required by company law was not present and hence the meeting should be adjourned. He said that since the meeting started late, it should be adjourned to 29th June 2019, exactly one month from the present date at the same time i.e., 11:00 AM and at the same place. In view of the above scenario faced by the company, answer the following questions

26.1 What is the correct position with regard to quorum of the company for the EGM held on 29th May 2019?

- (a) The Company Secretary, Ms. Kripa had rightly ascertained the quorum for the meeting at 11:00 AM – as 5 members.
- (b) The correct quorum was rightly ascertained only when the 25 members joined the meeting -  $5 + 25 = 30$  members.
- (c) The correct quorum was present as the major shareholders (holding 80% shares) were already present during the commencement of the meeting.
- (d) The correct quorum was not ascertained as there were only 7 members present at the time of commencement of meeting.

Answer: (d)

26.2 Can the presence of Mr. F be counted for the purpose of Quorum?

- (a) Yes, he can be counted for the purpose of Quorum as he is physically present.
- (b) No, he cannot be counted for the purpose of Quorum as he is a proxy.
- (c) Yes, he can be counted for the purpose of Quorum as he is a proxy for the original shareholder.

(d) No, he cannot be counted for the purpose of Quorum as he is proxy for a shareholder who holds only 10 shares.

Answer: (b)

26.3 Is the objection of the auditor correct with respect to the adjournment of the meeting due to want of quorum?

- (a) Yes, the auditor is correct about the adjournment of the meeting.
- (b) No, the auditor is not correct about the adjournment of the meeting as the required quorum was present after the 25 members joined the meeting at 11:45 AM.
- (c) Yes, the auditor is correct about the lack of quorum but not correct about the adjournment of the meeting.
- (d) Yes, the auditor is correct about the lack of quorum as well about the adjournment of the meeting.

Answer: (c)

26.4 From the case it was observed that, "However, she requested the Chairman to go slow on the agenda as she received text messages from 25 members that they would be shortly joining the meeting". Is this kind of practice allowed as per the provisions of company law?

- (a) Yes, it is very much allowed, keeping the practical difficulties into consideration.
- (b) No, it is never allowed, as there is no validity of messages being sent at the time of meeting.
- (c) Yes, it is very much allowed, as the law provides for ascertainment of quorum at any point of time of the meeting.
- (d) No, it is not allowed, as the law provides for the requirement of quorum within half an hour from the time appointed for the meeting.

Answer: (d)

27. Trusted Industries Limited (hereinafter referred as "Company"), a listed company on the National Stock Exchange (NSE) was holding its Annual General Meeting on 30th September 2019 at the large auditorium of its registered office in the city of Guwahati. The company wanted to apply the provision of the new mode of voting introduced in the Companies Act, 2013 which provided that a member in the prescribed class of companies can exercise his right to vote by electronic means. The company made all the arrangement relating to the holding of the meeting, especially for voting through electronic means. The company had sent notices to all concerned persons in the prescribed manner to enable them to carry out the procedure of voting. The company had clearly provided that the time for opening of e-voting shall remain open for not less than two days and shall close at 4 PM on the date preceding the date of the general meeting. The notice of the meeting provided the following information:

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- That the company is providing facility for voting by electronic means and the business may be transacted through such voting;

- That the members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

Further, the company decided to publish a public notice by way of an advertisement in newspaper immediately on completion of dispatch of notices of the meeting. The company also specified in the notice that the remote e-voting will not be allowed beyond the specified date and time. The company appointed an independent Chartered Accountant in practice to be the scrutinizer for the remote e-voting process.

The meeting was successfully conducted and as soon as the results of the voting were ascertained, the results were declared along with the report of the scrutiner placed on the website of the company. The company had appointed an agency for the e voting and the results of the voting immediately thereafter were declared by the Chairman and were put up on the website of the agency.

#### Multiple Choice Questions [2 Marks each]

27.1 What is the correct position with regard to the time for opening of e-voting?

- (a) The time for opening of e-voting shall remain open for not less than two days and shall close at 4.00 PM on the date preceding the date of the general meeting.
- (b) The time for opening of e-voting shall remain open for not less than three days and shall close at 4.00 PM on the date succeeding the date of the general meeting.
- (c) The time for opening of e-voting shall remain open for not less than three days and shall close at 5.00 PM on the date preceding the date of the general meeting.
- (d) The time for opening of e-voting shall remain open for not less than three days and shall close at 5.00 PM on the date succeeding the date of the general meeting.

Answer: (c)

27.2 Regarding the putting up of results of the voting on the website, which of the statement is correct in connection with the procedure followed by the Company?

- (a) It is sufficient to put up the results of the voting on the company's website immediately after the meeting.
- (b) It is essential to put up the results of the voting on the company's website and also on the website of the agency immediately after the meeting.
- (c) It is essential to put up the results of the voting on the company's website and also on the website of the agency immediately after the meeting. Along with this, the company should simultaneously forward results to the concerned stock exchange(s) where the shares are listed.
- (d) It is sufficient to put up the results of the voting on the company's website immediately after the meeting and give a notice in the newspaper about the uploading of information on the website.

Answer: (c)

27.3 With respect to the information in the notice of the meeting about the facility for voting by electronic means and remote e-voting, which of the following statement should be added to the notice?

- (a) The notice is complete with respect to electronic voting and remote e-voting and hence no other information is needed.
- (b) The notice should also provide that the facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting.
- (c) The notice should also provide that the facility for voting, either through electronic voting system or ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right to vote at the meeting.
- (d) The notice should provide general information about the voting process and all detailed information shall be provided at the commencement of the meeting and also be uploaded / displayed on the company's website.

Answer: (c)

27.4 Regarding the newspaper advertisement as decided to be published by the company immediately on completion of dispatch of notices of the meeting, which of the following statement is correct?

- (a) The newspaper advertisement should be made at least 21 days before the date of general meeting.
- (b) The newspaper advertisement should be made at least 14 days before the date of general meeting.
- (c) The newspaper advertisement should be made at least 7 days before the date of general meeting.
- (d) The newspaper advertisement should be made at least 10 days before the date of general meeting.

Answer: (a)

28. Purple Airlines Limited (hereinafter referred to as "Company"), a public limited company which is in the process of getting its shares listed on the National Stock Exchange (NSE), Kolkata. Many meetings of the board of directors and members were regularly been held in this regard. One of the members of the Company Mr. Jyoti Ranjan, felt that certain decisions taken by the company were not being properly executed as there were numerous newspapers reports about the functions & feasibility of the company's going concern. Hence, he decided to inspect the minute book of the general meetings to understand the actual proceedings of the discussion held in the meetings.

He approached the company on 27th August 2020 and requested the Company Secretary to permit inspection of the minute book at 2:00 PM. The Company Secretary refused to allow for the inspection saying that he could apply for taking the copies of the minutes of the meetings but was not entitled to inspect the minute book at the office.

Accordingly, he made an application for obtaining the copies of the minutes of the meeting held on 15th July 2020. The application was made by him on 28th August 2020 to the company in the prescribed form and along

with the fees suggested by the company which was Rs. 100 for each page of the minute. The company informed that for soft copies it would be Rs. 50/- per page.

Mr. Jyoti Ranjan, waited for 10 days and when no copies were made available to him, he again approached the company for the copies. He was informed that since the Articles of Association prescribed a minimum period of 14 days, he would receive the copies of the minutes on or after 11th September 2020.

Finally, he received the copies of the minutes which consisted of 10 pages and a fee of Rs. 1,000/- was charged from him (Rs. 100/- for each page). Jyoti Ranjan had also asked for furnishing soft copies of the minutes of the meeting in respect of the previous general meetings held during a period immediately preceding three financial years. (FY 16-17, FY 17-18 and FY 18-19) The total number of pages were 95 and he was asked to pay Rs. 4,750/- (Being the charges of Rs. 50 per page).

Mr. Jyotiranjana found that all the pages of the minutes were initialled and signed by the Chairman of the meeting. However, in 2 cases, he observed that the minutes were signed by another person, Mr. Ranjan, who was not the Chairman of the meeting but it was mentioned that he being the general manager was duly authorised by the Board of Directors to sign the minutes for the purpose. He also observed that the company followed a practice of recording the minutes within 2 weeks of the conclusion of the meeting.

In view of the observations made by Mr. Jyoti Ranjan regarding the maintenance of the minute book, answer the following questions:

28.1 When the member, Mr. Jyoti Ranjan approached the company on 27th August 2020 and requested the Company Secretary to permit inspection of the minutes book at 2:00 PM, he was refused

the inspection saying that he could apply for taking copies of the minutes of the meetings and not entitled to inspect the minute book at the office. Which of the following statement is correct in this aspect?

- (a) Inspection of the minutes of general meetings cannot be permitted to any member and only copies can be furnished. The contention of the company was correct in this regard.
- (b) Inspection of the minutes of general meetings is permitted during business hours, to any member with charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 2 hours in each business day.
- (c) Inspection of the minutes of general meetings is permitted during business hours, to any member without charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 4 hours in each business day.
- (d) Inspection of the minutes of general meetings is permitted during business hours, to any member without charge, subject to reasonable restrictions as specified in Articles or as imposed in general meeting, for at least 2 hours in each business day.

Answer: (d)



28.2 Is the fees prescribed by the company (for taking the copies of the minute book) which is Rs. 100 for each page of the minute and for the soft copies it is Rs. 50/- per page in line with the Company Law requirement?

(a) Yes, it is correct, as the company is free to prescribe in its Articles of Association a reasonable fee for taking copies from the minute book maintained by the company.

(b) The amount may be fixed in the Articles of Association but it should not exceed a sum of Rs. 10/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a

period immediately preceding three financial years has to be provided free of cost.

(c) The amount may be fixed in the Articles of Association but it should not exceed a sum of Rs. 10/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a period immediately preceding three financial years, has to be provided for a sum of not exceeding Rs. 1/- for each page.

(d) The amount may be fixed in the Articles of Association but it should not exceed a sum of Rs. 100/- for each page and for furnishing soft copies of the minutes of the meeting of any previous general meeting held during a period immediately preceding three financial years has to be provided for a sum not exceeding Rs. 10/- for each page.

Answer: (b)

28.3 "Mr. Jyoti Ranjan, waited for 10 days and when no copies were made available to him, he again approached the company for the copies. He was told that since the Articles of Association prescribed a minimum period of 14 days, he would receive the copies of the minutes on or after 11th September 2020." Which of the following statement is correct with regard to time period for furnishing the required copies of the minutes?

(a) The contention of the company is correct.

(b) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 11 working days.

(c) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 7 working days.

(d) The contention of the company is incorrect as the company is required to furnish the copies of the minutes within 3 working days.

Answer: (c)

28.4 It was found in the case of the company under discussion that in 2 cases the minutes were signed by another person, Mr. Ranjan, who was not the Chairman of the meeting but it was mentioned that he being the general manager was duly authorised by the Board of Directors to sign the minutes for the purpose. Which of the following is the correct provision in relating to signing of minutes of general meetings?

- (a) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 30 days or in the event of the death or inability of that Chairman within that period by a director duly authorized by the Board for the purpose.
- (b) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 30 days or in the event of the death or inability of that Chairman then by the Chairman of the next succeeding meeting.
- (c) The practice of the company is not correct. Each page of the minute should be initialled or signed and the last page to be dated and signed by the Chairman of the same meeting within 7 days or in the event of the death or inability of that Chairman within that period by a director duly authorised by the Board for the purpose
- (d) The practice of the company is correct.

Answer: (a)

28.5 The company followed a practice of recording the minutes within 2 weeks of the conclusion of the meeting. In this regard, which of the following statement is correct?

- (a) The practice of the company is correct in recording the minutes within 2 weeks of the conclusion of the meeting.
- (b) The practice of the company is incorrect in recording the minutes within 2 weeks of the conclusion of the meeting. It should be recorded within 7 working days.
- (c) The practice of the company is incorrect in recording the minutes within 2 weeks of the conclusion of the meeting. It should be recorded within 10 working days.
- (d) The practice of the company is incorrect in recording the minutes within 2 weeks of the conclusion of the meeting. It should be recorded within 14 working days.

Answer: (a)

Scribble 

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

Get yourself trained by Founder of CA Mentoring Program in India - CA Ravi Agarwal  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



# 8

## DECLARATION AND PAYMENT OF DIVIDEND

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1-2	-	Q3	-	Q4	-
RTP	-	-	-	Q5	-	Q6-8
Booklet	Q9-17	Q9-17	Q9-17	Q9-17	Q9-17	Q9-17

### Mock Test Papers

#### October 2021:

1. Mr. Guru bought 40,000 shares of Real Consultancy Services (RCS) of face value 10 each out of his savings. On such shares, the final call of Rs. 2 is due but unpaid by Mr. Guru. In the meantime, RCS declared dividend at a rate of 15%. Regarding un-paid call money by Mr. Guru, in light of dividend due to him from RCS, state which of following the statements is correct?

- (a) Dividend cannot be adjusted against the unpaid call money
- (b) The dividend of Rs. 48,000 can be adjusted against unpaid call money
- (c) The dividend of Rs. 48,000 can be adjusted against unpaid call money, only if consent is given by Mr. Guru.
- (d) The dividend of Rs. 64,000 can be adjusted against unpaid call money, even if consent is not given by Mr. Guru.

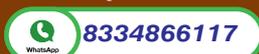
Answer: (a)

2. 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

Answer: (b)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



**November 2020:**

3. Shreyas Mechanics Limited owns a plot of land which was purchased long before. As the property rates are going up, it is decided to revalue the plot at fair value which is moderately ten times the original price, thus resulting in a revaluation profit of Rs. 20,00,000. The Board of Directors is keen to utilize Rs. 20,00,000 along with free reserves of Rs. 24,00,000 for declaration of dividend at the forthcoming Annual General Meeting (AGM) to be held on 28th September, 2019. Advise the company.

- (a) Rs. 20,00,000 are to be excluded from the distributable profits as the same cannot be utilized towards declaration of dividend.
- (b) Only 25% of Rs. 20,00,000 can be utilized as distributable profits towards declaration of dividend.
- (c) Up to 50% of Rs. 20,00,000 can be utilized as distributable profits towards declaration of dividend.
- (d) Up to 60% of Rs. 20,00,000 can be utilized as distributable profits towards declaration of dividend

Answer: (a)

**November 2019:**

4. Sumitra Healthcare and Hospitality Limited had issued 9% non-convertible debentures which matured four years back. However, 1000 such debentures of Rs. 100 each are still remaining unclaimed and unpaid even after the maturity. State the period after which the company needs to transfer them to Investor Education and Protection Fund (IEPF) if they remain unclaimed and unpaid.

- (a) After the expiry of five years from the maturity date.
- (b) After the expiry of six years from the maturity date.
- (c) After the expiry of seven years from the maturity date.
- (d) After the expiry of eight years from the maturity date.

Answer: (c)

**Revision Test Papers**

**May 2020:**

5. Shreyas Mechanics Limited owns a plot of land which was purchased long before. As the property rates are going up, it is decided to revalue the plot at fair value which is moderately ten times the original price, thus resulting in a revaluation profit of Rs. 20,00,000. The Board of Directors is keen to utilize Rs. 20,00,000 along with free reserves of Rs. 24,00,000 for declaration of dividend at the forthcoming Annual General Meeting (AGM) to be held on 28th September, 2019. Advise the company.

- (a) Rs. 20,00,000 are to be excluded from the distributable profits as the same cannot be utilized towards declaration of dividend.
- (b) Only 25% of Rs. 20,00,000 can be utilized as distributable profits towards declaration of dividend.
- (c) Up to 50% of Rs. 20,00,000 can be utilized as distributable profits towards declaration of dividend.
- (d) Up to 60% of Rs. 20,00,000 can be utilized as distributable profits towards declaration of dividend.

Answer: (a)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



**April 2019:**

6. In how many days from the date of declaration of interim dividend, it shall be deposited in a separate bank account

- (a) 5 days (b) 7 days (c) 15 days (d) 21 days

Answer: (a)

7. After Declaration of dividend it should be paid within

- (a) 14 days (b) 21 days (c) 30 days (d) 45 days

Answer: (c)

8. ABC Ltd., a listed company proposed a dividend @ 15% on equity shares for the financial year ended on 31st March 2018. The Annual General Meeting (AGM) of the company was held on 15th July 2018 and the proposed dividend was approved and declared in the same. Due to some technical issues, dividend on 600 shares neither be paid within the time limit prescribed by the Act nor was transferred to unpaid dividend account. In such a situation which regulatory authority can take action against the company and its officers in default?

- (a) Central Government  
(b) SEBI  
(c) Tribunal  
(d) Investor Education and Protection Fund Authority

Answer: (b)

**Booklet**

9. Which one of the following required ordinary resolution?

- (a) To change the name of the company (c) To reduce the share capital  
(b) To alter the articles of association (d) To declare dividends.

Answer: (d)

10. Dividend once declared, should be paid within \_\_\_\_\_ days from the date of declaration

- (a) 14 days (b) 21 days (c) 30 days (d) 45 days

Answer: (c)

11. Which of the following amount is not credited to IEPF Account?

- (a) Amount in unpaid dividend account (UDA) of company  
(b) Amount of matured deposits with the company

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



8334866117



[caraviagarwal.com](http://caraviagarwal.com)



[https://tiny.cc/CA\\_Ravi\\_Agarwal](https://tiny.cc/CA_Ravi_Agarwal)

- (c) Profit on sale of asset
- (d) Amount of matured debentures with the company.

Answer: (c)

12. 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.

Answer: (d)

13. The authorised and paid-up share capital of Avantika Ayurvedic Products Limited is Rs. 50.00 lacs divided into 5,00,000 equity shares of Rs. 10 each. At its Annual General Meeting (AGM) held on 24th September, 2019, the company declared a dividend of Rs. 2 per share by passing an ordinary resolution. Mention the latest date by which the amount of dividend must be deposited in a separate account maintained with a scheduled bank

- (a) Latest by 29th September, 2019
- (b) Latest by 4th October, 2019
- (c) Latest by 9th October, 2019
- (d) Latest by 24th October, 2019

Answer: (a)

14. The Directors of Silver tongue Solutions Limited proposed dividend at 18% on equity shares for the financial year 2018-2019. The same was approved in the Annual general body meeting held on 30th September 2019. The Directors declared the approved dividends. Mr. Jagan was the holder of 2000 equity of shares on 31st March, 2019, but he transferred the shares to Mr. Rajiv on 8th August 2019. Mr. Rajiv has sent the shares together with the instrument of transfer to the company for registration of the shares in his favour only on 25th September 2019. The registration of the transfer of shares is pending on 30th September 2019. With respect to the dividend declared the correct action to be taken by the company is:

- (a) Pay the dividend to Mr. Jagan
- (b) Pay the dividend to Mr. Rajiv
- (c) Transfer the dividend in relation to such shares to the Unpaid Dividend Account
- (d) Transfer the dividend in relation to such shares to the Investor Education and Protection Fund.

Answer: (c)

15. The Board of Directors of Jip Rise Pharmaceuticals Limited are contemplating to declare interim dividend in the last week of July, 2018 but the company has incurred loss during the current financial year up to the end of June, 2018. However, it is noted that during the previous five financial years i.e., 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18, the company had declared dividend at the rate of 8%, 9%, 12%, 11% and 10% respectively. Advise the Board as to the maximum rate at which they can declare interim dividend despite incurring loss during the current financial year.

- (a) Maximum at the rate of 10%. (c) Maximum at the rate of 10.5%.  
(b) Maximum at the rate of 11%. (d) Maximum at the rate of 11.5%.

Answer: (b)

### CASE SCENARIOS

16. The Board of Directors of LESCO Pharmaceuticals Limited (hereinafter referred to as “company”) were meeting again in the month of May 2019 for the discussion of two important agenda which had a direct relation to the ensuing Annual General Meeting scheduled for 30th September 2019. The first Agenda was related to the authentication of financial statements and the second one was in connection with Dividend. Although the first item in the agenda did not take much time and necessary Board resolution was passed, the second agenda was a matter of concern for the directors.

Ms. Sunita, one of the directors proposed that since the company had not made any profits during the year, it would not be appropriate to declare any dividend for the financial year 2018-19. However, all other directors felt that last year's rate of dividend of 5% should be maintained and the same should at least be paid this year to keep the shareholders happy. Ms. Sunita again objected by saying that the legal provisions as envisaged under Section 123 of the Companies Act, 2013 clearly states that dividend by a company for any financial year can be paid or declared only out of the profits of the company of that year and since there was no profit there was no legal compulsion to pay dividend. She strongly contended that paying dividend was a matter of financial choice by the Board of Directors and accordingly, the board should take an informed decision. The priority for the Board is to ensure that cash flow is maintained first and then the “happiness” of the Shareholders be considered.

Another director, Mr. Robinder suggested that the company had made a substantial gain on revaluation of assets and if that would be considered then there would be sufficient profits for declaration of dividends out of such gain.

Finally, the Chairman-cum-Managing Director, Mr. Ramesh interfered and suggested that perhaps there is a provision in the Companies Act, 2013 relating to payment of dividend in the absence of profits and that the Company Secretary, Ms. Ameeka should work out the possibilities and all legal aspects connected and then call for another Board Meeting for finalising the payment of Dividend. The meeting then ended with a vote of thanks to the Chair.

16.1 Based on the discussions in the Board Meeting of the Company, which of the following is a correct statement relating to the source for payment of Dividend by the Company:

- (a) Profits of the Company of that year only arrived at after providing for depreciation.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



(b) Profits of the Company of that year or for any previous year or years after providing for depreciation and any reserves available.

(c) Profits of the Company of that year or for any previous year or years after providing for depreciation and remaining undistributed i.e., free reserves.

(d) Profits of the Company of that year or previous year but not necessary to provide for depreciation.

Answer: (c)

16.2 With reference to claim made by Ms. Sunita that Dividend could only be paid or declared out of profits and no other source, which of the following would you completely agree or partly agree?

(a) Completely agree with the contention of Ms. Sunita that only profits are the source for payment of Dividend.

(b) Partly agree with Ms. Sunita but apart from Profits, a company can pay dividend out of money provided by the Central or State Government in pursuance of the guarantee given by them.

(c) Partly agree with Ms. Sunita that apart from profits (either current year or previous year), even in the event of inadequacy or absence of profits, a company may declare dividend out of free reserves, subject to fulfilling certain conditions.

(d) Partly agree with Ms. Sunita that company can pay dividends not only out of profits but also out of money provided by Central Government or State Government in pursuance of the guarantee given by them or out of money available in free reserves, and in each case subject to fulfilment to conditions prescribed.

Answer: (d)

16.3 Which of the option is correct with regard to the proposal made by Mr. Robinder?

(a) Gain made by a company in form of revaluation of assets is definitely available for payment of Dividend.

(b) Gain made by a company in form of revaluation of assets is available only upon satisfaction of terms and conditions prescribed.

(c) Gains made by a company in form of revaluation of assets is not available for computing profits for declaration of dividends.

(d) Gains made by a company in form of revaluation of assets which are only buildings are not available and in all other assets they are available.

Answer: (c)

16.4 As per the Chairman-cum-Managing Director, Mr. Ramesh, there is a provision in the Companies Act, 2013 relating to payment of dividend in the absence of profits. Which of the following is correct with respect to the rate of dividend in such cases?

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- (a) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year.
- (b) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the two years immediately preceding that year.
- (c) The rate of dividend declared shall be the average of the rates at which dividend was declared by it in the five years immediately preceding that year.
- (d) The rate of dividend declared shall not exceed the rate at which dividend was declared by it in any of the three years immediately preceding that year.

Answer: (a)

16.5 According to the Chairman-cum-Managing Director, Mr. Ramesh, there is a provision in the Companies Act, 2013 relating to payment of dividend in the absence of profits, which of the following is correct with respect to the amount that can be drawn from such accumulated profits of the previous year(s)?

- (a) The amount that can be drawn from such accumulated profits shall not exceed one fifth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
- (b) The amount that can be drawn from such accumulated profits shall not exceed one tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
- (c) The amount that can be drawn from such accumulated profits shall not exceed one tenth of its paid-up share capital as appearing in the latest audited financial statement.
- (d) The amount that can be drawn from such accumulated profits shall not exceed one tenth of the average of its paid-up share capital and free reserves as appearing in the latest three years audited financial statement.

Answer: (b)

17. The Board of Directors of Dr. Mahindra Laboratories Limited (hereinafter referred to as the "company") were having their Board meeting on 10th July 2020. Despite the Covid-19 pandemic, the company results for the first quarter (hereinafter referred to as "Q-1") showed some great numbers. The maximum turnover was on account of sale of sanitisers, masks and other related products. All the directors felt jubilant about the results particularly at a time when majority of the companies were struggling to even pay salaries and meet their operating costs. One of the directors, Mr. Sanjay, was looking at the way the share price of the company was trading. It showed an upward trend despite stock prices falling for many reputed companies. The closing share price of the Company was Rs. 217.80. It was evident that the capital markets were responding well with the results of the Q-1 and also with the results of financial year 2019-20.

With these favourable aspects in mind, Mr. Sanjay, proposed to the Board that an interim dividend be declared for the shareholders. He expressed his view that this would not only boost the confidence of the investors in the wake of the Pandemic situation, but also strengthen the position of the company among its competitors. Accordingly, he proposed to declare an interim dividend of 10% and the source of interim dividend should be as follows:

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- (a) Out of Profits earned in the financial year 2019-20
- (b) Out of Profits earned in the financial year 2020-21 (From the Q-1 ending 30th June 2020)

Ms. Jyoti, one of the directors expressed her concern whether interim dividend could be declared at this point of time or should the company wait for the ensuing Annual General Meeting (AGM). Mr. Sanjay clarified that as per Section 123(3) and 123(4) of the Companies Act, 2013, interim dividend can be declared during any financial year and at any time during the period from the closure of the financial year till the holding of the AGM. Since the AGM of the company was proposed to be held on 30th September 2020, the company can easily pay dividend to the shareholders. One of the Directors, Ms. Sharda, said that the results of the Financial Year 19-20 were already approved by the Board of Directors in meeting held on 10th May 2020 and the duly authenticated financial statement are presently in the process of audit. To this, Mr. Sanjay convinced all the directors that since the AGM is not yet held for FY 19-20, it is implied that the annual accounts were not yet adopted by the shareholders and hence there was still some scope for paying interim dividend out of profits of FY 19-20.

In view of the above discussion in the Board Meeting of the Company held on 10th July 2020, answer the following questions:

17.1 Based on the recommendations of Mr. Sanjay, one of the directors, which of the following is correct with regard to the source out of which the interim dividend may be paid?

- (a) The interim dividend can be paid out of profits earned by the company in the FY 19-20 and also out of the profits earned in the first quarter of FY 20-21.
- (b) The interim dividend cannot be paid out of profits earned by the company in the FY 19-20 but can be paid out of the profits earned in the first quarter of FY 20-21.
- (c) The interim dividend can be paid out of profits earned by the company in the FY 19-20 but not out of the profits earned in the first quarter of FY 20-21
- (d) The interim dividend can be paid out of accumulated profits only.

Answer: (a)

17.2 Going by the facts of the case, if the interim dividend of the company was declared in the meeting dated 10th July 2020, then by what date should the amount be deposited in a separate account maintained with the scheduled bank for dividend purposes?

- (a) By 14th July 2020
- (b) By 15th July 2020
- (c) By 16th July 2020
- (d) By 17th July 2020

Answer: (a)

17.3 Which of the option is correct with regard to ratification of the payment of dividend?

- (a) Interim dividend is declared by the Board of Directors and can be ratified by the Managing Director of the company.
- (b) Interim dividend needs the approval of the auditors with regard to the calculation of the rate and hence can be ratified on their subsequent approval.
- (c) Interim dividend is declared by the Board of Directors but the same needs to be ratified at the ensuing AGM by the members.
- (d) Interim dividend once declared and paid needs no ratification thereafter.

Answer: (c)

17.4 In case the company would have incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, then what should be the rate of the interim dividend?

- (a) The rate of interim dividend declared shall not be at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.
- (b) The rate of interim dividend declared shall be less than the average of the rates at which dividend was declared by it in the five years immediately preceding that year.
- (c) The rate of interim dividend declared shall be exactly the average of the rates at which dividend was declared by it in the three years immediately preceding that year.
- (d) In case of a loss, then interim dividend cannot be declared in the first place and only final dividend can be declared.

Answer: (a)

17.5 By what date should the interim dividend declared in the meeting held on 10th July 2020 be paid to the members of the company?

- (a) 8th August 2020
- (b) 9th August 2020
- (c) 10th August 2020
- (d) 11th August 2020

Answer: (a)



# 9

## ACCOUNTS OF COMPANIES

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1	Q19-20	Q2	Q21	-	Q3-8
RTP	-	-	-	Q9-10, 22	-	-
Booklet	Q11-18, 23					

### Mock Test Papers

#### October 2021:

1. Shri Limited (a company having CSR Committee as per the provision of Section 135 of the Companies Act, 2013) decides to spend and utilize the amount of Corporate Social Responsibility on the activities for the benefit of all the employees of Shri Limited. As per the provision of Companies Act, 2013 this would mean that:-

- (a) This is the total amount spent on Corporate Social Responsibility activities by Shri Limited for that financial year
- (b) No amount spent on Corporate Social Responsibility activities by Shri Limited for that financial year
- (c) Only Half of the total amount spent, shall be considered to be spent on Corporate Social Responsibility activities by Shri Limited for that financial year
- (d) Only the amount that has been spent on the employees having salary of Rs. 20,000 per month or less, shall be considered to be spent on Corporate Social Responsibility activities by Shri Limited for that financial year.

Answer: (b)

**November 2020:**

2. 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 statement
- (d) 180 days from the closure of the financial statement

Answer: (d)

**April 2019:**

3. A company can re- open / recast its book of accounts on an application to Tribunal made by:

- (a) Registrar
- (b) Member
- (c) Board of Directors
- (d) Income –tax authorities

Answer: (d)

4. ABC Ltd., a pharmaceutical company was having its manufacturing plant in Solan, Himachal Pradesh. The address of its registered office as informed to the Registrar of Companies was of one of its director's offices, situated at Mumbai, Maharashtra. To comply with the provisions of the Companies Act, 2013 it was keeping all its books of accounts, other relevant papers and financial statements at its registered office. After sometime Directors of the company found it difficult to maintain such books etc. at the registered office, so in a duly convened meeting of the Board of the Directors, it was decided that the books of accounts and other relevant papers be kept at the office situated in Solan. Within which time period the Registrar must be given notice about such decision of the board –

- (a) Within 30 days from the date of taking such decision by the board.
- (b) Within 15 days from the date it starts maintaining its books of accounts at the office situated at Solan.
- (c) Within 30 days from the date it starts maintaining its books of accounts at the office situated at Solan.
- (d) Within 7 days from the date of taking such decision by the board.

Answer: (d)

5. ABC Infrastructures Limited is a listed company quoted at National Stock Exchange. The company closed its Register of Members in June and August, 2017 for 12 and 21 days respectively. The CFO of company has informed the company secretary to consider closing of register in December for another 15 days for some strategic reasons. Referring to the provisions of Companies Act, 2013, examine the validity of above action of the company.

- (a) Valid, as the closure of register of members by company each time is not exceeding 30 days.
- (b) Invalid, as company cannot go for closure of Register of members more than twice in a year.
- (c) Invalid, as the period of closing register of members exceeding 30 days in a year.
- (d) Invalid, as the period of closing the Register of members by the company is exceeding 45 days in a year.

Answer: (d)

6. Feel Rich Co. Ltd. Having its registered office at New Delhi, is a subsidiary of a German company named Richman Company limited. The financial year of the parent/holding company ends on 31st December every year. The subsidiary company intends to follow a different financial year for consolidation of its accounts with its parent company, situated outside India. For doing so it is required to take prior permission of the competent authority. For the purpose from the following who will be this competent authority---

- (a) Registrar of Companies at New Delhi
- (b) Tribunal
- (c) Ministry of Corporate Affairs
- (d) SEBI

Answer: (b)

**March 2019:**

7. Amex limited is a public company having a net- worth of Rs. 950 crores, turnover of 200 crores (the company is just 5 years since the date of its incorporation) during the immediately preceding financial year, has to constitute a Corporate Social Responsibility (CSR) Committee. It has 9 Directors (A, B, C, D, E, F, G, H and I). Further, Mr. F, G, H and I are independent directors. Out of the following statements which statement is correct:

- (a) CSR committee may constitute of A, B and C
- (b) CSR committee may constitute of A, B and D
- (c) CSR committee may constitute of A, F and G
- (d) There is no need to constitute a CSR committee as the turnover is just 200 crores during the immediately preceding financial year

Answer: (c)

8. From the following information in respect of BMR Consultants Pvt. Ltd., compute the amount company is required to contribute on account of CSR:

Financial Year	Net Profit (in Lacs)
2015-16	15
2016-17	50
2017-18	70

- (a) Nil. If in any of the three financial years company has incurred losses, then company is not required to spend amount towards CSR but explain the reason for not spending the amount.
- (b) Rs. 2.4 Lacs
- (c) Rs. 80,000/-
- (d) Rs. 2.1 Lacs

Answer: (c)

Revision Test Papers

May 2020:

9. G Ltd. (a company having CSR Committee as per the provision of Section 135 of the Companies Act, 2013) decides to spend and utilize half of the amount of Corporate Social Responsibility on the activities for the benefit of all the employees of G Limited and the remaining half of the amount of Corporate Social Responsibility on the activities for the benefit of family members of employees of G Limited As per the provision of Companies Act, 2013 this would mean that: -

- (a) This is the total amount spent on Corporate Social Responsibility activities by G Limited for that financial year
- (b) No amount spent on Corporate Social Responsibility activities by G Limited for that financial year
- (c) Half amount spent on Corporate Social Responsibility activities by G Limited for that financial year
- (d) Half amount spent on Corporate Social Responsibility activities and remaining half amount spent on Other Activities by G Limited for that financial year

Answer: (b)

10. 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 statement
- (d) 180 days from the closure of the financial statement

Answer: (d)

Booklet

11. CSR Committee of the Board shall consist of:

- (a) Directors forming 1/3rd of the total no of directors.
- (b) At least 2 directors out of which one shall be independent director.
- (c) 3 or more directors out of which one shall be managing director.
- (d) 3 or more directors, out of which at least 1 director shall be an independent director.

Answer: (d)

12. Provisions of CSR are applicable to:

- (a) Companies with net worth of Rs. 250 crore or more but less than 500 crores.
- (b) Companies with turnover of Rs. 1000 crore or more.
- (c) Companies with net profit of Rs. 1 crore or more but less than Rs. 5 crores in any financial year
- (d) Companies having aggregate outstanding loans and deposits exceeding Rs. 50 crore or more in any financial year.

Answer: (b)

13. 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.

Answer: (d)

14. Vandana Operations Limited has reported a net profit of Rs. 2 crores for the half year ended 30th September 2020. During the previous financial year 2019-2020, the company has paid up share capital of Rs. 40 crore and outstanding loan from bank amounting to Rs. 80 crores on the date of last audited financial statement. Whether the company is required to appoint internal auditor for the current financial year ending on 31st March 2021?

- (a) Yes, the company is required to appoint internal auditor for FY ending on March 2021 as the net profit of the company is more than Rs. 1 crore.
- (b) No, the company is not required to appoint internal auditor for FY ending on March 2021 as the outstanding loans during the previous year ending on March 2020 is less than Rs. 100 crores.
- (c) Yes, the company is required to appoint internal auditor for FY ending on March 2021 as the paid-up share capital of the company is more than 10 crores.
- (d) No, the company is not required to appoint internal auditor for FY ended March 2021 as the paid-up share capital of the company is less than Rs. 50 crores during the preceding financial year.

Answer: (c)

15. Ayush Power Limited has reported a net profit of Rs. 6 crores, Rs. 7.5 crore and Rs. 3 crores for the financial year(s) ended on March 2017, March 2018 and March 2019 respectively. The board's report of the company for the year ended March 2020 did not disclose the composition of the CSR Committee on the grounds that company is not required to constitute CSR committee as net profit during the immediately preceding financial year is less than the statutory requirements laid down in section 135. You are required to examine in the given scenario whether the act of non-composition and non-disclosure of the composition of CSR committee in the Board's Report is valid in law?

- (a) No, the act of the company is not valid in law as every company is required to constitute a CSR committee and disclose the same in the board's report in every financial year irrespective of the profits earned by the company.
- (b) Yes, the act of the company is valid in law as the net profit of the company is less than Rs. 5 crores in the immediately preceding financial year.
- (c) No, the act of the company is not valid in law as non-composition and non-disclosure of composition of CSR Committee will attract only if the profits of the company are less than 5 crores for a consecutive period of 3 financial years.
- (d) The act of the company is valid only to the extent of non-disclosure of the composition of CSR committee as the net profit of the company is less than Rs. 5 crores in the immediately preceding financial year.

Answer: (c)

16. During the half year ended September 2019, the board of directors (BOD) of Vidyut Manufacturing Limited has made an application to the Tribunal for revision in the accounts of the company for the financial year ended on March 2017. Further during the year ended March 2020, the BOD has again made an application to the Tribunal for revision in the board's report pertaining to the year ended March 2019. 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 2020. The application made for revision in the Board report is however valid in law.

Answer: (b)

17. Adani Enterprises Limited has its shares listed on a recognized stock exchange in India. During the current financial year ended March 2020, 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) 2015-2016                      (b) 2013-2014                      (c) 2010-2011                      (d) 2011-2012

Answer: (d)

18. Ganesh Company Ltd, a public company incorporated under the Companies Act, 2013 has Mr. Jay-Director, Mr. Sagar – Independent Director, Mr. Abhishek – Nominee Director and Mr. Yash – Whole time director. Mr. Abhishek wants to inspect the books of accounts of Shankar Company Limited, the subsidiary of Ganesh Company Limited. You are required to state whether Mr. Abhishek is eligible to inspect the books of accounts of Ganesh Company Limited?

- (a) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization of the public financial institution on whose behalf he has been so appointed in the board of the Ganesh Company Ltd.
- (b) No. Mr. Abhishek being a nominee director can only inspect the books of accounts of Ganesh Company Ltd and not its subsidiary company.
- (c) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the board of directors.
- (d) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the members holding not less than 25% of the paid-up share capital of the company.

Answer: (c)

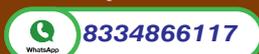
## CASE SCENARIOS

### Mock Test papers

#### April 2021:

19. Shehzad Colour Limited (SCL) was incorporated on 12th August 2018 with its registered office situated in Dehradun and branch offices at Delhi and Jaipur. The company was engaged in the business of manufacturing herbal products used as cosmetics. The company had prepared its “books of accounts” and other relevant books and records and financial statements for the year ending 31st March 2019. The company maintains its books of accounts on a double entry system of accounting on an accrual basis and keeps the books of account and other relevant books and papers and financial statements in the city of Jaipur in Rajasthan, which happens to be its major branch office.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



Gradually, the activities of the company grew and it opened its first branch office outside India in Colombo, Sri Lanka. The business started developing well and necessary records and documents including the books of account of the branch were maintained. One of the Directors, Mr. Mac, felt it necessary to inspect the books of account and other relevant documents maintained at Colombo branch. However, due to his busy schedule, he could not personally inspect the records and accordingly sought necessary financial information through his attorney holder.

The board of directors of the company had entrusted Ms. Anjali, the General Manager of the Company to fulfil all the duty with regard to the complying with the provisions of the company law in relation to maintaining the books of account, place of keeping the books of account, time period for preservation of books and all relevant papers and such things as prescribed under the Companies Act, 2013 in this regard.

In view of the aforesaid scenario relating to "books of account" of SCL, answer the following questions:

(i) As observed in the case scenario above, Mr. Mac (a director) has sought financial information maintained outside the country (i.e., financial information relating to books of account maintained in Colombo). Can a director do so under the provisions of the Companies Act, 2013?

- (a) A director can inspect and seek information from any Branch of the Company located within the country only.
- (b) The director can seek the information through his attorney holder with respect to financial information maintained outside the country also.
- (c) The director can seek the information only individually and not through his attorney holder with respect to financial information maintained outside the country.
- (d) The director can seek the information through his representative with respect to financial information maintained outside the country.

Answer: (c)

(ii) With regard to preservation of the books of SCL, the books of accounts for the FY 2018-19 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

Answer: (b)

(iii) The board of directors of the company had entrusted Ms. Anjali, the General Manager of the Company to fulfil all the duty with regard to complying with the provisions of the company law in relation to maintaining the books of account. Which of the statement is correct with respect to entrusting Ms. Anjali for maintaining the books?

- (a) Only the Managing Director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
- (b) Only the Managing Director or any Whole-time director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
- (c) Only Whole-time director (in charge of finance) or Chief Financial Officer can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



(d) Only the Managing Director or the Whole-time director (in charge of finance) or Chief Financial Officer or any other person of a company charged by the Board with the duty can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.

Answer: (d)

20. Krishna Kant Limited was incorporated on 24th September, 2010 under the jurisdiction of Registrar of Companies, Rajasthan with its registered office located in Jaipur and its manufacturing units spread out in Mumbai, Kanpur, Delhi and Ludhiana. Under the dynamic leadership of Hans Rajpal, the Chairman and Managing Director (CMD) of the company, the company had reached new heights of success. The directors of the company numbered eight including CMD out of which two were the independent directors.

The turnover of the company for the Financial Year 2019-2020 was Rs. 750.00 crores – a whopping rise of more than 20% from the previous year and the net profit stood at an impressive figure of Rs. 6.60 crores – an increase of Rs. 1.80 crores as compared to the net profit of the previous year. The company had a net worth of Rs. 250.00 crores; and it was noticed that the net worth had also registered a northern-western trend by more than 15%. The authorised and paid-up share capital of the company was Rs. 8.00 crores. Keeping in view the applicability of forming a CSR Committee for the current financial year 2020-21, a CSR Committee was formed with four directors as members of which one was an independent director. The Committee was, among other objectives, given the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy which would indicate the activities to be undertaken by the company within the framework specified in Schedule VII.

As the company has huge profits it has proposed a dividend @ 10% for the year 2019-20 out of the profits of current year.

The company plans to diversify its business by adding another segment to manufacture steel utensils and therefore, is desirous of shifting its registered office to Mumbai from Jaipur which will help the company in carrying on the new business for effectively. Another strategically important segment which the company tapped earlier and now wishes to engage itself in on a large scale relates to manufacturing of stationery items. During the current Financial Year 2020-21, the company provided ample support for improvement of infrastructure in schools established at Mumbai, Kanpur, Delhi and Ludhiana as part of its CSR activities. In addition, the company contributed towards establishment of Digital Smart Classroom, Libraries and computer labs in these cities. The company also deployed mobile medical units equipped with medical facilities and qualified doctors. In addition to this a large number of public health and sanitation activities had been initiated under Swachh Bharat Abhiyan. The total amount spent on these activities was, till date, almost equal to the minimum amount prescribed and it is hoped that as the current Financial Year 2020-21 approaches its end, the total spending on CSR activities will certainly exceed the budgeted figure.

(i) Which of the following factors would have prompted Krishna Kant Limited to mandatorily form a Corporate Social Responsibility (CSR) Committee for the current financial year?

(a) The net profit had increased to Rs. 6.60 crores and it was more by Rs. 1.80 crores in comparison to previous year's net profit.

(b) The turnover was Rs. 750.00 crores which was an increase of more than 20% as compared to the previous year.

(c) The net worth was Rs. 250.00 crores which when compared to the previous year had registered an increase by more than 15%.

(d) The paid-up share capital was Rs. 8.00 crores.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



Answer: (a)

(ii) What is the minimum amount (in percentage) that Krishna Kant Limited is required to spend during the Financial Year 2020-21 on the CSR activities?

- (a) 2% of the average net profits made during the two immediately preceding financial years.
- (b) 2% of the average net profits made during the three immediately preceding financial years.
- (c) 2.5% of the average net profits made during the two immediately preceding financial years.
- (d) 2.5% of the average net profits made during the three immediately preceding financial years.

Answer: (b)

(iii) In the given case scenario, Krishna Kant Limited decided to undertake CSR activities on its own. In case, it had decided to engage an external Section 8 company for undertaking its CSR activities and such charitable company is not established by Krishna Kant Limited nor it is established by the Central/State Government or by any entity established under an Act of Parliament or a State Legislature, then what should be the established track which this Section 8 company should have in undertaking similar programs or projects which Krishna Kant Limited wants it to accomplish?

- (a) Track record of minimum one year
- (b) Track record of minimum two years
- (c) Track record of minimum three years
- (d) Track record of minimum four years

Answer: (c)

**May 2020:**

21. Vishal Crockery Limited was incorporated on 24th September, 2010 under the jurisdiction of Registrar of Companies, Rajasthan with its registered office located in Jaipur and its manufacturing units spread out in Mumbai, Kanpur, Delhi and Ludhiana. Under the dynamic leadership of Hans Rajpal, the Chairman and Managing Director (CMD) of the company, it could easily be ascertained that the company had reached the new heights of success. The directors of the company numbered eight including CMD of which two were the independent directors.

The turnover of the company for the Financial Year 2018-2019 was Rs. 750.00crores – a whopping rise of more than 20% from the previous year and net profit stood at a prestigious figure of Rs. 6.60crores – also increased by Rs. 1.80 crores as compared to the net profit of previous year. The company had a net worth of Rs. 250.00 crores; and it was noticed that the net worth had also registered a northern trend by more than 15%. The authorised and paid-up share capital of the company was Rs. 8.00 crores. Keeping in view the applicability of forming a CSR Committee for the current financial year 2019-20, a CSR Committee was formed with four directors as members of which one was the independent member. The Committee was, among others, given the responsibility to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII.

The company plans to diversify its business by adding another segment to manufacture steel utensils and therefore, is desirous to shift its registered office to Mumbai from the present one at Jaipur which will help



the company in easing out the new business. Another strategically important segment which the company tapped earlier and now wishes to engage itself on a large scale relates to manufacturing of stationery items.

The company hopes that with the shifting of registered office to Mumbai, it shall be able to target international markets to export its quality products. As on date, the export turnover of the company is not that much significant. The directors, Janardan Mittal (Finance) and Ratish Jain (Marketing), however, have in-depth knowledge of export markets, particularly those existing in UK and Singapore, where they can place their products successfully and achieve laurels for the company in terms of wealth maximisation.

During the current Financial Year 2019-20, the company under the CSR activities provided ample support for improvement of infrastructure in schools established at Mumbai, Kanpur, Delhi and Ludhiana. Not only this, the company contributed towards establishment of Digital Smart Classroom, Libraries and computer labs in these cities. The company also deployed mobile medical units equipped with medical facilities and qualified doctors. In addition to this, a large number of public health and sanitation activities had been initiated under Swachh Bharat Abhiyan. The total amount spent on these activities was, till date, almost equal to the minimum spendable amount and it is hoped that as the current Financial Year 2019-20 approaches its end, the total spending on CSR activities will certainly exceed the budgeted figure.

(A) Which of the following criterion prompted Vishal Crockery Limited to mandatorily form a Corporate Social Responsibility (CSR) Committee for the current financial year?

[CH 9: Accounts of Companies]

- (i) The net profit had increased to Rs. 6.60crores and it was more by Rs. 1.80 crores in comparison to previous year's net profit.
- (ii) The turnover was Rs. 750.00 crores which was increased by more than 20% as compared to the previous year.
- (iii) The net worth was Rs. 250.00 crores which when compared to the previous year had registered an increase by more than 15%.
- (iv) The paid-up share capital was Rs. 8.00 crores

Answer: (i)

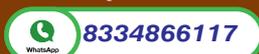
(B) What is the minimum amount (in percentage form) that Vishal Crockery Limited is required to spend during the Financial Year 2019-20 on the CSR activities after it formed a Corporate Social Responsibility Committee.

[CH 9: Accounts of Companies]

- (i) Minimum 2% of the average net profits made during the two immediately preceding financial years.
- (ii) Minimum 2% of the average net profits made during the three immediately preceding financial years.
- (iii) Minimum 2.5% of the average net profits made during the two immediately preceding financial years.
- (iv) Minimum 2.5% of the average net profits made during the three immediately preceding financial years.

Answer: (ii)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



(C) In the given case scenario, Vishal Crockery Limited decided to undertake CSR activities at its own. In case, it had decided to engage an external Section 8 company for undertaking its CSR activities and such charitable company is not established by Vishal nor it is established by the Central/State Government or by any entity established under an Act of Parliament or a State Legislature, then what should be the established track which this Section 8 company should have in undertaking similar programs or projects which Vishal Crockery Limited wants it to accomplish?

[CH 9: Accounts of Companies]

- (i) Track record of minimum one year
- (ii) Track record of minimum two years
- (iii) Track record of minimum three years
- (iv) None of the above

Answer: (iii)

### Revision Test papers

#### May 2020:

22. A private company by the name of Neha Pvt. Limited was incorporated in the year 2002. The registered office of the company Neha Pvt. Limited was situated in city K of state Y. During the financial year beginning on 01/04/2018 and ending on 31/03/2019 the turnover of the company Neha Pvt. Limited was Rs. 1010 crore. The net profit of the company Neha Pvt. Limited for the financial year 2018-19 was Rs. 4 crores. The Board of Directors of Neha Pvt. Limited consisted of only two directors namely Mr. M and Mr. N. Mr. M and Mr. N were the only directors of company Neha Pvt. Limited since its incorporation in the year 2002. Mr. M one of the two directors of Neha Pvt. Limited was of the opinion that no Corporate Social Responsibility Committee of the Board was required to be formed as for the financial year 2019 – 20 due to the reason that net profit of the company Neha Pvt. Limited for financial year 2018-19 was Rs. 4 crore which was less than Rs. 5 crores.

Mr. N the other director of Neha Pvt. Limited was not having the same opinion as Mr. M. He was of the opinion that Corporate Social Responsibility Committee of the Board must be formed for the company Neha Pvt. Limited.

The net profit of the company Neha Pvt. Limited for the financial year 2015-16, 2016-17 and 2017-18 were Rs. 1 crore, Rs. 2 crore and Rs. 3 crores respectively.

(A) Mr. M one of the directors of Neha Pvt. Limited was of the opinion that no Corporate Social Responsibility Committee of Board was required to be formed for financial year 2019-20 but Mr. N other director was of opinion that it was required to be formed.

According to your understanding which one of the two director is right and why:

- (a) Mr. M because net profit of Neha Pvt. Limited for financial year 2018-19 was less than Rs. 5 crores.
- (b) Mr. N because turnover of Neha Pvt. Limited for financial year 2018-19 was more than Rs. 1,000 crores.
- (c) Mr. N because net profit of Neha Pvt. Limited for financial year 2018-19 was more than Rs. 2 crores.
- (d) Mr. M because turnover of Neha Pvt. Limited for financial year 2019-19 was less than Rs. 1,500 crores.

Answer: (b)

(B) The company Neha Pvt. Limited must give preference to spend the amount of contribution towards Corporate Social Responsibility in area of:

- (a) City O of State Y (c) City G of State Z  
(b) City A of State Z (d) City K of State Y

Answer: (d)

(C) According to law Corporate Social Responsibility Committee shall consist of three or more directors, so for company Neha Pvt. Limited the Corporate Social Responsibility Committee will:

- (a) Not be formed as it has only two directors namely Mr. M and Mr. N  
(b) Be formed only after appointing one more director apart from Mr. M and Mr. N  
(c) Be formed with two directors only namely Mr. M and Mr. N  
(d) Be formed only after appointing two more directors apart from Mr. M and Mr. N

Answer: (c)

(D) The company Neha Pvt. Limited shall spend during financial year 2018-19 on Corporate Social Responsibility an amount of at least:

- (a) Rs. 0.04 crore (c) Rs. 0.18 crore  
(b) Rs. 0.12 crore (d) Rs. 0.06 crore

Answer: (a)

### Booklet

23. Magic Cosmetics Private Limited (MCPL) was incorporated on 12th August 2019 with its registered office situated in Dehradun and branch offices at Delhi and Jaipur. The company was engaged in the business of manufacturing herbal products used as cosmetics. The company had prepared its "books of accounts" and other relevant books and records and financial statements for the year ending 31st March 2020.

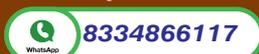
The company maintains its books of accounts on a double entry system of accounting on an accrual basis and keeps the books of account and other relevant books and papers and financial statements in the city of Jaipur in Rajasthan, which happens to be its major branch office.

Gradually, the activities of the company grew and it opened its first branch office outside India in Colombo, Sri Lanka. The business started developing well and necessary records and documents including the books of account of the branch were maintained. One of the Directors, Mr. Lal, felt it necessary to inspect the books of account and other relevant documents maintained at Colombo branch. However, due to his busy schedule, he could not personally inspect the records and accordingly sought necessary financial information through his attorney holder.

The board of directors of the company had entrusted Ms. Priyanka, the General Manager of the Company to fulfil all the duty with regard to the complying with the provisions of the company law in relation to maintaining the books of account, place of keeping the books of account, time period for preservation of books and all relevant papers and such things as prescribed under the Companies Act, 2013 in this regard.

In view of the aforesaid scenario relating to "books of account" of MCPL, answer the following questions:

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



23.1 What is the company law requirement with reference to “books of account” that is required to be maintained by Magic Cosmetics Private Limited?

- (a) Records maintained in respect of all sales and purchases of goods and services by the company and the assets and liabilities of the company.
- (b) Records maintained in respect of sum of money received and expended, all sales and purchases of goods and services by the company and the assets and liabilities of the company.
- (c) Records maintained in respect of sum of money received and expended, all sales and purchases of goods and services by the company, the assets and liabilities of the company and the items of cost as prescribed.
- (d) Journal, ledger, Trial balance and final accounts prepared therefrom.

Answer: (c)

23.2 It has been stated that the Company maintains its “books of account” in a place (Jaipur) other than the registered office (Dehradun) of the company. Which of the following is the correct statement relating to place of keeping “books of account”?

- (a) The company can maintain its “books of account” in any place within India as the Board of Directors may decide.
- (b) The company can maintain its “books of account” in any place within India as the Board of Directors may decide but the same has to be intimated with the Registrar before 31st March of that year.
- (c) The company can maintain its “books of account” in any place within India other than the registered office as the Board of Directors may decide but the same has to be intimated with the Registrar within 7 days of the decision of Board.
- (d) The company cannot maintain its “books of account” in any place other than its registered office.

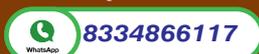
Answer: (c)

23.3 As observed in the case, can a director seek with respect to financial information maintained outside the country (i.e., financial information relating to books of account maintained in Colombo)

- (a) A director can inspect and seek information from any Branch of the Company located within the country only.
- (b) The director can seek the information through his attorney holder with respect to financial information maintained outside the country also.
- (c) The director can seek the information only individually and not through his attorney holder with respect to financial information maintained outside the country.
- (d) The director can seek the information through his representative with respect to financial information maintained outside the country.

Answer: (c)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



23.4 With regard to preservation of the books of MCPL, the books of accounts for the FY 2019-20 needs to be kept in good order until at least which of the following years?

- (a) FY 2026-27                      (b) FY 2027-28                      (c) FY 2028-29                      (d) FY 2029-30

Answer: (b)

23.5 The board of directors of the company had entrusted Ms. Priyanka, the General Manager of the Company to fulfil all the duty with regard to complying with the provisions of the company law in relation to maintaining the books of account. Which of the statement is correct with respect to entrusting Ms. Priyanka for maintaining the books?

- (a) Only the Managing Director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
- (b) Only the Managing Director or any Whole-time director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
- (c) Only Whole-time director (in charge of finance) or Chief Financial Officer can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.
- (d) Only the Managing Director or the Whole-time director (in charge of finance) or Chief Financial Officer or any other person of a company charged by the Board with the duty can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.

Answer: (d)

Scribble 

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

## 10

## AUDIT AND AUDITORS

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	-	-	-	Q1	Q2-3	Q4-7
RTP	-	-	-	-	-	-
Booklet	Q8-11	Q8-11	Q8-11	Q8-11	Q8-11	Q8-11

## Mock Test Paper

May 2020:

1. For appointing an auditor other than the retiring auditor,
- Special notice is required.
  - Ordinary notice is required.
  - Neither ordinary nor special notice is required.
  - Approval of Central Government is required.

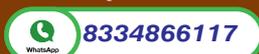
Answer: (a)

November 2019:

2. BSP Ltd appointed XPP & Co LLP as their statutory auditors for the year ended 31 March 2018 on 18 June 2018, as per Section 139(8) of the Companies Act 2013, to fill the casual vacancy caused by resignation of previous statutory auditors to hold office till the conclusion of next Annual General Meeting (AGM) of BSP Ltd. BSP Ltd is listed with Bombay Stock Exchange and National Stock Exchange. BSP Ltd is covered under auditors' rotation requirements and wants to re-appoint XPP & Co LLP at their next AGM. Please advise.
- XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM and after that can be considered for re-appointment for another five consecutive years.
  - XPP & Co LLP can be re-appointed for a term of four consecutive years at the AGM and after that can be considered for re-appointment for another five consecutive years.
  - XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM.
  - XPP & Co LLP cannot be re-appointed at the AGM.

Answer: (a)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



3. NTW Ltd is listed on National Stock Exchange and has a turnover of INR 4500 crores. NTW Ltd has 12 subsidiaries, 3 associate companies and 5 joint venture companies collectively referred to as NTW Group). AKW & Co LLP is the statutory auditor of NTW Ltd. NTW Ltd wants to appoint AKW as the statutory auditors for entire NTW Group. In respect of this, please advise the management of NTW Group.

- (a) AKW & Co LLP can be appointed as statutory auditors for only 10 companies of NTW Group.
- (b) AKW & Co LLP can be appointed as statutory auditors for only 20 companies of NTW Group.
- (c) AKW & Co LLP can be appointed as statutory auditors for all the companies of NTW Group.
- (d) AKW & Co LLP can be appointed as statutory auditors for all the companies of NTW Group provided they meet the limits requirements as per the Companies Act 2013.

Answer: (d)

**April 2019:**

4. Which of the following is a prohibited services to be rendered by the auditor of the Company

- (a) design and implementation of any financial information system
- (b) making report to the members of the company on the accounts examined by him
- (c) compliance with the auditing standards
- (d) Reporting of fraud against the company by officers or employees to the Central Government

Answer: (a)

5. For appointing an auditor other than the retiring auditor,

- (a) Special notice is required.
- (b) Ordinary notice is required.
- (c) Neither ordinary nor special notice is required
- (d) Approval of Central Government is required.

Answer: (a)

**March 2019:**

6. Excellent Art Private Limited, has a paid-up capital of Rs.50 crore, Turnover of Rs.25 crore and borrowing of Rs.25 crore and outstanding deposits of Rs.30 crore. Decide if the Company needs to comply with internal audit requirements under the Act?

- (a) No. The provisions of Internal audit are not applicable on private companies.
- (b) Yes. Company is having Paid up capital of Rs.50 Crore and outstanding deposits more than Rs.25 crore.
- (c) No. Because the borrowings are less than Rs.100 crore and Turnover is less than Rs.200 crore
- (d) None of the above

Answer: (c)

7. Advise whether the auditor appointed by a private limited company with paid up capital of Rs.30.00 Crore, in the following cases are valid for the financial year 2017-18: -

- (a) Amanpreet (an Individual auditor) who has been the auditor since the Financial Year 2011 -12
- (b) Firm MGA & associates, was appointed as auditor in the Financial Year 2011 -12.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- (c) Firm MGA & associates, who completed 10 years continuously as auditor in company. Now company wants to appoint VGA & associates wherein Mr. V is a partner who is also partner in MGA & Associates.  
(d) The provisions of rotation of auditor are not applicable on private companies

Answer: (b)

### Booklet

8. For appointing an auditor other than the retiring auditor,

- (a) Special notice is required.  
(b) Ordinary notice is required.  
(c) Neither ordinary nor special notice is required  
(d) Approval of Central Government is required.

Answer: (a)

9. The auditor of a Government Company shall be appointed or re-appointed by-

- (a) The Central Government  
(b) Comptroller and Auditor General of India (CAG).  
(c) Central Government on the advice of Comptroller and Auditor General of India.  
(d) None of the above

Answer: (b)

10. Which of the following is a prohibited service to be rendered by the auditor of the Company?

- (a) Design and implementation of any financial information system  
(b) Making report to the members of the company on the accounts examined by him  
(c) Compliance with the auditing standards  
(d) Reporting of fraud against the company by officers or employees to the Central Government

Answer: (a)

11. The word 'firm' for the purpose of Section 139 shall include-

- (a) An individual auditor  
(b) An LLP  
(c) An individual auditor and LLP both  
(d) A company

Answer: (b)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



## PART II: OTHER LAWS



### THE INDIAN CONTRACT ACT, 1872

#### Chapter 1: Unit 1: Contract of Indemnity and Guarantee

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1-2	Q3	Q4	Q5	Q6-7	Q8-10
RTP	-	-	-	Q11	-	Q12
Booklet	Q13-18	Q13-18	Q13-18	Q13-18	Q13-18	Q13-18

#### Mock Test Papers

##### October 2021:

1. Vinod, a transporter was transporting tomatoes of Avinash from his (Avinash's) farm to the market. However, due to heavy rains, Vinod was stuck for three days and thus he sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Choose the correct option in the light of the provisions of the Indian Contract Act, 1872.

- (a) Avinash will succeed in recovering losses of tomatoes from Vinod
- (b) Avinash will not succeed in recovering losses of tomatoes from Vinod
- (c) Vinod can sell the tomatoes only at a price higher than the market rate
- (d) Avinash is liable to compensate Vinod as his truck was stuck for three days and hence, he (Vinod) could not complete the deliveries of other clients and thus he (Vinod) suffered loss.

Answer: (c)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



2. A and P go into a shop. A says to the shopkeeper, C, "Let P have the goods, and if he does not pay you, I will". This is a:

- (a) Contract of Guarantee (c) Wagering agreement  
(b) Contract of Indemnity (d) Quasi-contract

Answer: (a)

**March 2021:**

3. A contracts to save B against the consequences of any proceedings, which C may take against B in respect of a certain sum of 500 rupees. This is a:

- (a) Contract of guarantee (c) Contract of indemnity  
(b) Quasi contract (d) Void contract

Answer: (a)

**November 2020:**

4. A guarantee which extends to a series of transactions is called

- (a) Special Guarantee (c) Specific Guarantee  
(b) Continuing Guarantee (d) None of the above

Answer: (b)

**May 2020:**

5. Atul contracts to indemnify Neha against the consequences of any proceedings which Chirag may take against Neha in respect of a sum of Rs. 15000/- advanced by Chirag to Neha. Now, Neha who is called upon to pay the sum of money to Chirag but she fails to do so. Now, as per the provisions of the Indian Contract Act, 1872, advise the future course of action to be taken by Chirag.

- (a) Chirag can recover the amount only from Neha  
(b) Chirag can recover the full amount from Atul  
(c) Chirag cannot recover the amount from Atul  
(d) Chirag can recover at least 10% of the total amount from Neha

Answer: (b)

**November 2019:**

6. L made an offer to MD of a company. MD accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company ratified the MD's acceptance. State which of the statements given hereunder is correct:

- (a) L was bound with the offer  
(b) An offer once accepted cannot be withdrawn  
(c) Both option (a) & (b) is correct

(d) L is not bound to an offer.

Answer: (c)

7. A guarantee obtained by a creditor by keeping silence as to material circumstances is:

- (a) Valid (c) Unenforceable  
(b) Voidable (d) Invalid

Answer: (d)

**April 2019:**

8. Anand is a goldsmith, who makes gold jewellery as per customer's requirement. Brijesh along with his friend Ramesh, who was also a friend of Anand, approached Anand for making bangles for his wife. Anand agreed to give delivery within 7 days from the day Brijesh gives him gold for making bangles. Brijesh gave him bangles on 2nd February 2018. The bangle making charges were Rs. 5000/-, which Brijesh agreed to pay at the time of delivery of the bangles. Anand delivered the bangles on 6th February 2018, but Brijesh said that he will pay the making charges after some time. Anand agreed to that. In spite of repeated reminders Brijesh did not pay his making charges. In this situation from the following what remedy is available to Brijesh—

- (a) He can sue Ramesh for his making charges because Anand was accompanied by him  
(b) He can sue Anand for his overdue making charges.  
(c) He can visit Anand's place and can take away anything, which is similar in value to the bangle making charges.  
(d) He can retain the goods, as he has the right of particular lien, he however does not have the right to sue Anand or Ramesh

Answer: (b)

**March 2019:**

9. Aman contracts to indemnify Megha against the consequences of any proceedings which Chandar may take against Megha in respect of a sum of Rs. 15000/- advanced by Chandar to Megha. Now, Megha who is called upon to pay the sum of money to Chandar but she fails to do so. Now, as per the provisions of the Indian Contract Act, 1872, advise the future course of action to be taken by Chandar.

- (a) Chandar can recover the amount only from Megha  
(b) Chandar can recover the full amount from Aman  
(c) Chandar cannot recover the amount from Aman  
(d) Chandar can recover at least 10% of the total amount from Megha

Answer: (b)

10. L made an offer to MD of a company. MD accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company ratified the MD's acceptance. State which of the statement given hereunder is correct:

- (a) L was bound with the offer  
(b) An offer once accepted cannot be withdrawn  
(c) Both option (a) & (b) is correct  
(d) L is not bound to an offer.

Answer: (b)

Get yourself trained by Founder of CA Mentoring Program in India - CA Ravi Agarwal  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



Revision Test Papers

**May 2020:**

11. A guarantee which extend to a series of transactions is called

- (a) Special Guarantee (c) Specific Guarantee  
(b) Continuing Guarantee (d) None of the above

Answer: (b)

**May 2019:**

12. Aman contracts to indemnify Megha against the consequences of any proceedings which Chandar may take against Megha in respect of a sum of Rs. 15000/- advanced by Chandar to Megha. Now, Megha who is called upon to pay the sum of money to Chandar but she fails to do so. Now, as per the provisions of the Indian Contract Act, 1872, advise the future course of action to be taken by Chandar.

- (a) Chandar can recover the amount only from Megha  
(b) Chandar can recover the full amount from Aman  
(c) Chandar cannot recover the amount from Aman  
(d) Chandar can recover at least 10% of the total amount from Megha

Answer: (b)

Booklet

13. A contracts to save B against the consequences of any proceedings, which C may take against B in respect of a certain sum of 500 rupees. This is a:

- (a) Contract of guarantee (c) Contract of indemnity  
(b) Quasi contract (d) Void contract

Answer: (c)

14. S and P go into a shop. S says to the shopkeeper, C, "Let P have the goods, and if he does not pay you, I will." This is a

- (a) Contract of Guarantee (c) Wagering agreement  
(b) Contract of Indemnity (d) Quasi-contract

Answer: (a)

15. A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself or by the conduct of any other person is called as:

- (a) Surety Contract (c) Contract of Indemnity  
(b) Simple contract (d) None of the above

Answer: (c)

16. Any guarantee obtained by means of misrepresentation made by the creditor or with his knowledge and assent concerning a material part of the transaction is

- (a) Valid (c) Both (a) and (b)  
(b) Invalid (d) None of the above

Answer: (b)

17. A continuing guarantee may at any time be revoked by the surety as to future transaction by giving notice to

- (a) The Creditor (c) Without giving any notice to any person  
(b) Principal Debtor (d) None of the above

Answer: (a)

18. Atul contracts to indemnify Neha against the consequences of any proceedings which Chirag may take against Neha in respect of a sum of Rs. 15000/- advanced by Chirag to Neha. Now, Neha who is called upon to pay the sum of money due to Chirag but she fails to do so. Now, as per the provisions of the Indian Contract Act, 1872, advise the future course of action to be taken by Chirag.

- (a) Chirag can recover the amount only from Neha  
(b) Chirag can recover the full amount from Atul  
(c) Chirag cannot recover the amount from Atul  
(d) Chirag can recover at least 10% of the total amount from Neha

Answer: (b)

Chapter 1: Unit 2: Bailment and Pledge

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1-2, Q11	Q3	-	Q4	-	-
RTP	-	-	-	-	-	-
Booklet	Q5-10	Q5-10	Q5-10	Q5-10	Q5-10	Q5-10

Mock Test Paper

**October 2021:**

1. Mr. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statement is correct in this regard:

- (a) This is a case of bailment
- (b) The parking people has possession of the car of Mr. Vishal
- (c) The parking people has custody of car of Mr. Vishal
- (d) This is the case of mortgage

Answer: (d)

2. Pratap delivers his car to Sam, a garage owner for repair. Who is the bailor in this case?

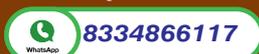
- (a) Sam
- (b) Pratap
- (c) Neither Sam nor Pratap
- (d) Both Sam and Pratap

Answer: (b)

**March 2021:**

3. Mr. Sharad has recently shifted from Delhi to Noida. During the shifting some of the furniture was damaged. Mr. Sharad gave the items to Asian Arts, Greater Noida for repair, refabrication, and painting, etc. Asian Arts deals in the sale of furniture and repair thereof. It was decided that the whole work will be done on a lumpsum amount of Rs. 50,000. In between this period, the workshop at Asian Arts caught fire and there was no fault of the proprietors. Goods bailed by Mr. Sharad along with another furniture destroyed in this fire incident. Mr. Sharad has lost furniture due to fire at workshop of Asian Arts. What is the correct statement considering there was no specific contract?

Get yourself trained by Founder of CA Mentoring Program in India - CA Ravi Agarwal  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- (a) Asian Arts is liable, because fire took place at his place
- (b) Asian Arts is liable, because bailment is on going
- (c) Asian Arts is not liable because risk of any loss during bailment is need to bear by bailor.
- (d) Asian Arts is not liable because fire is not due to any negligence of their part.

Answer: (c)

**May 2020:**

4. Mr. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statement is correct in this regard?

- (a) This is a case of bailment
- (b) The parking people has possession of the car of Mr. Vishal
- (c) The parking people has custody of car of Mr. Vishal
- (d) This is the case of mortgage

Answer: (c)

**Booklet**

5. The position of a finder of lost goods is that of a

- (a) Bailor
- (b) Bailee
- (c) Surety
- (d) Principal debtor

Answer: (b)

6. The delivery of goods by one person to another for some specific purpose and time is known as:

- (a) Mortgage
- (b) Pledge
- (c) Bailment
- (d) Charge

Answer: (c)

7. With respect to Contract of Bailment, which of the following statement is incorrect

- (a) No consideration is necessary to create a valid contract of bailment.
- (b) It involves the delivery of goods from one person to another for some purposes.
- (c) Bailment is only for immovable goods and never for moveable goods
- (d) The change of possession does not lead to change of ownership.

Answer: (c)

8. Mr. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statement is correct in this regard?

- (a) This is a case of bailment
- (b) The parking people has possession of the car of Mr. Vishal
- (c) The parking people has custody of car of Mr. Vishal
- (d) This is the case of mortgage

Answer: (c)

9. The Pawnee doesn't have the right to retain the goods pledged for

- (a) Performance of the promise
- (b) Extraordinary expenses incurred by him for preservation of goods pledged
- (c) Payment of debt
- (d) Necessary expenses incurred by him in respect of possession of goods pledged

Answer: (b)

10. A hires a carriage of B. The carriage is unsafe though B is not aware of it and A is injured

- (a) B is responsible to A for the injury
- (b) B is not responsible to A for the injury
- (c) No one is responsible to each other
- (d) None of the above

Answer: (a)

## CASE SCENARIOS

### Mock Test Papers

#### October 2021:

11. Atul want to wear a new coat for his seminar which is to be held (after 15 days). He bought cloth material from the market to make a new coat. Atul gives material to Babu, a tailor, to make the coat. Babu promised Atul to deliver the coat within the stipulated time of one week. Atul paid 10% advance so that he stitches his coat on priority basis. After one week when Atul went to the tailor he was shocked to see that the coat is still unstitched. The tailor demanded two more days' time from Atul to stitch the coat, but Atul refused and asked the tailor to return his piece of cloth. Tailor retained the cloth and asked Atul to pay the price, as he already did the cutting of the cloth.

Yash, Atul's friend left his car at the company's authorised showroom for servicing. As Yash house is located in the remote area of the city, so he instructed the manager of the showroom to park the vehicle at Atul's residence. So as per Yash's instructions the car was sent to Atul house after servicing. The worker of the showroom parked the car outside Atul's residence and handed over the key to Atul's servant. Next day when Yash went to pick up his car, he found that somebody has hit the car while it was parked there.

Yash found a mobile phone and a branded pen lying on the road outside Atul's residence. Yash 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, Yash's wife came to the room searching for a pen, she saw the pen and took the pen and went out. Unfortunately, Yash's wife lost the pen. After two days the real owner, approached him (Yash), Yash humbly delivered his phone and apologized for the loss of pen.

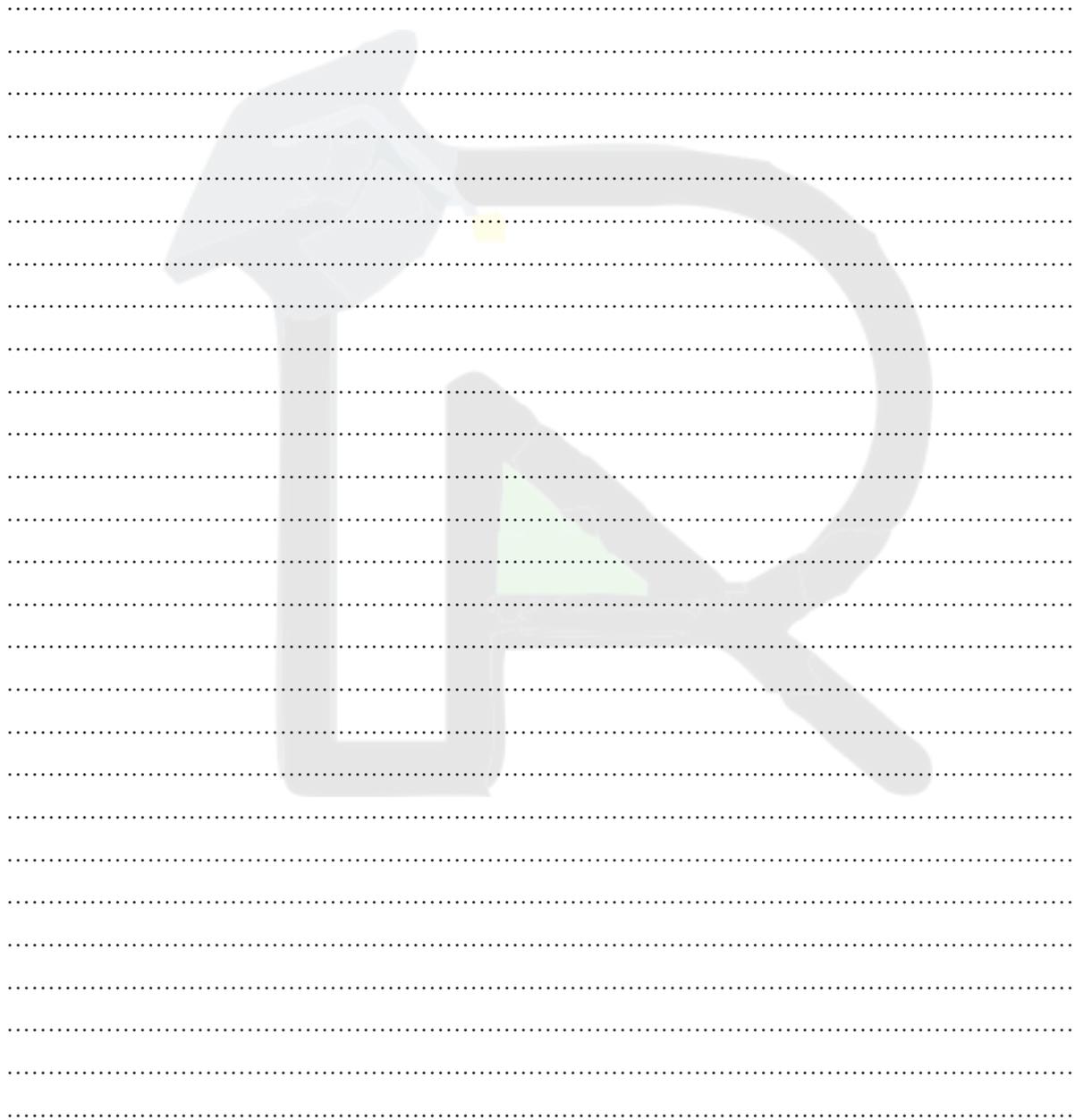
#### **Multiple Choice Questions [2 MCQs of 2 Marks each: Total 4 Marks]**

- (i) 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
- Answer: (b)
- (ii) Referring to the provision of the Indian Contract Act, 1872, what are the repercussions, when Yash 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 Yash, so he cannot be treated as bailee.
- (d) In the absence of any express or implied contract, absolves Yash's liabilities as bailee

Answer: (a)

Scribble 



Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



Chapter 1: Unit 3: Agency

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	-	Q1-3	Q4	-	-	Q5
RTP	Q14	Q6-7	-	Q8	-	-
Booklet	Q9-13	Q9-13	Q9-13	Q9-13	Q9-13	Q9-13

Mock Test Papers

**April 2021:**

1. Mr. J has appointed Ms. V as his agent to sell the garments manufactured by Mr. J. Ms. V due to her personal issues could not work effectively. Hence, she appointed Mr. Kanth to sell on her behalf. Can Mr. J be bound by the acts of Mr. Kanth?

- (a) No, an agent without authority cannot lawfully appoint a sub-agent.
- (b) Yes, Ms. V is liable for the acts of Mr. Kanth and in turn J is liable for the transaction.
- (c) No, Mr. Kanth will be liable on his own account for any sales made.
- (d) Yes, Kanth now becomes direct agent of Mr. J as Mr. Kanth has sold garments manufactured by Mr. J.

Answer: (a)

2. R gives his umbrella to M during rainy season to be used for two days during Examinations. M keeps the umbrella for a week. While going to R's house to return the umbrella, M accidentally slips and the umbrella is badly damaged. Who shall bear the loss?

- (a) R shall bear the loss
- (b) M shall bear the loss
- (c) Both R and M shall bear the loss in the ratio of 50:50
- (d) Neither R nor M shall bear the loss as the bailee failed to returned the umbrella within the stipulated time

Answer: (b)

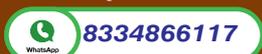
**March 2021:**

3. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:

- (a) Implied agency
- (b) Agency by ratification
- (c) Agency by necessity
- (d) Express agency

Answer: (d)

Get yourself trained by Founder of CA Mentoring Program in India - CA Ravi Agarwal  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



**November 2020:**

4. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:

- (a) Implied agency (c) Agency by necessity  
(b) Agency by ratification (d) Express agency

Answer: (d)

**April 2019:**

5. A good friend of Mr. A, Mr. D is a property dealer in Delhi and works for many renowned registered real estate developers. As Mr. D is doing very well in his work, Mr. A also wanted to work as a property dealer or property agent. Mr. X, a real estate developer of Delhi, appointed Mr. D as his agent for selling flats in his upcoming project, and asked him to name some other person to work for him, for another project. At this time, he introduced Mr. A to Mr. X, saying that he is also in the same field for last 10 years, although Mr. A did not had any experience in this field. Going by his words, Mr. X instructed to appoint Mr. A also for his other ventures. From the following, Mr. A will be treated as --

- (a) Agent of Mr. X (c) Substituted agent of Mr. X  
(b) Sub-agent of Mr. D (d) Sub-agent of Mr. X

Answer: (a)

**Revision Test Papers**

**May 2021:**

6. Vishal lends a horse to Preet. The horse is vicious, which is known to Vishal but he does not disclose the fact to Preet. The horse runs away. Preet is thrown and injured. As per the provisions of the Contract Act, 1872, which is the correct statement:

- (a) Preet is responsible for his injury.  
(b) Though the horse belonged to Vishal but he cannot be held responsible  
(c) Vishal is responsible to Preet for damage sustained  
(d) No one can be held responsible for the damage sustained as no one can take guarantee for the horse

Answer: (c)

7. As per the Indian Contract Act, 1872, any guarantee which has been obtained by the means of misrepresentation made by the creditor concerning a material part of the transaction, is:

- (a) Valid
- (b) Invalid
- (c) outside the ambit of the Indian Contract Act, 1872
- (d) not revocable if the damage sustained is less than 10% of the amount for which the guarantee is given

Answer: (b)

**May 2020:**

8. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:

- (a) Implied agency
- (b) Agency by ratification
- (c) Agency by necessity
- (d) Express agency

Answer: (d)

**Booklet**

9. \_\_\_\_\_ is one who represents to be an agent of another when in reality he has no such authority from the other agent at all.

- (a) Substituted agent
- (b) Subordinate agent
- (c) Pretended agent
- (d) Both (a) & (b)

Answer: (c)

10. L made an offer to MD of a company. MD accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company had already ratified the MD's acceptance. State which of the statement given hereunder is correct:

- (a) L is bound with the offer due to ratification
- (b) An offer once accepted cannot be withdrawn
- (c) Both option (a) & (b) is correct
- (d) L is not bound to an offer.

Answer: (c)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



11. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:

- (a) Implied agency (c) Agency by necessity  
(b) Agency by ratification (d) Express agency

Answer: (d)

12. An agent is not liable to the principal if

- (a) He is a minor (c) (a) and (b) both  
(b) He is of unsound mind (d) None of these

Answer: (c)

13. Mr. Jane has appointed Ms. Vinita as his agent to sell the garments manufactured by Jane. Vinita due to her personal issues could not work effectively. Hence, she appointed Mr. Kanth to sell on her behalf. Can Mr. Jane be bound by the acts of Mr. Kanth?

- (a) No, an agent without authority cannot lawfully appoint a sub-agent.  
(b) Yes, Vinita is liable for the acts of Kanth and in turn Jane is liable for the transaction.  
(c) No, Kanth will be liable on his own account for any sales made.  
(d) Yes, Kanth now becomes direct agent of Jane as Kanth has sold garments manufactured by Jane.

Answer: (a)

## CASE SCENARIOS

### Revision Test Papers

#### November 2021:

14. Ronak and Bhowmik are brothers and they are engaged in the business of dairy. Ronak is having 10 cows. The monthly revenue and expenses of the cows is tabulated as under:

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



S. No.	Particulars	(Rs.)
1.	<b>Revenue:</b> (25 litres per cow per day) *(10 cows) * (Sale Price Rs. 40 per litre) * (30 days in a month) = 3,00,000.	3,00,000
2.	<b>Expenses:</b> i. For feeding: (300 per cow per day) *(10 cows) * (30 days in a month) = 90,000 ii. Medical Expenses (Salary to a Veterinary Doctor per month: 10,000 iii. Labour's Salary: (2 person *10,000) = 20,000 iv. Petrol exp for milk delivery van: Lump sum = 10,000 Total Exp= 90,000+10,000+20,000+10,000 =1,30,000	(1,30,000)
3.	<b>Savings per month</b>	<b>1,70,000</b>
4.	<b>Yearly savings = 1,70,000*12 months</b>	<b>20,40,000</b>
5.	Salary to Bhowmik for looking after Ronak's Dairy business: 10,000*12 = 1,20,000	(1,20,000)
6.	Less: Contingency Expenditure	(20,000)
7.	<b>Net Revenue to be collected (after a year)</b>	<b>19,00,000</b>

Ronak's son Chirag is doing Engineering in Dairy Science from Denmark and is in Final Year. He learnt a lot by his engineering education and want to invite his father to know the technical aspects of dairy business. Chirag insisted his parents to come to Denmark and stay for a year to learn the nitty gritty of the dairy business and also enjoy the life in travelling nearby places.

Ronak, talked to his brother Bhowmik and explained his plan to visit to Denmark for a year and requested to take care of his cows. The labourers are engaged for the maintenance of cows and delivery of the milk, and Bhowmik is just to have a watch over it, collect the revenues etc. and take care of the cows, till he returns back from Denmark. Ronak also

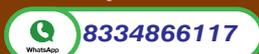
offered Bhowmik that for taking care of his dairy business, he will pay to him Rs 10000 per month. Ronak also told Bhowmik that the cows are covered under the Insurance Policy, for which he has already paid advance premium and also shared the Insurance Policy with Bhowmik. However, Ronak did not disclosed that one cow is under sickness, it very often falls sick and needs to be taken care. Bhowmik agreed and the cows were shifted to Bhowmik's Dairy Farm House.

Ronak and his wife went to Denmark to stay with their son and to understand the dairy business there and to visit the near places.

Bhowmik was now looking after the dairy business of Ronak along with his dairy business. During the year, 2 cows gave the birth to 2 calves. One cow, which often used to fall ill, had also influence d the other cows, as a result, one cow of Bhowmik, and one cow of Ronak which remained in close contact with this sick cow, also fell sick. All the three cows (2 of Ronak and 1 of Bhowmik) died.

When the insurance claim was lodged, the insurance company refused to pass on the claim on the following reasons:

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- One cow of Ronak which was running sick was not insured.
- Post mortem Report of another two cows (one of Ronak and another of Bhowmik) revealed that these two cows were in close touch of the sick cow and due to infections, these two cows also died.

When Ronak returned back to India, he demanded his cows back. Bhowmik returned 8 cows (10-2) but did not returned calves. Bhowmik informed Ronak that due to one sick cow (of Ronak) his cow also became sick and died and no insurance claim was admitted.

Based on the above facts, answer the following MCQs:

14.1 What was the fault on the part of Ronak (bailor) in this case?

[CH 1: The Indian Contract Act, 1872]

- (a) Ronak has not taken the Insurance Policy of the sick cow.
- (b) Ronak have not informed the continuous sickness of his cow, to Bhowmik
- (c) Ronak has left the cows to his brothers and went to Denmark to enjoy the travelling and tourism.
- (d) Ronak, before going to Denmark, should have sold this sick cow.

Answer: (b)

14.2 Can Bhowmik claim damages for loss of his cow, which died, since this cow, remained in the close contact of the sick cow of Ronak:

[CH 1: The Indian Contract Act, 1872]

- (a) Ronak is not liable for such loss.
- (b) Bhowmik should himself take care of his cow.
- (c) Ronak is liable to pay the price of the deceased cow of Bhowmik, since this cow died on account close contact of sick cow of Ronak.
- (d) Bhowmik should be vigilant in taking care of the cows.

Answer: (c)

14.3 Whether Bhowmik is responsible to give delivery of two calves which took birth during the year, when Ronak was on his tour to Denmark:

[CH 1: The Indian Contract Act, 1872]

- (a) Bhowmik is not bound to give delivery of two calves, since he has already lost his own cow due to mistake of not disclosing the sickness of Ronak's cow by him (Ronak).
- (b) Bhowmik is duty bound to hand over the delivery of two calves.
- (c) Ronak should not insist for delivery of the calves.
- (d) Bhowmik can keep the calves with him as the calves were born when the cows were in Bhowmik's custody.

Answer: (b)

14.4 Bhowmik returns only 8 cows, since 2 cows of Ronak died. Whether Ronak is entitled to claim damages for 2 cows:

[CH 1: The Indian Contract Act, 1872]

- (a) Ronak is not entitled to claim damages.
- (b) Ronak is entitled to claim damages only, if he can prove that Bhowmik has not taken care of the cows as a prudent person, not taken the medical help of the doctor etc.



## 2

THE NEGOTIABLE INSTRUMENTS  
ACT, 1881

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1-4, 34	Q5-11	-	Q12-14	Q15-16	Q17-23
RTP	-	-	-	Q24	Q25	-
Booklet	Q26-33	Q26-33	Q26-33	Q26-33	Q26-33	Q26-33

## Mock Test Papers

October 2021:

1. A bill of exchange is due on 2nd January, 2021. 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

Answer: (d)

2. A negotiable instrument drawn in favour of a minor is

- (a) Void ab initio                      (c) Valid  
(b) Void but enforceable                      (d) Quasi contract

Answer: (c)

3. 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                      (c) 15 August, 2021  
(b) 14 August, 2021                      (d) 16 August, 2021

Answer: (b)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



PAGE NO.

116

4. As per the Negotiable Instruments Act, 1881, 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 on the .....

- (a) Said public holiday (c) Next succeeding business day  
(b) 5 days succeeding public holiday (d) Next preceding business day

Answer: (d)

**April 2021:**

5. Validity period for the presentment of cheque in bank is—

- (a) 3 months (b) 6 months (c) 1 year (d) 2 years

Answer: (a)

6. Offences committed under the Negotiable Instruments Act can be—

- (a) Compoundable (c) Non- compoundable and non-bailable  
(b) Non- compoundable (d) bailable

Answer: (a)

7. Which of the following is not a correct statement with respect to characteristics of a Promissory Note:

- (a) An oral promise to pay is sufficient  
(b) It should be in writing  
(c) There must be an express promise to pay  
(d) The promise to pay should be definite and unconditional

Answer: (a)

8. Formal legal document which creates or confirms a right or record a fact is a—

- (a) Document (b) Deed (c) Statute (d) Instrument

Answer: (a)

**March 2021:**

9. Validity period for the presentment of cheque in bank is—

- (a) 3 months (b) 6 months (c) 1 year (d) 2 years

Answer: (a)

10. A negotiable instrument that is payable to order can be transferred by:

- (a) Simple delivery (c) Indorsement  
(b) Indorsement and delivery (d) Registered post

Answer: (b)

11. A negotiable instrument drawn in favour of a minor is

- (a) Void (c) Valid  
(b) Void but enforceable (d) Quasi contract

Answer: (c)

**May 2020:**

12. As per the Negotiable Instruments Act, 1881, 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 on the.....

- (a) said public holiday (c) next succeeding business day  
(b) 5 days succeeding public holiday (d) next preceding business day

Answer: (d)

13. A negotiable instrument drawn in favour of a minor is

- (a) Void (c) Valid  
(b) void but enforceable (d) none of the above

Answer: (c)

14. M drew a cheque amounting to Rs. 2 lakhs payable to N and subsequently delivered to him. After receipt of cheque N endorsed the same to C but kept it in his safe locker. After sometime, N died, and P found the cheque in N's safe locker. State the nature of the Instrument as amounting to endorsement under the Negotiable Instrument Act, 1881.

- (a) Yes, it's an endorsement, as P becomes the holder of the cheque that he found in the N's safe locker.  
(b) No, it's not an endorsement, as P does not become the holder of the cheque  
(c) Yes, it's an endorsement, as P was an ultimate custodian of the cheque  
(d) No, it's not an endorsement, as N endorsed it to C and not to the P.

Answer: (b)

**November 2019:**

15. M drew a cheque amounting to Rs. 2 lakhs payable to N and subsequently delivered to him. After receipt of cheque N endorsed the same to C but kept it in his safe locker. After sometime, N died, and P found the cheque in N's safe locker. State the nature of the Instrument as amounting to indorsement under the NI Act, 1881.

- (a) Yes, it's an endorsement, as P becomes the holder of the cheque that he found in the N's safe locker.  
(b) No, it's not an endorsement, as P does not become the holder of the cheque  
(c) Yes, it's an endorsement, as P was an ultimate custodian of the cheque  
(d) No, it's not an endorsement, as N endorsed it to C and not to the P.

Answer: (b)

16. Offences committed under the Negotiable Instruments Act can be—

- (a) Compoundable (c) Non- compoundable and non-bailable  
(b) Non- compoundable (d) bailable

Answer: (a)

**April 2019:**

17. As per the Negotiable Instruments Act, 1881, 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 on the.....

- (a) said public holiday (c) next succeeding business day  
(b) 5 days succeeding public holiday (d) next preceding business day

Get yourself trained by Founder of CA Mentoring Program in India - CA Ravi Agarwal  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



Answer: (c)

18. Validity period for the presentment of cheque in bank is—

- (a) 3 months (b) 6 months (c) 1 year (d) 2 years

Answer: (a)

19. A draws a cheque in favour of M, a minor. M endorses the same in favour of X. The cheque is dishonoured by the bank on grounds of inadequate funds. As per the provisions of Negotiable Instruments Act, 1881:

- (a) M is liable to X (c) No one is liable in this case  
(b) X can proceed against A (d) M can proceed against A

Answer: (b)

**March 2019:**

20. While drawing a bill of exchange, a person whose name is given in addition to the drawee who can be resorted in case of need, is called

- (a) Acceptor (c) Drawee in case of need  
(b) Acceptor for honour (d) Drawer

Answer: (d)

21. The date of maturity of a bill payable hundred days after sight and which is presented for sight on 4th May, 2017, is (as per the provisions of the Negotiable Instruments Act, 1881):

- (a) 13 August, 2017 (c) 15 August, 2017  
(b) 14 August, 2017 (d) 16 August, 2017

Answer: (b)

22. A draws a bill on B. B accepts the bill without any consideration. The bill is transferred to C without consideration. C transferred it to D for value. Decide as per the provisions of the Negotiable Instruments Act, 1881-

- (a) D can sue only A  
(b) D can sue A or B only  
(c) D can sue any of the parties A, B or C  
(d) D cannot sue any of the parties A, B or C

Answer: (c)

23. Days of grace provided to the Instruments at maturity is (as per the provisions of the Negotiable Instruments Act, 1881)—

- (a) 1 day (b) 2 days (c) 3 days (d) 5 days

Answer: (c)

Revision Test Papers

**May 2020:**

24. R purchases some goods on credit from S, payable within 3 months. After 2 months, R makes out a blank cheque in favour of S, signs and delivers it to S with a request to fill up the amount due, as R does not know the exact amount payable by him. S fills up fraudulently the amount larger than the amount payable by R and endorses the cheque to C in full payment of S's own due. R's cheque is dishonoured. Referring to the provisions of the Negotiable Instruments Act, 1881, C:

- (a) Can claim the full amount from R
- (b) Can claim the full from S
- (c) Cannot claim the amount either from R or S
- (d) Can claim from S only the exact amount that was due from R to S

Answer: (b)

**November 2019:**

25. A draws a bill on B for Rs. 500 payable to the order of A. B accepts the bill, but subsequently dishonours it by non-payment. A sues B on the bill. B proves that it was accepted for value as to Rs. 400, and as an accommodation to the plaintiff as to the residue. Thus, as per the provisions of the Negotiable Instruments Act, 1881, A can only recover the following amount:

- (a) Rs. 900
- (b) Rs. 500
- (c) Rs. 400
- (d) Rs. 100

Answer: (c)

Booklet

26. Days of grace provided to the Instruments at maturity is—

- (a) 1 day
- (b) 2 days
- (c) 3 days
- (d) 5 days

Answer: (c)

27. Parties to a negotiable instrument can be discharged from liability by—

- (a) Cancellation
- (b) Payment
- (c) Release
- (d) All of the above

Answer: (d)

28. Validity period for the presentment of cheque in bank is—

- (a) 3 months                      (b) 6 months                      (c) 1 year                      (d) 2 years

Answer: (a)

29. A negotiable instrument that is payable to order can be transferred by:

- (a) Simple delivery                      (c) Indorsement  
(b) Indorsement and delivery                      (d) Registered post

Answer: (b)

30. A negotiable instrument drawn in favour of a minor is

- (a) Void                      (c) Valid  
(b) Void but enforceable                      (d) None of the above

Answer: (c)

31. As per the Negotiable Instruments Act, 1881, 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 on the.....

- (a) Said public holiday                      (c) Next succeeding business day  
(b) 5 days succeeding public holiday                      (d) Next preceding business day

Answer: (d)

32. 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

Answer: (d)

33. Mr. Aylam issued a cheque amounting to INR 25,000 dated 2nd February 2020 to Mr. Gandhi which was deposited by Mr. Gandhi on 16th March 2020 in his bank account. The said cheque got dishonoured on 17th March 2020 by the bank of Mr. Aylam citing insufficient funds in the account of Mr. Aylam. Then Mr. Gandhi demanded the payment from Mr. Aylam by issuing the notice on 31st March 2020 which was received by Mr.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



Aylam on 2nd April 2020. Assuming that Mr. Aylam failed to make the payment within stipulated time, what is the last date by which Mr. Gandhi should have made a complaint in the court?

- (a) 17th May 2020 (c) 17th April 2020  
(b) 2nd May 2020 (d) 30th April 2020

Answer: (a)

## CASE SCENARIOS

## MOCK TEST PAPERS

### October 2021:

34. Kirtee Agarwal and Kishan Shaw are two friends studying in the Mumbai City College. They both are pursuing Bachelor of Commerce (Hons) and are in their Semester V. Kirtee Agarwal is also pursuing Chartered Accountancy Course. She has completed her Foundation Level and is presently preparing for the Intermediate Level. On the other hand, Kishan Shaw is interested in Fashion Designing and is preparing to become a fashion designer after completing B.COM (Hons).

One fine morning over a cup of tea both Kirtee and Kishan heard two persons promising to financially help each other. One person named Mr. P promised the other Mr. Q, that he will pay him a certain sum of money on the 76th Independence Day of India. To this Mr. Q asked Mr. P to pay this sum to Mr. R (friend of Mr. Q). After a moment's thought Mr. P changed his mind and promised to pay a reduced sum of money to Mr. R along with an I-Pad.

Over hearing this conversation both Kirtee and Kishan started discussing over Promissory Notes. Since Kirtee is a CA Student she shared her knowledge about Promissory notes and explained Kishan about Section 4 of the Negotiable Instrument Act, 1881.

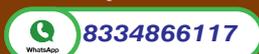
Having heard the details Kishan was curious in his mind regarding Promissory Notes. He had the following questions for which he needed answers. Considering the above data and assuming you are Kirtee, answer the following questions of Kishan:

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

- (i) Kishan asks, 'If Mr. P promises Mr. Q that he will pay Rs. 4,00,000. However, he will pay the sum to Mr. Q on the 76th Independence day of India'. Will this promise constitute a valid Promissory Note?
- (a) No. This is not a valid promissory note as it is conditional and promissory note should be unconditional.  
(b) No. This is not a valid promissory note as there is no express promise. It is a mere statement.  
(c) Yes. This is a valid promissory note as the event stated in the promise is bound to happen.  
(d) Yes. This is a valid promissory note as there is a promise to pay irrespective of the promise being conditional or unconditional.

Answer: (c)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.







**May 2020:**

3. Which of the following is not an Immovable Property?

- (a) Land
- (b) Building
- (c) Timber
- (d) Machinery permanently attached to the land

Answer: (c)

**November 2019:**

4. As per a Rule of an Educational Institution, every student may come on weekends for extra classes but every student shall appear on a weekly test conducted in the institute, which can be analysed in terms of General Clause Act, as:

- (a) Attending weekend classes is optional but appearing in weekly test is compulsory
- (b) Attending weekend classes is compulsory but appearing in weekly test is optional
- (c) Attending weekend classes and appearing in weekly test, both are compulsory for students
- (d) Attending weekend classes and appearing in weekly test both are optional for students.

Answer: (a)

**April 2019:**

5. Mr. A died at the age of 72 leaving behind some movable and immovable properties to be distributed between his two sons C & D, as per his registered will. His Will clearly mentioned that all the immovable property should go to C and all the movable property should go to D. Both the brothers divided the property as per will except below mentioned properties, because they could not establish which property should go to whom. Kindly help them by ticking the property/ies which should go to D (as per the provisions of the general Clause Act, 1897):

- (a) Standing crop in the fields
- (b) Cut crop, ready to sell
- (c) Tube well in the agriculture land
- (d) Sandal wood tree

Answer: (b)

**March 2019:**

6. Which of the following is not an Immovable Property (as per the provisions of the General Clauses Act, 1897):

- (a) Land
- (b) Building
- (c) Timber
- (d) Machinery permanently attached to the land

Answer: (c)

Booklet:

7. 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) None of the above.

Answer: (b)

8. As per a Rule of an Educational Institution, every student may come on weekends for extra classes but every student shall appear on a weekly test conducted in the institute, which means:

- (a) Attending extra classes on weekend is optional but appearing in weekly test is compulsory
- (b) Attending weekend classes is compulsory but appearing in weekly test is optional
- (c) Attending weekend classes and appearing in weekly test, both are compulsory for students
- (d) Attending weekend classes and appearing in weekly test both are optional for students.

Answer: (a)

9. Which of the following is not an Immovable Property?

- (a) Land
- (b) Building
- (c) Timber
- (d) Machinery permanently attached to the land

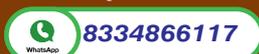
Answer: (c)

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) None of these

Answer: (a)

Get yourself trained by Founder of CA Mentoring Program in India - CA Ravi Agarwal  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



11. 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) None of these

Answer: (a)

Scribble

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



# 4

## INTERPRETATION OF STATUTES

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	Q1	Q2-5	Q6	Q7-9	Q10-13	Q14-16
RTP	-	-	-	Q17	-	-
Booklet	Q18-22	Q18-22	Q18-22	Q18-22	Q18-22	Q18-22

### Mock Test Papers

#### October 2021:

1. \_\_\_\_\_ 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 (c) Rule of Beneficial Construction  
(b) Rule of Harmonious Construction (d) Rule of Exceptional Construction

Answer: (a)

#### April 2021:

2. An aid that expresses the scope, object and purpose of the Act—

- (a) Title of the Act (c) Preamble  
(b) Heading of the Chapter (d) Definitional sections

Answer: (c)

#### March 2021:

3. The Rule in Heydon's case is also known as—

- (a) Purposive construction (c) Golden Rule  
(b) Mischief Rule (d) None of the Above

Answer: (b)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



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

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

Answer: (d)

5. 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

Answer: (a)

**November 2020:**

6. An aid that expresses the scope, object and purpose of the Act—

- (a) Title of the Act
- (b) Heading of the Chapter
- (c) Preamble
- (d) Definitional sections

Answer: (c)

**May 2020:**

7. Rule of Beneficial construction is also known as—

- (a) Purposive construction
- (b) Mischieve Rule
- (c) Heydon's Rule
- (d) All of the Above

Answer: (d)

8. Formal legal document which creates or confirms a right or record a fact is a—

- (a) Document
- (b) Deed
- (c) Statute
- (d) Instrument

Answer: (d)

9. 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) None of the above.

Answer: (a)

**November 2019:**

10. Which of the following given Statement/s is/are correct:

- (1) In all Central Acts and Regulations, any words which denote the masculine gender shall also be taken to include females, and vice versa.  
(2) In all Central Acts and Regulations, words in the singular shall include the plural, but not vice versa.  
(a) Only statement (1) is correct  
(b) Only statement (2) is correct  
(c) Both the statements are correct  
(d) None of the statement is correct

Answer: (d)

11. The act by which the operation of a previous Act comes to an end, is called as \_\_\_\_\_

- (a) The Repealing Act (c) The Amending Act  
(b) The Consolidating Act (d) Analogous Act

Answer:(a)

12. As per \_\_\_\_\_, the best way to interpret a statute or document is to read it as it would have been read when it was enacted or made.

- (a) Optima legume interpres est consuetude  
(b) Expressio unius Est Exclusio Alterius  
(c) Ut res magis valeat quam pereat  
(d) Contemporanea expositio

Answer: (a)

13. If the \_\_\_\_\_ used in a statute make it clear that a \_\_\_\_\_ sense is intended, the rule of Ejusdem Generis shall not apply.

- (a) Specific words, narrow (c) General words, narrow  
(b) Specific words, wider (d) General words, wider

Answer: (b)

**April 2019:**

14. An aid that expresses the scope, object and purpose of the Act—

- (a) Title of the Act (c) Preamble  
(b) Heading of the Chapter (d) Definitional sections

Answer: (c)

15. An internal aid that may be added to include something within the section or to exclude something from it, is—

- (a) Proviso (c) Schedule  
(b) Explanation (d) Illustrations

Answer: (b)

**March 2019:**

16. When there is a conflict between two or more statute or two or more parts of a statute and both of them need to be honoured, then which rule of interpretation is to be applied

- (a) Rule of Harmonious construction
- (b) Rule of Literal construction
- (c) Rule of Beneficial construction
- (d) Rule of exceptional construction

Answer: (a)

**Revision Test Papers**

**May 2020:**

17. An aid that expresses the scope, object and purpose of the Act—

- (a) Title of the Act
- (b) Heading of the Chapter
- (c) Preamble
- (d) Definitional sections

Answer: (c)

**Booklet:**

18. Formal legal document which creates or confirms a right or record a fact is a—

- (a) Document
- (b) Deed
- (c) Statute
- (d) Instrument

Answer: (d)

19. The Rule in Heydon's case is also known as—

- (a) Purposive construction
- (b) Mischief Rule
- (c) Golden Rule
- (d) None of the Above

Answer: (b)

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

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

Answer: (d)



## INTEGRATED CASE SCENARIOS

Category	Attempts					
	Dec-21	July-21	May -20	Nov- 20	Nov-19	May-19
MTP	-	Q1	Q2	Q3	-	-
RTP	-	Q 4-5	Q6	-	-	-
Booklet	Q 7-26	Q 7-26	Q 7-26	Q 7-26	Q 7-26	Q 7-26

### Mock Test Papers

#### March 2021:

1. Kaisha Packers and Movers Limited, a reliable and well-established company, was incorporated on 20th September, 2014 with an aim to provide convenient and innovative ways of moving customers' household items, re-location of businesses and offices, shifting of vehicles, etc. in the northern region. Their services have been professionally designed to ensure maximum customers satisfaction. The company had been formed by the directors Kashi Sharma, Pranav Chaturvedi, Abhinav Mehra, Anoop Bhargava and Vikash Kumar whose friendship had developed during their college days. Due to hard work and their business acumen, the promoters had successfully created a niche for themselves amid cut-throat competition. The company has a fleet of over 500 vehicles, 55 branches, professionals and technical and non-technical employees. Over a period of time, Kaisha Packers and Movers has become a trusted brand and prospective customers prefer to engage it whenever they want to re-locate their offices or homes since services are provided in a convenient and cost-effective manner.

The authorised capital of the company is Rs. 150.00 lacs divided into 15,00,000 equity shares of Rs. 10 each. At the time of incorporation, its paid-up capital was Rs. 1,00,00,000 and there were 50 shareholders. The registered office of the company is situated in Hyden Park, Bangalore.

With a view to provide world-class relocation and moving solutions throughout the country, the directors decided to enlarge the capital base of the company. During the mid of the current financial year, it offered remaining 5,00,000 shares to another 120 persons at a premium of Rs. 10 per share on private placement basis. Among others, Ruchi, a freelance software consultant and her younger sister Rumi, a management consultant in Info Solutions Limited which is well-known company for its high export turnover, were also identified as the prospective subscribers. However, they requested the company to offer them only the minimum number of shares. Similar requests were also received from another twelve persons. Their requests were given due consideration by the directors. All the identified persons who were offered shares paid the required amount

(including premium) as per the terms of the offer. The allotment of the shares was made much before the statutory period.

Immediately after the aforesaid allotment of shares, the company rolled out its expansion plan as envisaged earlier and utilised the funds so obtained for the requisite purpose. However, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis during the remaining part of the current financial year. For this purpose, it is proposed to increase the authorised capital from the present Rs. 150.00 lacs to Rs. 300.00 lacs.

In addition to the further allotment of shares on private placement basis, the company is also contemplating to raise deposits from the members. However, Kashi Sharma and Anoop Bhargava are of the opinion that the company should consider raising of deposits only in the next financial year since the funds already raised need to be properly utilized.

1.1 According to the case scenario, the company is desirous of raising deposits from its members to augment the funding requirements. In case, the company also contemplates to raise deposits from public in addition to its members, which of the following option is applicable:

[CH 5: Acceptance of Deposits by Companies]

- (a) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 100 crores and a turnover of minimum Rs. 500 crores.
- (b) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 150 crores and a turnover of minimum Rs. 250 crores.
- (c) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 150 crores or a turnover of minimum Rs. 750 crores.
- (d) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 100 crores or a turnover of minimum Rs. 500 crores.

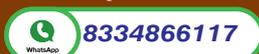
1.2 According to the case scenario, during the mid of the current financial year, the company offered 5,00,000 shares to 120 persons at a premium of Rs. 10 per share on private placement basis. During the remaining part of the current financial year, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis. How many more such prospective shareholders can be invited by the company for investment in the capital of the company.

[CH 4: Share Capital and Debentures]

- (a) The company can offer equity shares maximum up to the 30 prospective shareholders in the remaining part of the current financial year.
- (b) The company can offer equity shares maximum up to the 55 prospective shareholders in the remaining part of the current financial year.
- (c) The company can offer equity shares maximum up to the 80 prospective shareholders in the remaining part of the current financial year.
- (d) The company can offer equity shares maximum up to the 130 prospective shareholders in the remaining part of the current financial year.

1.3 In the given case scenario, suppose the company has failed to allot the shares within the statutorily allowed period. In such a case, the only remedy available with the company is to refund the application money. State

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



the time period within which the company is required to refund the application money to the subscribers if it has failed to allot the shares within the statutorily allowed period.

[CH 4: Share Capital and Debentures]

- (a) The application money must be refunded within sixty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (b) The application money must be refunded within forty-five days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (c) The application money must be refunded within thirty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (d) The application money must be refunded within fifteen days from the expiry of statutorily allowed period within which the allotment of shares ought to have been made.

**November 2020:**

2. Mr. B R Mohanty, around two-decade back; along with two of his elder brothers and few friends, who are pharma and chemical engineers by profession promoted two companies; first being Well-Mount Limited (WML) dealing in wellness products and pharmaceuticals; whereas other is Tex-Mount Limited (TML) dealing in textile products. During these two decades, both WML and TML has grown magnificently as both the sectors expanded beyond imagination. Both companies went public and stock of same listed on leading stock exchanges of countries.

TML did well in the past and emerged as a major export unit but in recent years the textile sector witness stiff competition due to new entrants. The increased cost of the workforce and other input materials is also made sector unprofitable and recent lockdown hit the sector further adversely. TML's bottom line for the current financial year is red. TML was declaring dividends since the very first year of operation and willing to continue the tradition considering dividend as signalling effect to an investor for valuation purpose. Rate of dividend for the recent five years was 9%, 10%, 8%, 5% and 2% (9% being five years ago and 2% being the previous year) respectively. The management at TML decided to declare dividends out of the profit of previous years. TML deals in export hence came under the scanner of enforcement authority, who seek financial statements and books of accounts of TML for scrutiny for the last 10 preceding financial years. In response to notice, TML furnish financial statements and books of accounts for last 8 immediately preceding financial years only, stating as per its Article of Association; TML is required to maintain and keep the books of accounts for 8 immediately preceding financial years only and that too without any record of vouchers pertaining to such accounts.

WML is doing well, it seizes outbreak of COVID-19 as a business opportunity and registers significant growth in both top and bottom line. For the past many years, WML declare a dividend at a constant rate of 20%. During the financial year 2019-20, WML earns a profit of 580 Crores. Board of directors of WML declares 25% dividend without transferring any % to reserve on 15th June, 2020. On 14th July, 2020 some of the amount remaining unpaid, due to operation of law; has been transferred to unpaid dividend account on 20th July, 2020. CA. Dev was appointed as auditor under section 139 of Companies Act, 2013 of WML in individual capacity during 17th AGM for against the financial year 2018-19.

2.1. In case of TML, which of the following statements are correct regarding the declaration of dividend?

[CH 8: Declaration and Payment of Dividend]

- (a) TML can't declare the dividend because it earns a loss in the current financial year.
- (b) TML can declare the dividend but only up to 9%
- (c) TML can declare the dividend but only up to 5%
- (d) TML can declare the dividend but only up to 6.8%

2.2 CA. Dev, who is the auditor of WML have to vacate the office of the auditor in and can be reappointed again only in

Chapter 10: Audit and Auditors

- (a) 22nd AGM and 27th AGM
- (b) 27th AGM and 32nd AGM
- (c) 22nd AGM and 23rd AGM
- (d) 22nd AGM and can't be re-appointed again.

2.3 In case of WML, which of the following statements is correct regarding the declaration of dividend?

Chapter 8: Declaration and Payment of Dividend

- (a) WML can't declare the dividend at a rate more than 20%
- (b) WML can declare the dividend out current year's profit but it needs to transfer sum equal to 20% to reserve first.
- (c) WML can declare the dividend out current year's profit but it needs to transfer sum equal to 10% of paid-up share capital to reserve first.
- (d) WML can declare the dividend out of current years' profit without transferring any % to reserve.

2.4 In case of TML, regarding maintenance and keeping the books of account; which of the following statements hold truth?

Chapter 9: Accounts of Companies

- (a) TML needs to maintain and keep the books of account for 10 preceding financial years, hence TML violate the law.
- (b) TML doesn't violate the provision of law because it keeps the books of account for 8 immediately preceding financial years.
- (c) TML violate the provision of law because it keeps the books of account for 8 immediately preceding financial years without keeping relevant vouchers in the record pertaining to such books of account.
- (d) TML doesn't violate the provision of law because it is complying to its Article of Association.

2.5. Regarding declaration and distribution of dividend by WML, which of the following statements is correct from the view of the timeline?

Chapter 8: Declaration and Payment of Dividend

- (a) WML violates the law, because some of the dividend remain unpaid; irrespective of reason for non-payment

(b) WML violates the law, because unpaid dividend needs to transfer to unpaid dividend account by 19th July 2020.

(c) WML doesn't violate the law, because an unpaid dividend transferred to unpaid dividend account prior to 21st July 2020.

(d) WML doesn't violate the law, because an unpaid dividend can be transferred to unpaid dividend account at any time within 90 days from the date of declaration.

**May 2020:**

3. Vivek Shah is the Chief Finance Officer (CFO) and Sachin Bhatt is the Company Secretary of Jitendra Iron Works Private Ltd (JIWPL), in Manipal, Karnataka. JIWPL is an integrated set up of foundries and machine shops that add value by machining more than 75% of the castings manufactured to fully finished condition. JIWPL is one of the largest jobbing foundries producing grey iron castings required for automobile, farm equipment sector and diesel engines industry. JIWPL serves customers globally. The turnover of JIWPL is about Rs. 600 Crores, including export turnover of about Rs. 250 Crores.

During the year 2019, JIWPL planned expansion to enhance its production capacity to meet the increasing demand from its customers, by importing fully automatic plant and equipment from Germany for the unit at Manipal. The means of finance of the expansion project: -

(a) JIWPL received an amount of Rs 25 Crores from Malini Shetty, wife of one of the promoter directors of JIWPL, Mahesh Shetty. Mahesh Shetty wanted to know from Sachin Bhatt any compliance needed from the perspective of acceptance of Deposits.

(b) The Board and the CFO also approached the main banker of the company viz., Bank of Baroda. The Bank after proper credit analysis, sanctioned an amount of Rs. 50 Crores for meeting the working capital needs of the expansion project, which included interchangeable limits of cash credit, foreign and inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, inventory and other current assets of the expansion project in Manipal of JIWPL.

The CFO and the CS together coordinated with the legal department of the Bank on procedures relating to creation of security and registration of charges.

The registered office of JIWPL is located in Manipal. Out of the company's 180 members, 20 members, who are entered in the Register of Members reside in Mangalore, a nearby city, requested the company for some reasons to maintain the Register of Members in the company's liaison office in Mangalore, instead of Manipal henceforth.

3.1 JIWPL received an amount of Rs 25 Crores from Malini Shetty, wife of one of the promoter directors Mahesh Shetty of JIWPL. Mahesh Shetty wanted to know from Sachin Bhatt any compliance needed from the perspective of acceptance of deposits. The CS has to ensure -:

[CH 5: Acceptance of Deposits by Companies]

(a) That the particulars of amount received are immediately entered in the register of deposits maintained in such manner and in such format as prescribed;

- (b) To issue immediately a circular to the members of the company with a statement of deposits accepted as on date with the names of each depositor, amount(s) received as on date, the due date(s) and the liability(ies) on the due date(s) in respect of each depositor
- (c) That a declaration is to be obtained to the effect that the amount given is not sourced from borrowed funds or accepting loans or deposits from others and disclose the details in the Board's Report;
- (d) To file the particulars of deposits received within 30 days from the date of its receipt with the Registrar.

3.2 JIWPL was also sanctioned an additional amount of Rs. 50 Crores for meeting the working capital needs of the expansion project., which included interchangeable limits of cash credit, foreign and Inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, Inventory and other current assets of the expansion project of JIWPL. A floating Charge, in general is created by way of:

Chapter 6: Registration of Charges

- (a) Passing a board resolution
- (b) Signing and acknowledging the Credit Sanction letter
- (c) Mortgage
- (d) Hypothecation or lien.

3.3 The registered office of JIWPL is located in Manipal. Out of the company's 180 Members, 20 members, who are entered in the register of members (ROM) reside in Mangalore, a nearby city. These members requested the company for some reasons to maintain the Register of members (ROM) in the company's liaison office in Mangalore, instead of Manipal henceforth.

Chapter 7: Management & Administration

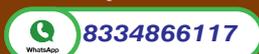
- (a) The ROM shall be maintained only at the registered office in Manipal and maintaining in a place other than the registered office is not permitted under the Companies Act 2013 and the relevant rules there under.
- (b) By passing a Special Resolution in a General Meeting, the ROM can be maintained in Mangalore.
- (c) The Board of Directors by passing a Board Resolution in one of its meetings, may direct the Company Secretary to maintain the ROM in Mangalore.
- (d) If more than 1/3rd of the members, whose names are entered in the ROM request for the change, then only the ROM can be maintained at Mangalore after passing a Special Resolution in a General Meeting.

### Revision Test Papers

#### May 2021:

4. Mr. Ajay is a renowned finance professional with wide experience in banking operations. Due to his experience, he has been appointed as director on the Board of various companies. He is working as the Executive Director - Finance of Doon Carbonates Limited (DCL) for the past 4-5 years and heading the finance department there. As per the object clause of the Memorandum of Association of DCL, it can raise funds by way of loans for the advancement of its business. Articles of Association of DCL authorizes the directors to borrow up to INR 50 lakhs on behalf of the company after passing a valid board resolution and any loans for amounts exceeding the above limit can be raised only after approval at a general meeting. Board of Directors of DCL raised INR 80 lakhs from Srikant Finance Services after passing a board resolution and out of this amount, INR 60 lakhs was used to pay a legitimate liability of DCL by the directors. DCL is a widely held company with around 5600 members as per the members register. The 21st AGM of DCL is

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



PAGE NO.

138

convened on 1st September 2020. A total of 34 members attended the meeting out of which 7 members attended through proxy. 6 of such members are represented by single proxy, Mr. Das. The articles of DCL is silent about the quorum.

Mr. Ajay is also director of Padmini Silk Limited (PSL). PSL was established around 25 years back as a private company operating as a micro business with 10 employees in a three- room building. During these years, the company grew exceptionally and went public and was also listed on SME exchange. PSL declares the interim dividend out of the previous year's undistributed profit on 31st August 2020 on the occasion of the 25th anniversary of the company. PSL deposited the amount of said dividend in a separate bank account with a NBFC on 4th of September, 2020.

Mr. Ajay hails from a farming family and carries on the business of cultivation and milling of paddy. He is also the sole member of New-Deal Limited (NDL), a one-person company. NDL is operated as rice sheller and also deals in trading of high-quality basmati rice. Mr. Ajay's father is operating as a nominee for the purposes of this OPC. The accounts department of NDL prepared and published only Profit and Loss Account and Balance Sheet as a financial statement and did not prepare cash flow statements and explanatory notes to accounts. A statement of changes in equity is not required in the case of NDL.

#### Multiple Choice Questions

4.1 Regarding compliance for declaration and distribution of Interim dividend by PSL, which of the following statements is correct?

[CH 8: Declaration and Payment of Dividend]

- (a) There is a violation of the provisions because interim dividend can only be declared out of current year's profits.
- (b) There is no violation at all, and all the provisions prescribed by law have been complied with.
- (c) There is a violation because the bank account shall be designated and shall be one of existing banks account of company.
- (d) There is a violation because the bank account shall be opened with scheduled banks only.

4.2 Which of the following statements is correct, with reference to the requirement for financial Statements of 'New Deal Limited' (One Person Company)

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) NDL fails to meet the requirement because its financial statement do not include explanatory notes to accounts
- (b) NDL fails to meet the requirement because its financial statements do not include cash flow statement
- (c) NDL fails to meet the requirement because its financial statements do not include explanatory notes to account and cash flow statement
- (d) NDL has complied with the requirements related to financial statements

4.3 The borrowing of the sum of INR 80 lakhs by the directors of DCL is

[CH 5: Acceptance of Deposits by Companies]

- (a) Void -ab-initio
- (b) Void
- (c) Voidable
- (d) Valid

4.4 Regarding the validity of the 21st Annual General Meeting of DCL, which of the following statements is correct?

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



[CH 7: Management & Administration]

- (a) The meeting doesn't have a quorum, because 30 members need to be present in person at the meeting.
- (b) The meeting is valid and has a quorum because 30 members are present at meeting either personally or through a proxy.
- (c) The meeting is valid and has a quorum, because only 5 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand
- (d) The meeting is valid and has a quorum, because only 15 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand

5. Mr. M. Mishra is a director of Superior Carbonates and Chemicals Limited (SCCL). SCCL was incorporated by Mr. S. K. Mishra (father of Mr. M. Mishra) on 05th July 1995 as a public company. SCCL accepts a loan of Rs. 1.5 crores from Mr. M. Mishra for short term purpose and the loan is expected to be repaid after twenty-four months. SCCL in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. M. Mishra affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of his loan transactions are furnished in the boards' report.

DBSL which is an unlisted public company, also accept the deposits from the public as on 1st November 2018, which is due for repayment on 30th September 2023. DBSL also accepts a LAP (Loan against property) for a term of 10 years from a financial institution on 18th June 2020. Charge was created on that day, but DBSL has neglected to register the charge with the registrar. Finally, the application for registration of charge is furnished on 18th August 2020.

SCCL has registered office in Paonta-sahib (Himachal Pradesh) and corporate office is situated in Dehradun (Uttarakhand) but around 15% of members whose name is entered in members register are residents of Nainital (Uttarakhand). SCCL has a liaison Office at Nainital. Management of the company is willing to place, the Register of Members at the Nainital Liaison Office.

DBSL convene its 7th AGM on 10th September 2020 at the registered office of the company. Notice for same was served on 21st August 2020. 78% of members gave consent to

convening AGM at shorter notice due to ambiguity and possibility of another lockdown starting from 11th September 2020 on account of the second wave of COVID-19.

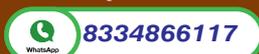
Multiple Choice Questions

5.1 Pick the right statement regarding SCCL's willingness to keep and maintain the register of members at the Nainital liaison office.

[CH 7: Management & Administration]

- (a) Register of members shall be kept at either registered office or within the same city that too after passing the resolution, hence SCCL is not correct in placing it at the Nainital liaison office
- (b) Register of members cannot be kept at any other place by SCCL, without passing an ordinary resolution

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



(c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10th of the total members entered in the register of members reside there

(d) Register of members cannot be kept at Nainital liaison office, even after passing a special resolution, because less than 1/5th of the total members entered in the register of members reside there

5.2 With reference to deposit accepted by DBSL and its duration, you are required to identify which of the following statements is correct:

[CH 5: Acceptance of Deposits by Companies]

- (a) There is no requirement relating to the duration of deposit, DBSL can accept a deposit for any duration.
- (b) Since DBSL is an unlisted company, provision relating to the duration of the deposit is not applicable.
- (c) There is a provision of a minimum duration of six months, but no upper cap to length is provided. Hence deposit accepted by DBSL is in compliance to provisions of Law.
- (d) Acceptance of deposits by DBSL is in violation of provision of law, because the maximum period of acceptance of deposit cannot exceed thirty-six months.

5.3 With reference to application to the registrar for registration of charge by DBSL, which of the following statements is correct?

[CH 6: Registration of Charges]

- (a) The charge cannot be registered now, even if the Registrar permits the same.
- (b) The charge can be registered, if registrar permits with payment of ad-valorem fee.
- (c) The charge can be registered, if registrar permits but with payment of an additional fee.
- (d) The charge can be registered, with payment of a standard fee.

5.4 With reference to the loan advanced by Mr. M. Mishra to SCCL, state whether the same is to be classified as a deposit or not?

[CH 5: Acceptance of Deposits by Companies]

- (a) Deposit, because any sum advanced by the director whether loan or otherwise is always classified as a deposit.
- (b) Deposit, because the tenor of the loan is for a period of more than six months.
- (c) Not a deposit, because such amount is recorded as loan in books of account of SCCL.
- (d) Not a deposit, because the written declaration is provided by Mr. M. Mishra, who was a director when the loan was advanced that the loan is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others.

5.5 Considering the provision relating to length of Notice for AGM, pick out the right option:

[CH 7: Management & Administration]

- (a) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by all the members entitled to vote at AGM.
- (b) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by at-least 95% of members entitled to vote thereat.
- (c) Notice served by DBSL is valid because the shorter length has been consented to by 75% of members entitled to vote thereat.
- (d) Notice served by DBSL is not valid, because notice given within a shorter length duration need has to by at-least 50% of the members entitled to vote at AGM that too in writing.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



**November 2020:**

6. Mr. B R Mohanty, around two-decade back; along with two of his elder brothers and few friends, who are pharma and chemical engineers by profession promoted two companies; first being Well-Mount Limited (WML) dealing in wellness products and pharmaceuticals; whereas other is Tex-Mount Limited (TML) dealing in textile products. During these two decades, both WML and TML has grown magnificently as both the sectors expanded beyond imagination. Both companies went public and stock of same listed on leading stock exchanges of countries.

TML did well in the past and emerged as a major export unit but in recent years the textile sector witness stiff competition due to new entrants. The increased cost of the workforce and other input materials is also made sector unprofitable and recent lockdown hit the sector further adversely. TML's bottom line for the current financial year is red. TML was declaring dividends since the very first year of operation and willing to continue the tradition considering dividend as signalling effect to an investor for valuation purpose. Rate of dividend for the recent five years was 9%, 10%, 8%, 5% and 2% (9% being five years ago and 2% being the previous year) respectively. The management at TML decided to declare dividends out of the profit of previous years. TML deals in export hence came under the scanner of enforcement authority, who seek financial statements and books of accounts of TML for scrutiny for the last 10 preceding financial years. In response to notice, TML furnish financial statements and books of accounts for last 8 immediately preceding financial years only, stating as per its Article of Association; TML is required to maintain and keep the books of accounts for 8 immediately preceding financial years only and that too without any record of vouchers pertaining to such accounts.

WML is doing well, it seizes outbreak of COVID-19 as a business opportunity and registers significant growth in both top and bottom line. For the past many years, WML declare a dividend at a constant rate of 20%. During the financial year 2019-20, WML earns a profit of 580 Crores. Board of directors of WML declares 25% dividend without transferring any % to reserve on 15th June, 2020. On 14th July, 2020 some of the amount remaining unpaid, due to operation of law; has been transferred to unpaid dividend account on 20th July, 2020. CA. Dev was appointed as auditor under section 139 of Companies Act, 2013 of WML in individual capacity during 17th AGM for against the financial year 2018-19.

6.1 In case of TML, which of the following statements are correct regarding the declaration of dividend?

[CH 8: Declaration and Payment of Dividend]

- (a) TML can't declare the dividend because it earns a loss in the current financial year.
- (b) TML can declare the dividend but only up to 9%
- (c) TML can declare the dividend but only up to 5%
- (d) TML can declare the dividend but only up to 6.8%

6.2 CA. Dev, who is the auditor of WML have to vacate the office of the auditor in and can be reappointed again only in

[CH 10: Audit and Auditors]

- (a) 22nd AGM and 27th AGM
- (b) 27th AGM and 32nd AGM

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- (c) 22nd AGM and 23rd AGM
- (d) 22nd AGM and can't be re-appointed again.

6.3 In case of WML, which of the following statements is correct regarding the declaration of dividend?

[CH 8: Declaration and Payment of Dividend]

- (a) WML can't declare the dividend at a rate more than 20%
- (b) WML can declare the dividend out current year's profit but it needs to transfer sum equal to 20% to reserve first.
- (c) WML can declare the dividend out current year's profit but it needs to transfer sum equal to 10% of paid-up share capital to reserve first.
- (d) WML can declare the dividend out of current years' profit without transferring any % to reserve.

6.4. In case of TML, regarding maintenance and keeping the books of account; which of the following statements hold truth?

[CH 9: Accounts of Companies]

- (a) TML needs to maintain and keep the books of account for 10 preceding financial years, hence TML violate the law.
- (b) TML doesn't violate the provision of law because it keeps the books of account for 8 immediately preceding financial years.
- (c) TML violate the provision of law because it keeps the books of account for 8 immediately preceding financial years without keeping relevant vouchers in the record pertaining to such books of account.
- (d) TML doesn't violate the provision of law because it is complying to its Article of Association.

6.5. Regarding declaration and distribution of dividend by WML, which of the following statements is correct from the view of the timeline?

[CH 8: Declaration and Payment of Dividend]

- (a) WML violates the law, because some of the dividend remain unpaid; irrespective of reason for non-payment
- (b) WML violates the law, because unpaid dividend needs to transfer to unpaid dividend account by 19th July 2020.
- (c) WML doesn't violate the law, because an unpaid dividend transferred to unpaid dividend account prior to 21st July 2020.
- (d) WML doesn't violate the law, because an unpaid dividend can be transferred to unpaid dividend account at any time within 90 days from the date of declaration.

Answer: (c)

Booklet

7. Mr. Varinder Singh is a philanthropist apart from being the owner of the renowned textile brand 'Paridhaan'. He is running an old age home, a shelter-home for orphans apart from a chain of art and language schools. These philanthropic initiatives and educational institutions established by him are operating under the banner of a charitable trust, in which he himself is one of the trustees. The textile business 'Paridhaan' is owned by a private limited company with paid-up share capital of INR 60 lakhs. 'Paridhaan' is losing market share due to stiff competition from readymade brands resulting decline in turnover to Rs. 180 lakhs during the immediately preceding financial year, out of which 45% is export sales.

His son Jimmy who is also a shareholder and director in 'Paridhaan', wishes to start a new business of e-learning platform and research-based technical education. He has opted for a corporate form for this business, because this may help in reaching out to leading global universities to sign MoUs for student and faculty exchange programs, in order to establish a global brand, especially after the rollout of the new education policy. Jimmy wants to retain the entire control of education activities. Jimmy met their family friend Mr. Chawla, who is a renowned practicing Chartered Accountant. Mr. Chawla explains the various kinds of companies, including One Person Company (OPC) with the procedural requirements for each which could be considered by Jimmy for his education business. Jimmy decided to form OPC after considering the various pros and cons.

Jimmy appoints Mr. Wilson as a nominee to his OPC. Mr. Wilson who is in his 30s, is an academician and scholar, a graduate from MIT in CSE, and has done his masters with Jimmy. Mr. Wilson is from Cambridge, Massachusetts, USA and is basically a US national. But he has been residing in India for the last couple of years. Mr. Wilson helps Jimmy in the promotion of OPC.

Mr. Chawla is an auditor of Sirmaur Pharma Limited, the AGM of which was convened on 31st August 2020. As he had already confirmed his appointment with Jimmy to meet him on that day, he asked his paid assistant, Mr. Anup, to attend the AGM on his behalf. Mr. Anup is Chartered Accountant, but in employment with Mr. Chawla's firm for the last year or so. Mr. Anup is not holding a certificate of practice. At that AGM, based upon the board's recommendation, Sirmaur Pharma Limited decided to issue fully paid-up bonus share to its members out of its reserve and surplus available with it, which are as follows:

Source	Amount in Rs.
Free Reserves	1.24 Crores
Securities Premium Account	0.82 Crores
Capital Redemption Reserve Account	1.07 Crores
Capitalizing reserves created by revaluation of assets	0.63 Crores

7.1 Considering the validity of nominating Mr. Wilson to the One Person Company of Jimmy, out of the following, which statement holds truth?

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) Mr. Wilson is a valid nominee because he is a natural person.
- (b) Mr. Wilson is a valid nominee because he is a natural person and resides in India.
- (c) Mr. Wilson is a valid nominee because he attains the majority and also engaged in the promotion of OPC.
- (d) Mr. Wilson is not a valid nominee, because he is not a citizen of India.

7.2 What is the maximum amount, up to which fully paid bonus shares can be issued by Sirmaur Pharma Limited?

[CH 4: Share Capital and Debentures]

- (a) Rs. 2.06 Crores
- (b) Rs. 3.13 Crores
- (c) Rs. 3.76 Crores
- (d) Rs. 2.69 Crores

7.3 Mr. Varinder wants to take the benefits of relaxation available to a small company. Does Paridhaan meet the criteria to be classified as a small company?

[CH 1: Preliminary]

- (a) Yes, because turnover is less than prescribed limit
- (b) Yes, because both paid-up share capital and turnover are less than the prescribed limit
- (c) No, because paid-up share capital is more than the prescribed limit
- (d) No, because both paid-up share capital and turnover are more than the prescribed limit

7.4 Jimmy is already a member of Paridhaan and has now promoted his own OPC. Is Jimmy eligible to Incorporate OPC as being an existing member and Director of 'Paridhaan', which of the following statements is correct?

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) Not eligible, because a person who is a member of any other company cannot incorporate an OPC.
- (b) Not eligible, because a person who is director of any other company cannot incorporate an OPC as a member.
- (c) Eligible, because a person can incorporate one OPC as a member despite being a member in any other form of companies, other-than OPC.
- (d) Eligible, because a person can be a member of any number of companies including any number of OPCs.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



7.5 Mr. Chawla who is appointed as auditor of Sirmaur Pharma Limited under section 139 of Companies Act 2013, didn't attend the AGM personally. Instead of attending the general meeting personally, he has directed Mr. Anup a qualified assistant to attend the AGM as his representative. Is Mr. Chawla guilty of contravention of the provisions of section 146, under section 147 of Companies Act, 2013?

[CH 10: Audit and Auditors]

- (a) No, because attending AGM is not mandatory for auditor
- (b) No, because Mr. Chawla attends the AGM through his representative (Mr. Anup)
- (c) Yes, because in all circumstances; auditor (Mr. Chawla) must attend the AGM that's too in person.
- (d) Yes, because representative appointed by him in this case (Mr. Anup) is not qualified to be appointed as an auditor of such a company.

8. Mr. Kumar Arijit is a renowned finance professional with wide experience in banking operations. Due to his experience, he has been appointed as director on the Board of various companies. He is working as the Executive Director - Finance of Doon Carbonates Limited (DCL) for the past 4-5 years and heading the finance department there. As per the object clause of the Memorandum of Association of DCL, it can raise funds by way of loans for the advancement of its business. Articles of Association of DCL authorizes the directors to borrow up to INR 50 lakhs on behalf of the company after passing a valid board resolution and any loans for amounts exceeding the above limit can be raised only after approval at a general meeting.

Board of Directors of DCL raised INR 80 lakhs from Srikant Finance Services after passing a board resolution and out of this amount, INR 60 lakhs was used to pay a legitimate liability of DCL by the directors. DCL is a widely held company with around 5600 members as per the members register. The 21st AGM of DCL is convened on 1st September 2020. A total of 34 members attended the meeting out of which 7 members attending through proxy. 6 of such members are represented by single proxy, Mr. Das. The articles of DCL is silent about the quorum.

Mr. Kumar is also director of Padmini Silk Limited (PSL). PSL was established around 25 years back as a private company operating as a micro business with 10 employees in a three-room building. During these years, the company grew exceptionally and went public and was also listed on SME exchange. PSL declares the interim dividend out of the previous year's undistributed profit on 31st August 2020 on the occasion of the 25th anniversary of the company. PSL deposited the amount of said dividend in a separate bank account with an NBFC on 4th of September, 2020.

Mr. Kumar hails from a farming family and carries on the business of cultivation and milling of paddy. He is also the sole member of Fair-Deal Limited (FDL), a one-person company. FDL is operated as rice sheller and also deals in trading of high-quality basmati rice. Mr. Kumar's father is operating as a nominee for the purposes of this OPC. The accounts department of FDL prepared and published only Profit and Loss Account and Balance Sheet as a financial statement and did not prepare cash flow statements and explanatory notes to accounts. A statement of changes in equity is not required in the case of FDL.

8.1 Regarding compliance for declaration and distribution of Interim dividend by PSL, which of the following statements is correct?

[CH 8: Declaration and Payment of Dividend]

- (a) There is a violation of the provisions because interim dividend can only be declared out of current year's profits.
- (b) There is no violation at all, and all the provisions prescribed by law have been complied with.
- (c) There is a violation because the bank account shall be designated and shall be one of existing banks account of company.
- (d) There is a violation because the bank account shall be opened with scheduled banks only.

8.2 Which of the following statements is correct, with reference to the requirement for financial Statements of 'Fair Deal Limited' (One Person Company)

[CH 9: Accounts of Companies]

- (a) FDL fails to meet the requirement because its financial statement do not include explanatory notes to accounts
- (b) FDL fails to meet the requirement because its financial statements do not include cash flow statement
- (c) FDL fails to meet the requirement because its financial statements do not include explanatory notes to account and cash flow statement
- (d) FDL has complied with the requirements related to financial statements

8.3 The borrowing of the sum of INR 80 lakhs by the directors of DCL is

[CH 7: Management & Administration]

- (a) Void -ab-initio
- (b) Void
- (c) Voidable
- (d) Valid

8.4 Regarding the validity of the 21st Annual General Meeting of DCL, which of the following statements is correct?

[CH 7: Management & Administration]

- (a) The meeting doesn't have a quorum, because 30 members need to be present in person at the meeting.
- (b) The meeting is valid and has a quorum because 30 members are present at meeting either personally or through a proxy.

(c) The meeting is valid and has a quorum, because only 5 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand

(d) The meeting is valid and has a quorum, because only 15 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand

9. Mr. B R Mohanty, promoted two companies about two-decades ago. He promoted these companies along with two of his elder brothers and few friends, who are pharmaceutical and chemical engineers by profession. The companies are Well-Mount Limited (WML) dealing in wellness products and pharmaceuticals; and Tex-Mount Limited (TML) dealing in textile products.

During these two decades, both WML and TML have grown magnificently as both the sectors expanded beyond imagination. Both companies went public and their stocks were listed on leading stock exchanges. TML did well in the past and emerged as a major export unit but in recent years the textile sector has witnessed stiff competition due to new entrants. The increased cost of the workforce and other input materials has also made the sector unprofitable. The recent lockdown has also affected the sector adversely. TML's bottom line for the current financial year is in the red. TML was declaring dividends since the very first year of operation and is willing to continue the tradition considering dividend to be a signalling effect to an investor for the purpose of valuation. Rate of dividend declared for the immediately preceding five years was 9%, 10%, 8%, 5% and 2% (9% being five years ago and 2% being the previous year) respectively. The management at TML decided to declare dividends out of the accumulated profits of previous years.

TML deals in exports and hence came under the scanner of the enforcement directorate, who have called for the financial statements and books of account of TML for scrutiny for the last 10 preceding financial years. In response to the said notice TML furnished financial statements and books of accounts for last 8 immediately preceding financial years only, stating that as per its article of association; TML is required to maintain and keep the books of account only for 8 immediately preceding financial years and that too without any records of vouchers pertaining to such accounts.

WML is doing well, it has used the outbreak of COVID-19 as a business opportunity and has registered significant growth in both top and bottom line. For the past many years, WML declared a dividend at a constant rate of 20%. During the financial year 2019-20, WML earns a profit of 580 Crores. Board of directors of WML has declared 25% dividend on 15th June 2020 without transferring any amount to the reserves. On 14th July 2020 a portion of the dividend declared remains unpaid, due to operation of law. This amount has been transferred to unpaid dividend account on 20th July 2020.

CA. Dev was appointed as auditor under section 139 of Companies Act 2013 of WML in his individual capacity at the 17th AGM for the financial year 2018-19.

9.1 In case of TML, which of the following statements are correct regarding the declaration of dividend

[CH 8: Declaration and Payment of Dividend]

- (a) TML can't declare the dividend because it has made loss in the current financial year.
- (b) TML can declare the dividend but only up to 9%.
- (c) TML can declare the dividend but only up to 5%.
- (d) TML can declare the dividend but only up to 6.8%

9.2 CA. Dev, who is the auditor of WML will have to vacate the office of the auditor in and can be reappointed again only in

[CH 10: Audit and Auditors]

- (a) 22nd AGM and 27th AGM
- (b) 27th AGM and 32nd AGM
- (c) 22nd AGM and 23rd AGM
- (d) 22nd AGM and can't be re-appointed again.

9.3 In case of WML, which of the following statements is correct regarding the declaration of dividend?

[CH 8: Declaration and Payment of Dividend]

- (a) WML can't declare the dividend at a rate more than 20%
- (b) WML can declare the dividend out of current year's profit but it needs to transfer sum equal to 20% to reserve first.
- (c) WML can declare the dividend out current year's profit but it needs to transfer sum equal to 10% of paid-up share capital to reserve first.
- (d) WML can declare the dividend out of current years' profit without transferring any % to reserve.

9.4 In case of TML, regarding maintenance and preserving the books of account which of the following statements is correct?

[CH 9: Accounts of Companies]

- (a) TML needs to maintain and keep the books of account for 10 preceding financial years, hence TML has violated the law
- (b) TML has not violated the provisions of law because it has preserved the books of account for 8 immediately preceding financial years.
- (c) TML has violated the provision of law because it has preserved the books of account for 8 immediately preceding financial years without preserving the relevant vouchers pertaining to such books of account.
- (d) TML has not violated the provisions of law because it is complying with its article of association.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



8334866117



[caraviagarwal.com](http://caraviagarwal.com)



[https://tiny.cc/CA\\_Ravi\\_Agarwal](https://tiny.cc/CA_Ravi_Agarwal)

9.5 Regarding declaration and distribution of dividend by WML, which of the following statements is correct keeping in mind the various timelines?

[CH 8: Declaration and Payment of Dividend]

- (a) WML has violated the law, because some of the dividend remain unpaid; irrespective of reason for non-payment
- (b) WML has violated the law, because unpaid dividend has to be transferred to the unpaid dividend account by 19th July 2020.
- (c) WML has not violated the law, because the unpaid dividend has been transferred to the unpaid dividend account prior to 21st July 2020.
- (d) WML has not violated the law, because the unpaid dividend can be transferred to the unpaid dividend account at any time within 90 days from the date of declaration.

10. Vignesh Fertilizers Limited (VFL) and Vivian Chemicals Private Limited (VCPL) were promoted around 30 years back by Mr. Vicky Tripathi and his family members. Mr. Vicky Tripathi and his younger brother Vinay Tripathi actively participate in the daily operations of both the companies. VCPL is wholly owned by Tripathi family, while Tripathi family has a majority stake of 65% in VFL.

Due to the poor economic conditions in the agriculture sector and shifting of the farmers' focus to organic farming, the sales of Vignesh Fertilizers Limited is dipping and its bottom line has been in the red for the last couple of years. The unabsorbed loss of VFL for the current financial year is Rs. 9.8 crores. VFL didn't pay any dividends during the last four years. VFL has accumulated profit in the form of the free reserves of Rs. 180 crores whereas paid-up share capital is 918 crores. Since pressure from shareholders of the free float is mounting, management at VFL decided to pay a dividend this year out of accumulated profit. Finally, the dividend was declared on 31st August 2020. Some of the dividend remained unpaid as on 30th September 2020, on account of operation of law; this was transferred to Unpaid Dividend Account and the list of such beneficiary owners along with contact details of the same were hosted on the website of the company on 9th November 2020.

VCPL is a mid-sized unlisted entity, with few branches (retail drug store) abroad and is not required to appoint a director under section 149 (4). During the immediately preceding year, net worth was 280 crores, turnover is 590 crores and net profit is 45.8 crores. The profits and other information of the immediately preceding three years is given below:

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



PAGE NO.

150

Particulars	Year ended 31.3.2020 (In crores)	Year ended 31.3.2019 (In crores)	Year ended 31.3.2018 (in crores)
Profit for the year	45.8	42.0	35.8
Profit from foreign branches	1.8	9.1	5.4
Non-operating Income	8.6	2.7	0.8
Dividend Income	4.2*	0.0	2.4

\*Out of Rs. 4.2 Crores, the amount of Rs. 1.8 crores is dividend received from a foreign company.

The Board of Directors of VCPL is not clear whether they have to compulsorily form a CSR committee. In order to avoid adverse legal consequences, VCPL constitutes a CSR committee consisting of two (2) non-executive directors and one (1) executive director who was appointed as chairperson of the committee.

10.1 In case of VFL, regarding the un-paid dividend which of the following statements is correct?

[CH 8: Declaration and Payment of Dividend]

- (a) VFL is guilty of non-payment of dividend, because some of the dividends remain unpaid even after 30 days of declaration.
- (b) VFL is guilty because the list of beneficiaries of un-paid dividend is hosted on the website after 30 days from the date it falls in category of un-paid dividend
- (c) VFL is guilty because the list of beneficiaries does not contain the latest known address of beneficiaries and amount unpaid.
- (d) VFL is not guilty because it has full-filled all the provisions of law pertaining to un-paid dividend

10.2 During the current year, is VCPL required to constitute CSR committee under section 135 of Companies Act 2013?

[CH 9: Accounts of Companies]

- (a) No, because it is an unlisted private company
- (b) No, because it is an unlisted company and it has net-worth less than Rs. 500 Crores
- (c) Yes, because despite being unlisted company its turnover is above Rs. 500 cores
- (d) Yes, because its net profit is above Rs. 5 crores

10.3 In the case of VFL, what can be the maximum amount of dividends payable out of accumulated profits?

[CH 8: Declaration and Payment of Dividend]

- (a) Rs. 109.8 crores  
(b) Rs. 100 crores  
(c) Rs. 42.3 crores  
(d) Rs. 32.5 crores

10.4 Considering the legal provisions regarding the constitution of CSR committee and the one constituted by VCPL, state which of following the statements hold truth?

[CH 9: Accounts of Companies]

- (a) Constitution of the committee is invalid because it doesn't consist of an independent director.  
(b) Constitution of the committee is invalid because its chairperson is an executive director.  
(c) Constitution of the committee is valid because it depends purely upon the discretion of management.  
(d) Constitution of the committee is valid because company is not required to appoint an independent director.

10.5 What is the minimum amount to be spent by VCPL on CSR activities?

[CH 9: Accounts of Companies]

- (a) Rs. 89.06 Lakhs  
(b) Rs. 78.20 Lakhs  
(c) Rs. 75.00 Lakhs  
(d) Rs. 73.80 Lakhs

11. Mr. Abhinav Gyan is a techie and one of the promoters of Doon Technology Limited (DTL). He did his engineering from one of the prestigious IIT in Computer Science and then pursued his Masters in management from IIM. He started DTL fifteen years back. DTL is famous for advanced technologies such as artificial intelligence, block-chain solutions and many others. The company went public a decade ago, but has not been listed yet. DTL is expanding its operations in the wake of opportunities arising out of Industrial Revolution 4, therefore it wishes to retain the profit for reinvesting in the growth of the company, But the shareholders are seeking dividend based on the larger bottom line. The outbreak of COVID-19 was another reason which had forced the directors to retain the earnings. After the closure of books of account for the year, the directors proposed a dividend of 10% against the expectation of 20% by shareholders. But considering the extended lock-down which causes a delay in delivering the projects (resulting in deferment of revenue and additional cost), directors wish to revoke the dividend. The Shareholders seeks appointment of internal auditor for audit on a concurrent basis, whereas management of DTL states it does not require to appoint an internal auditor under the law and that this will cause an unnecessary financial burden on the company. The excerpts from financial statements of the preceding financial year are as under;

Particulars	Amount in Crores
Paid-up share capital	45
Turnover	495
Outstanding loans or borrowings*	105
Outstanding deposits	22#

\*Includes inter-corporate loan of Rs. 25 crores

# Up-till 31st Jan the outstanding deposit was Rs. 30 crores

Mr. Gyan bought 40,000 shares of Time Consultancy Services (TCS) of face value 10 each out of his savings. On such shares, the final call of Rs. 2 is due but unpaid by Mr. Gyan. In the meantime, TCS declared dividend at a rate of 15%. Out of the total dividend of Rs. 8.4 crores declared on 31st August 2020, Rs. 0.42 crores remain unpaid as on 30th September 2020. Out of such Rs. 0.42 crores, Rs. 12 lakhs are on account of the operation of law and Rs. 3 lakhs on account legal disputes of right to receive dividend. The unpaid dividend of Rs. 0.42 lakhs was finally paid on 12th December 2020 in full.

Mr. Gyan comes from a humble background; hence as part of his ethical commitment to uplift the society by promoting education to children of the economically weak section, he decided to form a section 8 company named Gyan Foundation around 2 years back with the support of a fellow professional, who later become a member of such a company. Receipts are in excess of expenditure hence it was decided that Gyan foundation will declare some dividend to its members.

11.1 Regarding un-paid call money by Mr. Gyan, in light of dividend due to him from TCS, state which of following the statements is correct?

[CH 8: Declaration and Payment of Dividend]

- (a) Dividend cannot be adjusted against the unpaid call money
- (b) The dividend of Rs. 48,000 can be adjusted against unpaid call money
- (c) The dividend of Rs. 48,000 can be adjusted against unpaid call money, if consent is given by Mr. Gyan.
- (d) The dividend of Rs. 64,000 can be adjusted against unpaid call money, even if consent is not given by Mr. Gyan.

11.2 Does DTL is required to appoint Internal Auditor U/S 138 of Companies Act 2013?

[CH 10: Audit and Auditors]

- (a) No, because DTL is unlisted company
- (b) No, because paid-up share capital is less than Rs. 50 crores

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- (c) Yes, because turnover is more than Rs. 200 crores
- (d) Yes, because outstanding loan is above Rs. 100 crores

11.3 Considering the expectation of shareholders of DTL, choose the correct statement expressing the established legal precedent and legal provision regarding the declaration of dividend.

[CH 8: Declaration and Payment of Dividend]

- (a) The declaration of dividend is right of the shareholders; they can ask for it at a general meeting
- (b) The declaration can be declared only equal to what is proposed by directors
- (c) The declaration can be declared at rate or amount more than proposed by the director
- (d) The declaration proposed or declared can be revoked back.

11.4 With reference to the declaration of dividend by Gyan Foundation, state which of following statements hold truth?

[CH 8: Declaration and Payment of Dividend]

- (a) Gyan Foundation can declare dividend out of the capital as well
- (b) Gyan Foundation can declare dividend either out of current years or previous years' profit, but need to transfer a certain % to reserve.
- (c) Gyan Foundation can't declare the dividend because three years has not been elapsed since its incorporation.
- (d) Gyan Foundation can't declare the dividend in any case.

11.5 What will be the amount of penalty which TCS needs to pay under section 127?

[CH 8: Declaration and Payment of Dividend]

- (a) Up-to Rs. 1000 per day till the default continues
- (b) Rs. 64,800
- (c) Rs. 97,200
- (d) Rs. 1,08,000

12. Mr. Mohit Aggarwal is a director of Superior Carbonates and Chemicals Limited (SCCL). SCCL was incorporated by Mr. S. K. Aggarwal (father of Mr. Mohit) on 05th July 1995 as a public company. SCCL accepts a loan of Rs. 1.5 crores from Mr. Mohit for short term purpose and the loan is expected to be repaid after twenty-four months. SCCL in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. Mohit affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of his loan transactions are furnished in the boards' report.

DBSL which is an unlisted public company, also accept the deposits from the public as on 1st November 2018, which is due for repayment on 30th September 2023. DBSL also accepts a LAP (Loan against property) for a term of 10 years from a financial institution on 18th June 2020. Charge was created on that day, but DBSL has neglected to register the charge with the registrar. Finally, the application for registration of charge is furnished on 18th August 2020.

SCCL has registered office in Paonta-sahib (Himachal Pradesh) and corporate office is situated in Dehradun (Uttarakhand) but around 15% of members whose name is entered in members register are residents of Nainital (Uttarakhand). SCCL has a liaison Office at Nainital. Management of the company is willing to place, the Register of Members at the Nainital Liaison Office.

DBSL convene its 7th AGM on 10th September 2020 at the registered office of the company. Notice for same was served on 21st August 2020. 78% of members gave consent to convening AGM at shorter notice due to ambiguity and possibility of another lockdown starting from 11th September 2020 on account of the second wave of COVID-19.

12.1 Pick the right statement regarding SCCL's willingness to keep and maintain the register of members at the Nainital liaison office.

[CH 7: Management & Administration]

- (a) Register of members shall be kept at either registered office or within the same city that too after passing the resolution, hence SCCL is not correct in placing it at the Nainital liaison office
- (b) Register of members cannot be kept at any other place by SCCL, without passing an ordinary resolution
- (c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10th of the total members entered in the register of members reside there
- (d) Register of members cannot be kept at Nainital liaison office, even after passing a special resolution, because less than 1/5th of the total members entered in the register of members reside there

12.2 With reference to deposit accepted by DBSL and its duration, you are required to identify which of the following statements is correct:

[CH 5: Acceptance of Deposits by Companies]

- (a) There is no requirement relating to the duration of deposit, DBSL can accept a deposit for any duration.
- (b) Since DBSL is an unlisted company, provision relating to the duration of the deposit is not applicable.

(c) There is a provision of a minimum duration of six months, but no upper cap to length is provided. Hence deposit accepted by DBSL is in compliance to provisions of Law.

(d) Acceptance of deposits by DBSL is in violation of provision of law, because the maximum period of acceptance of deposit cannot exceed thirty-six months.

12.3 With reference to application to the registrar for registration of charge by DBSL, which of the following statements is correct?

[CH 6: Registration of Charges]

- (a) The charge cannot be registered now, even if the Registrar permits the same.
- (b) The charge can be registered, if registrar permits with payment of ad-valorem fee.
- (c) The charge can be registered, if registrar permits but with payment of an additional fee.
- (d) The charge can be registered, with payment of a standard fee.

12.4 With reference to the loan advanced by Mr. Mohit to SCCL, state whether the same is to be classified as a deposit or not?

[CH 5: Acceptance of Deposits by Companies]

- (a) Deposit, because any sum advanced by the director whether loan or otherwise is always classified as a deposit.
- (b) Deposit, because the tenor of the loan is for a period of more than six months.
- (c) Not a deposit, because such amount is recorded as loan in books of account of SCCL.
- (d) Not a deposit, because the written declaration is provided by Mr. Mohit, who was a director when the loan was advanced that the loan is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others.

12.5 Considering the provision relating to length of Notice for AGM, pick out the right option:

[CH 7: Management & Administration]

- (a) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by all the members entitled to vote at AGM.
- (b) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by at-least 95% of members entitled to vote thereat.
- (c) Notice served by DBSL is valid because the shorter length has been consented to by 75% of members entitled to vote thereat.

(d) Notice served by DBSL is not valid, because notice given within a shorter length duration need has to by at-least 50% of the members entitled to vote at AGM that too in writing.

13. Dr. N. Kulshrestha is a renowned professional and a director on the Board of various companies. Two among these are Mount Electrolux Limited (MEL) and Rock Electronics Limited (REL). Both are unlisted public companies.

MEL accepts a contract from State Power Corporation to replace electromechanical meters with automated ("smart") meters for residential connections and fixing them out-side the properties. The expected duration of the project is 150 days. MEL is presently considering alternate sources of finance. The Board of MEL is looking forward to inviting deposits to Rs. 80 Crores, but Dr. Kulshrestha is of the opinion that deposits are meant for funding long term requirements, and the present need is for the short-term period. A special resolution to give effect to the same was duly passed and the same is filed with ROC.

Extracts from the latest financial statement of MEL are as follows;

Particulars	Amount in INR crores
Turnover	980
Paid-up Share Capital	410
Free Reserve	240
Capital Redemption Reserve	120
Security Premium Account	150

REL purchased an immovable property for its corporate office from GDI (Goenka Developer and Infrastructure). An agreement to sell was entered on 21st August 2020. On 31st August 2020 Property was registered in name of REL. One-month after the date of registration, on 30th September 2020, REL comes to know that title of the property was encumbered as there was a previous loan due to a financial institution, through a letter from such financial institution. In the letter it was mentioned that charge on such property was registered in the name of the financial institution from 16th May 2019.

21st AGM of REL was concluded on 30th May 2019 for the financial year 2018-19. The 22nd AGM for considering the financial statements of the year 2019-20 could not be convened till 30th September due to outbreak of COVID-19. Hence an application for extension was filed with the ROC. The ROC granted extension of two months and finally the 22nd AGM was convened and conducted on 9th November 2020.

At the said 22nd AGM, the Chairman of the Board of Directors was not present. In his absence, a member (Mr. Venugopal) having the largest voting right proposed that he be elected as chairperson, and members holding the majority of voting rights were in favour of this. But on the show of hands Mr. Anand is identified as chairman of the meeting. The other members demanded for a poll. The board members present were unanimously willing to appoint Dr. Kulshrestha as chairperson of the meeting and Dr. Kulshrestha also agreed for the same. The Articles of Association of REL is silent regarding election of chairman at general meetings.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



13.1 With reference to convening 22nd AGM of REL, which of the following statements is correct?

[CH 7: Management & Administration]

- (a) ROC has to grant an extension of 3 months
- (b) REL has complied with the legal provisions relating to holding the AGM, by convening the 22nd AGM with the period of extension.
- (c) REL has failed to comply with the legal provisions because AGM must be held with six months from the end of the financial year in all cases.
- (d) REL has failed to comply with the legal provisions because the time gap between 21st and 22nd AGM is more than 17 months

13.2 With reference to the duration of deposits (if invited and accepted by MEL), you are required to resolve the query/opinion of Dr. Kulshrestha?

[CH 5: Acceptance of Deposits by Companies]

- (a) MEL has to accept deposits for a minimum duration of six months.
- (b) MEL can accept the deposit for five months for the entire Rs. 80 crores.
- (c) MEL can accept the deposit for five months but maximum up to Rs. 77 crores.
- (d) MEL can accept the deposit for five months but maximum up to Rs. 65 crores.

13.3 With reference to the encumbered nature of the property purchased by REL from GDI; identify the date from which REL has notice of charge against such property.

[CH 6: Registration of Charges]

- (a) 16th May 2019
- (b) 21st August 2020
- (c) 31st August 2020
- (d) 30th September 2020

13.4 With reference to sourcing of funds by acceptance of deposits, apprise the eligibility of MEL.

[CH 5: Acceptance of Deposits by Companies]

- (a) MEL is eligible to accept deposits
- (b) MEL is not eligible to accept deposits, because it is a listed public company
- (c) MEL is not eligible to accept deposits, because it has a paid-up share capital of less than five hundred crores.
- (d) MEL is not eligible to accept deposits, because it has a turnover of less than one thousand crores

13.5 With reference to the legal provisions, regarding chairman at AGM, in the context of 22nd AGM of REL; pick the right option.

[CH 7: Management & Administration]

- (a) Dr. Kulshrestha will be the chairperson, because present board members are unanimously willing to appoint him and it's the discretion of the board to accept the demand of poll or not.
- (b) Mr. Anand will be the chairman of the meeting until conclusion, because he is elected through a show of hands.
- (c) Mr. Anand will be the chairman of the meeting, but only until some other person is elected as Chairman as a result of a poll, if any.
- (d) Mr. Venugopal will be the chairman of the meeting, because he is favoured by members holding the majority of voting rights.

14. Mr. Nitin Balwani is a finance professional and one of the promoters of Sind Chemicals Private Limited (SCPL) and director at Prism Telecommunication Limited (PTL). SCPL is a private company, whereas PTL is a listed public company. SCPL has 196 individual members apart from 6 employees including 3 KMPs (out of which 2 are in service and 4 are currently retired). The employees have been given shares of SCPL out of ESOP as part of their remuneration and have thus become a member of SCPL. In addition to this, Mr. A, Mr. B and Ms. C are joint owners of 1000 shares, Mr. X and Ms. Y are also joint owners of 1200 shares of SCPL. Mr. Balwani is of the opinion that SCPL has crossed the maximum limit for members in the case of a private company.

SCPL is growing, and is funding this growth through private equity placement. Allotment of shares took place on 18th August 2020 after a valid invitation to subscribe to a select group of persons. The return of allotment was duly filed with the Registrar against this private placement on 8th September 2020. SCPL doesn't have a separate corporate office; they operate from registered office. Considering the expanding operations need for better reach and shortage of the available space in present premises, SCPL shifted its registered office to the capital city of its domicile state as stated in Memorandum of Association on 28th August 2020. Copy of the rent agreement executed in this connection was furnished to the ROC on 9th October 2020 in the prescribed form along with an ordinary resolution passed in this regard.

PTL is expanding its network in the country, trying hard to reach remote villages and towns. Subscriber base is also increasing. PTL, too, requires funds for expansion. PTL has decided to raise money through issue of secured debentures. Debentures are redeemable after 12 years on 31st August 2020. Debenture trustees were duly appointed before the issue of letter of offer and debenture trust deed is executed on 9th November 2020.

PTL gives loan of Rs. 12 Lakhs to its company secretary-cum-law officer, who is a Key Managerial Person (KMP) under section 203 of Companies Act, 2013; for purchase of fully paid-up shares of the company (PTL). The consolidated monthly salary of company secretary-cum-law officer at PTL is Rs. 1.5 lakhs.

14.1 With reference to shifting of registered office by SCPL, identify the correct option out of the statements mentioned below:

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) SCPL has complied with the legal provisions.
- (b) SCPL should have passed special resolution instead of an ordinary resolution.
- (c) SCPL should have furnished intimation to ROC within 30 days.
- (d) SCPL should have passed special resolution instead of ordinary resolution and should have intimated the same to the ROC within 30 days.

14.2 With reference to the legal validity of the issue of secured debenture by PTL, identify the correct statement out of the following:

[CH 4: Share Capital and Debentures]

- (a) PTL has complied with the legal provision relating to issue and allotment of secured debentures.
- (b) PTL has failed to comply with the law because the redemption period of the debentures is 12 years and a debenture trust deed is executed on 9th November 2020.
- (c) PTL has failed to comply with the law because the redemption period of the debentures is 12 years.
- (d) PTL failed to comply with the law because the debenture trust deed was executed on 9th November 2020.

14.3 Examine the legality of granting a loan to the company secretary-cum-law officer by PTL and pick the correct statement out of following.

[CH 4: Share Capital and Debentures]

- (a) Valid, because a loan is granted to acquire fully paid-up shares
- (b) Invalid, because a loan is granted by the company to its KMP to acquire its own shares.
- (c) Invalid, because the amount of loan granted is more than the amount equal to six months' salary.
- (d) Invalid, because a loan has been granted by the company to its KMP and that too for an amount exceeding six months' salary to acquire its own shares.

14.4 With reference to the requirement related to the maximum number of members in case of a private company, you are required to quantify the number of members:

[CH 1: Preliminary]

- (a) 198 Members, because joint owners need to be considered as a single owner and members whose membership arises out employment will not be counted
- (b) 201 Members, because joint owners will be counted in full and members whose membership arises out employment will not be counted

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



(c) 201 Members, because joint owners need to be considered as a single owner and members whose membership arises out of employment as KMP will not be counted.

(d) 202 Members, because joint owners need to be considered as a single owner and members whose membership arises out of employment will not be counted provided, they are in service.

14.5 Evaluate the legal validity of the return of allotment filed by SCPL in respect of the private placement, by selecting the correct option.

[CH 3: Prospectus and Allotment of Securities]

(a) Default, because the return needs to be filed by 2nd of September, the penalty is Rs. 6000/-

(b) Default, because the return needs to be filed by 2nd of September, the penalty is Rs. 12000/-

(c) No Default, because the return needs to be filed by 17th of September, hence no penalty

(d) No Default, because the return needs to be filed by 17th of October, hence no penalty

15. Mr. I J Gulati is a renowned research scholar in the field of agricultural science and had worked as a professor in the Agricultural University of Rajasthan. Mr. Gulati possesses diverse experience in latest techniques in irrigation and shed farming with technological intervention. He joined the board of National Fertilizers Limited (NFL) and Doon Agro Products Limited (DAPL) as an expert advisor and was later elevated to director in both the companies.

The share capital of NFL is divided into different classes of shares. NFL wants to entrust varied rights to the shares of a particular class, for this purpose they took consent in writing from  $\frac{3}{4}$ th of the holders of the issued shares of that class but didn't pass the special resolution. Although terms of issue of the shares of that class don't prohibit the variation, the memorandum of the company does not contain any such provision regarding the variation of rights.

Mr. Gulati incorporated OPC which helps farmers of the region with forecasts on the weather, new agricultural techniques, various fund schemes including the opportunity of interest subsidies and subvention, marketing opportunities, gains in supporting the business of fisheries, etc. Mr. Porwal who was appointed as a nominee, decided to permanently settle down with his son in USA. Hence prior to leaving for the US, he wishes to withdraw his consent as nominee.

NFL holds 54% of the total share capital of Doon Fertilizers Limited (DFL), by virtue of this, NFL can exercise voting rights equivalent to 48% of the total voting power at DFL. NFL can change the composition of the board because it can appoint 5 out of a total of 12 directors at the board of DAPL.

The relevant extracts from the balance sheet of DAPL are given below. DAPL has decided to buy-back its own shares.

Liabilities	Amount (In Crores)
Paid-up Share Capital (30 crores shares of Rs. 10 each, fully paid – up)	300
Reserve and Surplus (All reserves are free) 6%	350
Secured Debentures	1000

The current market price of a share is Rs. 20 and the buy-back price is expected to be either Rs. 21 or 22 per share. The company is proposing to buy back at-least 3 crores shares. Apart from secured debentures, there is an unsecured debt of Rs. 200 crores. Since the price of Rs. 21/22 is not acceptable to many members it was felt that special resolution is not expected to be passed. Therefore, it was decided to pass a board resolution to affect the buy-back. Buy-back process was initiated on 18th August 2020 and completed on 9th September 2020. Mr. Gulati heard some-where that the shares bought back should be physically destroyed.

15.1 With reference to buy-back process initiated by DAPL, identify the correct statement:

[CH 4: Share Capital and Debentures]

- (a) DAPL can buy-back 3 crores shares @ Rs. 22 per share, as it can buy-back up to 7.5 crores shares.
- (b) DAPL cannot buy-back 3 crores shares @ Rs. 22 per share, because the maximum amount available for buy-back is 65 crores.
- (c) DAPL can buy-back 3 crores shares @ Rs. 21 per share, because the maximum amount available for buy-back is 65 crores.
- (d) DAPL cannot buy-back 3 crores shares even @ Rs. 21 per share.

15.2 Identify the correct statement out of the following, regarding the status of DAPLL and its relationship with NFL

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) DAPL is a subsidiary of NFL, as NFL holds more than 50% of the total share capital of DFL
- (b) DAPL is a subsidiary of NFL, as NFL can affect the composition of the board at DFL
- (c) DAPL is a subsidiary of NFL, as NFL holds more than 50% of the total share capital of DFL and can affect the composition of the board at DFL
- (d) DAPL is not a subsidiary of NFL

15.3 Examine the legality of variation of rights in respect of a particular class of shares by NFL & pick the correct statement out of the following regarding validity of variation of shareholders' rights and compliance by NFL:

[CH 4: Share Capital and Debentures]

- (a) Invalid, because variation of shareholders' right is not allowed by law
- (b) Variation of shareholders' rights are valid, and necessary legal compliances are also met in full
- (c) Variation of shareholders' rights are valid, but NFL has failed to comply with the necessary requirement i.e., passing a special resolution at a separate meeting of the holders of the issued shares of that class.
- (d) Variation of shareholders' rights are valid, but NFL is not authorized to entrust the same because its memorandum doesn't allow for the same.

15.4 Mr. Porwal can withdraw his consent as a nominee, by giving written notice to

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) The sole member of the company
- (b) Registrar of companies
- (c) The sole member of company and to OPC
- (d) OPC and to Registrar of companies

15.5 By selecting the correct option, evaluate the legal validity of physically destroying the shares which were bought back by DAPL.

[CH 4: Share Capital and Debentures]

- (a) DAPL is not legally required to physically destroy the shares
- (b) DAPL shall extinguish and physically destroy the shares within a reasonable time after completion of the process of buy-back
- (c) DAPL shall extinguish and physically destroy the shares by 16th September 2020
- (d) DAPL shall extinguish and physically destroy the shares by 24th September 2020

16. Mr. Manoj Samwal is retired chief librarian from Central University of Technical Education. After retirement, he joined his family business as a whole-time director of Samwal Paper Mill Limited (SPML). Mr. Manoj also incorporated another company Doon Printers and Publishers Limited (DPPL), which is engaged in printing and publishing books of academic and professional importance. Assets of SPML were charged in favour of a financial institution as collateral for a loan. Due to default in the re-payment of the amount due,

financial institutions has moved the court. The court appoints Mr. Rawat as a receiver in its order dated 10th November 2020. A Copy of the order was received by him on 13th November 2020.

DPPL is growing its business, for which it requires funds. After considering the available sources of funds and the cost of capital, DPPL decided to raise funds through the public deposit route. DPPL accepted deposits on 1st September 2020. The opinion of management at DPPL was divided regarding the creation of charge. Nearly half of the directors suggested that the assets should be kept unencumbered, and to take up deposit insurance in order to keep the credit rating of the company healthy, whereas remaining directors were of the opinion that premium cost may be saved by registering a charge over the assets, they also argued that creating a charge is mandatory irrespective of whether deposit insurance is available or not.

During his employment, Mr. Manoj promoted a company for the purpose of promoting the customs, traditions, and language of the Garhwal region of Uttarakhand, the said company was licensed under section 8 with the name National Book Depot (NBD) along-with his friends and relatives. Due to terms of his employment, he kept himself away from the management and operational activities of NBD. But now he has started participating in the management and daily operations of NBD, which is mainly engaged in the publication as well as the distribution of books based on Garhwal culture, the religious importance of Uttarakhand, and opportunity for tourism. NBD has a registered office in Haridwar. NBD organized a book fair at Garhwal Mandal Hall in Mussoorie, situated in the foothills of the Garhwal Himalayan range in Dehradun district.

Mr. Manoj felt that if NBD conducts its AGM as a continuation of the book fair, book fair will be a big hit as members could also enjoy and witness the culture Garhwal. There would also be a saving of cost. He therefore proposed this suggestion to the board of NBD. Board of directors at NBD decided to convene AGM at Mussoorie during the book-fair. One member objected to this as in his opinion either written permission from all the members in advance or permission from central government is required.

Mr. Barthwal, one of the members of NBD found it difficult to attend the AGM hence he authorized his son - in-law, Mr. Negi, a non-member as his proxy. Mr. Negi is a foreign national and was in India due to certain family ceremonies. Mr. Negi attended the meeting where he demanded a poll. The said meeting was adjourned to the next week, Mr. Negi attended the adjourned meeting too, where he requested to inspect the minute book.

16.1 With reference to holding AGM at Mussoorie by NBD, identify the correct statement.

[CH 7: Management & Administration]

- (a) NBD has violated the provisions of the Act guilty because AGM can be held only at the registered office or at any other place in the same city.
- (b) NBD is legally correct because the board of directors is authorized in this regard and hence their decision shall prevail.
- (c) NBD can hold a meeting at a place outside the city in which registered office is situated, only after passing a special resolution and obtaining the permission of the central government.
- (d) NBD has to get consent from all the members in writing or through electronic mode in advance to convene AGM at a place other than the city in which the registered office is situated.

16.2 If DPPL decided to register the charge, rather than subscribing for deposit insurance; then such charge shall be registered by;

[CH 6: Registration of Charges]

- (a) 16th September 2020
- (b) 1st October 2020
- (c) 16th October 2020
- (d) 31st October 2020

16.3 In furtherance to a court order regarding the appointment of Mr. Rawat as a receiver, Mr. Rawat shall give notice (along with a copy of the order) of such appointment to

[CH 6: Registration of Charges]

- (a) The company by 9th December 2020
- (b) The company and the registrar by 9th December 2020
- (c) The company by 12th December 2020
- (d) The company and the registrar by 12th December 2020

16.4 Regarding acceptance of public deposits, DPPL needs to ensure the mode and value of the security. Pick the correct statement out of the following;

[CH 5: Acceptance of Deposits by Companies]

- (a) Either creating a charge against the assets of the company including intangible assets or subscribing deposit insurance or both for an amount equal to the amount of deposit
- (b) Either creating a charge against the assets of the company excluding intangible assets or subscribing deposit insurance or both for an amount equal to the amount of deposit
- (c) Either creating a charge against all assets (at market value) of the company excluding intangible assets or subscribing deposit insurance or both for an amount equal to the amount of deposit and interest there-on
- (d) Either creating a charge against an asset (at book value) of the company excluding intangible assets or subscribing deposit insurance or both for an amount equal to the amount of deposit and interest thereon

16.5 Evaluate the legality of the appointment of Mr. Negi as proxy of Mr. Barthwal and his right, by selecting the correct option out of following;

[CH 7: Management & Administration]

- (a) Mr. Negi is a valid proxy, even if he not a member of NBD and holding foreign nationality.
- (b) Mr. Negi cannot call for a poll, he can only vote in the poll
- (c) Mr. Negi can attend adjourned meeting only if his appointment as proxy is ratified by Mr. Barthwal again.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



8334866117



[caraviagarwal.com](http://caraviagarwal.com)



[https://tiny.cc/CA\\_Ravi\\_Agarwal](https://tiny.cc/CA_Ravi_Agarwal)

PAGE NO.

165

(d) Mr. Negi must be provided with the minute book for inspection.

17. NAGARJUN AIRCONDITIONERS LTD (NAL) is a contract manufacturing company incorporated on 1.2.2017 with the primary objective of manufacturing a full range of residential, commercial and portable air conditioners for renowned brands in India. NAL is a family-owned unlisted public company, limited by shares. NAL has its registered office in Hyderabad, Telangana and marketing offices in four metropolitan cities at New Delhi, Kolkata, Mumbai and Bengaluru.

SAMUGA, one of the total 7 (seven) members, who also has subscribed to the memorandum of association of NAL, unfortunately met with a road accident and expired on 31.03.2017. All the remaining members attended the funeral. Business was as usual thereafter. All the members, as was the usual practice, were kept informed from time to time regarding all the important matters and issues relating to the company without fail by the CFO cum Company Secretary NIRANJAN. The Company continued its business only with its exiting other members for the next few months. SUGUNA, the wife of SAMUGA was taken as a member of NAL on official records only on 20.12.2017. Meanwhile, NAL borrowed unsecured loans of Rs. 15 Crores repayable on demand for meeting working capital needs between the period 15.10.2017 and 15.12.2017 from one of its directors MUDDU KRISHNA, who is only a family friend, but not a family member. The unsecured loan was borrowed with the stipulation of interest @10% P.A payable on monthly basis on the outstanding amount(s) to MUDDU KRISHNA, until the demand for payment of principal is made in writing to the company. However, MUDDU KRISHNA, because of his strained relationship with NAGARJUN, the managing director of NAL, resigned as a director of the company on 31.12.2017 and demanded immediate repayment of the entire sum of Rs. 15 Crores lent by him to NAL with interest of 10% P.A. NAL followed delaying tactics, which finally resulted in MUDDU KRISHNA suing NAGARJUN severally for the entire debts owed by NAL to him, since he was the head of the family.

MUDDU KRISHNA is also the member of One Person Company (OPC) MUDDU KRISHNA AGRO INDUSTRIES (OPC) PVT LTD. The OPC has been incorporated since the last one year. The Turnover of the OPC during the last financial year was Rs. 1 Crore. The paid-up capital of the Company increased to Rs. 55 Lacs from Rs. 5 Lacs as on 15.01.2018. MUDDU

KRISHNA after leaving the directorship with NAL continued his business as the member of his OPC.

Years passed. Size of the business and share capital of NAL substantially increased. NAL plans to go for expansion in capacity, keeping in mind export market, which required about Rs. 25 Crores. NAL started looking for various options for financing. One of the options considered was offer or invitation for subscription of equity on private placement. The Board identified a select group of 50 persons and issued private placement offer and applications after passing a special resolution at a general meeting and also after duly following the required procedure under the corporate laws. Monies received on application were kept in a separate bank account with Canara Bank. However, for some reasons NAL could not allot the equity within a period of 60 days from the date of receipt of the application money. The private placement plan was effectively cancelled, duly following the required procedure. NAL later opted for bank loans to finance the expansion.

NAL is authorized by its articles of association to accept the whole or any part of the amount of remaining unpaid calls from any member although no part of that amount has been called up. NARESH, one of the shareholders deposits in advance the remaining amount due on his shares without any calls made by NAL.

NAL declared dividend during the year. NARESH wanted to exercise his voting rights also in respect of call money paid in advance at the general meeting.

BHUSHAN AIRCONDITIONERS PVT LTD (BAPL) has been holding 5% equity in NAL since February 2018. During the month of February 2020, NAL invested in 70% Equity shares of BAPL. NAGARJUN wants to understand from NIRANJAN the implications of 5% holding of BAPL.

17.1 MUDDU KRISHNA, because of his strained relationship with NAGARJUN, the Managing Director of NAL, resigned as a Director of the Company on 31.12.2017 and demanded immediate repayment of the entire sum of Rs. 15 Crores lent by him to NAL with interest of 10% P.A. NAL followed delaying tactics, which finally resulted in Muddu Krishna suing NAGARJUNA severally for the debts owed by NAL to him, since he was the head of the family.

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) Only NAL, as a separate legal person, can be sued for the Debt of Rs. 15 Crores borrowed by NAL between 15.10.2017 and 15.12.2017;
- (b) NAGARJUNA can also be sued for the Debt of Rs. 15 Crores borrowed by NAL between 15.10.2017 and 15.12.2017 as per the provisions of the Companies Act, 2013;
- (c) Only the Board of Directors of NAL can be sued for the Debt of Rs. 15 Crores borrowed by NAL between 15.10.2017 and 15.12.2017;
- (d) NAGARJUNA can be severally sued not because of the provisions of the Companies Act, 2013, but because he is the head of the family run business.

17.2 The OPC has been incorporated one year ago. The Turnover of the OPC during the last financial year is Rs. 1 Crore. The paid-up capital of the Company increased to Rs. 55 Lacs from Rs. 5 Lacs as on 15.01.2018. State which of the following is correct:

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) The OPC shall cease to be entitled to continue as a One Person Company w.e.f. 15.01.2018
- (b) The OPC cannot be converted at all into a Private Limited Company or a Public Limited Company
- (c) The OPC can be converted into a Private Limited Company or a Public Limited Company only after 2 years from the date of incorporation.
- (d) The OPC can be converted into a Private Limited Company only after achieving an annual turnover of INRs. 2 Crores from the date of incorporation.

17.3 (i) The Board identified select group of 25 persons and issued private placement offer and applications duly following the required procedure under the corporate laws.

[CH 3: Prospectus and Allotment of Securities]

- (a) Public at large is to be informed about such an issue through release of public advertisement through utilizing any media, marketing, distribution channels or agents;
- (b) A release of public advertisement in any local newspaper and one national newspaper informing private placement is sufficient.
- (c) No company issuing securities under private placement shall release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an issue.
- (d) Informing the public at large through advertisement or otherwise is optional and the Board of Directors by passing a Board Resolution may decide the matter.

(ii) However, for some reasons NAL could not allot the equity within a period of 60 days from the date of receipt of the application money.

[CH 3: Prospectus and Allotment of Securities]

- (a) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company has failed, it shall also be liable to repay the money with interest @ 18% PA from the expiry of the 75th day;
- (b) Since Private Placement, NAL can take further 60 days' time with the subscribers agreeing to pay interest @18% PA from the extended date until the actual allotment.
- (c) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company has failed, it shall also be liable to repay the money with interest @ 12% PA from the expiry of the 60th day;
- (d) The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company has failed, it shall also be liable to repay the money with interest @ 12% PA from the expiry of the 75th day.

17.4 NARESH, one of the shareholders deposits in advance the remaining amount due on his shares without any calls made by NAL.

- (i) NAL declared dividend during the year.

[CH 3: Prospectus and Allotment of Securities]

- (a) NARESH is not entitled to any dividend in respect of call money paid in advance;
- (b) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by a Board Resolution;
- (c) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by an Ordinary Resolution in a general meeting;

(d) NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by Articles of Association.

(ii) NARESH wanted to exercise his voting rights also in respect of call money paid in advance in a general meeting;

[CH 3: Prospectus and Allotment of Securities]

(a) NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, since the relevant shares have been fully paid up.

(b) There would be no voting rights on that advance amount of NARESH in a general meeting till the amount is duly called for and adjusted;

(c) NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, if agreed by a Board resolution.

(d) NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, if agreed by an Ordinary resolution of Members.

17.5 BHUSHAN AIRCONDITIONERS PVT LTD (BAPL) has been holding 5% equity in NAL since February 2018. During the month of February 2020, NAL invested in 70% Equity shares of BAPL. NAGARJUN wants to understand from NIRANJAN the implications of 5% holding of BAPL.

[CH 2: Incorporation of Company and Matters Incidental Thereto]

(a) BAPL shall surrender its 5% equity holding to NAL immediately once it becomes the subsidiary of NAL;

(b) BAPL shall transfer its 5% equity holding to any nominees of NAL before it becomes the subsidiary of NAL;

(c) BAPL shall immediately transfer its 5% equity holding to any other legal person or entity before investment by NAL;

(d) BAPL may continue to hold or reduce its 5% equity holding in NAL.

18. It was time for Triveni Kitchen and Home Gadgets Limited (TKHGL) based at Kozhikode, Kerala to redeem 30,000 redeemable preference shares of Rs. 100 each at a premium of Rs. 30 per share. These preference shares were issued five years back in January, 2015 i.e., during the Financial Year 2014-15 to finance the purchase of a state-of-the art compact plant which would replace certain worn-out machineries responsible for higher production costs. As a complimentary gesture, the employees who were required to operate the newly purchased plant were given the requisite training of fifteen days by the seller of the plant without any charge.

Triveni is an established name in the world of kitchen and home gadgets with Twelve Years of presence – be it pressure cook wares, cooktops, grinders, OTGs, Microwaves, Built-in Gas HOBs, or kitchen hoods, to name a few.

It was clarified by Shipra Dass, the financial controller of the company, that the profits were sufficient to meet the resultant liability arising out of the redemption of preference shares at a premium. Therefore, the redemption was carried out of the profits which were otherwise available for declaration of dividend to the shareholders of the company. After the redemption of preference shares, a requisite amount was transferred out of profits to Capital Redemption Reserve Account. As on the date of redemption, no liability on account of dividend payment to the preference shareholders was existing.

It may be noted that the company was incorporated with an Authorised Capital of Rs. 250.00 lacs divided into twenty-two lacs equity shares of Rs. 10 each and 30,000 redeemable preference shares of Rs. 100 each. The equity shares were fully subscribed at the time of incorporation but the preference shares were issued as fully paid-up only five years back. The reserves of Triveni consisted of General Reserves, Dividend Equalisation Fund, Workmen Compensation Reserve and Investment Fluctuation Reserve. Included in the list of non-current assets were Land and Building, Plant and Machinery, Vehicles, and Furniture and Fixtures.

Earlier, for the Financial Year 2018 -19, the company had declared a dividend of Rs. 4 per share at its Annual General Meeting held on 7th September, 2019. However, a dividend of Rs. 42,000 payable on 10500 equity shares remained unclaimed even after the expiry of statutory period within which dividend was required to be paid.

The company owned a plot of land in Kochi, a prominent urban area of Kerala which was purchased by it after the date of its incorporation. As the property rates were going up, it was decided by Hariharan Nair, Venkatesh, Siva Kumar and Balakrishnan, the directors of the company, to revalue the plot during the current Financial Year 2019-20. It was found that the fair market value of the plot was approximately six times the original price based on a moderate estimate. This resulted in a revaluation profit of Rs. 75.00 lacs.

18.1 In the above case scenario, the company has created Capital Redemption Reserve (CRR) Account after redemption 30,000 preference shares of Rs. 100 each at a premium of Rs. 30 per share. Out of the given options, which should be the purpose for which amount lying to the credit of CRR Account needs to be utilised:

[CH 4: Share Capital and Debentures]

- (a) Amount lying to the credit of CRR Account cannot be utilized for any purpose during the life-time of the company.
- (b) Amount lying to the credit of CRR Account can be utilised for issuing fully paid-up bonus shares to the members of the company.
- (c) Amount lying to the credit of CRR Account can be utilised for declaration of dividend.
- (d) Amount lying to the credit of CRR Account can be utilised for paying up fresh issue of debentures to the members and such debentures shall be redeemed only after ten years from the date of issue.

18.2 From the case scenario, it shall be observed that a dividend of Rs. 42,000 remained unclaimed even after the expiry of the statutory period within which dividend was required to be paid. State the period within which

the company must have transferred this amount to a special account opened by it in that behalf in a scheduled bank.

[CH 8: Declaration and Payment of Dividend]

- (a) Within three days after the expiry of the statutory period within which dividend was required to be paid.
- (b) Within five days after the expiry of the statutory period within which dividend was required to be paid.
- (c) Within seven days after the expiry of the statutory period within which dividend was required to be paid.
- (d) Within ten days after the expiry of the statutory period within which dividend was required to be paid.

18.3 The given case scenario states that after redeeming 30,000 preference shares of Rs. 100 each at a premium of Rs. 30 per share, the company transferred the requisite amount to the Capital Redemption Reserve (CRR) Account. How much was that amount?

[CH 4: Share Capital and Debentures]

- (a) Rs. 39,00,000
- (b) Rs. 30,00,000
- (c) Rs. 19,50,000
- (d) Rs. 15,00,000

18.4 According to the case scenario, the directors of the company decided to revalue the plot at Kochi and such revaluation resulted in a revaluation profit of Rs. 75.00 lacs. The directors are contemplating to use the revaluation profit of Rs. 75.00 lacs along with other distributable profits for declaration of dividend in the next Financial Year. Advise them in this regard.

[CH 8: Declaration and Payment of Dividend]

- (a) The directors can use the revaluation profit of Rs. 75.00 lacs along with other distributable profits for declaration of dividend.
- (b) The directors cannot use the revaluation profit of Rs. 75.00 lacs along with other distributable profits for declaration of dividend.
- (c) The directors can use only 75% of the revaluation profit of Rs. 75.00 lacs along with other distributable profits for declaration of dividend.
- (d) The directors can use only 50% of the revaluation profit of Rs. 75.00 lacs along with other distributable profits for declaration of dividend.

18.5 In the given case scenario, the redemption of preference shares was carried out by TKHGL through utilisation of the profits which were otherwise available for declaration of dividend to the shareholders of the company. If the company had decided not to utilise such profits for the purpose of redemption which other option, could it have used for accomplishing the redemption.

[CH 4: Share Capital and Debentures]

- (a) No other option is available for the purpose of redemption of preference shares except profits which are otherwise available for declaration of dividend to the shareholders of the company.
- (b) Out of the proceeds of a fresh issue of shares made for the purpose of redemption of preference shares.
- (c) Out of the proceeds of a fresh issue of debentures to be redeemed only after ten years.
- (d) Out of the proceeds of a long-term loan raised from the bankers of the company for the purpose of redemption of preference shares.

19. Vishal Crockery Limited was incorporated on 24th September, 2010 under the jurisdiction of Registrar of Companies, Rajasthan with its registered office located in Jaipur and its manufacturing units spread out in Mumbai, Kanpur, Delhi and Ludhiana. Under the dynamic leadership of Hans Rajpal, the Chairman and Managing Director (CMD) of the company, the company had reached new heights of success. The directors of the company numbered eight including CMD out of which two were the independent directors.

The turnover of the company for the Financial Year 2018-2019 was Rs. 750.00 crores – a whopping rise of more than 20% from the previous year and the net profit stood at an impressive figure of Rs. 6.60 crores – an increase of Rs. 1.80 crores as compared to the net profit of the previous year. The company had a net worth of Rs. 250.00 crores; and it was noticed that the net worth had also registered a northern-western trend by more than 15%. The authorised and paid-up share capital of the company was Rs. 8.00 crores. Keeping in view the applicability of forming a CSR Committee for the current financial year 2019-20, a CSR Committee was formed with four directors as members of which one was an independent director. The Committee was, among other objectives, given the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy which would indicate the activities to be undertaken by the company within the framework specified in Schedule VII.

The company plans to diversify its business by adding another segment to manufacture steel utensils and therefore, is desirous of shifting its registered office to Mumbai from Jaipur which will help the company in carrying on the new business for effectively. Another strategically important segment which the company tapped earlier and now wishes to engage itself in on a large scale relates to manufacturing of stationery items.

The company hopes that with the shifting of registered office to Mumbai, it will be able to target international markets to export its quality products. As on date, the export turnover of the company is not significant. The directors, Janardan Mittal (Finance) and Ratish Jain (Marketing), however, have in-depth knowledge of export markets, particularly those existing in UK and Singapore, where they can place their products successfully and achieve wealth maximisation.

During the current Financial Year 2019-20, the company provided ample support for improvement of infrastructure in schools established at Mumbai, Kanpur, Delhi and Ludhiana as part of its CSR activities. In addition, the company contributed towards establishment of Digital Smart Classroom, Libraries and computer labs in these cities. The company also deployed mobile medical units equipped with medical facilities and qualified doctors. In addition to this a large number of public health and sanitation activities had been initiated under Swachh Bharat Abhiyan. The total amount spent on these activities was, till date, almost equal to the minimum amount prescribed and it is hoped that as the current Financial Year 2019-20 approaches its end, the total spending on CSR activities will certainly exceed the budgeted figure.

19.1 Which of the following factors would have prompted Vishal Crockery Limited to mandatorily form a Corporate Social Responsibility (CSR) Committee for the current financial year?

[CH 9: Accounts of Companies]

- (a) The net profit had increased to Rs. 6.60 crores and it was more by Rs. 1.80 crores in comparison to previous year's net profit.
- (b) The turnover was Rs. 750.00 crores which was an increase of more than 20% as compared to the previous year.
- (c) The net worth was Rs. 250.00 crores which when compared to the previous year had registered an increase by more than 15%.
- (d) The paid-up share capital was Rs. 8.00 crores.

19.2 For the purpose of shifting its registered office from Jaipur to Mumbai, the company is required to seek the approval of the Central Government through the Regional Director, in addition to various other formalities. What is the maximum time period within which, the Central Government shall dispose of the application filed by the company for shifting of its registered office to Mumbai in Maharashtra?

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) Maximum thirty days
- (b) Maximum forty-five days
- (c) Maximum sixty days
- (d) Maximum ninety days

19.3 What is the minimum amount (in percentage) that Vishal Crockery Limited is required to spend during the Financial Year 2019-20 on the CSR activities?

[CH 9: Accounts of Companies]

- (a) 2% of the average net profits made during the two immediately preceding financial years.
- (b) 2% of the average net profits made during the three immediately preceding financial years.
- (c) 2.5% of the average net profits made during the two immediately preceding financial years.
- (d) 2.5% of the average net profits made during the three immediately preceding financial years.

19.4 In the given case scenario, Vishal Crockery Limited decided to undertake CSR activities on its own. In case, it had decided to engage an external Section 8 company for undertaking its CSR activities and such charitable company is not established by Vishal nor it is established by the Central/State Government or by

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



8334866117



[caraviagarwal.com](http://caraviagarwal.com)



[https://tiny.cc/CA\\_Ravi\\_Agarwal](https://tiny.cc/CA_Ravi_Agarwal)

any entity established under an Act of Parliament or a State Legislature, then what should be the established track which this Section 8 company should have in undertaking similar programs or projects which Vishal Crockery Limited wants it to accomplish?

[CH 9: Accounts of Companies]

- (a) Track record of minimum one year  
(b) Track record of minimum two years  
(c) Track record of minimum three years  
(d) None of the above

20. Satyavaan Expert Packers and Movers Limited, a reliable and well-established company, was incorporated on 20th September, 2014 with an aim to provide convenient and innovative ways of moving customers' household items, re-location of businesses and offices, shifting of vehicles, etc. in the northern region. Their services have been professionally designed to ensure maximum customers satisfaction. The company had been formed by the directors Vijay Khanna, Pranav Chaturvedi, Vansh Khurana, Roopali Datta and Shikha Kumar whose friendship had developed during their college days. By dint of hard work and their business acumen, the promoters had successfully created a niche for themselves amid cut-throat competition.

The company has a fleet of over 500 vehicles, 55 branches, professionals and technical and non-technical employees. Over a period of time, Satyavaan has become a trusted brand and prospective customers prefer to engage it whenever they want to re-locate their offices or homes since services are provided in a convenient and cost-effective manner.

The authorised capital of the company is Rs. 150.00 lacs divided into 15,00,000 equity shares of Rs. 10 each. At the time of incorporation, its paid-up capital was Rs. 1,00,00,000 and there were 50 shareholders. The registered office of the company is situated in Green Park, Kanpur.

With a view to provide world-class relocation and moving solutions throughout the country, the directors decided to enlarge the capital base of the company. During the mid of the current financial year, it offered remaining 5,00,000 shares to another 120 persons at a premium of Rs. 10 per share on private placement basis. Among others, Ria, a freelance software consultant and her younger sister Ruchi, a management consultant in Infratech Solutions Limited which is well-known company for its high export turnover, were also identified as the prospective subscribers. However, they requested the company to offer them only the minimum number of shares. Similar requests were also received from another twelve persons. Their requests were given due consideration by the directors. All the identified persons who were offered shares paid the required amount (including premium) as per the terms of the offer. The allotment of the shares was made much before the statutory period.

Immediately after the aforesaid allotment of shares, the company rolled out its expansion plan as envisaged earlier and utilised the funds so obtained for the requisite purpose. However, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis during the remaining part of the current financial year. For this purpose, it is proposed to increase the authorised capital from the present Rs. 150.00 lacs to Rs. 300.00 lacs

In addition to the further allotment of shares on private placement basis, the company is also contemplating to raise deposits from the members. However, Vijay Khanna and Roopali Datta are of the opinion that the

company should consider raising of deposits only in the next financial year since the funds already raised need to be properly utilized.

20.1 According to the case scenario, the company allotted the shares issued on the private placement basis well before the statutory period. What is the maximum period statutorily allowed within which the allotment of the shares must be made:

[CH 3: Prospectus and Allotment of Securities]

- (a) Shares must be allotted within 30 days of the receipt of application money towards such shares.
- (b) Shares must be allotted within 45 days of the receipt of application money towards such shares.
- (c) Shares must be allotted within 60 days of the receipt of application money towards such shares.
- (d) Shares must be allotted within 90 days of the receipt of application money towards such shares.

20.2 According to the case scenario, the company is desirous of raising deposits from its members to augment the funding requirements. In case, the company also contemplates to raise deposits from public in addition to its members, which of the following option is applicable:

[CH 5: Acceptance of Deposits by Companies]

- (a) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 100 crores and a turnover of minimum Rs. 500 crores.
- (b) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 150 crores and a turnover of minimum Rs. 250 crores.
- (c) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 150 crores or a turnover of minimum Rs. 750 crores.
- (d) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 100 crores or a turnover of minimum Rs. 500 crores.

20.3 According to the above case scenario, during the mid of the current financial year, the company offered 5,00,000 shares to 120 persons at a premium of Rs. 10 per share on private placement basis. During the remaining part of the current financial year, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis. How many more such prospective shareholders can be invited by the company for investment in the capital of the company.

[CH 3: Prospectus and Allotment of Securities]

- (a) The company can offer equity shares maximum up to the 30 prospective shareholders in the remaining part of the current financial year.
- (b) The company can offer equity shares maximum up to the 55 prospective shareholders in the remaining part of the current financial year.

(c) The company can offer equity shares maximum up to the 80 prospective shareholders in the remaining part of the current financial year.

(d) The company can offer equity shares maximum up to the 130 prospective shareholders in the remaining part of the current financial year.

20.4 In the given case scenario, suppose the company has failed to allot the shares within the statutorily allowed period. In such a case, the only remedy available with the company is to refund the application money. State the time period within which the company is required to refund the application money to the subscribers if it has failed to allot the shares within the statutorily allowed period.

[CH 3: Prospectus and Allotment of Securities]

(a) The application money must be refunded within sixty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.

(b) The application money must be refunded within forty-five days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.

(c) The application money must be refunded within thirty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.

(d) The application money must be refunded within fifteen days from the expiry of statutorily allowed period within which the allotment of shares ought to have been made.

21. Green Pepper Films and Media Limited (GPFML), a major and well-established entertainment company, is engaged in the activities relating to production of TV programmes, distribution of motion pictures, etc. It has its own privately-owned studio facility which is used to produce films either by the company or by other players belonging to film industry. The company was formed by Sourabh Sharma, Vaishnavi Valsara, Hiten Chaudhary and Ritwik Chopra - a team of core media professionals as an integrated media house in 2010; the quartet is also the directors on the board of the company. Later on, Vaishnavi transferred 1,00,000 equity shares held by her to Vasant, her cousin, who is based at London.

GPFML has become one of the leading TV production houses in the country with the passage of time. The authorized capital of the company is Rs. 5.00 crores divided into 4,00,00,000 equity shares of Re. 1 each and 1,00,000 8.5% non-cumulative preference shares of Rs. 100 each. Initially, the company issued 75% of its equity shares which were fully subscribed. Around 70% of equity shares issued so far are held by the four promoters and their relatives.

In the year 2016, the company issued 50,000 preference shares of Rs. 100 each to its existing shareholders on which, as per the terms which were already approved by the shareholders 8.5% dividend was payable when declared. It may be noted that the company had also issued the remaining 1,00,00,000 equity shares with a view to raise funds for TV software development.

For the financial year, 2018-19, the Board of Directors proposed to declare a dividend of Rs. 3 per equity share. It was ensured that only the residual profits remaining after making payment of dividend to the

preference shareholders at 8.5% were to be utilised for making payment of dividend to the equity shareholders. As the residual profits were sufficient to meet the liability arising on payment of dividend of Rs. 3 per equity share, the proposed dividend was approved by the shareholders at the Annual General Meeting held on 3rd August, 2019. Accordingly, the requisite amount on account of declared dividend was transferred to a special bank account opened with the company's bankers. However, dividend amounting to Rs. 15,600 payable to certain equity shareholders remained unclaimed even after the expiry of statutory period within which dividend was required to be paid. Accordingly, the directors took steps to transfer the unclaimed amount to the Unpaid Dividend Account.

21.1 The case scenario states that the company declared a dividend of Rs. 3 per equity share at its AGM held on 3rd August, 2019 and the same was deposited in a separate bank account maintained with its bankers i.e. National Bank of India. What is the maximum time within which the amount of dividend must be deposited in a separate bank account.

[CH 8: Declaration and Payment of Dividend]

- (a) The declared dividend needs to be deposited maximum within three days from the date of declaration.
- (b) The declared dividend needs to be deposited maximum within five days from the date of declaration.
- (c) The declared dividend needs to be deposited maximum within seven days from the date of declaration.
- (d) The declared dividend needs to be deposited maximum within ten days from the date of declaration.

21.2 According to the case scenario, the company proceeded to issue 50,000 preference shares of Rs. 100 each to its existing shareholders on which 8.5% dividend was payable as and when declared. From the given four options choose the one which would not have found place in the resolution that was passed for authorizing the issue of preference shares.

[CH 4: Share Capital and Debentures]

- (a) The issue of preference shares is non-convertible.
- (b) The issue of preference shares is convertible.
- (c) The issue of preference shares is redeemable.
- (d) The issue of preference shares is irredeemable.

21.3 According to the case scenario, after the declaration and payment of dividend, an amount of Rs. 15,600 being dividend payable to certain equity shareholders remained unclaimed even after the expiry of statutory period within which dividend was required to be paid. What is the time limit within which the unclaimed dividend must be transferred to a special account opened with a scheduled bank for this purpose.

[CH 8: Declaration and Payment of Dividend]

- (a) The unpaid or unclaimed dividend must be transferred to a special account within three days from the expiry of the statutory period within which it was to be paid or claimed.

(b) The unpaid or unclaimed dividend must be transferred to a special account within five days from the expiry of the statutory period within which it was to be paid or claimed.

(c) The unpaid or unclaimed dividend must be transferred to a special account within seven days from the expiry of the statutory period within which it was to be paid or claimed.

(d) The unpaid or unclaimed dividend must be transferred to a special account within ten days from the expiry of the statutory period within which it was to be paid or claimed.

21.4 The given case scenario states that the company proceeded to issue preference shares to its existing shareholders. As regards the redemption of these shares what is the maximum term the company could have prescribed so as to use the proceeds for the maximum possible period.

[CH 4: Share Capital and Debentures]

(a) The company would have prescribed maximum twenty-five years from the date of issue within which the preference shares were required to be redeemed.

(b) The company would have prescribed maximum twenty years from the date of issue within which the preference shares were required to be redeemed.

(c) The company would have prescribed maximum fifteen years from the date of issue within which the preference shares were required to be redeemed.

(d) The company would not have prescribed any term if the company wanted the preference shares to be irredeemable so as to use the proceeds forever.

22. ABZ Limited is engaged in generating power supply in the state of Karnataka. Forty per cent of the equity capital of ABZ Limited is held by the Central Government; twenty per cent by Chamundeshawari Electricity Supply Corporation, a State-owned corporation and the balance forty percent by other public shareholders. The market price of ABZ Limited is Rs. 150.

ABZ is having power to appoint Board of Directors of North South Private Limited engaged in manufacturing cosmetics for young India. Along with this, ABZ has control of 46% of voting power of East West limited, a company engaged in providing logistics solutions.

The structure of East West limited is that it holds 56% shares in WENS Ltd. having capital structure as follows:

Paid up capital – Rs. 200 lakhs and turnover Rs. 35 crores

The capital structure of the other companies mentioned above is as follows:

<b>ABZ</b>	Net worth - 550 crore	Turnover - 1500 crore	-
<b>East West limited</b>	Paid up Capital - 20 crores	Bank borrowings from FIs- 15 crores	-
<b>North South Pvt Ltd</b>	Paid up capital - 15 crores	Turnover - 200 crores	bank borrowings from FIs- 55 crores

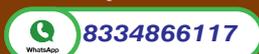
As per the rules to be read within Section 204 of the Companies Act, 2013, particular classes of companies must appoint Secretarial Auditor to ensure that company complies with the applicable secretarial standard and also obtain a Secretarial Audit Report. But, the board of directors of WENS Ltd., have not appointed a company secretary as they do not know the criteria and conditions of appointment. But as they and the promoters of WENS Ltd need to expand business across India and globally as well, for which it needs to have fund and they are thinking of getting the shares of the company listed on NSE by inviting the public for subscription of shares. Finally, they issued prospectus as per section 32 of the Act on 30th Jan 2017 in which details regarding price and quantity of shares was not given. As they were not able to decide upon the exact price, they proceeded by giving floor price along with range within which bids can move and let on the subscriber to bid on quantity and price. After the end of bidding process, amount and price were determined and final prospectus was issued. Company WENS Ltd successfully raised capital. After two years of raising capital i.e., on 30th Jan 2019 capital structure of company was as follows:

Unsecured loan	15 lacs
Paid up capital	350 lacs
Depreciation balance	5 lacs
Securities premium	8 lacs
Capital reserve	10 lacs
Free reserve	12 lacs

Promoters of WENS Ltd have decided to Buy back their securities u/s 68(1) of Companies Act to consolidate their stake in company. They obtained necessary authorization and approval and followed prescribed procedure.

One group of shareholders of the above company i.e., WENS Ltd was claiming that the buyback was inconsistent with act and questioned the process of said Buy back. The auditor of the company, Mr. Love & Leu, published their opinion that this Buy back is authorized by Memorandum of Association and Articles of Association and hence outsider can assume that all detailed formalities have been complied with in due course.

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



Love & Leu is also Statutory auditor of North South Pvt. Ltd. They have been auditing the company since 31st March 2015. After auditing the company accounts for the year ended 31.03.2019 they are expressing their unwillingness to continue as auditor of said company and want to retire after the expiry of their term. The company has given their consent on this point.

22.1 Out of above-mentioned companies, which one(s) will be defined as Government company u/s 2(45) of Companies Act, 2013?

[CH 1: Preliminary]

- (a) ABZ and North South Pvt. Ltd.
- (b) ABZ and East West Limited
- (c) ABZ and WENS Limited
- (d) North South Pvt. Ltd. and WENS Ltd.

22.2 How is ABZ Limited related with North South Pvt. Ltd. and East West Ltd.?

[CH 1: Preliminary]

- (a) Holding Company and Associate
- (b) Subsidiary Company and Associate
- (c) Associate Company and Joint Venture
- (d) Holding Company and Joint Venture

22.3 Whether the term of office of Love & Leu has expired? If yes, on what criteria can we conclude that their term has expired as per sec 139(2) of companies act?

[CH 10: Audit and Auditors]

- (a) Borrowings from Financial Institutions is Rs. 55 crores of North South Pvt. Ltd. and rotation of individual auditor is compulsory after 5 years
- (b) Turnover is Rs. 200 crore or more and rotation of individual auditor is compulsory after 5 years
- (c) Paid up share capital is Rs. 15 crore and rotation of individual auditor is compulsory after 5 years
- (d) North South Pvt Ltd is subsidiary of A-to-Z Ltd. and rotation of individual auditor is compulsory after 5 years.

22.4 As per the data and statistics of funds available with us what is the maximum amount of Buy back WENS can make?

[CH 4: Share Capital and Debentures]

- (a) 28 lacs (b) 20 lacs (c) 30 lacs (d) 12 lacs

22.5 Which type of prospectus has been issued by WENS Ltd. to raise capital from market

[CH 3: Prospectus and Allotment of Securities]

- (a) Shelf Prospectus (c) Red Herring Prospectus  
(b) Abridged Prospectus (d) Deemed

23. Golden Oak Plaza Limited (GOPL) is a public company, dealing in designer items made from Oak wood. The objects clause in the memorandum empowers the company to give guarantee in respect of loans made to subsidiary or associate companies, but the Articles of Association has not delegated this power to the board of directors and reserves the power with members. The Board of Directors of GOPL passed board resolution to provide guarantee for one of the associate companies.

GOPL is in need of capital for further expansion of business. The Board of directors of GOPL is looking at both the options of public issue as well as private placement. Mr. Vivek Partap who is compliance officer of the company informed Mr. Bhavay Thakur, CFO, about the limitation associated with private placement, especially ceiling limit on the number of persons to whom securities can be offered. Office of Mr. Thakur has lined up the names of 120 investors to whom securities can be issued if private placement takes place.

After hours of discussion and deliberation, GOPL decided to float capital through capital market and entered in process of raising of further capital from capital market by issue of prospectus. Prospectus is registered with the Registrar of Companies (ROC) on 10th January 2020. GOPL hired Shark Broking Solution as underwriting agent. Underwriting commission was agreed at rate of 4%.

Mr. Alok who invested in securities issued by company, having knowledge about the internal irregularity in process of issue regarding title of securities; remained silent. Later when the company denied making repayment to him due to defect in title, Mr. Alok sued the company quoting doctrine of indoor management as defence; but company denied his claim.

23.1 What is the maximum number of persons to whom an offer may be made under Private placement?

[CH 3: Prospectus and Allotment of Securities]

- (a) Maximum of fifty persons in a particular financial year, including qualified institutional buyers and employees of the company being offered securities under a scheme of employee's stock option;  
(b) Maximum of fifty persons, in a particular financial year excluding qualified institutional buyers and employees of the company being offered securities under a scheme of employee's stock option;

(c) Maximum of fifty persons, including qualified institutional buyers and employees of the company being offered securities under a scheme of employee's stock option; inclusive of any such placement during previous years also;

(d) Maximum of fifty persons, excluding qualified institutional buyers and employees of the company being offered securities under a scheme of employee's stock option; inclusive of any such placement during previous years also.

23.2 Assess the validity of board resolution by board of directors of GOPL to undertake guarantee for one of the associate companies

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) Valid (c) Voidable  
(b) Void (d) Void-ab-initio

23.3 Is Mr. Alok eligible to take defence of 'Doctrine of Indoor Management'?

[CH 2: Incorporation of Company and Matters Incidental Thereto]

- (a) Yes, because company deny in making payment to him  
(b) Yes, defence of 'Doctrine of Indoor Management' is unconditional and without exception  
(c) No, rule of constructive notice is absolute and doctrine of indoor management can't be raised  
(d) No, because 'Doctrine of Indoor Management' has exception of knowledge of irregularity.

23.4 To keep prospectus valid, within how many days GOPL is supposed to issue the registered prospectus

[CH 3: Prospectus and Allotment of Securities]

- (a) Within 30 days from date of registration with ROC  
(b) Within 60 days from date of registration with ROC  
(c) Within 90 days from date of registration with ROC  
(d) Within 120 days from date of registration with ROC

23.5 GOPL agrees to pay underwriting commission @ 4% for shares, which of following statement is legally valid in regard to underwriting commission offered by GOPL?

[CH 3: Prospectus and Allotment of Securities]

- (a) Maximum underwriting commission can be 5% in case of shares

- (b) Maximum underwriting commission can be 2.5% in case of shares
- (c) There is no maximum ceiling limit on underwriting commission in case share
- (d) Underwriter cannot appoint sub-underwriters

24. Sirmaur Ispat Limited (SIL) deals in varieties of metals and products manufactured there from. Since the company is running into losses, SIL has decided to restructure its capital. In order to keep the morale of the shareholders high, SIL decided to declare dividend out of reserves.

Since there is limit on issue of dividend, out of past reserves, company decided to issue fully paid bonus shares. The CFO has asked you, the Finance Manager to study and report on the legal aspects involved in issue of bonus shares.

Company has borrowed monies, and the charge was created on 02.11.2019 against the land and building of the manufacturing unit of SIL. SIL has failed to register the charge till 01.12.2019. SIL a well-governed company which wishes to ensure favourable relations with investors through transparent reporting. Annual report of SIL contains details which are beyond the legal requirements. The latest AGM of SIL was conducted on 30th August 2019.

While finalizing the minutes of meeting of AGM, SIL's chairperson wishes to remove statement made by retiring director stating that the same is defamatory of the company in nature. One of the existing independent directors raises the question on exclusion of said matter and asked the office of company secretary to redraft the minutes containing said matter.

24.1 What is the date by which SIL has to file the Annual Return for the year ended 31st March, 2019?

[CH 7: Management & Administration]

- (a) 14th September 2019
- (b) 29th September 2019
- (c) 29th October 2019
- (d) 28th November 2019

24.2 SIL cannot issue fully paid-up bonus share to its members out of

[CH 4: Share Capital and Debentures]

- (a) Free Reserves
- (b) Securities Premium Account
- (c) Capital Redemption Reserve Account
- (d) Capitalizing reserves created by revaluation of assets.

24.3 Which of the following is not a valid condition, for issue of fully paid bonus shares?

[CH 4: Share Capital and Debentures]

- (a) Should be authorized by AOA
- (b) Can only be issued against fully paid shares
- (c) Should be authorized by a special resolution
- (d) Bonus Shares shall not be issued in lieu of dividend

24.4 Regarding exclusion of certain matter from minutes of AGM of SIL; which of following statement is correct?

[CH 7: Management & Administration]

- (a) All the matters need to incorporated in minutes
- (b) It is chairperson's exclusive right to include or exclude certain matters from minutes of the AGM
- (c) Chairperson can only express his opinion that which matter should be excluded from minutes, but his decision is not binding
- (d) Since independent director has raised the question on exclusion of certain matter hence minutes need to be redrafted.

25. Michael Mascaren has is the Chief Finance Officer (CFO) and Sachin Bhat is the Company Secretary (CS) of Jitendra Iron Works Private Ltd (JIWPL), in Manipal, Karnataka State. JIWPL is an integrated set up of foundries and machine shops that add value by machining more than 75% of the castings manufactured to fully finished condition. JIWPL is one of the largest jobbing foundries producing grey iron castings required for automobile, farm equipment and diesel engines sectors. JIWPL serves customers globally. The turnover of JIWPL is about Rs. 600 Crores, including export turnover of about Rs. 250 Crores.

During the year 2019, JIWPL planned expansion to enhance its production capacity to meet the increasing demand from its customers, by importing fully automatic plant and equipment's from Germany for the unit at Manipal and also by acquiring a machining unit at Nairobi, Kenya. The means of finance of the expansion project: -

(a) JIWPL received an amount of Rs 25 Crores from Malini Shetty, wife of one of the promoter directors, Mahesh Shetty of JIWPL. Mahesh Shetty wanted Sachin Bhat to brief him regarding any compliance needed from the perspective of acceptance of Deposits.

(b) The Board and the CFO also approached the main banker of the company viz., Bank of Baroda. The Bank after proper credit analysis, sanctioned -

1. A term loan of Rs. 50 Crores to JIWPL, repayable in 6 years, for importing a fully automatic plant and equipment from Germany for the expansion project for the unit in Manipal against the security of the assets imported, along with the land and buildings in Manipal. Also sanctioned were interchangeable non funded

limits for foreign letters of credit and bank guarantee totalling Rs. 25 Crores against the security of liquid assets in the form of fixed deposits and mutual funds.

2. Along with the aforesaid term loan, JIWPL was also sanctioned an additional amount of Rs. 50 Crores for meeting the working capital needs of the expansion project, which included interchangeable limits of cash credit, foreign and inland bills for negotiation and acceptance. The security cover was floating charge on the book debts, inventory and other current assets of the expansion project in Manipal of JIWPL.

3. Further, a term loan for Rs. 75 Crores, repayable in 6 years was also sanctioned for acquisition of a machining plant along with land and buildings at Nairobi, Kenya for the subsidiary company by name Jitendra Machining Pvt Ltd (JMPL). The said loan was disbursed through the overseas branch of Bank of Baroda at Nairobi specifically to meet the continuous demand of a major customer in Kenya with an eye also to capture the African market. The security is against the properties at Nairobi.

The CFO and the CS together coordinated with the legal department of the Bank on procedures relating to creation of security and registration of charges.

The registered office of JIWPL is located in Manipal. Out of the company's 180 members, 20 members, who are entered in the register of members (ROM) reside in Mangalore, a nearby city. These members requested the company for some reasons to maintain the ROM in the company's liaison office in Mangalore, instead of Manipal henceforth.

The board of JIWPL approved allotment of shares to Two (2) new members on 1.1.2020 and their names are to be entered into the Register of Members by the Secretarial Department.

M/S Suresh Poojary & Co are the statutory auditors of the company appointed at the Annual General Meeting of the company during the year 2018 to hold the office from the conclusion of that meeting till the conclusion of the sixth meeting thereafter. However, during the annual general meeting of the year 2019, no ratification resolution for the appointment of the auditor was passed.

25.1 In connection with the loan from Malini Shetty, the CS has to ensure -:

[CH 5: Acceptance of Deposits by Companies]

- (a) That the particulars of amount received are immediately entered in the register of deposits maintained in such manner and in such format as prescribed;
- (b) That a circular is immediately issued to the members of the company with a statement of deposits accepted as on date with the names of each depositor, amount(s) received as on date, the due date(s) and the liability(ies) on the due date(s) in respect of each depositor
- (c) That a declaration is obtained to the effect that the amount given is not sourced from borrowed funds or by accepting loans or deposits from others and disclose the details in the Board's Report;
- (d) That the particulars of deposits received are filed within 30 days from the date of its receipt with the Registrar.

25.2 JIWPL was also sanctioned an additional amount of Rs. 50 Crores for meeting the working capital needs of the expansion project., which included interchangeable limits of cash credit, foreign and Inland bills for

negotiation and acceptance. The security cover was floating charge on the book debts, Inventory and other current assets of the expansion project of JIWPL. A floating Charge, in general is created by way of:

[CH 6: Registration of Charges]-

- (a) Passing a board resolution
- (b) Signing and acknowledging the Credit Sanction letter
- (c) Mortgage
- (d) Hypothecation or lien.

25.3 In connection with the loan disbursed in Kenya, while creating a charge in India, where the instrument relates solely to the properties at Kenya, the copy can be verified by a Certificate issued-

[CH 6: Registration of Charges]

- (a) Also, under the hand of some person other than the company who is interested in the mortgage or charge;
- (b) Also, under the hand of some person other than the company who shall not be interested in the mortgage or charge
- (c) Only under the hand of one of the directors of JIWPL
- (d) Only under the hand of a practicing Company Secretary or a practicing Chartered Accountant

25.4 In connection with maintenance of the Register of Members (ROM) at the Liaison office at Mangalore instead of Manipal, state which of the following statements is correct:

[CH 7: Management & Administration]

- (a) The ROM shall be maintained only at the registered office in Manipal and maintaining in a place other than the registered office is not permitted under the Companies Act 2013 and the relevant Rules there under.
- (b) The ROM can be maintained in Mangalore by passing a special resolution in a general Meeting
- (c) The board of directors by passing a board resolution at one of its meetings, may direct the company secretary to maintain the ROM in Mangalore,
- (d) The ROM can be maintained at Mangalore after passing a special resolution in a general Meeting provided more than 1/3rd of the members, whose names are entered in the ROM request for the change,

25.5 The board of JIWPL approved allotment of shares to two (2) new members on 1.1.2020 and their names are to be entered into the ROM by the Secretarial Department.

[CH 7: Management & Administration]

- (a) Entries in the ROM shall be made within 30 days of allotment of Shares, on Board approval

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



- (b) Entries in the ROM shall be made immediately on allotment of shares, on Board approval.
- (c) Entries in the ROM shall be made within 7 days of the date of the Board approving allotment
- (d) Entries in the ROM shall be made within 10 days of the date of the Board approving allotment

25.6 M/S Suresh Poojary & Co are the statutory auditors of the company appointed during the annual general meeting of the company during the year 2018 to hold the office from the conclusion of that meeting till the conclusion of the sixth meeting thereafter. However, during the annual general meeting of the year 2019, no ratification resolution for the appointment of the auditor was passed

[CH 10: Audit and Auditors]

- (a) JIWPL should have placed the matter relating to appointment of statutory auditor during the AGM 2019 by way of an Ordinary Resolution.
- (b) JIWPL should have placed the matter relating to appointment of statutory auditor during the AGM 2019 by way of a Special Resolution.
- (c) The statutory auditors appointed during the AGM of the year 2018 shall be deemed to have vacated the office, if no ratification by the members at every annual general meeting thereafter.
- (d) There is no need of ratification and the statutory auditors continue to hold office after the conclusion of the AGM held during the year 2019 also.

Question No.	Answers	Question No.	Answers	Question No.	Answers
1.1	(d)	10.2	(d)	17.5	(d)
1.2	(c)	10.3	(d)	18.1	(b)
1.3	(d)	10.4	(d)	18.2	(c)
2.1	(c)	10.5	(c)	18.3	(b)
2.2	(a)	11.1	(b)	18.4	(b)
2.3	(d)	11.2	(c)	18.5	(b)
2.4	(c)	11.3	(d)	19.1	(a)
2.5	(c)	11.4	(d)	19.2	(c)
3.1	(c)	11.5	(c)	19.3	(b)
3.2	(d)	12.1	(c)	19.4	(c)
3.3	(c)	12.2	(d)	20.1	(c)
4.1	(d)	12.3	(b)	20.2	(d)
4.2	(a)	12.4	(d)	20.3	(c)
4.3	(c)	12.5	(b)	20.4	(d)
4.4	(a)	13.1	(d)	21.1	(b)
5.1	(c)	13.2	(b)	21.2	(d)
5.2	(d)	13.3	(a)	21.3	(c)
5.3	(b)	13.4	(a)	21.4	(b)
5.4	(d)	13.5	(c)	22.1	(a)
5.5	(b)	14.1	(d)	22.2	(a)
6.1	(c)	14.2	(b)	22.3	(a)
6.2	(a)	14.3	(d)	22.4	(a)
6.3	(d)	14.4	(a)	22.5	(c)
6.4	(c)	14.5	(a)	23.1	(b)
6.5	(c)	15.1	(d)	23.2	(d)
7.1	(d)	15.2	(d)	23.3	(c)

Get yourself trained by Founder of **CA Mentoring Program in India - CA Ravi Agarwal**  
(1 to 1 customised mentoring program) Pass your CA Exam in 1 attempt.



7.2	(b)	15.3	(b)	23.4	(c)
7.3	(c)	15.4	(c)	23.5	(a)
7.4	(c)	15.5	(c)	24.1	(c)
7.5	(d)	16.1	(b)	24.2	(d)
8.1	(d)	16.2	(b)	24.3	(c)
8.2	(a)	16.3	(b)	24.4	(b)
8.3	(c)	16.4	(c)	25.1	(c)
8.4	(a)	16.5	(a)	25.2	(d)
9.1	(c)	17.1	(b)	25.3	(a)
9.2	(a)	17.2	(a)	25.4	(b)
9.3	(d)	17.3 (i)	(c)	25.5	(c)
9.4	(c)	17.3 (ii)	(c)	25.6	(d)
9.5	(c)	17.4 (i)	(d)		
10.1	(c)	17.4 (ii)	(b)		



**CA RAVI AGARWAL'S MENTORING PROGRAM**  
**CA FINAL / INTER / FOUNDATION**



**CA Bishal Timsina**

**CA FINAL**  
**AIR 1**

**GETTING A RANK IS NO MORE A DREAM**

**JOIN**  
**CA RAVU AGARAWAL'S**  
**MENTORING**



**MAKE YOUR**  
**DREAM OF RANK**  
**COME TRUE**

Register > [CAmentoringprogram.org](http://CAmentoringprogram.org)

8334866117