LXC2

Total No. of Printed Pages – 8
Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet given on the Cover Page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the Cover Page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) the answer book in respect of descriptive type answer book with OMR Cover Page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 marks

1. Question paper comprises 5 questions Answer Question No. 1 which is compulsory and any 3 out of the remaining 4 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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PART - II

(a) MNP Limited is a registered public company having the following members:

<table>
<thead>
<tr>
<th></th>
<th>Directors and their Relatives</th>
<th></th>
<th>Employees</th>
<th></th>
<th>Ex - Employees (Shares were allotted during employment)</th>
<th></th>
<th>Members holding shares jointly (7 x 2)</th>
<th></th>
<th>Other Members</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td></td>
<td></td>
<td></td>
<td>ii</td>
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The Board of Directors of MNP Limited proposes to convert the company into a private limited company. Referring the provisions of the Companies Act, 2013, advise:

i. Whether the company can be converted into a private company?

ii. Whether existing number of members need to be reduced for the proposed private company?

(b) (i) SKIP Limited (the Company) was incorporated on 01.04.2019. The balances extracted from its audited financial statement are as given below:

<table>
<thead>
<tr>
<th>Financial Year (FY)</th>
<th>Net Profit before tax</th>
<th>Net Profit after tax (Ignore Income Tax computation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-20</td>
<td>₹ 5.00 crore</td>
<td>₹ 3.75 crore</td>
</tr>
<tr>
<td>2020-21</td>
<td>₹ 7.00 crore</td>
<td>₹ 5.25 crore</td>
</tr>
</tbody>
</table>

The Company proposes to allocate the minimum required amount for CSR Activities to be undertaken during FY 2021-22, if it is mandatory. You are requested to advice the Company in this regard and compute the minimum amount to be allocated, if so required, taking into account the relevant provisions of the Companies Act, 2013.
(ii) SKS Limited issued 8%; 1,50,000; Redeemable Preference Shares of ₹100 each in the month of May, 2010, which are liable to be redeemed within a period of 10 years. Due to the Covid-19 pandemic, the Company is neither in a position to redeem the preference shares nor to pay dividend in accordance with the terms of issue. The Company with the consent of Redeemable Preference Shareholders of 70% in value, made a petition to the Tribunal [NCLT] to accord approval to issue further redeemable preference shares equal to the amount due. Will the petition be approved by the Tribunal in the light of the provisions of the Companies Act, 2013?

Can the company include the dividend unpaid in the above issue of redeemable preference shares?

(c) (i) Ramu has given authority to Prem to buy certain goods at the market rate. Prem buys the goods at a higher rate than the market rate. However, Ramu accepted the purchase in spite of higher rate. Afterwards, Ramu comes to know that the goods purchased belonged to Prem himself. Decide, whether, Ramu is bound by ratification done?

(ii) Hari, authorises Bharat, a merchant in Mumbai, to recover dues from Bankey & Co., Bharat instructs Deepak, a solicitor, to take legal proceedings against Bankey & Co. for recovery of the money. Explain the legal position of Deepak, referring provisions of the Indian Contract Act, 1872, related to agency.

(d) Examine the validity of the following statements with reference to the Negotiable Instruments Act, 1881.

(i) When payment on an instrument is made in due course, both the instrument and the parties to it are discharged.

(ii) Alteration of rate of interest specified in the Promissory Note is not a material alteration.

(iii) Conversion of the blank indorsement into an indorsement in full is not a material alteration and it does not require authentication.
2. (a) (i) Beauty Limited obtained a working capital loan from a Nationalized Bank against the hypothecation of Stocks & Accounts receivable of the Company. An instrument creating the charge was duly signed by the Company and the Bank. The Company is not willing to register the charges with the Registrar of Companies. In the light of the provisions of the Companies Act, 2013, discuss:

(i) Is there any provision empowering the Nationalized Bank (charge holder) to get the charges registered?

(ii) When can the Registrar refuse to register the charges in the present scenario?

(ii) ABC Ltd. has declared dividend of ₹ 2/- per equity share in the general meeting. Mr. Suresh is holding 5000 equity shares of ₹ 10 face value each, on which ₹ 10,000 towards call money is due. Whether the dividend amount payable to him be adjusted against such dues as per the provisions of the Companies Act, 2013? Give reasons for your answer.

(b) XYZ Ltd. received a communication from Central Government for preparation of periodical financial results and complete audit or limited review of such periodical financial results. The Board of Directors have raised an objection on the ground that as, it is an unlisted company, periodical financial results need not to be prepared. Examine, referring the provisions of the Companies Act, 2013, in this regard.
(c) Examine the validity of the following statements under the provisions of the Indian Contract Act, 1872.

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

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

(iii) Variation which is not material and beneficial to the surety will not discharge him of his liability.

(iv) If the bailee does not use the goods according to the terms and conditions of bailment, the contract of bailment becomes void.

(d) Healthcare Services Limited (the Bidder), bids the tender floated by Super Care Hospital (the Tenderer), attaching a cheque dated 01.04.2021 for ₹ 5,00,000/- towards earnest money deposit. Since the tender process was extended, the Tenderer returned the cheque expiring on 30.06.2021 to the Bidder for its resubmission after having revalidated by changing the date of the cheque to 01.07.2021. Accordingly, the revalidated cheque was resubmitted by the Bidder to the Tenderer. The cheque presented by the Tenderer to the banker. It was dishonoured by the bank. Examine, whether, the cheque altered with a new date shall be deemed a valid cheque binding the Bidder for payment as per The Negotiable Instruments Act, 1881?
As per the financial statement as at 31.03.2021 the Authorized and
Issued share capital of Manorama Travels Private Limited (the
Company) is of ₹ 100 Lakh divided into 10 Lakh equity shares of ₹ 10
each. The subscribed and paid-up share capital on that date is ₹ 80
Lakh divided into 8 Lakh equity shares of ₹ 10 each. The Company
has reduced its share capital by cancelling 2 Lakh issued but
unsubscribed equity shares during the financial year 2021-22, without
obtaining the confirmation from the National Company Law Tribunal
(the Tribunal). It is noted that the Company has amended its
Memorandum of Association by passing the requisite resolution at the
duly convened meeting for the above purpose. While filing the
relevant e-form the Practicing Company Secretary refused to certify
the form for the reason that the action of the Company reducing the
share capital without confirmation of the Tribunal is invalid.

In light of the above facts and in accordance with the provisions of the
Companies Act, 2013, you are requested to (i) examine, the validity of
the decision of the Company and contention of the practicing
company secretary and (ii) state, the type of resolution required to be
passed for amending the capital clause of the Memorandum of
Association.

The Board of Directors of ABC Limited are proposing to raise funds
from the public through issue of equity shares. However due to
volatile financial markets, the price per share and the number of shares
to be issued are left open and to be decided post closure of the issue.
As a financial advisor of the company, what would you suggest to the
Board in this regard as per the provisions of the Companies Act, 2013?

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

(d) Explain the provision related to 'Effect of Repeal' as per the General
Clausules Act, 1897.
4. (a) (i) ABC Private Ltd. has two wholly owned subsidiary companies, D Private Limited and E Private Limited. Examine, whether, D Private Limited and E Private Limited will be treated as related party as per the provisions of the Companies Act, 2013?

(ii) Sapphire Private Limited has registered its articles along with memorandum as on 1st July 2021. The directors of the company seeks your advice regarding effect of registration of the company on the company itself and on its members.

(b) ABC Limited is an unlisted company, having its registered office at Kolkata. The Annual General Meeting was held at Goa on 1st July 2021 at 3:00 PM and concluded at 8:00 PM. Consent of all the members to conduct AGM at Goa were received by 24th June 2021 by Email.

(i) Examine the validity of the meeting as per the provisions of the Companies Act, 2013.

(ii) State, the consequences if a resolution has passed in such meeting, without sufficient disclosure regarding interest of a director.

(c) The Ministry of Corporate Affairs (MCA) published in the Gazette of India, the proposed draft of Rules further to amend certain rules under the Companies Act, 2013. The MCA made some modifications in the draft Rules already published. In the light of the provisions of the General Clauses Act, 1897, answer the following:

(i) Is it required for MCA to publish a draft of the proposed Rules?

(ii) In case of any irregularities in the publication of the draft, can it be questioned?

(iii) Is MCA entitled to make suitable changes in the draft?

(iv) Is it necessary to re-publish the Rules in the amended form when the changes made are ancillary to the earlier draft?

(d) Does an explanation added to a section widen the ambit of a section?
5. (a) HD Software Private Limited is engaged in the business of providing software services. The company appointed its statutory auditors. The engagement letter was signed with a clause that fee to be mutually decided. However, the remuneration was not finalised. Directors of the company seeks your advice for provisions related to remuneration of directors as per the provisions of the Companies Act, 2013.

OR

ABC & Co., Chartered Accountants, are statutory auditors of Moon Exports Limited. In an inquiry, it is proved that 'A', one of the partner of the firm has acted in fraudulent manner and colluded in fraud to its partners. Explain the consequences of such act under the provisions of the Companies Act, 2013.

(b) (i) Mr. Ram, a shareholder of PQR Ltd., has made a request to the company for providing a copy of minutes book of general meeting. Whether, the shareholder of a company is entitled to receive a copy of minutes book? Explain, provisions of the Companies Act, 2013.

(ii) Explain the provision relating to 'Credit Rating' which an 'Eligible Company' should follow to raise public deposits as per the Companies Act, 2013.

(c) Mr. Truth deposited 100 bags of ground-nut in the factory of Mr. False for safe keeping. Mr. False mixed the ground-nut bags with the other ground-nut bags in the factory with the consent of Mr. Truth and consumed it to produce edible oil.

(i) Whether Mr. Truth is entitled to claim his share in the edible oil produced under the provisions of the Indian Contact Act, 1872?

(ii) What will be the consequences in case the ground-nut bag were mixed without the consent of Mr. Truth under the above said Act?

(d) What is the effect of proviso? Does it qualify the main provisions of the enactment? Explain it with reference to Interpretation of Statutes.