

**INTERMEDIATE COURSE: GROUP – I
PAPER – 2: CORPORATE AND OTHER LAWS**

Time Allowed – 3 Hours

Maximum Marks – 100

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*

PART I – Case Scenario based MCQs (30 Marks)

Part I is compulsory

Case Scenario 1

New Limited, a listed entity, passed a resolution in its Board meeting for the appointment of Verma & Associates, Chartered Accountants, as the statutory auditor of the company. The company obtained written consent from Verma & Associates and placed this recommendation before the Annual General Meeting (AGM) of shareholders, where it was duly approved. After securing approval, New Limited informed the firm of their appointment and filed a notice of appointment with the Registrar of Companies within the prescribed time.

Verma & Associates has three partners: A Verma, B Verma, and C Verma. The firm also take services of two persons, Dev Verma and Mia Verma, who work on a case-to-case basis and are not on a fixed salary.

It is also informed that prior to this appointment, Agrawal Verma & Associates was serving as the statutory auditor of New Limited. This firm had six partners: Shrey Agrawal, Alam Agrawal, Vishal Agrawal, Vyom Agrawal, Dev Verma, and Mia Verma. Notably, Dev Verma and Mia Verma were common members in both Verma & Associates and Agrawal Verma & Associates.

While working with New Limited, Verma & Associates started facing severe disagreements with the management regarding certain financial reporting matters and governance issues. As a result of these persistent disputes, the firm decided to resign as the statutory auditor.

Meanwhile, New Limited was also required to hold its Annual General Meeting (AGM) within the prescribed period, ensuring compliance with the legal provisions regarding financial reporting, auditor appointments, and shareholder approvals. However, due to internal conflicts and auditor resignation, the company faced challenges in adhering to these timelines.

Additionally, New Limited decided to shift its registered office from Mumbai to Bengaluru for operational efficiency. The company passed a Board resolution for

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the change and later obtained shareholder approval in the AGM. However, due to an oversight, the filing of the notice of change of registered office with the Registrar of Companies was delayed. As a result, several important communications, including regulatory notices and shareholder correspondence, were being sent to the Mumbai office, causing disruptions in company operations.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5, of 2 marks each) given herein under:

1. The newly appointed CA Firm (Verma & Associates) and retiring CA Firm (Agrawal Verma & Associates) have common persons i.e., Dev Verma and Mia Verma. Whether the appointment of Verma & Associates in New Limited is valid as per the provisions of the Companies Act, 2013:
 - (a) It not valid since both the CA Firms (New and Old) have common persons
 - (b) Dev Verma and Mia Verma are working on case-to-case basis in Verma & Associates and are not the partners, hence appointment of Verma & Associates, is valid
 - (c) Verma & Associates should expel Dev Verma and Mia Verma in order to retain its appointment
 - (d) Agrawal Verma & Associates should expel Dev Verma and Mia Verma
2. What would have been the position if, Dev Verma and Mia Verma are partners in Verma & Associates:
 - (a) The position will remain same as MCQ 1 above
 - (b) There shall be no change and the Verma & Associates may continue as audit firm
 - (c) The appointment of Verma & Associates would not have been in terms of the provisions of the Companies Act, 2013
 - (d) The company may obtain permission from the shareholders in the general meeting by way of Special Resolution for continuation of appointment of Verma & Associates
3. In the given case, Verma & Associates due to some dispute with the management on some issues resigned from the company. Choose the correct option in respect to filling of this vacancy:
 - (a) Verma & Associates cannot resign and has to hold the office till the conclusion of the next annual general meeting
 - (b) The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board
 - (c) This vacancy of auditor can be filled by the shareholders in consultation of the Central Government

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- (d) This vacancy of auditor can be filled by the Board of Directors in consultation of the Comptroller and Auditor-General of India
4. AGM of New Limited could not be held within the prescribed time limit. Choose the correct statement in this case.
- (a) The company can postpone the AGM indefinitely until internal conflicts are resolved.
- (b) The company can apply to the Registrar of Companies (RoC) for an extension and Registrar can do so for a period not exceeding 3 months.
- (c) The Board should reappoint Verma & Associates if they agree to withdraw their resignation and then conduct the AGM by 31st January of the following year.
- (d) The company must approach the National Financial Reporting Authority (NFRA) for extension of date of AGM.
5. If New Limited wants to shift its registered office from Maharashtra (Mumbai) to Karnataka (Bengaluru), which of the following is required?
- (a) Board approval only.
- (b) Only shareholder approval in a general meeting.
- (c) Approval from the Regional Director along with copy of proposed alteration in memorandum, copy of Board's resolution and Minutes of general meeting authorising the change from one state to another.
- (d) No approval is required.

Case Scenario 2

Studies LLP was incorporated on 15th April, 2024, with Prem, Pramod, Naveen, and Vimal as partners. Among them, Prem and Pramod were designated partners. The LLP was established for the manufacturing and trading of toys, and its business operations were progressing smoothly.

However, on 30th April, 2024, an individual named Samudra filed an application with the Registrar of LLPs, claiming that he owned a registered trademark under the name "Studies Masters", which had been registered before 15th April, 2024. He requested that Studies LLP change its name, as it closely resembled his registered trademark.

After conducting an initial investigation, the Registrar found merit in Samudra's claim and issued a directive to Studies LLP to change its name. The official notice, dated 5th May, 2024, was sent via post. However, due to a postal delay, the LLP received the notice only on 10th May, 2024. Despite the directive, Studies LLP ignored the notice and continued operating under the same name.

On 16th August, 2023, the Registrar, acting suo-moto, assigned the LLP a new name, "Sahitya Masterminds LLP", and updated the register of LLPs accordingly. A fresh Certificate of Incorporation reflecting the new name was issued. However, the partners were not comfortable with the new name and initiated steps to change it again.

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Additionally, on 20th June, 2024, Vimal submitted a written notice to the LLP stating that he would cease to be a partner effective 22nd July, 2024. However, neither Vimal nor the LLP informed the Registrar about his cessation.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 6-8, of 2 marks each) given herein under:

6. On what basis did the Registrar direct Studies LLP to change its name?
 - (a) The name of designated partners of both the LLPs were identical.
 - (b) The LLP's name closely resembled a registered trademark owned by another party.
 - (c) The LLP failed to register its name properly.
 - (d) The LLP was engaged in fraudulent activities.
7. If an LLP fails to comply with the Registrar's directive to change its name, what action can the Registrar take?
 - (a) Impose a penalty but allow the LLP to continue using the same name.
 - (b) Suo-moto allot a new name and issue a fresh Certificate of Incorporation.
 - (c) Cancel the LLP's registration.
 - (d) Allow the LLP to continue operating under the disputed name until the matter is resolved in court.
8. Vimal resigned as a partner with effect from 22nd July, 2024, but the LLP did not inform the Registrar. Who is legally responsible for updating the Registrar about his resignation?
 - (a) The LLP and Vimal are both responsible for notifying the Registrar.
 - (b) Only Vimal is responsible for reporting his resignation.
 - (c) Only the designated partners of the LLP are responsible.
 - (d) No one is responsible; this is an internal matter of the LLP.

Case Scenario 3

Mr. Arun Kumar, a software engineer from Bangalore, had worked with a US-based technology company in Silicon Valley for the past 4 years. In April 2023, he returned to India to establish a technology startup, Global Ventures Private Limited. He maintained his foreign currency accounts in USA, containing earnings from his previous employment. His wife continues to work in USA.

During August 2023, Mr. Kumar undertook several transactions:

- He received USD 200,000 from his US savings account to invest in his Indian startup
- He gifted USD 75,000 to his brother in India for purchasing property

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- He imported specialized software equipment worth USD 150,000 from a Singapore-based supplier on 3 months' credit
- He helped his wife (US-based) remit USD 40,000 for their daughter's higher education from a recognised university

Global Ventures also set up a branch office in Singapore in October 2023, fully controlled and managed from its Bangalore headquarters. The company plans to raise foreign currency loans and explore various overseas investment opportunities.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act (FEMA), 1999, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 9-11, of 2 marks each) given herein under:

9. Under FEMA, 1999, what would be Mr. Arun Kumar's residential status for FY 2023-24?
 - (a) Person Resident in India from April 2023
 - (b) Person Resident Outside India throughout the year
 - (c) Person Resident in India only after completing 175 days
 - (d) Person Resident Outside India till August 2023
10. Which of the following transactions by Mr. Kumar requires prior the Reserve Bank of India's approval?
 - (a) Receiving USD 200,000 from his own foreign account
 - (b) Gift of USD 75,000 to his brother
 - (c) Import of equipment on credit terms
 - (d) Setting up a branch office in Singapore
11. Whether, Mr. Kumar's remittance of USD 40,000 for his daughter's higher education from a recognised university, permissible:
 - (a) Yes
 - (b) No, as it requires Reserve Bank of India's approval
 - (c) It is a prohibited transaction under FEMA, 1999
 - (d) Yes, after seeking approval from the Central Government

Independent case scenarios

12. A Limited made a public issue of debentures. The articles of the company authorises the payment of underwriting commission at 2 per cent of the issue price. The company has negotiated with the proposed underwriters, Sun 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% **(2 Marks)**
13. ABC Limited has received application money of rupees 20,00,000 (2,00,000 equity shares of rupees 10 each) on 10th October, 2024 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, 2024
- (b) 24^h November, 2024
- (c) 9th December, 2024
- (d) 8th January, 2025 **(2 Marks)**
14. ABC Limited operates a factory near a river. A recent Central Act mandates that factories must be located at least 3 kilometers away from any river.
- An environmental agency claims that ABC Limited's factory is only 2.5 kilometers away from the river, while ABC Limited argues that the distance is 4 kilometers, based on the road distance along a winding path leading to the river.
- As per the General Clauses Act, 1897, how should the distance between ABC Limited's factory and the river be measured to determine compliance with the Central Act?
- (a) The distance should be measured along the shortest possible straight line (horizontal plane) between the factory and the river.
- (b) The distance should be measured along the road/ path actually travelled, as argued by ABC Limited.
- (c) The environmental agency's estimate of 2.5 kilometres should be automatically accepted since it favors environmental protection.
- (d) The distance should be measured based on any reasonable method, as long as it justifies the company's compliance. **(2 Marks)**
15. Mr. Mukhiya owned a land with fifty neem trees. He sold his land and the timber (obtained after cutting the trees) to Mr. Ambar. As per the General Clauses Act, 1897, does the sale of timber amount to the sale of immovable property?
- (a) Yes, timber is part of the land, so its sale is a sale of immovable property.
- (b) No, timber is considered movable property once it is cut from the land.
- (c) Yes, since trees were earlier rooted in the land, selling timber is similar to selling land.
- (d) No, because movable property only includes motor cars, jewellery and cash. **(2 Marks)**

PART – II Descriptive Questions (70 Marks)

Question No.1 is compulsory.

*Attempt any **Four** questions out of the remaining **Five** questions.*

1. (a) Alok incorporated a One Person Company making his sister Apeksha as the nominee. Apeksha is an Indian citizen. She was born and brought up in Moradabad. However, now Apeksha and her husband are leaving India permanently to stay with their son who is settled abroad for the last 15 years. Due to this fact, she is withdrawing her consent of nomination in the said One Person Company. Taking into considerations the provisions of the Companies Act, 2013, advise whether Alok can appoint his minor son Shambhu as the nominee of the OPC? **(5 Marks)**
- (b) ABC Private Limited was incorporated on 30th September 2020. It has a paid up share capital of ` 45 crore. The company had a turnover of 250 crore for the financial year 2023-24. The accounts manager of the company has intimated to the company that they are not required to appoint internal auditor for the financial year 2024-25. The management of the company have approached you to advise them about the appointment of internal auditor, as per the provisions of the Companies Act, 2013. **(5 Marks)**
- (c) Analyse the below mentioned situation in the light of the provisions of the Foreign Exchange Management Act, 1999.
 - (i) Mr. New has won a big lottery and wants to remit US Dollar 20,000 out of his winnings to his son who is in Singapore.
 - (ii) Mr. Manoj requires US Dollar 5,000 for remittance towards hiring charges of transponders. **(4 Marks)**
2. (a) ABC Limited is a public company having its registered office in Mumbai. It has 3680 members. The company sent notice to all its members for its Annual general Meeting to be held on 2nd September 2024 (Monday) at 11:00 AM at its registered office. On the day of meeting there were only 12 members personally present upto 11:30 AM. The Chairman adjourned the meeting to same day in next week at the same time and place.

On the day of adjourned meeting only 10 members were personally present. The Chairman initiated the meeting after 11:30 AM and passed the resolutions after discussion as per the agenda of the meeting given in the notice. Advise, as per the provisions of the Companies Act, 2013:

 - (i) Whether the original meeting was validly adjourned?
 - (ii) Whether the adjourned AGM was validly conducted? **(5 Marks)**
- (b) One of the matters contained in the articles of PQR Foundation, incorporated as a limited company under section 8 of the Companies Act, 2013, was altered by passing a special resolution in its general meeting and thereafter, intimation for the same was given to Registrar of Companies.

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However, such alteration in the articles (on the grounds that it was not valid), was opposed by ABC & Co., a partnership firm which is its member.

Advise, as per the provisions of the Companies Act, 2013, whether the contention of ABC & Co. was valid and whether it can be a member in such company. **(5 Marks)**

- (c) Explain the following with reference to the provisions of the General Clauses Act, 1897:
- (i) Affidavit
 - (ii) Good Faith **(4 Marks)**
3. (a) Examine that following offers of ABC Limited are in compliance with provisions of the Companies Act, 2013, related to private placement or should these offers be treated as public:
- (i) ABC Limited wants to raise funds for its upcoming project. It has issued private placement offer letters to 55 persons in their individual name to issue its equity shares. Out of these four are qualified institutional buyers.
 - (ii) If in case (i) before allotment under this offer letter company issued another private placement offer to another 155 persons in their individual name for issue of its debentures.
 - (iii) Being a public company can it issue securities in a private placement offers? **(5 Marks)**
- (b) Lily Private Limited on 5th February 2024 obtained rupees 30 lakh working capital loan by offering its Stock and Accounts Receivables as security and rupees 5 Lakh adhoc overdraft on the personal guarantee of a Director of Lily Private Limited, from a financial institution.
- As per the provisions of the Companies Act, 2013, whether the company is required to create charge for working capital loan and adhoc overdraft? **(5 Marks)**
- (c) Does an explanation added to a section widen the ambit of a section? **(4 Marks)**
4. (a) Sriram Private Limited is a start-up company. Mr. Lovely has been appointed as Accounts Manager of Sriram Private Limited. The Board meeting for approval of accounts is to be held on 1st August, 2024 and he has to prepare the financial statements for approval by the Board. Referring to section 2(40) of the Companies Act, 2013, advise Mr. Lovely about the statements that are required to be prepared. **(5 Marks)**
- (b) XYZ LLP was incorporated on 15th March, 2023, with its registered office in Mumbai. The LLP received a legal notice from a supplier at this address. However, the partners claim they never received the notice, as

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they had shifted their office to Pune on 10th January, 2024, but had not informed the Registrar about the change.

Based on the provisions of the provisions of the Limited Liability Partnership (LLP) Act, 2008, advise whether the service of notice at the Mumbai address is legally valid. **(5 Marks)**

- (c) When can the Preamble be used as an aid to interpretation of a statute? **(4 Marks)**
5. (a) Explain the provisions of the Companies Act, 2013 relating to the 'Service of Documents' on a company and the members of the company? **(5 Marks)**
- (b) Under the Companies Act, 2013, an auditor appointed by a company is allowed to provide only those services that are approved by the Board of Directors or the Audit Committee. However, there are certain services that an auditor is expressly prohibited from rendering, whether directly or indirectly, to the company, its holding company, or its subsidiary company.

List any seven such restricted services that an auditor cannot provide.

(5 Marks)

- (c) Ms. Alka was director in Sweets Private Limited. Once while dealing with supplier of raw materials for company, she agreed to get some secret commission from supplier for making the deal. Afterwards, on finding the facts, the company has filed the suit against Ms. Alka. She contended that section 166 of the Companies Act, 2013, provides "A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company." She contended that section 166 is applicable to male director only, she being female will not be liable.

In the light of the provisions of the General Clauses Act, 1897, decide whether she is bound by the provisions of section 166 of the Companies Act, 2013. **(4 Marks)**

6. (a) In a general meeting of a company, the shareholders passed a special resolution regarding some special matters. There were 30 members present in the meeting. Out of which 15 voted in favour of the resolution, 6 voted against it and 5 votes were found invalid. The remaining 4 members abstained from voting. The chairman of the meeting declared the resolution as passed. With reference to provisions of the Companies Act, 2013 examine the validity of chairman's declaration. **(5 Marks)**
- (b) Namaste Limited, a foreign company having its Indian principal place of business at Ranchi, Jharkhand is required to deliver various documents

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to Registrar of Companies under the provisions of the Companies Act, 2013. State where should the said company deliver such documents.

(5 Marks)

- (c) List any seven permissible classes of Capital account transactions that a person resident in India can undertake, under the Foreign Exchange Management Act (FEMA), 1999.

(4 Marks)