

(GI-1, GI-2, VI-VDI-SI-1,2)

DATE: 27.08.2022

MAXIMUM MARKS: 100

TIMING: 3¼ Hours

PAPER : LAW

Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium. His/her answer in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any Five questions from the remaining Six Questions.

Question 1:

1. Mr. Akash wishes to start his own venture with an idea of recycling of sugarcane waste. He approaches you for your advice so as to decide on which type of entity he should incorporate mainly based on the aspects of taxation, capital funding and other monetary benefits to the promoters. Kindly suggest a suitable form of entity from the following
 - (a) Limited Liability Partnership;
 - (b) Private Limited Company;
 - (c) Section 8 Company;
 - (d) Producer Company

(1 Mark)
2. Shivam is desirous of forming a 'One Person Company (OPC)' for which he wants to nominate his wife Jasmin who in the event of his death shall become the member of OPC. However, he is not aware of as to which document should contain the name of the nominee. Advise him in the matter.
 - (a) Name of the nominee should be mentioned in the Articles of Association after the names of the directors.
 - (b) Name of the nominee should be mentioned in the Memorandum of Association
 - (c) Either Articles of Association or Memorandum of Association may contain the name of the nominee.
 - (d) There is no need to mention the name of the nominee in either Articles of Association or Memorandum of Association; a simple consent letter obtained from the nominee and kept in the records is sufficient.

(1 Mark)
3. Truncated cheque is a cheque which is truncated during _____
 - (a) The deposit in Payee's Bank
 - (b) The Transfer to the Drawer's bank
 - (c) The course of clearing cycle
 - (d) The time of payment

(1 Mark)
4. Which rule of construction is applicable where there is a real and not merely apparent conflict between the provisions of an Act, and one of them has not been made subject to the other
 - (a) Rule of Beneficial construction
 - (b) Rule of Literal construction
 - (c) Rule of Harmonious construction
 - (d) Rule of Exceptional construction

(1 Mark)

5. 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
- (1 Mark)**
6. As per the rule of _____ meaning of a word should be known from its accompanying or associating words?
- (a) Noscitur a sociis
 - (b) Strict and liberal construction
 - (c) Ejusdem generis
 - (d) None of above
- (1 Mark)**
7. Offences committed under the Negotiable Instruments Act can be
- (a) Compoundable
 - (b) Non compoundable
 - (c) Non compoundable and non-bailable
 - (d) bailable
- (1 Mark)**
8. Mr. RAMAN, an advocate has fraudulently deceived his client Mr. Sameer, who was taking his expert advice on taxation matters. According to Sec 26 of this Act, Mr. Raman's offence is punishable under which Act or Acts?
- (a) Advocates Act, 1961
 - (b) IPC
 - (c) (a) & (b)
 - (d) (a) or (b)
- (1 Mark)**
9. A contracts with B for a fixed price to construct a house for B within a stipulated time. B would supply the necessary material to be used in the construction. C guarantees A's performance of the contract. B does not supply the material as per the agreement. As per the provisions of the Indian Contract Act, 1872:
- (a) C is liable to A
 - (b) C is liable to B
 - (c) C is liable to A for the cost material not supplied
 - (d) C is discharged from his liability
- (1 Mark)**
10. LALIT made an offer to MD of a company. MD accepted the offer though he had no authority to do so. Subsequently LALIT withdrew the offer but the company ratified the MD's acceptance. State which of the statement given hereunder is correct:
- (a) Lalit was bound with the offer
 - (b) An offer once accepted cannot be withdrawn
 - (c) Both option (a) & (b) is correct
 - (d) Lalit is not bound to an offer
- (1 Mark)**

11. The auditors of a company can be removed by the
- Board of directors of the company
 - Audit committee
 - Company in general meeting by ordinary resolution and previous approval of CG
 - Company in general meeting by special resolution and previous approval of CG
- (1 Mark)**

12. From the following information in respect of company ABC Ltd. Compute the amount the company is required to spend on account of Corporate Social Responsibility:

Financial Year	Net Profit (In Cr.)
2019-20	50
2020-21	42
2021-22	37

- 86 Crore
 - 52 Lacs
 - 55 Lacs
 - 86 Lacs
- (1 Mark)**
13. As per Rule 3 of Companies (Declaration and Payment of Dividend) Rules, 2014, in case of inadequacy of profit the dividend amount drawn shall not exceed _____
- Average of Dividend for immediately preceding 3 financial years
 - 1/10th of the paid up capital and free reserves
 - 15% of the paid up capital
 - 50% of the Dividend paid during immediately preceding financial year
- (1 Mark)**

14. PQR Infrastructures Limited is a listed company quoted at National STOCK Exchange. The company closed its Register of Members on 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.
- Valid, as the closure of register of members by company each time is not exceeding 30 days.
 - Invalid, as company cannot go for closure of Register of members more than twice in a year.
 - Invalid, as the period of closing register of members exceeding 30 days in a year.
 - Invalid, as the period of closing the Register of members by the company is exceeding 45 days in a year.
- (1 Mark)**

15. The members of UNIQUE Limited requisitioned for calling Extra Ordinary General Meeting to consider some urgent matters. The same was called by the company. Meeting was scheduled on 31st August, 2018. However, required quorum was not present at the meeting. In this case. what Unique Limited shall do?
- Unique Limited shall adjourn the meeting to the same day in the next week at the same time and place;
 - Unique Limited shall adjourn the meeting to such other day at such other time and place;
 - The meeting shall be cancelled;
 - Unique Limited shall proceed ahead with the available quorum;
- (2 Marks)**

16. ABC Ltd. wants to issue redeemable preference shares for a period of 35 years. Advise whether it can do so.
- (a) Yes, ABC Ltd. can issue redeemable preference shares
 - (b) Yes, ABC Ltd. can issue redeemable preference shares but for only 30 years
 - (c) Instead of issuing of shares for 35 years, ABC Ltd. should issue irredeemable preference shares
 - (d) Yes, ABC Ltd. can issue redeemable preference shares for a period not extending 20 years

(2 Marks)

17. Gupta Private Limited, has passed a resolution in general meeting to accept deposit from its members. Terms and conditions are finalized in consultation with Reserve Bank of India. Company accepted deposits of INR 30 Lakhs in year 2016. Company wants more deposits in the next quarter. Board of Directors are aware that as per the Act, they have a Ceiling limit, beyond which they cannot accept deposits. What percentage of aggregate of paid-up share capital, free Reserves and securities premium account, they cannot cross?
- (a) 15%
 - (b) 25%
 - (c) 35%
 - (d) 45%

(2 Marks)

18. ULTRA 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;

(2 Marks)

19. A company bought back 10% of its equity shares in March 2021; it wants to buy back further 10% equity shares in April; 2021.
- (a) It can; subject to fulfillment of other conditions; because maximum buyback in a financial year can be 25%
 - (b) It can't; because there must be time gap of 12 months between two buybacks
 - (c) It can; but it will have to pass special resolution in place of board resolution
 - (d) It can't; because other conditions might not have fulfilled

(2 Marks)

20. Ravina is the owner of a grocery store. In March 2018, he got the idea of forming a 'One Person Company' and convinced his sister Ruchika, an India citizen who resides in London but visits India from time to time, to become nominee in his OPC. In the year 2017, Ruchika first came to India on 10th January and left for London on 26th

February. Thereafter, she again visited India on 7th June and remained here till 10th October and boarded an evening flight for London on the same day. From then onward she did not visit India in the year 2017 but on 2nd January 2018 she came to India for a short duration and left for London on 14th February, 2018. Is it possible for Ravina to appoint Ruchika as nominee?

- (a) Ruchika can be appointed as nominee by Ravina because she is a natural person, an Indian citizen and resided in India for more than 90 days during the year 2017.
- (b) Ruchika can be appointed as nominee by Ravina because she is a natural person, an Indian citizen and resided in India for more than 182 days during the years 2017 and 2018 i.e. prior to March 2018 when
- (c) Ravina contemplated to form her OPC. Ravina cannot appoint Ruchika as nominee in his OPC because she did not reside in India for 182 days or more during the year 2017 though she is a natural person and also an Indian citizen.
- (d) Since Ravina is the sole member of her OPC who will look after all its affairs and the appointment of nominee is just a formality, a visit to India during 2017 for any number of days would make Ruchika eligible to be appointed as nominee.

(2 Marks)

21. Priyank and Priyanka, got reserved a name and thereafter a private limited a company was formed using the reserved name on 1st June, 2018. Later on, a registered proprietor of a trade mark noted that the name of this private limited company was identical to the trade mark he had earlier got registered under the Trade Marks Act, 1999. Advise as to latest by which date, the proprietor of the registered trademark can move an application to the Central Government against this anomaly.

- (a) Latest by 30th November, 2018, the registered proprietor of trade mark should move an application to the Central Government for rectification of this anomaly.
- (b) Latest by 30th May, 2019, the registered proprietor of trade mark should move an application to the Central Government for rectification of this anomaly.
- (c) Latest by 30th May, 2020, the registered proprietor of trade mark should move an application to the Central Government for rectification of this anomaly.
- (d) Latest by 30th May, 2021, the registered proprietor of trade mark should move an application to the Central Government for rectification of this anomaly.

(2 Marks)

22. 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

(2 Marks)

Question 2:

(a) Yellow Pvt Ltd. is an unlisted company incorporated in the year 2012. The company have share capital of rupees fifty crores. The company has decided to issue sweat equity shares to its directors and employees. The company decided to issue 10% sweat equity shares (which in total will add up to 30% of its paid up equity shares), with a locking period of five years, as it is a start-up company. How would you justify these facts in relation to the provision for issue of sweat equity shares by a start-up company, with reference to the provision of the Company Act, 2013. Explain?

(5 Marks)

(b) Ravi drew a cheque in favour of Aman. After having issued the cheque; Ravi requested Aman not to present the cheque for payment and gave a stop payment request to the banking respect of the cheque issued to Aman. Decide, under the provisions of the Negotiable Instruments Act, 1881 whether the said acts of Ravi constitute an offence?

(5 Marks)

(c) Shyam borrowed a sum of Rs. 50,000 from a Bank on the security of gold on 1.07.2019 under an agreement which contains a clause that the bank shall have a right of particular lien on the gold pledged with it. Shyam thereafter took an unsecured loan of Rs. 20,000 from the same bank on 1.08.2019 for three months. On 30.09.2019 he repaid entire secured loan of Rs. 50,000 and requested the bank to release the gold pledged with it. The Bank decided to continue the lien on the gold until the unsecured loan is fully repaid by Shyam. Decide whether the decision of the Bank is valid within the provisions of the Indian Contract Act, 1872?

(4 Marks)

Question 3:

(a) Madurai Ltd. issued a notice for holding of its Annual general meeting on 7th November 2018. The notice was posted to the members on 16th October 2018. Some members of the company allege that the company had not complied with the provisions of the Companies Act, 2013 with regard to the period of notice and as such the meeting was valid. Referring to the provisions of the Act, decide:

(i) Whether the meeting has been validly called?

(ii) If there is a shortfall, state and explain by how many days does the notice fall short of the statutory requirement?

Can the delay in giving notice be condoned?

(5 Marks)

(b) State with reasons whether each of the following instruments is an Inland Instrument or a Foreign Instrument as per The Negotiable Instruments Act, 1881:

(i) Ram draws a Bill of Exchange in Delhi upon Shyam a resident of Jaipur and accepted to be payable in Thailand after 90 days of acceptance.

(ii) Ramesh draws a Bill of Exchange in Mumbai upon Suresh a resident of Australia and accepted to be payable in Chennai after 30 days of sight.

(iii) Ajay draws a Bill of Exchange in California upon Vijay a resident of Jodhpur and accepted to be payable in Kanpur after 6 months of acceptance.

Mukesh draws a Bill of Exchange in Lucknow upon Dinesh a resident of China and accepted to be payable in China after 45 days of acceptance.

(5 Marks)

- (c) Kavya Ltd. has a paid up share-capital of Rs. 80 crores. Anjali Ltd. holds a total of Rs. 50 crores of Kavya Ltd. Now, Kavya Ltd. is making huge profits and wants to expand its business and is aiming at investing in Anjali Ltd. Kavya Ltd. has approached you to analyse whether as per the provisions of the Companies Act, 2013, they can hold 1/10th of the share capital of Anjali Ltd.

(4 Marks)

Question 4:

- (a) (i) Explain the provisions of the Companies Act, 2013 relating to quorum for general meeting of a public company having total 30 members, of which, two members are bodies corporate and one member is the President of India. Whether the representatives appointed by body corporate and President of India to participate in the general meeting shall be counted for quorum and can such representatives cast vote at that general meeting?
- (ii) If a member of a listed company who has casted his vote through electronic voting can attend general meeting of the company and change his vote subsequently and can he appoint a proxy?

(5 Marks)

- (b) (i) Explain 'Mischief Rule' for interpretation of statute. Also, give four matters it considers in construing an Act.
- (ii) Explain how 'Dictionary Definitions can be of great help in interpreting/constructing an Act when the statute is ambiguous.

(5 Marks)

- (c) Shiv Limited is incorporated on 3.10.2020. The company is having a paid- up share capital of Rs. 15 crores. Following are key shareholders of the company:

Name of the Party holding shares	Amount (in Rs.)
Central Government	4.50
Punjab Government	4.23
Others	6.27

The first auditor of the company has been appointed by the Board of Directors on 31.10.2020. The members of the company have objected to such an appointment by the Board of Directors. According to the members its only the members who can appoint the first auditor.

Advise the company on the validity of such appointment as per the provisions of the Companies Act, 2013. Also, advise whether the contention of members of the company is correct.

(4 Marks)

Question 5:

- (a) (i) Rakesh Limited maintained its books of accounts under Single Entry System of Accounting. Is it permitted under the provisions of the Companies Act, 2013?
- (ii) State the person responsible for complying with the provisions regarding maintenance of Books of Accounts of a company.

Whether a Company can keep books of Accounts in electronic mode accessible only outside India.

(5 Marks)

- (b) Rahul is the owner of electronics shop. Priyanka reached the shop to purchase an air conditioner whose compressor should be of copper. As Priyanka wanted to purchase the air conditioner on credit, Rahul demands a guarantor for such transaction. Mr. Arvind (a friend of Priyanka) came forward and gave the guarantee for payment of air conditioner. Rahul sold the air conditioner of a particular brand, misrepresenting that it is made of copper while it is made of aluminium. Neither Priyanka nor Mr. Arvind had the knowledge of fact that it is made of aluminium. On being aware of the facts, Priyanka denied for payment of price. Rahul filed the suit against Mr. Arvind. Explain with reference to the Indian Contract Act 1872, whether Mr. Arvind is liable to pay the price of air conditioner?

(5 Marks)

- (c) The Board of Directors of Moon Light Limited, a listed company appointed Mr. Tel. Chartered Accountant as its first auditor within 30 days of the date of registration of the Company to hold office from the date of incorporation to conclusion of the first Annual General Meeting (AGM). At the first AGM, Mr. Tel was re-appointed to hold office from the conclusion of its first AGM till the conclusion of 6th AGM. In the light of the provisions of the Companies Act, 2013, examine the validity of appointment/reappointment in the following cases:
- (i) Appointment of Mr. Tel by the Board of Directors.
 - (ii) Re-appointment of Mr. Tel at the first AGM in the above situation.
 - (iii) In case Mr. Bell, Chartered Accountant, was appointed as auditor at the first AGM to hold office from the conclusion of its first AGM till the conclusion of 5th AGM. ie., 4 years tenure.

(4 Marks)

Question 6:

- (a) An allottee of shares in a company brought action against a director in respect of false statements made in the prospectus. The director contended that the statements were prepared by the promoters and he simply relied on them. Is the director liable under these circumstances? Decide referring to the provisions of the Companies Act, 2013.

(5 Marks)

- (b) Shikhar, a director of a Company, not being personally concerned or interested, financially or otherwise, in a matter of a proposed motion placed before the Board Meeting, did not disclose his interest although he has knowledge that his sister is interested in that proposal. He restrains from making any disclosure of his interest on the presumption that he is not required by law to disclose any interest as he is not personally interested or concerned in the proposal. He made his presumption relying on the 'Rule of Literal Construction'. Explaining the scope of interpretation under this rule in the given situation, decide whether the decision of Shikhar is correct?

(5 Marks)

- (c) Ranjit acquired a property from ABC Limited which was mortgaged to OK Bank. He settled the dues to Ok Bank in full and the same was registered with the sub-registrar who has noted that the mortgage has been settled. But neither the company nor OK Bank has filed particulars of satisfaction of charge with the Registrar of Companies. Can Mr. Ranjit approach the Registrar and seek any relief in this regard? Discuss this matter in the light of provisions of the Companies Act, 2013.

(4 Marks)

Question 7:

(a) MNP Ltd. has a paid up share capital of Rs. 10 crore and free reserves of Rs. 50 crore, as on 31st March, 2019. The company made a loss of Rs. 40 lakh after providing for depreciation for the year ended 31st March, 2019 and as a result, the company was not in a position to declare any dividend for the said year out of profits. However, the Board of directors of the company announced the declaration of dividend of 20% on the equity shares payable out of free reserves. The average dividend declared by the company in the last three years is 25%. Referring to the provisions of the Companies Act, 2013, examine the validity of declaration of dividend.

(5 Marks)

(b) Mr. X is the payee of an order cheque. Mr. Y steals the cheque and forges Mr. X signature and endorses the cheque in his own favour. Mr. Y then further endorses the cheque to Mr. Z, who takes the cheque in good faith and for valuable consideration. Examine the validity of the cheque as per the provisions of the Negotiable Instruments Act, 1881 and also state whether Mr. Z can claim the privileges of holder-in-due course.

(5 Marks)

(c) Define the term 'deposit' under the provisions of the Companies Act, 2013 and comment with relevant provisions that the following amount received by a company will be considered as deposit or not;

- (i) Rs. 5,00,000 raised by Rishi Ltd. through issue of non-convertible debenture not constituting a charge on the assets of the company and listed on a recognised stock exchange as per applicable regulations made by Securities and Exchange Board of India.
- (ii) Rs. 2,00,000 received from Mr. T, an employee of the company who is drawing annual salary of Rs. 1,50,000 under a contract of employment with the company in the nature of non-interest bearing security deposit.
- (iii) Amount of Rs. 3,00,000 received by a private company from a relative of a Director, declared by the depositor as out of gift received from his mother.

(4 Marks)

— ** —