

(GI-2, GI-6, GI-7, VI-1, VDI-1, DRIVE & FMT)

DATE: 23.07.2023

MAXIMUM MARKS: 100

TIMING: 3¼ Hours

CORPORATE AND OTHER 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 & 2 is compulsory.

Candidates are also required to answer any three questions from the remaining Four Questions.

DIVISION A (30 MARKS)**Question 1:**

1. Mr. Rajesh Kumar 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 Rs. 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 prior approval at a duly convened general meeting.

Board of Directors of DCL raised Rs. 80 lakhs from Srikant Finance Services after passing a board resolution and out of this amount, Rs. 60 lakhs was used to pay a legitimate liability of DCL by the directors. Such an act was ratified by the members in an EGM conducted thereafter. DCL is a widely held company with around 5600 members as per the members register. The 21st AGM of DCL was convened on 1st September 2021. A total of 34 members attended the meeting out of which 7 members attending through proxy. 6 of such members were represented by single proxy, Mr. Das. The articles of DCL is silent about the quorum. The voting at such meeting was conducted through means of postal ballot for all the items of business on the agenda.

Mr. Rajesh is also director of Padmani 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 those 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 2021, 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, 2021. The company has not incurred any loss during current F.Y. 2021-22 in any quarter.

Mr. Rajesh 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. Rajesh'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.

1.1 Regarding compliance for declaration and distribution of interim dividend by PSL, which of the following statements is correct?

- (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.

(2 Marks)

1.2 Which of the following statements is correct, with reference to the requirement for financial Statements of 'Fair Deal Limited'

- (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

(2 Marks)

2. 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

(1 Mark)

3. The books of accounts of every company shall be maintained in order for:

- (a) 3 Years
- (b) 5 years
- (c) 8 years
- (d) 10 years

(1 Mark)

4. Which of the following can be appointed as an auditor?

- (a) LLP
- (b) Person covered under section 144
- (c) Both
- (d) None

(1 Mark)

5. Auditor can hold security in company upto Rs. _____

- (a) Rs. 1,00,000
- (b) Rs. 5,00,000
- (c) Cannot hold even a single security
- (d) Rs. 10,000

(1 Mark)

6. If the goods of the bailor gets mixed up with the like goods of the bailee by the bailee, the cost of separation will have to be borne by-

- (a) Bailor
- (b) Bailee
- (c) The third party
- (d) Bailor & bailee in proportion of their share of goods

(1 Mark)

7. A person employed by, and acting under the control of, the original agent in the business of agency is known as_____
- (a) Substituted Agent
 - (b) Sub-Agent
 - (c) Special Agent
 - (d) Del-credere Agent
- (1 Mark)**
8. 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)**
9. According to the General Clauses Act, 1897 Official Gazette shall mean
- (a) The Gazette of India
 - (b) The Gazette of a State
 - (c) (a)and (b)
 - (d) (a) or (b)
- (1 Mark)**
10. If a company changes its name; which of the following is most accurate:
- (a) It is not allowed to use old name in any way
 - (b) New name should not be identical with old name
 - (c) Old name should be painted/printed for next 1 years along with new name
 - (d) Old name should be painted/printed for next 2 years along with new name
- (2 Marks)**
11. If a company have authorized share capital of Rs. 6,00,000; paid up share capital of Rs. 5,00,000; and a Loan from government of Rs. 2,00,000. Government ordered the company to convert its loan into shares. In this case; such order has 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
- (2 Marks)**
12. If a charge is created on or after 02-11-2018 but the registration is not made within the original period of 30 days and also not made within next 30 days after the expiry of original 30 days, then the Registrar is empowered to allow such registration to be made within a further period of_____
- (a) 30 days
 - (b) 45 days
 - (c) 60 days
 - (d) 90 days
- (2 Marks)**
13. Provisions of CSR are applicable to:
- (a) Companies with net worth of 500 cr or more
 - (b) Companies with turnover of 1000 cr or more
 - (c) Companies with net profit of 5 cr or more in any financial year
 - (d) All of the above
- (2 Marks)**

14. The auditors of a company can be removed by the
- (a) Board of directors of the company
 - (b) Audit committee
 - (c) Company in general meeting by ordinary resolution and previous approval of CG
 - (d) Company in general meeting by special resolution and previous approval of CG
- (2 Marks)**
15. 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
- (2 Marks)**
16. _____ an instrument in writing containing an unconditional undertaking signed by the maker to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument
- (a) Promissory Note
 - (b) Bill of exchange
 - (c) Cheque
 - (d) None of the above
- (2 Marks)**
17. According _____ rule of interpretation meaning of a word should be known from its accompanying or associating words?
- (a) Mischief rule
 - (b) Golden rule
 - (c) Noscitur a sociis
 - (d) Primary rule
- (2 Marks)**
18. Which rule says that if there is a conflict between two provision of the act then we should interpret so that effect must be given to all of them -
- (a) Rule of literal construction
 - (b) Mischief rule or heydon rule
 - (c) Rule of reasonable construction
 - (d) Rule of harmonious construction
- (2 Marks)**
(Total 30 Marks)

DIVISION B (70 MARKS)

Question 2:

- (a) Anushka security equipments limited is a manufacturer of CCTV cameras. It has raised Rs. 100 crores through public issue of its equity shares for starting one more unit of CCTV camera manufacturing. It has utilized 10 crores rupees and then it realized that its existing business has no potential for expansion because government has reduced customs duty on import of CCTV camera hence imported cameras from china are cheaper than its own manufacturing. Now it wants to utilize remaining

amount in mobile app development business by adding a new object in its memorandum of association.

Does the Companies Act allow such change of object. If not then what advise will you give to company. If yes, then give steps to be followed.

(5 Marks)

- (b) Mr. X, is employed as a cashier on a monthly salary of Rs. 2,000 by ABC bank for a period of three years. Y gave surety for X's good conduct. After nine months, the financial position of the bank deteriorates. Then X agrees to accept a lower salary of Rs. 1,500/- per month from Bank. Two months later, it was found that X has misappropriated cash since the time of his appointment. What is the liability of Y?

(5 Marks)

- (c) After receiving 80% of the minimum subscription as stated in the prospectus, a company allotted 100 equity shares in favour of 'X'. The company deposited the said amount in the bank but withdrew 50% of the amount, before finalisation of the allotment, for the purchase of certain assets. X refuses to accept the allotment of shares on the ground that the allotment is violative of the provisions of the Companies Act, 2013. Comment.

(4 Marks)

- (d) Mr. S Venkatesh drew a cheque in favor of M who was sixteen years old. M settled his rental due by endorsing the cheque in favor of Mrs. A the owner of the house in which he stayed. The cheque was dishonored when Mrs. A presented it for payment on grounds of inadequacy of funds. Advise Mrs. A how she can proceed to collect her dues.

(5 Marks)

Question 3:

- (a) The Articles of Association of ABC Limited require the personal presence of 7 members to constitute quorum of General Meetings. The company has 870 members as on the date of meeting. The following persons were present in the extra-ordinary meeting to consider the appointment of Managing Director:

- (i) A, the representative of Governor of Karnataka.
- (ii) B and C, shareholders of preference shares,
- (iii) D, representing Green Limited and Blue Limited
- (iv) E, F, G and H as proxies of shareholders.

Can it be said that the quorum was present in the meeting?

(6 Marks)

- (b) The Companies Act, 2013 has prescribed an additional duty on the Board of directors to include in the Board's Report a "Directors' Responsibility Statement". Briefly enumerate any four matters to be furnished in the said statement.

(4 Marks)

- (c) Viki Limited engaged in the business of consumer durables. It is managed by a team of professional managers. The Company has not made default in payment of statutory dues, and repayment of debenture/ Institutional loan with interest. The Company advertised a circular in the newspaper dated 20th September 2020 inviting the deposits from the members and public for the first time. The latest audited financial statement of the Company revealed the following data, as on 31.3.2020:

Paid up share capital	Rs. 70 Crores
Securities Premium	Rs. 20 Crores
Free Reserves	Rs. 20 Crores
Long-term borrowings	Rs. 50 Crores

The Company in the advertisement invited public deposit for a period of 4 Months Plan A and Plan B for 36 Months.

- (i) Explain the term 'eligible company' and calculate the Maximum amount of Deposit that can be accepted from Public (Non-Member) for Plan A and Plan B based on latest audited Financial Statement under the provisions of the Companies Act, 2013.
- (ii) Calculate the maximum amount of deposit Viki Limited can accept from the public under Plan B in case it is a wholly owned Government Company under the provisions of the said Act.

(4 Marks)

- (d)** Chetan Ltd. issued a notice for holding its Annual general meeting on 7th November 2019. The notice was posted to the members on 16th October 2019. 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?
 - (ii) Can the delay in giving notice be condoned?

(3 Marks)

Question 4:

- (a)** State in what way does the Companies Act, 2013 regulate and restrict the following in respect of a company going for public issue of shares:
- (i) Minimum Subscription, and
 - (ii) Application Money payable on shares being issued
- (6 Marks)**
- (b)** A appoints M, a minor, as his agent to sell his watch for cash at a price not less than Rs. 700. M sells it to D for Rs. 350. Is the sale valid? Explain the legal position of M and D, referring to the provisions of the Indian Contract Act, 1872.
- (5 Marks)**
- (c)** Benson Limited issued a notice with the agenda for nine businesses to be transacted in the Annual General Meeting (two businesses were regarding appointment of Mr. Sahu and Mr. Pranav as directors). The chairman decided to move the resolutions for all the nine businesses together to save the time of the members present. Examine the validity of the resolutions.
- (6 Marks)**

Question 5:

- (a)** The persons (not being members) dealing with the company are always protected by the doctrine of indoor management. Explain.
- (6 Marks)**
- (b)** Krish (Private) Limited on 7th May 2022 obtained Rs. 25 lakhs working capital loan by offering its Stock and Accounts Receivables as security and Rs. 5 Lakhs adhoc overdraft on the personal guarantee of a Director of Krish (Private) Limited, from a financial institution. Is the company required to create charge for working capital loan and adhoc overdraft in accordance with the provisions of the Companies Act, 2013?
- (4 Marks)**

- (c) The Board of Directors of A Ltd. requested its Statutory Auditor to accept the assignment of designing and implementation of suitable financial information system to strengthen the internal control mechanism of the Company. How will you approach to this proposal, as an Statutory Auditor of A Ltd., taking into account the consequences, if any, of accepting this proposal?

(4 Marks)

- (d) Pankaj appoints Shruti as his agent to sell his estate. Shruti, on looking over the estate before selling it, finds the existence of a good quality Granite-Mine on the estate, which is unknown to Pankaj. Shruti buys the estate herself after informing Pankaj that she (Shruti) wishes to buy the estate for herself but conceals the existence of Granite-Mine. Pankaj allows Shruti to buy the estate, in ignorance of the existence of Mine. State giving reasons in brief the rights of Pankaj, the principal, against Shruti, the agent. Give your answer as per the provisions of the Contract Act, 1872.

What would be your answer if Shruti had informed Pankaj about the existence of Mine before she purchased the estate, but after two months, she sold the estate at a profit of Rs. 10 lac?

(3 Marks)

Question 6:

- (a) At a General meeting of a company, a matter was to be passed by a special resolution. Out of 40 members present, 20 voted in favour of the resolution, 5 voted against it and 5 votes were found invalid. The remaining 10 members abstained from voting. The Chairman of the meeting declared the resolution as passed.

With reference to the provisions of the Companies Act, 2013, examine the validity of the Chairman's declaration.

(5 Marks)

- (b) The Authorized share capital of SSP Limited is Rs. 5 crore divided into 50 Lakhs equity shares of Rs. 10 each. The Company issued 30 Lakhs equity shares for subscription which was fully subscribed. The Company called so far Rs. 8 per share and it was paid up. Later on the Company proposed to reduce the Nominal Value of equity share from Rs. 10 each to Rs. 8 each and to carry out the following proposals:

- (i) Reduction in Authorized Capital from Rs. 5 crore divided into 50 Lakhs equity shares of Rs. 10 each to Rs. 4 crore divided into 50 Lakhs equity shares of Rs. 8 each.
- (ii) Conversion of 30 Lakhs partly paid up equity shares of Rs. 8 each to fully paid up equity shares of Rs. 8 each there by relieving the shareholders from making further payment of Rs. 2 per share.

State the procedures to be followed by the Company to carry out the above proposals under the provisions of the Companies Act, 2013.

(4 Marks)

- (c) Mr. Ram, an advocate has fraudulently deceived his client Mr. Shyam, who was taking his expert advice on taxation matters. Now, Mr. Ram is liable to a fine for acting fraudulently both under the Advocates Act, 1961 as well as the Income Tax Act, 1961. State the provision as to whether his offence is punishable under the both the Acts, as per the General Clauses Act, 1897.

(4 Marks)

- (d) X owned a land with fifty tamarind trees. He sold his land and the timber (obtained after cutting the fifty trees) to Y. X wants to know whether the sale of timber tantamount to sale of immovable property. Advise him with reference to provisions of "General Clauses Act, 1897".

(4 Marks)

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