

(GI-10, GI-11, VI-2(A) & AI-2(A), DI-1+2 & Drive)

DATE: 27.01.2024

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.

Question 1:

1. Mr. Jitendra Singh is a philanthropist apart from being the founder and director of Vardhman (P) Ltd. with paid-up share capital of Rs. 3 crore, engaged in business of renowned textile brand named, 'Vardhman'. 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 company 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% consists of export sales.

His son, Jimmy, who is also a shareholder and director in Vardhman (P) Ltd., wishes to start a new business of e-learning platform and research-based technical education. He opted for a corporate form of doing 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 educational activities. Jimmy met their family friend, Mr. Chawla, who is a renowned practicing Chartered Accountant. Mr. Chawla explains the various forms 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 staying in India only, 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 2021. 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 as the company had not exempted the auditor from attending the said meeting. Mr. Anup is Chartered Accountant, but currently is in full time employment with Mr. Chawla's firm since 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
Reserves created by the revaluation of assets	0.63 crores

- 1.1 Considering the validity of nominating Mr. Wilson to the One Person Company of Jimmy, out of the following, which statement holds truth?
- (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 is resident 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.
- (2 Marks)**
- 1.2 What is the maximum amount, upto which fully paid bonus shares can be issued by Sirmaur Pharma Limited?
- (a) Rs. 2.06 crores
 - (b) Rs. 3.13 crores
 - (c) Rs. 3.76 crores
 - (d) Rs. 2.69 crores
- (2 Marks)**
- 1.3 Mr. Jitendra wants to take the benefits of relaxation available to a small company. Does Vardhman (P) Ltd. meets the criteria to be classified as a small company?
- (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 is more than the prescribed limit
- (2 Marks)**
2. Where a company is granted licence under section 8, it is not required to use the word even though it is a limited company:
- (a) Guarantee company
 - (b) Limited Liability Partnership
 - (c) Limited or Private Limited, as the case may be
 - (d) Development Authority
- (2 Marks)**
3. Part of the capital for which application have been received from the public and shares allotted to them:
- (a) Nominal capital
 - (b) Issued capital
 - (c) Subscribed capital
 - (d) Called up capital
- (2 Marks)**
4. After five years of stay in USA, Mr. Umesh came to India at his paternal place in New Delhi on October 25, 2021, for the purpose of conducting business with his two younger brothers Rajesh and Somesh and contributed a sum of Rs. 10,00,000 as his capital. Simultaneously, Mr. Umesh also started a proprietary business of selling artistic brass ware, jewellery, etc. procured directly from the manufacturers based at Moradabad. Within a period of two months after his arrival from USA, Mr. Umesh established a branch of his proprietary business at Minnesota, USA. You are required choose the appropriate option with respect to residential status of Mr. Umesh and his

branch for the financial year 2022-23 after considering the applicable provisions of the Foreign Exchange Management Act, 1999:

- (a) For the financial year 2022-23, Mr. Umesh and his branch established at Minnesota, USA, are both persons resident outside India.
- (b) For the financial year 2022-23, Mr. Umesh is a resident in India but his branch established at Minnesota, USA, is a person resident outside India.
- (c) For the financial year 2022-23, Mr. Umesh and his branch established at Minnesota, USA, are both persons resident in India.
- (d) For the financial year 2022-23, Mr. Umesh is a person resident outside India but his branch established at Minnesota, USA, is a person resident in India.

(2 Marks)

5. The Annual General Meeting of Yellow Limited was held on 25th June 2022. According to the provisions of Companies Act, 2013, till what date the company should submit report on AGM to the registrar?

- (a) 30.06.2022
- (b) 10.07.2022
- (c) 24.07.2022
- (d) 25.07.2022

(1 Marks)

6. K Limited decides to raise deposits of Rs. 10.00 lakh from its members. However, it proposes to secure such deposits partially by offering a security worth Rs. 5.00 lakh. 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) These cannot be classified as deposits

(1 Marks)

7. 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

(1 Marks)

8. Which one of the following statements about limited liability partnerships (LLPs) is incorrect?

- (a) An LLP has a legal personality separate from that of its members.
- (b) The liability of each partner in an LLP is limited.
- (c) Members of an LLP are taxed as partners.
- (d) A listed company can convert to an LLP.

(1 Marks)

9. Radix Healthcare Ltd., a company registered in Thailand, although has no place of business established in India, yet it is engaged in online business through remote delivery of healthcare services in India. Select the incorrect statement from those given below as to the nature of the Radix Healthcare Ltd. in the light of the applicable provisions of the Companies Act, 2013:

- (a) Radix Healthcare Ltd. is not a foreign company as it has no place of business established in India.

- (b) Radix Healthcare Ltd. is a foreign company being involved in business activity through telemedicine.
- (c) Radix Healthcare Ltd. is a foreign company for conducting business through electronic mode.
- (d) Radix Healthcare Ltd. is a foreign company as it conducts business activity in India.

(1 Marks)

10. The Annual General Meeting (AGM) of Green Limited was held on 31.8.2022. 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.

(1 Marks)

11. Red 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.

(1 Marks)

12. Which one of the following is not the content of the Memorandum of Association?

- (a) Name clause
- (b) Registered office clause
- (c) Objects clause
- (d) Board of Directors clause

(1 Marks)

13. Offer of securities or invitation to subscribe securities under private placement shall be made to maximum number of person in the aggregate in a financial year:

- (a) 50
- (b) 100
- (c) 150
- (d) 200

(1 Marks)

14. An eligible company as per section 76, which is accepting deposits within the limits specified under section 180(1) (c) may accept deposits by means of_____
- (a) Ordinary resolution
 - (b) Unanimous resolution
 - (c) Special resolution
 - (d) Special resolution and approval of Central Government
- (1 Marks)**
15. Charge is required to be registered by
- (a) Charge holder
 - (b) Company
 - (c) RoC
 - (d) Member of company
- (1 Marks)**
16. A section 8 company can call its general meeting by giving a clear at least _____ notice:
- (a) 7 days
 - (b) 14 days
 - (c) 21 days
 - (d) 27 days
- (1 Marks)**
17. After Declaration of dividend it should be paid within:
- (a) 14 days
 - (b) 21 days
 - (c) 30 days
 - (d) 45 days
- (1 Marks)**
18. 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
- (1 Marks)**
19. If a company is registered by incorrect information then its winding up may be ordered by:
- (a) Central Government
 - (b) Registrar of Companies
 - (c) National Company Law Tribunal
 - (d) Court
- (1 Mark)**
20. A company can change terms of contracts mentioned in prospectus by way of:
- (a) Ordinary resolution through postal ballot
 - (b) Ordinary resolution in meeting
 - (c) Special resolution in meeting
 - (d) Special resolution through postal ballot
- (1 Mark)**

21. 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

(1 Mark)

22. The Registrar may grant an extension by _____, for holding the Annual General Meeting to any company for special reasons (except in the case of first AGM of the company).
- (a) 1 Month
 - (2) 2 Months
 - (3) 3 Months
 - (4) 6 Months

(1 Mark)

DIVISION B (70 MARKS)

Question 2:

- (a)** The Annual General Meeting of ABC Bakers Limited held on 30th May, 2022, declared a dividend at the rate of 30% payable on its paid-up equity share capital as recommended by Board of Directors. However, the Company was unable to post the dividend warrant to Mr. Ranjan, an equity shareholder, up to 25th July, 2022. Mr. Ranjan filed a suit against the Company for the payment of dividend along with interest at the rate of 20 percent per annum for the period of default. Decide in the light of provisions of the Companies Act, 2013, whether Mr. Ranjan would succeed? Also, state the directors' liability in this regard under the Act.

(6 Marks)

- (b)** (i) A Limited declared and paid 10% dividend to all its shareholders except Mr. B, holding 500 equity shares, who instructed the company to deposit the dividend amount directly in his bank account. The company accordingly remitted the dividend, but the bank returned the payment on the ground that the account number as given by Mr. B doesn't tally with the records of the bank. The company, however, did not inform Mr. B about this discrepancy. Comment on this issue with reference to the provisions of the Companies Act, 2013 regarding failure to distribute dividend.
- (ii) G Medical Instruments Limited is a manufacturing company & has proposed a dividend @ 10% for the year 2021-2022 out of the profits of current year. The company has earned a profit of Rs. 910 crores during 2021-2022. The company does not intend to transfer any amount to the general reserves out of the profits. Is G Medical Instruments Limited allowed to do so, as per the provisions of the Companies Act, 2013?

(6 Marks)

- (c)** What is a Shelf-Prospectus? State the important provisions relating to the issuance of Shelf- Prospectus cvxunder the provisions of Companies Act, 2013.

(4 Marks)

- (d) X Ltd. issued a notice on 1st Feb, 2018 to its existing shares holders offering to purchase one extra share for every five shares held by them.

The last date to accept the offer was 15th Feb, 2018 only. Mr. Kavi has given an application to renounce the shares offered to him in favour of Mr. Ravi, who is not a shareholder of the company. Examine the validity of application of Mr. Kavi under the provisions of the Companies Act, 2013. Would your answer differ if Mr. Kavi is a shareholder of X Ltd.?

(3 Marks)

Question 3:

- (a) Shri Laxmi Electricals Ltd. (s) is a company in which Hanuman Power Suppliers Limited (H) is holding 60% of its paid up share capital. One of the shareholder of H made a charitable trust and donated his 10% shares in H and Rs. 50 crores to the trust. He appoint S as the trustee. All the assets of the trust are held in the name of S. Can a subsidiary hold shares in its holding company in this way?

(5 Marks)

- (b) In the light of the provisions of the Companies Act, 2013, examine whether the following Companies can be considered as a 'Foreign Company':

- (i) Red Stone Limited is a Company registered in Singapore. The Board of Directors meets and executes business decisions at their Board Meeting held in India.
- (ii) Xen Limited Liability Company registered in Dubai has installed its main server in Dubai for maintaining office automation software by Cloud Computing for its client in India.

(5 Marks)

- (c) Mr. Ankit Sharma wants to form a LLP taking him, his wife Mrs. Archika Sharma and One HUF as partners for that. Whether this LLP can be incorporated under LLP Act, 2008? Explain.

(4 Marks)

- (d) Explain the importance of "Preamble" and "Proviso" being internal aids to interpretation.

(3 Marks)

Question 4:

- (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) XYZ & Associates, a firm of Chartered Accountants was re-appointed as auditors at the Annual General Meeting of ABC Ltd. held on 30-09-2021. However, the Board of Directors recommended to remove them before expiry of their term by passing a resolution in the Board Meeting held on 31-03-2022. Subsequently, having given consideration to the Board recommendation, XYZ & Associates were removed at the general meeting held on 25-05-2022 by passing a special resolution. The approval of the Central Government was not taken before passing the special resolution. Explaining the provisions for removal of second and subsequent auditors, examine the validity of removal of XYZ & Associates by ABC Ltd. under the provisions of the Companies Act, 2013.

(5 Marks)

(c) Cadila Ltd. incurred loss in business upto current quarter of financial year 2018-19. The company has declared dividend at the rate of 12%, 15% and 18% respectively in the immediately preceding three years. In spite of the loss, the Board of Directors of the company have decided to declare interim dividend @ 15% for the current financial year. Examine the decision of Cadila Ltd. stating the provisions of declaration of interim dividend under the Companies Act, 2013.

(4 Marks)

(d) The Board of Directors of Dilip Telelinks Ltd. consists of Mr. Choksey, Mr. Patel (Directors) and Mr. Shukla (Managing Director). The company has also employed a full time Secretary. The Profit and Loss Account and Balance Sheet were signed by Mr. Choksey and Mr. Patel. Examine whether the authentication of financial statements of the company is in accordance with the provisions of the Companies Act, 2013?

(3 Marks)

Question 5:

(a) Xgen Limited has a paid-up equity capital and free reserves to the extent of Rs. 50,00,000. The company is planning to buy-back shares to the extent of Rs. 4,50,000. The company approaches you for advice with regard to the following:

- (i) Is special resolution required to be passed?
- (ii) What is the time limit for completion of buy-back?
- (iii) What should be ratio of aggregate debts to the paid-up capital-and free reserves after buy-back?

(4 Marks)

(b) There is an LLP by the name Ram Infra Development LLP which has 4 partners namely Mr. Rahul, Mr. Raheem, Mr. Kartar and Mr. Albert. Mr. Rahul and Mr. Albert are non – resident while other two are resident. LLP wants to take Mr. Rahul and Mr. Raheem as Designated Partner. Explain in the light of Limited Liability Partnership Act, 2008 whether LLP can do so?

(4 Marks)

(c) YZ Ltd is a manufacturing company & has proposed a dividend @ 10% for the year 2017-18 out of the current year profits. The company has earned a profit of Rs. 910 crores during 2017-18. YZ Ltd. does not intend to transfer any amount to the general reserves of the company out of current year profit. Is YZ Ltd. allowed to do so? Comment.

(4 Marks)

(d) Explain how the auditor will be appointed in the following cases:

- (i) A Government Company within the meaning of section 394 of the Companies Act, 2013.
- (ii) The Auditor of the company (other than government company) has resigned on 31st December, 2016, while the Financial year of the company ends on 31st March, 2017.

(5 Marks)

Question 6:

(a) Following is the extract of the Balance sheet ABC Ltd. as on 31st March, 2022:

Particulars	Amount
Equity & Liabilities	
(1) Shareholder’s Fund	

(a) Share Capital:		
Authorized Capital:		
10,000, 12% Preference Shares of Rs. 10 each	1,00,000	
1,00,000 equity shares of Rs. 10 each	10,00,000	11,00,000
Issued & Subscribed Capital:		
8000, 12% Preference Shares of Rs. 10 each fully paid up		80,000
90,000 equity shares of Rs. 10 each, Rs. 8 paid up		7,20,000
(b) Reserve and Surplus		
General Reserve	1,20,000	
Capital Reserve	75,000	
Securities Premium	25,000	
Surplus in statement of P& L	2,00,000	4,20,000
(2) Non-Current Liabilities:		
Long-term borrowings:		
Secured Loan: 12% partly convertible		
Debenture @ Rs. 100 each		5,00,000

On 1st April, 2022 the company has made final call at Rs. 2 each on 90,000 Equity Shares. The call money was received by 25th April, 2022. Thereafter, the company decided to capitalize its reserves by way of bonus @ 1 share for every 4 shares to existing shareholders.

Answer the following questions according to the Companies Act, 2013, in above case:

- (A) Which of the above-mentioned sources can be used by company to issue bonus shares?
- (B) Calculate the amount to be capitalized from free reserves to issue bonus shares?
- (5 Marks)**
- (b)** Bows Limited is required to create a charge on one of its assets. However, the above charge could not be registered within the required period of 30 days. State the provisions related to extension of time and procedure for registration of charges, in case when the charge was not registered within 30 days of its creation.
- (5 Marks)**
- (c)** Referring to the provisions of the Foreign Exchange Management Act, 1999, state the kind of approval required for the following transactions:
- (i) M requires U.S. \$ 5,000 for remittance towards hiring charges of transponders.
- (ii) P requires U.S. \$ 2,000 for payment related to call back services of telephones.
- (4 Marks)**
- (d)** Explain the rule in 'Heydon's Case' while interpreting the statutes quoting an example.
- (3 Marks)**

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