

CORPORATE AND OTHER LAW

- 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

Q. 1 to Q. 5:
Case Scenario

Mr. Jitendra Singh is a philanthropist apart from being the founder and director of Paridhaan (P) Ltd. with paid-up share capital of Rs. 3 crore, engaged in business of renowned textile brand named, 'Paridhaan'. 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 Paridhaan (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. Sharma, who is a renowned practicing Chartered Accountant. Mr. Sharma 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 academican 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. Sharma 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. Rajendra, to attend the AGM on his behalf as the company had not exempted the auditor from attending the said meeting. Mr. Rajendra is Chartered Accountant, but currently is in full time employment with Mr. Sharma's firm since the last year or so. Mr. Rajendra 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

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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. 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

3. Mr. Jitendra wants to take the benefits of relaxation available to a small company. Does Paridhaan (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

4. Jimmy is already a member of Paridhaan (P) Ltd. and has now promoted his own OPC. Is Jimmy eligible to incorporate an OPC as being an existing member and Director of Paridhaan (P) Ltd., which of the following statements is correct?
 - (a) Not eligible, because a person who is a member of any other company cannot incorporate an OPC.
 - (b) Not eligible, because a person who is director of any other company cannot incorporate an OPC as a member.
 - (c) Eligible, because a person can incorporate one OPC as a member despite being a member in any other form of companies, other-than OPC.
 - (d) Eligible, because a person can be a member of any number of companies including any number of OPCs.

5. Is Mr. Sharma liable for punishment for contravention of the provisions of Section 146 and Section 147 of Companies Act, 2013?
 - (a) No, because attending AGM is not mandatory for auditor
 - (b) No, because Mr. Sharma attends the AGM through his representative (Mr. Rajendra)
 - (c) Yes, because in all circumstances; auditor (Mr. Sharma) must attend the AGM and that too in person.
 - (d) Yes, because representative appointed by him in this case (i.e. Mr. Rajendra) is not qualified to be appointed as an auditor of such a company.

MCQ [5 MCQ of 2 Marks Each : Total 10 Marks]

Q. 6 to Q. 10: Case Scenario

Vikash Fertilizers Limited (VFL) and Vivian Chemicals Private Limited (VCPL) were promoted around 30 years back by Mr. Ajay Verma and his family members. Mr. Ajay Verma and his younger brother Vijay Verma actively participate in the daily operations of both the

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companies. VCPL is wholly owned by Verma family, while Verma family has a majority stake of 65% in VFL.

Due to the poor economic conditions in the agriculture sector and shifting of the farmers' focus to organic farming, the sales of Vikash Fertilizers Limited is dipping and its bottom line has been in the red for the last couple of years. The unabsorbed loss of VFL for the current financial year is Rs. 9.8 crores. VFL didn't pay any dividends during the last four years. VFL has accumulated profit in the form of free reserves of Rs. 180 crores whereas paid-up share capital is 918 crores as per its latest audited financial statement and loss of Rs. 9.8 crores has not been deducted from such amount of free reserves. Since pressure from shareholders of the free float is mounting, management at VFL decided to pay a dividend this year out of accumulated profit. Finally, the dividend was declared on 31st August 2021. Some of the dividend remained unpaid as on 30th September 2021, on account of operation of law; this was transferred to unpaid Dividend Account and a statement containing only the names of such beneficiaries was hosted on the website of the company on 9th November 2021.

VCPL is a mid-sized unlisted entity, with few branches (retail drug store) abroad and is not required to appoint a director under section 149(4). During the immediately preceding F.Y., its net worth was Rs. 280 crores, turnover was Rs. 590 crores and net profit was Rs. 45.8 crores. The profits and other information of the immediately preceding three years is given below:

Particulars	Year ended 31.3.2021 (Rs. in crores)	Year ended 31.3.2020 (Rs. in crores)	Year ended 31.3.2019 (Rs. in crores)
Net Profit for the year as per section 198, including the below mentioned income.	45.8	52.0	35.8
Profit from foreign branches	1.8	9.1	5.4
Non-operating Income	8.6	2.7	0.8
Dividend Income	4.2*	0.0	2.4

*Out of Rs. 4.2 crores, the amount of Rs. 1.8 crores is dividend received from a foreign company not having any place of business in India.

The Board of Directors of VCPL is not clear whether they have to compulsorily form a CSR committee. In order to avoid adverse legal consequences, VCPL constitutes a CSR committee consisting of two (2) non-executive directors and one (1) executive director who was appointed as chairperson of the committee.

6. In case of VFL, regarding the unpaid dividend, which of the following statements is correct?
 - (a) VFL is guilty, of non-payment of dividend, because some of the dividends remain unpaid even after 30 days of declaration.
 - (b) VFL is guilty, because the list of beneficiaries of unpaid dividend is hosted on the website after 30 days from the date it falls in the category of unpaid dividend.
 - (c) VFL is guilty, because the list of beneficiaries does not contain the latest known address of beneficiaries and the amount unpaid.
 - (d) VFL is not guilty, because it has full-filled all the provisions of law pertaining to unpaid dividend.

7. During the current year, is VCPL required to constitute CSR committee under section 135 of Companies Act 2013?
 - (a) No, because it is a private company
 - (b) No, because it is an unlisted company and it has net- worth less than Rs. 500 crores

- (c) Yes, because despite being unlisted company its turnover is above Rs. 500 crores
- (d) Yes, because its net profit is above Rs. 5 crores
8. In the case of VFL, what can be the maximum amount of dividends payable out of accumulated profits?
- (a) Rs. 109.8 crores
- (b) Rs. 100 crores
- (c) Rs. 42.3 crores
- (d) Rs. 32.5 crores
9. Considering the legal provisions regarding the constitution of CSR committee and the one constituted by VCPL, state which of following the statements hold truth?
- (a) Constitution of the committee is invalid because it doesn't consist of an independent director.
- (b) Constitution of the committee is invalid because its chairperson is an executive director.
- (c) Constitution of the committee is valid because it depends purely upon the discretion of management.
- (d) Constitution of the committee is valid because company is not required to appoint an independent director.
10. What is the minimum amount to be spent by VCPL on CSR activities for F.Y. 2021-22?
- (a) Rs. 89.06 Lakhs
- (b) Rs. 78.20 Lakhs
- (c) Rs. 75.00 Lakhs
- (d) Rs. 73.80 Lakhs

MCQ [5 MCQ of 2 Marks Each : Total 10 Marks]

11. An issuing house (share broker) has issued an advertisement in two leading newspapers for selling a large number of shares allotted to it by a company under a private placement. In which of the following conditions will the advertisement NOT be deemed to be a prospectus:
- (a) Advertisement was given within six months from the date of allotment
- (b) Advertisement was given after six months from the date of allotment and the issuing house has paid the entire consideration to the company
- (c) The issuing house did not pay entire consideration to the company till the date of allotment
- (d) advertisement was given within three month from the date of allotment
- (2 Marks)**
12. Which of the following statements is not true?
- (a) in case of shares, the rate of underwriting commission to be paid shall not exceed five percent of the issue price of the share.
- (b) underwriting commission should not be more than the rate specified by the Article of Association.
- (c) in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
- (d) amount of commission may be paid out of profits of the company.
- (2 Marks)**

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13. Jyoti Real Estate Developers Limited has accepted deposits from its members. There is no default in repayment of such deposits on their maturity. The statutory amount to be deposited by the company on or before 30th April of each year in a specified account opened with its bankers, till the deposits are fully repaid is:
- Not less than 50% of the amount of its deposits maturing during the following financial year.
 - Not less than 30% of the amount of its deposits maturing during the following financial year.
 - Not less than 20% of the amount of its deposits maturing during the following financial year.
 - Not less than 10% of the amount of its deposits maturing during the following financial year.

(2 Marks)

14. Vishnu Company Ltd, a public company incorporated under the Companies Act, 2013 has Mr. ViJay- Director, Mr. Akash – Independent Director, Mr. Rohit – Nominee Director and Mr. Yash – Whole time director. Mr. Rohit wants to inspect the books of account of Shankar Company Limited, the subsidiary of Vishnu Company Limited. You are required to state whether Mr. Rohit is eligible to inspect the books of accounts of Vishnu Company Limited?
- Yes, Mr. Rohit can inspect the books of account of Shankar Company limited only on authorization of the public financial institution on whose behalf he has been so appointed in the board of the Vishnu Company Ltd.
 - No. Mr. Rohit being a nominee director can only inspect the books of account of Vishnu Company Ltd and not its subsidiary company.
 - Yes, Mr. Rohit can inspect the books of account of Shankar Company limited only on authorization by way of resolution of the board of directors.
 - Yes, Mr. Rohit can inspect the books of account of Shankar Company limited only on authorization by way of resolution of the members holding not less than 25% of the paid up share capital of the company.

(2 Marks)

15. Dream World Entertainment Limited, has accepted deposits worth Rs. 50.00 lacs from public on 1st April 2019 for a period of 24 months i.e. repayment of deposit would be made on 31st March 2021. The rate of interest payable on such deposits is 9% p.a. One of the depositors Mr. Aman requested the company on 1st June 2020 for premature repayment of his deposit of Rs. 6.00 lacs along with interest. Advise the company in the said matter.
- The company can make premature repayment of deposits only with an intention to reduce the total amount of deposits to bring it within permissible limits. Hence, in the given case, the company cannot repay the deposit before the actual maturity.
 - The company can prematurely repay the deposit along with interest @9% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).
 - The company can prematurely repay the deposit along with interest @8% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).
 - The company can prematurely repay the deposit along with interest @8% p.a. for the period of 14 months (from 1st April 2019 to 31st May 2020).

(2 Marks)

PART II - DESCRIPTIVE QUESTIONS (70 MARKS)

QUESTIONS NO. 1 IS COMPULSORY. CANDIDATES ARE REQUIRED TO ANSWER ANY FOUR QUESTIONS FROM THE REMAINING FIVE QUESTIONS
Wherever necessary, suitable assumptions may be made and disclosed by way of a note. Working Notes should form part of the answer.

Question 1:

- (a) Sindhu school started imparting education on 1st April, 2010, with the sole objective of providing education to children of weaker society either free of cost or at a very nominal fee depending upon the financial condition of their parents. However, on 30th March 2020, it came to the knowledge of the Central Government that the said school was operating by violating the objects of its objective clause due to which it was granted the status of a section 8 company under the Companies Act, 2013. Describe what powers can be exercised by the Central Government against the Sindhu School, in such a case?
(5 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 explain any three matters to be furnished in the said statement.
(5 Marks)
- (c) Toy Ltd. is a Japanese company having several business units all over the world. It has a robotic unit with its head quarters in Mumbai and has a branch in Singapore. The Headquarters at Mumbai controls the Singapore branch of the robotic unit. What would be the residential status of the robotic unit in Mumbai and that of the Singapore branch?
(4 Marks)

Question 2:

- (a) XYZ Limited created a charge in favour of OK Bank which was duly registered. Later on, the Bank enhanced the facility by another Rs. 20 crore. Due to inadvertence, the modification in the original charge was not registered. Advise the company as to the course of action to be pursued in this regard.
(5 Marks)
- (b) S Ltd acquired 10% paid up share capital of H Ltd on 15th March 2017. H Ltd acquired 55% paid up share capital of S Ltd on 10th March 2018. H Ltd. on 25th September, 2020 decided to issue bonus shares in the ratio of 1:1 to the existing shareholders. Accordingly, bonus shares were allotted to S Ltd. Examine under the provisions of the Companies Act, 2013 and decide
(i) the validity of holding of shares by S Ltd. in H Ltd.
(ii) allotment of Bonus shares by H Ltd. to S Ltd.
(5 Marks)
- (c) 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 the General Clauses Act, 1897.
(4 Marks)

Question 3:

- (a) Can equity share with differential voting rights be issued? If yes, state the conditions under which such shares may be issued. **(5 Marks)**
- (b) Examine the validity of the following decisions of the Board of Directors with reference of the provisions of the Companies Act, 2013.
- (i) In an Annual General Meeting of a company having share capital, 80 members present in person or by proxy holding more than 1/10 th of the total voting power, demanded for poll. The chairman of the meeting rejected the request on the ground that only the members present in person can demand for poll.
- (ii) In an annual general meeting, during the process of poll, the members who earlier demanded for poll want to withdraw it. The chairman of the meeting rejected the request on the ground that once poll started, it cannot be withdrawn. **(5 Marks)**
- (c) If it is defined as:
- a. "Company means a company incorporated under the Companies Act, 2013 or under any previous company Law".
- b. "Person" includes, _____ under the Consumer Protection Act, 1986.
- How would you interpret/construct the nature and scope of the above definitions? **(4 Marks)**

Question 4:

- (a) "ABC & Co." is an audit firm having partners "Mr. A", "Mr. B" and "Mr. C", Chartered Accountants. "Mr. A", "Mr. B" and "Mr. C" are holding appointment as auditors in 4, 6 and 10 companies respectively.
- i. Provide the maximum number of audits remaining in the name of "ABC & Co."
- ii. Provide the maximum number of audits remaining in the name of individual partner i.e. Mr. A, Mr. B and Mr. C. **(5 Marks)**
- (b) Mr. Sachin 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. **(5 Marks)**
- (c) Explain various provisions applicable to rules or bye-laws being made after previous publications as enumerated in Section-23 of the General Clauses Act, 1897. **(4 Marks)**

Question 5:

- (a) M/s Crystal Steels LLP was incorporated on 01.09.2022. On 01.01.2023, one partner of a partnership firm named M/s Crystal Steels is registered with Indian Partnership Act, 1932 since 01.01.2000 requested ROC that as the name of LLP is nearly resembles with the name of already registered partnership firm, the name of LLP should be changed. Explain whether M/s Crystal Steels LLP is liable to change its name under the provisions of Limited Liability Act, 2008? **(5 Marks)**
- (b) 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.

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- (ii) A public company whose shareholders include XYZ Bank (a nationalized bank) holding 18% of the subscribed capital of the company.

(5 Marks)

- (c) Moon Light Limited was incorporated on 22nd January 2019 with the objects of providing software services. The Company adopted its first financial year as from 22nd January 2019 to 31st March 2020. The financial statement for the said period, after providing for depreciation in accordance with Schedule II of the Companies Act, 2013 revealed net profit. The Board of Directors declared 20% interim dividend at their meeting held on 7th July 2020, before holding its first Annual General Meeting. In the light of the provisions of the Companies Act, 2013 and Rules made thereunder:

- (i) Whether the Company has complied due diligence in declaring interim dividend?
 (ii) Whether the Company can declare dividend in case it was registered under Section 8 of the Companies Act, 2013?
 (iii) What are the penal consequences in case of failure to pay the interim dividend?

(4 Marks)

Question 6:

- (a) The Articles of Association of DJA Water Tanks Ltd. require the personal presence of 7 members to constitute quorum of General Meetings. The company has 965 members as on the date of meeting. The following persons were present in the extra-ordinary general meeting to consider the appointment of Managing Director:

- (i) A is the representative of Governor of Uttar Pradesh.
 (ii) B and C are preference shareholders,
 (iii) D is representing Y Ltd. and Z Ltd.
 (iv) E, F, G and H are proxies of shareholders.

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

(5 Marks)

OR

- (a) With a view to transact some urgent business, Ruchi, Dimpi and Vitnesh, the three directors of Shilpikaar Constructions Limited are desirous of calling a general meeting of shareholders by giving shorter notice than 21 days' clear notice. The fourth director, Vimlesh is of the opinion that such an action will attract penalty provisions since there is contravention. The paid-up share capital of the company is Rs. 30 crores divided into 3 crores shares of Rs. 10 each. Keeping in view the applicable provisions of the Companies Act, 2013, discuss regarding the possibility of calling a general meeting by giving shorter notice.

(5 Marks)

- (b) Galilio Ltd. is a foreign company in Germany, and it has established a place of business in Mumbai. Explain the relevant provisions of the Companies Act, 2013 and rules made thereunder relating to preparation and filing of financial statements, as also the documents to be attached alongwith the financial statements by the foreign company.

(5 Marks)

- (c) Mr. Sane, an Indian National desires to obtain Foreign Exchange for the following purposes:

- (i) Remittance of US Dollar 50,000 out of winnings on a lottery ticket.
 (ii) US Dollar 100,000 for sending a cultural troupe on a tour of U.S.A.

Advise him whether he can get Foreign Exchange and if so, under what conditions?

(4 Marks)

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