

**Sample Questions 1 for assessment of paper 4: Corporate and Allied Laws/ Corporate and Economic Laws**

1. 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 for the Financial Year 2017-2018:

Financial Year	Net Profit(In Cr.)
2014-15	30
2015-16	22
2016-17	27

- (a) 26 Crore
- (b) 52 Lacs
- (c) 55 Lacs
- (d) 26 Lacs

2. Mr. B, director of XRL Company from 2006. He got his DIN allotted to him on May 6, 2017. By what date he should have intimated his DIN to XRL Company?

- (a) Before May 20, 2017
- (b) Before June 6, 2017
- (c) Before July 6, 2017
- (d) Before August 6, 2017

3. Mr. Raman, is appointed as valuer in April, 2018 in ABC Ltd. He undertook the valuation of the assets of the company in 2018. In case Mr. Raman becomes interested in any property, stock etc of the company, he may be not be eligible to undertake valuation in such property of the company till:

- (a) 2019
- (b) 2020
- (c) 2021
- (d) He will never be appointed as Registered Valuer of ABC Ltd.

4. PQR Company give its assent to give guarantee to ABZ Company on the taking of loan from financial institution. According to the Companies Act, 2013, the said act should be approved by the Board of Directors. State the mode of approval adopted by the board of directors of PQR company-

- (a) Board shall give approval for giving guarantee on the loan by simple majority
- (b) Board shall give approval by passing circular resolution.
- (c) Board shall give approval by passing resolution through special majority
- (d) Board shall give unanimous approval.

5. Mr. X, a director of the company, intimated of his participation in the meeting scheduled on August, 2018. He declared his participation through electronic mode, in April 2017. State whether Mr. X is entitled to participate in the meeting to be conducted in August 2018 –

- (a) Yes, intimation about such participation was made at the beginning of the calendar year
- (b) No, because intimation was made in previous calendar year
- (c) Yes, because company was intimated of its participation in the meeting.

(d) No, because valid period of declaration (i.e., 1 year) of his participation expired.

6. In compliance to the Companies Act, 2013, at least one woman director shall be on Board of such class or classes of companies as may be prescribed. Ms. Riya is keen to hold the office of woman director in a company. She has selected some companies in which there is a vacancy for the woman director. Advise Ms. Riya in selecting the companies which are mandatorily required to appoint a woman director:

- (a) PQR Limited which is a unlisted company and having paid up share capital of 150 crore rupees as per the last date of latest audited financial statements.
- (b) ABC Limited which is a listed company and having a turnover of 150 crore rupees as per the last date of latest audited financial statements.
- (c) XYZ Limited which is a unlisted company and having a turnover of 350 crore rupees as per the last date of latest audited financial statements.
- (d) All of the above

7. A director of XYZ, a Pvt. Ltd. takes a loan from its company. Due to some reasons, he fails to repay the debt within the given time period. He request board of directors to give him time for repayment of debt. State which of the below statements is correct with respect to the exercise of the power in the given situation as per the Companies Act, 2013-

- (a) Power to fix the time limit for repayment of any debt due from director can be exercised only by members by special resolution at a general meeting.
- (b) Power to fix the time limit for repayment of any debt due from director can be exercised by Board of the company itself.
- (c) Power to fix the time limit for repayment of any debt due from director can be exercised with the prior permission of the company in general meeting while taking debt.
- (d) Board shall not exercise this power if the provision related to repayment of debt is contained in the articles of the company.

8. Under what circumstances the meeting of the creditors may be dispensed by the NCLT?

- (a) if 70% of the creditors in value agree and confirm to the scheme by way of affidavit
- (b) if 80% of the creditors in value agree and confirm to the scheme by way of affidavit
- (c) if 90% of the creditors in value agree and confirm to the scheme by way of affidavit
- (d) None of the above

9. When can an application be made to Tribunal for constitution of a winding up committee to assist and monitor the progress of liquidation proceedings by the Company Liquidator in carrying out the function?

- (a) Within two weeks from the date of passing of winding up order
- (b) Within three weeks from the date of passing of winding up order
- (c) Within four weeks from the date of passing of winding up order
- (d) Within six weeks from the date of passing of winding up order

10. A Ltd, appointed Mr. A & Mr. B as directors of the Company, by passing of single resolution for election of these two. Later on it came in the notice of the Company that there might be some confusion regarding the compliance of the applicable provisions. State the correct statement in the

light of the Companies Act, 2013 as to the an appointment and to the validity of acts of said appointed directors ?

- (a) Void Appointment & acts of the directors are void ab-inito.
- (b) Void Appointment & acts of the directors are valid until defect in the appointment is shown to the Company.
- (c) Valid Appointment & so acts are also valid.
- (d) Appointment is valid subject to ratification by shareholder in general meeting.

11. Mr. Mahesh returned from abroad, was left unspent with the foreign currency USD 1,000. This amount can be retained with him –

- (a) for 60 days
- (b) for 90 days
- (c) for 120 days
- (d) for 180 days

12. RAB Bank Limited, a banking company, has defaulted in the payment of dues to their catering contractor. Can the contractor, as an operational creditor initiate insolvency process against the bank-

- (a) Yes, operational creditors are entitled
- (b) No, financial service providers are excluded
- (c) Yes, banking companies are covered under this code
- (d) No, catering is an excluded service under the Code

13. The time line of 180 days for the Corporate Insolvency Resolution process commences from the

- (a) Date of Debt
- (b) Date of preferring the application
- (c) Date of admission of application by NCLT
- (d) 90 days after the debt is due

14. ABC and Co, the tax consultants of X Limited, for which an interim resolution professional – Mr A, has been appointed under the Corporate Insolvency resolution process has refused to furnish information to Mr A on the grounds of client confidentiality. Are they right

- (a) Yes, they are right
- (b) No, the Code provides powers to the IRP to access all information from various parties
- (c) Partly right, they can do so only after consent of the directors
- (d) Mr A is not right in even asking for this information

15. Operational creditors are entitled to receive notice of meetings of Committee of creditors if their aggregate dues are not less than .... % of the total debts of the corporate debtor

- (a) 20%
- (b) 10%
- (c) 15%
- (d) 5%

16. According to the Companies Act, 2013, the draft minutes of a Board meeting held through audio visual means shall be circulated among all the directors within ..... Of the meeting:

- (a) 10 days
- (b) 15 days
- (c) 30 days
- (d) One month

17. Minimum threshold prescribed for applicability of SARFAESI Act on NBFCs is –

- (a) 1 crore
- (b) 10 crore
- (c) 100 crore
- (d) 500 crore

18. Drug trafficking is a punishable offence in India. Suppose, Mr. X & Mr. Y, are involved in drug trafficking including imported drugs trafficking. Under which Act, Mr. X & Mr. Y can be prosecuted?

- (a) Narcotic Drugs and Psychotropic Substances (NDPS) Act, 1985
- (b) Prevention of Money Laundering Act, 2002
- (c) Foreign Exchange Management Act, 1999
- (d) Offences under the Unlawful Activities (Prevention) Act, 1967

19. Ruby Ltd. filed an application to the NCLT stating that corporate insolvency resolution process against him, cannot be completed within the 90 days under the fast track insolvency resolution process. Considering application and on being satisfied, NCLT ordered to extend the period of such process by 30 days. Later, again Ruby Ltd. initiated an application for further extension of time period of insolvency process by 15 days. Decide in the given situation, whether NCLT, can extend timelines by further 15 days.

- (a) Yes, because extension of duration in toto, is not exceeding 45 days.
- (b) Yes, depends of the facts, if it is justified, NCLT may extend the timelines.
- (c) No, extension of the fast track insolvency resolution process shall not granted more than once.
- (d) (a) & (b)

20. KDS Agro Pvt. Ltd., a newly incorporated company has not mentioned the names of first directors of the company in its Articles of Association. Referring the provisions of the Companies Act, 2013, who shall be deemed to be the first directors of the company?

- (a) The members of the company shall be deemed to be the first directors of the company.
- (b) The subscribers of the company shall be deemed to be the first directors.
- (c) None shall be deemed to be the first directors of the company.

(d) The shareholders shall appoint first directors in the General Meeting.

21. The turnover of XYZ Ltd. as on the last date of latest audited financial statements is 400 crore rupees. An Intermittent vacancy of the women director arises on 15th June, 2018 in the company. The immediate Board meeting was held on 14th October, 2018. The vacancy of the women director shall be filled up by-----:

- (a) Appointment of women director is not mandatory
- (b) 14th August, 2018
- (c) 14th September, 2018
- (d) 14th October, 2018

22. In compliance to the Companies Act, 2013, at least one woman director shall be on Board of such class or classes of companies as may be prescribed. Ms. Riya is keen to hold the office of woman director in a company. She has selected some companies in which there is a vacancy for the woman director. Advise Ms. Riya in selecting the companies which are mandatorily required to appoint a woman director:

- (a) PQR Limited which is a unlisted company and having paid up share capital of 150 crore rupees as per the last date of latest audited financial statements.
- (b) ABC Limited which is a listed company and having a turnover of 150 crore rupees as per the last date of latest audited financial statements.
- (c) XYZ Limited which is a unlisted company and having a turnover of 350 crore rupees as per the last date of latest audited financial statements
- (d) All of the above

23. XYZ Limited is an unlisted company engaged in manufacturing of fabrics. The turnover of the company as on the last date of latest audited financial statements is Rs. 100 Crore. The company is having 7 directors in its Audit Committee. Advise the company by choosing the correct option for the company regarding requirement of appointment of independent director and minimum number of independent directors if required?

- (a) The appointment of independent directors is mandatorily required under XYZ Limited and the minimum number of independent directors is two.
- (b) The appointment of independent directors is mandatorily required under XYZ Limited and the minimum number of independent directors is three.
- (c) The appointment of independent directors is mandatorily required under XYZ Limited and the minimum number of independent directors is four.
- (d) The appointment of independent directors is not mandatorily required under XYZ Limited.

24. Amar Textiles Limited, a listed company, engaged in the production of furniture and fittings in Pune. The company is having 50,000 small shareholders. The small shareholders wanted to elect a small shareholders' directors amongst themselves so that their issues are resolved during the Board meetings at the earliest. 500 small shareholders served a notice for appointment of a small shareholder in the Board. Decide the validity of the notice by the small shareholders:

- (a) Notice by 500 small shareholders is valid and company may appoint a small shareholder director.

- (b) Notice by 500 small shareholders is not valid and company may appoint a small shareholder 'director on the requisition of 1000 small shareholders.
- (c) Notice by 500 small shareholders is not valid and company may appoint a small shareholder director on the requisition of 5000 small shareholders.
- (d) Small shareholders director cannot be appointed in the company as the company doesn't fulfil the condition for appointment of small shareholders' director.

25. Stylish Technology Limited engaged in the manufacturing of mobiles and chargers. The company's Board of Directors consist of 8 directors i.e. Mr. Ram (Director), Mr. Shyam (Director), Mr. Mohan (Director), Mr. Vijay (Director), Mr. Naresh (Director), Mr. Ashish (Independent Director), Mr. Neeraj (Independent Director) and Mr. Anil (Small shareholders' director). Calculate the number of directors to retire at Annual General Meeting held on 15th September, 2018.

- (a) One
- (b) Two
- (c) Three
- (d) Four

26. Prince Ltd. desires to appoint an additional director on its Board of directors. The Articles of the company confer upon the Board to exercise the power to appoint such a director. As such M is appointed as an additional director on 12th December, 2017. The Annual General Meeting ought to have been held on 17th August, 2018 but adjourned to 5th October, 2018. Decide the date upto which M can continue as director in Prince Ltd.?

- (a) 17th August, 2018
- (b) 30th September, 2018
- (c) 5th October, 2018
- (d) The appointment of additional director is not valid.

27. Mr. Q, a Director of PQR Limited proceeding on a foreign tour for six months, appointed Mr. Y as an alternate director to act for him during his absence. The articles of the company provide for appointment of alternate directors. Mr. Q claims that he has a right to appoint alternate director. Examine the validity of Mr. Q claim.

- (a) Claim by Mr. Q is valid as the Articles provide for appointment of alternate directors
- (b) Claim by Mr. Q is not valid as the authority to appoint alternate director has been vested in the board of directors only and that too subject to empowerment by the Articles
- (c) Mr. Y cannot be appointed as alternate director as Mr. Q proceeds on a foreign tour for six months only
- (d) None of the above

28. XYZ Limited is a listed public company having a paid-up capital of twenty crore rupees as on 31st March, 2017 and a turnover of one hundred fifty crore rupees during the year ended 31st March, 2017. The total number of directors is thirteen. State the minimum number of independent directors that the company should appoint.

- (a) 2

- (b) 3
- (c) 4
- (d) 5

29. Seafood Limited, a public limited company was incorporated on 1st April, 2016. The company has conducted four Board Meetings during the financial year 2016-17 i.e. on 6th April, 2016, 28th August, 2016, 30th September, 2016 and 30th March, 2017. Decide on the validity of the frequency of the Board Meeting:

- (a) There is no contravention of the provision related to holding of board meeting as 4 board meetings has been held during the year.
- (b) There is no contravention of the provision related to holding of board meeting as the first board meeting was held within 30 days of incorporation.
- (c) There is a contravention in respect of the conduct of the board meetings as gap between two consecutive board meetings (6th April and 28th August) is 143 days and gap between two consecutive board meetings (30th September and 30th March) is 181 days.
- (d) There is a contravention in respect of the conduct of the board meetings as gap between two consecutive board meetings (6th April and 28th August) is 123 days and gap between two consecutive board meetings (30th September and 30th March) is 141 days.

30. There are 9 directors in a company and out of which 2 officers of the directors have fallen vacant. What will be the quorum for the board meeting?

- (a) 2
- (b) 3
- (c) 4
- (d) 5

31. The Board of Directors of ABV Limited is desirous to delegate some of its powers to its committee of directors as they find it difficult to manage everything on their own. The Board of Directors are confused between the various powers of the Board as which power can be delegated or not. Advise the Board amongst the following powers which they can delegate to its committee of directors:

- (a) To authorise buy-back of securities
- (b) To invest the funds of the company
- (c) To diversify the business of the company
- (d) To take over a company or acquire a controlling or substantial stake in another company

32. The Board of directors of Very Well Ltd., wants to contribute Rs. 60,000 to a charitable organization during the financial year 2017-2018. During the financial year 2015-2016, the company suffered losses. The directors are contemplating to contribute the said amount in spite of the losses. In this connection, state whether the directors can do so?

- (a) No, Very Well Ltd. cannot contribute Rs. 60,000 in 2017-2018 as the company suffered losses in 2015-2016.
- (b) No, the board of directors are not authorized to contribute to bonafide charitable and other funds.

- (c) No, Permission of the company in general meeting shall be required for contribution to bonafide charitable and other funds
- (d) Yes, Very Well Ltd. Can contribute Rs. 60,000 to a charitable organization inspite of losses in 2015-2016 provided it is to a bonafide charitable fund.

33. A financial creditor, FC through an assignment agreement, assigned here the debt to the X trust. X trust filed the petition for initiation of corporate Insolvency resolution process (CIRP) against Corporate debtor, CR. State the correct statement with respect to the competency of the X trust in the filing of the petition in the above situation-

- (a) X Trust is not a competent applicant as per section 6 of the IBC, 2016
- (b) X Trust is being authorized by the FC to file an application
- (c) X Trust in the capacity of financial creditor can file a valid petition.
- (d) None of the above

34. As per the Insolvency & Bankruptcy Code, 2016, resolution plan is prepared by ----- is submitted to -----

- (a) Committee of Creditors, Adjudicating Authority
- (b) Resolution applicant, committee of creditors
- (c) Resolution applicant, Resolution Professional
- (d) Committee of Creditors, Resolution Professional

35. Committee of creditors of Corporate debtors was constituted on 17.3.2018. Time limit, within which the first meeting of committee of creditors should be held, is -----.

- (a) 20.3.2018
- (b) 22.3.2018
- (c) 24.3.2018
- (d) 31.3.2018

36. Raghav plan to visits USA. He can carry foreign currency in cash for travel abroad-

- (a) USD 2000
- (b) USD 3000
- (c) USD 5000
- (d) USD 10,000

37. Capable Limited appoints Mr. Vikas as the Managing director of the company. The board of directors entrusted him with some powers. Mr. Vikas is not ready to do such administrative acts authorised by the Board of Directors keeping in view that he shall be entrusted with substantial powers of the management. Decide the acts which Mr. Vikas can undertake:

- (a) To draw and endorse any cheque on the account of the company in any bank
- (b) To sign the financial statements of the company
- (c) To draw and endorse any negotiable instrument



- (d) to Sign any certificate of share

38. Mr. X was appointed as Managing Director for life by the Articles of Association of a private company incorporated on 1st June, 2018. Examine in this connection, Can Mr. X be appointed for life as Managing Director?

- (a) Yes, Mr. X can be appointed as managing director for life in a private company
- (b) No, Mr. X cannot be appointed as managing director for life in private company as only public companies are allowed to appoint managing director for life
- (c) No, Mr. X cannot be appointed as managing director for life in private company as term of managing director cannot exceed five years at a time
- (d) No, Mr. X cannot be appointed as managing director for life in private company as private companies are not allowed to appoint managing director

39. Green Farms Private Limited was incorporated on 12<sup>th</sup> December 2013. Ms. Nidhi Shah, Chartered Accountant, Pune was proposed to be appointed as their first auditor through proposal letter dated 16<sup>th</sup> December 2013. The Board has requested her to give consent to act as Auditor of the Company. However the Auditor has failed to give her consent till 16<sup>th</sup> January 2014 and hence the auditor cannot be appointed by the Board. Kindly suggest a way forward for appointment of first auditor of the Company from the following options:

- a) Company shall seek approval from Central Government for appointment of first auditor;
- b) Company shall appoint the first Auditor in the subsequent Board Meeting of Directors;
- c) Board shall inform the members who shall at an extra ordinary general meeting to appoint first auditor within prescribed time;
- d) None of the above.

40. XP Ltd declared 12% dividend to its Equity Shareholders. However, Company missed to transfer unpaid dividend to bank account even after 40 days from declaration of Dividend. In such case how much interest will be payable?

- a) 8% p.a.
- b) 16% p.a.
- c) 10% p.a.
- d) 12% p.a.

41. Mr. Narayan Shastri was appointed as an Additional Director of XYZ Limited in July, 2015. Immediately after his appointment in July, 2015, on behalf of the Company he entered into an agreement with NY Private Limited for supplies of raw material. Later he was regularized as a Director in ensuing annual general meeting. In 2016 he signed Contract with Laxmi vendors. At the end of year, in December 2016, management came to know that his appointment was not valid as he was disqualified to act as a Director of any Company. He signed one more agreement in January 2017 with Saraswati vendors. In such scenario, what will be the status of contract/agreements he signed on behalf of XYZ Limited?

- a) All agreement/ contracts will become invalid;
- b) All agreement/ contracts will be valid;

- c) All agreement/ contracts before December 2016 will be valid;
- d) All agreement/ contracts before December 2016 will be invalid;

42. Mr. N, Managing Director resigned w.e.f. 13th March, 2014 due to preoccupation. Mr. M, Whole Time Director and Mr. O, Director, resigned w.e.f. 20th March, 2015 as a part of reconstruction of the company. Mr. M and Mr. O made an application to the Board for compensation for loss of office. When Mr. N came to know that he also asked for compensation. Who will be eligible for such compensation?

- a) Mr. N;
- b) Mr. M;
- c) Mr. N & Mr. M;
- d) Mr. M & Mr. O;

43. Mr. Rajesh Jathar and Mr. Veena Jathar are the shareholders of NY Private Limited. Mr. Jathar is out of Country for business purpose. They have to have a Board meeting through video conference to comply with the requirements. Which of the following items they cannot discuss in such meeting?

- a) Convening of General meeting.
- b) Approval of Board's report.
- c) Appointment of Managing Director.
- d) Transfer of Shares.

44. PQR Limited and LMN Limited have proposed Scheme of Amalgamation between them under Section 232 of the Companies Act 2013. They are seeking your advice on which of the following approvals can be asked for in the petition to be filed before NCLT for the proposed scheme.

The Petition for proposed Scheme of Amalgamation can seek approval for –

- a) Change in Main Object Clause of Memorandum of Association;
- b) Reduction of Share Capital;
- c) Dissolution of the Transferor Company without winding up;
- d) All of the above.

45. Members of Agricultural Co-operative Society are now planning to form a Producer Company under Part IX A of the Companies Act, 1956 now known as Companies Act 2013. Kindly suggest which of the following combination can form a Producer Company under this act –

- a) Ten or more producers (individuals);
- b) Five or more producer institutions;
- c) Combination of above two;
- d) None of the above.

46. You are a Whole Time Director of Choco-chips Private Limited who wishes to appoint Mr. Vanilla Sequera as its Managing Director who has attained the age of 72 years. However, the Board has got to know about the fact that no company shall appoint or continue the employment of any person as managing director, whole-time director or manager who is below the age of twenty-one years or has attained the age of seventy years. You are requested by the board to evaluate the situation and suggest on whether he can be appointed as Managing Director?

- a) Yes, he can be appointed as MD by the Board of Directors;
- b) No, he cannot be appointed as MD at all;
- c) Yes, he can be appointed as MD by shareholders through Special Resolution;
- d) Yes, he can be appointed as MD by making an application to the NCLT.

47. ABP Ltd. is a Company having paid up Capital of INR 100,000,000. It needs to appoint key managerial personnel. It can use combination of:

- i) Chief Executive officer, Company Secretary and Manager
- ii) Chief Executive officer, Company Secretary and Chief Financial officer
- iii) Managing Director, Company Secretary and Manager
- iv) Managing Director, Company Secretary and Chief Executive officer

Which options are available for the Company?

- a) (i) (ii) & (iii)
- b) (ii) (iii) & (iv)
- c) (i) (ii) & (iv)
- d) (i) (iii) & (iv)

48. Mr. A was appointed as a Manager of PQR Ltd for the period of five years on 20<sup>th</sup> June, 2015. Considering his performance and dedication, before completion of his tenure, management decided to re-appoint him as a manager. On which date his re-appointment will be considered valid?

- a) 24th June 2019
- b) 1st February 2019
- c) 12th March 2018
- d) 10th September 2018

49. Mr. M is a businessman and he owns number of companies. As of now, he is Director in 21 Companies. As his number of Directorship contravenes the provision of the Act, his consultant have asked him to resign from 2 Companies. However there is one more condition regarding number of Directorship in Public Companies. What is that Condition?

- a) maximum number of public companies in which a person can be appointed as a director shall not exceed Ten;
- b) maximum number of public companies in which a person can be appointed as a director shall not exceed Five;
- c) maximum number of public companies in which a person can be appointed as a director shall not exceed Fifteen;
- d) maximum number of public companies in which a person can be appointed as a director shall not exceed Twenty;

50. Mr. Nagarjuna decided to resign from MGT Private Limited due to preoccupation. He sent his resignation letter dated 12<sup>th</sup> June, 2017 to the Company stating that he will resign w.e.f. 15<sup>th</sup> June, 2017.

Due to nonreceipt of any communication from the Company he dropped a mail on 17<sup>th</sup> June, 2017, to confirm whether Company has received his letter. Finally, company received his letter on 25<sup>th</sup> June, 2017. In this case, from which date his resignation will be effective?

- a) 12<sup>th</sup> June, 2017
- b) 15<sup>th</sup> June, 2017
- c) 17<sup>th</sup> June, 2017
- d) 25<sup>th</sup> June, 2017

**Answer Keys**

1.	(b)	21.	(d)	41.	(c)
2.	(b)	22.	(d)	42.	(b)
3.	(c)	23.	(c)	43.	(b)
4.	(d)	24.	(b)	44.	(d)
5.	(d)	25.	(a)	45.	(a)
6.	(d)	26.	(b)	46.	(c)
7.	(b)	27.	(b)	47.	(c)
8.	(c)	28.	(d)	48.	(a)
9.	(b)	29.	(c)	49.	(a)
10.	(b)	30.	(b)	50.	(d)
11.	(d)	31.	(b)		
12.	(b)	32.	(d)		
13.	(c)	33.	(c)		
14.	(b)	34.	(c)		
15.	(b)	35.	(c)		
16.	(b)	36.	(b)		
17.	(d)	37.	(b)		
18.	(b)	38.	(c)		
19.	(c)	39.	(c)		
20.	(b)	40.	(d)		

## Sample 2

### Paper 4: Corporate and Allied Laws/ Corporate and Economic Laws

1. Mayur Textiles Private limited was incorporated on 23rd October, 2017. As per the compliance requirement, Company shall hold its annual general meeting(AGM) within 9 months from the date of closure of financial year and file financial statements with MCA within due date. What is the due date for holding a Board meeting for approval of financial statements?

- a) 30th September, 2018 ;
- b) 30th December, 2018;
- c) 31st December, 2018;
- d) 31st March, 2019;

2. Mr. Narayan Shastri was appointed as an Additional Director of XYZ Limited in July, 2015. Immediately after his appointment in July, 2015, on behalf of the Company he entered into an agreement with NY Private Limited for supplies of raw material. Later he was regularized as a Director in ensuing annual general meeting. In 2016 he signed Contract with Laxmi vendors. At the end of year, in December 2016, management came to know that his appointment was not valid as he was disqualified to act as a Director of any Company. He signed one more agreement in January 2017 with Saraswati vendors. In such scenario, what will be the status of contract/agreements he signed on behalf of XYZ Limited?

- a) All agreement/ contracts will become invalid;
- b) All agreement/ contracts will be valid;
- c) All agreement/ contracts before December 2016 will be valid;
- d) All agreement/ contracts before December 2016 will be invalid;

3. Nayal OPC was incorporated in 2014. Company's first financial statements were closed on March 2015. Just like any other company, Nayal OPC has to file its financials statements with registrar. Within how much time from closure of accounts, Nayal OPC has to do such filing?

- a) 3 months
- b) 6months
- c) 120 days
- d) 180 days

4. Mr. N, Managing Director resigned w.e.f. 13th March, 2014 due to preoccupation. Mr. M, Whole Time Director and Mr. O, Director, resigned w.e.f. 20th March, 2015 as a part of reconstruction of the company. Mr. M and Mr. O made an application to the Board for compensation for loss of office. When Mr. N came to know that he also asked for compensation. Who will be eligible for such compensation?

- a) Mr. N;
- b) Mr. M;
- c) Mr. N & Mr. M;
- d) Mr. M & Mr. O;

5. Mr. A is an independent director and he wants to appoint an alternate director as he is leaving country for few months. Which one of the below can be appointed as his alternate director? (4 marks)

- a) Mr. B who is an Alternate Director for Mr.X;

- b) Mr. C who is qualified to be appointed as independent Director;
- c) Mr. D who is qualified to be appointed as executive Director;
- d) Mr. E who is ready to be appointed an Alternate Director for 1.5 months;

6. XYZ Limited Company needs to appoint an independent Director of the company. The company has a gold jewellery business. Company shortlisted Mr. Bajaj, Mr. Dharamdas and Mr. Anmol Parekh for the vacant post. Mr. Bajaj was an auditor of the subsidiary company of the XYZ Limited Company. But he resigned from his post two years ago. Mr. Dharamdas who is a professional goldsmith and has an experience of more than 20 years. Mr. Anmol Parekh has a pecuniary relation with the promoters, 3 years preceding the current financial year. Who can be appointed as an Independent Director from the above mentioned people?

- a) Mr. Bajaj
- b) Mr. Dharamdas
- c) Mr. Anmol Parekh
- d) Mr. Dharamdas and Mr. Anmol Parekh

7. AB Institute is authorised by Central government to maintain the databank of preceding Directors. The institute has prepared list of 32 independent directors who can be appointed by the companies. Infoline Company wants to appoint 3 Directors on the basis of this data. The Company decided to appoint the Independent Director on May 9, 2017. The next general meeting is on May 18, 2017. What is the process of appointment for the director?

- a) The appointment of the independent director shall be approved at the Board meeting of the company before May 18, 2017
- b) The appointment of the independent director shall be approved by the company in general meeting
- c) The appointment of the independent director shall be approved by the company before general meeting by May 17, 2017
- d) The appointment of the independent director shall be approved by the company within 3 months of his appointment.

8. MNO, a Public Ltd. incorporated on June 11, 2007. It selected Mr. Ajay, Mr. Rohit, Mr. Rajan and Mr. Ravi to be appointed as Director of the company in general meeting on August 15, 2007. All the four directors gave their consent by September 12, 2007. But Mr. Rajan and Mr. Rohit were not having the director identification number. They both applied for the director identification number. By what time they will be able to get their DIN?

- a) 30 days
- b) 1 month
- c) 2 month
- d) 3 month

9. Shradha Pvt. Ltd. Company is engaged in manufacturing of rubber tyres. The company was incorporated in the year 2001 with its head office located at Chennai. Mr. Rakesh Kumar was the Director of the company. He committed a fraud of around Rs. 1 Crore. He was terminated by the company for his act. After termination he shifted to Delhi. Mr. Kumar applied for a new Director Identification number with his Delhi based address. Will he be allotted a new DIN?

- a) Yes, since he changed his state so he can be allotted a new DIN by the State government
  - b) No, he cannot be allotted a new DIN because it is prohibited by the Act.
  - c) Yes, he can apply for a new DIN with the prior permission of Central government
  - d) No, he has to wait for three years before applying for a new DIN
10. Mr. X is a director of a company. He is hospitalised a day before a meeting. As per the Company Act, can Mr. X attend this meeting called for company merger via video conferencing?
- a) Yes, he can only attend the meeting
  - b) Yes, he can attend the meeting but has no right to vote
  - c) No, he cannot attend the meeting
  - d) Not Sure
11. Without the approval of Central Government a person cannot be appointed as a Manager or full time Director if he is continuous resident of India for:
- a) 3 months prior to his appointment
  - b) 6 months prior to his appointment
  - c) 8 months prior to his appointment
  - d) 12 months prior to his appointment
12. Mr. B has got his DIN allotted to him on May 6, 2017. By what date he should intimate his DIN to his Company?
- a) By June 6, 2017
  - b) By June 5, 2017
  - c) By July 6, 2017
  - d) By July 5, 2017
13. Lockworth Safety Gears Private Limited pays remuneration to its Directors on yearly basis. Company has a Whole Time Director on Board. Currently they appointed Mr. X as a Managing Director of the Company. Now Company has to keep in mind that overall remuneration to the Directors including managing director, whole time director and manager shall not exceed maximum cap limit mentioned under the act. If there is more than one managing director/whole time director/ manager, how much maximum remuneration allowed in a financial year
- a) 5% of net profits;
  - b) 10% of net profits;
  - c) 11% of net profits;
  - d) 15% of net profits;
14. XYZ, a listed Public Company, having paid up share capital of around Rs. 12 Crore. How many independent directors should be there when the total numbers of directors are 13?
- a) 2
  - b) 4
  - c) 5
  - d) 6

15. A financial creditor , FC through an assignment agreement, assigned here the debt to the X trust. X trust filed the petition for initiation of corporate Insolvency resolution process (CIRP) against Corporate debtor , CD. State the correct statement with respect to the competency of the X trust in the filing of the petition in the above situation-

- a) X Trust is not a competent applicant as per section 6 of the IBC, 2016
- b) X Trust is being authorized by the FC to file an application
- c) X Trust in the capacity of financial creditor can file a valid petition.
- d) None of the above

16. ABC, a Private Ltd., with 10 Board of directors was served notice of the board Meeting, 7 days prior to said meeting on their postal addresses. Mr. M is hospitalised due to some severe illness. Mr. Y is going to London before the Board meeting. Mr. X and Mr. B went to Australia for some company business. Mr. A is busy with his daughter's marriage and unable to attend the meeting. Mr. E's mother is hospitalised so he is busy taking care of his mother but he assures to attend the meeting via video conferencing. Mr. D and Mr. P were scheduled to arrive for the meeting at 2 pm on the same day; however the flight got delayed by 8 hours. Mr. G and Mr. H are in the town and available for the scheduled board meeting. Could the Board meeting be held?

- a) The meeting can be held in the evening and Director D & Director P can join later on
- b) The meeting cannot be held because of the quorum is incomplete
- c) The quorum is complete and the directors can proceed with the meeting
- d) Meeting is postponed.

17. Find out the correct statement?

- a) Resolution by circulation shall be deemed to have been duly passed by the board or the committee member when such resolution is passed by one third of the total majority of the member present and voting on the resolution
- b) Resolution by circulation shall be deemed to have been passed by the board or the committee, when such resolution have been circulated in draft with the necessary paper, to all the directors or member of committee and has been approved by majority ,who are entitled to vote on the resolution
- c) Resolution by circulation shall be deemed to have been passed by the board or the committee, when such resolution have been circulated in draft together with the necessary paper, to all the directors or member of committee and has been approved by two third of the majority of director who are entitled to vote on the resolution
- d) Resolution by circulation shall be deemed to have been passed by the board or the committee, when such resolution circulated in draft with the necessary paper, to all the directors or member and has been approved by two third of the majority of members who are entitled to vote on the resolution



18. Find out the correct statement?

- a) An audit committee with two third majorities of members and chairperson are required to have the ability to read and understand the financial statements.
- b) Two director and one independent director alongwith the chairperson in the audit committee shall have the ability to read and understand the financial statements
- c) Only one third member of the audit committee and its chairperson shall have the ability to read and understand the financial statements
- d) Minimum of three directors with independent directors forming a majority, constituting Audit Committee shall have the ability to read and understand the financial statements.

19. AB, a listed Company was constituted in 2012. It has 8 directors Mr. Neeraj, Mr. Kapil, Mr. Ram, Mr. Shyam, Mr. Atul, Mr. Bakshi, Mr. Raheem and Mr. Das. Out of these directors Mr. Ram, Mr. Shyam, Mr. Atul and Mr, Neeraj has a good financial knowledge. An audit committee constituted by the company included Mr. Kapil, Mr. Das, Mr. Atul and Mr. Raheem as its chairpersons. After the commencement of the Companies Act, 2013, it was required for every audit committee of a company existing before the commencement of this Act, shall be reconstituted within one year of such commencement. Find out the correct statement, in the light of the given situation?

- a) The committee needs to reconstitute as the majority members are not experienced in the field of Finance
- b) The committee needs to reconstitute as two third of its members are not experienced in the field of Finance
- c) The committee needs to reconstitute as 50 percent of its members are not experienced in the field of Finance
- d) The committee needs to reconstitute as majority of board members are not included in it.

20. Rameshwaram Pvt. Ltd. Company was incorporated on January 12, 2018. The company needs to pass a resolution for the purchase of raw material. The copy of the resolution alongwith all the necessary documents were circulated to all the directors. The company has 10 directors Mr. Ram, Mr. Kamal, Mr. Raj, Mr. Firoz, Mrs. Nupur, Mr. Bharat, Mr. Vinod, Mrs. Rekha, Mr. Kapoor and Mr. Jeevan. Mr. Raj and Mr. Ram were abroad at the time of passing the resolution. Mr. Ram, Mr. Raj, Mrs. Nupur and Mr. Kamal took objection before the chairman against the passing of the resolution and want to discuss it further in the meeting. Find out the correct statement?

- a) Since the resolution is passed by majority of the members there is no need for further discussion on it as it was duly circulated to all the directors.
- b) Mr. Ram and Mr. Raj cannot raise any objection as they were out of India while passing the resolution.
- c) The objection is sustainable as it is made by one third of the members of the board and the meeting is held for further discussion
- d) The objection is sustainable as it is made by two third of the members of the board and the meeting is held for further discussion

**Answer keys to Paper 4: Corporate and Allied Laws/ Economic Laws**

<b>1</b>	<b>(c)</b>
<b>2</b>	<b>(c)</b>
<b>3</b>	<b>(d)</b>
<b>4</b>	<b>(b)</b>
<b>5</b>	<b>(b)</b>
<b>6</b>	<b>(d)</b>
<b>7</b>	<b>(b)</b>
<b>8</b>	<b>(b)</b>
<b>9</b>	<b>(b)</b>
<b>10</b>	<b>(c)</b>
<b>11</b>	<b>(d)</b>
<b>12</b>	<b>(a)</b>
<b>13</b>	<b>(c)</b>
<b>14</b>	<b>(c)</b>
<b>15</b>	<b>(c)</b>
<b>16</b>	<b>(b)</b>
<b>17</b>	<b>(b)</b>
<b>18</b>	<b>(d)</b>
<b>19</b>	<b>(a)</b>
<b>20</b>	<b>(c)</b>

## Paper 4: Corporate and Allied Laws (Old Course)

1. ABHI Limited is a wholly owned subsidiary company of ETERNAL Limited. ETERNAL Ltd., makes an application for merger of Holding and Subsidiary Companies under the section 232 of the Companies Act, 2013. The Company Secretary of the ETERNAL Ltd., states that company cannot apply for merger under section 232 of the said Act. He further stated that the company shall have to apply for merger as per section 233 i.e. Fast Track Merger. State the correct statement in terms of the validity of the difference in the opinion of the Company secretary-
  - (a) Opinion of the Company Secretary of the ETERNAL Ltd. is valid holding that merger shall be as per section 233.
  - (b) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as merger shall be possible only as per section 232.
  - (c) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the fast track merger under the section 233 are of the optional nature.
  - (d) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 can be made between only small companies.
2. ABC and Co., the tax consultants of X Limited for which an interim resolution professional – Mr. A, has been appointed under the Corporate Insolvency resolution process has refused to furnish information to Mr. A on the grounds of client confidentiality. Are they right?
  - (a) Yes, they are right
  - (b) No, the Insolvency Code provides powers to the IRP to access all information from various parties
  - (c) Partly right, they can do so only after consent of the directors
  - (d) Mr. A is not right in even asking for this information
3. Aakaar Solar Energy Private Limited was allowed the status of a 'dormant company' after a certificate to this effect was issued on 1<sup>st</sup> July 2018 by the Registrar of Companies, Delhi and Haryana. Mention the latest date after which the Registrar is empowered to initiate the process of striking off the name of the company if Aakaar Solar Energy continues to remain as a dormant company.
  - (a) After 30<sup>th</sup> June, 2023.
  - (b) After 30<sup>th</sup> June, 2019.
  - (c) After 30<sup>th</sup> June, 2020.
  - (d) After 30<sup>th</sup> June, 2021.
4. Jupiter Shopping Mall Limited was incorporated on 3<sup>rd</sup> December, 2016. As on 31<sup>st</sup> March 2018, it had free reserves of Rs. 50.00 lacs and its Securities Premium Account showed a balance of Rs. 7.50 lacs. One of its directors Raha has a leaning towards a particular political party in which his other family members are actively involved. Raha convinced the other two directors of the company i.e. Promila and Rana to contribute a sum of Rs. 10.00 lacs to this political party. Accordingly, the Board of Directors held a meeting on 16<sup>th</sup> December, 2018 and passed a resolution to contribute the decided amount. Advise the company as to how much amount they can contribute to a political party in the FY 2018-19.
  - (a) The company cannot contribute any amount to a political party in the FY 2018-19.
  - (b) The company can contribute maximum Rs. 2.50 lacs in the FY 2018-19.
  - (c) The company can contribute maximum Rs. 3.75 lacs in the FY 2018-19.
  - (d) The company can contribute maximum Rs. 5.00 lacs in the FY 2018-19.

5. Astistav Private Limited is a company with ten shareholders. A member holding less than one-tenth of the share capital of the company apply to the Tribunal for relief against oppression and mismanagement? State whether a member have a right to apply to the tribunal in above situation:
  - (a) A single Member cannot apply to the Tribunal for relief against oppression and mismanagement
  - (b) A member cannot apply as he is holding less than one-tenth of the share capital of the company
  - (c) A member can apply being one-tenth of the total number of members.
  - (d) A member cannot apply as the requirement of atleast hundred members is not complied with.
6. Nanny Marcons Private Limited was incorporated on 9<sup>th</sup> June, 2017. For the financial year 2017-2018, it did not file its financial statements and annual returns. For the time being the company desires to be treated as 'inactive company' since it does not intend to carry on any business permitted by its Memorandum. As to when ROC can issue certificate of status of dormant company to 'Nanny Marcons' on the basis of non-submission of financial statements if the company makes an application to the Registrar in this respect.
  - (a) After non-submission of financial statements for the two financial years i.e. 2018-19 and 2019-20.
  - (b) After non-submission of financial statements for the next financial year i.e. 2018-19.
  - (c) After non-submission of financial statements for the three financial years i.e. 2018-19, 2019-20 and 2020-21.
  - (d) After non-submission of financial statements for the four financial years i.e. 2018-19, 2019-20, 2020-21 and 2021-22.
7. Mr. KG filed a complaint against Mr. P alleging that Mr. P has communicated unpublished price sensitive information to Mr. X. Mr. P took a plea that Mr. X requested him for such information and it was done bonafidely. State the correct statement as to the liability of Mr. P in the given situation -
  - (a) Mr. P will not be liable as he communicated about unpublished price sensitive information on the request of Mr. X
  - (b) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X, in the ordinary cause of business
  - (c) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X, as it was done without any malafide intention.
  - (d) Mr. P will be liable as he communicated about unpublished price sensitive information to Mr. X, whether with or without his request for such information.
8. Mr. X filed an application for initiation of insolvency process before the NCLT on 1st Feb, 2019. On ascertaining the commission of default by the corporate debtor on 10th Feb,2019, NCLT admitted the application and declared moratorium. From which date does the Corporate Insolvency Resolution Process commence?
  - (a) CIRP process shall commence from the date of initiation of the insolvency process
  - (b) CIRP process shall commence from the date of occurrence of default
  - (c) CIRP process shall commence from the date of declaration of moratorium
  - (d) CIRP process shall commence from the date of admission of the application
9. Minimum threshold prescribed for applicability of SARFAESI Act on NBFCs is –
  - (a) 1 crore
  - (b) 10 crore
  - (c) 100 crore
  - (d) 500 crore
10. Drug trafficking is a punishable offence in India. Suppose, Mr. X and Mr. Y are involved in drug trafficking including imported drugs trafficking. Under which Act, Mr. X and Mr. Y can be prosecuted?

- (a) Narcotic Drugs and Psychotropic Substances (NDPS) Act, 1985
  - (b) Prevention of Money Laundering Act, 2002
  - (c) Foreign Exchange Management Act, 1999
  - (d) Offences under the Unlawful Activities (Prevention) Act, 1967
11. Amazon Limited was incorporated on 23<sup>rd</sup> March, 2017. You are one of the promoters and Directors of the Company. You are explaining the other promoters that we need to appoint First Auditor within 30 days from the date of Incorporation of the Company. How will you guide them and appoint first auditor for the Company?
- (a) You will ask other shareholders to have a meeting and appoint first auditor until the conclusion of first annual general meeting;
  - (b) You will ask other shareholders to have a meeting and appoint first auditor for the period of 5 years;
  - (c) You will ask Board of Directors to have a meeting and appoint first auditor for the period of 5 years;
  - (d) You will ask Board of Directors to have a meeting and appoint first auditor until the conclusion of first annual general meeting.
12. Srishakti Homecare Limited, incorporated on 30<sup>th</sup> October, 2018, has ten subscribers to the Memorandum out of which two are private limited companies and remaining individuals. However, there is no mention in any of the documents as to who shall be the first directors. Advise the company regarding the appointment of first directors who shall manage the affairs of the company.
- (a) All the subscribers to the Memorandum shall be deemed to be the first directors.
  - (b) The two private limited companies being subscribers to the Memorandum shall decide as to who shall be the first directors.
  - (c) All the individual subscribers to the Memorandum shall be deemed to be the first directors.
  - (d) As the company requires minimum three directors, the eight individual subscribers shall choose two from among themselves and one shall be chosen by the two private limited companies from among themselves.
13. A group of creditors of X Limited makes a complaint to the Registrar of Companies. They asserted that the management of the company is indulged in destruction and falsification of the accounting records of the company. The complainants request the Registrar to take an immediate steps to stop the management to tamper with the records. The complaint was received in the morning on 1<sup>st</sup> January 2019 and the ROC entered the premises within half an hour for the search. The course of action that can be taken by Registrar are:
- (a) Registrar may enter and search the place where such books or papers are kept and seize them
  - (b) Registrar may enter and search the place where such books or papers are kept and can seize only after obtaining an order from the special court
  - (c) Registrar may enter and search the place where such books or papers are kept only on the order of the special court
  - (d) Registrar may enter and search the place where such books or papers are kept and give an opportunity to the company to represent why such documents may not be seized.
14. With whom will the Central Government file an application if it is of the opinion that such a scheme is not in public interest or in the interest of the creditors?
- (a) Cannot move an application
  - (b) it may file an application before the Tribunal
  - (c) it may file an application before the Parliament

- (d) It may file through Special Petition before Supreme Court.
15. When can a winding up order not be called a notice of discharge?
- (a) when the business of the company is continued
  - (b) when the business of the company is closed since 2 years.
  - (c) On the discretion of the management
  - (d) till a provisional Liquidator is appointed
16. In case a Valuer becomes interested in any property, stock etc of the company, he may be appointed as Registered Valuer of the company after a cooling off period of:
- (a) 3 years
  - (b) 5 years
  - (c) 1 year
  - (d) He will never be appointed as Registered Valuer of the company
17. Any person who is aggrieved by the order of Appellate Tribunal (NCLAT) may approach to the Supreme Court on any question of law within:-
- (a) 30 Days
  - (b) 45 Days
  - (c) 60 Days
  - (d) 90 days
18. State the incorrect statement w.r.t to the withdrawal of the corporate Insolvency Resolution process :
- (a) Withdrawal of CIRP is allowed after post admission
  - (b) Approval of 66 % voting shares of CoC is required
  - (c) Adjudicating authority is the concerned authority for the Withdrawal
  - (d) Withdrawal is of admitted application made under section 7, 9, and 10
19. Person who has provided goods or services and the payment for same is due from the corporate debtor, is a:
- (a) Financial Creditor
  - (b) Operational creditor
  - (c) Corporate applicant
  - (d) Both (a) & (b)
20. The nature of the liabilities of the entity which comes from a transaction on operation, are:
- (a) Debt
  - (b) Financial debt
  - (c) Operational debt
  - (d) Both (b) & (c)

### Answer Keys

1.	(c)	6.	(b)	11.	(d)	16.	(a)
2.	(b)	7.	(d)	12.	(c)	17.	(c)
3.	(a)	8.	(d)	13.	(b)	18.	(b)
4.	(a)	9.	(d)	14.	(b)	19.	(b)
5.	(c)	10.	(b)	15.	(a)	20.	(c)

**(B) Non-Applicability of the following chapter of the Study material**

Chapter 9 of the study material (June 18 edition) covering provisions relating to Revival and Rehabilitation of Sick-Industrial Companies, is omitted by the Ministry of Corporate Affairs.

**PART – II : QUESTIONS AND ANSWERS****QUESTIONS****Multiple Choice Questions**

1. The Board of Directors of XYZ Ltd. decided for the voluntary revision of accounts of the previous financial year 2017-2018 for making necessary correction in the financial statement in terms of section 129. Approval for the revision was given by the Tribunal. In compliance to the Companies Act, 2013, XYZ Ltd. prepared revised financial statement of the said financial year. So accordingly, revised Financial statement were filed with the ROC. Later Directors of company felt that there was non-compliance of section 134, so again applied before the tribunal for revision of accounts of the same financial year.  
State the correct statement in the light of the given facts-
  - (a) XYZ Ltd. can apply for the revision of the revised financial statement with the approval of the Tribunal.
  - (b) XYZ Ltd. can apply for the revision of the revised financial statement on the notice of the tribunal to the Central Government & Income Tax Authorities and consideration of their representations.
  - (c) XYZ Ltd. can apply for the revision of the revised financial statements in respect of any three preceding financial years.
  - (d) XYZ Ltd. cannot apply for the revision of revised financial statement.
2. Mr. Roop was appointed as an Additional Director of XYZ Limited in July, 2018. Immediately after his appointment, on behalf of the Company he entered into an agreement with NY Private Limited for supplies of raw material. In the ensuing meeting, he was regularized as a Director. He signed Contract with Laxmi vendors. At the end of the December 2018, management came to know that his appointment was not valid as he was disqualified to act as a Director of any Company. He signed one more agreement in January 2019 with Saraswati vendors. In such scenario, what will be the status of contract/agreements he signed on behalf of XYZ Limited?
  - (a) All agreement/ contracts will become invalid;
  - (b) All agreement/ contracts will be valid;
  - (c) All agreement/ contracts before December 2018 will be valid;



- (d) All agreement/ contracts before December 2018 will be invalid;
3. Mr. Nagar decided to resign from MGT Private Limited due to preoccupation. He sent his resignation letter dated 12th June, 2017 to the Company stating that he will resign w.e.f. 15th June, 2017. Due to non receipt of any communication from the Company he dropped a mail on 17th June, 2017, to confirm whether Company has received his letter. Finally Company received his letter on 25th June, 2017. In this case, from which date his resignation will be effective?
- (a) 12th June, 2017  
(b) 15th June, 2017  
(c) 17th June, 2017  
(d) 25th June, 2017
4. If committee of creditors of corporate debtors was constituted on 17.3.2018. Time limit, within which the first meeting of committee of creditors should be held, is -----.
- (a) 20.3.2018  
(b) 22.3.2018  
(c) 24.3.2018  
(d) 31.3.2018
5. Under the IBC, the resolution plan shall be approved by the Committee of Creditors by a vote of not less than-----percent of voting share of the financial creditors.
- (a) 51%  
(b) 66%  
(c) 75%  
(d) 95%
6. Who is empowered to designate court of session as special courts for trial of offence of money laundering?
- (a) Central government in consultation with the chief justice of supreme court  
(b) High court in consultation with the chief justice of Supreme Court  
(c) Central government in consultation with the chief justice of session court  
(d) Central government in consultation with the chief justice of High court

### Descriptive Questions

#### Part I: Corporate Laws

7. RST Ltd. declared dividend at the rate of 20% for the financial year 2017-2018 in the AGM scheduled on 15th June 2018. RST Ltd. left with certain unpaid and unclaimed dividend. It

**Part II: Allied Laws**

17. Comment on the following situations with reference to the provisions of the FEMA, 1999-
- (i) Mr. Bharat, a person resident in India can remit amount to his son Arjun residing in USA, to buy immovable property there.
  - (ii) Mr. Raghav, a resident of India went to Australia for a business deal. He realised foreign exchange for bearing expenses while staying there for the business purpose. After the maturing the deal, he returned back to India. Mr. Raghav was left with certain unused foreign exchange. He retained the foreign exchange with him for future use.
18. (i) Mr. Kartik was into the insurance business and was director in the ABZ insurance company. State the legal position of Mr. Kartik as to conduct of insurance business being a director to the Insurance Company.
- (ii) ABC Ltd. made an initial public offer of certain number of equity shares. Examine whether these shares can be considered as 'Goods' under the Competition Act, 2002 before allotment.
19. Mr. Ramesh was partner in the Firm, Rajkumar & sons. The said firm was established by Mr. Raj kumar, who is director of the Subh Labh Pvt. Limited which is a one person company. Subh Labh Pvt. Ltd. have foreign income from the clientele being of outside India. Companies generation of foreign income was invested by the Mr. Rajkumar in its firm without being disclosed in its financial records. Mr. Ramesh was not aware of the such undisclosed flow of fund in the Firm. Give the following answer considering the given facts-
- (i) Liability of Mr. Ramesh being a partner of a firm which is involved in use of income of Subh Labh Pvt. Ltd. obtained from their foreign clientele.
  - (ii) Liability of Mr. Rajkumar being a director of the Subh Labh Pvt. Ltd.
20. (i) Many a time a proviso is added to a Section of the enactment. Explain the function of such a proviso while carrying out the interpretation?
- (ii) Explain the powers, which can be exercised by the Securities and Exchange Board of India under the Securities Contracts (Regulation) Act, 1956, while approving the schemes for corporatisation and demutualization submitted by recognized stock exchanges, so that there is segregation of ownership and management from the trading rights of members of such stock exchanges.

**SUGGESTED ANSWERS/HINTS****Multiple Choice Questions Answers**

- (1) (d)
- (2) (c)

- (3) (d)
- (4) (c)
- (5) (b)
- (6) (d)

#### Descriptive questions Answers

7. As per section 124 of the Companies Act, 2013, where a dividend has been declared by a company but has not been paid/claimed to/by shareholder within 30 days from the date of the declaration, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid/unclaimed to the Unpaid Dividend Account.

The company shall, within a period of 90 days of making any transfer of an amount, prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and place it on the web-site of the company, if any, and also on any other web-site approved by the Central Government for this purpose, in such form, manner and other particulars as may be prescribed.

Accordingly in the given situation, RST Ltd. failed to give statement of Unpaid/unclaimed dividend and so liable for the said noncompliance of section 124 of the Companies Act, 2013. Any person claiming to be entitled to any money transferred under section 124(1) to the Unpaid Dividend Account of the company may apply to the company for payment of the money claimed. Since RST Ltd. failed to comply with the requirements of this section as to the preparing of a statement of unpaid dividend, so shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than one lakh rupees but which may extend to 5 lakh rupees.

8. (i) **Provisions and Explanation** : Section 141(3) (c) of the Companies Act, 2013 prescribes that any person who is a partner or in employment of an officer or employee of the company will be disqualified to act as an auditor of a company. Sub-section (4) of Section 141 provides that an auditor who becomes subject, after his appointment, to any of the disqualifications specified in sub-sections (3) of Section 141, he shall be deemed to have vacated his office as an auditor.

**Conclusion** : In the present case, Ayush, an auditor of X Ltd., joined as partner with B, who is Finance executive of X Ltd., has attracted clause (3) (c) of Section 141 and, therefore, he shall be deemed to have vacated office of the auditor of X Limited.

- (ii) As per section 141 (3)(d) (i) an auditor is disqualified to be appointed as an auditor if he, or his relative or partner holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company.

**MOCK TEST PAPER – 1**  
**FINAL (OLD) COURSE: GROUP – I**  
**PAPER 4: CORPORATE AND ALLIED LAWS**

*All MCQ'S are compulsory*

*Question No. 1 is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

**(Time Allowed – 3 Hours)**

**Maximum Marks – 100**

**Division A: Multiple Choice Questions (30 marks)**

**(Question nos. 1-10 are of 2 marks each and from 11- 20 are of 1 mark each)**

1. ABHI Limited is a wholly owned subsidiary company of ETERNAL Limited. ETERNAL Ltd., makes an application for merger of Holding and Subsidiary Companies under the section 232 of the Companies Act, 2013. The Company Secretary of the ETERNAL Ltd., states that company cannot apply for merger under section 232 of the said Act. He further stated that the company shall have to apply for merger as per section 233 i.e. Fast Track Merger. State the correct statement in terms of the validity of the difference in the opinion of the Company secretary-
  - (a) Opinion of the Company Secretary of the ETERNAL Ltd. is valid holding that merger shall be as per section 233.
  - (b) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as merger shall be possible only as per section 232.
  - (c) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the fast track merger under the section 233 are of the optional nature.
  - (d) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 can be made between only small companies.
2. ABC and Co., the tax consultants of X Limited for which an interim resolution professional – Mr. A, has been appointed under the Corporate Insolvency resolution process has refused to furnish information to Mr. A on the grounds of client confidentiality. Are they right?
  - (a) Yes, they are right
  - (b) No, the Insolvency Code provides powers to the IRP to access all information from various parties
  - (c) Partly right, they can do so only after consent of the directors
  - (d) Mr. A is not right in even asking for this information
3. Aakaar Solar Energy Private Limited was allowed the status of a 'dormant company' after a certificate to this effect was issued on 1<sup>st</sup> July 2018 by the Registrar of Companies, Delhi and Haryana. Mention the latest date after which the Registrar is empowered to initiate the process of striking off the name of the company if Aakaar Solar Energy continues to remain as a dormant company.
  - (a) After 30<sup>th</sup> June, 2023.
  - (b) After 30<sup>th</sup> June, 2019.
  - (c) After 30<sup>th</sup> June, 2020.
  - (d) After 30<sup>th</sup> June, 2021.
4. Jupiter Shopping Mall Limited was incorporated on 3<sup>rd</sup> December, 2016. As on 31<sup>st</sup> March 2018, it had free reserves of Rs. 50.00 lacs and its Securities Premium Account showed a balance of Rs. 7.50 lacs.

One of its directors Raha has a leaning towards a particular political party in which his other family members are actively involved. Raha convinced the other two directors of the company i.e. Promila and Rana to contribute a sum of Rs. 10.00 lacs to this political party. Accordingly, the Board of Directors held a meeting on 16<sup>th</sup> December, 2018 and passed a resolution to contribute the decided amount. Advise the company as to how much amount they can contribute to a political party in the FY 2018-19.

- (a) The company cannot contribute any amount to a political party in the FY 2018-19.
  - (b) The company can contribute maximum Rs. 2.50 lacs in the FY 2018-19.
  - (c) The company can contribute maximum Rs. 3.75 lacs in the FY 2018-19.
  - (d) The company can contribute maximum Rs. 5.00 lacs in the FY 2018-19.
5. Astistav Private Limited is a company with ten shareholders. A member holding less than one-tenth of the share capital of the company apply to the Tribunal for relief against oppression and mismanagement? State whether a member have a right to apply to the tribunal in above situation:
- (a) A single Member cannot apply to the Tribunal for relief against oppression and mismanagement
  - (b) A member cannot apply as he is holding less than one-tenth of the share capital of the company
  - (c) A member can apply being one-tenth of the total number of members.
  - (d) A member cannot apply as the requirement of atleast hundred members is not complied with.
6. Nanny Marcons Private Limited was incorporated on 9<sup>th</sup> June, 2017. For the financial year 2017-2018, it did not file its financial statements and annual returns. For the time being the company desires to be treated as 'inactive company' since it does not intend to carry on any business permitted by its Memorandum. As to when ROC can issue certificate of status of dormant company to 'Nanny Marcons' on the basis of non-submission of financial statements if the company makes an application to the Registrar in this respect.
- (a) After non-submission of financial statements for the two financial years i.e. 2018-19 and 2019-20.
  - (b) After non-submission of financial statements for the next financial year i.e. 2018-19.
  - (c) After non-submission of financial statements for the three financial years i.e. 2018-19, 2019-20 and 2020-21.
  - (d) After non-submission of financial statements for the four financial years i.e. 2018-19, 2019-20, 2020-21 and 2021-22.
7. Mr. KG filed a complaint against Mr. P alleging that Mr. P has communicated unpublished price sensitive information to Mr. X. Mr. P took a plea that Mr. X requested him for such information and it was done bonafidely. State the correct statement as to the liability of Mr. P in the given situation-
- (a) Mr. P will not be liable as he communicated about unpublished price sensitive information on the request of Mr. X
  - (b) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X, in the ordinary cause of business
  - (c) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X, as it was done without any malafide intention.
  - (d) Mr. P will be liable as he communicated about unpublished price sensitive information to Mr. X, whether with or without his request for such information.
8. Mr. X filed an application for initiation of insolvency process before the NCLT on 1st Feb, 2019. On ascertaining the commission of default by the corporate debtor on 10th Feb, 2019, NCLT admitted the application and declared moratorium. From which date does the Corporate Insolvency Resolution Process commence?
- (a) CIRP process shall commence from the date of initiation of the insolvency process

- (b) CIRP process shall commence from the date of occurrence of default
  - (c) CIRP process shall commence from the date of declaration of moratorium
  - (d) CIRP process shall commence from the date of admission of the application
9. Minimum threshold prescribed for applicability of SARFAESI Act on NBFCs is –
- (a) 1 crore
  - (b) 10 crore
  - (c) 100 crore
  - (d) 500 crore
10. Drug trafficking is a punishable offence in India. Suppose, Mr. X and Mr. Y are involved in drug trafficking including imported drugs trafficking. Under which Act, Mr. X and Mr. Y can be prosecuted?
- (a) Narcotic Drugs and Psychotropic Substances (NDPS) Act, 1985
  - (b) Prevention of Money Laundering Act, 2002
  - (c) Foreign Exchange Management Act, 1999
  - (d) Offences under the Unlawful Activities (Prevention) Act, 1967
11. Amazon Limited was incorporated on 23<sup>rd</sup> March, 2017. You are one of the promoters and Directors of the Company. You are explaining the other promoters that we need to appoint First Auditor within 30 days from the date of Incorporation of the Company. How will you guide them and appoint first auditor for the Company?
- (a) You will ask other shareholders to have a meeting and appoint first auditor until the conclusion of first annual general meeting;
  - (b) You will ask other shareholders to have a meeting and appoint first auditor for the period of 5 years;
  - (c) You will ask Board of Directors to have a meeting and appoint first auditor for the period of 5 years;
  - (d) You will ask Board of Directors to have a meeting and appoint first auditor until the conclusion of first annual general meeting.
12. Srishakti Homecare Limited, incorporated on 30<sup>th</sup> October, 2018, has ten subscribers to the Memorandum out of which two are private limited companies and remaining individuals. However, there is no mention in any of the documents as to who shall be the first directors. Advise the company regarding the appointment of first directors who shall manage the affairs of the company.
- (a) All the subscribers to the Memorandum shall be deemed to be the first directors.
  - (b) The two private limited companies being subscribers to the Memorandum shall decide as to who shall be the first directors.
  - (c) All the individual subscribers to the Memorandum shall be deemed to be the first directors.
  - (d) As the company requires minimum three directors, the eight individual subscribers shall choose two from among themselves and one shall be chosen by the two private limited companies from among themselves.
13. A group of creditors of X Limited makes a complaint to the Registrar of Companies. They asserted that the management of the company is indulged in destruction and falsification of the accounting records of the company. The complainants request the Registrar to take immediate steps to stop the management from tampering with the records. The complaint was received in the morning on 1<sup>st</sup> January 2019 and the ROC entered the premises within half an hour for the search. The course of action that can be taken by Registrar are:
- (a) Registrar may enter and search the place where such books or papers are kept and seize them

- (b) Registrar may enter and search the place where such books or papers are kept and can seize only after obtaining an order from the special court
  - (c) Registrar may enter and search the place where such books or papers are kept only on the order of the special court
  - (d) Registrar may enter and search the place where such books or papers are kept and give an opportunity to the company to represent why such documents may not be seized.
14. With whom will the Central Government file an application if it is of the opinion that such a scheme is not in public interest or in the interest of the creditors?
- (a) Cannot move an application
  - (b) it may file an application before the Tribunal
  - (c) it may file an application before the Parliament
  - (d) It may file through Special Petition before Supreme Court.
15. When can a winding up order not be called a notice of discharge?
- (a) when the business of the company is continued
  - (b) when the business of the company is closed since 2 years.
  - (c) On the discretion of the management
  - (d) till a provisional Liquidator is appointed
16. In case a Valuer becomes interested in any property, stock etc of the company, he may be appointed as Registered Valuer of the company after a cooling off period of:
- (a) 3 years
  - (b) 5 years
  - (c) 1 year
  - (d) He will never be appointed as Registered Valuer of the company
17. Any person who is aggrieved by the order of Appellate Tribunal (NCLAT) may approach to the Supreme Court on any question of law within:-
- (a) 30 Days
  - (b) 45 Days
  - (c) 60 Days
  - (d) 90 days
18. State the incorrect statement w.r.t to the withdrawal of the corporate Insolvency Resolution process :
- (a) Withdrawal of CIRP is allowed after post admission
  - (b) Approval of 66 % voting shares of CoC is required
  - (c) Adjudicating authority is the concerned authority for the Withdrawal
  - (d) Withdrawal is of admitted application made under section 7, 9, and 10
19. Person who has provided goods or services and the payment for same is due from the corporate debtor, is a:
- (a) Financial Creditor
  - (b) Operational creditor
  - (c) Corporate applicant

- (d) Both (a) & (b)
20. The nature of the liabilities of the entity which comes from a transaction on operation, are:
- (a) Debt  
 (b) Financial debt  
 (c) Operational debt  
 (d) Both (b) & (c)

**Division B: Descriptive Questions (70 Marks)**

1. (a) State the legal positions as to the valid appointment of the directors in the given situations in the light of the Companies Act, 2013-
- Shiksham Ltd. was formed for prompting the girls education with 15 directors in its Board. Due to expansion of its objective at large scale, the company increased the strength of its directors to 20 without passing SR.
  - Mr. Kabir was appointed as an alternate director on behalf of Mr. Robert, as Mr. Robert goes abroad and comes back to India temporarily and leaves country again.
  - PQR Ltd., who failed to file financial statement in previous financial year 2017- 2018, appointed Mr. Khurana as a director in July 2018. **(6 Marks)**
- (b) The last three years' Balance Sheet of PTL Ltd., contains the following information and figures:

	As at 31.03.2016 Rs.	As at 31.03.2017 Rs.	As at 31.03.2018 Rs.
Paid up capital	50,00,000	50,00,000	75,00,000
General Reserve	40,00,000	42,50,000	50,00,000
Credit Balance in Profit & Loss Account	5,00,000	7,50,000	10,00,000
Debenture Redemption Reserve	15,00,000	20,00,000	25,00,000
Securities Premium	2,00,000	2,00,000	2,00,000
Secured Loans	10,00,000	15,00,000	30,00,000

On going through other records of the Company, the following is also determined:

Net Profit for the year (as calculated in accordance with the provisions of the Companies Act, 2013)	12,50,000	19,00,000	34,50,000
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In the ensuing Board Meeting scheduled to be held on 5<sup>th</sup> November, 2018, among other items of agenda, an items to decide on borrowing from Financial institutions on long-term basis. is also appearing. Based on above information, you are required to find out as per the provisions of the Companies Act, 2013, the amount upto which the Board can borrow from Financial institution during the financial year 2018-19 without seeking the approval in general meeting. **(4 Marks)**

- (c) Explain how the auditor will be appointed in the following cases:
- The Auditor of the company (other than government company) has resigned on 31<sup>st</sup> December, 2017, while the Financial year of the company ends on 31<sup>st</sup> March, 2018.
  - A company, whose shareholders include the following:
    - Bank of Baroda (A Nationalized Bank) holding 12% of the subscribed capital in the company.
    - National Insurance Company Limited (carrying on General Insurance Business) holding 10% of the subscribed capital in the company.



**MOCK TEST PAPER – 1**  
**FINAL (OLD) COURSE: GROUP – I**  
**PAPER 4: CORPORATE AND ALLIED LAWS**  
**SUGGESTED ANSWER**

**Division A: Multiple Choice Questions**

1. (c)
2. (b)
3. (a)
4. (a)
5. (c)
6. (b)
7. (d)
8. (d)
9. (d)
10. (b)
11. (d)
12. (c)
13. (b)
14. (b)
15. (a)
16. (a)
17. (c)
18. (b)
19. (b)
20. (c)

**Division B: Descriptive Answers**

1. (a) (i) As per section 149(1) of the Companies Act, 2013, every public company must have at least three directors. A private limited company should have minimum two directors. A one person company (OPC) will have minimum one director. Maximum directors can be 15. Maximum number of directors can be increased beyond 15 by passing a special resolution.  
However, MCA vide Notification dated 5-6-2015 issued under section 462 of Companies Act, 2013, the upper limit of 15 directors is not applicable to section 8 (licensed i.e. non-profit) companies.  
Therefore, increase in the strength of directors to 20 in the Shiksham Ltd. without passing SR is valid.
- (ii) As per section 161(2) of the Companies Act, 2013, the alternate director will vacate his office as soon as the foreign director comes to India. Thus, return of Original director (Mr. Robert) to India would serve. However, if Mr. Robert goes abroad and comes back to India temporarily

**MOCK TEST PAPER - 2**  
**FINAL (OLD) COURSE: GROUP – I**  
**PAPER – 4: CORPORATE AND ALLIED LAWS**

Time Allowed – 3 Hours

Maximum Marks – 100

**DIVISION A: MULTIPLE CHOICE QUESTIONS (TOTAL OF 30 MARKS)**

**Instructions: All questions are compulsory.**

**Questions nos. 1-10 are of 2 marks each and from 11- 20 are of 1 marks each**

1. Peter a citizen and resident of India, in the year 2011, got a job in a MNC in Germany. He planned to shift. On 23<sup>rd</sup> March 2017, Peter, along with his wife and daughter reached India from Germany. Due to travelling and shifting, studies of his daughter Lisa was effected a lot, so he decided to admit her into Mayo College at Ajmer for her further studies. On 22<sup>nd</sup> April 2017, Lisa got admission in the college and since then she is living in India only. Peter and his wife returned Germany on 1<sup>st</sup> May 2017. Peter did not visited India during the financial year 2017-18, however his wife was in India from 2<sup>nd</sup> December 2017 to 2<sup>nd</sup> January 2018. During the financial year 2018-19, Peter was in India for 185 days due to his deployment and Lisa's ill health. From the following who will be treated as person resident in India for the financial year ended on 2018-19 ---
  - (a) Lisa
  - (b) Peter
  - (c) Peter's wife
  - (d) Lisa and Peter's wife
2. Rahul, Son of Mr. Manish was going to USA under cultural exchange programme of his college. For meeting Rahul's expenses in USA, Mr. Manish purchased 5000 USD from an authorized person on 15<sup>th</sup> February 2018. Rahul came back to India on 15<sup>th</sup> March 2018. At the time of his return to India he was having 1850 USD unspent with him. From the following which option is the best suited for the above situation –
  - (a) Unspent foreign exchange shall be surrendered to the authorized person within 180 days from the date of his return to India.
  - (b) Unspent foreign exchange shall be surrendered to the authorized person within 180 days from the date of purchase of foreign exchange.
  - (c) Unspent foreign exchange shall be surrendered to the authorized person within 90 days from the date of his return to India.
  - (d) Unspent foreign exchange not exceeding 2000 USD may be retained by a person resident in India.
3. Ram and Shyam, two brothers, are professionally qualified Chartered Accountants. They are engaged in working as recovery agents for different types of loans and advances given by banks to different customers. They were also involved in arrangement of short terms funds for their clients. Their business was doing well and they were making a good amount of money. While dealing with banks they came to know about Asset Reconstruction Companies (ARC'S). Both the brothers wanted to expand their business, so they decided to register themselves as an ARC. From the following tick the option; which is irrelevant in respect of their ARC business---
  - (a) The net owned fund of their ARC should not be less than One hundred lacs rupees.
  - (b) The net owned fund of their ARC should not be less than One hundred crore rupees
  - (c) After registering as an ARC they will no longer be eligible to continue their business of arranging short term funds for their clients.

- (d) They will be required to raise funds only from qualified buyers.
4. Mr. Jigar is a director of PQR Ltd., which had accepted deposits from public. The Financial position of PQR Ltd. declined which resulted in failure to repay the deposits. It became due for payment on 10<sup>th</sup> April, 2017 and such repayment has not been made till 5<sup>th</sup> May, 2018. Another company JKL Ltd. wants to appoint the said Mr. Jigar as its director at its annual general meeting to be held on 6<sup>th</sup> August 2018. State the correct statement as to the appointment of Mr. Jigar as a director of JKL Ltd.
- (a) Mr. Jigar can be appointed in JKL Ltd. as it is other than the defaulted company
- (b) Mr. Jigar cannot be appointed at all in JKL Ltd. or any other company.
- (c) Mr. Jigar will not be eligible to be appointed as a director of JKL Ltd. on the scheduled AGM but may be after expiry of five years from the date of default.
- (d) Mr. Jigar will not be appointed as a director of JKL Ltd. before 6 months from the date of default.
5. Diksha, a professional architect, had been approached by Newage Builders Limited – a company formed by her distant relatives but with whom she has good rapports – to accept the directorship in the company. However, she could not immediately agree to take the post of director as she did not possess Director Identification Number (DIN). Accordingly, she applied for the DIN but her application was found to be incomplete and she received an e-mail on 3<sup>rd</sup> January, 2019 which directed her to rectify the defects by resubmitting the application. Advise Diksha regarding the latest date by which she must resubmit the application after fully rectifying it.
- (a) Latest by 10<sup>th</sup> January, 2019.
- (b) Latest by 16<sup>th</sup> January, 2019.
- (c) Latest by 18<sup>th</sup> January, 2019
- (d) Latest by 23<sup>rd</sup> January, 2019.
6. B'north Motors and Spares Limited, a listed company, has 4500 small shareholders but till date there is no director who can represent them. Accordingly, some of such shareholders have approached the company for appointment of their director on the Board. By choosing the correct option, advise as to minimum how many small shareholders must group together so that they succeed in their objective.
- (a) Minimum one thousand small shareholders must group together for getting appointed their director on the Board.
- (b) Minimum nine hundred small shareholders must group together for getting appointed their director on the Board.
- (c) Minimum four hundred and fifty small shareholders must group together for getting appointed their director on the Board.
- (d) Minimum two hundred and twenty-five small shareholders must group together for getting appointed their director on the Board.
7. Rati holds 2,500 equity shares of Rs. 10 each (Rs. 5 paid up) in Uranus Glass Limited which is listed on National Stock Exchange as well as Bombay Stock Exchange. In the same company her mother Rachna holds 2,000 equity shares on which Rs. 7 have been paid up. Her brother Ruchir has also been allotted 3,000 equity shares by the Uranus but till date, similar to Rati, he has paid only Rs. 5 as application and allotment money. All the three claim to be small shareholders and want to participate in the process of appointing small shareholders' directors. Advise them whether they could be categorized as small shareholders.
- (a) Only Rati is small shareholder and therefore, she can participate in the process of appointing small shareholders' directors.
- (b) Only Rachna is small shareholder and therefore, she can participate in the process of appointing small shareholders' directors.

- (c) Only Ruchir is small shareholder and therefore, he can participate in the process of appointing small shareholders' directors.
- (d) All the three are small shareholders and therefore, they can participate in the process of appointing small shareholders' directors.
8. Ruby Diamonds Limited is required to establish 'Vigil Mechanism' though it is neither a listed company nor a company which has accepted deposits from the public. Name the third criterion because of which it is necessitated that the company needs to create 'Vigil Mechanism'
- (a) As per the last audited statements, the subscribed capital of the company is in excess of Rs. 50 crores.
- (b) As per the last audited statements, the paid up capital of the company is in excess of Rs. 50 crores
- (c) As per the last audited statements, the turnover of the company is in excess of Rs. 50 crores
- (d) None of the above
9. Mr. Raman is a Managing Director of SLR Ltd. He was proposed to be appointed as director in the same company. Mr. Raman got better opportunity and joined the other company "Alternate Ltd.". He left the office of managing director of SLR Limited. State the correct legal position as to holding of offices of Mr. Raman in the companies-
- (a) He will hold directorship both in SLR Ltd and Alternate Ltd.
- (b) He cannot hold office in Alternate Ltd. being employed as managing director in SLR Ltd.
- (c) He will validly hold all the designated offices in both SLR and Alternative Ltd.
- (d) He can hold directorship only in Alternate Ltd.
10. Mr. X, director of BRT Ltd. entered into an arrangement with his friend and acquired asset on the name of the BRT Ltd. Prior approval for such arrangement was required by a resolution of the company in general meeting. The notice for approval of the resolution by the company included the particulars of the arrangement along with the value of the assets duly calculated by a registered valuer. Later the Board of company discovered the loss arising out of incorrect statement in the report made by the valuer. State the liability of the valuer in the given situation-
- (a) Valuer can claim immunity stating that company is not bound to accept his opinion being an expert.
- (b) the valuer shall be punishable with fine only for the incorrect statement given in the report
- (c) Valuer is liable to be convicted for the incorrect statement given in the report made with an intent to defraud the company or its members.
- (d) Valuer cannot be held liable for damages to the company as the company have seek the prior approval of company in general meeting.
11. State which is not a valid situation for the vacation of the office of director amongst the given:
- (i) When the directors absents himself from 3 consecutive meetings of Board of Directors held during a period of 12 months
- (ii) Director entering into a contract in which he is uninterested
- (iii) Order disqualifying him as Director has been made by Court or NCLT
- (iv) If he is convicted by a Court of any offence, whether involving moral turpitude or otherwise, and sentenced to imprisonment for not less than 6 months.
- (a) (i) & (ii)
- (b) (ii) & (iii)
- (c) (iii) & (iv)
- (d) (i) & (iv)

12. In case of a contravention of the resolution plan, an application for liquidation can be made by
- (a) Only the original applicant
  - (b) Only by the corporate debtor
  - (c) By any person other than the corporate debtor whose rights have been prejudicially affected
  - (d) By the financial creditors only
13. For initiation of Voluntary liquidation, a declaration of solvency (no debts or assets are sufficient to discharge liabilities) should be given by
- (a) Two directors
  - (b) Two directors and 80% shareholders
  - (c) Two directors and 80% shareholders and statutory auditors
  - (d) Majority of the directors
14. Which amongst the following is a restriction on transferee company in event of merger or amalgamation?
- (a) hold any shares in its own name
  - (b) hold any shares in the name of any trust on its behalf
  - (c) hold any shares in the name of any trust on behalf of any of its subsidiary
  - (d) All of the above
15. Where the Registrar has reasonable cause to believe, he shall send a notice to the company and all the directors of the company, of his intention to remove the name of the company from the register of companies and requesting them to send relevant details within a period of -----days from the date of the notice.
- (a) 15
  - (b) 30
  - (c) 45
  - (d) 21
16. Who shall make an application to the Tribunal for constitution of a winding up committee to assist and monitor the progress of liquidation proceedings by the Company Liquidator in carrying out the function?
- (a) No application required
  - (b) Company Liquidator
  - (c) Management
  - (d) Members
17. What shall not be the duties of a Registered Valuer?
- (a) to make an impartial, true and fair valuation of any assets which may be required to be valued
  - (b) to exercise due diligence while performing the functions as valuer
  - (c) to undertake valuation of any assets in which he has a direct or indirect interest or becomes so interested at any time during or after the valuation of assets.
  - (d) to make the valuation in accordance with such rules as may be prescribed
18. Reserve Bank of India may check the condition that the asset reconstruction company has not incurred any loss in the \_\_\_\_\_ preceding financial years.
- (a) 1
  - (b) 2

- (c) 3  
(d) 8
19. On the basis of material in possession with the Director, Mr. Q was under remand evidencing that he is in possession of proceeds of crime falling under the offence said to be committed in PMLA. Director may order for provisional attachment of the property of Mr. Q for a period-----
- (a) Within 90 days from the date of the order  
(b) Exceeding 180 days from the date of the order  
(c) Within 180 days from the date of the order  
(d) Not exceeding 280 days from the date of the order
20. Mr. Rufftuff was appointed as a Managing Director in the government company, Constant Limited. He was of 70 years with good experience in the field of finance. He was appointed for 6 years. State the correct statement as to term of appointment of Mr. Rufftuff in the said company:
- (a) He cannot be appointed at all  
(b) He can be appointed by passing special resolution for the period not exceeding 5 years  
(c) Central government may appoint on application of Board to him for the period of 5 years  
(d) He can be appointed by passing special resolution, or where no such special resolution is passed, appointed by the Central Government on an application made by the Board, for the period exceeding 5 years.

### Descriptive Questions (70 Marks)

#### Question No. 1 is compulsory

#### Out of remaining five questions attempt any four

1. (a) On the ground of the conviction for an offence dealing with related party transaction, Mr. Gap was disqualified to hold the directorship in XYZ Ltd. His vacancy was filled up by Mr. Samarth by the Board as a director on 3<sup>rd</sup> April, 2018, subsequently approved by the members in the immediate next general meeting. Unfortunately, Mr. Samarth expired on 15<sup>th</sup> May, 2018 after working about 40 days as a director. The Board now wishes to fill up the said vacancy by appointing Mr. Able in the forthcoming meeting of the Board. Advise the Board on the validity of the following appointments as per the provisions under the Companies Act, 2013.
- (i) Holding of Mr. Samarth in place of Mr. Gap  
(ii) Appointment of Mr. Able in place of Mr. Samarth **(6 Marks)**
- (b) The International Technologies Limited, a listed company, being managed by a Managing Director proposes to pay the following managerial remuneration:
- (i) Commission at the rate of five percent of the net profits to its Managing Director, Mr. Kunal.  
(ii) The directors other than the Managing Director are proposed to be paid monthly remuneration of Rs. 50,000 and also commission at the rate of one percent of net profits of the company subject to the condition that overall remuneration payable to ordinary directors including monthly remuneration payable to each of them shall not exceed two percent of the net profits of the company. The commission is to be distributed equally among all the directors.  
(iii) The company also proposes to pay suitable additional remuneration to Mr. Bhim, a director, for professional services rendered as legal counsel, whenever such services are utilized.
- You are required to examine with reference to the provisions of the Companies Act, 2013 the validity of the above proposals. **(8 Marks)**

**MOCK TEST PAPER - 2**  
**FINAL (OLD) COURSE: GROUP – I**  
**PAPER – 4: CORPORATE AND ALLIED LAWS**  
**SUGGESTED ANSWERS**

**DIVISION A: MULTIPLE CHOICE QUESTIONS (TOTAL OF 30 MARKS)**

1. (a)
2. (d)
3. (a)
4. (c)
5. (c)
6. (c)
7. (b)
8. (d)
9. (d)
10. (c)
11. (a)
12. (c)
13. (d)
14. (d)
15. (b)
16. (b)
17. (c)
18. (c)
19. (c)
20. (d)

**Descriptive Questions (70 Marks)**

1. (a) Section 161(4) of the Companies Act, 2013 provides that if the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may, in default of and subject to any regulations in the articles of the company, be filled by the Board of Directors at a meeting of the Board which shall be subsequently approved by members in the immediate next general meeting.

Provided that any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated.

- (i) In view of the above provisions, in the given case, the appointment of Mr. Samarth in place of the disqualified director Mr. Gap was in order. In normal course, Mr. Samarth could have held his office as director up to the date to which Mr. Gap would have held the same.