

Paper 4: Corporate and Economic Laws (New Course)

1. 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.

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 for:

- (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 June 2017. State whether Mr X is entitled to participate in the meeting to be conducted in August 2018 –

- (a) Yes, intimate 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 one 50 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) Both in ABC Limited and XYZ Limited

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. 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) None of the above.

9. 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

10. 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

11. 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

12. As per the FCRA, the restrictions on 'foreign contribution' are applicable if the foreign contribution is from 'foreign source'. Who among the following are excluded from the purview of foreign source in the Act-

- (a) United nations
- (b) World Bank
- (c) International monetary Fund
- (d) All of the above

13. Surya Ltd., incorporated and registered in New Delhi with a foreign shareholding more than 50% due to liberalisation in Foreign Direct Investment (FDI) policy.

State the correct statement as to the status of the Surya Ltd.

- (a) Surya limited shall not considered as foreign source because of its registration in India.
- (b) Surya Ltd would be 'foreign source' have foreign shareholding more than 50% of foreign company.
- (c) Surya Ltd would be 'foreign source' have foreign contribution through various international agencies. .
- (d) Both (b) & (c)

14. 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

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

- (a) 1 crore
- (b) 10 crore

- (c) 100 crore
- (d) 500 crore

16. 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

17. An association was holding the certificate of registration making it eligible for acceptance of foreign contribution established for the betterment of poor children. Central Government later cancelled the certificate of the association for violation of the terms and conditions of certificate for being not engaged in chosen activity for the poor children. Such association again applied for the registration. State the weather, association is eligible for registration-

- (a) Yes, it can apply freshly at any time
- (b) No, permanently becomes disqualified
- (c) yes, after 3 years from the date of cancellation of certificate
- (d) after reasonable opportunity of being heard, and on warning, same registration will be restored.

18. Mr. Komal and Mr. Rajesh, entered into arbitration agreement for the disputes that arise, if any in their business transactions. Due to certain fault on the part of Mr. Rajesh, the dispute came before the arbitration for settlement. In the mean time, Mr. Komal dies. Mr. Rajesh shed of their liabilities on the plea that arbitration agreement has come to end with the death of the other party. Decide the affirmative statement in the given situation-

- (a) Arbitration agreement get terminated due to death of the party.
- (b) It shall be remain enforceable by or against the legal representatives of the deceased.
- (c) Since it is a private law between the parties, it will be terminated with the death of the party.
- (d) Both (a) & (c)

19. The Committee of Creditors shall comprise -

- (a) All financial creditors of the corporate debtor only
- (b) All financial creditors excluding related parties
- (c) All financial and operational creditors
- (d) All financial creditors, 18 operational creditors, 1 workmen representative , 1 employee representative

20. 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)

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. Advice 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 one 50 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) Both in ABC Limited and XYZ Limited

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. Advice 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. The award of Arbitration proceedings between the parties was passed on 1st January 2018. Time period within which an award can be challenged is –

- (a) 31st of January, 2018
- (b) 28th of February, 2018
- (c) 15th of March, 2018
- (d) 31st March, 2018

37. Mr. X wants to start a bakery and so he contacts Mr. Y Confectioners & Bakers for supply of cakes and biscuits. The communication between the parties were over email. On e-mail, there was a term of service between the parties containing that “any disputes regarding quality or delivery shall be submitted to arbitration conducted under the guidance of Indian Confectionary Manufacturers Association. Please place your order if the above terms and conditions are agreeable to you.” X placed an order. State which statement is correct with respect to the arbitration agreement made between X and Y:

- (a) It is not valid agreement, as the terms of service is not contained in same document of agreement
- (b) It is not valid, as the agreement is not laid down in particular format / formally.
- (c) It is not valid, as communication over email of the term of services is not proper.
- (d) It is valid arbitration agreement in writing contained in correspondence between the parties over email.

38. 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

39. 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

40. 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.

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 20th 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 12th June, 2017 to the Company stating that he will resign w.e.f. 15th June, 2017. Due to nonreceipt 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

Solution

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