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FOR
CA INTERMEDIATE

2024

30 + Scenariobased Questions

Law

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By – Kunal Mandhania

Case Scenario 1

Tejas Infra Limited was incorporated by Tejasvi Singh and his wife Meenakshi along with seven other family members in the year 2001 with an aim to undertake infrastructure projects relating to transportation in the country. The company had successfully completed construction of roads and canals in Delhi, UP and Chandigarh and rose to become one of the prominent construction companies in India.

The Registered Office of the company is situated in Connaught Place, New Delhi with a capital base of ₹ 100 crore divided into ten crore equity shares of ₹ 10 each. The company has eight directors of which three are independent directors. In the year 2019, the company got new projects from the State Government of Punjab to build four flyovers and underpasses in different cities of Punjab.

In order to increase its capital base, Tejas Infra Limited decided to issue 1,00,000 preference shares of ₹ 100 each to the existing shareholders. For this, purpose it was decided to increase the Authorised Capital by ₹ 500,00,000 divided into 5,00,000 shares of ₹ 100 each.

The projects went off well and the turnover rose to the tune of ₹ 3600 crore in the immediately preceding financial year 2022-23. The net worth of the company stood at ₹ 550 crore.

As they crossed the threshold limit in the immediately preceding financial year 2022-23, a Board level Committee headed by one of the independent directors, namely, Paritosh was constituted to allocate budget, review the progress and provide guidance on various Corporate Social Responsibility (CSR) and sustainability initiatives. It was decided to spend the requisite amount towards skill development, vocational training, provision of safe drinking water facility, etc. Lokesh, one of the directors, is also a member of this Corporate Social Responsibility Committee. He is in favour of Janta Andolan Manch, a political party. This party is quite prominent in undertaking social work. As per his advice, the Board by a unanimous resolution resolved to contribute ₹ 5,00,000 to the said political party i.e. Janta Andolan Manch and to treat such contribution as part of CSR activity. (RTP sep 24)

Question

1. From the case scenario, it is evident that Tejas Infra Limited decided to issue 1,00,000 preference shares of ₹ 100 each to the existing shareholders. From the options given below choose the one which indicates the maximum period which is permitted to the company for redemption of preference shares. (RTP sep 24)

(a) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty-five years for redemption of preference shares subject to the condition that it shall redeem minimum 20% of preference shares per year commencing from 31st year onwards or earlier, on proportionate basis at the option of preference shareholders.

(b) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty-five years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 26th year onwards or earlier, on proportionate basis at the option of preference shareholders.

☒ (c) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 21st year onwards or earlier, on proportionate basis, at the option of preference shareholders.

(d) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 20% of preference shares per year commencing from 26th year onwards or earlier, on proportionate basis, at the option of preference shareholders.

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Question

2. The case scenario states that the turnover of Tejas Infra Limited rose to the tune of ` 3600 crore and net worth of the company stood at ` 550 crore in the immediately preceding financial year 2022-23 which required formation of CSR Committee. What is the third criterion which if crossed shall also require that a CSR Committee be formed. Choose the correct option from those stated below: (RTP sep 24)

(a) The third criterion which also requires formation of CSR Committee is that the company has net profit of ` two crore or more in the immediately preceding financial year.

(b) The third criterion which also requires formation of CSR Committee is that the company has net profit of ` three crore or more in the immediately preceding financial year.

(c) The third criterion which also requires formation of CSR Committee is that the company has net profit of ` five crore or more in the immediately preceding financial year.

(d) The third criterion which also requires formation of CSR Committee is that the company has net profit of ` six crore or more in the immediately preceding financial year.

Question

3. According to the legal provisions, it is mandatory to redeem preference shares at the stipulated time. Keeping in view the above case scenario, which source is required to be used by Tejas Infra Limited for the redemption of outstanding preference shares: (RTP sep 24)

(a) Tejas Infra Limited is required to redeem preference shares out of the profits which would otherwise be available for dividend.

(b) Tejas Infra Limited is required to redeem preference shares out of the proceeds of a fresh issue of shares made for the purposes of such redemption.

(c) Both (a) and (b).

(d) Tejas Infra Limited is required to redeem preference shares out of its Capital Redemption Reserve.

Question

4. While constituting a CSR Committee, how many minimum directors are required to be appointed by Tejas Infra Limited: (RTP sep 24)

(a) CSR Committee formed by Tejas Infra Limited shall have minimum two directors.

(b) CSR Committee formed by Tejas Infra Limited shall have minimum three directors of which at least one director shall be an independent director.

(c) CSR Committee formed by Tejas Infra Limited shall have minimum four directors of which at least one director shall be an independent director.

(d) CSR Committee formed by Tejas Infra Limited shall have minimum four directors of which at least two directors shall be independent director.

Case Scenario 2

Greenfield LLP and Bluewave LLP were two thriving businesses operating in the renewable energy sector. Greenfield LLP specialized in solar panel manufacturing, while Bluewave LLP was known for its innovations in wind turbine technology. Both companies saw a strategic opportunity to join forces and create a more comprehensive renewable energy solution provider. They decided to merge into a single entity, to be named EcoFuture LLP.

To facilitate this merger, the management of both companies proposed a scheme of compromise and arrangement under Section 60 of the LLP Act. They approached the Tribunal to sanction this scheme, which involved transferring all assets, liabilities, and ongoing legal proceedings of both Greenfield LLP and Bluewave LLP to EcoFuture LLP.

The Tribunal reviewed the proposal and found that the merger scheme was designed for the reconstruction and amalgamation of Greenfield LLP and Bluewave LLP. The Tribunal issued an order under Section 62, sanctioning the scheme and setting forth several provisions to ensure a smooth transition:

1. All assets and liabilities of Greenfield LLP and Bluewave LLP were to be transferred to EcoFuture LLP.
2. Any ongoing legal proceedings involving either of the original LLPs would continue under the name of EcoFuture LLP.
3. Both Greenfield LLP and Bluewave LLP would be dissolved without the need for winding up.

However, a few partners from Greenfield LLP were not in favor of the merger. They dissented from the compromise and arrangement. The Tribunal provided specific directions to ensure that their interests were adequately addressed.

After the order was made, both LLPs had to file a certified copy of the Tribunal's order with the Registrar within 30 days for registration. Unfortunately, due to some administrative delays, this filing was not completed within the stipulated time, leading to penalties for both EcoFuture LLP and its designated partners. **(RTP sep 24)**

Question

5. What was the main purpose of the scheme proposed between Greenfield LLP and Bluewave LLP?

- (a) To dissolve both LLPs.**
- (b) To transfer all assets to a third party.**
- (c) For the reconstruction and amalgamation of the LLPs.**
- (d) To liquidate the companies.**

Question

6. What authority does the Tribunal have when it sanctions a compromise or arrangement under Section 60?

(a) It can only supervise the arrangement.

(b) It has no authority after sanctioning the arrangement.

(c) It can supervise, modify, and give directions for the arrangement.

(d) It can dissolve the LLPs directly without any conditions.

Question

7. What penalty applies if an LLP fails to comply with the 30-day filing requirement?

(a) Immediate dissolution of the LLP.

(b) A fine of 10,000 and additional penalties for continuing contravention.

(c) Suspension of all business activities.

(d) Revocation of the Tribunal's order.

100k per day.
LLP → 1 lac.
- 50K.
→

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Question

8. Mr. X had resided in India for less than 182 days during the financial year 2022-2023. He arrived in India on April 1, 2023, to conduct business and intends to leave the business on April 30, 2024, with plans to depart from India on June 30, 2024. What is Mr. X's residential status for the financial year 2023-2024 under the FEMA, 1999? How many days did Mr. X stay in India during the financial year 2023-2024? (RTP sep 24)

- (a) Non-Resident, 182 days**
- (b) Resident, 365 days**
- (c) Resident but Not Ordinarily Resident (RNOR), 240 days**
- (d) Resident, 91 days**

Question

9. Apex Manufacturing is an industrial company based in India. Recently, the company found itself embroiled in legal issues concerning two separate offences under different enactments. The first offence involved a violation of environmental regulations, for which the company was prosecuted and fined. Subsequently, Apex Manufacturing was charged under a different law for a similar but not identical environmental violation.

The first offence was under the Environment Protection Act, 1986, for failing to dispose of hazardous waste properly. The second offence, under the Water (Prevention and Control of Pollution) Act, 1974, involved discharging untreated wastewater into a river.

Mr. Sharma, the company's legal advisor, consulted on said issue. He determined the prosecution outlined in Section 26 of the General Clauses Act, 1897, and Article 20(2) of the Constitution of India, which protects against double jeopardy. Comment upon the validity of protection that can be given to the Apex Manufacturing. (RTP sep 24)

- (a) Yes valid, because both involve environmental violations.**
- (b) Not valid, because the specific actions and legal provisions violated are different.**
- (c) Its valid, because both result in environmental harm.**
- (d) Its valid, though were prosecuted under different Acts but nature of act is similar.**

Question

10. Regal Textiles, a well-established fabric manufacturing company, has been operating under the Textile Regulations Act of 1980 for several decades. Over the years, various provisions of this Act have been subject to interpretation by both the company and the industry at large. One such provision pertains to the definition of "sustainable practices," which has been a point of contention. "Sustainable practices" to include the use of organic materials and recycling waste products. This interpretation has been widely accepted and acted upon without any legal challenges.

Recently, a new regulatory body has argued that "sustainable practices" should be strictly defined to include only carbon-neutral processes, excluding the use of non-organic recycled materials. This new interpretation has created confusion and potential compliance issues for Regal Textiles, which has long adhered to the established understanding of the term. He prepares to argue that the long-standing interpretation of "sustainable practices" should be upheld. What principle will Mr. Kumar likely rely on to argue against the new interpretation proposed by the regulatory body? (RTP sep 24)

- (a) The principle of judicial activism. (brader)✓
- (b) The principle of strict construction.
- ✓ (c) The principle of historical usage.
- (d) The principle of prospective overruling. - future✓

Case Scenario 3

GlobalTech Pvt. Ltd., a technology giant with operations in software development, hardware manufacturing, and IT consulting, has recorded significant financial growth over the past few years. For the financial year 2023-2024, the company reported the following financial metrics:

- Net worth: ₹ 520 crore
- Turnover: ₹ 1,050 crore
- Net profit: ₹ 4.5 crore

Handwritten notes in red ink:

CSR T → 1000 Cr
 N → 500 Cr
 P → 5 Cr

Two circles containing numbers: ~~170~~ and 135

In the financial year 2022-2023, GlobalTech Pvt. Ltd. had a net worth of ₹ 480 crore, a turnover of ₹ 1,020 crore, and a net profit of ₹ 4 crore. The company has a subsidiary, TechSubs Ltd., and a foreign subsidiary, GlobalTech International, which has a branch office in India.

GlobalTech Pvt. Ltd. spent ₹ 1.2 crore on various CSR activities during the financial year 2023-2024. However, ₹ 30 lakh remained unspent and was transferred to the Unspent Corporate Social Responsibility Account as per section 135(6) of the Companies Act, 2013.

The company's board comprises members from different parts of the country and they ensure that the administrative overheads do not exceed the prescribed limit of total CSR expenditure.

The company held its annual general meeting on 20th August, 2024 and filed the annual return in compliance with the provisions of the Companies Act, 2013.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-6) given herein under: - (MTP Sep 24)

Question

1. Based on the financial metrics of GlobalTech Pvt. Ltd., is the company required to constitute a Corporate Social Responsibility (CSR) Committee for the financial year 2023-2024?

- (a) Yes, because its net worth exceeds ` 500 crore.**
- (b) No, because it has not met the required net profit criteria.**
- (c) Yes, because its turnover exceeds ` 1,000 crore.**
- (d) No, because its net profit is less than ` 5 crore.**

CA WALLAH

Question

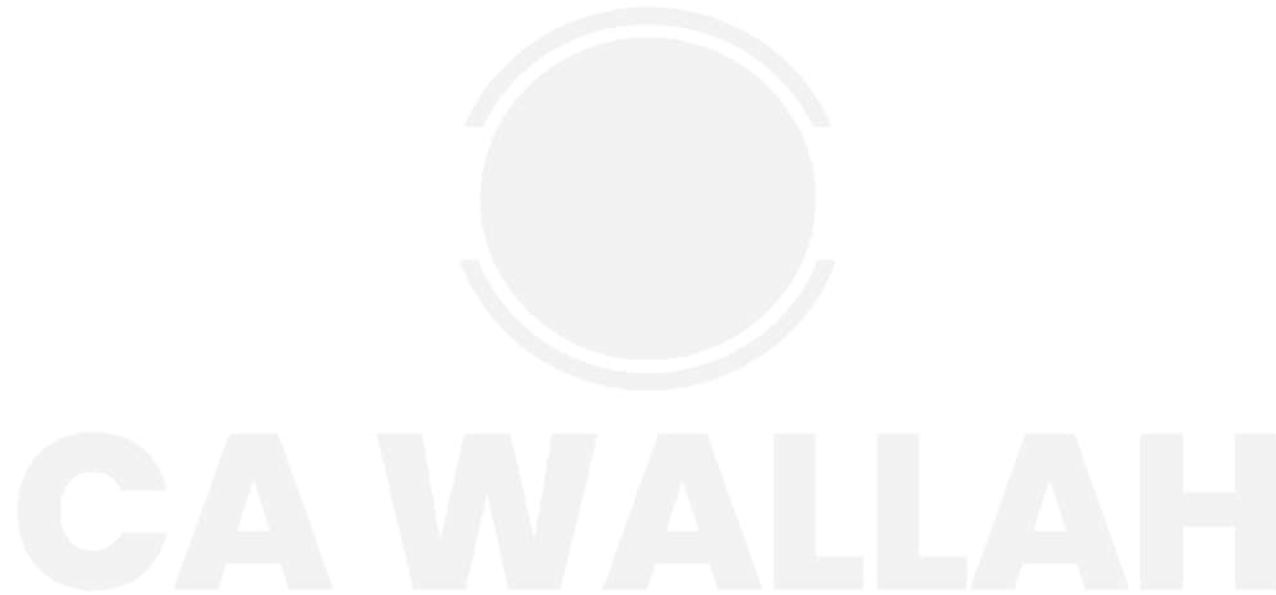
2. Given that GlobalTech Pvt. Ltd. has ₹ 30 lakh in its Unspent Corporate Social Responsibility Account, which of the following statements is true?

- (a) The company is not required to constitute a CSR Committee if it has unspent CSR funds.**
- (b) ✓ The company must constitute a CSR Committee in Financial year 2024-2025, as it has balance in Unspent CSR account.**
- (c) The company can use the unspent funds for any other business activity.**
- (d) The company must transfer the unspent amount to the Prime Minister's National Relief Fund.**

Question

3. If GlobalTech Pvt. Ltd. had an average net profit of ` 5 crore over the past three immediately preceding financial years, what is the minimum amount it must spend on CSR activities in the financial year 2024-2025?

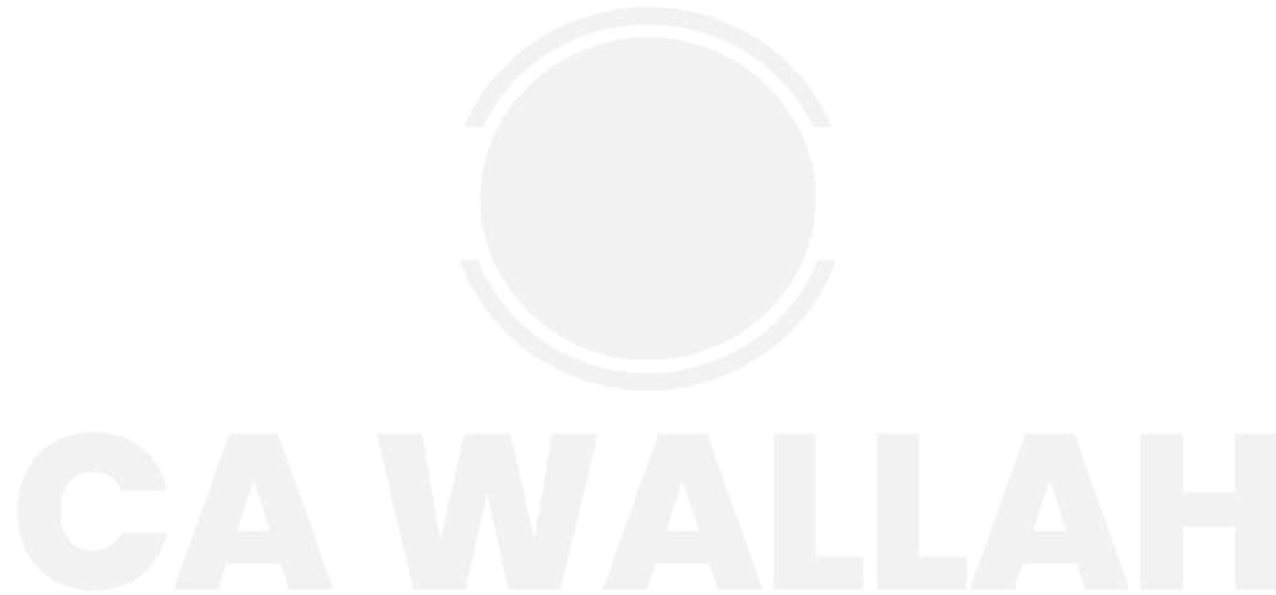
- (a) ` 5 lakh
- ☒ (b) ` 10 lakh
- (c) ` 20 lakh
- (d) ` 30 lakh



Question

4. GlobalTech Pvt. Ltd. must ensure that the administrative overheads do not exceed a certain percentage of the total CSR expenditure. What is this percentage?

- (a) 2%
- ☒ (b) 5%
- (c) 10%
- (d) 15%



Question

5. What is the latest date by which GlobalTech Pvt. Ltd. must it file its annual return with the Registrar of Companies (RoC)?

- (a) 10th September 2024**
- (b) 15th September 2024**
- (c) 10th October 2024**
- (d) 19th October 2024**



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Case Scenario 4

GreenLeaf LLP is a limited liability partnership engaged in the business of eco- friendly product manufacturing. The LLP was initially established with three partners: Priya, Sameer, and EcoCorp Ltd., a corporate entity. Priya and Sameer are the designated partners, with Priya being a resident in India. EcoCorp Ltd. has appointed Anil, an individual, as its nominee to act on its behalf.

After a few years, Sameer decides to retire, leaving Priya and EcoCorp Ltd. as the remaining partners. Due to some administrative oversight, GreenLeaf LLP continues its operations without appointing a new partner. This situation persists for seven months, with Priya being aware of the reduced number of partners. During this period, GreenLeaf LLP enters into several contracts and incurs significant financial obligations.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008, and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 6-8) given herein under: **(MTP Sep 24)**

Question

6. Given that Sameer retired and GreenLeaf LLP continued with only Priya and EcoCorp Ltd., what should GreenLeaf LLP have done within six months to comply with the LLP Act?

- (a) Dissolved the LLP**
- (b) Continue operating with one designated partner**
- (c) Appoint at least one body corporate which should be a foreign company**
- (d) Appointed at least one more partner who should also be a designated partner, as every LLP should have at least two designated partners**

Question

7. According to the Limited Liability Partnership Act, 2008, choose the correct statement in relation to who must be a resident in India among the designated partners?

- (a) At least one individual designated partner shall be resident in India**
- (b) All designated partners shall only be resident in India**
- (c) It is mandatory for only corporate partners to be resident in India**
- (d) At least four designated partners shall be resident in India**

Question

8. In the given case scenario suppose EcoCorp Ltd. also leaves the LLP and the LLP continues business for more than six months with only one partner, who is personally liable for the obligations incurred during that period?

- (a) Priya**
- (b) Both Priya and EcoCorp Ltd.**
- (c) EcoCorp Ltd.**
- (d) Priya, Sameer and EcoCorp Ltd.**

Question

9. Lavender International Entertainment Inc., headquartered and registered in New York City and a prominent name in lifestyle audio innovations, professional audio and lighting solutions, and digital transformation, is present in more than seventy countries including India. Due to certain mis-happenings, the company was unable to file its financial statements along with necessary documents for the year 2023 with the Registrar of Companies (in India) within the stipulated time as permitted by the Companies Act, 2013. It is observed that the ROC may, for any special reason and on an application made in writing by Lavender International Entertainment, extend the 'filing time' maximum up to a certain period. From the following options, choose the correct one in this respect:

- (a) 'Filing time' in respect of filing of financial statements along with necessary documents by Lavender International Entertainment Inc. can be extended by ROC maximum by one month beyond the stipulated time period.
- (b) 'Filing time' in respect of filing of financial statements along with necessary documents by Lavender International Entertainment Inc. can be extended by ROC maximum by two months beyond the stipulated time period.
- ☒ (c) 'Filing time' in respect of filing of financial statements along with necessary documents by Lavender International Entertainment Inc. can be extended by ROC maximum by three months beyond the stipulated time period.
- (d) 'Filing time' in respect of filing of financial statements along with necessary documents by Lavender International Entertainment Inc. can be extended by ROC maximum by six months beyond the stipulated time period.

Question

10. The Board of Directors Vishvas Ltd. decide to pay 5% of the issue price of shares as underwriting commission to the underwriters. However, the Articles of Association of the company permit only 3% commission. What is the maximum amount of underwriting commission that can be paid to the underwriters.

(a) 2%

(b) 3%

(c) 5%

(d) No limit has prescribed under the Companies Act, 2013 in case underwriting commission is to be paid in case of issue of shares.

Case Scenario 5

Amit, an Indian resident during the Financial Year (FY) 2021-2022, decided to pursue higher studies in Biotechnology in Switzerland. On 15th July 2022, he left India to begin his two-year academic program. The determination of Amit's residential status under the Foreign Exchange Management Act (FEMA), 1999, for the Financial Years 2022-2023 and 2023-2024, is crucial to understand his obligations and entitlements concerning foreign exchange transactions.

In terms of financial requirements, Amit needs USD 25,000 annually to cover his tuition fees. Additionally, he requires USD 30,000 annually for incidental expenses and living costs while studying abroad. Thus, his total annual requirement amounts to USD 55,000, making it imperative to assess the provisions under the Foreign Exchange Management Act, 1999, that govern the remittance of foreign.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999, therein, choose the correct answer (one out of four) of the following MCQs (11-13) given herein under ☹️MTP sep 24)

Question

11. What would be Amit's residential status for FY 2022-2023 under FEMA, 1999?

- (a) Resident in India**
- (b) Non-Resident Indian (NRI)**
- (c) Person of Indian Origin (PIO)**
- (d) Overseas Citizen of India (OCI)**

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Question

12. What would be Amit's residential status for FY 2023-2024 under FEMA, 1999?

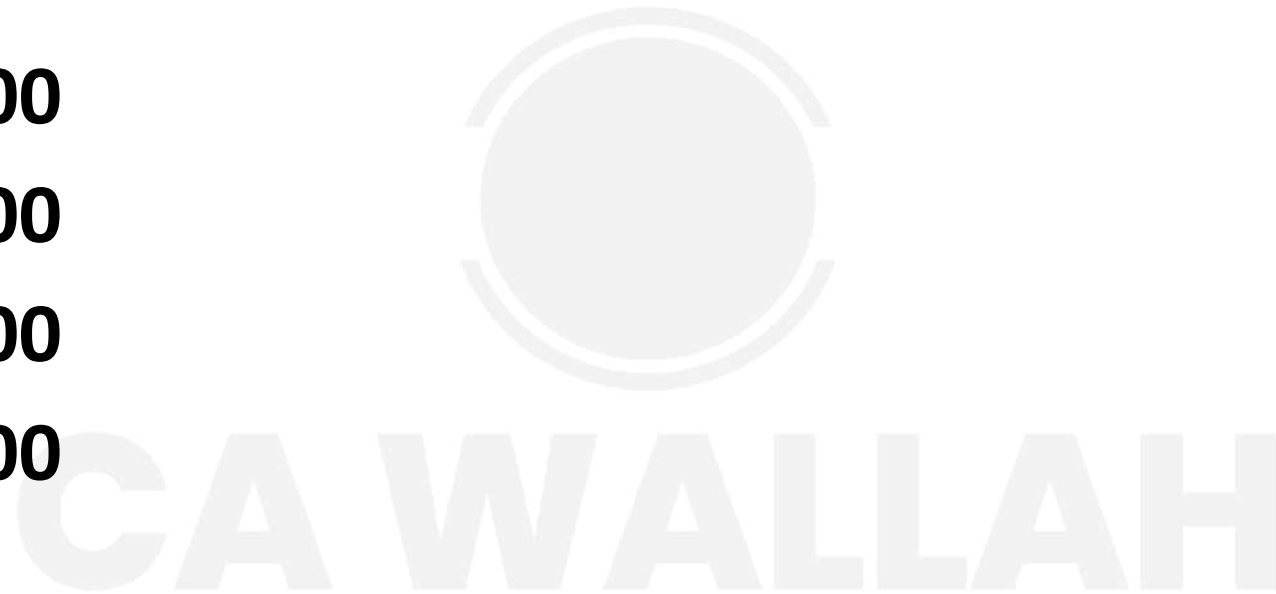
- (a) Resident in India**
- (b) Non-Resident Indian (NRI)**
- (c) Person of Indian Origin (PIO)**
- (d) Overseas Citizen of India (OCI)**

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Question

13. Suppose now Amit wants more money for his living cost abroad. What is the maximum amount that can still be remitted abroad per financial year under the Liberalized Remittance Scheme (LRS)?

- (a) USD 100,000**
- (b) USD 195,000**
- (c) USD 200,000**
- (d) USD 500,000**



Question

14. ABC Real Estate Ltd., a prominent real estate company, has recently acquired a piece of land in a suburban area. The land has a small lake that is expected to generate significant tourism revenue in the future. Additionally, the land has several old structures that are permanently fastened to the earth, such as a stone pavilion and a historical monument. ABC Real Estate Ltd. plans to develop the area by refurbishing the existing structures and enhancing the natural surroundings to attract tourists.

Considering the above scenario, identify which of the following components are classified as "Immovable Property" under the General Clauses Act, 1897:

- (a) Only the land and the stone pavilion.**
- (b) Only the land and the benefits arising from the lake.**
- (c) The land, benefits arising from the lake, and the stone pavilion.**
- (d) The land, the benefits arising from the lake, the stone pavilion, and the historical monument.**

Question

15. The Ministry of Transport is planning to construct a new highway that will connect City A and City B. According to the initial plan, the highway is expected to cover a distance of 150 kilometers. During the survey, the engineers measure the distance between the two cities as the crow flies, without considering the natural terrain and existing road curves. This method is in line with the provisions of the General Clauses Act, 1897 regarding the measurement of distance for the purposes of any Central Act or Regulation.

Considering the above scenario, which statement is correct about the measurement of distance as per the General Clauses Act, 1897?

- (a) The distance should be measured along the existing roadways and curves.**
- (b) The distance should be measured considering the natural terrain and obstacles.**
- ☒ **(c) The distance should be measured in a straight line on a horizontal plane unless otherwise specified.**
- (d) The distance should be measured as a combination of straight lines and natural curves.**

Case Scenario 6

XYZ Ltd. was incorporated on April 1, 2023. The Board of Directors, within the required timeframe, appointed Mr. A as the first auditor of the company on April 20, 2023. Mr. A was tasked with auditing the company's financial statements for the financial year 2022-23, and he held office until the conclusion of the first Annual General Meeting (AGM), which was held on September 30, 2023.

During the AGM, the shareholders decided to appoint Mr. B, a partner in the audit firm MNO LLP, as the new auditor. MNO LLP is a limited liability partnership incorporated under the LLP Act, 2008. Mr. B and his firm were appointed to hold office from the conclusion of the 1st AGM until the conclusion of the 6th AGM in 2028.

Five years later, in 2028, the company is considering whether to reappoint Mr. B and MNO LLP for another term. The shareholders are discussing the provisions of the Companies Act, 2013, and the implications of reappointing the same auditor or audit firm for multiple terms.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5, of 2 marks each) given herein under: **-(MTP sep 24)**

Question

1. Who was responsible for appointing the first auditor of XYZ Ltd., and within what timeframe should the appointment have been made?

- (a) Shareholders, within 60 days of registration of company**
- (b) Board of Directors, within 30 days of registration of company**
- (c) Board of Directors, within 60 days of registration of company**
- (d) Shareholders, within 30 days of registration of company**

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Question

2. How long can **MNO LLP**, as an audit firm, hold office as the auditor of XYZ Ltd. according to the Companies Act, 2013?

- (a) One term of five consecutive years
- (b) Two terms of five consecutive years
- (c) One term of six consecutive years
- (d) Three terms of five consecutive years

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Question

3. If XYZ Ltd. wants to reappoint MNO LLP for another term after 2028, what does the Companies Act, 2013, mandate?

- (a) MNO LLP can be reappointed for another term of five years.
- (b) MNO LLP cannot be reappointed, as they have already served one term.
- (c) MNO LLP cannot be reappointed, as they have already served two terms.
- (d) MNO LLP can be reappointed, but the tenure must be reduced to three years.

Question

4. What is the maximum tenure for which Mr. A as the first auditor of XYZ Pvt. Ltd., can hold office?

(a) From the date of appointment until the conclusion of the first AGM i.e. 30th September 2023

(b) From the date of appointment until the conclusion of the second AGM (in 2024)

(c) From the date of appointment until the conclusion of the third AGM (in 2025)

(d) From the date of registration of company until the conclusion of the first AGM i.e. 30th September 2023

Question

5. By what date the copy of the annual return is to be filed with the Registrar of companies in case of first AGM of XYZ Ltd.?

- ☒ (a) 29th November 2023
- (b) 30th December 2023
- (c) 31st January 2024
- (d) 29th February 2024



Case Scenario 7

In 2023, Tech Innovations LLP was established as a Limited Liability Partnership under the Limited Liability Partnership Act, 2008. The LLP was formed with two partners: Alex and Jordan, who contributed equally to the capital. Alex contributed 5,00,000, while Jordan also contributed 5,00,000. The firm was registered with the Registrar of Companies on April 1, 2023.

Tech Innovations LLP's operations focused on software development and technology consulting. As per the LLP agreement, both partners shared profits and losses equally. The LLP agreement also stipulated that any changes in the partnership, such as the addition of a new partner or transfer of interest, required the consent of both existing partners.

In June 2024, Tech Innovations LLP decided to admit a new partner, Priya, who brought in 2,00,000 as her capital contribution. This change was duly recorded and filed with the Registrar of Companies. Furthermore, the LLP decided to hold an annual general meeting within six months from the end of the financial year to approve financial statements and discuss business matters.

On the basis of above facts and by applying applicable provisions of the Limited liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 6-7 of 2 marks each) given herein under

Question

6. As per the LLP Act, 2008, what is required for admitting a new partner into the LLP?

- (a) The consent of one existing partner- Only Alex**
- (b) A majority vote of existing partners- Either Alex or Jordan**
- (c) The consent of all existing partners- Both Alex and Jordan**
- (d) Approval from the Registrar of Companies**

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Question

7. When is Tech Innovations LLP required to hold its annual general meeting?

- (a) By 30th April, 2024**
- (b) By 30th June, 2024**
- (c) By 31st July, 2024**
- (d) By 30th September, 2024**

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Case Scenario 9

In 2024, Global Enterprises Ltd., a company specializing in international trade, needed to send an important notice to one of its clients, Mr. Rajiv Patel, regarding a contractual amendment. According to the company's internal regulations and the contract terms, the notice had to be served by post.

On April 15, 2024, the company's legal department prepared the notice and addressed it to Mr. Patel at his registered address. The notice was properly addressed, prepaid, and sent via registered post with acknowledgment due to ensure the highest level of confirmation for delivery.

A few days later, on April 20, 2024, the notice was returned with a stamp indicating that it was "not claimed" by Mr. Patel. The legal department recorded the return of the notice and noted the endorsement.

Latest Case Scenario

The company's legal advisor referred to past case laws for similar scenarios to ensure that the notice was considered legally served under Section 27 of the General Clauses Act, 1897. They reviewed the following precedents:

United Commercial Bank v. Bhim Sain Makhija: It was noted that merely sending a notice by registered post without the acknowledgment due did not provide sufficient legal protection for proving service.

Jagdish Singh v. Natthu Singh: This case demonstrated that if a notice sent by registered post was returned with a refusal endorsement, it was considered served.

Smt. Vandana Gulati v. Gurmeet Singh alias Mangal Singh: It was established that if a notice sent by registered post to a proper address was returned with an endorsement like "not claimed", it was deemed served unless proven otherwise.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 8-10 of 2 marks each) given herein under:

Question

8. According to Section 27 of the General Clauses Act, 1897, what three conditions must be fulfilled for a service by post to be deemed effective?

- (a) Properly addressed, Pre-paid, and Posting by ordinary post**
- (b) Properly addressed, Pre-paid, and Posting by registered post**
- (c) Properly addressed, Pre-paid, and Sending by courier**
- (d) Properly addressed, Pre-paid, and Hand delivery**

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Question

9. In the case of United Commercial Bank v. Bhim Sain Makhija, why was the presumption of service under registered post found to be insufficient?

- (a) Because the notice was sent by ordinary post**
- (b) Because the notice was sent by registered post but not with acknowledgment due**
- (c) Because the address was incorrect**
- (d) Because the recipient did not respond**

Question

10. What does the case of Jagdish Singh v. Natthu Singh demonstrate about the service of notice?

- (a) Notice sent by registered post without return endorsement is invalid**
- (b) Notice sent by registered post and returned with refusal endorsement is deemed served**
- (c) Notice sent by ordinary post is deemed served if not returned**
- (d) Notice served by hand delivery is always valid**

Question

11. XYZ Ltd., a manufacturing company, had taken a loan from ABC Bank and registered a charge on its assets on January 1, 2022. On April 1, 2024, XYZ Ltd. paid off the entire loan to ABC Bank. According to Section 82 of the Companies Act, 2013, XYZ Ltd. was required to file an intimation with the Registrar of Companies (ROC) regarding the satisfaction of the charge within 30 days from the date of the payment.

However, due to an oversight, the company did not submit the intimation until July 15, 2024. To rectify this, the company decided to take advantage of the extended period for intimation provided under the proviso to Section 82 (1),

which allows for an extension up to 300 days with the payment of additional fees.

The additional fee for late intimation was `5,000, and the company's compliance officer needed to calculate the total fee to be paid for the delayed filing.

As per the given facts, examine by how many days XYZ Ltd. was late in submitting the intimation of satisfaction of charge? What additional fee should the company pay for this delay?

- (a) 90 days , Fee = 1,000**
- (b) 76 days , Fee = 5,000**
- (c) 90 days , Fee = 5,000**
- (d) 300 days , Fee = 10,000 (2 Marks)**

Question

12. Athlete Rajiv Sharma, a professional tennis player from India, achieved remarkable success by winning a prestigious international tennis tournament held in Paris, France. As a result of his victory, he received a prize money of

\$150,000 from the event organizers. Rajiv was excited about his winnings and planned to use a portion of the prize money to fund his training and future tournaments abroad.

Rajiv decided to remit \$150,000 to his personal account in France to manage his finances and cover his training expenses. However, before proceeding, he needed to ensure that the remittance complied with the Foreign Exchange Management Act (FEMA), 1999, specifically concerning the remittance of prize money or sponsorship of sports activities abroad.

Under FEMA regulations, individuals other than international, national, or state-level sports bodies are subject to specific guidelines when remitting amounts exceeding \$100,000. Rajiv was aware that the amount involved in his case exceeded this threshold and sought advice on the necessary steps and compliance.

Enumerate in the given instance, according to FEMA regulations, what must Rajiv Sharma do if he wishes to remit prize money exceeding US \$100,000 abroad?

- (a) Remit the amount directly without any additional requirements.**
- (b) Obtain approval from Paris Government before remitting the amount**
- (c) Only provide proof of winning the prize**
- (d) Require prior approval of Ministry of Human Resource Development (Department of Youth Affairs and Sports) (2 Marks)**

Question

13. Kite Sports Academy, a private coaching club, provides coaching for cricket, football and other similar sports. It coaches sports aspirants pan India. It also conducts various sports events and campaigns, across the country. In 2022, to mark the 25th year of its operation, a cricket tournament (akin to the format of T-20) is being organized by Kite Sports Academy in Lancashire, England, in the first half of April. The prize money for the 'winning team' is fixed at USD 40,000 whereas in case of 'runner-up', it is pegged at USD 11,000. You are required to choose the correct option from the four given below which signifies the steps to be taken by Kite Sports Academy for remittance of the prize money of USD 51,000 (i.e. USD 40,000+USD 11,000) to England keeping in view the relevant provisions of Foreign Exchange Management Act, 1999:

- (a) For remittance of the prize money of USD 51,000, Kite Sports Academy is required to obtain prior permission from the Ministry of Human Resource Development (Department of Youth Affairs and Sports).**
- (b) For remittance of the prize money of USD 51,000, Kite Sports Academy is required to obtain prior permission from the Reserve Bank of India.**
- (c) For remittance of the prize money of USD 51,000, Kite Sports Academy is not required to obtain any prior permission from any authority, whatsoever, and it can proceed to make the remittance.**
- (d) For remittance of the prize money of USD 51,000, Kite Sports Academy is required to obtain prior permission from the Ministry of Finance (Department of Economic Affairs). (2 Marks)**

Question

14. A Ltd. is incorporated on 3rd January, 2023. As per the Companies Act, 2013, what will be the financial year for the company:

- (a) 31st March, 2023**
 - (b) 31st December, 2023**
 - (c) 31st March, 2024**
 - (d) 30th September, 2024**
- (2 Marks)**

CA WALLAH

Question

15. A charge was created by Cyprus Limited on its office premises to secure a term loan of ` 1 crore availed from ABM Bank Limited through an instrument of charge executed by both the parties on 16th February, 2023. Inadvertently, the company could not get the charge registered with the concerned Registrar of Companies (ROC) within the first statutory period permitted by law and the default was made known to it by the lending banker with a stern warning to take immediate steps for rectification. The latest date within which the company must register the charge with the ROC so as to avoid paying ad valorem fees for registration of the charge is:

- (a) 27th April, 2023
- (b) 17th April, 2023
- (c) 2nd May, 2023
- (d) 16th June 2023 (2 Marks)

1st → 30 days - normal fees
2nd → 30 days - Addⁿ fees
3rd next 60 day - advalorem fee

Case Scenario 10

The Board of Directors has requested their Company Secretary to confirm them whether they are required to incur expenditure towards Corporate Social Responsibility during the financial year 2023-2024 and is required to constitute CSR committee.

The financial particulars in respect of immediately preceding financial year are as under:

S. No.	Particulars	Amount (Z in crore)
1	Net worth	100
2	Turnover	1010
3	Net Profit	4.9
4	Borrowings	60

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under: -

AGM of Co. was held on 1st Sep.

Question

1. The company can create charge in favour of the lender on the assets which are:

- a) Tangible Assets and situated in India only
- b) Intangible Assets and situated in India only
- c) Assets that are tangible or otherwise and situated in India or Germany
- d) Assets that are tangible or otherwise and situated in India only

(2 Mark)(MTP April 24)

Answer



CA WALLAH

Question

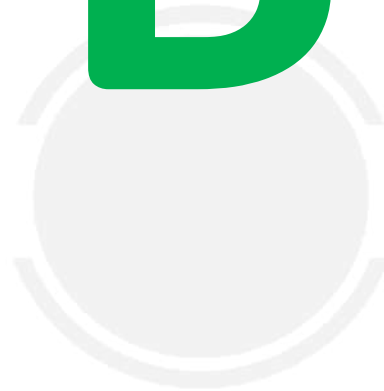
2. The maximum rate at which interim dividend can be declared by the Board during the current financial year is as under: -

- a) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding two financial years, i.e. 5%.
- b) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding three financial years, i.e. 7%.
- c) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding four financial years, i.e. 8.5%.
- d) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding five financial years, i.e. 9.2%.

(2 Mark)(MTP April 24)

Answer

B



CA WALLAH

Question

3. In respect of dividend declared which of the Statement is not correct?

- a) The company has transferred the dividend amount to separate bank account within 5 days from the date of declaration of dividend.
- b) The company is required to pay dividend within 30 days from the date of declaration of dividend.
- c) The company is required to transfer the Unpaid dividend to a separate bank account within 10 days from the date of expiry of statutory period from the date of declaration of dividend.
- d) The company is required to prepare a statement containing the names of shareholders, their last known address and the unpaid dividend amount to such each shareholder and place on its website within 90 days from the date of transferring the amount to Unpaid Dividend Account.

(2 Mark)(MTP April 24)

Answer



CA WALLAH

Question

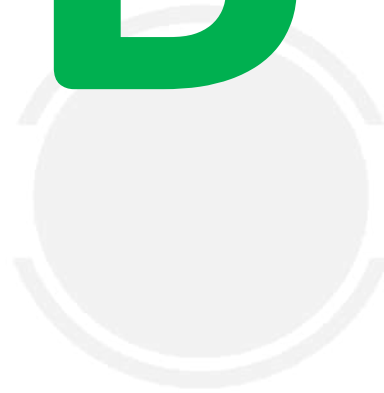
4. Choose the correct option in terms that whether the provisions of Corporate Social Responsibility are applicable to ACC Private Limited.

- a) The provisions of Corporate Social Responsibility are not applicable to ACC Private Limited as it is a private limited company.
- ☒ b) Yes, as ACC Private Limited is having turnover of more than Z 1000 crore.
- c) Yes, as ACC Private Limited is having net profit of more than Z 2.5 crore in the immediately preceding financial year.
- d) Yes, as ACC Private Limited is having net worth of more than Z 50 crore in the immediately preceding financial year.

(2 Mark)(MTP April 24)

Answer

B

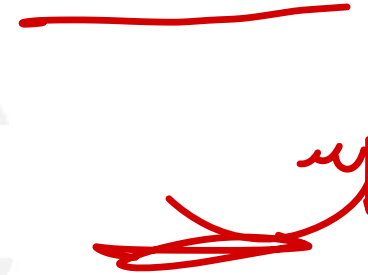


CA WALLAH

Question

5. The notice for the Annual General Meeting should be served by:

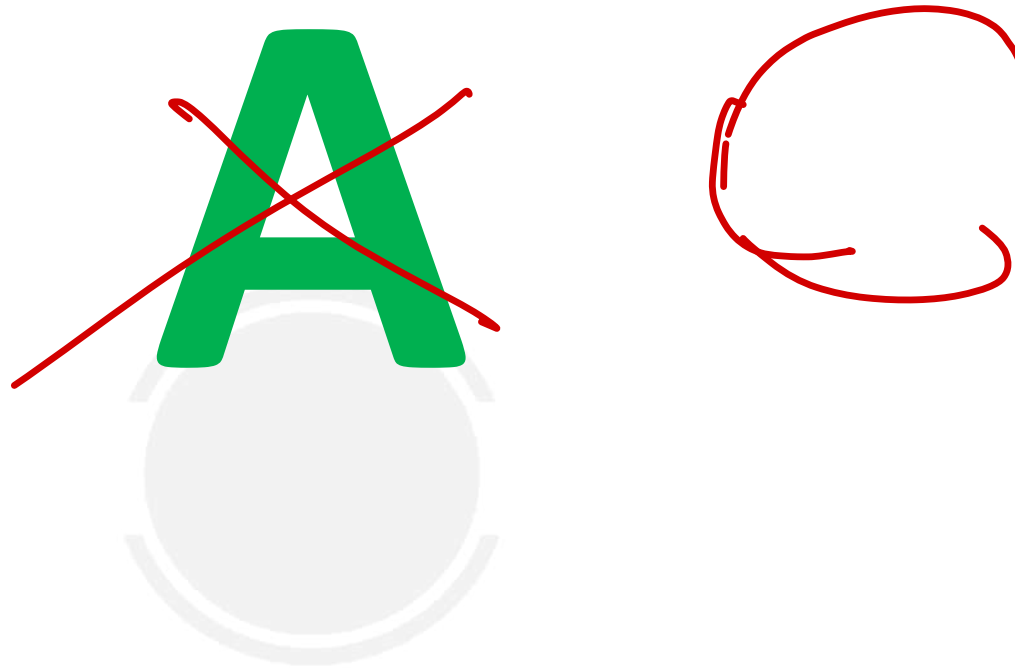
- a) 6th August 2023
- b) 7th August 2023
- ☒ c) 8th August 2023
- d) 10th August 2023



(2 Mark)(MTP April 24)

21/11/23 day
+ 21/11/23 day
21/11/23 day

Answer



CA WALLAH

Case Scenario 11

Sudeep and Ankit are very fast friend since long. They decided to run a service unit which will provide "Financial and Investment Consultancy Services". For this purpose they formed a limited liability partnership under the name M/s Etharkkum Advisors LLP on 17th April 2020. For this purpose, they prepared a Limited Liability Partnership Deed of which one of the clauses provides that a new partner may be admitted in the LLP with capital contribution which may be in kind or cash. Further new partner is also required to deposit the agreed amount of capital contribution within six months from the date of his admission.

After some time, office of the firm was destroyed due to an earthquake and the LLP was in urgent need of an office premises and some funds for some renovation work.

It is also informed that M/s Etharkkum Advisors LLP approached Manoj on 1st January 2023 to join the firm as third partner. Manoj was out of India for the period from 1st September 2021 to 23rd December 2022. He agreed to join the LLP and also agreed to contribute his office premises at Sanjay Place, Palwal and funds of ₹ 5,00,000 as Capital Contribution in the firm. Manoj joined the firm on 25th January 2023 as limited liability partner. The above said office premises was purchased by Manoj five years ago for ₹ 25,00,000 but the fair market value of this office on 25th January 2023 was ₹ 32,25,000 and on 1st January 2023 was ₹ 30,00,000. Manoj has provided his office to the firm with effect from his admission and promised to deposit the agreed amount of ₹ 5,00,000 within six months as provided in the partnership deed. Before Manoj could deposit the amount with the firm, it was dissolved. Manoj denied to deposit the amount of ₹ 5,00,000 with the contention that he is liable only upto the amount contributed in the firm on the date of dissolution. A creditor of the firm sued Manoj to deposit the said amount so that the firm may pay off his liability.

Nair On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 6-9) given herein under: -

Question

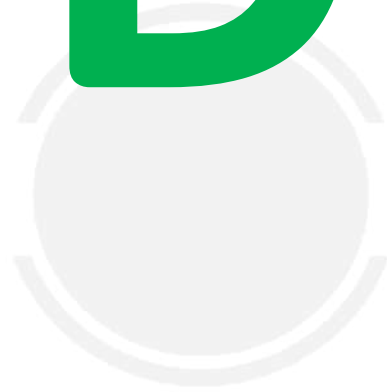
6. Whether Manoj could be considered as resident or not as per the Limited Liability Act, 2008?

- a) ~~Manoj~~ could not be considered resident in India as he was not in India for ~~182~~ days in preceding one year
- b) Manoj could not be considered resident in India as he was not in India for 120 days in preceding one year i.e. only for 33 days from 24th December 2022 to 25th January 2023
- c) Manoj could not be ~~considered~~ as he was not in India for 182 days during the financial year ~~year~~
- ☒ d) Manoj will be considered as resident in India as he was in India for 120 days during the financial year (2021- 2022)

(2 Mark)(MTP April 24)

Answer

D



CA WALLAH

Question

7. What would be the worth of Capital Contribution by Manoj?

- a) 25,00,000
- b) 32,25,000
- c) 37,25,000
- d) 35,00,000

(2 Mark)(MTP April 24)

CA WALLAH

Answer



CA WALLAH

Question

8. Whether Manoj will be liable to contribute ₹ 5,00,000 after dissolution of the firm?

- a) Yes, because a partner is personally liable for the deficiency arising at the time of dissolution of LLP.
- b) No, because a partner is never personally liable for the deficiency arose at the time of dissolution of LLP.
- ☒ c) Yes, the partner is under obligation to contribute money also to LLP as per the agreement.
- d) No, because a partner is personally liable only upto the amount contributed to the LLP on the date of dissolution of LLP.

(2 Mark)(MTP April 24)

Answer



CA WALLAH

Question

9. Finload Limited wants to raise funds for its upcoming project. Accordingly, it has issued private placement offer letters for issuing equity shares to 57 persons, of which six are qualified institutional buyers and remaining are individuals.

Choose the correct statement as per the provisions of the Companies Act, 2013:

- a) ~~Finload Limited company is a public limited company hence it can not issue shares through private placement.~~
- b) Since, Finload Limited has made an offer or invitation to more than the prescribed number of persons, it shall be deemed to be an offer to the public and accordingly, it shall be governed by the provisions relating to prospectus.
- c) Finload Limited has made an offer or invitation to less than the prescribed number of persons as qualified institutional buyers are not counted to calculate the prescribed limit.
- d) ~~Finload Limited cannot issue shares to qualified institutional buyers, as under private placement shares cannot be issued to qualified institutional buyers.~~

(2 Mark)(MTP April 24)

Answer

B



CA WALLAH

Question

10. Company X, a leading automobile manufacturer, has invested in Company Y, a start-up specializing in electric vehicle technology. Company X holds a 25% stake in Company Y and actively participates in its strategic decisions. Based on the provisions of the Companies Act 2013 regarding associate companies, which of the following statements is correct?

- a) Company X's investment in Company Y does not qualify as an associate company because Company X does not have control of at least 50% of the total voting power.
- b) Company Y qualifies as an associate company of Company X since Company X holds a 25% stake in Company Y and actively participates in its strategic decisions.
- c) Company Y cannot be considered an associate company of Company X because it is a start-up and does not meet the minimum criteria for significant influence.
- d) Company X's investment in Company Y falls under the category of venture and does not qualify as an associate company according to the Companies Act 2013.

(2 Mark)(MTP April 24)

Answer

B



CA WALLAH

Case Scenario 12

M/s Aryan & Aryan LLP was registered on 2nd July 2019. Sudeep and Ankit were partners in the firm. Both Sudeep and Ankit were also the designated partners in significant influence. this firm. The LLP deals in manufacturing and trading of electric ceiling fans. One day Sudeep met with Mr. Kishore, a director of Krtiken Electronics Private Limited. After discussion, Mr. Kishore showed interest that Krtiken Electronics Private Limited may work with M/s Aryan & Aryan LLP as partner.

Krtiken Electronics Private Limited was incorporated on 1st June 2017 with the object to deal in electronics. The memorandum and articles of association of Krtiken Electronics Private Limited also authorised it to work as partner in a LLP.

The partners of M/s Aryan & Aryan LLP and directors of Krtiken Electronics Private Limited approached a professional consultant Mrs. Archika Jain for providing the procedure for adding Krtiken Electronics Private Limited as a partner in M/s Aryan & Aryan LLP. She advised that Krtiken Electronics Private Limited could not be the partner in M/s Aryan & Aryan LLP because as per Limited Liability Partnership Act 2008, an individual or a body corporate can be a partner in LLP. She informed that the term 'body corporate' was defined in the Limited Liability Partnership Act, 2008 as a company which is defined in section 3 of the Companies Act, 1956. As Krtiken Electronics Private Limited is registered under Companies Act 2013, it cannot be termed as body corporate. On the advice of Mrs. Archika Jain, M/s Aryan & Aryan LLP dropped the idea to add Krtiken Electronics Private Limited.

It is further informed that Ms. Shanaya was admitted as a new partner in the firm on 17th January 2024. The firm intimated the registrar about her admission on 31st January 2024. On 3rd February 2024, while going to office Ms. Shanaya met with an accident and lost her memory. The doctor declared her of unsound mind to work as partner in M/s Aryan & Aryan LLP. It was also confirmed by a competent court.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 therein, choose the correct answer (one out of four) of the following MCQs (11-13) given herein under:-

Question

11. Whether Krtiken Electronics Private Limited could be partner in M/s Aryan & Aryan LLP?

- a) No, as Krtiken Electronics Private Limited is not a body corporate as per the definition of "Body Corporate" given in Limited Liability Partnership Act, 2008.
- b) Yes, because section 8 of the General Clauses Act, 1897 provides where any Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted. Therefore, after the enactment of Companies Act, 2013, the definition of "Body Corporate" should be construed as a company which is defined in section 2(20) of the Companies Act, 2013.
- c) No, as provisions of section 8 of the General Clauses Act, 1897 will not be applicable because the Limited Liability Partnership (Amendment) Act, 2021, which amended the definition of "Body Corporate" considering the company registered under Companies Act, 2013, come to effect from 01.04.2022.
- d) Yes, as the provisions of the General Clauses Act, 1897 are not applicable while interpreting the provisions of the Limited Liability Partnership Act, 2008.

(2 Mark)(MTP April 24)

Answer

B



CA WALLAH

Question

12. Following the provisions of Limited Liability Act, 2008 read with the General Clauses Act, 1897, what should be the last date to inform the registrar about the admission of Ms. Shanaya.

- a) 15th February 2024
- ☒ b) 16th February 2024
- c) 17th February 2024
- d) 18th February 2024

17 Jan 2024

30 days

24 14 days
+ 16 days
16 Feb

(2 Mark)(MTP April 24)

CA WALLAH

Answer

B



CA WALLAH

Question

13. What would be the status of Ms. Shanaya in the firm, M/s Aryan & Aryan LLP after the accident?

- a) She would continue as a partner in M/s Aryan & Aryan LLP even after being declared as of unsound mind.
- b) Section 24(2) of the Limited Liability Partnership Act, 2008 provides that unsound mind by a competent court. As this sub — section provides only a person shall cease to be a partner of a LLP if he is declared to be of for male person ("he"), she would continue as a partner in M/s Aryan & Aryan LLP.
- c) Following the provisions of the General Clauses Act, 1897 which provides that in all legislations and regulations, unless there is anything repugnant in the subject or context words importing the masculine gender shall be taken to include females. Hence, Ms. Shanaya will cease to be a partner M/s Aryan & Aryan LLP.
- d) She can continue as partner if all other partners agree for that.

(2 Mark)(MTP April 24)

Answer



CA WALLAH

Question

14. HBL Private Limited is a project engineering, procurement and construction company. The company has bagged a contract from the Government of State of Tamil Nadu for construction of Water Dam. The company has involved a project consultancy firm situated in Netherlands for preparing techno-economic feasibility report to enable it to start construction work of dam. The company had paid USD 7,000,000 to vendor of Netherlands.

The company also availed the services of Software Company situated in UK for the migration of its accounting software from SAP to Oracle for which the Company had paid USD 2,000,000 to the software company.

Considering the provisions of Foreign Exchange Management Act, 1999, which of the below mentioned statement is correct:

- a) The company can make payment of USD 7,000,000 and USD 2,000,000 without any approval.
- b) The company can make payment of USD 7,000,000 without any approval and USD 2,000,000 after obtaining prior approval of the Reserve Bank of India (RBI).
- c) The company can make payment of USD 7,000,000 and USD 2,000,000 after obtaining prior approval of RBI.
- d) The company can make payment of USD 7,000,000 after obtaining prior approval of RBI and USD 2,000,000 without any approval.

(2 Mark)(MTP April 24)

Answer

B



CA WALLAH

Question

15. Ms. Shalini Gupta had enrolled her for management course of three years with IIM, Ahmedabad. Out of three years, two years of educational course would be provided at the campus of IIM, Ahmedabad and one year of educational course would be provided at University of Auckland under student exchange program. Ms. Shalini Gupta is required to pay tuition fee of Z10 lakh directly to IIM, Ahmedabad for two years course and USD 200,000 to University of Auckland.

Ms. Shalini had left India on 20th August 2022 to complete her degree from University of Auckland. In the last month of final year of the course, she got an offer from one of the reputed company situated in Auckland and had accepted the offer and she decided to work there. On 1st September 2023, Ms. Shalini had visited India for 30 days to meet her family and on 1st October 2023 had left India to carry on her employment.

Considering the provisions of Foreign Exchange Management Act, 1999, which of the below mentioned options correctly determined the residential status of Ms. Shalini Gupta:

- a) Ms. Shalini Gupta to be treated as resident in India for Financial Year (FY) 2023-2024 and FY 2024-2025.
- b) Ms. Shalini Gupta to be treated as resident in India for FY 2022-2023 and FY 2023-2024.
- c) Ms. Shalini Gupta to be treated as non-resident for FY 2023-2024 and FY 2024-2025 as she left India for higher studies.
- d) Ms. Shalini Gupta to be treated as resident in India for FY 2023-2024 since she stays in India for more than 182 days and non-resident for FY 2024-2025.

(2 Mark)(MTP April 24)

Answer



CA WALLAH

Case Scenario 13

Silver Private Limited was incorporated in 2016 having its registered office at Gurugram, Haryana. It is registered with an authorised share capital of ` 10 crore divided into 1 crore equity shares of ` 10/- each. The paid-up share capital of the company is ` 50 lakh divided into 5 lakh equity shares of ` 10/- each. The company is in manufacturing of rubber parts to be used in manufacturing of parts of passenger vehicles.

Mr. Raj and Mr. Pawan are directors of the company. Mr. Siddharth (son of Mr. Raj) on January 8, 2022 had advanced a loan of ` 50 lakh at an interest rate of 8% p.a. and the loan is expected to be repaid after a period of thirty six months.

Silver Private Limited intends to accept deposits of ` 60 lakh from its members for the purpose of expansion of its business. The financial particulars of the company are as below mentioned: -

S. No.	Particulars	Amount (`)
1	Paid-up share capital	50 lakh
2	Free Reserves	20 lakh
3	Security premium	10 lakh
4	Borrowings from banks	65 lakh
5	Turnover	200 lakh

As on the date of acceptance of deposits, the company has not defaulted in repayment of borrowings along with interest thereon.

The Company Secretary of the company informed Board of Directors of the company that they need to appoint an internal auditor for audit of the company. The Board stated that statutory auditor is already performing audit function and there is no need to appoint internal auditor as it causes additional burden on the company.

The company require funds for the purpose of meeting working capital requirements. The company has approached the bank for meeting working capital requirements and has availed a loan of ` 65 lakh from bank. The loan is secured by the personal guarantee of the directors of the company.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under: -

Question

1. With respect to loan advances by Mr. Siddharth to Silver Private Limited, whether the same can be classified as deposit or not?

- (a) It will be treated as deposit as the loan is advanced by Mr. Siddharth who is neither director nor shareholder of the company.
- (b) It will be treated as deposit as the loan is given by relative of the director.
- (c) It will not be treated as deposit as Mr. Siddharth has given loan to the company at an interest rate of 8% p.a.
- (d) It will not be treated as deposit if Mr. Siddharth gives a written declaration to the effect that loan is advanced by him from his own source of funds, not from borrowings or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board's Report.

(2 Mark)(MTP Mar. 24)

Answer



CA WALLAH

Question

2. With respect to acceptance of deposits from members, which of the below mentioned statement is correct:

- (a) Silver Private Limited cannot accept deposits of more than paid-up share capital which is ` 50 lakh.
- (b) Silver Private Limited can accept deposits of ` 60 lakh from members, as it is less than twice of its paid up share capital or ` 50 crore, whichever is less.
- (c) Silver Private Limited cannot accept deposits of more than higher of aggregate of paid-up share capital and free reserves which is ` 70 lakh and borrowings which is ` 65 lakh.
- (d) Silver Private Limited cannot accept deposits of more than aggregate of paid-up share capital and free reserves, which is ` 70 lakh.

(2 Mark)(MTP Mar. 24)

Answer

B

CA WALLAH

Question

3. Is Silver Private Limited required to appoint internal auditor in accordance with the provisions of the Companies Act, 2013?

- (a) Silver Private Limited is not required to appoint internal auditor as private companies are not required to appoint internal auditor.
- (b) Silver Private Limited is required to appoint internal auditor as borrowings is below prescribed limited.
- (c) Silver Private Limited is required to appoint internal auditor as aggregate of paid-up share, free reserves and security premium is more than prescribed limited.
- (d) Silver Private Limited is not required to appoint internal auditor as turnover is less than prescribed limited.

(2 Mark)(MTP Mar. 24)

Answer



CA WALLAH

Question

4. Which of the following statement is correct in respect of loan of ₹ 65 lakh availed by the company?

- (a) Silver Private Limited needs to create and register charge within 30 days from the date of sanction of loan.
- (b) Silver Private Limited is not required to create and register charge as the loan is against the personal guarantee of directors.
- (c) Silver Private Limited needs to create and register charge within 15 days from the date of sanction of loan.
- (d) Silver Private Limited needs to create and register charge within 60 days from the date of sanction of loan.

(2 Mark)(MTP Mar. 24)

Answer

B

CA WALLAH

Question

5. The management of Silver Private Limited for ease of doing business and reduce compliance burden, proposed, it to be registered as a small company. Within the provided information and the legal requirements under the Companies Act, 2013, recommend on the validity of the said proposal:

- (a) Proposal is valid, as any private limited company can apply for the status of small company.
- (b) Proposal is invalid, as the Silver Private Limited is not fulfilling the requirement of turnover of ` 400 crore.
- (c) Proposal is valid, as the Silver Private Limited is fulfilling the requirement of paid up share capital and turnover which is within the prescribed limits.
- (d) Proposal is invalid, as Silver Private Limited is fulfilling the requirement of paid up share capital.

(2 Mark)(MTP Mar. 24)

Answer



CA WALLAH

Question

6. The financial particulars of ABC Limited in respect of immediately preceding financial year are as under:

S. No.	Particulars	Amount in ` crore
1	Net worth	280
2	Turnover	550
3	Net Profit	5.50
4	Borrowings	60

Choose the correct option in terms that whether the provisions of Corporate Social Responsibility are applicable to ABC Limited.

- (a) No, as ABC Limited is having net worth of more than ` 250 crore in the immediately preceding financial year.
- (b) Yes, as ABC Limited is having turnover of more than ` 500 crore but less than ` 800 crore in the immediately preceding financial year.
- (c) Yes, as ABC Limited is having net profit of more than ` 5 crore in the immediately preceding financial year.
- (d) Yes, as ABC Limited is having loans and borrowings of more than ` 50 crore in the immediately preceding financial year.

(2 Mark)(MTP Mar. 24)

Answer



CA WALLAH

Question

7. Under what circumstances is the requirement for constituting a Corporate Social Responsibility (CSR) Committee waived, and who is responsible for discharging the functions of the CSR Committee in such cases?

- (a) When the amount to be spent by a company does not exceed fifty lakh rupees; the Board of Directors assumes the responsibility of the CSR Committee's functions.
- (b) When the amount to be spent by a company exceeds fifty lakh rupees; the Board of Directors assumes the responsibility of the CSR Committee's functions.
- (c) When the amount to be spent by a company does not exceed fifty lakh rupees; the shareholders assume the responsibility of the CSR Committee's functions.
- (d) When the amount to be spent by a company exceeds fifty lakh rupees; the shareholders assume the responsibility of the CSR Committee's functions.

(2 Mark)(MTP Mar. 24)

Answer



CA WALLAH

Case Scenario 14

Vidhya Masterminds LLP was incorporated on 15th April, 2023. Sagar, Manthan, Vishnu and Vasuki were partners in the firm. Sagar and Manthan were also the designated partners in this firm. The firm was incorporated with the object of manufacturing and trading of cycles. The business was going too smoothly.

But on 30th April, 2023, some Mr. Vidhyaram Tolaramani filed an application to registrar that he has a registered trademark in the name of “Vidhya Masters” which he has got registered before 15.04.2023. Therefore, the LLP “Vidhya Masterminds LLP” should change its name. On the basis of basic investigation, registrar found that Mr. Vidhyaram Tolaramani was correct in contention. The registrar sent a direction to Vidhya Masterminds LLP to change its name as it too nearly resembles with the trademark of Mr. Vidhyaram Tolaramani i.e. “Vidhya Masters”. The notice was issued by the registrar on 5th May, 2023 by post but due to some internal problem of postal department, notice reached the LLP on 10th May, 2023. Vidhya Masterminds LLP ignored the notice and continued working under the same name. On 15th August, 2023 the registrar suo-moto allotted the LLP a new name “Sahitya Masterminds LLP” and entered this new name in the register of LLP and also issued a fresh certificate of incorporation to Vidhya Masterminds LLP with new name. Vidhya Masterminds LLP, now “Sahitya Masterminds LLP” was not comfortable with new name. It started the process to change the name allotted by the registrar.

Meanwhile, Vishnu was appointed as designated partner in Vidhya Masterminds LLP on 25th July, 2023 but this information was not sent to the registrar. On 20th June, 2023, Mr. Vasuki had given a written notice to the LLP that he could not continue as a partner in LLP with effect from 22nd July, 2023. This cessation from the LLP was also not informed by either LLP or Mr. Vasuki, to the Registrar.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following MCQs (8- 10) given herein under: -

Question

8. When the registrar directed Vidhya Masterminds LLP to change its name, by which date the LLP should have changed the name of LLP?

- (a) By 5th August, 2023 i.e. within a period of 3 months from the date of issue of such direction by registrar.
- (b) By 10th August, 2023 i.e. within a period of 3 months from the date of receiving of such direction by the firm.
- (c) By any time according to the convenience of Vidhya Masterminds LLP.
- (d) Vidhya Masterminds LLP is not liable to change its name.

(2 Mark)(MTP Mar. 24)

Answer



CA WALLAH

Question

9. Vishnu was appointed as designated partner in the Vidhya Masterminds LLP on 25th July, 2023. By what time limit the LLP should have informed the registrar?

- (a) 9th August, 2023 i.e. within 15 days of appointment
- (b) 24th August, 2023 i.e. within 30 days of appointment
- (c) 25th August, 2023 i.e. within 1 month of appointment
- (d) 25th October i.e. within 3 month of appointment.

(2 Mark)(MTP Mar. 24)

Answer

B

CA WALLAH

Question

10. Whether Mr. Vasuki will be liable for penalty for not intimating the registrar about the appointment of Mr. Vishnu as designated partner?

- (a) No, as he was not partner in LLP on the date of appointment of designated partner.
- (b) Yes, as former partner is to be regarded still being a partner of the LLP unless a notice has been delivered to the Registrar by former partner or LLP.
- (c) Yes, even if a notice has been delivered to the Registrar by LLP about his retirement.
- (d) No, in any case Mr. Vasuki will not be liable.

(2 Mark)(MTP Mar. 24)

Answer

B

CA WALLAH

Case Scenario 15

Tech Inspiration Private Limited was incorporated on 30.06.2018. The main object of the company was to provide guidance classes for engineering aspirants. For this purpose, they opened a coaching center at Freedom Plaza, Near Bhagwan Talkies, Bye Pass Road, Agra. The premise was owned by the company. The company also made a “Employee Appointment Committee” for the systematic selection and appointment of employees including faculties for teaching. In the first slab, committee appointed nine teachers, 3 clerical staff and one peon. For the purpose of expansion of business, company decided to open a branch of the company at nearby city of Agra. After the due research, the company decided to open its branch at city “Bharatpur” which was just 50 kilometers far from Agra. The company approached Mr. Raghuram Meena owner of land at Bharatpur suitable for company. Mr. Raghuram Meena leased his land for ten years to Tech Inspiration Private Limited. The land had a small temple of lord Ganpati at its centre. The company constructed the classrooms on the land and many students joined the coaching classes. Besides it, the temple generated some income in the form of “Chadhava” (donation). Mr. Raghuram Meena claimed the income of temple with the contention that he had leased only the land and not the temple.

Further one more problem arose in the company. “Employee Appointment Committee” found that one of the faculties, Mr. Nitesh Gupta was not performing well. He was not justifying his duties. Therefore, “Employee Appointment Committee” decided to terminate him with effect from 31.01.2024 and send him notice of termination by properly addressing and by registered post to Mr. Nitesh Gupta. Mr. Nitesh Gupta refused to accept the notice and returned back it to the postman. After two months, on 01.04.2024, Mr. Nitesh Gupta filed a suit against the company for claiming the salary for the period from 01.01.2024 to 31.03.2024 with the view that his appointment cannot be terminated because of two reasons:

- (i) “Employee Appointment Committee” was established just to appoint the employees. They are not authorised for their termination.
- (ii) Mr. Nitesh Gupta’s refused to accept the notice of termination with the contention that it was not properly served to him.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following MCQs (11-13) given herein under: -

Question

11. Whether Mr. Raghuram Meena is correct in his claim? Whether he may claim the income of temple:

- (a)** Yes, Mr. Raghuram Meena was correct in his views as he leased only land not the temple, situated on such land.
- (b)** Yes, as temple is a constructed building, not land.
- (c)** No. 'Immovable Property' in terms of the General Clauses Act, 1897 includes land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth. So, benefits attached to land and income from temple will be of Tech Inspiration Private Limited.
- (d)** No. It is the right of Tech Inspiration Private Limited to decide that who will claim the income of temple.

(2 Mark)(MTP Mar.24)

Answer



CA WALLAH

Question

12. Whether “Employee Appointment Committee” may terminate Mr. Nitesh Gupta even the authority letter given to “Employee Appointment Committee” has no specific clause authorizing it for termination of employees?

- (a) No, as “Employee Appointment Committee” was authorised only for appointment and not for termination of employees.
- (b) Yes, because section 16 of the General Clauses Act, 1897, provides that unless a different intention appears, power to appoint to include power to suspend or dismiss.
- (c) No, because section 16 of the General Clauses Act, 1897, provides that power to appoint does not include power to suspend or dismiss.
- (d) No, It's only board of directors of Tech Inspiration Private Limited who has the right to terminate its employees in board meeting.

(2 Mark)(MTP Mar.24)

Answer

B

CA WALLAH

Question

13. Whether the refusal to accept the notice sent by post, by Mr. Nitesh Gupta would be termed as not serving of notice of termination?

- (a) Yes, as Mr. Nitesh Gupta had not accepted the notice.
- (b) Yes, refusal to accept the post will always be considered as not served.
- (c) No, because as per section 27 of the General Clauses Act, 1897 the service by post shall be deemed to be effected by properly addressing, pre-paying, and posting by registered post.
- (d) No, Mr. Nitesh Gupta had the information of sending of notice.

(2 Mark)(MTP Mar.24)

Answer



CA WALLAH

Question

14. Mr. Amar (a resident individual) want to remit US\$ 60,000 to his son in the USA after winning a big lottery. Considering the provisions of the Foreign Exchange Management Act, 1999, choose the correct action which Mr. Amar would take to remit the said amount to his son in the USA.

- (a) Visit a local bank and request a direct transfer to his son's US bank account.
- (b) Cannot remit the said amount as remittance out of lottery winnings is prohibited.
- (c) Travel to the USA personally with the cash winnings, to give it to his son.
- (d) Convert the US Dollar winnings into a different currency before sending it to his son.

(2 Mark)(MTP Mar.24)

Answer

B

CA WALLAH

Question

15. Mr. Prakhar, an Indian Resident individual, wishes to obtain Foreign Exchange for a gift remittance totaling US\$ 50,000. Which of the following statements accurately reflects the regulatory requirement under the Foreign Exchange Management Act, 1999 (FEMA)?

- (a) Mr. Prakhar can freely remit US\$ 50,000 for the gift as it is a current account transaction and the amount of gift remittance is less than US\$ 2,50,000.
- (b) Mr. Prakhar must seek prior approval from the RBI for the remittance exceeding US\$ 50,000.
- (c) Mr. Prakhar must seek prior approval from the RBI for any gift remittance, regardless of the amount.
- (d) Mr. Prakhar does not need to comply with any FEMA requirements as gift remittance does not fall under the purview of the FEMA 1999.

(2 Mark)(MTP Mar.24)

Answer



CA WALLAH

Case Scenario 16

Golden Limited is a listed company which is incorporated in 2013 having its registered office at Delhi and corporate office in Noida. It is registered with an authorised share capital of ` 20 crore divided into 2 crore equity shares of ` 10/- each. The paid-up share capital of the company is ` 10 crore divided into 1 crore equity shares of ` 10/- each. The company is in construction activities like construction of buildings, roads, etc.

On 8th January, 2022, the company incorporated a wholly owned subsidiary, D Limited which is involved in supplying of construction materials like steel, iron, cement, bricks, etc. D Limited elects to choose to prepare its first financial statements for the period from 8th January, 2022 to 31st March, 2022.

On 2nd January, 2022, Golden Limited incorporated a new wholly owned subsidiary, E Limited for providing project management consultancy service to its customers or to parent company. On 5th January, 2022, Golden Limited through its subsidiary, E Limited acquired 100% partnership interest in XYZ & Co., partnership firm. E Limited elects to choose to prepare its first financial

statements for the period from 2nd January, 2022 to 31st March, 2023 and conducted its Annual General Meeting on 16th August, 2023.

On 1st July, 2022, the subsidiary company, D Limited incorporated a new wholly owned subsidiary, F Limited.

Golden Limited prepared its standalone financial statements for the year 2021-22 and presented before the Board of Directors of the company on 25th August, 2022 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 2nd September, 2022.

Golden Limited prepared its standalone and consolidated financial statements for the year 2022-23 and presented before the Board of Directors of the company on 20th August, 2023 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 26th September, 2023.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following MCQs given herein under: -

Question

1. What is the last date for conducting AGM for E Limited?

- a. 30th September, 2022
- b. 31st December, 2022
- c. 30th September, 2023
- d. 31st December, 2023

(2 Mark)(RTP May24)

CA WALLAH

Answer



CA WALLAH

Question

2. What is the due date for conducting AGM for Golden Limited for the year ended March 31, 2023?

- a. 30th September, 2023
- b. 31st October, 2023
- c. 30th November, 2023
- d. 31st December, 2023

(2 Mark)(RTP May24)

CA WALLAH

Answer



CA WALLAH

Question

3. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented at AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2022 includes, financial statements:

- a. Golden Limited and D Limited
- b. Golden Limited, D Limited and E Limited
- c. Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm
- d. Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm

(2 Mark)(RTP May24)

Answer



CA WALLAH

Question

4. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented before AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2023 includes:

- a. Golden Limited and D Limited
- b. Golden Limited, D Limited and E Limited
- c. Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm
- d. Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm

(2 Mark)(RTP May24)

Answer



CA WALLAH

Question

5. Please select which is the correct option/ which is the most correct statement:

- a. Golden Limited had given the notice for holding AGM in Mumbai on Monday, 26th September, 2023 at 11.00 A.M.
- b. Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 11.00 A.M.
- c. Golden Limited had given the notice for holding AGM in Noida on Tuesday, 27th September, 2023 at 11.00 A.M.
- d. Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 8.30 A.M.

(2 Mark)(RTP May24)

Answer

B

CA WALLAH

Case Scenario 17

Omx Software Private Limited is a private company and having its registered office in Bangalore and is a wholly owned subsidiary of Omx Software Inc, situated in USA. Mr. Rajat Kapoor, Mr. Shubham and Mr. Peter are directors of Omx Software Private Limited. Mr. Rajat and Mr. Shubham are Indian residents while Mr. Peter is a non-resident and stays in USA. Mr. Peter is also a director in Omx Software Inc.

Mr. Rajat left India on 2nd November, 2021 for the purpose of looking after the business of Omx Software Inc. Mr. Rajat came to back to India on 12th February, 2022 to meet his family and left India on 26th February, 2022 and went back to USA to look after the business of Omx Software Inc. Mr. Rajat again visited India on 25th August, 2022 and stays in India for the whole year.

Omx Software Private Limited had availed a consultancy service from a company situated in USA for development of software for the purpose of rendering service to its customers situated in India.

Mr. Rajat had purchased a residential property in USA on 27th April, 2022 which was self-occupied by him for his residential use.

Question

6. Considering the provisions of the Foreign Exchange Management Act, 1999, which of the following options correctly determines the residential status of Mr. Rajat Kapoor:

- a. Mr. Rajat Kapoor to be treated as resident in India for Financial Year (FY) 2022-2023 and FY 2023-2024 since he stays in India for more than 182 days
- b. Mr. Rajat Kapoor to be treated as non-resident in India for FY 2022-2023 since he left India for the purpose of carrying business of Omx Software Inc and resident for FY 2023-2024
- c. Mr. Rajat Kapoor to be treated as non-resident for FY 2022-2023 and FY 2023-2024
- d. Mr. Rajat Kapoor to be treated as resident in India for FY 2022-2023 since he stays in India for more than 182 days and non-resident for FY 2023-2024

(2 Mark)(RTP May 24)

Answer

B

CA WALLAH

Question

7. Considering the provisions of the Foreign Exchange Management Act, 1999, how much amount can company remit outside India:

- a. Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 1,000,000 per project
- b. Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 100,000 per project
- c. Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 200,000 per project
- d. Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 2,000,000 per project

(2 Mark)(RTP May 24)

Answer



CA WALLAH

Question

8. Considering the provisions of the Foreign Exchange Management Act, 1999, in respect of purchase of residential property by Mr. Rajat in USA which of the following statement is correct?

- a. Purchase of residential property by Mr. Rajat is a current account transaction
- b. Mr. Rajat has to sell his property before returning to India permanently as he becomes resident in subsequent years
- c. Purchase of residential property by Mr. Rajat is neither capital account transaction nor current account transaction
- d. Purchase of residential property by Mr. Rajat is a capital account transaction

(2 Mark)(RTP May 24)

Answer



CA WALLAH

Question

9. Bhavesh, Yash and Chirag incorporated a Limited Liability Partnership for doing the business of trading of timber under the name Solid Lakkad LLP. Chirag has shifted his residence from 12, Block C, Kamla Nagar, Agra to 808, Sector 1, Bodla, Agra on 16th November, 2023. Chirag informed the firm about change of his address on 20th November, 2023 sending a written notice. Now, by which date Solid Lakkad LLP is required to file a notice with the registrar?

- a. 01st December, 2023
- b. 05th December, 2023
- c. 16th December, 2023
- d. 20th December, 2023

(2 Mark)(RTP May 24)

Answer



CA WALLAH

Question

10. Druk Software Company Inc., a company incorporated in Australia, proposes to establish a place of business at Mumbai. The list of the Directors includes (i) Mr. Arun – Managing Director, (ii) Mr. Ranveer – Director, (iii) Mr. Ramesh Malik - Director and (iv) Mr. Navaaz - Director. Ms. Lavina has been appointed as the Secretary of Druk Software Company Inc. It is to be noted that Mr. Ramesh Malik and Mr. Navaaz, resident in India, are the persons who have been authorised by Druk Software Company Inc. to accept on behalf of the company service of process, notices or other documents required to be served on Druk Software Company Inc. In relation to the company's establishment, you are required to enlighten the Druk Company Inc. with respect to whose, a declaration will be required to be submitted to the Registrar of Companies by Druk Software Company Inc. for not being convicted or debarred from formation of companies in or outside India.

- a. Mr. Arun, Mr. Ranveer, Mr. Ramesh Malik, Mr. Navaaz and Ms. Lavina
- b. Mr. Arun, Mr. Ramesh Malik, Mr. Navaaz and Ms. Lavina
- c. Mr. Ramesh Malik and Mr. Navaaz
- d. Mr. Arun, Mr. Ranveer, Mr. Ramesh Malik and Mr. Navaaz

(2 Mark)(RTP May 24)

Answer



CA WALLAH

Case Scenario 18

Bharat Sanskar Limited having its registered office at Haridwar, is a listed public company. It is registered with an authorised share capital of ` 300 crore divided into 30 crore equity shares of ` 10/- each. The paid-up share capital of the company is ` 200 crore divided into 20 crore equity shares of ` 10/- each. The company is very renowned in manufacturing and supplying devotional items such as high-quality worship materials, fragrances, various types of decorative goods, idols etc.

The Board of Directors of the company constituted of Sagar as the Managing Director and Hari, Rahi, Sansar & Nabh as directors of the company. In the company Raju was holding the post of Company Secretary, Sonu designated as Chief Financial Officer and Moti as Assistant Accountant. The company prepared its Financial Statement for the year 2022-23, the Board of Directors approved the same and it was signed by the concerned authorities and thereafter submitted to the auditors on 10th May, 2023 for their report. The turnover of the company was ` 100 crore during the year 2022-23. The auditor's report was duly received and the annual accounts with Board's report and all necessary annexures were ready on 15th July 2023 after complying with all the formalities as per company law.

The Board Meeting was called on 25th July, 2023 and the Annual General Meeting was fixed on 20th August, 2023. At the Annual General Meeting the Financial Statement along with all annexures was duly received and adopted by the members present. However, the company could not file copies of financial statement along with all the documents annexed to the financial statement adopted at the Annual General Meeting, with the Registrar.

It is also informed that in April, 2023, the company had destroyed all the books of account together with relevant vouchers up to financial year ending on 31st March, 2018.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following queries given herein under: - (RTP Nov 23)

Question

1. The Companies Act, 2013 provides that the financial statement should be approved by the Board of Directors, signed by the prescribed authorities and submitted to the auditors for their report. Accordingly, the financial statements of Bharat Sanskar Limited shall be signed by:

- a. Sagar, Raju and Sonu
- b. Sansar, Hari, Raju and Sonu
- c. Sagar, Sansar, Raju and Moti
- d. Sagar, Sansar, Raju and Sonu

Answer

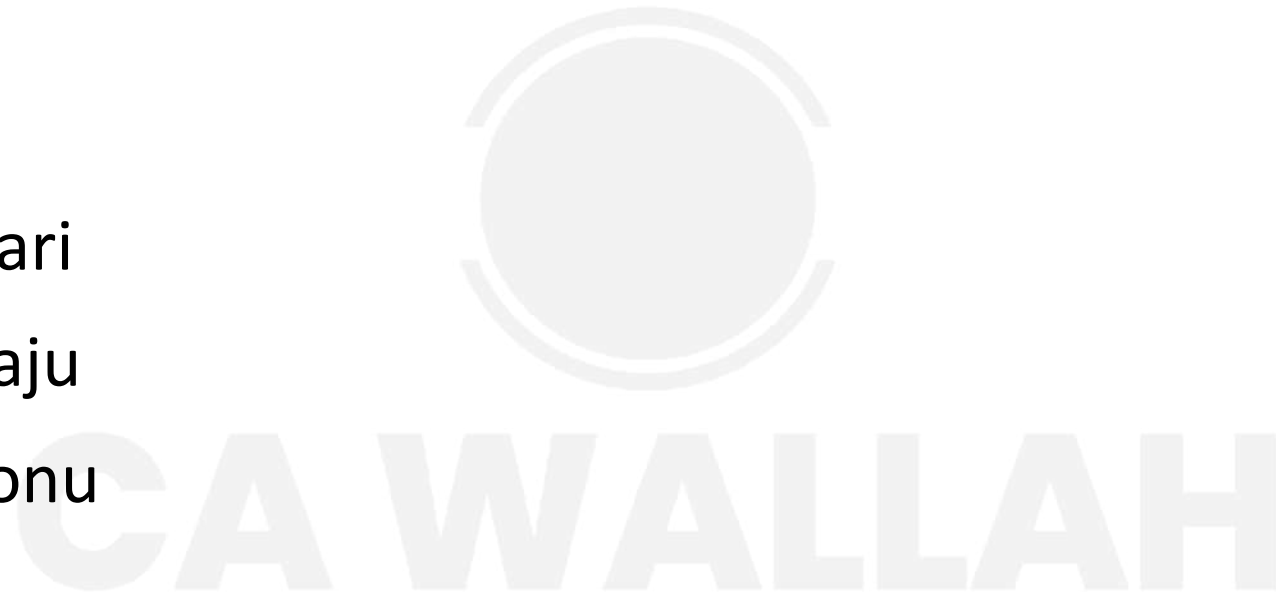


CA WALLAH

Question

2.As per provisions of company law, the Board's report with annexures thereto of the above company is required to be duly signed by -

- a. Sagar only
- b. Sagar and Hari
- c. Sagar and Raju
- d. Sagar and Sonu



Answer

B

CA WALLAH

Question

4.As per provisions of the Companies Act, 2013, the act of the company in destruction of all books of account together with relevant vouchers was not correct because –

- a. The books of accounts etc. relating to a period not less than 6 preceding financial years are required to be kept in good order.
- b. The books of accounts etc. relating to a period not less than 8 preceding financial years are required to be kept in good order.
- c. The books of accounts etc. relating to a period not less than 10 preceding financial years are required to be kept in good order.
- d. The books of accounts etc. relating to a period not less than 12 preceding financial years are required to be kept in good order.

Answer

B

CA WALLAH

Case Scenario 19

Pristine Limited, a listed entity, passed a resolution in its Board meeting for appointment of Arora & Associates, a Chartered Accountants firm, as Statutory Auditor of the company. The company obtained the consent in writing from Arora & Associates and also placed this recommendation before the general meeting of the shareholder and got it approved.

The company thereafter informed the CA Firm about their appointment and also filed a notice of appointment with the Registrar of Companies within the prescribed time.

Arora & Associates, Chartered Accountants firm is having 3 partners namely, A Arora, B Arora, C Arora. In this firm D Arora and M Arora were associates and were being paid on case-to-case basis and not on fixed salary.

Prior to the appointment of Arora & Associates, the previous auditor was Agrawal Arora & Associates. In this CA firm there were 6 partners namely, Priya Agrawal, Mia Agrawal, Vishal Agrawal, Vyom Agrawal, D Arora and M Arora.

D Arora and M Arora were common persons in both the firms.

While working with Pristine Limited, Arora & Associates started facing a lot of issues with the management of the company. After some time, due to these disputes with the management, Arora & Associates resigned from the company.

Question

- 1. The newly appointed CA Firm (Arora & Associates) and retiring CA Firm (Agrawal Arora & Associates) have common persons i.e., D Arora and M Arora. Whether the appointment of Arora & Associates in Pristine Limited. is valid as per the provisions of the Companies Act, 2013:**
- a) It not valid since both the CA Firms (New and Old) have common persons
 - b) D Arora and M Arora are the associates in Arora & Associates and not the partners, hence appointment of Arora & Associates, is valid
 - c) Arora & Associates should expel D Arora and M Arora in order to retain its appointment
 - d) Agrawal Arora & Associates should expel D Arora and M Arora

Answer

B

CA WALLAH

Question

2.What would have been the position if, D Arora and M Arora are partners in Arora & Associates:

- a) The position will remain same as MCQ 1 above
- b) There shall be no change and the Arora & Associates may continue as audit firm
- c) The appointment of Arora & Associates would not have been in terms of the provisions of the Companies Act, 2013
- d) The company may obtain permission from the shareholders in the general meeting by way of Special Resolution for continuation of appointment of Arora & Associates

Answer



CA WALLAH

Question

3. In the given case, Arora & Associates due to some dispute with the management on some issues resigned from the company. Choose the correct option in respect to filling of this vacancy:

- a) Arora & Associates cannot resign and has to hold the office till the conclusion of the next annual general meeting
- b) The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board
- c) This vacancy of auditor can be filled by the shareholders in consultation of the Central Government
- d) This vacancy of auditor can be filled by the Board of Directors in consultation of the Comptroller and Auditor-General of India

Answer

B

CA WALLAH

Case Scenario 20

Super Fabrics Limited is a listed entity. It finalised its annual accounts for the year ended on 31st March, 2023. The Audit Committee recommended it and subsequently the Board approved the same.

Annual General meeting of the shareholders was convened on 25th August, 2023, in which the annual accounts of the company were presented before the shareholders. The shareholders have approved dividend @ 10%.

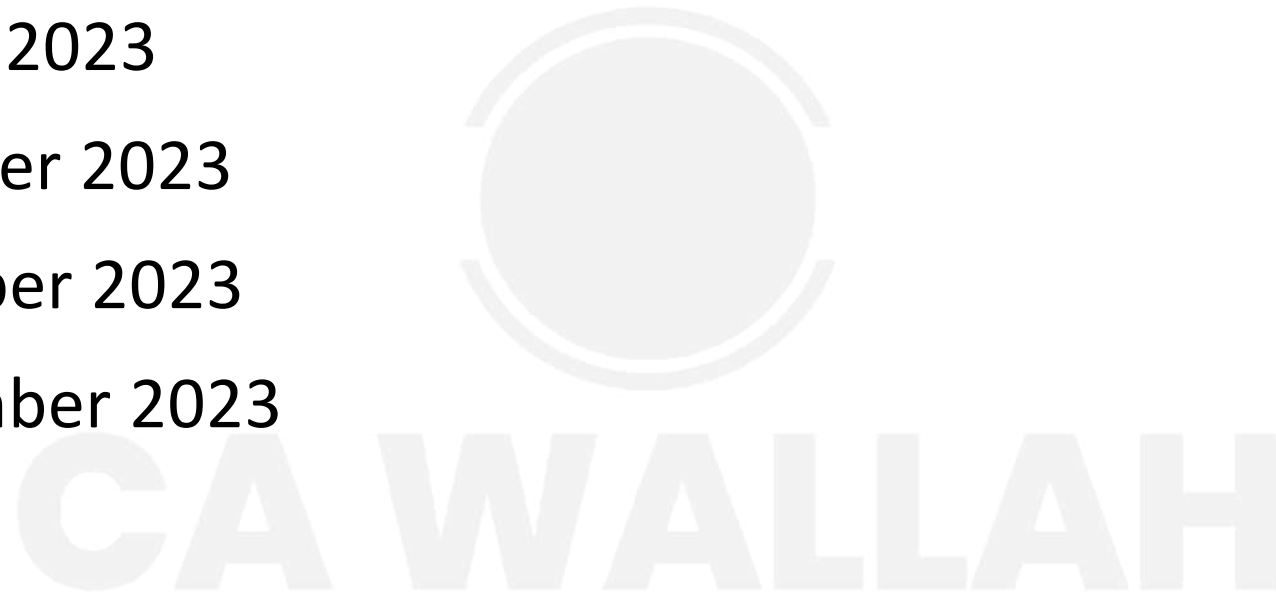
A report of the Board of Directors was attached with the annual accounts of the company.

During the said meeting, a shareholder pointed out that during the year of 2022-23 there was a big news in the media and newspaper that a fraud has happened in the company of an amount of ` 75 lakh, with the involvement of a senior management official of the company, who is absconding since the news came into media. However, there was no mention about the fraud in the Auditor's Report as well as no comment in the Board's Report. The auditor, who was also present in the General Meeting of the shareholders, informed that fraud was detected during the course of audit but no further action was taken by him (auditor).

Question

1. Going by the facts of the case, by what date should the amount be deposited in a separate account maintained with the scheduled bank for dividend purposes?

- a) By 30th August 2023
- b) By 1st September 2023
- c) By 7th September 2023
- d) By 24th September 2023



Answer

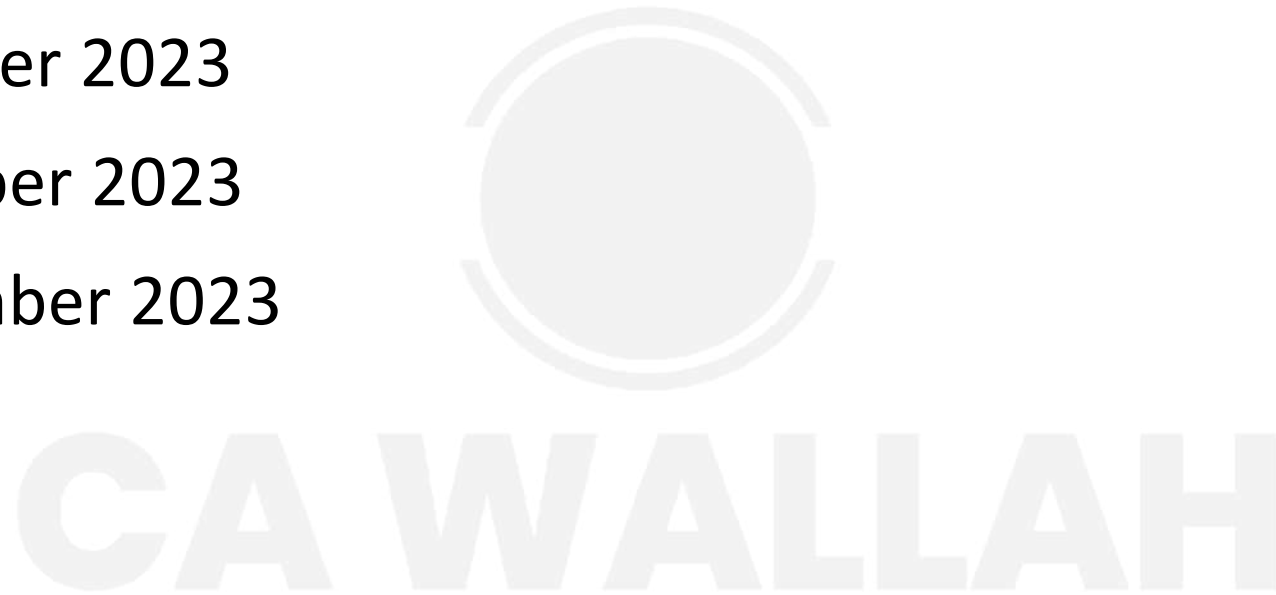


CA WALLAH

Question

2. By what date should the dividend declared in the meeting, be paid to the members of the company?

- a) By 30th August 2023
- b) By 1st September 2023
- c) By 7th September 2023
- d) By 24th September 2023



Answer

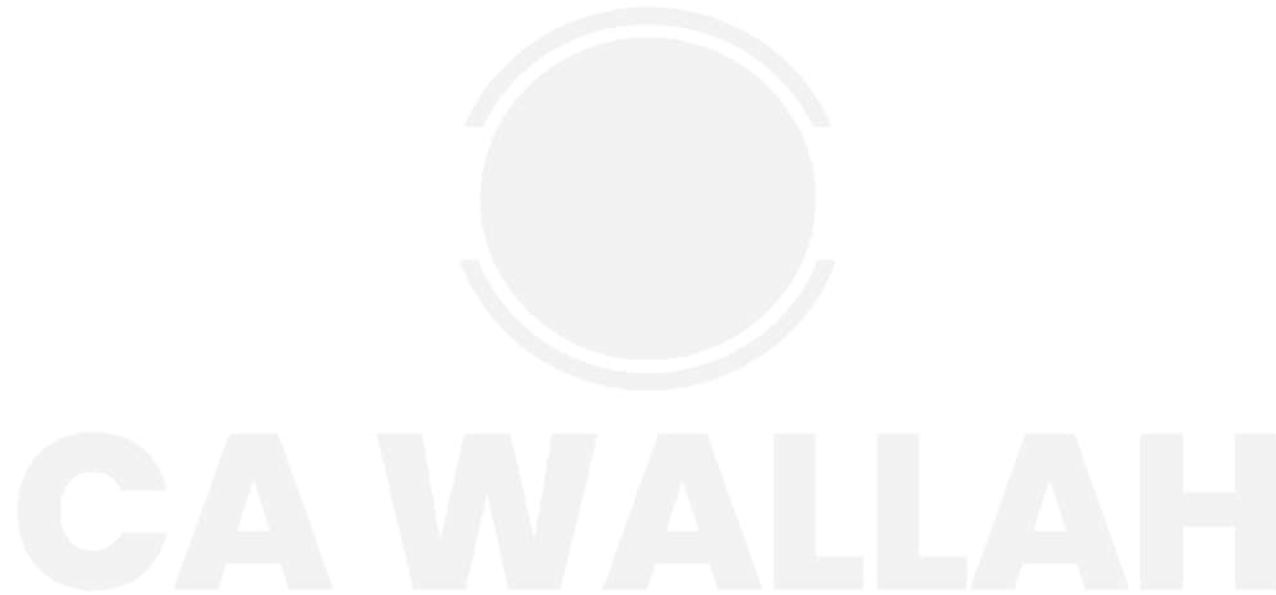


CA WALLAH

Question

3. With regard to preservation of the books of Super Fabrics Limited, the books of accounts for the Financial Year (FY) 2022-23 needs to be kept in good order until at least which of the following years?

- a) FY 2027-28
- b) FY 2028-29
- c) FY 2029-30
- d) FY 2030-31



Answer



CA WALLAH

Question

4.The auditor had noticed that a fraud was committed by the senior management. Which is the correct statement in this respect:

- a) The auditor shall report the matter to the Central Government immediately.
- b) It is not necessary to disclose the details of fraud in the Board's Report
- c) The auditor shall report the matter to the audit committee constituted under section 177 or to the Board.
- d) Since the Senior Management Personnel is absconding, the auditor is not required to take any action.

Answer



CA WALLAH

Case Scenario 21

Modern Limited is a company limited by shares that manufactures furniture items apart from material used in modular kitchens. Modern Limited is an unlisted company with a registered office in Mumbai, Maharashtra. It has a corporate office in Delhi and branch offices throughout the country. Following are facts regarding the 18th annual general meeting (AGM) of Modern Limited.

Modern Limited is the lead sponsor of the furniture trade event India Furniture EXPO 2022 and a member of the Association of Furniture Manufacturers and Traders. Modern Limited, on behalf of the Association, booked the Expo Hall in Mumbai for the event and also decided to convene its 18th AGM at the same hall after the conclusion of EXPO 2022.

But later, they found that the India Furniture Expo 2022, which was scheduled to be held from September 16–19, 2022, had to be postponed as Bombay Municipal Corporation (BMC) continued to occupy the hall as a vaccination center. Therefore, Modern Limited has to rethink its plan and now convene its 18th annual general meeting on September 27, 2022, at the IMA Auditorium in Delhi, near its corporate office. All the members consented to same. The notice of the said meeting was posted on September 5, 2022, specifying place, date and day, in additions to business to be transacted. In case of Mr. Ashok, who is declared insolvent but undischarged, notice was sent to assignee, while a wilful omission was made in giving notice in case of Ms. Anjum.

At the meeting, Mr. Singh was elected as chairman of the meeting by a show of hands, while Mr. Manohar registered his dissent on the appointment of Mr. Singh as chairman of the meeting and sought a poll to elect the chairperson. Mr. Manohar has substantial voting right of company being part of promoter group. A poll was held to elect the chairman of the meeting, and Mr. Singh voted twice in his capacity as a member as well as chairman while the poll was taking place. Mr. Singh was elected chairman through the poll as well, by overwhelming majority.

Ms. Varnika, who is not a member of company, attended the meeting as Mr. Alok's proxy, voted both times: when Mr. Singh was elected by show of hands and when he was elected by poll. When she initially voted, she raised her hand in favour of electing Mr. Singh as chairman of the meeting, while during the election through a poll, she cast a vote against.

Mr. Manohar raises the question on a vote that is casted by Mr. Singh in his capacity as chairman, hence he pass the remarks on him and his allies; which can be considered defamatory in nature. Chairman at his opinion, instructed the company secretary to exclude the remarks passed by Mr. Manohar while preparing the minutes; but some members raised a voice against the discretion of Mr. Singh, because they find remarks didn't carry any matter which can be considered defamatory, while some other members feel remarks are made with intent to defame chairman. (RTP Mar 23)

Question

1. Regarding the notice of meeting given by Modern Limited, you are required to pick the correct option in light of provisions of the Companies Act, 2013 and rules notified thereunder.

- I Modern Limited observe the length of notice, as required.**
- II Notice shall be given to member irrespective he is solvent, adjudged or declared insolvent, or discharged insolvent; Modern Limited committed default**
- III Notice shall be given to assignee of insolvent member, Modern Limited correctly did so**
- IV Wilful omission in giving notice will invalidate the proceeding of the meeting in case of Modern Limited**

Options

- (a) Only I, II and IV are correct**
- (b) Only III and IV are correct**
- (c) Only I is correct**
- (d) Only IV is correct**

Answer

B

CA WALLAH

Question

2. Regarding the place of 18th AGM of Modern Limited, decide whether applicable provisions violated or not; in light of provisions of the Companies Act, 2013 and rules notified thereunder.
- (a) Violation, because Modern Limited shall convene and conduct AGM only at its registered office
 - (b) Violation, because AGM shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situate
 - (c) No violation, because AGM shall be held either at the register or corporate office of the company or even at some other place within the city, town or village in which the registered or corporate office of the company is situate
 - (d) No violation, because AGM of the said company may be held at any place in India

(RTP Mar 23)

Answer



CA WALLAH

Question

- 3. Regarding vote casted by Ms Varnika, which of following statements hold truth; in light of provisions of the Companies Act, 2013 and rules notified thereunder.**
- (a) Being proxy Ms. Varnika is not allowed to cast vote on a poll, while she can cast vote by show of hand**
 - (b) Being proxy Ms. Varnika is not allowed to cast vote by show of hand, while she can cast vote on a poll**
 - (c) Despite being non-member Ms. Varnika can be proxy, but can't cast vote either by show of hand or on a poll**
 - (d) Ms. Varnika can cast vote in both the cases; by show of hand as well as on a poll**

(RTP Mar 23)

Answer

B

CA WALLAH

Question

4. Regarding the inclusion/exclusion of the remarks by Mr. Manohar, advice the company secretary; which of the following statement hold truth, in light of provisions of the Companies Act 2013 and rules notified thereunder.
- (a) Mr. Manohar's remark shall be included in minutes because minutes shall contain fair summary of the proceedings.
 - (b) Mr. Manohar's remark shall be excluded from minutes because remarks are made with intent to defame chairman, the chairman's opinion of inclusion and exclusion is immaterial in such case.
 - (c) Mr. Manohar's remark shall be excluded from minutes because chairman has absolute discretion to exclude any matter which is defamatory in his opinion
 - (d) Mr. Manohar's remark shall be included in minutes because many members challenge the chairman's opinion and feels remarks were not defamatory.

(RTP Mar 23)

Answer



CA WALLAH

Case Scenario 22

1. Shree Tyres Ltd. is an unlisted public limited company. The company's accounts for the financial year ending on 31st March, 2022 were finalised and audited by the Statutory Auditor. The meeting of the Board of Directors was convened and approved the financial accounts of the company and proposed to convene the Annual General Meeting of the shareholders on Thursday, the 25th August, 2022 at 10 am.

The total number of members is 3500. The Article of the company provides that the quorum for the general meeting of the shareholders shall be at least fifty members. On the day of the meeting only 10 members were physically present. Even after waiting of 30 minutes, the quorum was not present. Accordingly, the meeting was adjourned. According to the provisions of the Companies Act, 2013, the meeting shall adjourn to the same day in the next week at the same time and place.

However, on the same day in the next week i.e., on Thursday, the 1st September, 2022, the same venue (which is a Hotel's Conference Hall) was available from 3 pm only. The Board agreed to conduct the meeting from 3 pm and the all the members were informed individually via mail and also published it in the newspapers (one in English and another in vernacular language)

The adjourned meeting started at 3 pm on 1st September, 2022, the quorum required as per the Articles was 50, however 75 members were present. Out of the 75 members attending the meeting 25 persons were having the residence near the venue of Annual General Meeting and rest of the members were staying far away. Due to heavy rainfall and scarce availability of public transportation, 40 persons left the meeting so that they can reach home on time. By that time only the ordinary business resolutions were approved and two special business agendas were pending for approval by the members.

Based on the above facts, answer the following MCQs:

(RTP Nov. 22)

Question

1.1 In the light of the given facts, the General Meeting of the shareholders was decided to be scheduled . Determine by which date the notices to the shareholder should have been given to the members:

- (a) 1st August, 2022**
- (b) 2nd August, 2022**
- (c) 3rd August, 2022**
- (d) 4th August, 2022**

Answer



CA WALLAH

Question

1.2 Whether adjournment of the general meeting of shareholders of Shree Tyres Ltd. for want of quorum, was justified as per the requirement of the Companies Act, 2013:

- (a) Yes, it was justified, since the quorum was not present within 30 minutes from the time appointed for holding the meeting**
- (b) No, it was not justified since the waiting time for the arrival of the requisite quorum is 30 minutes as per the provisions of the Companies Act, 2013, whereas the decision of the adjournment of the meeting was just taken after 15 minutes.**
- (c) Yes, if the quorum is not present at the given time (sharp) of meeting, the meeting stands to be adjourned, and there is no requirement of waiting time.**
- (d) Yes, it was justified, since the quorum was not present within 45 minutes (as per statutory requirement) from the time appointed for holding the meeting.**

Answer



CA WALLAH

Question

1.3 What shall be the quorum for the General Meeting of the Shareholders, where the number of members is 3500:

- (a) Five**
- (b) Fifteen**
- (c) Thirty**
- (d) Fifty**

CA WALLAH

Answer



CA WALLAH

Question

1.4 As some members left the meeting, the quorum was not present all the time during the Annual General Meeting. The agendas for special business transactions remained un-approved. What is your opinion:

- (a) The quorum once present in the beginning of the meeting is enough.**
- (b) The quorum should be present all the time when the meeting is in progress. Any items which could not approved by members for want of quorum, shall be treated as NIL.**
- (c) When the quorum is present in the beginning of the meeting, it may be assumed that all the resolutions have been approved, until and unless objected later on by the members present therein.**
- (d) The Board may seek special written consent from the all the members later on.**

Answer

B

CA WALLAH

Case Scenario 23

I. The aggregate value of the paid-up share capital of Sai Ram Limited, a listed company, was ` 200 crore divided into 20 crore equity shares of `10/- each at the end of the financial year 2021-22 having its registered office at Pune. This company had been registered with an authorised share capital of ` 300 crore divided into 30 crore equity shares of `10/- each. The company has very good reputation in compliance of all legal requirements on time. The company produces health related products such as ayurvedic medicines, medical instruments, sanitizers, masks, medical soaps etc. The extract of Balance Sheet of the company as on 31st March, 2022 showed the following figures—

Case Scenario 23

Particulars	Amount (₹ in crore)
Free reserves created out of profits	200
Securities Premium account	80
Credit balance of Profit & Loss account	50
Reserves created out of revaluation of assets	25
Miscellaneous expenditure not written off	10

Turnover of the company during the financial year 2021-22 was ₹ 700 crore and the net profit calculated in accordance with section 198 of the Companies Act, 2013 with other adjustments as per CSR Rules was ₹ 4 crore only. The Board of Directors of the company constituted of the following persons as directors- a Chartered Accountant 'Sai Ram' as the Managing Director, 'Roshan' and 'Prachita' as independent directors, 'Hari Om', 'Bindu', 'Reddy' and 'Komal'. Prakash, Chief compliance officer of the company informed the Board on 20th April, 2022 that the company attracts the provisions of section 135 of the Companies Act, 2013 and all the formalities have to be complied with accordingly. Thereafter, on 30th April, 2022 a CSR committee was formed to act and comply the provisions of Corporate Social Responsibility.

Case Scenario 23

The company proposed a list of activities to spend 4% of the average net profits of the company made during the three immediately preceding financial years in pursuance of its CSR Policy as under –

1. The CSR projects for the benefit of employees of the company and their families only.
2. A contribution of ` 10,000/- to a political party under section 182 of the Companies Act, 2013.
3. A contribution to the PM CARES Fund during Covid pandemic.
4. Local activities like promotion of child and women education.
5. Activities carried out for fulfilment of any other statutory obligations under any law in force in India.
6. CSR projects undertaken through a Section 8 company.

On the basis of above facts and by applying applicable provisions of Companies Act, 2013 and the applicable Rules therein, choose the correct answer.

Multiple Choice Questions [3 MCQs of 2 Marks each: Total 6 Marks](MTP Sep. 22)

CA WALLAH

Question

1. Prakash, Chief compliance officer of the company informed the Board on 20th April, 2022 that the company attracts the provisions of section 135 of the Companies Act, 2013. On what basis of the following he arrived at this conclusion -

- (a) On the basis of turnover of the company.**
- (b) On the basis of turnover and net profit of the company taken together.**
- (c) On the basis of net worth of the company.**
- (d) On the basis of net worth and turnover of the company taken together.**

Answer



CA WALLAH

Question

- 2. For the purpose of section 135 of the Companies Act, 2013, the net worth has to be calculated as defined under section 2(57) of the Act. In this context, which of the following statements is correct with reference to the above case –**
- (a) The net worth of Sai Ram Limited during the financial year 2021-22 was `520 crore.**
 - (b) The net worth of Sai Ram Limited during the financial year 2021-22 was `530 crore.**
 - (c) The net worth of Sai Ram Limited during the financial year 2021-22 was `555 crore.**
 - (d) The net worth of Sai Ram Limited during the financial year 2021-22 was `620 crore.**

Answer



CA WALLAH

Question

3. Sai Ram Limited constituted a Corporate Social Responsibility Committee as per the provisions of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014, therein consisting of

- (a) Sai Ram, Hari Om, Bindu and Reddy**
- (b) Hari Om, Bindu, Reddy and Prakash**
- (c) Sai Ram, Hari Om, Bindu and Prakash**
- (d) Sai Ram, Hari Om, Bindu and Roshan**

Answer



CA WALLAH

Case Scenario 24

1. Mr. Varinder Singh is a philanthropist apart from being the founder and director of Paridhaan (P) Ltd. with paid-up share capital of ` 3 crore, engaged in business of renowned textile brand named, 'Paridhaan'. He is running an old age home, a shelter-home for orphans apart from a chain of art and language schools. These philanthropic initiatives and educational institutions established by him are operating under the banner of a charitable trust, in which he himself is one of the trustees. The company is losing market share due to stiff competition from readymade brands resulting decline in turnover to ` 180 lakhs during the immediately preceding financial year, out of which 45% consists of export sales.

His son, Jimmy, who is also a shareholder and director in Paridhaan (P) Ltd., wishes to start a new business of e-learning platform and research-based technical education. He opted for a corporate form of doing business, because this may help in reaching out to leading global universities to sign MoUs' for student and faculty exchange programs, in order to establish a global brand, especially after the rollout of the new education policy. Jimmy wants to retain the entire control of educational activities. Jimmy met their family friend, Mr. Chawla, who is a renowned practicing Chartered Accountant. Mr. Chawla explains the various forms of companies, including One Person Company (OPC) with the procedural requirements for each, which could be considered by Jimmy for his education business. Jimmy decided to form OPC after considering the various pros and cons.

Jimmy appoints Mr. Wilson as a nominee to his OPC. Mr. Wilson who is in his 30s, is an academician and scholar, a graduate from MIT in CSE, and has done his masters with Jimmy. Mr. Wilson is from Cambridge, Massachusetts, USA and is basically a US national. But, he has been staying in India only, for the last couple of years. Mr. Wilson helps Jimmy in the promotion of OPC.

Case Scenario 14

Mr. Chawla is an auditor of Sirmaur Pharma Limited, the AGM of which was convened on 31st August 2021. As he had already confirmed his appointment with Jimmy to meet him on that day, he asked his paid assistant, Mr. Anup, to attend the AGM on his behalf as the company had not exempted the auditor from attending the said meeting. Mr. Anup is Chartered Accountant, but currently is in full time employment with Mr. Chawla's firm since the last year or so. Mr. Anup is not holding a certificate of practice. At that AGM, based upon the board's recommendation, Sirmaur Pharma Limited decided to issue fully paid-up bonus share to its members out of its reserve and surplus available with it, which are as follows:

Source	Amount in Rs
Free Reserves	1.24 crores
Securities Premium Account	0.82 crores
Capital Redemption Reserve Account	1.07 crores
Reserves created by the revaluation of assets	0.63 crores

Question

- 1. Considering the validity of nominating Mr. Wilson to the One Person Company of Jimmy, out of the following, which statement holds truth?**
- (a) Mr. Wilson is a valid nominee because he is a natural person.**
 - (b) Mr. Wilson is a valid nominee because he is a natural person and is resident in India.**
 - (c) Mr. Wilson is a valid nominee because he attains the majority and also engaged in the promotion of OPC.**
 - (d) Mr. Wilson is not a valid nominee, because he is not a citizen of India.**

Answer



CA WALLAH

Question

1.2 What is the maximum amount, upto which fully paid bonus shares can be issued by Sirmaur Pharma Limited?

- (a) ! 2.06 crores**
- (b) ! 3.13 crores**
- (c) ` 3.76 crores**
- (d) ` 2.69 crores**

CA WALLAH

Answer

B

CA WALLAH

Question

- 1.3 Mr. Varinder wants to take the benefits of relaxation available to a small company. Does Paridhaan (P) Ltd. meets the criteria to be classified as a small company?**
- (a) Yes, because turnover is less than prescribed limit**
 - (b) Yes, because both paid-up share capital and turnover are less than the prescribed limit**
 - (c) No, because paid-up share capital is more than the prescribed limit**
 - (d) No, because both paid-up share capital and turnover is more than the prescribed limit**

Answer



CA WALLAH

Question

1.4 Jimmy is already a member of Paridhaan (P) Ltd. and has now promoted his own OPC. Is Jimmy eligible to incorporate an OPC as being an existing member and Director of Paridhaan (P) Ltd., which of the following statements is correct?

- (a) Not eligible, because a person who is a member of any other company cannot incorporate an OPC.**
- (b) Not eligible, because a person who is director of any other company cannot incorporate an OPC as a member.**
- (c) Eligible, because a person can incorporate one OPC as a member despite being a member in any other form of companies, other-than OPC.**
- (d) Eligible, because a person can be a member of any number of companies including any number of OPCs.**

Answer



CA WALLAH

Question

1.5 Is Mr. Chawla liable for punishment for contravention of the provisions of Section 146 and Section 147 of Companies Act, 2013?

- (a) No, because attending AGM is not mandatory for auditor**
- (b) No, because Mr. Chala attends the AGM through his representative (Mr. Anup)**
- (c) Yes, because in all circumstances; auditor (Mr. Chawla) must attend the AGM and that too in person.**
- (d) Yes, because representative appointed by him in this case (i.e. Mr. Anup) is not qualified to be appointed as an auditor of such a company.**

Answer



CA WALLAH

Case Scenario 25

Mr. Kumar is also director of Padmani Silk Limited (PSL). PSL was established around 25 years back as a private company operating as a micro business with 10 employees in a three-room building. During those years, the company grew exceptionally and went public and was also listed on SME exchange. PSL declares the interim dividend out of the previous year's undistributed profit, on 31st August 2021, on the occasion of the 25th anniversary of the company. PSL deposited the amount of said dividend in a separate bank account with an NBFC on 4th of September, 2021. The company has not incurred any loss during current F.Y. 2021-22 in any quarter.

Mr. Kumar hails from a farming family and carries on the business of cultivation and milling of paddy. He is also the sole member of Fair-Deal Limited (FDL), a one person company. FDL is operated as rice sheller and also deals in trading of high quality basmati rice. Mr. Kumar's father is operating as a nominee for the purposes of this OPC. The accounts department of FDL prepared and published only Profit and Loss Account and Balance Sheet as a financial statement and did not prepare cash flow statements and explanatory notes to accounts. A statement of changes in equity is not required in the case of FDL.

CA WALLAH

Case Scenario 25

Mr. Kumar is also director of Padmani Silk Limited (PSL). PSL was established around 25 years back as a private company operating as a micro business with 10 employees in a three-room building. During those years, the company grew exceptionally and went public and was also listed on SME exchange. PSL declares the interim dividend out of the previous year's undistributed profit, on 31st August 2021, on the occasion of the 25th anniversary of the company. PSL deposited the amount of said dividend in a separate bank account with an NBFC on 4th of September, 2021. The company has not incurred any loss during current F.Y. 2021-22 in any quarter.

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CA WALLAH

Question

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

- (a) There is a violation of the provisions because interim dividend can only be declared out of current year's profits.
- (b) There is no violation at all, and all the provisions prescribed by law have been complied with.
- (c) There is a violation because the bank account shall be designated and shall be one of existing banks account of company.
- (d) There is a violation because the bank account shall be opened with scheduled banks only.

CA WALLAH

Answer



CA WALLAH

Question

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

- (a) FDL fails to meet the requirement because its financial statement do not include explanatory notes to accounts**
- (b) FDL fails to meet the requirement because its financial statements do not include cash flow statement**
- (c) FDL fails to meet the requirement because its financial statements do not include explanatory notes to account and cash flow statement**
- (d) FDL has complied with the requirements related to financial statements**

Answer

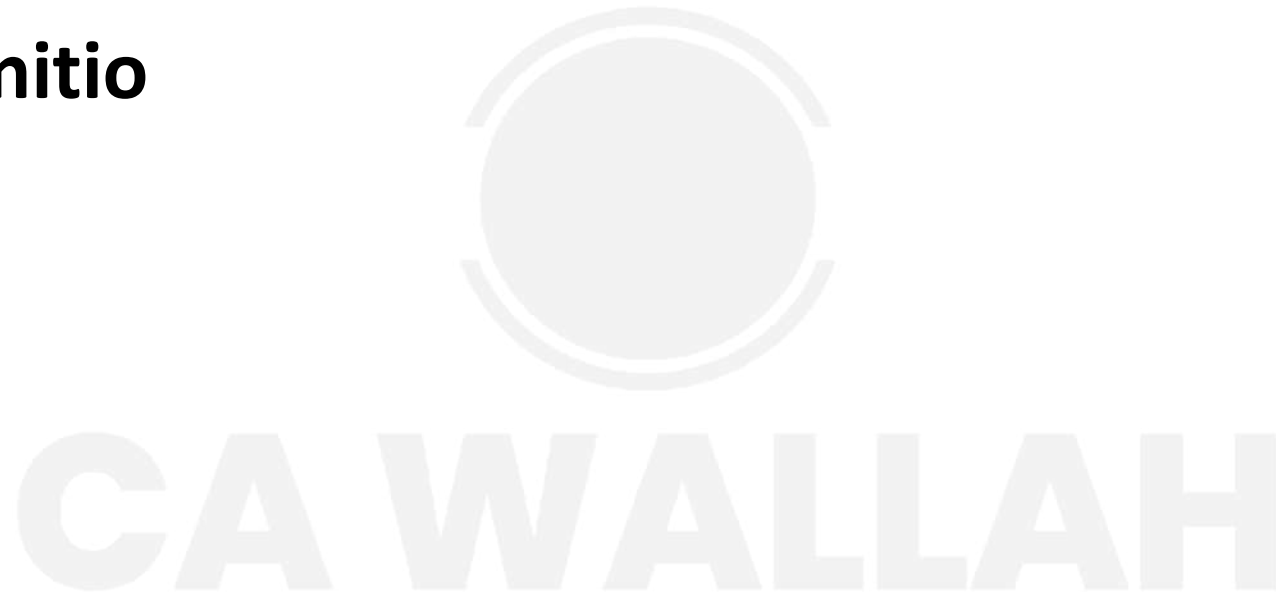


CA WALLAH

Question

2.3 The borrowing of the sum of ` 80 lakhs by the directors of DCL is

- (a) Void-ab-initio**
- (b) Void**
- (c) Voidable**
- (d) Valid**



Answer



CA WALLAH

Question

2.4 Regarding the validity of the 21st Annual General Meeting of DCL, which of the following statements is correct?

- (a) The meeting doesn't have a quorum, because 30 members need to be personally present at the meeting.**
- (b) The meeting is valid and has a quorum because 30 members are present at meeting either personally or through a proxy.**
- (c) The meeting is valid and has a quorum, because only 5 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand**
- (d) The meeting is valid and has a quorum, because only 15 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than five thousand but not more than ten thousand**

Answer



CA WALLAH

Case Scenario 26

3. Mr. B R Mohanty, promoted two companies about two-decades ago. He promoted these companies along with two of his elder brothers and few friends, who are pharmaceutical and chemical engineers by profession. The companies are Well-Mount Limited (WML) dealing in wellness products and pharmaceuticals; and Tex-Mount Limited (TML) dealing in textile products. During these two decades, both WML and TML have grown magnificently as both the sectors expanded beyond imagination. Both companies went public and their stocks were listed on leading stock exchanges. TML did well in the past and emerged as a major export unit but in recent years the textile sector has witnessed stiff competition due to new entrants. The increased cost of the workforce and other input materials has also made the sector unprofitable. The recent lockdown has also affected the sector adversely.

CA WALLAH

Case Scenario 26

TML's bottom line for the current financial year is in the red. TML was declaring dividends since the very first year of operation and is willing to continue the tradition, considering dividend to be a signalling effect to an investor for the purpose of valuation. Rate of dividend declared for the immediately preceding five years was 9%, 10%, 8%, 5% and 2% (9% being five years ago and 2% being the previous year) respectively. The management at TML decided to declare dividends out of the accumulated profits of previous years.

TML deals in exports and hence came under the scanner of the enforcement directorate, who have called for the financial statements and books of account of TML for scrutiny for the last 10 preceding financial years. In response to the said notice TML furnished financial statements and books of accounts for last 8 immediately preceding financial years only, stating that as per its article of association;

CA WALLAH

Case Scenario 26

TML is required to maintain and keep the books of account only for 8 immediately preceding financial years and that too without any records of vouchers pertaining to such accounts.

WML is doing well, it has used the outbreak of COVID-19 as a business opportunity and has registered significant growth in both top and bottom line. For the past many years, WML declared a dividend at a constant rate of 20%. During the financial year 2020-21, WML earns a profit of ₹ 580 crores. Board of directors of WML has declared 25% dividend on 14th June 2021 without transferring any amount to the reserves. On 14th July 2021 a portion of the dividend declared remains unpaid, due to operation of law. This amount has been transferred to unpaid dividend account on 20th July 2021.

CA. Dev was appointed as auditor from F.Y. 2018-19 onwards, under section 139 of the Companies Act, 2013, of WML in his individual capacity at the 17th AGM conducted on 29.09.2018.

CA WALLAH

Question

3. In case of TML, which of the following statements is correct regarding the declaration of dividend

- (a) TML can't declare the dividend because it has made loss in the current financial year.
- (b) TML can declare the dividend but only up to 9% subject to satisfaction of other conditions as well.
- (c) TML can declare the dividend but only up to 5% subject to satisfaction of other conditions as well.
- (d) TML can declare the dividend but only up to 6.8% subject to satisfaction of other conditions as well.

CA WALLAH

Answer



CA WALLAH

Question

3.2 CA. Dev, who is the auditor of WML will have to vacate the office of the auditor at and can be reappointed again only at

- (a) 22nd AGM and 27th AGM**
- (b) 27th AGM and 32nd AGM**
- (c) 22nd AGM and 23rd AGM**
- (d) 22nd AGM and can't be re-appointed again.**

CA WALLAH

Answer



CA WALLAH

Question

3.3 In case of WML, which of the following statements is correct regarding the declaration of dividend?

- (a) WML can't declare the dividend at a rate more than 20%**
- (b) WML can declare the dividend out of current year's profit but it needs to transfer sum equal to 20% to reserve first.**
- (c) WML can declare the dividend out current year's profit but it needs to transfer sum equal to 10% of paid-up share capital to reserve first.**
- (d) WML can declare the dividend out of current years' profit without transferring any % to reserve.**

Answer



CA WALLAH

Question

3.4 In case of TML, regarding maintenance and preserving the books of account which of the following statements is correct?

- (a) TML needs to maintain and keep the books of account for 10 immediately preceding financial years, hence TML has violated the law**
- (b) TML has not violated the provisions of law because it has preserved the books of account for 8 immediately preceding financial years.**
- (c) TML has violated the provisions of law because it has preserved the books of account for 8 immediately preceding financial years without preserving the relevant vouchers pertaining to such books of account.**
- (d) TML has not violated the provisions of law because it is complying with its article of association.**

Answer



CA WALLAH

Question

3.5 Regarding declaration and distribution of dividend by WML, which of the following statements is correct keeping in mind the various timelines?

- (a) WML has violated the law, because some of the dividend remain unpaid; irrespective of reason for non-payment**
- (b) WML has violated the law, because unpaid dividend has to be transferred to the unpaid dividend account on or before 19th July 2021.**
- (c) WML has not violated the law, because the unpaid dividend has been transferred to the unpaid dividend account on or before 21st July 2021.**
- (d) WML has not violated the law, because the unpaid dividend can be transferred to the unpaid dividend account at any time within 90 days from the date of declaration.**

Answer



CA WALLAH

Case Scenario 27

Mr. Abhinav Gyan is a techie and one of the promoters of Doon Technology Limited (DTL). He did his engineering from one of the prestigious IIT in Computer Science and then pursued his Masters in management from IIM. He started DTL fifteen years back. DTL is famous for advanced technologies such as artificial intelligence, block-chain solutions and many others. The company went public a decade ago, but has not been listed yet. DTL is expanding its operations in the wake of opportunities arising out of Industrial Revolution IV, therefore it wishes to retain the profit for reinvesting in the growth of the company, but the shareholders are seeking dividend based on the larger bottom line. The outbreak of COVID-19 was another reason which had forced the directors to retain the earnings. After the closure of books of accounts for the year, the directors proposed a final dividend of 10% against the expectation of 20% by shareholders. However, considering the extended lock-down which caused a delay in delivering the projects (resulting in deferment of revenue and additional cost), directors wished to revoke the dividend. The shareholders sought appointment of internal auditor for audit on a concurrent basis, whereas management of DTL stated that it does not require to appoint an internal auditor under the law and that this will cause an unnecessary financial burden on the company. The excerpts from financial statements of the preceding financial year are as under;

Case Scenario 18

Particulars	Amount in crores
Paid-up share capital	45
Turnover	495
Outstanding loans or borrowings*	105
Outstanding deposits#	22

*Includes inter-corporate loan of ` 25 crores.

up-till 31st January, the outstanding deposit was ` 30 crores.

Mr. Gyan bought 40,000 shares of Time Consultancy Services Ltd. (TCS) of face value - ` 10 each, out of his savings. On such shares, the final call of ` 2 was due but remained unpaid by Mr. Gyan. In the meantime, TCS declared dividend at a rate of 15%. Out of the total dividend of ` 8.4 crores declared on 31st August 2021, ` 0.42 crores remained unpaid as on 30th September 2021. Out of such ` 0.42 crores, ` 12 lakhs are on account of the operation of law and ` 3 lakhs are on account legal disputes of right to receive dividend. The unpaid dividend of ` 0.42 lakhs was finally paid on 12th December 2021, in full.

Mr. Gyan comes from a humble background; hence as part of his ethical commitment to uplift the society by promoting education to children of the economically weak section, he decided to form a section 8 company named Gyan Foundation around 2 years back with the support of a fellow professional, who later become a member of such a company. Receipts were in excess of expenditure and hence, it was decided that Gyan foundation will declare some dividend to its members.

Question

1 Regarding unpaid call money by Mr. Gyan, in light of dividend due to him from TCS, state which of following the statements is correct?

- (a) Dividend cannot be adjusted against the unpaid call money**
- (b) The dividend of ` 60,000 can be adjusted against unpaid call money**
- (c) The dividend of ` 48,000 can be adjusted against unpaid call money, if consent is given by Mr. Gyan.**
- (d) The dividend of ` 48,000 can be adjusted against unpaid call money, even if consent is not given by Mr. Gyan.**

Answer

B

CA WALLAH

Question

2 Does DTL is required to appoint Internal Auditor u/s 138 of Companies Act 2013?

- (a) No, because DTL is unlisted company**
- (b) No, because paid-up share capital is less than the prescribed limit**
- (c) Yes, because turnover and outstanding deposits have been more than the prescribed limit**
- (d) Yes, because outstanding loan has been more than the prescribed limit**

Answer



CA WALLAH

Question

3 With reference to the declaration of dividend by Gyan Foundation, state which of following statements hold truth?

- (a) Gyan Foundation can declare dividend out of the capital as well**
- (b) Gyan Foundation can declare dividend either out of current years or previous years' profit, but need to transfer a certain % to reserve.**
- (c) Gyan Foundation can't declare the dividend because three years has not been elapsed since its incorporation.**
- (d) Gyan Foundation can't declare the dividend in any case.**

Answer



CA WALLAH

Question

4 What will be the amount of penalty which TCS needs to pay under section 127 of the Companies Act, 2013?

- (a) Up-to ` 1000 per day till the default continues**
- (b) ` 64,800**
- (c) ` 97,200**
- (d) ` 1,08,000**

CA WALLAH

Answer



CA WALLAH

Case Scenario 28

Mr. Mohit Aggarwal is a director of Superior Carbonates and Chemicals Limited (SCCL). SCCL was incorporated by Mr. S. K. Aggarwal (father of Mr. Mohit) on 05th July, 1995, as a public company. SCCL accepts a loan of ` 1.5 crores from Mr. Mohit and the loan is expected to be repaid after twenty four months. SCCL in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. Mohit affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of such loan transaction is furnished in the boards' report.

DBSL which is an unlisted public company, also proposed to accept the deposits from the public as on 1st November, 2021, which would be due for repayment on 30th September, 2026. DBSL also accepts a LAP (Loan against property) for a term of 10 years from a financial institution on 18th June 2021. Charge was created on that day, but DBSL failed to register the charge with the registrar within the prescribed time.

Case Scenario 28

The Registrar granted a grace period of further 30 days to DBSL in respect of application filed by it for the same, however, still it failed to register the charge within the prescribed time. Finally, the application for registration of charge was furnished on 18th August 2021.

SCCL has registered office in Paonta-sahib (Himachal Pradesh) and corporate office is situated in Dehradun (Uttarakhand) but around 15% of total members whose name is entered in members register are residents of Nainital (Uttarakhand). SCCL has a liaison Office at

Nainital. Management of the company is willing to place the register of members at the Nainital Liaison Office.

DBSL convene its 7th AGM on 10th September, 2021 at the registered office of the company. Notice for same was served on 21st August 2021. 78% of members gave consent to convening AGM at shorter notice due to ambiguity and possibility of another lockdown starting from 11th September 2021, on account of the Omicron variant of COVID-19.

Question

1 Pick the right statement regarding SCCL's willingness to keep and maintain the register of members at the Nainital liaison office.

- (a) Register of members shall be kept at either registered office or within the same city that too after passing the resolution, hence SCCL is not correct in placing it at the Nainital liaison office**
- (b) Register of members cannot be kept at any other place by SCCL, without passing an ordinary resolution**
- (c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10th of the total members entered in the register of members reside there**
- (d) Register of members cannot be kept at Nainital liaison office, even after passing a special resolution, because less than 1/20th of the total members entered in the register of members reside there**

Answer



CA WALLAH

Question

2 With reference to deposit proposed to be accepted by DBSL and its duration, you are required to identify which of the following statements is correct:

- (a) There is no requirement relating to the duration of deposit, DBSL can accept deposit for any duration.**
- (b) Since DBSL is an unlisted company, provisions relating to the duration of the deposit are not applicable to it.**
- (c) There is a provision of a minimum duration of six months, but no upper cap to length is provided. Hence deposit proposed to be accepted by DBSL would be in compliance to provisions of Law.**
- (d) Acceptance of deposits by DBSL would be in violation of provisions of law, because the maximum period of acceptance of deposit cannot exceed thirty-six months.**

Answer



CA WALLAH

Question

3 With reference to application to the registrar for registration of charge by DBSL, which of the following statements is correct?

- (a) The charge cannot be registered now, even if the Registrar permits the same.**
- (b) The charge can be registered, if registrar permits with payment of ad-valorem fees.**
- (c) The charge can be registered, if registrar permits but with payment of additional fees as prescribed.**
- (d) The charge can be registered, with payment of standard fees.**

Answer

B

CA WALLAH

Question

4 With reference to the loan advanced by Mr. Mohit to SCCL, state whether the same is to be classified as a deposit or not?

- (a) Deposit, because any sum advanced by the director whether loan or otherwise is always classified as a deposit.**
- (b) Deposit, because the tenor of the loan is for a period of more than six months.**
- (c) Not a deposit, because such amount is recorded as loan in books of account of SCCL.**
- (d) Not a deposit, because the necessary written declaration is provided by Mr. Mohit in respect of such loan advanced to SCCL.**

Answer



CA WALLAH

Question

5 Considering the provision relating to length of Notice for AGM, pick out the right option:

- (a) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by all the members entitled to vote at AGM.**
- (b) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to, by at-least 95% of members entitled to vote thereat.**
- (c) Notice served by DBSL is valid because such shorter notice has been consented to, by 75% of members entitled to vote thereat.**
- (d) Notice served by DBSL is not valid, because notice given within shorter duration needs to be at-least consented by 50% of the members entitled to vote at the AGM and that too, in writing.**

Answer

B

CA WALLAH

Case Scenario 29

Dr. N. Kulshrestha is a renowned professional and a director on the Board of various companies. Two among these are Mount Electrolux Limited (MEL) and Rock Electronics Limited (REL). Both are unlisted public companies.

MEL accepts a contract from State Power Corporation to replace electromechanical meters with automated ("smart") meters for residential connections and fixing them outside the properties. The expected duration of the project is 150 days. MEL is presently considering alternate sources of finance. The Board of MEL is looking forward to inviting deposits of ₹ 80 crores, but Dr. Kulshrestha is of the opinion that deposits are meant for funding long term requirements and the present need is for the short term period. A special resolution to take prior consent for the same was duly passed and filed with ROC. Extracts from the latest audited financial statement of MEL are as follows:-

Case Scenario 29

Particulars	Amount in ₹ crores
Turnover	980
Paid-up Share Capital	410
Free Reserve	240
Capital Redemption Reserve	120
Security Premium Account	150

REL purchased an immovable property for its corporate office from GDI (Goenka Developer and Infrastructure). An agreement to sell was entered on 21st August, 2021. On 31st August, 2021, property was registered in name of REL. One-month after the date of registration, on 30th September 2021, REL comes to know that the title of such property was encumbered as there was a previous loan due to a financial institution, through a letter from such financial institution. In the said letter, it was mentioned that charge on such property was registered in the name of the financial institution from 16th May 2020 with the Registrar of Companies.

Case Scenario 29

21st AGM of REL was concluded on 30th May 2020 for the financial year 2019-20. The 22nd AGM for considering the financial statements of the year 2020-21 could not be convened till 30th September, 2021 due to out-break of COVID-19. Hence an application for extension was filed with the ROC. The ROC granted extension of two months and finally the 22nd AGM was convened and conducted on 9th November 2021.

At the said 22nd AGM, the chairman of the Board of Directors was not present. In his absence, a member (Mr. Venugopal) having the largest voting right proposed that he be elected as a chairperson, and members holding the majority of voting rights were in favour of this. But on the show of hands, Mr. Anand was identified as chairman of the meeting. The other members demanded for a poll. The board members present were unanimously willing to appoint Dr. Kulshrestha as chairperson of the meeting and Dr. Kulshrestha also agreed for the same. The Articles of Association of REL is silent regarding election of chairman at general meetings.

Question

1. With reference to convening 22nd AGM of REL, which of the following statements is correct?

- (a) ROC has to grant an extension of 3 months**
- (b) REL has complied with the legal provisions relating to holding the AGM, by convening the 22nd AGM with the period of extension.**
- (c) REL has failed to comply with the legal provisions because AGM must be held with six months from the end of the financial year in all cases.**
- (d) REL has failed to comply with the legal provisions because the time gap between 21st and 22nd AGM is more than 15 months**

Answer

B

CA WALLAH

Question

2 With reference to the duration of deposits (if invited and accepted by MEL), you are required to resolve the query/opinion of Dr. Kulshrestha?

(a) MEL has to accept deposits for a minimum duration of six months.

(b) MEL can accept the deposit for five months for the entire ` 80 crores.

(c) MEL can accept the deposit for five months but maximum up to ` 77 crores.

(d) MEL can accept the deposit for five months but maximum up to ` 65 crores.

Answer

B

CA WALLAH

Question

3 With reference to the encumbered nature of the property purchased by REL from GDI; identify the date from which REL has notice of charge against such property.

- (a) 16th May 2020**
- (b) 21st August 2021**
- (c) 31st August 2021**
- (d) 30th September 2021**

Answer



CA WALLAH

Question

4 With reference to sourcing of funds by acceptance of deposits, apprise the eligibility of MEL.

- (a) MEL is eligible to accept deposits**
- (b) MEL is not eligible to accept deposits, because it is a listed public company**
- (c) MEL is not eligible to accept deposits, because it has a paid-up share capital of less than five hundred crores.**
- (d) MEL is not eligible to accept deposits, because it has a turnover of less than one thousand crores.**

Answer



CA WALLAH

Question

5 With reference to the legal provisions, regarding chairman at AGM, in the context of 22nd AGM of REL; pick the right option.

- (a) Dr. Kulshrestha will be the chairperson, because present board members are unanimously willing to appoint him and it's the discretion of the board to accept the demand of poll or not.**
- (b) Mr. Anand will be the chairman of the meeting until conclusion, because he is elected through a show of hands.**
- (c) Mr. Anand will be the chairman of the meeting, but only until some other person is elected as Chairman as a result of a poll, if any.**
- (d) Mr. Venugopal will be the chairman of the meeting, because he is favoured by members holding the majority of voting rights.**

Answer



CA WALLAH

Case Scenario 30

Mr. Nitin Balwani is a finance professional and one of the promoters of Sind Chemicals Private Limited (SCPL) and director at Prism Telecommunication Limited (PTL). SCPL is a private company, whereas PTL is a listed public company.

SCPL has 196 individual members, apart from:

- 6 employees including 3 KMPs (out of which 2 are in service and 4 are currently retired) who have been given shares of SCPL out of ESOP as a part of their remuneration while in service and have thus, become members of SCPL.**
- Mr. A, Mr. B and Ms. C, who are joint owners of 1000 shares, Mr. X and Ms. Y, who are also joint owners of 1200 shares of SCPL.**

Mr. Balwani is of the opinion that SCPL has crossed the maximum limit for members in the case of a private company.

Case Scenario 30

SCPL is growing, and is funding this growth through private equity placement. Allotment of shares took place on 18th August 2021, after a valid invitation to subscribe to a selected group of persons. The return of allotment was duly filed with the Registrar against this private placement on 8th September 2021. SCPL doesn't have a separate corporate office and operates from its registered office itself. Considering the expanding operations, the need for better reach and the shortage of the available space in present premises, SCPL shifted its registered office to the capital city of its domicile state as stated in Memorandum of Association on 28th August 2021. Copy of the rent agreement executed in this connection was furnished to the ROC on 9th October, 2021, in the prescribed form, along with an ordinary resolution passed in this regard.

PTL is expanding its network in the country, trying hard to reach remote villages and towns. Member's base is also increasing. PTL also required funds for expansion and decided to raise money through issue of secured debentures. Debentures redeemable after 12 years were allotted on 31st August 2021. Debenture trustees were duly appointed before the issue of letter of offer and debenture trust deed is executed on 9th November 2021.

Case Scenario 30

PTL gives loan of ` 12 Lakhs to its company secretary-cum-law officer, who is a Key Managerial Person (KMP) under section 203 of Companies Act, 2013; for purchase of fully paid-up shares of the company (PTL). The consolidated monthly salary of company secretary-cum-law officer at PTL is ` 1.5 lakhs.

CA WALLAH

Question

1 With reference to shifting of registered office by SCPL, identify the correct option out of the statements mentioned below;

- (a) SCPL has complied with the legal provisions.**
- (b) SCPL should have passed special resolution instead of a ordinary resolution.**
- (c) SCPL should have furnished intimation to ROC within 30 days.**
- (d) SCPL should have passed special resolution instead of ordinary resolution and should have intimated the same to the ROC within 30 days.**

Answer



CA WALLAH

Question

2 With reference to the legal validity of the issue of secured debenture by PTL, identify the correct statement out of the following:

- (a) PTL has complied with the legal provision relating to issue and allotment of secured debentures.**
- (b) PTL has failed to comply with the law because the redemption period of the debentures is 12 years and the debenture trust deed is executed on 9th November 2021.**
- (c) PTL has failed to comply with the law because the redemption period of the debentures is 12 years.**
- (d) PTL failed to comply with the law because the debenture trust deed is executed on 9th November 2021.**

Answer

B

CA WALLAH

Question

3 Examine the legality of granting a loan to the company secretary-cum-law officer by PTL and pick the correct statement out of following.

- (a) Valid, because a loan is granted to acquire fully paid-up shares**
- (b) Invalid, because a loan is granted by the company to its KMP to acquire its own shares.**
- (c) Invalid, because the amount of loan granted is more than the amount equal to six months' salary.**
- (d) Invalid, because a loan has been granted by the company to its KMP and that too for an amount exceeding six months' salary to acquire its own shares.**

Answer



CA WALLAH

Question

4 With reference to the requirement related to the maximum number of members in case of a private company, you are required to quantify the number of members:

- (a) 198 Members, because joint owners need to be considered as a single owner and members whose membership arises out employment will not be counted**
- (b) 201 Members, because joint owners will be counted in full and members whose membership arises out employment will not be counted**
- (c) 201 Members, because joint owners need to be considered as a single owner and members whose membership arises out employment as KMP will not be counted.**
- (d) 202 Members, because joint owners need to be considered as a single owner and members whose membership arises out of employment will not be counted provided they are in service.**

CA WALLAH

Answer



CA WALLAH

Question

5. Evaluate the legal validity of the return of allotment filed by SCPL in respect of the private placement, by selecting the correct option.

- (a) Default, because the return needs to be filed by 2nd of September, the penalty is ` 6000/-**
- (b) Default, because the return needs to be filed by 2nd of September, the penalty is ` 12000/-**
- (c) No Default, because the return needs to be filed by 17th of September, hence no penalty**
- (d) No Default, because the return needs to be filed by 17th of October, hence no penalty**

Answer



CA WALLAH

Case Scenario 31

Mr. I J Gulati is a renowned research scholar in the field of agricultural science and had worked as a professor in the Agricultural University of Rajasthan. Mr. Gulati possesses diverse experience in latest techniques in irrigation and shed farming with technological intervention. He joined the board of National Fertilizers Limited (NFL) and Doon Agro Products Limited (DAPL) as an expert advisor and was later elevated to director in both the companies.

The share capital of NFL is divided into different classes of shares. NFL wants to entrust varied rights to the shares of a particular class, for this purpose they took consent in writing from 3/4th of the holders of the issued shares of that class but didn't pass the special resolution. Although terms of issue of the shares of that class don't prohibit such a variation, the memorandum of the company does not contain any such provision regarding the variation of rights.

Mr. Gulati incorporated OPC which helps farmers with forecasts on the weather, new agricultural techniques, various fund schemes including the opportunity of interest subsidies and subvention, marketing opportunities, gains in supporting the business of agro-products, etc. Mr. Porwal who was appointed as a nominee, decided to permanently settle down with his son in USA. Hence prior to leaving for the US, he wishes to withdraw his consent as nominee.

Case Scenario 314

NFL holds 54% of the total share capital of Doon Fertilizers Limited (DFL), by virtue of this, NFL can exercise voting rights equivalent to 48% of the total voting power at DFL. NFL can change the composition of the board because it can appoint 5 out of a total of 12 directors at the board of DFL. DAPL has decided to buy-back its own shares and the relevant extracts from the balance sheet of DAPL are given below:-

Liabilities	Amount (₹ In crores)
Paid-up Share Capital (30 crores shares of ₹ 10 each, fully paid – up)	300
Reserve and Surplus (free reserves)	350
6% Secured Debentures	1000

Case Scenario 31

The current market price of a share is ₹ 20 and the buy-back price is expected to be either ₹ 21 or ₹ 22 per share. The company is proposing to buy back at-least 3 crores shares. Apart from secured debentures, there is an unsecured debt of ₹ 200 crores. Since the price of ₹ 21/ ₹ 22 was not acceptable to many members, it was felt that special resolution is not expected to be passed. Therefore, it was decided to pass a board resolution to effect the buy-back. Buy-back process was initiated on 18th August 2021 and completed on 9th September 2021. Mr. Gulati had heard somewhere that the shares bought back should be physically destroyed.

Question

1. With reference to buy-back process initiated by DAPL, identify the correct statement:

- (a) DAPL can buy-back 3 crores shares @ ₹ 22 per share, as it can buy-back up to 7.5 crores shares.**
- (b) DAPL cannot buy-back 3 crores shares @ ₹ 22 per share, because the maximum amount available for buy-back is 65 crores.**
- (c) DAPL can buy-back 3 crores shares @ ₹ 21 per share, because the maximum amount available for buy-back is 65 crores.**
- (d) DAPL cannot buy-back 3 crores shares, even @ ₹ 21 per share.**

Answer



CA WALLAH

Question

- 2. Identify the correct statement out of the following, regarding the status of DFL and its relationship with NFL**
- (a) DFL is a subsidiary of NFL, as NFL holds more than 50% of the total share capital of DFL**
 - (b) DFL is a subsidiary of NFL, as NFL can affect the composition of the board at DFL**
 - (c) DFL is a subsidiary of NFL, as NFL holds more than 50% of the total share capital of DFL and can affect the composition of the board at DFL**
 - (d) DFL is not a subsidiary of NFL**

Answer



CA WALLAH

Question

3. Examine the legality of variation of rights in respect of a particular class of shares by NFL & pick the correct statement out of the following regarding validity of variation of shareholders' rights and compliance by NFL:

- (a) Invalid, because variation of shareholders' right is not allowed by law.**
- (b) Variation of shareholders' rights is valid, and necessary legal compliances are also met in full.**
- (c) Variation of shareholders' rights is valid, but NFL has failed to comply with the necessary requirement i.e. passing a special resolution at a separate meeting of the holders of the issued shares of that class.**
- (d) Variation of shareholders' rights is valid, but NFL is not authorized to entrust the same because its memorandum doesn't allow for the same.**

Answer

B

CA WALLAH

Question

4. Mr. Porwal can withdraw his consent as a nominee, by giving written notice to

- (a) The sole member of the company**
- (b) Registrar of companies**
- (c) The sole member of company and to OPC**
- (d) OPC and to Registrar of companies**

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Answer



CA WALLAH

Question

- 5. By selecting the correct option, evaluate the legal validity of physically destroying the shares which were bought back by DAPL assuming all the conditions for such buyback are satisfied by DAPL.**
- (a) DAPL is not legally required to physically destroy the shares**
 - (b) DAPL shall extinguish and physically destroy the shares within a reasonable time after completion of the process of buy-back**
 - (c) DAPL shall extinguish and by 16th September 2021 physically destroy the shares**
 - (d) DAPL shall extinguish and by 24th September 2021 physically destroy the shares**

Answer



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