

CA Inter Law - Important MCQs

MULTIPLE CHOICE QUESTIONS

1. If Abhilasha and Amrita have incorporated a 'not for profit' private limited company which is registered under Section 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending 31st March, 2019, its turnover was less than Rs. 40 crores and its paid up share capital was less than Rs. 4 crores. Advise.

a. A section 8 company, which meets the criteria of 'turnover' and 'paid-up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in another 'small company' within the immediately following financial year.	b. If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (and not in the immediately following financial year) after meeting the criteria of 'turnover' and 'paid-up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.
c. The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.	d. A section 8 company, if incorporated as a private limited company (and not as public limited company) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid-up share capital'.

2. Due to the management disputes, Flow Writing Industries Limited could not hold its current Annual General Meeting by the latest due date. Even after lapse of the due date, it seemed rather impossible to convene the AGM. In such a grim situation, one option available was to approach National Company Law Tribunal (NCLT) and seek direction for the calling of AGM. Out of the following four options, which one is applicable in the given case:

a. Any member of the company can make an application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.	b. A member of the company holding at least 1% of the total paid up share capital must make an application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.
c. Minimum two members of the company holding at least 1% of the total paid-up share capital must make a joint application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.	d. Minimum five members of the company holding at least 1% of the total paid-up share capital must make a joint application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.

3. Anupam incorporated a 'One Person Company' (OPC) with his sister Alpana as the nominee and about three years have passed satisfactorily. Anupam does a number of charitable works and is associated with three NGOs. His business under his OPC has also flourished. Now he is planning to convert the OPC into a Section 8 company (i.e. a company formed with charitable objects). Choose the correct option.

a. Since the company belongs to Anupam, he has full discretion to convert the OPC either as a Section 8 company or as a private or public company	b. Since the company was formed as a private company, the only option available with Anupam is to convert it into a public limited company.
c. There is specific prohibition on converting OPC into a Section 8 company; otherwise it can be converted into a private or public company without any hindrance.	d. Since Anupam does a lot of charitable works there is no prohibition on converting his OPC into a Section 8 company.

4. An issuing house (share broker) has issued an advertisement in two leading newspapers for selling a large number of shares allotted to it by a company under a private placement. In which of the following conditions will the advertisement NOT be deemed to be a prospectus:

a. Advertisement was given within six months from the date of allotment	b. Advertisement was given after six months from the date of allotment and the issuing house has paid the entire consideration to the company
c. The issuing house did not pay entire consideration to the company till the date of allotment	d. advertisement was given within three month from the date of allotment

5. Being in need of further capital, Rimsi Cotton-Silk Products Limited offered 50 lacs equity shares of Rs. 1 each to 50 identified persons on 'private placement' basis and accordingly a letter of offer accompanied by application the necessary form was sent to them after fulfillment of due formalities including passing of special resolution. One of the applicants Rajan made a written complaint to the company highlighting the fact that the offer letter was incomplete as well as illegal, as it did not contain 'renunciation clause' as he wanted to exercise his 'right of renunciation' in favour of his son Uday. By choosing the correct option, advise the company in this matter.

a. As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the offer letter and the application form.	b. The company is prohibited from providing 'Right of Renunciation' so the offer letter and the application form need not include any such clause.
c. Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to twenty five percent of offering.	d. Instead of absolute prohibition, the company can provide 'Right of Renunciation' limited to fifty percent of offering.

6. The amount that an unlisted public company is required to maintain as security deposit, at all times, with the respective depository when it dematerializes its securities shall be

a. Equal to not less than one year's fees payable to the depository	b. Equal to not less than two years' fees payable to the depository
c. Equal to not less than two and a half years' fees payable to the depository	a. Equal to not less than three years' fees payable to the depository

7. The time limit within which a copy of the contract for the payment of underwriting commission is required to be delivered to the Registrar is:

a. Three days before the delivery of the prospectus for registration	b. At the time of delivery of the prospectus for registration
c. Three days after the delivery of the prospectus for registration	d. Five days after the delivery of the prospectus for registration

8. The Articles of Association of a private limited company state that the company may issue preference shares which will have preference with respect to payment of dividend only but no preference as to the repayment of capital, in the case of winding up. Is it possible for the company to issue such preference shares?

a. No; as per section 43 preference shares should have both preferences.	b. No; this will become an equity share as per section 43.
c. Yes; because as per section 43 preference shares should have any one preference.	d. Yes; because Articles of Association of the company allow issue of such preference shares and the issuing company is a private limited company.

9. If a company has Authorised Share Capital of Rs. 6,00,000, Paid-up Share Capital of Rs. 5,00,000 and a loan of Rs. 2,00,000 obtained from the State Government. The State Government has directed the company to convert its loan into equity shares, then such order shall have the effect of increasing:

a. The subscribed share capital of the company	b. The paid-up share capital of the company
c. The Authorised Share Capital of the company	d. All of the above

10. Swagat Hospitality Limited defaulted in the repayment of last two instalments of term loan availed from National Commercial Bank. On 30th September, 2019, they cleared all the dues by repaying it. When can it issue equity shares with differential voting rights?

a. Upon expiry of five years from the date on which the default was made good	b. Upon expiry of three years from the end of the financial Year in which the default was made good
c. Upon expiry of five years from the end of the financial Year in which the default was made good	d. Upon expiry of seven years from the end of the financial Year in which the default was made good

11. Keshika, the original allottee and owner of 1000 equity shares of Rs. 50 each in Modern Biscuits Private Limited, wanted to transfer these shares to her younger sister Vanshika by way of gift. She completed the transfer deed in all respects and delivered the same to the company along with the share certificates on 17th July, 2020. However, the company did not register the transfer even after the expiry of more than one month nor did it send any notice of refusal. The lone reminder to the company remained unanswered. An appeal is to be filed against the company with the National Company Law Tribunal (NCLT) against this failure to register transfer of the said shares. Who has the right to file the appeal in this regard?

a. Keshika, who continues to remain owner and transferor of the said equity shares till they are registered in the name of Vanshika, has the right to file an appeal with NCLT against the company.	b. Vanshika, as transferee and potential owner of equity shares, has the right to file an appeal with NCLT against the company.
c. Both Keshika and Vanshika have to file a joint appeal with NCLT against the company, for neither Keshika nor Vanshika are authorised to file the appeal individually.	d. As per its discretion, NCLT may allow either Keshika or Vanshika to file an appeal against the company.

12. Vanita Watches Limited has proposed to issue sweat equity shares to five of its employees for the 'value additions' made by them in term of economic benefits which proved beneficial to the company. The period for which the employees who have been allotted the said sweat equity shares cannot transfer them is:

a. One year from the date of allotment	b. Three years from the date of allotment
c. Five years from the date of allotment	d. Six months from the date of allotment

13. While making an application to the Tribunal for seeking its confirmation in respect of extinguishing the liability of Rs. 3 per equity share, Medhavi Publishers Limited has to file a certificate along with the application, that the accounting treatment proposed by it for such reduction of share capital is in conformity with the accounting standards specified in the prescribed Section. Advise the company as to who can issue such certificate?

a. Any of the directors of the company as authorised by the Board may issue such certificate	b. A practicing company secretary is authorised to issue such certificate
c. The auditor of the company is authorised to issue such certificate	d. The legal advisor of the company is authorised to issue such certificate

14. A charge was created by Cygnus Softwares Limited on its office premises to secure a term loan of Rs. 1.00 crore availed from Next Gen Commercial Bank Limited through an instrument of charge executed by both the parties on 16th February, 2019. 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, 2019	b. 17th April, 2019
c. 2nd May, 2019	d. 16th June 2019

15. The Directors of Silver tongue Solutions Limited proposed dividend at 18% on equity shares for the financial year 2018-2019. The same was approved at the Annual general body meeting held on 30th September 2019. Mr. Jagan was the holder of 2000 equity of shares on 31st March, 2019, but he transferred the shares to Mr. Rajiv on 8th August 2019. Mr. Rajiv has sent the shares together with the instrument of transfer to the company for registration of the shares in his favour only on 25th September 2019. The registration of the transfer of shares is pending on 30th September 2019. With respect to the dividend declared the correct action to be taken by the company is:

a. Pay the dividend to Mr. Jagan	b. Pay the dividend to Mr. Rajiv
c. Transfer the dividend in relation to such shares to the Unpaid Dividend Account	d. Transfer the dividend in relation to such shares to the Investor Education and Protection Fund.

16. Ganesh Company Ltd, a public company incorporated under the Companies Act, 2013 has Mr. Jay- Director, Mr. Sagar – Independent Director, Mr. Abhishek – Nominee Director and Mr. Yash – Whole time director. Mr. Abhishek wants to inspect the books of account of Shankar Company Limited, the subsidiary of Ganesh Company Limited. You are required to state whether Mr. Abhishek is eligible to inspect the books of accounts of Ganesh Company Limited?

a. Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization of the public financial institution on whose behalf he has been so appointed in the board of the Ganesh Company Ltd.	b. No. Mr. Abhishek being a nominee director can only inspect the books of account of Ganesh Company Ltd and not its subsidiary company.
c. Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization by way of resolution of the board of directors.	d. Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization by way of resolution of the members holding not less than 25% of the paid up share capital of the company.

17. Mr. Sharad has recently shifted from Delhi to Noida. During the shifting some of the furniture was damaged. Mr. Sharad gave the items to Asian Arts, Greater Noida for repair, refabrication, and painting, etc. Asian Arts deals in the sale of furniture and repair thereof. It was decided that the whole work will be done on a lumpsum amount of Rs. 50,000. In between this period, the workshop at Asian Arts caught fire and there was no fault of the proprietors. Goods bailed by Mr. Sharad along with another furniture destroyed in this fire incident. Mr. Sharad has lost furniture due to fire at workshop of Asian Arts. What is the correct statement considering there was no specific contract?

a. Asian Arts is liable, because fire took place at his place	b. Asian Arts is liable, because bailment is on going
c. Asian Arts is not liable because risk of any loss during bailment is to be borne by bailor.	d. Asian Arts is not liable because fire is not due to any negligence of their part.

18. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statements is correct in this regard?

a. This is a case of bailment	b. The operator of the parking lot has possession of Vishal's car
c. The operator of the parking lot has custody of Vishal's car	d. This is a case of mortgage

19. The Pawnee doesn't have the right to retain the goods pledged for

a. Performance of the promise	b. Extraordinary expenses incurred by him for preservation of goods pledged
c. Payment of debt	d. Necessary expenses incurred by him in respect of possession of goods pledged

20. L made an offer to the Managing Director of a company. The Managing Director accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company had already ratified the Managing Director's acceptance. State which of the statements given below is correct:

a. L is bound by the offer due to ratification	b. An offer once accepted cannot be withdrawn
c. Both option (a) & (b) is correct	d. L is not bound by the offer.

21. Jane has appointed Vinita as his agent to sell the garments manufactured by Jane. Vinita due to her personal issues could not work effectively. Hence, she appointed Kanth to sell on her behalf. Can Jane be bound by the acts of Kanth?

a. No, an agent without authority cannot lawfully appoint a subagent.	b. Yes, Vinita is liable for the acts of Kanth and in turn Jane is liable for the transaction.
c. No, Kanth will be liable on his own account for any sales made.	d. Yes, Kanth now becomes direct agent of Jane as Kanth has sold garments manufactured by Jane.

22. means that when two or more words that are susceptible of analogous meaning, are coupled together they are understood to be used in their cognate sense.

a. Noscitur a Sociis	b. Contemporanea Expositio
c. prima facie	d. absoluta sententia expositore non indiget

23. Prem found a Rado watch lying on the floor of Celebration Café. Prem tried to find the owner of the watch but all his efforts went in vain. Prem got the watch repaired from the showroom by paying Rs. 9,500. Three days after Prem found the watch, he came to know about the real owner of the watch, from the advertisement newspaper stating the loss of a watch in Celebration Café, along with the reward of Rs. 10,000 to the finder of the watch. Prem went to the owner to return the watch. Prem demanded Rs. 15,000 as he had paid Rs. 9,500 for the repair of the watch. According to the provision of the Indian Contract Act, 1872, choose the correct statement.

a. Prem has a right to claim only the amount spent on repairing the watch	b. Prem has no right to claim the prize money.
c. Prem can retain the watch till the owner pays him at least the prize money.	d. The owner is not liable to pay anything to Prem. Rather, he can sue Prem for stealing the watch.

24. Every company shall pay a penal rate of interest of ----- per annum for the overdue period in case of deposits, whether secured or unsecured, matured and claimed but remaining unpaid:

a. 9%	b. 14%
c. 18%	d. 24%

25. A clause that begins with the words 'Notwithstanding anything contained' is called:

a. An obstacle clause	b. A non- obstante clause
c. An objectionable clause	d. A superior clause

26. Which among the following will not be considered as a "Foreign Instrument" under the provisions of the Negotiable Instruments Act, 1881?

a. A bill drawn on a person residing outside India but payable in India or outside India	b. A bill drawn on a person resident outside India but payable outside India
c. A bill drawn on a person residing outside India but payable in India	d. A bill drawn on a person resident in India but payable outside India

27. Who cannot inspect the register of charges and instrument of charges, during business hours, without paying any fees:

a. Any member of the company	b. The Creditor of the company
c. Persons other than member and creditor of the company	d. No person is allowed to inspect the register of charges

SOLUTION TO MCQS

1	c	8	d	15	c	22	a
2	a	9	d	16	c	23	a
3	c	10	c	17	d	24	c
4	b	11	b	18	c	25	b
5	b	12	b	19	b	26	d
6	b	13	c	20	c	27	c
7	b	14	b	21	a		

SELF TEST IMPORTANT CASE SCENARIO MCQS

1. Mr. Kumar Arijit is a renowned finance professional with wide experience in banking operations. Due to his experience, he has been appointed as director on the Board of various companies. He is working as the Executive Director - Finance of Doon Carbonates Limited (DCL) for the past 4-5 years and heading the finance department there. As per the object clause of the Memorandum of Association of DCL, it can raise funds by way of loans for the advancement of its business. Articles of Association of DCL authorizes the directors to borrow up to Rs. 50 lakhs on behalf of the company after passing a valid board resolution and any loans for amounts exceeding the above limit can be raised only after prior approval at a duly convened general meeting.

Board of Directors of DCL raised Rs. 80 lakhs from Srikant Finance Services after passing a board resolution and out of this amount, Rs. 60 lakhs was used to pay a legitimate liability of DCL by the directors. Such an act was ratified by the members in an EGM conducted thereafter. DCL is a widely held company with around 5600 members as per the members register. The 21st AGM of DCL was convened on 1st September 2021. A total of 34 members attended the meeting out of which 7 members attending through proxy. 6 of such members were represented by single proxy, Mr. Das. The articles of DCL is silent about the quorum. The voting at such meeting was conducted through means of postal ballot for all the items of business on the agenda.

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.

- i. 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.

- ii. 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

- iii. The borrowing of the sum of Rs. 80 lakhs by the directors of DCL is

a. Void-ab-initio	b. Void
c. Voidable	d. Valid

- iv. 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

2. Vignesh Fertilizers Limited (VFL) and Vivian Chemicals Private Limited (VCPL) were promoted around 30 years back by Mr. Vicky Tripathi and his family members. Mr. Vicky Tripathi and his younger brother Vinay Tripathi actively participate in the daily operations of both the companies. VCPL is wholly owned by Tripathi family, while Tripathi family has a majority stake of 65% in VFL.

Due to the poor economic conditions in the agriculture sector and shifting of the farmers' focus to organic farming, the sales of Vignesh Fertilizers Limited is dipping and its bottom line has been in the red for the last couple of years. The unabsorbed loss of VFL for the current financial year is Rs. 9.8 crores. VFL didn't pay any dividends during the last four years. VFL has accumulated profit in the form of free reserves of Rs. 180 crores whereas paid-up share capital is 918 crores as per its latest audited financial statement and loss of Rs. 9.8 crores has not been deducted from such amount of free reserves. Since pressure from shareholders of the free float is mounting, management at VFL decided to pay a dividend this year out of accumulated profit. Finally, the dividend

was declared on 31st August 2021. Some of the dividend remained unpaid as on 30th September 2021, on account of operation of law; this was transferred to unpaid Dividend Account and a statement containing only the names of such beneficiaries was hosted on the website of the company on 9th November 2021.

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

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

*Out of Rs. 4.2 crores, the amount of Rs. 1.8 crores is dividend received from a foreign company not having any place of business in India. The Board of Directors of VCPL is not clear whether they have to compulsorily form a CSR committee. In order to avoid adverse legal consequences, VCPL constitutes a CSR committee consisting of two (2) non-executive directors and one (1) executive director who was appointed as chairperson of the committee.

i. In case of VFL, regarding the unpaid dividend, which of the following statements is correct?

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

ii. Which of the During the current year, is VCPL required to constitute CSR committee under section 135 of Companies Act 2013?

a. No, because it is a private company	b. No, because it is an unlisted company and it has net worth less than Rs. 500 crores
c. Yes, because despite being unlisted	d. Yes, because its net profit is

company its turnover is above Rs. 500 crores	above Rs. 5 crores
--	--------------------

iii. In the case of VFL, what can be the maximum amount of dividends payable out of accumulated profits?

a. Rs. 109.8 crores	b. Rs. 100 crores
c. Rs. 42.3 crores	d. Rs. 32.5 crores

iv. Considering the legal provisions regarding the constitution of CSR committee and the one constituted by VCPL, state which of following the statements hold truth?

a. Constitution of the committee is invalid because it doesn't consist of an independent director.	b. Constitution of the committee is invalid because its chairperson is an executive director.
c. Constitution of the committee is valid because it depends purely upon the discretion of management.	d. Constitution of the committee is valid because company is not required to appoint an independent director.

v. Considering What is the minimum amount to be spent by VCPL on CSR activities for F.Y. 2021-22?

a. Rs. 89.06 Lakhs	b. Rs. 78.20 Lakhs
c. Rs. 75.00 Lakhs	d. Rs. 73.80 Lakhs

3. 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 Rs. 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:-

Particulars	Amount in Rs. 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.

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.

- i. 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

- ii. 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 Rs. 80 crores.
c. MEL can accept the deposit for five months but maximum up to Rs. 77 crores.	d. MEL can accept the deposit for five months but maximum up to Rs. 65 crores.

- iii. 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

- iv. 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.

- v. 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.

4. NAGARJUN AIRCONDITIONERS LTD. (NAL) is a contract manufacturing company incorporated on 1.2.2021 with the primary objective of manufacturing a full range of residential, commercial and portable air conditioners for renowned brands in India. NAL is a family owned unlisted public company, limited by shares. NAL has its registered office in Hyderabad, Telangana and marketing offices in four metropolitan cities at New Delhi, Kolkata, Mumbai and Bengaluru.

SAMUGA, one of the seven members, who also had subscribed to the memorandum of association of NAL, unfortunately met with a road accident and expired on 31.03.2021. All the remaining members attended the funeral. Business was as usual thereafter. All the members, as was the usual practice, were kept informed from time to time regarding all the important matters and issues relating to the company without fail by the CFO cum Company Secretary NIRANJAN. The Company continued its business only with its exiting other members for the next few months. SUGUNA, the wife of SAMUGA was taken as a member of NAL on official records only on 20.12.2021. Meanwhile, NAL borrowed unsecured loans of Rs. 15 crores repayable on demand for meeting working capital

needs between the period 15.10.2021 to 15.12.2021 from one of its directors. MUDDU KRISHNA, who is only a family friend, but not a family member. The unsecured loan was borrowed with the stipulation of interest @10% p.a. payable on monthly basis on the outstanding amount(s) to MUDDU KRISHNA, until the demand for payment of principal is made in writing to the company. However, MUDDU KRISHNA, because of his strained relationship with NAGARJUN, the managing director of NAL, resigned as a director of the company on 31.12.2021 and demanded immediate repayment of the entire sum of Rs. 15 crores lent by him to NAL with interest of 10% p.a. NAL followed delaying tactics, which finally resulted in MUDDU KRISHNA suing NAGARJUN severally for the entire debts owed by NAL to him, since he was the head of the family. There was no unpaid amount of NAGARJUN on the shares held by him of NAL.

MUDDU KRISHNA is also the member of One Person Company (OPC) MUDDU KRISHNA AGRO INDUSTRIES (OPC) PVT LTD. The OPC has been incorporated since the last one year. The Turnover of the OPC during the last financial year was Rs. 1 Crore. The paid up capital of the Company increased to Rs. 55 Lacs from Rs. 5 Lacs as on 15.01.2022. MUDDU KRISHNA after leaving the directorship with NAL continued his business as the member of his OPC.

Years passed. Size of the business and share capital of NAL substantially increased. NAL plans to go for expansion in its capacity, keeping in mind export market, which required about Rs. 25 crores. NAL started looking for various options for financing. One of the options considered was offer or invitation for subscription of equity through private placement. The Board identified a select group of 50 persons and issued private placement offer and applications after passing a special resolution at a general meeting and also after duly following the required procedure under the corporate laws. Monies received on application were kept in a separate bank account with Canara Bank. However, for some reasons NAL could not allot the equity shares within a period of 60 days from the date of receipt of the application money. The private placement plan was effectively cancelled, duly following the required procedure. NAL later opted for bank loans to finance the expansion.

NAL is authorized by its articles of association to accept whole or any part of the amount of remaining unpaid calls from any member, although till date, no part of that amount has been called up. NARESH, one of the shareholders deposited in advance the remaining amount due on his shares without any calls made by NAL. NAL declared dividend during the year after such advance money was paid by NARESH. NARESH wanted to exercise his voting rights also in respect of call money paid in advance at the general meeting.

BHUSHAN AIRCONDITIONERS PVT LTD (BAPL) has been holding 5% equity in NAL, since February 2018. During the month of February 2022, NAL invested in 70% equity shares of BAPL. NAGARJUN wants to understand from NIRANJAN the implications of 5% holding of BAPL.

i (a). With reference The Board identified select group of 50 persons and issued private placement offer and applications duly following the required procedure under the corporate laws.

a. Public at large is to be informed about such an issue through release of public advertisement through utilizing any media, marketing, distribution channels or agents;	b. A release of public advertisement in any local newspaper and one national newspaper informing private placement is sufficient.
c. No company issuing securities under private placement shall release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an issue.	d. Informing the public at large through advertisement or otherwise is optional and the Board of Directors by passing a Board Resolution may decide the matter.

i (b). However, for some reasons NAL could not allot the equity within a period of 60 days from the date of receipt of the application money.

a. The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company fails to repay the application money within the aforesaid period, it shall also be liable to repay the money with interest @ 18% PA from the expiry of the 75 th day;	e. Since Private Placement, NAL can take further 60 days time with the subscribers agreeing to pay interest @18% PA from the extended date until the actual allotment.
f. The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company fails to repay the application money within the aforesaid period, it shall also be liable to repay the money with interest @ 12% PA from the expiry of the 60 th day;	g. The company shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company fails to repay the application money within the aforesaid period, it shall also be liable to repay the money with interest @ 12% PA from the expiry of the 75 th day.

ii. NARESH, one of the shareholders deposits in advance the remaining amount due on his shares without any calls made by NAL.

(a) NAL declared dividend during the year.

a. NARESH is not entitled to any dividend in respect of call money paid in advance;	b. NARESH is entitled to proportionate dividend in respect of call money paid in advance, if authorized by a Board Resolution;
c. NARESH is entitled to proportionate	d. NARESH is entitled to

dividend in respect of call money paid in advance, if authorized by an Ordinary Resolution in a general meeting;	proportionate dividend in respect of call money paid in advance, if authorized by Articles of Association.
--	--

(b). NARESH wanted to exercise his voting rights also in respect of call money paid in advance in a general meeting;

a. NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, since the relevant shares have been fully paid up.	b. There would be no voting rights on that advance amount of NARESH in a general meeting till the amount is duly called for and adjusted;
c. NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, if agreed by a Board resolution.	d. NARESH can exercise his voting rights also in respect of call money paid in advance in a general meeting, if agreed by an Ordinary resolution of Members.

iii. NAGARJUN wanted to understand from NIRANJAN the implications of 5% holding of BAPL.

a. BAPL shall surrender its 5% equity holding to NAL immediately once it becomes the subsidiary of NAL;	b. BAPL shall transfer its 5% equity holding to any nominees of NAL before it becomes the subsidiary of NAL;
c. BAPL shall immediately transfer its 5% equity holding to any other legal person or entity before investment by NAL;	d. BAPL may continue to hold 5% equity holding in NAL.

5. Indian Mining Limited, an unlisted public company, (hereinafter referred as "Company") has its mining unit in Koraput in the State of Odisha. Its paid-up capital is Rs. 15 crores divided into 15,00,000 equity shares of Rs. 100 each. The Company has also issued debentures to the extent of Rs. 20 crores. The company's registered office was located in the city of Bhubaneswar in the State of Odisha.

As per provisions of the Companies Act, 2013, Companies are required to maintain Statutory registers. The Company had a practice of maintaining one combine register for both Members as well as Debenture-holders.

The company has decided to declare dividend for the financial year 2021-22 and hence there is a requirement for closing the register of members. The company has closed its Register of Members, by giving a minimum of 10 days' notice.

It was observed that at least 80% of the total members were residing in the capital city of New Delhi. Hence the company decided to keep its register of members in one of its offices situated in the locality of Saket, New Delhi. It was felt that the appropriate place

for keeping the register of members should be the place where majority of members are residing. Accordingly, it passed an ordinary resolution for maintaining the register of members at a place other than the registered office.

The practice of the company for making entries in the Register of members was within 10 days of the approval by the Board approving the transfer of shares.

i. Which of the following statements apply to Indian Mining Limited with respect to closing of the register of members?

a. Yes, the company can close the register of members by giving at least 14 days prior notice.	b. Yes, the company can close the register of members by giving at least 7 days prior notice.
c. No, the Company is not allowed to close the register of members as it is the most important statutory register.	d. Yes, the Company can close the register of members by giving at least 7 days prior notice and in such manner as specified by SEBI by advertisement one in vernacular newspaper and other in English newspaper.

ii. What is the time limit for which the Register of Members (ROM) may be closed?

a. The ROM may be closed for any period not exceeding 45 days at any one time.	b. The ROM may be closed for any period not exceeding 30 days at any one time and for an aggregate of 60 days in one year.
c. The ROM may be closed for any period not exceeding 30 days at any one time.	d. The ROM may be closed for any period not exceeding 30 days at any one time and for an aggregate of 45 days in one year.

iii. Is the company complying with the provisions of the Act in maintaining the register of members at New Delhi instead of Bhubaneswar?

a. Yes, the company is complying in maintaining the register at New Delhi instead of Bhubaneswar as an ordinary resolution has been passed by the company.	b. No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneswar as no special resolution has been passed.
c. No, the company is not complying in maintaining the register at New Delhi instead of Bhubaneswar as no special resolution of the members and no approval from the Central Government has been obtained for keeping the register of members in a different place other than the registered office.	d. Yes, the company is complying in maintaining the register at New Delhi instead of Bhubaneswar as there is no restriction regarding the place where register has to be maintained.

iv. Is the practice of the company correct in maintaining the same register for equity shareholders (members) as well as for debenture-holders?

a. Yes, it is correct because both are stakeholders of the company.	b. No, it is incorrect because there is a requirement of maintaining a separate register for debenture holders.
c. Yes, it is correct as there is no provision in company law regarding register of debenture holders. It is only for equity shareholders who are the members of the company for whom register is to be maintained.	d. Yes, it is correct because both equity shareholder and debenture holders contribute to the capital of the company.

v. Which of the following statement is correct with regard to the time period for the entries in the register of members?

a. The entries have to be made within 14 days of the date of approval by the Board.	b. The entries have to be made within 21 days of the date of approval by the Board.
c. The entries have to be made within 17 days of the date of approval by the Board.	d. The entries have to be made within 7 days of the date of approval by the Board.

6. Mr. X and Mr. Y are friends. Mr. X runs a taxi business. Mr. Y hires a car from Mr. X for one month. Mr. Y paid Rs. 5000 to Mr. X. Mr. X instructed Mr. Y to deliver his car to one of his neighbour Mr. A, after the specified time, as he is going out of town for two months. With no malicious intention, after expiry of one month, Mr. Y thought to retain the car with himself. Mr. Y decided to pay Rs. 5000 to Mr. X, when he returns, as he can easily travel to his office on daily basis. Mr. Gupta visited Mr. X. Mr. X needed Rs. 50,000 for his personal use.

Mr. X promised to pay the amount in 3 months. Mr. X bought an imported T.V. from abroad. Since, Mr. Gupta deals in electronic goods, he asked Mr. X to pledge the T.V. to which Mr. X agreed. Mr. X pledged the T.V. against the loan amount of Mr. Gupta. The T.V's cable got damaged by Mr. X but TV was in a working condition. After the specified time, Mr. X did not pay off the debt. Finally, Mr. Gupta decided to sell the T.V, to recover his debt, but had to bear the cost of cable repair worth Rs. 5,000.

A customer bought a music system from Mr. Gupta on 4th January, 2022. The customer paid 10% of the amount in cash, and issued two cheques dated 21st January, 2022 and 10th February 2022. The 1st cheque issued by customer got cleared on 4th February. Mr. Gupta deposited the 2nd cheque on 12th May, 2022 which got returned due to insufficient funds in the bank account of the drawer. Mr. Gupta send notice to the customer within a week, after receiving the information from the bank regarding return of the cheque. The customer even after 15 days' time neither replied to the notice nor paid the amount to Mr. Gupta. Mr. Gupta asked his lawyer to sue the customer under the relevant law.

Mr. Gupta's son Amit, found a Rado watch in the cafe; lying on the floor. Amit tried to find the owner of the watch but all his efforts went in vain. Amit got the watch repaired from the showroom by paying Rs. 1000. Next day Amit came to know about the real owner of the watch, from the advertisement newspaper stating the loss of a watch in the cafe along with the reward of Rs. 4000 to the finder of the watch. Amit went to the owner to return the watch. Amit demanded Rs. 5,000 as he had paid Rs. 1000 for the repair of the watch.

Mr. X lent his car gratuitously to his banker friend Mr. Yaseen, till summer vacation. But after 15 days Mr. X terminated the contract and took back his car. Due to summer vacation, no cars were available and Mr. Yaseen had to arrange another car for much higher price i.e. for Rs. 12,000, which is generally available for Rs. 8,000

- i. With reference to the provision of the Indian Contract Act, 1872, how would you justify the action of Mr. Y?

a. Mr. Y can retain the car as he had no malicious intention and was ready to pay Rs. 5,000	b. Mr. Y was authorised to retain the car as a Bailee and had an option either deliver it to Mr. Y or his neighbour
c. The car can be retained by Mr. Y, after informing Mr. Y's neighbour	d. It was not justifiable for Mr. Y to retain the car after 1 month

- ii. Will Mr. Gupta succeed in the suit to be made by him?

- I.** No offence is constituted
II. The cheque was presented in the bank within specified time
III. The drawer of the cheque failed to make payment of the said amount of money within 15 days of the receipt of the said notice
IV. The notice in writing given to the drawer of the cheque, within a week regarding the return of the cheque as unpaid.

a. I	b. II and IV
c. III and IV	a. II, III and IV

- iii. By referring to the provisions of the Indian Contract Act, 1872, what should be the liability of the owner to pay to Amit?

a. The owner needs to pay the reward amount as well as the repairing cost to Amit	b. Amit has no right to claim the repairing amount of the watch.
c. Amit can retain the watch till the owner pays him the repairing cost as well as the prize money and Amit can sue the owner for the prize money only.	d. Amit has a right to claim the repairing amount of the watch.

- iv. According to the provision of the Indian Contract Act, 1872, how would you evaluate Mr. Yaseen's situation?

a. Mr. X is liable to compensate Mr.	b. Since there is no consideration
--------------------------------------	------------------------------------

Yaseen for the loss, which is in excess of the benefit derived by Mr. Yaseen.	involved, Mr. X is not liable to pay any compensation.
c. No loss is caused to Mr. Yaseen, so he is not liable to get any compensation.	d. Mr. Yaseen is liable to get compensation only if it is expressly mentioned in the contract.

SOLUTION TO CASE STUDY MCQS

1	(i)	d
	(ii)	a
	(iii)	d
	(iv)	a
2	(i)	c
	(ii)	d
	(iii)	d
	(iv)	d
	(v)	c
3	(i)	b
	(ii)	b
	(iii)	a
	(iv)	a
	(v)	c
4	i (a)	c
	i (b)	c
	ii (a)	d
	ii (b)	b
	(iii)	d
5	(i)	b
	(ii)	d
	(iii)	b
	(iv)	b
	(v)	d
6	(i)	d
	(ii)	a
	(iii)	c
	(iv)	a