

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

Quest-51	Security is a wider term, not restricted to equity, preference, or debenture. Explain
Solution	<p>As per section 2 (81), the term 'securities' means the securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956.</p> <p>The definition given thereunder provides, "Securities" include:</p> <p>(i) Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;</p> <p>(ia) Derivative;</p> <p>(ib) Units or any other instrument issued by any collective investment scheme to the investors in such schemes;</p> <p>(ic) Security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.</p> <p>(id) Units or any other such instrument issued to the investors under any mutual fund scheme.</p> <p><u>Explanation - For the removal of doubts, it is hereby declared that "Securities" shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a combined benefit risk on the life of the persons and investment by such persons and issued by an insurer referred to in clause (9) of section 2 of the Insurance Act, 1938.</u></p> <p>(ie) Any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be;</p> <p>(ii) Government securities;</p> <p>(iia) Such other instruments as may be declared by the Central Government to be securities; and</p> <p>(iii) Rights or interests in securities.</p>
Quest-51A MCQs	<p>Which of following shall be considered as securities for purpose of section 23 of the Act;</p> <p>(i) Unit linked insurance policy</p> <p>(ii) Actionable claim regarding mortgaged debt</p> <p>(iii) Securities issued by National Asset Reconstruction Ltd</p>

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<p><i>Options</i></p> <p>(a) (iii) only</p> <p>(b) Both (i) and (iii) only</p> <p>(c) Both (ii) and (iii) only</p> <p>(d) None of the (i), (ii), and (iii)</p>
Solution	C
Quest-52	Company's prospectus was given to a solicitor of the company and he forwarded it to one of his clients despite it was marked strictly private, who applied for share based upon same. Later filed suit for damages. Will this communication amount to an issue to the public and whether the provisions of the Act are attracted?
Solution	No, this did not amount to an issue to the public and accordingly the provisions of the Act relating to liability for omissions, etc. not attracted here. (Refer Nash Vs Lynde)
Quest-52A	In case of Super-Fix-it Limited, some of members of a company offer part of their holding of shares to the public (in consultation with board of directors), wherein company took all actions on their behalf for carrying out the transaction. Company incur the expense of ` 3.2 lakh for carrying out such transactions, can company recover the amount so incurred in full from such members?
Solution	Mention Sec 28 Yes, members who offer whole or part of their holding of shares to the public, in consultation with board of directors, shall authorise the company to take all actions on their behalf for carrying out the transaction, and bound to reimburse the company for all expenses made by it on this matter (Refer section 28(3)).
Quest-52B	After receiving 80% of the minimum subscription as stated in the prospectus, a company allotted 100 equity shares in favour of 'X'. The company deposited the said amount in the bank but withdrew 50% of the amount, before finalization of the allotment, for the purchase of certain assets. X refuses to accept the allotment of shares on the ground that the allotment is violative of the provisions of the Companies Act, 2013. Comment.
Solution	According to section 39 of Companies Act, 2013, Minimum subscription means receipt of an application for at least 90% of the shares issued. Section further states that no allotment shall be made unless the amount of minimum subscription has been subscribed and received by company Company shall keep the entire amount received on application with Scheduled bank and in case company failed in obtaining Minimum Subscription within 30 days, or such period as may be prescribed by SEBI, the amount received shall be returned within a period of fifteen days from the closure of the issue. In given case, the company has received 80% of the minimum subscription as stated in the

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<p>prospectus. The company deposited the said amount in the bank but withdrew 50% of the amount</p> <p>Conclusion: -Based upon the above provision, we may conclude that allotment is in contravention of section 39 of the Companies Act, 2013 which prohibits a company from making any allotment of securities until it has received the amount of minimum subscription. Therefore, in the present case X is within his rights refuses to accept the allotment of shares which has been illegally made by the company.</p>
Quest-53	<p><i>A Limited i.e. company into manufacturing of organic chemical, recently have issued a prospectus to public, wherein they want this public money for acquiring various machinery to be used in their chemical manufacturing unit. However recently company has received a lucrative order from USA, where in customer was willing to enter into an agreement for 10 years, if company can provide them regular supply of dye chemical i.e. an object, which was outside their main object, since Directors were having enough experience in Dye chemical as well, thus they want to grab this opportunity with both hands. Now regarding the requirement of funds, they decide to utilize the amount acquired through public, wherein they are still left with 50% of fund as unspent. As an expert they approached you for appropriate suggestion and procedure to be adopted to accept said order</i></p>
Solution	<p>Since company after raising money from public want to change their object from Organics Chemical to Dye Chemical, thus company can follow the procedure as specified in Section 27 of Companies Act, 2013</p> <p>According to the provisions of Section 27 of companies Act 2013:</p> <p>Where the company has raised money from public through prospectus and has any unutilized amount out of the money so raised, it shall not vary the terms of contracts referred to in the prospectus or objects for which the prospectus was issued except by passing a special resolution through postal ballot.</p> <p>The advertisement of the notice of resolution passed for varying the terms of any contract or altering the objects of the prospectus shall be published simultaneously with dispatch of Postal Ballot Notices to Shareholders. In addition, the company shall also place the notice on the website of the company, if any.</p>
Quest-54	<p><i>XYZ Ltd issued a prospectus inviting the public for subscription of its equity share stating in it that company possesses good financial health and paying dividend to its members regularly @ 20% on equity share capital over past 5 years. The fact was, company was running in loss since past 3 years and it was paying dividend to its shareholders out of accumulated profits. Mr. Amit read the prospectus and bought 500 shares from company. Discover the mis-statement in prospectus, he wants to rescind the contract and claim the damages from the company. Referring to the provisions of Company Act 2013, decide whether Mr. Amit</i></p>

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<p><i>will succeed.</i></p> <p><i>What if shares were purchased from Stock Exchange and not from company</i></p>
Solution	<p>Meaning of misleading prospectus</p> <p>(a) It contains any statement which is untrue, and (b) It omits any matter which is calculated to mislead</p> <p>Liability in case of Mis-statement in prospectus</p> <p>1. Criminal liability for misstatements in prospectus (Section 34): Where a prospectus, issued, circulated or distributed under this Chapter, includes any statement which is untrue or misleading in form or where any inclusion or omission of any matter is likely to mislead, every person who authorizes the issue of such prospectus shall be liable under section 447:</p> <p>2. Civil liability for misstatements in prospectus (Section 35) Company and every person who—</p> <p>(a) is a director of the company at the time of the issue of the prospectus; has authorised himself to be named and is named in the prospectus as a director of the company, or has agreed to become such director, (c) is a promoter of the company; (d) has authorised the issue of the prospectus; and (e) is an expert referred in section 26,</p> <p>shall, be liable to pay compensation to every person who has sustained such loss or damage. Based upon the facts of given case, we can conclude that prospectus so issued by the company is misleading to the extent that it failed to provide the material information that, company is paying dividend out of its accumulated profits. Thus, concerned official of company shall be liable for criminal and civil liability.</p> <p>Conclusion: Thus, we can conclude that Mr. Amit will succeed in a suit against company and contract shall be voidable at his option. He is entitled to rescind the contract within a reasonable time.</p> <p><i>Situation if shares were purchased from Stock Exchange and not from company</i> In this case, decision in the case of Peek v. Gurney shall apply wherein, It was held by the court that the directors were not liable as the shares were not purchased on the basis of prospectus.</p>
Quest-55	<p><i>Examine that following offers of ABC Limited are in compliance with provisions of the Companies Act, 2013, related to private placement or should these offers be treated as public:</i></p> <p>(i) <i>ABC limited wants to raise funds for its upcoming project. It has issued private placement offer letters to 55 persons in their individual name to issue its equity shares.</i></p>

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<p><i>Out of these four are qualified institutional buyers.</i></p> <p><i>(ii) If in case (i) before allotment under this offer letter company issued another private placement offer to another 155 persons in their individual name for issue of its debentures.</i></p> <p><i>(iii) Being a public company can it issue securities in a private placement offers?</i></p>
<p>Solution</p>	<p>Mention about Sec 42</p> <p>Where a company makes 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.</p> <p>Also, a company is not permitted to make fresh offer under this section if the allotment with respect to any offer made earlier has not been completed or otherwise, that offer has been withdrawn or abandoned by the company. This provision is applicable even if the issue is of different kind of security.</p> <p>Any offer or invitation not in compliance with the provisions of this section shall be treated as a public offer and all provisions will apply accordingly.</p> <p>(i) In the given case ABC Limited, though is a public company but the private placement provisions allow even a public company to raise funds through this route. The company has given offer to 55 persons out of which 4 are qualified institutional buyers and hence, the offer is given effectively to only 51 persons which is well within the limit of 200 persons. From this point of view, the company complies the private placement provisions.</p> <p>(ii) However, as per the question, the company has given another private placement offer of debentures before completing the allotment in respect of first offer and therefore, the second offer does not comply with the provisions of section 42. Hence, the offers given by the company will be treated as public offer.</p> <p>In case the company gives offer for debentures in the same financial year after allotment of equity shares is complete then both the offers can well be treated as private placement offers.</p> <p>(iii) According to section 42 of the Companies Act, 2013 any private or public company may make private placement through issue of a private placement offer letter. Hence, ABC Limited can issue securities in a private placement offer.</p>
<p>Quest-55A</p>	<p><i>Mars India Ltd. owed to Sunil ₹1,000. On becoming this debt payable, the company offered Sunil 10 shares of ₹100 each in full settlement of the debt. The said shares were fully paid and were allotted to Sunil. Examine the validity of theses allotment in the light of the</i></p>

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<i>provisions of the Companies Act, 2013.</i>
Solution	<p>Under section 62 (1) (c) of the Companies Act, 2013 where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares may be offered to any persons provided following conditions are satisfied: -</p> <ol style="list-style-type: none"> 1. Any such issue shall be authorised by S/Res passed in general meeting of company 2. Price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed <p>In the present case, Mars India Ltd is empowered to allot the shares to Sunil in settlement of its debt to him. The issue will be classified as issue for consideration other than cash must be approved by the members by a special resolution. Further, the valuation of the shares must be done by a registered valuer.</p>
Quest-55B	<p><i>Xgen Limited has a paid-up equity capital and free reserves to the extent of ₹ 50,00,000. The company is planning to buy-back shares to the extent of ₹4,50,000. The company approaches you for advice with regard to the following</i></p> <ol style="list-style-type: none"> <i>(i) Is special resolution required to be passed?</i> <i>(ii) What is the time limit for completion of buy-back?</i> <p><i>What should be ratio of aggregate debts to the paid-up capital-and free reserves after buy-back?</i></p>
Solution	<p>Section 68 of the Companies Act, 2013 deals with the Conditions required for buy-back of shares. As per the Act, the company shall not purchase its own shares unless-</p> <ol style="list-style-type: none"> (a) The buy-back is authorized by its articles; (b) A special resolution has been passed at a general meeting of the company authorizing the buy-back: except where— <ol style="list-style-type: none"> (1) the buy-back is, ten per cent or less of the total paid-up equity capital and free reserves of the company; and (2) such buy-back has been authorised by the Board by means of a resolution passed at its meeting; <p>Section further provides that, every buy-back shall be completed within a period of one year from the date of passing of the special resolution, or as the case may be, the resolution passed by the Board.</p> <p>Provision also specifies that ratio of the aggregate debts (secured and unsecured) owed by the company after buy back is not more than twice the paid-up capital, security premium and its free reserves.</p> <p>As per the stated facts, Xgen Ltd. has a paid-up equity capital and free reserves to the extent of</p>

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<p>₹50,00,000. The company planned to buy back shares to the extent of ₹4,50,000. Referring to the above provisions, we may conclude that</p> <ol style="list-style-type: none"> 1. No, special resolution will not be required as the buyback is less than 10% of the total paid-up equity capital and free reserves of the company, but any such buy back shall be authorized by the Board by means of a resolution passed at its meeting. 2. Time limit for completion of buy back will be- within a period of one year from the date of passing of the resolution by the Board. 3. The ratio of the aggregate debts (secured and unsecured) owed by the company after buy back should not be more than twice the paid-up capital and its free reserves. The above buy-back is possible when backed by the authorization by the articles of the company.
Quest-56	<p><i>M/s. Techno Ltd. maintains its Register of Members at its registered office in Mumbai. A group of members residing in Kolkata want to keep the register of members at Kolkata.</i></p> <p>(i) Explain with provisions of Companies Act, 2013, whether the company can keep the Registers and Returns at Kolkata.</p> <p>(ii) Does Mr. Ranjit, Director (but not a shareholder) of the company have the right to inspect the Register of Members?</p>
Solution	<p>As per section 94 of the Companies Act, 2013, the registers required to be kept and maintained by a company under section 88 and copies of the annual return filed under section 92 shall be kept at the registered office of the company:</p> <p>Provided that such registers or copies of return may also be kept at any other place in India in which more than one-tenth of the total number of members entered in the register of members reside, if approved by a special resolution passed at a general meeting of the company.</p> <p>(i) Thus, we may conclude that, Techno Ltd. can also keep the registers and returns at Kolkata provided more than one-tenth of the total number of members entered in the register of members reside in Kolkata.</p> <p>(ii) As per section 94 of the Companies Act, the inspection of the records, i.e. registers and indices, and annual return can be done by members, debenture-holders, other security holders or beneficial owners of the company. Any other person (other than specified above) may also inspect the Register of members of company on payment of prescribed fee</p> <p>Thus, a director Mr. Ranjit, who is not a shareholder of the company, has no right to inspect the Register of Members of company, unless he makes payment of prescribed fee</p>
Quest-57	<p><i>What are provisions of the Companies Act, 2013 relating to the appointment of 'Debenture Trustee' by a company? Whether the following can be appointed as 'Debenture Trustee'?</i></p> <p>(i) A shareholder of the company who has shares of ₹ 10,000.</p>

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<p>(ii) A creditor whom the company owes ₹ 999 only.</p> <p>(iii) A person who has given a guarantee for repayment of amount of debentures issued by the company.</p>																		
Solution	<p>Mention about Sec 71 (5)</p> <p>(i) A shareholder who has holds shares of ₹ 10,000, cannot be appointed as a debenture trustee.</p> <p>(ii) A creditor whom company owes ₹ 999 cannot be appointed as a debenture trustee. The amount owed is immaterial.</p> <p>(iii) person who has given guarantee for repayment of principal and interest thereon in respect of debentures also cannot be appointed as a debenture trustee.</p>																		
Quest-58	<p><i>Kat Pvt. Ltd., is an unlisted company incorporated on 2.6.2012. The company have a share capital of rupees fifty crores. The company has decided to issue sweat equity shares to its directors and employees on 5.7.2021. The company decided to issue 10% sweat equity shares (which in total will add up to 30% of its paid-up equity shares), with a locking period of five years, as it is a start-up company. How would you justify these facts in relation to the provisions for issue of sweat equity shares by a start-up company, with reference to the provisions of the Companies Act, 2013? Explain.</i></p>																		
Solution	<p>Mention provision of Sec 54 along with Rule 8 of Companies (Share capital and debentures) Rules, 2014</p> <p>We may conclude that the company can issue sweat equity shares by passing special resolution at its general meeting. The company as a startup company is right in issue of 10% sweat equity share as it is overall within the limit of 50% of its paid-up share capital</p> <p>But the lock in period of the shares is limited to maximum three years period from the date of allotment (as not five years, as given in the question)</p>																		
Quest-59	<p><i>Silver Oak Ltd. has following balances in their Balance Sheet as on 31st March, 2021:</i></p> <table border="1"> <thead> <tr> <th></th> <th></th> <th>₹</th> </tr> </thead> <tbody> <tr> <td>(1)</td> <td>Equity shares capital (3.00 lakhs equity shares of ₹ 10</td> <td>30.00 lacs</td> </tr> <tr> <td>(2)</td> <td>Free reserves</td> <td>5.00 lacs</td> </tr> <tr> <td>(3)</td> <td>Securities Premium Account</td> <td>3.00 lacs</td> </tr> <tr> <td>(4)</td> <td>Capital redemption reserve account</td> <td>4.00 lacs</td> </tr> <tr> <td>(5)</td> <td>Revaluation Reserve</td> <td>3.00 lacs</td> </tr> </tbody> </table> <p><i>Directors of the company seeks your advice in following cases:</i></p>			₹	(1)	Equity shares capital (3.00 lakhs equity shares of ₹ 10	30.00 lacs	(2)	Free reserves	5.00 lacs	(3)	Securities Premium Account	3.00 lacs	(4)	Capital redemption reserve account	4.00 lacs	(5)	Revaluation Reserve	3.00 lacs
		₹																	
(1)	Equity shares capital (3.00 lakhs equity shares of ₹ 10	30.00 lacs																	
(2)	Free reserves	5.00 lacs																	
(3)	Securities Premium Account	3.00 lacs																	
(4)	Capital redemption reserve account	4.00 lacs																	
(5)	Revaluation Reserve	3.00 lacs																	

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<p>1. Whether company can give bonus shares in the ratio of 1:3? 2. What if company decide to give bonus shares in the ratio of 1:2?</p>
Solution	<p>Mention provisions of Sec 63</p> <p>ABC Ltd. has total eligible amount of ₹12 lakhs (i.e. 5.00+3.00+4.00) out of which bonus shares can be issued and the total share capital is ₹ 30.00 lakhs</p> <p>Thus, we may conclude</p> <p>(i) For issue of 1:3 bonus shares, there will be a requirement of ₹ 10 lakhs (i.e., $\frac{1}{3} \times 30.00$ lakh) which is well within the limit of available amount of ₹ 12 lakhs. So, Silver Oak Limited can go ahead with the bonus issue in the ratio of 1:3.</p> <p>(ii) In case Silver Oak Limited intends to issue bonus shares in the ratio of 1:2, there will be a requirement of ₹ 15 lakhs (i.e., $\frac{1}{2} \times 30.00$ lakh). Here in this case, the company cannot go ahead with the issue of bonus shares in the ratio of 1:2, since the requirement of ₹ 15 Lakhs is exceeding the available eligible amount of ₹ 12 lakhs.</p>
Quest-60	<p>When is an Allotment of Shares treated as an irregular allotment? State the effects of an irregular allotment.</p>
Solution	<p>The Companies Act, 2013 does not separately provide for the term "Irregular Allotment" of securities. Hence, one will have to examine the requirements of a proper issue of securities and consider the consequences of non fulfilment of those requirements.</p> <p>In broad terms an allotment of shares is deemed to be irregular when it has been made by a company in violation of Sections 23, 26, 39 and 40. Irregular allotment therefore arises in the following instances:</p> <ol style="list-style-type: none"> 1. Where a company does not issue a prospectus in a public issue as required by section 23; or 2. Where the prospectus issued by the company does not include any of the matters required to be included therein under section 26(1), or the information given is misleading, faulty and incorrect; or 3. Where the prospectus has not been filed with the Registrar for registration under section 26(4); 4. The minimum subscription as specified in the prospectus has not been received in terms of section 39; or 5. The minimum amount receivable on application is less than 5% of the nominal value of the securities offered or lower than the amount prescribed by SEBI in this behalf; or 6. In case of a public issue, approval for listing has not been obtained from one or more of the recognized stock exchanges under section 40 of the Companies Act, 2013

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<p>Effects of irregular allotment: The consequences of an irregular allotment depend on the nature of irregularity. However, the Companies Act, 2013 does not mention that in case of an irregular allotment the contract is voidable at the option of the allottee.</p> <p>Under section 26(9) of the Companies Act, 2013 if a prospectus is issued in contravention of the provisions of section 26, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees and every person who is knowingly a party to the issue of such prospectus shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees, or with both.</p> <p>Similarly in case the company has not received the minimum subscription amount within 30 days of the date of issue of the prospectus, it must refund the application money received by it within the stipulated time. Any allotment made in violation of this will be void and the defaulting company and officers will be liable to further punishment as provided in section 39(5).</p> <p>Under section 40(5) any default made in respect of getting the approval to listing of securities in one or more recognized stock exchange in case of a public issue, will render the company punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees, or with both.</p> <p>Hence, under various provisions of the Companies Act, 2013 stringent punishment has been provided for against irregular allotment of securities but the option of going ahead with such allotment even if desired by the allottee is not specifically permitted.</p>
Quest-61	<p>A prospectus issued by a company contained certain mis-statements. On becoming aware of the fact regarding mis-statements in the prospectus, one of the experts Anilesh who had earlier given his consent, forthwith gave a reasonable public notice stating that the prospectus was issued without his knowledge and consent. Is it possible for Anilesh to escape liability for mis-statement in the prospectus?</p>
Solution	<p>Section 35 (2) of the Companies Act, 2013 states that no person shall be liable under Sub-section (1) if he proves that the prospectus was issued without his knowledge or consent, and that on becoming aware of its issue, he forthwith gave a reasonable public notice that it was issued without his knowledge or consent.</p>

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
 Set-3-List of Quest-51 to Quest-65
 Chapters Covered- Shares+Prospectus+Allotment
 Weightage as per Exams -Approx 6-8 Marks

	The case of Anilesh is covered under the above exception provided by Sub-section (2) and therefore, he will escape liability for mis-statement in the prospectus.
Quest-61A	A huge sums of money were collected under a document described as "project overview" by NRIs but shares not allotted in the proposed joint venture company instead the money was diverted to some off-shore companies controlled by the accused persons.
Solution	Mention the provisions of Sec 36
Quest-61B	Mr. Raju one of prospective investor under section 37 of this Act, sue the persons who authorise the issue of prospectus for the fraudulent misstatements they made in the prospectus. Mr. Raju also filed a complaint under section 420 of the IPC, 1860 and section 447 of this Act. Mr. Angad one of the authorised persons, plead that Mr. Raju did not took any share, hence he has not borne any sort of loss, therefore he cannot seek the remedies, for what he is asking for and they are not punishable under section 447, because fraud is not committed against Mr. Raju. Whether the persons who authorised the issue of prospectus punishable under section 447?
Solution	In this case, the persons who authorised the issue of prospectus shall be punishable under section 447 for the fraudulent misstatement, despite the fact that Mr. Raju had not borne any loss. Because wrongful gain or loss is not essential constituent of fraud under section 447.
Quest-62	The Articles of Association of MSW Ltd. contained a provision that upto 4% of issue price of the shares as underwriting commission may be paid to the underwriters. The Board of directors decided to pay 5% underwriting commission. Can the Board of directors do so? State the provisions of law in this regard as stated under the Indian Companies Act, 2013.
Solution	<u>Mention Meaning of Underwriting Agreement along with other provisions of Sec 40</u> Based upon the provision of above section, we can conclude that the Board of Director's decision to pay 5% is not valid, since the payment cannot exceed 4% as provided in the Articles of the company.
Quest-63	Where a shareholder paid the first two calls after a great delay and neglected to pay the third call and the directors, being annoyed, and called upon him to pay the whole amount due. In your opinion is call valid?
Solution	A call can't be made on some of the members only, unless they constitute a separate class of shareholders, hence such a call shall be invalid.
Quest-64	Due to insufficient profits, Silver Robotics Limited is unable to redeem its existing preference shares amounting to ` 10,00,000 (10,000 preference shares of ` 100 each) though as per the terms of issue they need to be redeemed within next two months. It did not, however, default in payment of dividend as and when it became due. What is the remedy available to the company in respect of outstanding preference shares as per the Companies Act, 2013?

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

Solution	<p>Mention about provisions of Sec 55</p> <p>In view of the provisions of Section 55, Silver Robotics Limited can initiate steps for the issue of further redeemable preference shares equal to the amount due i.e. ₹ 10,00,000.</p> <p>For this purpose, it shall obtain the consent of the holders of three-fourths in value of such preference shares and also seek approval of the Tribunal by making a petition.</p> <p>In case, there are certain preference shareholders who have not accorded their consent for the proposal of issuing further redeemable preference shares, the Tribunal may order the company to redeem forthwith such preference shares.</p> <p>Accordingly, Silver Robotics Limited must be ready with sufficient funds for the redemption of preference shares held by those who have not consented.</p>
Quest-64A	<p>OLAF Limited, a subsidiary of PQR Limited, decides to give a loan of ₹ 4,00,000 to its Human Resource Manager Mr. Surya Nayan, who does not fall in the category of Key Managerial Personnel and draws a salary of ₹ 40,000 per month, to buy 500 partly paid-up equity shares of ₹ 1000 each in OLAF Limited. Examine the validity of company's decision under the provisions of the Companies Act, 2013.</p>
Solution	<p>Mention about provisions of Sec 67</p> <p>As per section 67 (3) of the Companies Act, 2013 a company is allowed to give a loan to its employees subject to the following limitations:</p> <ul style="list-style-type: none"> (a) The employee must not be a director or Key Managerial Personnel; (b) The amount of such loan shall not exceed an amount equal to six months' salary of the employee. (c) The loan must be extended for subscribing fully paid-up shares. <p>In the given instance, Human Resource Manager Mr. Surya Nayan is not a Key Managerial Personnel of the OLAF Limited. Further, he is drawing a salary of ₹ 40,000 per month and wants to avail loan for purchasing 500 partly paid-up equity shares of ₹ 1000 each of OLAF Limited in which he is employed.</p> <p>Keeping the above facts and legal provisions in view, the decision of OLAF Limited in granting a loan of ₹ 4,00,000 for purchase of its partly paid-up shares to Human Resource Manager is invalid due to the following reasons:</p> <ul style="list-style-type: none"> i. The amount of loan is more than 6 months' salary of Mr. Surya Nayan, the HR Manager. It should have been restricted to ₹ 2,40,000 only. ii. The loan to be given by OLAF Limited to its HR Manager Mr. Surya Nayan is meant for purchase of partly paid shares.

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

Quest-64B	Mr. Nilesh has transferred 1000 equity shares of Perfect Vision Private Limited to his sister, Ms. Mukta. The company did not register the transfer of shares and also did not send a notice of refusal to Mr. Nilesh or Ms. Mukta within the prescribed period. Discuss as per the provisions of the Companies Act, 2013, whether aggrieved party has any right(s) against the company?
Solution	<p>The problem given in the question is governed by Section 58 of the Companies Act, 2013 dealing with the refusal to register transfer and appeal against such refusal.</p> <p>In the present case, the company has committed the wrongful act of not sending the notice of refusal to register the transfer of shares.</p> <p>Under section 58, if a private company limited by shares refuses to register the transfer of, or the transmission by operation of law of the right to any securities or interest of a member in the company, then the company shall send notice of refusal to the transferor and the transferee or to the person giving intimation of such transmission, within a period of thirty days from the date on which the instrument of transfer, or the intimation of such transmission, was delivered to the company.</p> <p>According to Section 58, the transferee may appeal to the Tribunal against the refusal within a period of thirty days from the date of receipt of the notice or in case no notice has been sent by the company, within a period of sixty days from the date on which the instrument of transfer or the intimation of transmission, was delivered to the company.</p> <p>In this case, as the company has not sent even a notice of refusal, Ms. Mukta being transferee can file an appeal before the Tribunal within a period of sixty days from the date on which the instrument of transfer was delivered to the company.</p>
Quest-64C	"The offer of buy-back of its own shares by a company shall not be made within a period of six months from the date of the closure of the preceding offer of buy-back, if any and cooling period to make further issue of same kind of shares including allotment of further shares shall be a period of one year from the completion of buy back subject to certain exceptions." Examine the validity of this statement by explaining the provisions of the Companies Act, 2013 in this regard.
Solution	<p>This Statement is not valid</p> <p>As per the provisions of Sec 68 of Companies Act 2013</p> <p>No offer of buy-back shall be made within one year reckoned from the date of the closure of the preceding offer of buy back</p> <p>Where a company completes a buy-back of its shares or other specified securities, it shall not make further issue of same kind of shares or other specified securities within a period of six months.</p>
Quest-65	Cross Limited is a company incorporated under the erstwhile the Companies Act, 1956 while XYZ Private Limited is a company registered under the Companies Act, 2013. XYZ Private Limited has issued ` 1,00,000 convertible preference shares

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks

	<p>(carrying right to vote) of ` 100 each and 10,00,000 equity shares of ` 10 each fully paid. Cross Limited is holding all the preference share and 1,00,000 equity shares of XYZ Private Limited. Examine whether:</p> <p>(i) The provisions of the Companies Act, 2013 are applicable on Cross Limited?</p> <p>(ii) XYZ Private Limited is a public company as per the Companies Act, 2013?</p>								
Solution	<p>(i) Section 1 of the Companies Act, 2013, provides that the provisions of this Act shall apply to companies incorporated under this Act or under any previous company law. Hence, the provisions of the Companies Act, 2013 are also applicable on Cross Limited.</p> <p>(ii) According to section 2(71) of the Companies Act, 2013, public company means a company which is not a private company.</p> <p>Provided that a company which is a subsidiary of a company, not being a private company, shall be deemed to be public company for the purposes of this Act even where such subsidiary company continues to be a private company in its articles.</p> <p>According to section 2(87) of the Companies Act, 2013, "subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company:</p> <ol style="list-style-type: none"> controls the composition of the Board of Directors; or exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies. <p>In the given question, total voting power in XYZ Private Limited is:</p> <table border="1" data-bbox="416 1458 1445 1693"> <thead> <tr> <th>Particulars</th> <th>Amount in `</th> </tr> </thead> <tbody> <tr> <td>Convertible Preference Shares (carrying voting rights)</td> <td>1,00,00,000</td> </tr> <tr> <td>Equity Shares</td> <td>1,00,00,000</td> </tr> <tr> <td>Total Voting Power</td> <td>2,00,00,000</td> </tr> </tbody> </table> <p>Cross Limited holds more than one-half of the total voting power [(` 10,00,000 equity shares+ ` 1,00,00,000 preference shares)/ ` 2,00,00,000]. Therefore, XYZ Private Limited is a subsidiary of Cross Limited.</p> <p>Further, in terms of the provisions of section 2(71), XYZ Private Limited being subsidiary of Cross Limited (a public company), shall also be deemed to be a public company.</p>	Particulars	Amount in `	Convertible Preference Shares (carrying voting rights)	1,00,00,000	Equity Shares	1,00,00,000	Total Voting Power	2,00,00,000
Particulars	Amount in `								
Convertible Preference Shares (carrying voting rights)	1,00,00,000								
Equity Shares	1,00,00,000								
Total Voting Power	2,00,00,000								

LIST OF TOP 100 QUESTIONS → MAY 2024 ATTEMPT ONLY
Set-3-List of Quest-51 to Quest-65
Chapters Covered- Shares+Prospectus+Allotment
Weightage as per Exams -Approx 6-8 Marks