

**MOCK TEST PAPER 1**  
**INTERMEDIATE: GROUP – I**  
**PAPER – 2: CORPORATE AND OTHER LAWS**

***Division A is compulsory***

*In Division B, Question No.1 is compulsory*

*Attempt any **Three** questions out of the remaining **Four** questions*

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**Division A (30 Marks)**

- 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–

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.

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]**

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.
  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.
  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
- II. Akash wants to wear a new coat for his seminar which is to be held (after 20 days). He bought cloth material from the market to make a new coat. Akash gives material to Mr. Stitch, a tailor, to make the coat. Mr. Stitch promised Akash to deliver the coat within the stipulated time of one week. Akash paid 10% advance so that he stitches his coat on priority basis. After one week when Akash went to the tailor he was shocked to see that the coat is still unstitched. The tailor demanded two more days' time from Akash to stitch the coat, but Akash refused and asked the tailor to return his piece of cloth. Tailor retained the cloth and asked Akash to pay the price, as he already did the cutting of the cloth.
- Nishant, Akash's friend left his car at the company's authorised showroom for servicing. As Nishant's house is located in the remote area of the city, so he instructed the manager of the showroom to park the vehicle at Akash's residence. So as per Nishant's instructions the car was sent to Akash's house after servicing. The worker of the showroom parked the car outside Akash's residence and handed over the key to Akash's servant. Next day, when Nishant went to pick up his car he found that somebody has hit the car while it was parked there.
- Nishant found a mobile phone and a branded pen lying on the road outside Akash's residence. Nishant tried to enquire about the real owner. He took the phone and pen with him and kept it in the drawer of his study table. Next day, Nishant's wife came to the room searching for a pen, she saw the pen and took the pen and went out. Unfortunately, Nishant's wife lost the pen. After two days, the real owner, approached him (Nishant), Nishant humbly delivered his phone and apologized for the loss of pen.

**Multiple Choice Questions [2 MCQs of 2 Marks each: Total 4 Marks]**

4. According to the provisions of the Indian Contract Act, 1872, do you think the tailor has a right of lien over the cloth?
- (a) Yes, he is entitled to retain the coat until he is paid.
  - (b) No, he has not completed the work within the agreed time
  - (c) Yes, in case of particular lien he can retain the cloth.
  - (d) No, but he is not required to return the advance amount
5. Referring to the provision of the Indian Contract Act, 1872, what are the repercussions, when Nishant found goods belonging to another and takes them into his custody? Choose the correct statement.
- (a) He becomes subjected to the same responsibility as of a bailee.
  - (b) merely possession of the goods does not make him a bailee
  - (c) No act is done by owner for placing the goods in the possession of Nishant, so he cannot be treated as bailee.
  - (d) In the absence of any express or implied contract, absolves Nishant's liabilities as bailee
6. A Private Company cannot issue securities:
- (a) By way of rights issue
  - (b) By way of bonus issue
  - (c) By way of private placement
  - (d) By issue of Prospectus in Public **(1 Mark)**
7. The Annual General Meeting of Yellow Limited was held on 25<sup>th</sup> June 2022. According to the provisions of Companies Act, 2013, till what date the company should submit report on AGM to the registrar?
- (a) 30.06.2022
  - (b) 10.07.2022
  - (c) 24.07.2022
  - (d) 25.07.2022 **(2 Marks)**
8. As per the provisions of the General Clauses Act, 1897, where an act or omission constitutes an offence under two or more enactments, then the offender shall be liable to be prosecuted and punished under:
- (a) Under either or any of those enactments
  - (b) Twice for the same offence
  - (c) Either (a) or (b) as per the discretion of the court
  - (d) Under the cumulative effect of both the enactments **(1 Mark)**

9. Where a company is granted licence under section 8, it is not required to use the word ..... even though it is a limited company:
- (a) Guarantee company
  - (b) Limited Liability Partnership
  - (c) Limited or Private Limited, as the case may be
  - (d) Development Authority **(1 Mark)**
10. Where an act of parliament does not expressly specify any particular day as to the day of coming into operation of such Act, then it shall come into operation on the day on which :
- (a) It receives the assent of the President
  - (b) It receives the assent of the Governor General
  - (c) It is notified in the official gazette
  - (d) It receives assent of both the houses of Parliament **(1 Mark)**
11. K Limited decides to raise deposits of ₹ 10.00 lakh from its members. However, it proposes to secure such deposits partially by offering a security worth ₹ 5.00 lakh. Which of the following options best describe such deposits:
- (a) Fully secured deposits (except a small portion)
  - (b) Unsecured deposits
  - (c) Partially secured deposits
  - (d) These cannot be classified as deposits **(1 Mark)**
12. 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% **(1 Mark)**
13. When the dividend is declared at the Annual General Meeting of the company, it is known as ....
- (a) Final Dividend
  - (b) Interim Dividend
  - (c) Dividend on preference shares
  - (d) Scrip Dividend **(1 Mark)**
14. Every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its:
- (a) Second annual general meeting
  - (b) Fourth annual general meeting
  - (c) Sixth annual general meeting

- (d) Eight annual general meeting **(1 Mark)**
15. A Ltd. is holding 61% shares in B Ltd. and B Ltd. holds 51% in C Ltd. State which is the correct statement here:
- (a) C Ltd. is the holding company to A Ltd.  
(b) C Ltd. is the holding company to B Ltd.  
(c) B Ltd. is the Subsidiary to C Ltd.  
(d) Both B Ltd. and C Ltd. are subsidiary to A Ltd. **(1 Mark)**
16. The Best Dry Fruits Ltd was incorporated under the Companies Act, 1913. Whether the provisions of the Companies Act, 2013 shall apply on it:
- (a) No, the provisions of the Companies Act, 2013 shall not apply on it.  
(b) Yes, the provisions of the Companies Act, 2013 shall apply on it.  
(c) The Companies Act, 1913 was enacted by the British Government, hence only an Act made by British Government shall apply on such company.  
(d) Since, this company was incorporated by the British Government, hence the Companies Act of UK Govt shall apply. **(2 Marks)**
17. The financial statement in relation to a dormant company may not include:
- (a) balance sheet  
(b) cash flow statement  
(c) applicable explanatory note  
(d) profit and loss account **(1 Mark)**
18. Any instrument is at maturity on the ..... day after the day on which it is expressed to be payable.
- (a) first  
(b) second  
(c) third  
(d) fourth **(1 Mark)**
19. An instrument which is vague and cannot be clearly identified either as a bill of exchange, or as a promissory note, is called as:
- (a) Bearer instrument  
(b) Ambiguous instrument  
(c) Order instrument  
(d) Inland instrument **(1 Mark)**
20. When there is a conflict between two or more statues or two or more parts of a statute then which rule is applicable:
- (a) Welfare construction  
(b) Strict construction

- (c) Harmonious construction
- (d) Mischief Rule **(1 Mark)**
21. A promissory note dated 31<sup>st</sup> August, 2022, is made payable three months after date. What will the maturity date for this instrument?
- (a) 30<sup>th</sup> October, 2022
- (b) 31<sup>st</sup> October, 2022
- (c) 2<sup>nd</sup> December, 2022
- (d) 3<sup>rd</sup> December, 2022 **(2 Marks)**
22. \_\_\_\_\_ is the cardinal rule of construction that words, sentences and phrases of a statute should be read in their ordinary, natural and grammatical meaning so that they may have effect in their widest amplitude.
- (a) Rule of Literal Construction
- (b) Rule of Harmonious Construction
- (c) Rule of Beneficial Construction
- (d) Rule of Exceptional Construction **(1 Mark)**

#### **Division B (70 Marks)**

1. (a) The Annual General Meeting of ABC Bakers Limited held on 30<sup>th</sup> May, 2022, declared a dividend at the rate of 30% payable on its paid-up equity share capital as recommended by Board of Directors. However, the Company was unable to post the dividend warrant to Mr. Ranjan, an equity shareholder, up to 25<sup>th</sup> July, 2022. Mr. Ranjan filed a suit against the Company for the payment of dividend along with interest at the rate of 20 percent per annum for the period of default. Decide in the light of provisions of the Companies Act, 2013, whether Mr. Ranjan would succeed? Also, state the directors' liability in this regard under the Act. **(6 Marks)**
- (b) Octagon Limited is holding 58% of the paid up share capital of Pentagon Limited. Vijay, one of the shareholders of Octagon Limited, holding 10% shares of the company, has made a charitable trust. He donated his 10% shareholding in Octagon Limited and ₹ 20 crore to the trust. He appointed Pentagon Limited as the trustee. All the assets of the trust are held in the name of Pentagon Limited.
- As per the provisions of the Companies Act, 2013, decide whether Pentagon Limited can hold shares of Octagon Limited. **(6 Marks)**
- (c) Mr. Shiv, a cargo owner, chartered a vessel to carry a cargo of wheat from a foreign port to Tuticorin. The vessel got stranded on a reef in the sea 300 miles from the destination. The ship's managing agents signed a salvage agreement for Mr. Shiv. The goods (wheat) being perishable, the salvors stored it at their own expense. Salvors intimated the whole incident to the cargo owner. Mr. Shiv refuse to reimburse the salvor, as it is the Ship-owner, being the bailee of the cargo, who was liable to reimburse the salvor until the contract remained untermiated. Referring to the provision of The Indian Contract Act 1872, do you acknowledge or decline the act of salvor, as an agent of necessity, for Mr. Shiv. Explain? **(4 Marks)**
- (d) Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881:

- (i) Babita finds a cheque payable to bearer, on the road and retains it.
- (ii) Biswas, the agent of Chandan, is entrusted with an instrument without indorsement by Chandan, who is the payee. **(3 Marks)**
2. (a) The Articles of Association of ABC Limited require the personal presence of 7 members to constitute quorum of General Meetings. The company has 870 members as on the date of meeting. The following persons were present in the extra-ordinary meeting to consider the appointment of Managing Director:
- (i) A, the representative of Governor of Karnataka.
- (ii) B and C, shareholders of preference shares,
- (iii) D, representing Green Limited and Blue Limited
- (iv) E, F, G and H as proxies of shareholders.
- Can it be said that the quorum was present in the meeting? **(6 Marks)**
- (b) The Companies Act, 2013, prescribes certain classes of unlisted public companies to appoint internal auditor. Enumerate such unlisted public companies that are required to appoint internal auditor. **(4 Marks)**
- (c) Shweta and Mira are very good friends. Shweta bailed her jewellery with Mira on the condition to safeguard it in a bank's safe locker. However, Mira kept it in safe locker at her residence, where she usually keeps her own jewellery. After a month all jewellery was lost in a religious riot. Shweta filed a suit against Mira for recovery. Referring to provisions of the Indian Contract Act, 1872, state whether Shweta will succeed. **(4 Marks)**
- (d) What is the meaning of 'Acceptor for honour' and 'payment for honour'? Give your answer in terms of the Negotiable Instruments Act, 1881. **(3 Marks)**
3. (a) Explain the provisions of the Companies Act, 2013 relating to the 'Service of Documents' on a company and the members of the company? **(5 Marks)**
- (b) Gizmo Limited was incorporated in 1990 in the town of Alwar. Its main business is manufacturing high quality bangles. It is in the process of appointing statutory auditors for the financial year 2021-22. Advise whether the following persons are qualified to be appointed as statutory auditor of the Gizmo Limited:
- (1) Priyansh, a qualified chartered accountant, is an employee of Gizmo Limited.
- (2) Vinod is a practicing Chartered Accountant indebted to Gizmo Limited for rupees 2 lakh.
- (5 Marks)**
- (c) Mr. Krishna draws a cheque of ₹ 20,000 and gives to Mr. Balram by way of gift. State with reason whether -
- (1) Mr. Balram is a holder in due course as per the Negotiable Instrument Act, 1881?
- (2) Mr. Balram is entitled to receive the amount of ₹ 20,000 from the bank? **(4 Marks)**
- (d) Explain the principles of "Grammatical Interpretation" and "Logical Interpretation" of a Statute. **(3 Marks)**
4. (a) The persons (not being members) dealing with the company are always protected by the doctrine of indoor management. Explain. **(6 Marks)**

- (b) Sasha Private Limited received ₹ 3,00,000 from one of the relatives of a Director. The said relative has furnished a declaration that the amount was received by him from his mother as a gift. Decide as per the relevant provisions of the Companies Act, 2013, whether the said amount received by the company will be considered as deposits or not. **(4 Marks)**
- (c) Mr. Sridhar has issued a promissory note of ₹1000 to Mr. Mohan on 17<sup>th</sup> May 2022 payable 3 months after date. After that, a sudden holiday was declared on 20<sup>th</sup> August 2022 due to Moharram. As per the provisions of the General Clauses Act 1897, what should be the date of presentment of promissory note for payment? Whether it should be 19<sup>th</sup> August 2022 or 21<sup>st</sup> August 2022? **(4 Marks)**
- (d) Enumerate when does the rule of Ejusdem Generis apply. **(3 Marks)**
5. (a) Following is the extract of the Balance sheet ABC Ltd. as on 31<sup>st</sup> March, 2022:

Particulars		Amount (₹)
<b>Equity &amp; Liabilities</b>		
<b>(1) Shareholder's Fund</b>		
<b>(a) Share Capital:</b>		
<b>Authorized Capital:</b>		
10,000, 12% Preference Shares of ₹ 10 each	1,00,000	
1,00,000 equity shares of ₹ 10 each	10,00,000	<u>11,00,000</u>
<b>Issued &amp; Subscribed Capital:</b>		
8000, 12% Preference Shares of ₹ 10 each fully paid up		80,000
90,000 equity shares of ₹ 10 each, ₹ 8 paid up		7,20,000
<b>(b) Reserve and Surplus</b>		
General Reserve	1,20,000	
Capital Reserve	75,000	
Securities Premium	25,000	
Surplus in statement of P& L	<u>2,00,000</u>	<u>4,20,000</u>
<b>(2) Non-Current Liabilities:</b>		
Long-term borrowings:		
Secured Loan: 12% partly convertible		
Debenture @ ₹ 100 each		5,00,000

On 1<sup>st</sup> April, 2022 the company has made final call at ₹ 2 each on 90,000 Equity Shares. The call money was received by 25<sup>th</sup> April, 2022. Thereafter, the company decided to capitalize its reserves by way of bonus @ 1 share for every 4 shares to existing shareholders.

Answer the following questions according to the Companies Act, 2013, in above case:

- (A) Which of the above-mentioned sources can be used by company to issue bonus shares?
- (B) Calculate the amount to be capitalized from free reserves to issue bonus shares?

**(5 Marks)**

- (b) Mr. Raj acquired a property from XYZ Limited which was mortgaged to ABC Bank. He settled the dues to ABC Bank in full and the same was registered with the sub-registrar who has noted that the mortgage has been settled. But neither the company nor ABC Bank has filed particulars of satisfaction of charge with the Registrar of Companies. Can Mr. Raj approach the Registrar and seek any relief in this regard? Discuss this matter in the light of provisions of the Companies Act, 2013. **(5 Marks)**
- (c) As per the provisions of the Indian Contract Act, 1872, what is the meaning of:
- (1) Continuing guarantee
  - (2) Gratuitous Bailment **(4 Marks)**
- (d) What is the meaning of service by post as per provisions of the General Clauses Act, 1897? **(3 Marks)**

**MOCK TEST PAPER 1**  
**INTERMEDIATE GROUP – I**  
**PAPER – 2: CORPORATE AND OTHER LAWS**  
**ANSWERS**

**Division A**

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

**Division B**

- 1. (a) Section 127 of the Companies Act, 2013 lays down the penalty for non-payment of dividend within the prescribed time period of 30 days. According to this section where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within 30 days from the date of declaration of dividend to any shareholder entitled to the payment of dividend:
  - (1) every director of the company shall, if he is knowingly a party to the default, be punishable with imprisonment maximum up to two years and with minimum fine of rupees one thousand for every day during which such default continues; and

- (2) the company shall be liable to pay simple interest at the rate of 18% per annum during the period for which such default continues.

In the given question, the company was unable to post dividend warrant within 30 days from the date of declaration of dividend. Thus, the directors will be liable as per the above provisions and the company is liable to pay simple interest. However, Mr. Ranjan will not succeed if he claims interest at 20% per annum interest as the limit prescribed under section 127 is 18% per annum.

- (b) According to section 19 of the Companies Act, 2013 a company shall not hold any shares in its holding company either by itself or through its nominees. Also, holding company shall not allot or transfer its shares to any of its subsidiary companies and any such allotment or transfer of shares of a company to its subsidiary company shall be void.

Following are the exceptions to the above rule—

- (a) where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company; or
- (b) where the subsidiary company holds such shares as a trustee; or
- (c) where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company but in this case, it will not have a right to vote in the meeting of holding company.

In the given case, one of the shareholders of holding company (Octagon Limited) has transferred his shares in the holding company to a trust where the shares will be held by subsidiary company (Pentagon Limited). It means now subsidiary will hold shares in the holding company. But it will hold shares in the capacity of a trustee. Therefore, we can conclude that in the given situation Pentagon Limited can hold shares in Octagon Limited.

- (c) Section 189 of the Indian Contract Act, 1872 defines agent's authority in an emergency. An agent has authority, in an emergency, to do all such acts for the purpose of protecting his principal from loss as would be done by a person of ordinary prudence, in his own case, under similar circumstances.

In certain circumstances, a person who has been entrusted with another's property may have to incur expenses to protect or preserve it. This is called an agency of necessity. Hence, in the above case the Salvor had implied authority from the cargo owner to take care of the cargo. They acted as agents of necessity on behalf of the cargo owner. Cargo owner were duty-bound towards salvor. Salvor is entitled to recover the agreed sum from Mr. Shiv and not from the ship owner, as a lien on the goods.

- (d) **Person to be called as a holder:** As per section 8 of the Negotiable Instruments Act, 1881, 'holder' of a Negotiable Instrument means any person entitled in his own name to the possession of it and to receive or recover the amount due thereon from the parties thereto.

On applying the above provision in the given cases—

- (i) Babita is not a holder of the Instrument though she is in possession of the cheque. She is not entitled to the possession of it in her own name.
- (ii) No, Biswas is not a holder. While the agent may receive payment of the amount mentioned in the cheque, yet he cannot be called the holder thereof because he has no right to sue on the instrument in his own name.

2. (a) According to section 103 of the Companies Act, 2013, unless the articles of the company provide for a larger number in case of a public company, five members personally present if the number of members as on the date of meeting is not more than one thousand, shall be the quorum.

In this case the quorum for holding a general meeting is 7 members to be personally present (higher of 5 or 7). For the purpose of quorum, only those members are counted who are entitled to vote on resolution proposed to be passed in the meeting.

Again, only members present in person and not by proxy are to be counted. Hence, proxies whether they are members or not will have to be excluded for the purposes of quorum.

If a company is a member of another company, it may authorize a person by resolution to act as its representative at a meeting of the latter company, then such a person shall be deemed to be a member present in person and counted for the purpose of quorum. Where two or more companies which are members of another company, appoint a single person as their representative then each such company will be counted as quorum at a meeting of the latter company.

Further the President of India or Governor of a State, if he is a member of a company, may appoint such a person as he thinks fit, to act as his representative at any meeting of the company. A person so appointed shall be deemed to be a member of such a company and thus considered as member personally present.

In view of the above there are only three members personally present.

'A' will be included for the purpose of quorum. B & C have to be excluded for the purpose of quorum because they represent the preference shares and since the agenda being the appointment of Managing Director, their rights cannot be said to be directly affected and therefore, they shall not have voting rights. D will have two votes for the purpose of quorum as he represents two companies Green Limited and Blue Limited. E, F, G and H are not to be included as they are not members but representing as proxies for the members.

Thus, it can be said that the requirement of quorum has not been met and it shall not constitute a valid quorum for the meeting.

- (b) The following class of companies shall be required to appoint an internal auditor which may be either an individual or a partnership firm or a body corporate, namely:
- (1) every listed company;
  - (2) every unlisted public company having-
    - (A) paid up share capital of 50 crore rupees or more during the preceding financial year; or
    - (B) turnover of 200 crore rupees or more during the preceding financial year; or
    - (C) outstanding loans or borrowings from banks or public financial institutions exceeding 100 crore rupees or more at any point of time during the preceding financial year; or
    - (D) outstanding deposits of 25 crore rupees or more at any point of time during the preceding financial year; and
- (c) According to section 152 of the Indian Contract Act, 1872, the bailee, in the absence of any special contract, is not responsible for the loss, destruction or deterioration of the thing bailed, if he has taken reasonable care as required under section 151.

In the given question, Shweta and Mira agreed to keep Shweta's jewellery (bailed to Mira) at the Bank's safe locker and not at the latter's residence (i.e. Mira's residence). So, Mira is liable to compensate Shweta for her negligence to keep jewellery at her (Mira's) residence. Thus, Shweta will succeed in her claim.

- (d) When a bill of exchange has been dishonoured by non-acceptance and any person accepts it for honour of the drawer or of any indorsers, such person is called 'an **Acceptor for honour**'.

The payment which he makes is known as '**payment for honour**.'

3. (a) Under section 20 of the Companies Act, 2013 a document may be served on a company or an officer thereof by sending it to the company or the officer at the registered office of the company by registered post or by speed post or by courier service or by leaving it at its registered office or by means of such electronic or other mode as may be prescribed. However, in case where securities are held with a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic or other mode.

Under section 20 (2), save as provided in the Act or the rule thereunder for filing of documents with the registrar in electronic mode, a document may be served on Registrar or any member by sending it to him by post or by registered post or by speed post or by courier or by delivering at his office or address, or by such electronic or other mode as may be prescribed. However, a member may request for delivery of any document through a particular mode, for which he shall pay such fees as may be determined by the company in its annual general meeting.

- (b) (1) As per section 141 (3) of the Companies Act, 2013, read with Rule 10 of the Companies (Audit and Auditors) Rules, 2014, a person is disqualified to be appointed as an auditor if he is an officer or employee of the company.

Hence, Priyansh is disqualified to be appointed as an auditor in Gizmo Limited.

- (2) As per section 141(3)(d)(ii), an auditor is disqualified to be appointed as an auditor if he or his relative or partner is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of rupees 5 Lacs. In the instant case, Vinod will be qualified to be appointed as an auditor of Gizmo Limited as he is indebted to Gizmo Limited for rupees 2 lacs.

- (c) According to section 9 of the Negotiable Instrument Act, 1881, "Holder in due course" means-

- any person
- who for consideration
- becomes the possessor of a promissory note, bill of exchange or cheque (if payable to bearer), or the payee or indorsee thereof, (if payable to order),
- before the amount mentioned in it became payable, and
- without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title.

In the instant case, Mr. Krishna draws a cheque of ₹ 20,000 and gives to Mr. Balram by way of gift.

Hence,

- (1) Mr. Balram is holder but not a holder in due course since he did not get the cheque for value and consideration.
- (2) Mr. Balram's title is good and bonafide. As a holder he is entitled to receive ₹ 20,000 from the bank on whom the cheque is drawn.

- (d) **Principles of Grammatical Interpretation and Logical Interpretation:** In order to ascertain the meaning of any law/ statute the principles of Grammatical and Logical Interpretation is applied to conclude the real meaning of the law and the intention of the legislature behind enacting it.

Grammatical interpretation concerns itself exclusively with the verbal expression of law. It does not go beyond the letter of the law, whereas Logical interpretation on the other hand, seeks more satisfactory evidence of the true intention of the legislature.

#### 4. (a) **Doctrine of Indoor Management**

According to this doctrine, persons dealing with the company need not inquire whether internal proceedings relating to the contract are followed correctly, once they are satisfied that the transaction is in accordance with the memorandum and articles of association.

Stakeholders need not enquire whether the necessary meeting was convened and held properly or whether necessary resolution was passed properly. They are entitled to take it for granted that the company had gone through all these proceedings in a regular manner.

The doctrine helps to protect external members from the company and states that the people are entitled to presume that internal proceedings are as per documents submitted with the Registrar of Companies.

The doctrine of indoor management is opposite to the doctrine of constructive notice. Whereas the doctrine of constructive notice protects a company against outsiders, the doctrine of indoor management protects outsiders against the actions of a company. This doctrine also is a safeguard against the possibility of abusing the doctrine of constructive notice.

- (b) According to sub-clause (viii) of Rule 2 (1) (c) of the Companies (Acceptance of Deposits) Rules, 2014, any amount received from a person who, at the time of the receipt of the amount, was a director of the company or a relative of the director of the private company, is not considered as deposit.

The director of the company or relative of the director of the private company, as the case may be, from whom money is received, is required to furnish to the company at the time of giving the money, a declaration in writing to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board's report.

₹ 3,00,000 received by Sasha Private Limited, from one of the relatives of a Director. When the relative furnishes a declaration that the said amount was received by him from his mother as a gift, then it will not be considered as deposit in terms of sub-clause (viii) of Rule 2 (1) (c).

Thus, the amount given to the private company out of gifted money by one of the relatives of a director is not a 'deposit'. As an additional requirement, the company shall disclose the details of money so accepted in the Board's report.

- (c) Section 10 of the General Clauses Act, 1897 provides where by any legislation or regulation, any act or proceeding is directed or allowed to be done or taken in any court or office on a certain day or within a prescribed period then, if the Court or office is closed on that day or last day of the prescribed period, the act or proceeding shall be considered as done or taken in due time if it is done or taken on the next day afterwards on which the Court or office is open.

A promissory note of ₹1000 was issued by Mr. Sridhar to Mr. Mohan on 17<sup>th</sup> May 2022 which was payable 3 months after date. After that, a sudden holiday was declared on 20<sup>th</sup> August 2022 due to Moharram.

In the given case, the period of 3 months ends on 17<sup>th</sup> August 2022. Three days of grace are to be added. It falls due on 20<sup>th</sup> August 2022 which declared to be a public holiday after the issue of Promissory Note. In the light of provisions of section 10 of the General Clauses Act 1897, the due date will be on next day when office is open i.e. 21<sup>st</sup> August 2022.

- (d) The rule of Ejusdem Generis applies when:
1. The statute contains an enumeration of specific words
  2. The subject of enumeration constitutes a class or category
  3. That class or category is not exhausted by the enumeration
  4. General terms follow the enumeration; and
  5. There is no indication of a different legislative intent.

**5. (a) Issue of Bonus Shares**

According to section 63 (1) of the Companies Act, 2013, a company may issue fully paid-up bonus shares to its members, in any manner whatsoever, out of—

- (i) its free reserves;
- (ii) the securities premium account; or
- (iii) the capital redemption reserve account.

However, no issue of bonus shares shall be made by capitalising reserves created by the revaluation of assets.

Section 63 (2) provides that the company can issue bonus shares only when the partly paid-up shares, if any outstanding on the date of allotment, are made fully paid-up.

(A) The following sources can be used by the company to issue bonus shares:

1. General Reserve
2. Securities Premium
3. Surplus in statement of P&L

(B)

Particulars	Amount
Amount of bonus shares to be issued	90,000 shares x 1/4 = 22,500 shares
Amount that ought to be capitalized for issue of bonus shares	22,500 x ₹ 10 per share = ₹ 2,25,000
Total amount available to be capitalized from free reserves to issue bonus shares	= 1,20,000+ 25,000+ 2,00,000 = ₹ 3,45,000
Hence, the amount to be capitalized from free reserves to issue bonus shares will be	₹ 2,25,000

(b) Section 83 of the Companies Act, 2013 empowers the Registrar to make entries with respect to the satisfaction and release of charges even if no intimation has been received by him from the company. Accordingly, with respect to any registered charge if an evidence is shown to the satisfaction of Registrar that the debt secured by charge has been paid or satisfied in whole or in part or that the part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking, then he may enter in the register of charges a memorandum of satisfaction that:

- ◆ the debt has been satisfied in whole or in part; or

- ◆ the part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking.

This power can be exercised by the Registrar despite the fact that no intimation has been received by him from the company.

**Information to affected parties:** The Registrar shall inform the affected parties within 30 days of making the entry in the register of charges.

**Issue of Certificate:** As per Rule 8 (2), in case the Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge in Form No. CHG-5.

Therefore, Mr. Raj can approach the Registrar and show evidence to his satisfaction that the charge has been duly settled and satisfied and request the Registrar to enter a memorandum of satisfaction noting the release of charge.

- (c) (1) **Continuing guarantee:** A guarantee which extends to a series of transaction is called a continuing guarantee. A surety's liability continues until the revocation of the guarantee.

The essence of continuing guarantee is that it applies not to a specific number of transactions but to any number of transactions and makes the surety liable for the unpaid balance at the end of the guarantee.

- (2) **Gratuitous Bailment:** The word gratuitous means free of charge. So, a gratuitous bailment is one when the provider of service does it gratuitously i.e. free of charge. Such bailment would be either for the exclusive benefits of bailor or bailee.

- (d) **"Meaning of Service by post":** As per section 27 of the General Clauses Act, 1897, where any legislation or regulation requires any document to be served by post, then unless a different intention appears, the service shall be deemed to be effected by:

- (i) properly addressing
- (ii) pre-paying, and
- (iii) posting by registered post.

A letter containing the document to have been effected at the time at which the letter would be delivered in the ordinary course of post.