

CA – inter

LAW MCQS

Division A – Multiple Choice Questions

1. Green Ltd. was dealing in export of rubber to specified foreign countries. The company was willing to purchase rubber trees in A.P. State. The company is contemplating to raise funds through issue of prospectus in which, according to the directors, a sum of ` 50 crores should be stated as the minimum amount that needs to be subscribed by the prospective subscribers. The funds shall be raised in four installments consisting of application, allotment, first call and second & final call. The prospectus issued by the company contained some important extracts of the expert report and number of trees in A.P. State. The report was found untrue. Mr. Aryan purchased the shares of Green Ltd. on the basis of the expert's report published in the prospectus. However, he did not suffer any loss due to purchase of such shares. As, Green Ltd. willing to purchase rubber trees in A.P. State. It has raised Rs. 100 crores through public issue of its equity shares for the above mentioned purpose but It has utilized 10 crores rupees and then it realized that its existing business has no potential for expansion because government has levied many heavy duties and A.P. govt. has recently changes their rules & regulation of trading and now it will not profitable for the Green Ltd. to purchase the rubber plant from A.P state. Now it wants to utilize remaining amount in other business by adding a new object in its memorandum of association. Company is in view that company can freely use this money only after adding the required object in the Memorandum of association of company.

Keeping the basic provisions of the Companies act, 2013 and the rules made there under in mind answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. As per section 35 of Companies Act, 2013 in case if misleading information given in report of Green Ltd then :

(1) The company and every person including an expert shall, be liable to pay compensation to

the person who has sustained such loss or damage.

(2) The company shall be liable to pay compensation to the person who has sustained such loss or damage.

(3) Director including an expert shall, be liable to pay compensation to the person who has sustained such loss or damage.

(4) None of the above

2. Advise the company by which installment it should receive the minimum subscription stated in the prospectus.

(1) Along with amount subscribed as application money.

(2) Along with amount subscribed as final call money.

(3) Along with amount subscribed as first call money.

(4) Along with amount subscribed as second and final call money.

3. Can Vintage security equipments limited utilize remaining amount in mobile app development business by adding a new object in its memorandum of association.

(1) No, it is not allowed to use the money for any other business

(2) Yes, after complying the provisions of section 13 the money can be utilize for new object

(3) No, because money can utilized only for already mentioned objects in memorandum of association.

(4) None of the above

4. A growing Company and requires additional funds for expansion from time to time. They are following the same process for making an offer to public and then issue those shares. This is very time and energy consuming for them. Kindly advise them if

there is any way out.

- (1) During first offer they shall file prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
- (2) During first offer they shall file prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
- (3) During first offer they shall file shelf prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
- (4) During first offer they shall file shelf prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;

5. Morgan Limited decided to make an offer for purchase of securities. Application Forms for the purchase were issued to public. However, it was not accompanied by an abridged prospectus. For this default Company is liable for penalty. How much penalty Company has to bear?

- (1) Rs. 25,000
- (2) Rs. 50,000
- (3) Rs. 100,000
- (4) Rs. 500,000

2. Mathura Ltd. has a paid up share capital of ` 10 crore and free reserves of ` 50 crore, as on 31st March, 2019. The company made a loss of Rs. 40 lakh after providing for depreciation for the year ended 31st March, 2019 and as a result, the company was not in a position to declare any dividend for the said year out

of profits. However, the Board of directors of the company announced the declaration of dividend of 20% on the equity shares payable out of free reserves. The average dividend declared by the company in the last three years is 25%. On the other hand, Mathura Ltd. appointed an individual firm, Naresh & Company, Chartered Accountants, as Auditors of the company at the Annual General Meeting held on 30 September 2019. Mrs. Reena, wife of Mr. Naresh, invested in the equity shares face value of ₹ 1 lakh of New Limited on 15 October 2019. But Naresh & Company continues to function as statutory auditors of the company. The Mathura Ltd. follows the financial year so it closes its books on 31ST every year. The Board of Directors of Mathura Ltd. consists of Mr. Ghanshyam (Director), Mr. Hyder (Director) and Mr. Indersen (Managing Director). The company has also employed a full time Secretary. The Profit and Loss Account and Balance Sheet of the company were signed by Mr. Ghanshyam and Mr. Hyder. Mathura Ltd. is in view that as per the provisions of Companies Act, 2013 it is necessary to sign the financial statements by any two board of directors but it is not mandatory to sign the financials by managing director or company secretary.

Keeping the basic provisions of the Companies act, 2013 and the rules made there under in mind answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. As per Second Proviso to Section 123 (1) and as per Rule 3 of Companies (Declaration and Payment of Dividend) Rules, 2014. Whether declaration of dividend by board of directors of Mathura Ltd. is :

- (1) Valid
- (2) Invalid
- (3) Partially Valid
- (4) None of the above

2. Which of the following statement is incorrect in respect of appointment of Naresh & Company, Chartered Accountants :

- (1) Cannot appoint, because his wife held equity shares of Mathura Ltd. of face value ₹ 1 lakh

- (2) Can appoint, because his wife held equity shares of Mathura Ltd. of face value ` 1 lakh which is within the specified limit.
- (3) Can appoint, because the relative of such person may hold security or interest in the company of face value not exceeding 1 lakh rupees
- (4) Cannot appoint, if the relative of such person may hold security or interest in the company of face value exceeding 1 lakh
3. The authentication of financial statements of the company was in accordance with the provisions of the Companies Act, 2013. This statement is :
- (1) Correct
- (2) Incorrect
- (3) Partially Correct
- (4) None of the above
4. A Company was incorporated in 2015. Company was not running its business properly due to unexpected ups and downs. It could not hold its first annual general meeting in the year 2016. The company is planning to apply for extension of time for holding the AGM from the Registrar of Companies. On which grounds Company can get an extension?
- (1) They will not get any extension.
- (2) If Company proves that their financial statements are confiscated.
- (3) If they prove that directors have fallen below numbers.
- (4) If they prove that members are not available.

3. Yark Ltd. has its registered office at Mumbai in the State of Maharashtra. For better administrative conveniences the company wants to shift its registered office from Mumbai

to Pune (within the State of Maharashtra). the company has to comply with under the provisions of section 12(5) and 13 of the Companies Act, 2013 for shifting its registered office as stated above. In the Annual General Meeting ,yark Limited declared a dividend at the rate of 30 percent payable on paid up equity share capital of the Company as recommended by Board of Directors on 30th April, 2019. But the Company was unable to post the dividend warrant to Mr. Ranjan, an equity shareholder of the Company, up to 30th June, 2019. 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 default period. Company is in view that company changes its registered office within the state only for better administrative. So the provisions of section 13 will not apply and in the second matter that was dividend declared in the board meeting but company was unable to post the dividend warrant to a shareholder within the prescribed time limit. Company is in view that company is not liable for paying the interest along with dividend amount. Keeping the provisions of Section 13, 127 of the Companies act, 2013 and the rules made there under in mind whether the views taken by the company is correct or not. Answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. As per provisions of the Companies Act, 2013 a change in address from Mumbai to Pune :
 - (1) Does not result in the alteration of the Memorandum and hence the provisions of section 13 do not apply in this case.
 - (2) Does result in the alteration of the Memorandum and hence the provisions of section 13 (and its sub sections) do apply in this case
 - (3) Does result in the alteration of the AOA and hence the provisions of section 13 (and its sub sections) do apply in this case.
 - (4) None of the above

2. Soya Limited was incorporated in 2014 and has its registered office in Noida. Company

wants to call its 4th Annual General Meeting in Mumbai. Whether it is possible?

- (1) It is not possible as Annual General Meeting has to be held in Noida;
- (2) It is possible with consent of 50% members is received;
- (3) It is possible if consent of 75% members is received;
- (4) It is possible if consent of 100% members is received;

3. Section 127 of the Companies Act, 2013 lays down the penalty for non - payment of dividend within ____ days from the date of declaration to any shareholder entitled to the payment of the dividend

- (1) 45
- (2) 30
- (3) 90
- (4) 60

4. In the given case will Mr Rajan succeed in his claim for 20% interest :

- (1) No, the company shall be liable to pay simple interest at the rate of eighteen per cent. per annum during the period for which such default continues.
- (2) Yes, the company shall be liable to pay simple interest at the rate of Twenty per cent. per annum during the period for which such default continues.
- (3) No, the company shall be liable to pay simple interest at the rate of Fifteen per cent. per annum during the period for which such default continues.
- (4) None of the Above

4. Being in need of further capital, Midha Limited opted to offer 50.00 lacs equity shares of Rs. 1 each to 50 identified persons on 'private placement' basis and accordingly a letter of offer accompanied by serially numbered application 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 letter of offer was incomplete as well as illegal, for the same did not contain 'renunciation clause' though he wanted to exercise his 'right of renunciation' in favour of one of his son Uday. On the other hand, company owns a plot of land which was mortgaged to Urbane Commercial Bank Limited for raising term loan of Rs. 2.00 crore. The mortgage was duly registered with the Central Registry. First loan installment of Rs. 50.00 lacs was released immediately after sanction of term loan with the condition that subsequent three installments of Rs.50.00 lacs shall be released as soon as the earlier released installment is utilized satisfactorily. Company is in view that mortgage was duly registered with the Central Registry so it is not necessary to register it before Registrar of Companies. After considering the provisions of companies act 2013, whether views taken by the company is correct or not.

Answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. By choosing the correct option, advise the Midha Limited in this matter
 - (1) As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the letter of offer and the application form.
 - (2) The company is prohibited from providing 'Right of Renunciation' and therefore, the letter of offer and the application form need not include any such clause.
 - (3) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to twenty five percent of offering.
 - (4) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to fifty percent of offering.

2. Is it necessary either for the company or the bank to register the charge on plot with the concerned Registrar of Companies (ROC) when the mortgage is registered with

the Central Registry?

- (1) It is not necessary either for the bank or the company to register the charge on plot of land with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry.
 - (2) It is necessary to get the charge on plot on land registered with the concerned Registrar of Companies (ROC) irrespective of the fact that mortgage is registered with the Central Registry.
 - (3) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the actual liability of the company with the Bank exceeds Rs. 1.00 crore.
 - (4) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the term loan sanctioned by the bank to the company exceeds Rs. 2.00 crores.
3. Sapan and Sanjay made a name reservation application accompanied by requisite fee to the Registrar for forming a new private company. The Registrar accorded its approval for reservation of most preferred name Sapanjay Softwares Private Ltd. on 6th July, 2018. In how many days, necessary documents for incorporation of the company must be submitted to the Registrar so that the reserved name does not get lapsed
- (1) Within 10 days from the date of approval
 - (2) Within 20 days from the date of approval
 - (3) Within 45 days from the date of approval
 - (4) Within 60 days from the date of approval
4. Seema Bulbs Ltd. is desirous of having significant influence in Shaukeen LED Bulbs and Tubes Ltd. so that the latter becomes its 'associate company'. For exercising 'significant influence' one of the options available to Seema Bulbs is to control at least

twenty per cent of total voting power of Shaukeen LED Bulbs and Tubes. What is the other option available?

- (1) To control or participate in the recruitment decisions relating to appointment of middle management personnel of Shaukeen LED Bulbs and Tubes under an agreement.
- (2) To control or participate in the dividend decisions of Shaukeen LED Bulbs and Tubes under an agreement.
- (3) To control or participate in the business decisions of Shaukeen LED Bulbs and Tubes under an agreement.
- (4) To control or participate in the export decisions of Shaukeen LED Bulbs and Tubes under an agreement.

5. Mr. Madhavan drew a cheque payable to Mr. Vikas or order. Mr. Vikas lost the cheque and was not aware of the loss of the cheque. The person who found the cheque forged the signature of Mr. Vikas and endorsed it to Mr. Pawan as the consideration for goods bought by him from Mr. Pawan. Mr. Pawan encashed the cheque, on the very same day from the drawee bank. Mr. Vikas intimated the drawee bank about the theft of the cheque after three days. Mr. Vikas is in the view that drawee is liable for the loss incurred to the Mr. Vikas because of forged signature done by the person who found the cheque. On the second hand, Mr. Vikas entered into the contract of surety with Mr. Chintu and Site Manager of ABC Constructions Company. Mr. Chintu was appointed as Site Manager of ABC Constructions Company on a two years contract at a monthly salary of ` 50,000. Mr. Vikas gave a surety in respect of Mr. Chintu's conduct. After six months the company was not in position to pay ` 50,000 to Mr. Chintu because of financial constraints. Chintu agreed for a lower salary of ` 30,000 from the company. This was not communicated to Mr. Vikas. Three months afterwards it was discovered that Chintu had been doing fraud (misappropriation of cash) since the time of his appointment. Site Manager of ABC Constructions Company is in view that Surety Mr. Vikas is liable for the misconduct of the Mr. Chintu. But Mr. Vikas is in view that changes in the contract made without my knowledge so I am not liable for any misconduct of any one of the above two parties mentioned. Keeping the

provisions of Negotiable Instruments Act, 1881 and the Indian Contract Act, 1872 in mind answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. Examine the liability of the drawee bank as per the provisions of Section 85 of the Negotiable Instruments Act, 1881
 - (1) the banker is protected and is discharged
 - (2) The true owner, Mr. Vikas, can recover the money from the drawee bank in this situation.
 - (3) the banker is not discharged and liable to pay money to Mr. Vikas
 - (4) None of the above

2. A draws a cheque in favour of M, a minor. M endorses the same in favour of X. The cheque is dishonoured by the bank on grounds of inadequate funds. As per the provisions of Negotiable Instruments Act, 1881:
 - (1) M is liable to X
 - (2) X can proceed against A
 - (3) No one is liable in this case
 - (4) M can proceed against A

3. As per the provisions of Section 133 of the Indian Contract Act, 1872, if the creditor makes any variance (i.e. change in terms) without the consent of the surety, then surety is
 - (1) discharged as to the transactions subsequent to the change
 - (2) still liable as to the transactions subsequent to the change
 - (3) discharged as to the transactions occurred before or subsequent to the change
 - (4) None of the above

4. According to the Indian Contract Act, 1872, In the given case Mr. Vikas will be liable for the act of Mr. Chintu :

- (1) Mr. Vikas, will be liable as a surety for the act of Mr. Chintu before the change in the terms of the contract i.e., during the first six months. Variation in the terms of the contract (as to the reduction of salary) without consent of Mr. Vikas, will discharge Mr. Vikas from all the liabilities towards the act of the Mr. Chintu after such variation.
- (2) Mr. Vikas, will be liable as a surety for the act of Mr. Chintu before the change in the terms of the contract i.e., during the first six months. Variation in the terms of the contract (as to the reduction of salary) without consent of Mr. Vikas, will not discharge Mr. Vikas from all the liabilities towards the act of the Mr. Chintu after such variation.
- (3) Mr. Vikas will be liable for the act of Mr. Chintu for the whole period of contract i.e 2 years.
- (4) None of the above.

5. A bill of exchange is payable 180 days after sight. As per the provisions of the Negotiable Instruments Act, 1881, how many days of grace shall be provided in such a case:

- (1) 1 day
- (2) 2 days
- (3) 3 days
- (4) 5 days

6. A private company by the name of Nupur Pvt. Limited was incorporated in the year 2002. The registered office of the company Nupur Pvt. Limited was situated in city S of state Y.

During the financial year beginning on 01/04/2018 and ending on 31/03/2019 the turnover of the company Nupur Pvt. Limited was ` 1010 crore. The net profit of the company Nupur Pvt. Limited for the financial year 2018-19 was ` 4 crore. The Board of Directors of Nupur Pvt. Limited consisted of only two directors

namely Mr. M and Mr. N. Mr. M and Mr. N were the only directors of company Nupur Pvt. Limited since its incorporation in the year 2002.

Mr. M one of the two directors of Nupur Pvt. Limited was of the opinion that no Corporate Social Responsibility Committee of the Board was required to be formed as for the financial year 2019 – 20 due to the reason that net profit of the company Nupur Pvt. Limited for financial year 2018-19 was ` 4 crore which was less than ` 5 crore. Mr. N the other director of Nupur Pvt. Limited was not having the same opinion as Mr. M. He was of the opinion that Corporate Social Responsibility Committee of the Board must be formed for the company Nupur Pvt. Limited. The net profit of the company Nupur Pvt. Limited for the financial year 2015-16, 2016-17 and 2017-18 were ` 1 crore, ` 2 crore and ` 3 crore respectively.

Keeping the basic provisions of Companies Act in mind answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. Mr. M one of the director of Nupur Pvt. Limited was of the opinion that no Corporate Social Responsibility Committee of Board was required to be formed for financial year 2019-20 but Mr. N other director was of opinion that it was required to be formed.

According to your understanding which one of the two director is right and why:

- (1) Mr. M because net profit of Nupur Pvt. Limited for financial year 2018-19 was less than ` 5 crore.
 - (2) Mr. N because turnover of Nupur Pvt. Limited for financial year 2018-19 was more than ` 1,000 crore.
 - (3) Mr. N because net profit of Nupur Pvt. Limited for financial year 2018-19 was more than ` 2 crore.
 - (4) Mr. M because turnover of Nupur Pvt. Limited for financial year 2019-19 was less than ` 1,500 crore.
2. The company Nupur Pvt. Limited must give preference to spend the amount of contribution towards Corporate Social Responsibility in area of:

- (1) City of State Y

- (2) City A of State Z
- (3) City G of State Z
- (4) City S of State Y

3. According to law Corporate Social Responsibility Committee shall consist of three or more directors, so for company Nupur Pvt. Limited the Corporate Social Responsibility Committee will:

- (1) Not be formed as it has only two directors namely Mr. M and Mr. N
- (2) Be formed only after appointing one more director apart from Mr. M and Mr. N
- (3) Be formed with two directors only namely Mr. M and Mr. N
- (4) Be formed only after appointing two more directors apart from Mr. M and Mr. N

4. The company Nupur Pvt. Limited shall spend during financial year 2018-19 on Corporate Social Responsibility an amount of atleast:

- (1) Rs. 0.04crore
- (2) Rs. 0.12crore
- (3) Rs. 0.18crore
- (4) Rs. 0.06crore

7. The Directors of Mars India Ltd. desire to alter capital clause of Memorandum of Association of their company. Under section 61(1) of the Companies Act, 2013, a limited company having a share capital may, if authorized by its Articles, alter its Memorandum in its general meeting to:

- (i) increase its authorized share capital by such amount as it thinks expedient;
- (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its

existing shares

However, no consolidation and division which results in changes in the voting percentage of shareholders shall take effect unless it is approved by the Tribunal on an application made in the prescribed manner.

- (iii) convert all or any of its paid- up shares into stock and reconvert that stock into fully paid shares of any denomination
- (iv) sub-divide the whole or any part of its shares into shares of smaller amount than is fixed by the Memorandum
- (v) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

On the other hand, company has entered into a agreement for sale of commercial property situated in delhi to Mr. Anup a resident of India. At the time of registration, Mr. Anup comes to know that the title deed of the company is not free and the company expresses its inability to get the title deed transferred in the name of Mr. Anup saying that he ought to have the knowledge of charge created on the property of the company. Company is in the view as per the rules and provisions of the act in case of purchase of any asset, on which charge was already registered before the contract of sale, in that case company has no liability to express this and it is deemed that buyer had knowledge of charge against the property at the time of purchasing the assest.

Keeping the basic provisions of the Companies act, 2013 and the rules made there under in mind answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. As per section 64 of the Companies Act, 2013 where a company alters its share capital, the company shall file a notice in the prescribed form with the Registrar within a period

of ___ days of such alteration or increase or redemption, as the case may be, along with an altered memorandum.

- (1) 45 Days
- (2) 30 Days
- (3) 90 Days
- (4) None of the above

2. The Registrar is empowered under clause (b) of first proviso to section 77 (1) to extend the period of ____ days by another ____ days on payment of prescribed additional fee.

- (1) 30,60
- (2) 30,30
- (3) 30,90
- (4) 60,30

3. Whether the contention of Mars LTD. In respect of Mr. Anup is correct :

- (1) Correct
- (2) Incorrect
- (3) Partially Correct
- (4) None of the above

4. A charge was created on assets of Mars Limited. Such charge is registered on 12th November, 2018. Any person acquiring such assets shall be deemed to have notice of the charge:

- (1) from 12th November, 2018;
- (2) from 13th November, 2018;
- (3) from 12th December, 2018;
- (4) from 12th January, 2019;

8. GEMS Private Limited was incorporated in the year 2009. The registered office of the company GEMS Private Limited was situated in city T of state V. The Board of Directors of GEMS Private Limited comprised of five directors namely Mr. K, Mr. N, Mr. R, Mr. U and Mr. W.

During the financial year beginning on 01/04/2018 and ending on 31/03/2019 the second meeting of Board of Directors of GEMS Private Limited was held on 7 September, 2018.

Out of 5 directors, Mr. K, Mr. N, Mr. R and Mr. W were present for the said meeting. During the meeting of Board of Directors a resolution on one of the important matters was passed. While three directors namely Mr. K, Mr. N and Mr. R agreed with the resolution and voted in favour of resolution, however, Mr. W did not agree with the resolution and voted against the resolution.

The minutes of the second meeting of Board of Directors of GEMS Private Limited held on 7 September, 2018 were prepared and they were entered in Minutes Book of meeting of Board of Directors of GEMS Private Limited. One of the director Mr. K was of the opinion that minutes of second meeting of Board of Directors of GEMS Private Limited must be prepared and entered in Minute Book of meeting of Board of Directors of GEMS Private Limited by end of October, 2018. The remaining four directors namely Mr. N, Mr. R, Mr. U and Mr. W did not agree with the opinion of Mr. K because they thought that it was not within the time limit as prescribed by the law.

One of the directors, Mr. N. opined that minute books of meetings of Board of Directors of GEMS Private Limited for the years starting with 2009 to 2015 should be shredded to ruins as these papers were taking a lot of space. He further added that since the Companies Act, 2013 is silent as to maintaining the minute book of meetings of Board of Directors, it is not necessary to maintain such minute books.

The Board of Directors of GEMS Private Limited did not decide any place where minute book of meetings of Board of Directors of GEMS Private Limited will be kept.

Keeping the basic provisions of the Companies act, 2013 and the rules made there under in mind answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. The second meeting of Board of Directors of GEMS Private Limited was held on 7 September, 2018 for the financial year 2018-19. The minutes of second meeting of Board of Directors of GEMS Private Limited for financial year 2018-19 must contain:
 - (1) Name of director Mr. U who was absent from the meeting of Board of Directors held on 7 September, 2018.
 - (2) Names of all the directors Mr. K, Mr. N, Mr. R, Mr. U and Mr. W comprising Board of Directors of GEMS Private Limited.
 - (3) Name of one director Mr. U who was absent and atleast one director who was present in the meeting of Board of Directors held on 7 September, 2018.
 - (4) Names of directors Mr. K, Mr. N, Mr. R and Mr. W who were present in the meeting of Board of Directors held on 7 September, 2018.

2. In case of the resolution talked in the case study, the minutes of second meeting of Board of Directors of GEMS Private Limited for financial year 2018-19 held on 7 September, 2018 must contain:
 - (1) Name of any two directors who were present in meeting and voted in the resolution.
 - (2) Name of director Mr. W who voted against the resolution.
 - (3) Name of directors Mr. K, Mr. N and Mr. R who voted in favour of the resolution.
 - (4) Names of all the directors Mr. K, Mr. N, Mr. R, Mr. U and Mr. W who all had the right to attend the meeting and vote in the resolution.

3. The opinion of one of the director, Mr. K was that minutes of second meeting of Board of Directors of GEMS Private Limited for financial year 2018-19 must be prepared and entered in minutes book of meeting of Board of Directors of GEMS Private Limited by the end of October, 2018 is incorrect. The opinion of Mr. K is incorrect because:

- (1) Minutes of second meeting of Board of Directors of GEMS Private Limited for financial year 2018-19 must be entered in minute book of meeting of Board of Directors within thirty days of the conclusion of meeting on 7 September, 2018.
 - (2) Minutes of second meeting of Board of Directors of GEMS Private Limited for the financial year 2018-19 must be entered in minute book of meeting of Board of Directors within sixty days of the conclusion of meeting on 7 September, 2018.
 - (3) Minutes of second meeting of Board of Directors of GEMS Private Limited for the financial year 2018-19 must be entered in minute book of meeting of Board of Directors within ninety days of the conclusion of meeting on 7 September, 2018.
 - (4) Minutes of second meeting of Board of Directors of GEMS Private Limited for financial year 2018-19 must be entered in minute book of meeting of Board of Directors within one twenty days of the conclusion of meeting on 7 September, 2018.
4. The Annual General meeting of a Limited was scheduled for 28th December, 2017. A shareholder of Company has desired to inspect inspection of proxies lodged with the company. The notice for inspection should be given at least __ before the meeting:
- (1) 24 hours
 - (2) 1 day
 - (3) 2 days
 - (4) 3 days

9. Parth appoints Sapna as his agent to sell his estate. Sapna, on looking over the estate before selling it, finds the existence of a good quality Granite-Mine on the estate, which is unknown to Parth. Sapna buys the estate herself after informing Parth that she (Sapna) wishes to buy the estate for herself but conceals the existence of Granite-Mine. Parth allows Sapna to buy the estate, in ignorance of the existence of Mine. Parth is in view that he can repudiate the sale as the existence of the mine, a material circumstance, had not been disclosed to him, but if Sapna had informed Parth about the existence of Mine before she

purchased the estate, but after two months, she sold the estate and made a profit then he cannot repudiate the contract because Parth knows that Sapna buys the estate herself. On the other hand Sapna is in view that Parth cannot repudiate the contract because it is not duty of Sapna to inform Parth about existence of mine before entering into contract. So as per the provisions of the Contract Act, 1872, the appropriate view among the both will not be selected. On the other hand Parth is also the owner of House No. 20 in Geeta Colony, Delhi. He has rented two rooms in this house to Mr. Iyer (Brother of Sapna). The Income Tax Authority has served a show cause notice to Parth. The said notice was received by Mr. Iyer and returned the notice with an endorsement of refusal. Parth is in view that notice was not rightly served on him because letter was served to tenant that has no relations of blood with me. So, Parth opposes the views taken by the income tax authority regarding serving of letter on Parth. Keeping the basic provisions of the General Clauses Act, 1897 and the Contract Act, 1872 in mind answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. Parth can repudiate the sale as the existence of the mine, a material circumstance, had not been disclosed to him. As per the provisions of the Contract Act, 1872 the statement is :
 - (1) Correct
 - (2) Incorrect
 - (3) Partially Correct
 - (4) None of the above
2. Which one of the statement is true in respect of point of Sapna informed to Parth about the existence of mine
 - (1) Parth cannot repudiate the transaction under section 215. Also, under Section 216, Parth cannot claim any benefit from Sapna as he had knowledge that Sapna was acting on her own account in the business of the agency.
 - (2) Parth can repudiate the transaction under section 215. Also, under Section 216, Parth can claim any benefit from Sapna as he had knowledge that Sapna was acting on her own account in the business of the agency.

- (3) Parth cannot repudiate the transaction under section 215. Also, under Section 216, Parth can claim any benefit from Sapna as he had knowledge that Sapna was acting on her own account in the business of the agency.
- (4) None of the above
3. Decide with reference to provisions of "General Clauses Act, 1897", whether the notice was rightfully served on Parth.
- (1) No, it cannot be deemed that the notice was rightfully served on Parth.
- (2) Yes, it can be deemed that the notice was rightfully served on Parth.
- (3) No, because it must be served to Parth or any person who has blood relations with Parth.
- (4) None of the above
4. A, B and C, as sureties for D, enter into three bonds, each in a different penalty, namely, A in the penalty of 1,00,000 rupees, B in that of 2,00,000 rupees, C in that of 4,00,000 rupees, conditioned for D's duly accounting to E. D makes default to the extent of 3,00,000 rupees. According to the Indian Contract Act, 1872:
- (1) Only A is liable
- (2) A and B are each liable to pay 1,00,000 and 2,00,000 rupees respectively.
- (3) A and B are each liable to pay 1,00,000 rupees.
- (4) A, B and C are each liable to pay 1,00,000 rupees.
5. Mr. A, puts 'M' as the cashier under Mr. B and agrees to stand as surety provided 'B' checks the cash every month. 'M' embezzles cash. According to the Indian Contract Act, 1872:
- (1) A and B shall equally share the loss.
- (2) No one is liable to pay penalty.
- (3) 'A' is not responsible, if B failed to verify the cash every month.
- (4) 'A' is responsible, even if B failed to verify the cash every month

10. Mars Ltd appointed XPP & Co., LLP as their statutory auditors for the year ended 31 March 2018 on 18 June 2018, as per Section 139(8) of the Companies Act 2013, to fill the casual vacancy caused by resignation of previous statutory auditors to hold office till the conclusion of next Annual General Meeting (AGM) of Mars Ltd. MARS Ltd is listed with Bombay Stock Exchange and National Stock Exchange. MARS Ltd is covered under auditors rotation requirements and wants to re-appoint XPP & Co LLP at their next AGM. On the another hand, except appointing the auditor, Mars Ltd. declared and paid dividend in time to all its equity holders for the financial year 2017 -18, except in the following two cases:

Mrs. Sheetal, holding 250 shares had mandated the company to directly deposit the dividend amount in her bank account. The company, accordingly remitted the dividend but the bank returned the payment on the ground that there was difference in surname of the payee in the bank records. The company, however, did not inform Mrs. Sheetal about this discrepancy.

Dividend amount of Rs. 50,000 was not paid to Mr. Piyush, deceased, in view of court order restraining the payment due to family dispute about succession.

These cases are with reference to provisions of the Companies Act, 2013 regarding failure to distribute dividends. So Company is in view that they can re-appoint the same auditor for another period of 5 years and about the distribution of dividend company is in view that no penalty proceeding can be initiated on the company because of non distribution of dividend to the above mentioned two shareholders.

Keeping the basic provisions of the Companies act, 2013 and rules made there under in mind answer the following multiple choice questions:

From the options (1), (2), (3) and (4) given in each question, choose the most appropriate option.

1. Please advise Mars Ltd appointed XPP & Co LLP :

(1) XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM and after that can be considered for re-appointment for another five consecutive years.

- (2) XPP & Co LLP can be re-appointed for a term of four consecutive years at the AGM and after that can be considered for re-appointment for another five consecutive years.
 - (3) XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM.
 - (4) XPP & Co LLP cannot be re-appointed at the AGM.
2. In the given situation, the company has failed to communicate to the shareholder Mrs. Sheetal about non-compliance of her direction regarding payment of dividend. Hence,
- (1) the penal provisions under section 127 of the Companies Act, 2013 will be applicable on company
 - (2) Section 127, provides that no offence shall be deemed to have been committed
 - (3) Company has committed no offence and no penalty will be levied
 - (4) None of the Above
3. Dividend amount of Rs. 50,000 was not paid to Mr. Piyush, deceased, in view of court order restraining the payment due to family dispute about succession. Which of the following is correct :
- (1) Section 127, inter-alia, provides that offence shall be deemed to have been committed where the dividend could not be paid by reason of operation of law.
 - (2) Section 127, inter-alia, provides that no offence shall be deemed to have been committed where the dividend could not be paid by reason of operation of law.
 - (3) Section 125, inter-alia, provides that offence shall be deemed to have been committed where the dividend could not be paid by reason of operation of law.
 - (4) None of the Above

4. Mars Ltd declared 12% dividend to its Equity Shareholders. However Company missed to transfer unpaid dividend to bank account even after 40 days from declaration of Dividend. In such case how much interest will be payable?

- (1) 8% p.a.
- (2) 16% p.a.
- (3) 10% p.a.
- (4) 12% p.a.