

CA Final – Paper 4 (Law) – MCQ

Compiled by: CA. Pankaj Garg

(Covering ICAI SM, MTPs & RTPs till Nov. 2022 applicable for May/Nov. 2023 Exams)

Chapter - 2: Meetings of Board and Its Powers

1	<p>Where at any time the number of interested Directors exceeds or is equal to _____ of the total strength of the Board of Directors of a company, the quorum shall be the number of non-interested Directors who are present at the meeting and not less than two.</p> <p>(a) 1/2 (b) 2/3 (c) 1/3 (d) None of the above</p>
2	<p>In case of a company where minimum _____ per cent members (in number) are relatives of promoters or are related parties, they are not precluded from voting on a resolution for approving any related party transaction.</p> <p>(a) 80 (b) 85 (c) 90 (d) 95</p>
3	<p>Out of the total strength of six Directors of SQ Transformers Limited, five are attending a Board Meeting to consider the investment of funds of the company. The resolution relating to investment shall be taken as passed in which of the following cases:</p> <p>(a) When all the five Directors of SQ Transformers Limited attending the meeting consent to such investment of funds. (b) When any four Directors of SQ Transformers Limited out of five attending the meeting consent to such investment of funds. (c) When any three Directors of SQ Transformers Limited out of five attending the meeting consent to such investment of funds. (d) Investment proposal must be consented to by the total strength of six Directors of SQ Transformers Limited.</p>
4	<p>In case of a Board Meeting which is conducted through the means of video conferencing, the draft minutes shall be circulated among all the Directors within _____ days of the meeting either in writing or in the electronic mode as may be decided by the Board of Directors of the company.</p> <p>(a) 5 (b) 10 (c) 15 (d) 20</p>

5	<p>Audit Committee may make omnibus approval for:</p> <p>(a) Making of investment in other companies. (b) Related party transactions proposed to be entered into by the company. (c) Transferring of non-functional undertaking. (d) All of the above.</p>												
6	<p>Seafood Marketing Limited, incorporated on 1st April, 2022, conducted four Board Meetings during the Financial Year 2022-23 i.e. on 6th April, 2022, 28th August, 2022, 30th September, 2022 and 30th March, 2023. Select the correct option from those given below as to whether there is contravention of provisions or not regarding frequency of holding the Board Meetings by Seafood Marketing Limited:</p> <p>(a) There is no contravention of the provisions relating to holding of Board Meetings because four Board Meetings have been held by Seafood Marketing Limited during the Financial Year 2022-23. (b) There is no contravention of the provisions relating to holding of Board Meetings by Seafood Marketing Limited because the first Board Meeting was held within 30 days of the incorporation of the company. (c) There is contravention of provisions in respect of conduct of the Board Meetings by Seafood Marketing Limited because gap between initial two consecutive Board Meetings (held on 6th April, 2022 and 28th August, 2022) is 143 days and further, gap between next two consecutive Board Meetings (held on 30th September, 2022 and 12th March, 2023) is 163 days. (d) There is contravention of provisions in respect of conduct of the Board Meetings by Seafood Marketing Limited because gap between initial two consecutive Board Meetings (held on 6th April, 2022 and 28th August, 2022) is 123 days and further, gap between next two consecutive Board Meetings (held on 30th September, 2022 and 12th March, 2023) is 143 days.</p>												
7	<p>The Board of Directors of Shanta Hospitality Services Limited is desirous of contributing certain amount to Ashirwad Dharmarth Sansthan, a bona fide charitable organization operating in the National Capital Region, during the financial year 2021-2022. The profits and losses of the earlier five financial years are as under:</p> <table border="1" data-bbox="233 1129 1461 1436"> <thead> <tr> <th>Year</th> <th>Profit/ (Loss)</th> </tr> </thead> <tbody> <tr> <td>2020-2021</td> <td>(30,00,000)</td> </tr> <tr> <td>2019-2020</td> <td>1,80,00,000</td> </tr> <tr> <td>2018-2019</td> <td>2,10,00,000</td> </tr> <tr> <td>2017-2018</td> <td>1,85,00,000</td> </tr> <tr> <td>2016-2017</td> <td>1,40,00,000</td> </tr> </tbody> </table> <p>From the following four options, select the appropriate one which indicates the amount that the Board of Directors of Shanta Hospitality Services Limited can contribute to Ashirwad Dharmarth Sansthan:</p> <p>(a) The Board of Directors of Shanta Hospitality Services Limited cannot contribute any amount to Ashirwad Dharmarth Sansthan in the financial year 2021-2022 since it suffered losses of ₹ 30,00,000 in the immediate previous financial year 2020-2021. (b) The Board of Directors of Shanta Hospitality Services Limited can contribute maximum of ₹ 9,00,000 to Ashirwad Dharmarth Sansthan in the financial year 2021-2022. (c) The Board of Directors of Shanta Hospitality Services Limited can contribute maximum of ₹ 6,00,000 to Ashirwad Dharmarth Sansthan in the financial year 2021-2022. (d) The Board of Directors of Shanta Hospitality Services Limited can contribute maximum of ₹ 3,00,000 to Ashirwad Dharmarth Sansthan in the financial year 2021-2022.</p>	Year	Profit/ (Loss)	2020-2021	(30,00,000)	2019-2020	1,80,00,000	2018-2019	2,10,00,000	2017-2018	1,85,00,000	2016-2017	1,40,00,000
Year	Profit/ (Loss)												
2020-2021	(30,00,000)												
2019-2020	1,80,00,000												
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2016-2017	1,40,00,000												

8	<p>A seven days' notice of the Board Meeting was served on all the ten directors of Goodluck Publishers Limited by sending it on their registered postal addresses. However, before the holding of scheduled Board Meeting, some unavoidable happenings took place. Mr. M was hospitalised because of serious stomach pain just two days before the Meeting. Mr. Y proceeded to London since his son met with an accident and the incidence required his immediate presence. As scheduled earlier, Mr. X and Mr. B went to Australia for attending a technical seminar that would help improving the existing publishing techniques. Mr. A, extremely busy in finalizing the arrangements relating to his daughter's marriage, was also unable to attend the impending board meeting. A day before the board meeting, Mr. E's grand-mother got hospitalised and therefore, he was involved in taking care of her but he assured to attend the meeting through video conferencing. Mr. P was scheduled to arrive for the meeting by 2 p.m. on the same day of the meeting but his flight got delayed by eight hours. Mr. D, Mrs. G and Mr. H were in the town and were available for the Board Meeting. Could the Board Meeting be held as per the scheduled time?</p> <p>(a) The Board Meeting cannot be held because minimum sixty percent directors (i.e. 6 out of 10) must attend it at the scheduled time to complete the quorum.</p> <p>(b) The Board Meeting cannot be held because minimum fifty percent directors (i.e. 5 out of 10) must attend it at the scheduled time to complete the quorum.</p> <p>(c) Since the quorum is complete, the available directors can hold the Board Meeting as per the schedule.</p> <p>(d) The Board Meeting cannot be held because minimum seventy percent directors (i.e. 7 out of 10) must attend it at the scheduled time to complete the quorum.</p>
9	<p>In the F.Y. 2021-22, Roshni Electricals Private Limited for the first time is treated as a 'small company' according to the prescribed norms. It held its first Board Meeting on 15th June, 2021 and another one on 9th July, 2021. As two board meetings have already been held in Ist half and IInd half of the calendar year, 2021, the directors do not intend to hold any other Board Meeting during rest of the year 2021- 22. Select the correct statement from those given below as to whether the directors Roshni Electricals Private Limited are at fault or not.</p> <p>(a) A 'small company' needs to hold only two Board Meetings in a calendar year and therefore, the directors of Roshni Electricals Private Limited are absolutely not at fault.</p> <p>(b) As the gap between two Board Meetings should be 'not less than 60 days', the directors of Roshni Electricals Private Limited need to hold another Board Meeting on a date which must be after 60 days from 15th June 2021, so that no fault is committed.</p> <p>(c) As the gap between two Board Meetings should be 'not less than 90 days', the directors of Roshni Electricals Private Limited need to hold another Board Meeting on a date which must be after 90 days from 15th June 2021, so that no fault is committed.</p> <p>(d) There is no need to observe gap of more than 60 or 90 days if the directors of Roshni Electricals Private Limited hold another board meeting in the month of July, 2021 itself, totalling number of meetings to three.</p>
10	<p>Ruby Diamonds Limited is required to establish 'Vigil Mechanism' though it is neither a listed company nor a company which has accepted deposits from the public. Name the third criterion because of which it is necessitated that the company needs to create 'Vigil Mechanism'.</p> <p>(a) As per the last audited financial statements, Ruby Diamonds Limited has borrowed money from banks and public financial institutions in excess of ₹ 50 crores.</p> <p>(b) As per the last audited financial statements, the subscribed capital of Ruby Diamonds Limited is in excess of ₹ 50 crores.</p>

	<p>(c) As per the last audited financial statements, the paid-up capital of Ruby Diamonds Limited is in excess of ₹ 50 crores.</p> <p>(d) As per the last audited financial statements, the turnover of Ruby Diamonds Limited is in excess of ₹ 50 crores.</p>
11	<p>Rachit, Sanchit, Devshikha, Niharika, Vaishnavi, Mohit and Somesh are the directors of Vrinda Plants Limited. Sanchit was appointed as an alternate director on 25th August, 2022, in place of Mohit who had gone out of India for five months and also on the same date Somesh was appointed as an additional director. It is to be noted that whenever a board meeting is held after the above date it shall be the first meeting to be attended by both Sanchit and Somesh. Devshikha was an interested director who was required to disclose her interest at the immediate Board Meeting to be held any time after 25th August, 2022 though her presence would not be counted when a discussion takes place on the proposal in which she was interested. Rachit expressed his inability to attend any Board meeting if it was to be held within two months from 25th August, 2022. A Board meeting is scheduled to be held on 20th September, 2022. Legally speaking, which of the directors need not be served a notice of this Board meeting.</p> <p>(a) Mohit need not be served a notice of the board meeting to be held on 20th September, 2022.</p> <p>(b) Rachit need not be served a notice of the board meeting to be held on 20th September, 2022.</p> <p>(c) Devshikha need not be served a notice of the board meeting to be held on 20th September, 2022.</p> <p>(d) None of the above.</p>
12	<p>Roopali is one of the directors in Superfast Vehicles Limited. She gave a written notice dated 10th June, 2022 in the specified Form disclosing her shareholding interest in Vixen Traders (Pvt.) Limited and caused its disclosure at the Board Meeting held immediately thereafter on 17th June, 2022. From which of the given dates, eight years are to be counted for preserving her 'notice of disclosure of interest':</p> <p>(a) From the date of notice i.e. 10th June, 2022.</p> <p>(b) From the end of the Financial Year 2022-23.</p> <p>(c) From the date of the Board Meeting (i.e. 17th June, 2022) in which the interest was disclosed.</p> <p>(d) From the date of the forthcoming Annual General Meeting AGM) to be held on 27th September, 2022.</p>
13	<p>Jupiter Shopping Mall Limited was incorporated on 3rd December, 2020. As on 31st March 2022, it had free reserves of ₹ 50.00 lacs and its Securities Premium Account showed a balance of ₹ 7.50 lacs. One of its Directors Raha has a leaning towards a particular political party in which his other family members are actively involved. Raha convinced the other two Directors of the company i.e. Promila and Rana to contribute a sum of ₹ 10.00 lacs to this political party. Accordingly, the Board of Directors held a meeting on 16th December, 2022 and passed a resolution to contribute the decided amount. Advise the company as to how much amount they can contribute to a political party in the FY 2022-23.</p> <p>(a) The company cannot contribute any amount to a political party in the FY 2022-23.</p> <p>(b) The company can contribute maximum ₹ 2.50 lacs in the FY 2022-23.</p> <p>(c) The company can contribute maximum ₹ 3.75 lacs in the FY 2022-23.</p> <p>(d) The company can contribute maximum ₹ 5.00 lacs in the FY 2022-23. [MTP-March 19]</p>
14	<p>Sona Sweets Private Limited was incorporated on 5th November, 2022 with an authorised capital of ₹ 10.00 lacs. Advise regarding the latest date by which the first meeting of the Board of Directors is required to take place.</p>

	<p>(a) Latest by 15th November 2022.</p> <p>(b) Latest by 20th November 2022.</p> <p>(c) Latest by 5th December 2022.</p> <p>(d) Latest by 20th December 2022. [MTP-March 19]</p>
15	<p>Ruby Diamonds Limited is required to establish 'Vigil Mechanism' though it is neither a listed company nor a company which has accepted deposits from the public. Name the third criterion because of which it is necessitated that the company needs to create 'Vigil Mechanism'</p> <p>(a) As per the last audited statements, the subscribed capital of the company is in excess of ₹ 50 crores.</p> <p>(b) As per the last audited statements, the paid up capital of the company is in excess of ₹ 50 crores.</p> <p>(c) As per the last audited statements, the turnover of the company is in excess of ₹ 50 crores.</p> <p>(d) None of the above. [MTP-April 19]</p>
16	<p>Mr. Roop was appointed as an Additional Director of XYZ Limited in July, 2022. Immediately after his appointment, on behalf of the Company he entered into an agreement with NY Private Limited for supplies of raw material. In the ensuing meeting, he was regularized as a Director. He signed Contract with Laxmi vendors. At the end of the December 2022, management came to know that his appointment was not valid as he was disqualified to act as a Director of any Company. He signed one more agreement in January 2023 with Saraswati vendors. In such scenario, what will be the status of contract/agreements he signed on behalf of XYZ Limited?</p> <p>(a) All agreement/ contracts will become invalid.</p> <p>(b) All agreement/ contracts will be valid.</p> <p>(c) All agreement/ contracts before December 2022 will be valid.</p> <p>(d) All agreement/ contracts before December 2022 will be invalid. [RTP-May 19]</p>
17	<p>Three directors, namely Samiksha, Santosh and Samta intimated Pluto Plastic & Mechanical Toys Limited about their participation in the Board Meetings through video conferencing at the appropriate time of the year. However, after attending the first Board Meeting held in the Financial Year 2022-23 by means of video conferencing, Santosh wants to participate in the next Meeting to be held at a future date in person. Is it possible for him to do so when consent given for participation in meetings through video conferencing remains valid for full one year?</p> <p>(a) No, Santosh cannot attend future Board Meetings in person even if the company is intimated of such intention sufficiently in advance.</p> <p>(b) Yes, Santosh can attend future Board Meetings in person if he intimates the company of his intention sufficiently in advance.</p> <p>(c) Yes, Santosh can attend future Board Meetings in person only if all the remaining directors consent to such request.</p> <p>(d) Yes, Santosh can attend future Board Meetings in person but at least 75% of the remaining directors (rounded off to next higher figure in case of a fraction) consent to such request. [MTP-Oct. 19]</p>
18	<p>Beauti Fashion Garments Limited has three independent directors besides eight others of its own. Due to the urgency of transacting certain important business, a Board Meeting was called by giving a shorter notice than the legally required. However, none of the independent directors was present at the Meeting to deliberate upon the motion related to that business. Despite absence of all the independent directors, a board resolution was passed for operationalizing the business by the directors personally present at that Meeting who were much more than the required quorum. Advise, whether the resolution passed at the Board Meeting called at a shorter notice was valid.</p>

	<p>(a) The resolution so passed is valid, for it was passed at the Board Meeting where the required quorum was present.</p> <p>(b) To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by all the three independent directors.</p> <p>(c) To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by at least two independent directors.</p> <p>(d) To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by at least one independent director.</p>	[RTP-Nov. 19]
19	<p>In case of Topica Sugar Mills Limited, necessary arrangements are in place for conducting of Board Meetings through the means of video conferencing, a facility which Vaibhav and Yukta, the two directors out of six intend to utilize by participating in such meetings through it. During which part of the year they should intimate the company about their participation in Board Meetings through video conferencing?</p> <p>(a) At the beginning of the Financial Year</p> <p>(b) At the beginning of the Calendar Year</p> <p>(c) On 1st day of any month falling in the Financial Year</p> <p>(d) Before the Board Meeting.</p>	[RTP-May 20]
20	<p>In order to make Robotics Toys Private Limited as its subsidiary, Golden Rays Robots Limited raised its investment in Robotics Toys from 40% to 60% of its paid-up capital. From the options given below, choose the one which correctly indicates as to when the Robotics Toys shall be considered as the undertaking of Golden Rays Robots Limited.</p> <p>(a) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 10% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 10% of the total income of Golden Rays during the previous Financial Year</p> <p>(b) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 20% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 20% of the total income of Golden Rays during the previous Financial Year</p> <p>(c) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 25% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 25% of the total income of Golden Rays during the previous Financial Year.</p> <p>(d) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 30% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 30% of the total income of Golden Rays during the previous Financial Year.</p>	[MTP-March 22]
21	<p>One of the director, who is actually residing at Nagpur, but his address as recorded with the company and in the DIN is of Mumbai. The director wish to receive the notice / agenda papers at Nagpur. At which address the notice for Board meeting and agenda papers may be sent?</p> <p>(a) The notice/ agenda papers be sent as per the wish of the concerned director.</p> <p>(b) The notice / agenda papers se sent at Nagpur address.</p> <p>(c) The notice / agenda papers be sent at Mumbai address.</p> <p>(d) The notice/ agenda papers be sent at both the addresses i.e. at Nagpur as well as at Mumbai.</p>	[MTP-April 22]

22	<p>Chetan Motorboats Limited, incorporated on 25th June, 2022 is desirous of making donations to a reputed political party. Out of the following options, choose the one which correctly depicts as to when Chetan Motorboats Limited shall be eligible to make such donations to a political party:</p> <p>(a) Chetan Motorboats Limited shall be eligible to make donations to a political party after one year from the date of its incorporation.</p> <p>(b) Chetan Motorboats Limited shall be eligible to make donations to a political party after two years from the date of its incorporation.</p> <p>(c) Chetan Motorboats Limited shall be eligible to make donations to a political party after three years from the date of its incorporation.</p> <p>(d) Chetan Motorboats Limited shall be eligible to make donations to a political party after five years from the date of its incorporation.</p> <p style="text-align: right;">[MTP-Sep. 22]</p>
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Answers Key		
Q. No	Answer	
1	(b)	2/3
2	(c)	90
3	(a)	When all the five Directors of SQ Transformers Limited attending the meeting consent to such investment of funds.
4	(c)	15
5	(b)	Related party transactions proposed to be entered into by the company.
6	(c)	There is contravention of provisions in respect of conduct of the Board Meetings by Seafood Marketing Limited because gap between initial two consecutive Board Meetings (held on 6 th April, 2022 and 28 th August, 2022) is 143 days and further, gap between next two consecutive Board Meetings (held on 30 th September, 2022 and 12 th March, 2023) is 163 days.
7	(c)	The Board of Directors of Shanta Hospitality Services Limited can contribute maximum of Rs. 6,00,000 to Ashirwad Dharmarth Sansthan in the financial year 2021-2022.
8	(c)	Since the quorum is complete, the available directors can hold the Board Meeting as per the schedule.
9	(c)	As the gap between two Board Meetings should be 'not less than 90 days', the directors of Roshni Electricals Private Limited need to hold another Board Meeting on a date which must be after 90 days from 15 th June 2021, so that no fault is committed.
10	(a)	As per the last audited financial statements, Ruby Diamonds Limited has borrowed money from banks and public financial institutions in excess of ₹ 50 crores.
11	(d)	None of the above.
12	(b)	From the end of the Financial Year 2022-23.
13	(a)	The company cannot contribute any amount to a political party in the FY 2022-23.
14	(c)	Latest by 5th December 2022.
15	(d)	None of the above.
16	(c)	All agreement/ contracts before December 2022 will be valid.

17	(b)	Yes, Santosh can attend future Board Meetings in person if he intimates the company of his intention sufficiently in advance.
18	(d)	To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by at least one independent director.
19	(b)	At the beginning of the Calendar Year
20	(b)	In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 20% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 20% of the total income of Golden Rays during the previous Financial Year.
21	(c)	The notice / agenda papers be sent at Mumbai address.
22	(c)	Chetan Motorboats Limited shall be eligible to make donations to a political party after three years from the date of its incorporation.

