

CA – Inter (New Syllabus)  
Paper – 2 “Corporate and Other Laws”

**M.M.: 35**

**Time allowed: 60 Mins.**

**Instructions: All Questions of Division A are compulsory.**

**Division A – Multiple Choice Questions**

**Marks**

**Case Scenario 1**

Yukti has opened a showroom of electronic goods, viz: Air-Conditioner, Colour TV, Refrigerator, Washing Machines etc. which are commonly used for house- hold purposes. She also has a godown, in which the white goods are stored.

Since the electric items are costly and require heavy investment, so she availed a working capital finance from OKEY Bank Ltd. (the Bank), by pledging the white goods lying in her godown, with the Bank. The Bank put its lock, on the godown and whole of white goods were now in possession of the Bank. The Bank granted a working capital finance of ₹ 100 lakhs to Yukti by keeping the pledged goods. The drawing power limit (DP Limit) was kept as 60% of the value of the goods pledged.

As and when, Yukti needs to withdraw some white goods from the godown, she requests the Bank, deposits the value of goods to be withdrawn. A godown keeper of the Bank comes with her, opens the lock of the godown and allows Yukti to draw the specified goods, of which she has made payment to the Bank.

The Bank got the comprehensive insurance policy on the value of the goods pledged to cover it from theft, fire, flood and earthquake etc.

Yukti, after some time, availed another loan of ₹ 20 lakh from the same Bank for her sister’s marriage. This was a personal loan and no security was insisted by the Bank.

Yukti hired a locker from the Bank, in which she kept some jewellery, which was to be given to her sister on her marriage.

After a year, Yukti decided to transfer its running business to Shekhar, for which Shekhar paid the amount to Yukti as agreed between them. Yukti thereafter repaid all the outstanding loan amount given by the Bank towards the working capital finance and asked the Bank to open the lock of the godown, to get goods, in order to hand over the same to Shekhar. However, there was some dispute over the insurance charges paid by the Bank. The Bank insisted to first pay the interest amount then only it will allow her to remove the goods.

The Bank also asked Yukti to settle her personal loan account and only thereafter the Bank will allow to take the goods lying in the godown.

Based on the above facts, answer the following MCQs:

**Q.1** In the light of the given facts, state which statement is correct as regards the right of the Bank on retaining of the goods lying in the godown:

2

- (a) When the outstanding amount taken for working capital, has been paid, the Bank cannot retain the goods
- (b) The Bank can retain the goods till all the charges, including the interest, insurance and other charges are paid by Yukti
- (c) The Bank can retain only a portion of the goods to cover its dues and may release the rest of the goods.
- (d) The Bank may first release the goods and then for recovery of its dues file suit against Yukti.

- Q.2** If in the given case, Yukti pays all the expenses (including the disputed insurance premium) but the Bank insist to clear the personal loan account also, then only it will release the goods. Determine whether the Bank is entitled to do so: 2
- (a) Yes, the Bank can do so
- (b) The Bank can sale the part amount of the goods lying in the godown in order to liquidate the personal loan account of Yukti
- (c) The Bank can ask the Shekhar to give guarantee for the personal loan taken by the Yukti
- (d) No, the Bank has no right to retain the goods pledged with it, since the personal loan was not taken on the security of such goods
- Q.3** Yukti disputed the amount demanded by the Bank towards the insurance premium paid by the Bank. Yukti emphasised that there was no need to take the insurance policy on the goods pledged, because it is an extra burden on the part of the borrower. Identify the correct statement: 2
- (a) Yes, it is an extra financial burden on the part of the borrower and is dependent on the will of the borrower.
- (b) Every bank has a policy to get the security insured on which it grants loan, so in this case also, the Bank for the purpose of protection of the goods took the insurance policy and paid the premium, so demand of the Bank is justified.
- (c) The godown is just near by the Police Station, hence there should not be the fear of theft. No need of taking insurance policy.
- (d) Happening of the Earthquake and Flood are the remote possibility, so the expenses on the insurance premium could have been avoided as it is not a mandatory requirement.
- Q.4** When Yukti is availing the working capital finance from the Bank on the security of the white goods, by submitting these goods in the custody of the Bank, said course of transaction can be termed as: 2
- (a) Bailment of goods
- (b) Pledge of goods
- (c) Safe keeping of goods
- (d) Lessor and Lessee relationship

**General MCQs**

- Q.4** A clause that begins with the words ‘Notwithstanding anything contained’ is called: 1
- (a) An obstacle clause
- (b) A non- obstante clause
- (c) An objectionable clause
- (d) A superior clause
- Q.5** ..... interpretation concerns itself with “what the law says” and ..... interpretation, seeks to ascertain “what the law means”. 1
- (a) Grammatical, Logical
- (b) Legal, usual
- (c) Usual, legal
- (d) Logical, grammatical

## DIVISION B – DESCRIPTIVE QUESTION

Q. No. 1 is compulsory. Attempt any four questions from the Rest

- Q.1 (a) Vishal bailed 50 kg of high quality sugar to Naresh, who owned a kirana shop, promising to give ₹ 200 at the time of taking back the bailed goods. When Naresh was not at shop, his employee, unaware of bailed sugar of Vishal, mixed the 50 kg of sugar belonging to Vishal with the sugar in the shop and packaged it for sale. This came to light only when Vishal came asking for the sugar he had bailed with Naresh, as the price of the specific quality of sugar had trebled. What is the remedy available to Vishal as per the provisions of the Indian Contract Act, 1872? 5
- (b) Mr. Zahid accepted a bill of exchange and gave it to Mr. Kamil for the purpose of getting it discounted and handing over the proceeds to Mr. Zahid. Mr. Kamil couldn't get the bill discounted and returned the bill to Mr. Zahid. Mr. Zahid cut the bill in two pieces for the purpose to cancel it and he threw the pieces on the street. Mr. Kamil picked up the pieces and joined those pieces in such manner that the bill seemed to have been folded for safe custody, rather than cancelled. Mr. Kamil put it into circulation and it finally reached to Mr. Salim, who took it in good faith and for value. Explain in the light of the provisions of the Negotiable Instruments Act, 1881, whether Mr. Zahid is liable to pay the bill to Mr. Salim? 4
- Q.2 Section 2(18)(aa) of the Income Tax Act, 1961, provides that a company is said to be a company in which the public are substantially interested, if it is a company which is registered under section 25 of the Companies Act, 1956. After the advent of Companies Act, 2013, the corresponding change has not been made in section 2(18) of the Income tax Act, 1961. Explain, with reference to the provisions of the General Clauses Act 1897, how will the provisions of section 2(18)(aa) of the Income Tax Act, 1961, will be considered after the enactment of the Companies Act 2013? 4
- Q.3 How will you interpret the definitions in a statute, if the following words are used in a statute? 4
- (i) Means  
(ii) Includes
- Give one illustration for each of the above from statutes you are familiar with.
- Q.4 'Surendra' guarantees 'Virendra' for the transactions to be done between 'Virendra' & 'Jitendra' during the month of March, 2021. 'Virendra' supplied goods of ₹ 30,000 on 01.03.2021 and of ₹ 20,000 on 03.03.2021 to 'Jitendra'. On 05.03.2021, 'Surendra' died in a road accident. On 10.03.2021, being ignorant of the death of 'Surendra', 'Virendra' further supplied goods of ₹ 40,000. On default in payment by 'Jitendra' on due date, 'Virendra' sued on legal heirs of 'Surendra' for recovery of ₹ 90,000. 4

Describe, whether legal heirs of ‘Surendra’ are liable to pay ₹ 90,000 under the provisions of Indian Contract Act 1872.

What would be your answer, if the estate of ‘Surendra’ is worth of ₹ 45,000 only?

- Q.5 ‘Anjum’ drew a cheque for ₹ 20,000 payable to ‘Babloo’ and delivered it to him. ‘Babloo’ indorsed the cheque in favour of ‘Rehansh’ but kept it in his table drawer. Subsequently, ‘Babloo’ died, and cheque was found by ‘Rehansh’ in ‘Babloo’s table drawer. ‘Rehansh’ filed the suit for the recovery of cheque. Whether ‘Rehansh’ can recover cheque under the provisions of the Negotiable Instrument Act 1881? 4
- Q.6 Ayush and Vipul are good friends and pursuing CA course. While doing group studies for the paper of “Corporate and Other Law”, they are confused about the provisions of section 3 of the Companies Act 2013. Section 3 provides “A company may be formed for any lawful purpose by.....” Both Ayush and Vipul are in difficulty about the meaning of word “may”. Whether it should be taken as mandatory or directory? 4

