

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

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.

- Q.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 – 2
- On the basis of turnover of the company.
 - On the basis of turnover and net profit of the company taken together.
 - On the basis of net worth of the company.
 - On the basis of net worth and turnover of the company taken together.
- Q.2** For the purpose of section 135 of the Companies Act, 2013, the net worth has to 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 – 2
- The net worth of Sai Ram Limited during the financial year 2021-22 was ₹520 crore.
 - The net worth of Sai Ram Limited during the financial year 2021-22 was ₹530 crore.
 - The net worth of Sai Ram Limited during the financial year 2021-22 was ₹555 crore.
 - The net worth of Sai Ram Limited during the financial year 2021-22 was ₹620 crore.
- Q.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- 2
- Sai Ram, Hari Om, Bindu and Reddy
 - Hari Om, Bindu, Reddy and Prakash
 - Sai Ram, Hari Om, Bindu and Prakash
 - Sai Ram, Hari Om, Bindu and Roshan

General MCQs

- Q.4** The Annual General Meeting (AGM) of Green Limited was held on 31.8.2022. Suppose the Chairman of the company after two days of AGM went abroad for next 31 days. Due to the unavailability of the Chairman, within time period prescribed for submission of copy of report of AGM with the registrar, the report as required was signed by two Directors of the company, of which one was additional Director of the company. Comment on the signing of this report of AGM. 1
- Yes, the signing is in order as the report can be signed by any director in the absence of Chairman.
 - No, the signing is not in order as only the Chairman is authorised to sign the report
 - Yes, the signing is in order, as in the absence of Chairman at least two directors should sign the report.
 - No, the signing is not in order, since in case the Chairman is unable to sign, the report shall be signed by any two directors of the company, one of whom shall be the Managing director, if there is one and company secretary of the company.
- Q.5** During the half year ended September 2021, the board of directors (BOD) of New Era Limited has 5 made an application to the Tribunal for revision in the accounts of the company for the financial year ended on March 2019. Further during the year ended March 2022, the BOD has again made an application to the Tribunal for revision in the board's report pertaining to the year ended March 2021. You are required to state the validity of the acts of the Board of directors. 1
- The act of the BOD is valid only to the extent of application made for revisions in accounts as board's report are not eligible for revision.
 - The act of the BOD is valid as application made for revision in the accounts and board's report pertains to two different financial year.

- (c) The act of the BOD is invalid as the law provides for only one time application to be made in a financial year for revision of accounts and boards report.
- (d) The act of the BOD is invalid as to the application made for revision in accounts pertains to a period beyond 2 years immediately preceding the year 2022. The application made for revision in the Board report is however valid in law.

Q.6 One Person Company shall file a copy of the duly adopted financial statements to the Registrar in: 1

- (a) 30 days of the date of meeting in which it was adopted.
- (b) 90 days of the date of meeting in which it was adopted.
- (c) 90 days from the closure of the financial year.
- (d) 180 days from the closure of the financial year.

Q.7 For appointing an auditor other than the retiring auditor, 1

- (a) Special notice is required.
- (b) Ordinary notice is required.
- (c) Neither ordinary nor special notice is required
- (d) Approval of Central Government is required

DIVISION B – DESCRIPTIVE QUESTION

Q. No. 1 is compulsory

Attempt any four questions from the Rest

Q.1 (a) P Limited appointed “XYZ & Co.”, an audit firm, as Auditor of the company at the Annual General Meeting held on 30th September, 2021. Mr. X, Y and Z are partners in XYZ & Co. With reference to the Companies Act, 2013, examine, the validity of appointment of the XYZ & Co. in each of the following cases separately : 6

- (a) Mrs. Q, wife of Mr. X has invested in the equity shares of P Limited having face value of ₹ 1 lakh.
- (b) Mrs. Q, wife of Mr. X has given guarantee in relation to a loan taken by G from P Limited of an amount of ₹ 1,50,000.
- (c) Mrs. Q, wife of Mr. X is indebted to Z Limited for ₹ 10,00,000 (P Limited holds 1/4th of the paid-up Equity Share Capital of Z Ltd.)

(b) A Limited declared and paid 10% dividend to all its shareholders except Mr. B, holding 500 equity shares, who instructed the company to deposit the dividend amount directly in his bank account. The company accordingly remitted the dividend, but the bank returned the payment on the ground that the account number as given by Mr. B doesn't tally with the records of the bank. The company, however, did not inform Mr. B about this discrepancy. Comment on this issue with reference to the provisions of the Companies Act, 2013 regarding failure to distribute dividend. 3

Q.2 A company has accumulated Free Reserves of ₹ 75 lakhs during last five years. It has not declared any dividend during these years. Now, the company proposes to appropriate a part of this amount for making payment of dividend for current year in which it has earned a profit of payment of dividend for current year in which it has earned a profit of 4

₹ 12 lakhs. The Board proposes a payment of dividend of ₹ 30 lakhs i.e. 30% on paid up capital. Examine, as per the provisions of the Companies Act, 2013, whether, the proposal of company is valid?

- Q.3** The Government of Rajasthan and Haryana are jointly holding 58% of the paid-up Equity Share Capital of Moon Ltd. The Audited financial statements of Moon Ltd. For the financial year 2021-22 were placed at its Annual General Meeting held on 31st August, 2022. However, pending the comments of the Comptroller and Auditor General of India (CAG) on the said accounts the meeting was adjourned without adoption of the accounts. Therefore the company did not filed its financial statements to the Registrar, Afterwards, o receipt of CAG comments on the accounts, the adjourned annual general meeting was held on 5th October, 2022 whereat the accounts were adopted. Therefore, moon Ltd. Filed its financial statements relevant to the financial year 2021-22 with the Registrar of Companies on 25th October, 2022. Examine, with reference to the applicable provisions of the Companies Act, 2013, whether, Moon Ltd. Has compiled with the statutory requirement regarding filling of accounts with the registrar 4
- Q.4** The Companies Act, 2013 has prescribed an additional duty on the Board of directors to include in the Board’s Report a “Directors’ Responsibility Statement”. Briefly enumerate any four matters to be furnished in the said statement. 4
- Q.5** XYZ & Associates, a firm of Chartered Accountants was re-appointed as auditors at the Annual General Meeting of ABC Ltd. held on 30-09-2021. However, the Board of Directors recommended to remove them before expiry of their term by passing a resolution in the Board Meeting held on 31-03-2022. Subsequently, having given consideration to the Board recommendation, XYZ & Associates were removed at the general meeting held on 25-05-2022 by passing a special resolution. The approval of the Central Government was not taken before passing the special resolution. Explaining the provisions for removal of second and subsequent auditors, examine the validity of removal of XYZ & Associates by ABC Ltd. under the provisions of the Companies Act, 2013. 4
- Q.6** 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
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