

CA Inter – Paper 2 (Law) – MCQ

Compiled by: CA. Pankaj Garg

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

Chapter – 1: Preliminary

1. **Angel Infrastructure Pvt. Ltd. with a paid-up capital of ₹ 45 Lakhs and annual turnover of ₹ 175 Lakhs, is a wholly owned subsidiary of Almighty Infrastructure Development Ltd. a listed company. Can Angel Infrastructures be called a small company?**
 - (a) Yes. The paid-up capital and annual turnover of Angel Infrastructure Pvt. Ltd. is not exceeding the limit as specified under the definition of small company.
 - (b) No. Because Angel Infrastructure Pvt. Ltd. is a wholly owned subsidiary company.
 - (c) No. Because Angel Infrastructure Pvt. Ltd. is not a subsidiary of a listed company.
 - (d) No. Because the paid-up capital is ₹ 45 Lakhs less than prescribed limit of ₹ 50 Lakhs but its turnover is exceeding ₹ 100 Lakhs.
2. **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 20% of total voting power of Shaukeen LED Bulbs and Tubes Ltd.. What is the other option available?**
 - (a) To control or participate in the recruitment decisions relating to appointment of middle management personnel of Shaukeen LED Bulbs and Tubes Ltd. under an agreement.
 - (b) To control or participate in the dividend decisions of Shaukeen LED Bulbs and Tubes Ltd. under an agreement.
 - (c) To control or participate in the business decisions of Shaukeen LED Bulbs and Tubes Ltd. under an agreement.
 - (d) To control or participate in the export decisions of Shaukeen LED Bulbs and Tubes Ltd. under an agreement.
3. **Ruchir Marcons Ltd. which provides marketing and consultancy services is keen to have a 'significant influence' in Ruchika Marketing Ltd. so that it becomes its 'associate company'. For having 'significant influence' Ruchir Marcons Ltd. needs to control certain percentage of total voting power of Ruchika Marketing Ltd. What is that?**
 - (a) For creating 'significant influence' Ruchir Marcons Ltd. must control at least 5% of total voting power of Ruchika Marketing Ltd.
 - (b) For creating 'significant influence' Ruchir Marcons Ltd. must control at least 10% of total voting power of Ruchika Marketing Ltd.
 - (c) For creating 'significant influence' Ruchir Marcons Ltd. must control at least 15% of total voting power of Ruchika Marketing Ltd.
 - (d) For creating 'significant influence' Ruchir Marcons Ltd. must control at least 20% of total voting power of Ruchika Marketing Ltd.

4. **H Ltd. is the holding company of S Pvt. Ltd. As per the last profit and loss account for the year ending on 31st March, 2023 of S Ltd., its turnover was to the extent of ₹ 1.50 crores; and paid-up share capital was ₹ 40 lakhs. Since S Pvt. Ltd., as per the turnover and paid-up share capital norms, qualifies for the status of a 'small company' it wants to be categorized as 'small company'. Advise.**

- (a) If H Ltd. converts itself into a private limited company, S Pvt. Ltd. being its subsidiary can be categorized as a 'small company' since it meets turnover and paid-up share capital norms applicable to a 'small company'.
- (b) So long as S Pvt. Ltd. meets the turnover and paid-up share capital norms applicable to a 'small company' (which at present is the case), it shall be categorized as a 'small company'.
- (c) S Pvt. Ltd. cannot be categorized as a 'small company' because it is the subsidiary of another company.
- (d) Categorization of S Pvt. Ltd. is possible only if H Ltd., the holding company, also meets the turnover and paid-up share capital norms applicable to a 'small company'.

5. **Savita and her husband Sukesh have got incorporated Savi Trading Company Private Limited with authorised and paid-up share capital of ₹ 40 lakhs. As per its last profit and loss account relating to the FY 2021-22, the turnover was ₹ 1 crore and 70 lakhs. Accordingly, their company is considered as a 'small company' in the FY 2022-23. They think that the status of 'small company', once bestowed, will continue till next 10 financial years. Advise.**

- (a) Their contention that the status of 'small company', once bestowed, will continue till next 10 financial years is absolutely correct.
- (b) The status of 'small company', once bestowed, can continue till next 7 financial years only.
- (c) The status of 'small company' will keep on changing from time to time, for it is not permanent for any particular period.

- (d) If ROC permits, the status of 'small company' can continue maximum for 3 years including the year in which it is attained.

QUESTIONS FROM RTPs, MTPs, AND PAST EXAMS (MEMORY BASED) OF ICAI

6. **Feel Rich Co. Ltd. having its registered office at New Delhi, is a subsidiary of a German company named Richman Company limited. The financial year of the parent/holding company ends on 31st December every year. The subsidiary company intends to follow a different financial year for consolidation of its accounts with its parent company, situated outside India. For doing so it is required to take prior permission of the competent authority. For the purpose from the following who will be this competent authority_____.**

[MTP-April 19]

- (a) Registrar of Companies at New Delhi
- (b) Central Government
- (c) Tribunal
- (d) SEBI

7. **A Ltd. is the holding company of B Ltd. Another company C Ltd. is the subsidiary company of B Ltd. Is there any relationship between A Ltd. and C Ltd.** [RTP-May 19]

- (a) There is no relationship between A Ltd. and C Ltd.
- (b) C Ltd. is deemed to be the subsidiary of A Ltd.
- (c) A Ltd. shall be deemed to be the holding company of C Ltd. provided A Ltd. acquires at least 10% stake in C Ltd.
- (d) C Ltd. shall be deemed to be the subsidiary of A Ltd. if the latter company acquires minimum 10% stake in the former company within six months after C Ltd. becomes subsidiary of B Ltd.

8. **Shruti, a common friend of Suchitra and Sukanya, got incorporated OPC sometime before and during a chit-chat with her friends informed them that there is some limit on the maximum capital which her OPC can have and she would have to convert her OPC either into**

a private or public limited company if such limit exceeded. Suchitra and Sukanya who are desirous of forming a private limited company for carrying on textile trading business, are unsure about the maximum capital which a private limited company can have. Advise. [RTP-May 19,MTP-March 19]

- (a) A private limited company can have maximum of ₹ 1 crore as share capital.
- (b) A private limited company can have maximum of ₹ 2 crores as share capital.
- (c) A private limited company can have maximum of ₹ 5 crores as share capital.
- (d) A private limited company can have unlimited share capital.

9. Part of the capital for which application have been received from the public and shares allotted to them is known as: [MTP-Oct. 19]

- (a) Nominal capital
- (b) Issued capital
- (c) Subscribed capital
- (d) Called up capital

10. Roma along with her six friends has got incorporated Roma Trading Ltd. in May 2021. She kept the paid-up share capital at ₹ 30 lakhs. Further, in April 2022, she noticed that in the last financial year, the turnover of the company was well below ₹ 20 crores. Advise whether the company can be treated as a 'small company'. [RTP-Nov. 20]

- (a) Roma Trading Ltd. is definitely a 'small company' since its paid-up capital is much below ₹ 2 crores and also its turnover has not exceeded the threshold limit of ₹ 20 crores.
- (b) The concept of 'small company' is applicable only in case of a private limited company/OPC and therefore, despite meeting the criteria of 'small company' it being a public limited company cannot enjoy benefits of 'small company'.
- (c) Unlike a private limited company/OPC which automatically becomes a 'small company' as soon as it meets the criteria of 'small company', Roma Trading Ltd. being a public limited company has to maintain the norms applicable to a 'small company'

continuously for two years so that, thereafter, it is treated as a 'small company'.

- (d) If all the shareholders of Roma Trading Ltd. give an undertaking to the ROC stating that they will not let the paid share capital and also turnover exceed the limits applicable to a 'small company' in the next two years, then it can be treated as a 'small company'.

11. Abhilasha and Amrita have incorporated a 'not for profit' private limited company which is registered u/s 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending on 31st March, 2022, its turnover was less than ₹ 20 crores and its paid-up share capital was less than ₹ 2 cores. Advise. [MTP-March 21]

- (a) Sec. 8 company, which meets the criteria of 'turnover' and 'paid-up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in another 'small company' within the immediately following financial year.
- (b) If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (and not in the immediately following financial year) after meeting the criteria of 'turnover' and 'paid-up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.
- (c) The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered u/s 8 of the Companies Act, 2013.
- (d) Sec. 8 company, if incorporated as a private limited company (and not as public limited company) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid-up share capital'.

12. Kamya Ltd. is incorporated on 3rd January, 2022. As per the Companies Act, 2013, what will be the financial year for the company: [MTP-March 22]

- (a) 31st March, 2022.
- (b) 31st December, 2022.
- (c) 31st March, 2023.
- (d) 30th September, 2023.

Answers									
1	(b)	2	(c)	3	(d)	4	(c)	5	(c)
6	(b)	7	(b)	8	(d)	9	(c)	10	(b)
11	(c)	12	(c)						

