

CA Inter – Paper 2 (Law) – MCQ

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

Chapter – 3: Prospectus and Allotment of Securities

1. **Which of the following statements is not true?**
 - (a) In case of shares, the rate of underwriting commission to be paid shall not exceed 5% of the issue price of the share.
 - (b) Underwriting commission should not be more than the rate specified by the Article of Association.
 - (c) In case of debentures, the rate of underwriting commission shall not exceed 5% of the issue price of the debentures.
 - (d) Amount of commission may be paid out of profits of the company.
2. **Ajo Private Limited made private placement offer to identified people. It was clearly stated that such people have no right of renunciation. Company received share application money within given period of time however could not allot shares within 60 days from receipt. Now it is the duty of Ajo Private Limited to repay the share application money. Company will be liable to pay interest if they fail to do so. Within how many days Company has to repay the share application money to avoid interest payment?**
 - (a) 15 days
 - (b) 30 days
 - (c) 60 days
 - (d) 90 days
3. **A shelf prospectus filed with the ROC shall remain valid for a period of:**
 - (a) one year from the date of registration.
 - (b) one year from the date of closing of first issue.
 - (c) one year from the date of opening of first issue.
 - (d) 90 days from the date on which a copy was delivered to ROC.
4. **Innovative Tech Sol Limited intends to invite subscription to ₹ 1.10 crores equity shares of ₹ 10 each on private placement basis. The persons identified as potential subscribers are within the statutory limit and also include the two other categories to which such statutory limit is not applicable. One such category is employees of the company who are offered equity shares under Employees' Stock Option Scheme. By choosing the correct option, name the other excluded category.**
 - (a) Quality Institutional Buyers.
 - (b) Qualified Institutional Buyers.
 - (c) Qualificational Institutional Buyers.
 - (d) Qualified Investing Institutional Buyers.
5. **Neptune Metal Tools Limited was incorporated on 2nd December, 2021 with 25 subscribers and authorised capital of ₹ 50 lakhs (5,00,000 equity shares of ₹ 10 each). As the directors of the company are in a dilemma whether to issue physical share certificates to the subscribers or keep the shares in dematerialized form, they need to be advised correctly in this respect.**
 - (a) Being an unlisted company, Neptune may either issue physical share certificates to the

- subscribers or alternatively, issue them in dematerialized form.
- (b) Neptune needs to issue shares to the subscribers only in dematerialized form.
- (c) A company having more than 100 shareholders needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.
- (d) A company having authorised capital of ₹ 50 lakhs and above needs to issue shares in dematerialized form and therefore, Neptune may issue physical share certificates to the subscribers.
6. **How much Security Deposit an unlisted public company is required to maintain at all times, with the respective depository when it dematerializes its securities.**
- (a) Equal to not less than 1 year's fees payable to the depository.
- (b) Equal to not less than 2 years' fees payable to the depository.
- (c) Equal to not less than 2 and a half years' fees payable to the depository.
- (d) Equal to not less than 3 years' fees payable to the depository.
7. **On which offer of securities, commission is permitted to be paid to any underwriter by the company.**
- (a) When securities are offered on rights basis.
- (b) When securities are offered in the form of bonus issue.
- (c) When securities are offered on private placement basis.
- (d) When securities are offered to the public for subscription.
8. **In case of 'offer of sale of shares by certain members of the company', which of the following options is applicable:**
- (a) The provisions relating to minimum subscription are not applicable.
- (b) Entire minimum subscription amount is required to be received within 3 days of the opening date.
- (c) 25% of the minimum subscription amount is required to be received on the opening date and the remaining 75% within 3 days thereafter.
- (d) 50% of the minimum subscription is required to be received by the second day of the opening date and the remaining 50% within next 3 days after the 2nd day.
- QUESTIONS FROM RTPs, MTPs AND PAST EXAMS (MEMORY BASED) OF ICAI**
9. **The paid-up share capital of ABC Ltd. Is 50,00,000 shares of ₹ 200 each. 20% of its paid-up share capital is held by 4 of its promoters, who wants to off load their holding by making an offer of sale to the public by issuing a prospectus. They want to authorise someone to take all actions and complete all formalities related to such offer of sale. From the following who can be authorised by them to do so:** [MTP-April 19]
- (a) Any person who has agreed to fulfil all the formalities related to such offer of sale.
- (b) Any one or more director of the company.
- (c) Company itself whose shareholding they want to offload.
- (d) Any competent officer of the company.
10. **Dwapar Equipment Finance Limited, a non-banking finance company (NBFC), is desirous of offering secured, redeemable, non-convertible 9% Debentures to the public in three or more tranches over a certain period of time. Which kind of prospectus it is required to issue so that its purpose is served and there arises no need to take out a fresh prospectus for second and subsequent offer of securities.** [MTP-Oct. 19]
- (a) Deemed Prospectus.
- (b) Shelf Prospectus.
- (c) Red Herring Prospectus.
- (d) Abridged Prospectus.
11. **Being in need of further capital, Rimsi Cotton-Silk Products Limited opted to offer 50 lakh equity shares of ₹ 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 fulfilment 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. By choosing the correct option, advise the company in this matter.

[MTP-Oct. 19]

- (a) 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.
- (b) 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.
- (c) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to 25% of offering.
- (d) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to 50% of offering.

12. **Delight Sports Garments Limited 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 instalments consisting of application, allotment, first call and second & final call. Advise the company by which instalment it should receive the minimum subscription stated in the prospectus.** [RTP-Nov. 19]

- (a) Along with amount subscribed as application money.
- (b) Along with amount subscribed as final call money.
- (c) Along with amount subscribed as first call money.

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

13. **Extra Limited is 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.** [MTP-May 20]

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.

14. **When a copy of the contract for the payment of underwriting commission is required to be delivered to the Registrar:** [MTP-Oct. 20]

- (a) 3 days before the delivery of the prospectus for registration.
- (b) At the time of delivery of the prospectus for registration.
- (c) 3 days after the delivery of the prospectus for registration.
- (d) 5 days after the delivery of the prospectus for registration.

15. **Which of the following statement is contrary to the provisions of the Companies Act, 2013?**

[RTP-May 21]

- (a) A private company can make a private placement of its securities.

- (b) The company has to pass a special resolution for private placement.
- (c) Minimum offer per person should have Market Value of ₹ 20,000.
- (d) A public company can make a private placement of its securities.

16. **A Limited made a public issue of Debentures. The articles of the company authorises the payment of underwriting commission at 2% of the issue price. The company has negotiated with the proposed underwriters, Gama Brokers and finalised the rate at 2.25%. The amount that the company is eligible to pay as underwriting commission is:**

[RTP-Nov. 21]

- (a) 5%
- (b) 2%
- (c) 2.5%
- (d) 2.25%
17. **Krishna Religious Publishers Limited has received application money of ₹ 20,00,000 (2,00,000 equity shares of ₹ 10 each) on 10th October, 2021 from the applicants who applied for allotment of shares in response to a private placement offer of securities made by the company to them. Select the latest date by which the company must allot the shares against the application money so received.**

[RTP-Nov. 21]

- (a) 9th November, 2021.
- (b) 24th November, 2021.
- (c) 9th December, 2021.
- (d) 8th January, 2021.

18. **A prospectus which does not include complete particulars of the quantum or price of the securities included therein is called:**

[MTP-Oct. 21]

- (a) A deemed Prospectus.
- (b) A Shelf Prospectus.
- (c) An Abridged Prospectus.
- (d) A Red Herring Prospectus.
19. **The minimum amount of subscription in a public issue shall be received within ____ days from the date of issue of prospectus.**

[MTP-Oct. 21]

- (a) 30
- (b) 60
- (c) 90
- (d) 120

20. **Which of the following statement is not true?**

[MTP-Oct. 21]

- (a) In case of shares, the rate of underwriting commission to be paid shall not exceed 5% of the issue price of the share.
- (b) Underwriting commission should not be more than the rate specified by the Article of Association.
- (c) In case of debentures, the rate of underwriting commission shall not exceed 5% of the issue price of the debentures.
- (d) Amount of commission may be paid out of profits of the company.

21. **The time limit within which a copy of the contract for the payment of underwriting commission is required to be delivered to the Registrar is:**

[MTP-March 22]

- (a) Three days before the delivery of the prospectus for registration.
- (b) At the time of delivery of the prospectus for registration.
- (c) Three days after the delivery of the prospectus for registration.
- (d) Five days after the delivery of the prospectus for registration.

Answers									
1	(c)	2	(a)	3	(c)	4	(b)	5	(b)
6	(b)	7	(d)	8	(a)	9	(c)	10	(b)
11	(b)	12	(a)	13	(c)	14	(b)	15	(c)
16	(b)	17	(c)	18	(d)	19	(a)	20	(c)
21	(b)								

