

# CA Inter – Paper 2 (Law) – MCQ

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

## Chapter – 4: Share Capital and Debentures

1. **ABC Ltd. wants to issue redeemable preference shares for a period of 35 years. Advise whether it can do so.**
  - (a) Yes, ABC Ltd. can issue redeemable preference shares.
  - (b) Yes, ABC Ltd. can issue redeemable preference shares but for only 30 years.
  - (c) Instead of issuing of shares for 35 years, ABC Ltd. should issue irredeemable preference shares.
  - (d) No, ABC Ltd. can issue redeemable preference shares for a period not extending 20 years.
2. **When an unlisted public company issues shares at a premium, amount of the premium received on those shares is transferred to a "securities premium account". For which purpose amount lying in securities premium account shall be used?**
  - (a) In writing off preliminary expenses of the company.
  - (b) In writing off pre-incorporation expenses of the company.
  - (c) For purchase of immovable assets.
  - (d) For paying managerial remuneration.
3. **A Private Company can issue preference shares which are liable to be redeemed within particular period, only if articles authorizes such issue. Within how much such preference shares have to be redeemed?**
  - (a) Within a period not exceeding 10 years.
  - (b) Within a period not exceeding 15 years.
  - (c) Within a period not exceeding 20 years.
  - (d) Within a period not exceeding 25 years.
4. **The Articles of Association of a private limited company state that the company may issue preference shares which will have preference of dividend only but no preference as to the repayment of capital, in the case of winding-up. Is it possible for the company to issue such preference shares?**
  - (a) No; as per Sec. 43 preference shares should have both preferences.
  - (b) No; this will become equity share as per Sec. 43.
  - (c) Yes; because as per Sec. 43 preference shares should have any one preference.
  - (d) Yes; because Articles of Association of the company allow issue of such preference shares and the issuing company is a private limited company.
5. **A general meeting of the company is to be held on 30th August, 2022. The company has not paid dividend for the financial year 2019-2020. It has also not yet paid any dividend for the year 2020-21. In such case preference shareholders:**
  - (a) will not have the right to vote because preferential shareholder has no right to vote.
  - (b) will have the right to vote because dividend for last two years have not been paid.
  - (c) will not have the right to vote because only equity shareholders can vote in general meetings.

- (d) will have the right to vote because preference shareholder have the right to vote in general meetings.
6. **In a company if any change of right of one class also affects the right of other class, then:**
- a resolution should be passed in general meeting in this case.
  - company need not to do anything else.
  - written consent of three fourth majority of that other class should be obtained.
  - a resolution in joint meeting of both the classes should be passed.
7. **Rajesh Infrastructure Limited wants to issue preference shares for a period exceeding 20 years for financing its proposed infrastructure project. On the basis of which statement, company can do so?**
- Yes; company can issue irredeemable preference shares by passing special resolution.
  - Yes; company can issue preference shares for a period of more than 20 years with the prior approval of Central Government.
  - Yes; company can issue irredeemable preference shares for infrastructure project.
  - Yes; company can issue preference shares for infrastructure project for a period up to 30 years.
8. **If a company has Authorised Share Capital of ₹ 6 lakhs; Paid-up Share Capital of ₹ 5 Lakhs; a loan of ₹ 2 lakhs obtained from the State Government. The State Government ask the company to convert its loan into shares, then such order shall have the effect of increasing:**
- the subscribed share capital of the company.
  - the paid-up share capital of the company.
  - the authorised share capital of the company.
  - all of the above.
9. **A company bought back 10% of its equity shares in August 2022. Due to certain miscalculations during the first buy-back, it again buy-back another 10% equity shares in September 2022. Whether the company can resort to second buy-back?**
- It can do so subject to the fulfilment of other conditions because maximum buy-back in a financial year is up to 25%.
  - It cannot do so because there must be a time gap of 12 months between two buy-backs.
  - It can buy-back shares within one year but the company need to pass an ordinary resolution by its board of directors.
  - It can buy-back shares within one year but the company will have to pass a special resolution.
10. **Swagat Hospitality Limited defaulted in the repayment of last two instalments of term loan availed from National Commercial Bank. On 30th September, 2022, they cleared all the dues by repaying it. When can it issue equity shares with differential voting rights?**
- Upon expiry of 5 years from the date on which the default was made good.
  - Upon expiry of 3 years from the end of the financial year in which the default was made good.
  - Upon expiry of 5 years from the end of the financial year in which the default was made good.
  - Upon expiry of 7 years from the end of the financial year in which the default was made good.
11. **Ruchi was handed over an instrument of transfer dated 21st August, 2022, duly stamped and signed by Radha who had transferred 2,000 equity shares of ₹ 100 each allotted to her by Murti Mechanical Toys Private Limited. Advise Ruchi regarding the date by which the instrument of transfer along with share certificates must be delivered to the company, to register the transfer in its register of members.**
- 21st August, 2022.
  - 20th September, 2022.
  - 20th October, 2022.
  - 19th November, 2022.
12. **Shreem Lakshmi Jewellery Store Private Limited was incorporated on 27th August, 2022 with 30 persons as subscribers to the Memorandum of Association and with Authorised share capital of ₹ 1.00 crore**

divided into equal number of shares of ₹ 1 each. Each subscriber subscribed for ₹ 1.00 lakh shares. Advise the company by what date it needs to deliver the share certificates to the subscribers.

- (a) 17th September, 2022.
- (b) 30th September, 2022.
- (c) 27th October, 2022.
- (d) 27th November, 2022.

13. Keshika is the original owner of 1,000 equity shares of ₹ 50 each being allotted by Modern Biscuits Private Limited. As she wanted these shares to be transferred to her younger sister Vanshika as a gift, she completed the transfer deed in all respects and delivered the same to the company along with share certificates on 17th July, 2022. However, the company did not register the transfer even after the expiry of more than one month nor did it send any notice of refusal. The lone reminder to the company remained unanswered. An appeal needs to be filed against the company with the National Company Law Tribunal (NCLT). Advise by choosing the correct option as to who has the right to file the appeal.

- (a) Keshika, who continues to remain owner and transferor of equity shares till they are registered in the name of Vanshika, has the right to file an appeal with NCLT against the company.
- (b) Vanshika, as transferee and 'would be' owner of equity shares, has the right to file an appeal with NCLT against the company.
- (c) Both Keshika and Vanshika have to file a joint appeal with NCLT against the company, for neither Keshika nor Vanshika are authorised to file the appeal individually.
- (d) As per its discretion, NCLT may allow either Keshika or Vanshika to file an appeal against the company.

14. It has been decided by Vanita Watches Limited to issue sweat equity shares to five of its employees for the 'value additions' made by them in term of economic benefits which proved beneficial to the company. For how many year(s), the employees who have been

allotted sweat equity shares cannot transfer them.

- (a) 1 year from the date of allotment.
- (b) 3 years from the date of allotment.
- (c) 5 years from the date of allotment.
- (d) 6 months from the date of allotment.

15. Prithvi Cements Limited is desirous of issuing debentures carrying voting rights. Which of the following options is best suited in such a situation:

- (a) Prithvi Cements Limited can issue debentures carrying voting rights after an ordinary resolution is passed by the company.
- (b) Prithvi Cements Limited can issue debentures carrying voting rights if a special resolution is passed by the company.
- (c) Prithvi Cements Limited can issue such voting rights only if it mortgages its land and buildings worth two times the amount of the debentures.
- (d) Prithvi Cements Limited cannot issue debentures carrying voting rights.

16. While making an application to the Tribunal for seeking its confirmation in respect of extinguishing the liability of ₹ 3 per equity share, Medhavi Publishers Limited has to file a certificate along with the application, that the accounting treatment proposed by it for such reduction of share capital is in conformity with the accounting standards specified in the prescribed Section. Advise the company as to who can issue such certificate?

- (a) Any of the directors of the company as authorised by the Board may issue such certificate.
- (b) A practicing company secretary is authorised to issue such certificate.
- (c) The auditor of the company is authorised to issue such certificate.
- (d) The legal advisor of the company is authorised to issue such certificate.

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

17. **Corrupt Limited has received a request from Mr. Suresh for transfer of 100 partly paid equity shares, to Mr. Ramesh. However, Mr. Ramesh expired in the meantime, but no intimation of the same has been received by the company. In the given circumstances, advise as per the provisions of the Companies Act, 2013:** [MTP-March 19]

- (a) Corrupt Limited will not register the transfer of the shares in the name of Mr. Ramesh, without verification from Mr. Suresh.
- (b) Corrupt Limited can register the shares in the name of Mr. Ramesh as it is not aware of the untoward incident.
- (c) Corrupt Limited will not register the transfer of the shares in the name of Mr. Ramesh, without verification from Mr. Ramesh.
- (d) Corrupt Limited will give the shares back to Mr. Suresh.

18. **The Authorised share capital clause of LMN & Co. Ltd. consisted of Preference share capital and Equity share capital both. With regard to equity share capital, the article of association of the company has given authorisation to issue differential equity shares. Apart from authorisation by the Articles, from the following strike out the condition, which is not mandatory to comply with.** [MTP-April 19]

- (a) Such issue of shares must be authorised by an ordinary resolution passed at a general meeting of the shareholders or by postal ballot, as the case may be.
- (b) The company must have consistent track record of distributable profit for the last 5 years.
- (c) The company has no subsisting default in the payment of the declared dividend to its shareholders.
- (d) The company has not defaulted in filing financial statements and annual returns for 3 financial years immediately preceding the financial year in which it is decided to issue such shares.

19. **A Company limited by shares can issue equity shares with differential voting rights. Which of the following is not a necessary condition to be fulfilled before issue of such shares:**

[RTP-May 19]

- (a) The articles of association of the company shall authorize issue of shares with differential rights.
- (b) The issue of shares shall be authorized by an ordinary resolution passed at a general meeting of the shareholders.
- (c) The issue of shares shall be authorized by special resolution passed at a general meeting of the shareholders.
- (d) The company has no subsisting default in the payment of the declared dividend to its shareholders.

20. **In a company if any change of right of one class also affects the right of other class, then:**

[MTP-March 21]

- (a) A resolution should be passed in general meeting in this case.
- (b) Company need not to do anything else.
- (c) Written consent of 3/4th majority of that other class should be obtained.
- (d) A resolution in joint meeting of both the classes should be passed.

21. **Such shares which are issued by a company to its directors or employees at a discount or for a consideration other than cash for working extra ordinary hard and achieving desired output is honoured with:** [RTP-Nov. 21]

- (a) Equity Shares
- (b) Preference Shares
- (c) Sweat Equity Shares
- (d) Redeemable preference shares

22. **Shares issued by a company to its directors or employees at a discount or for a consideration other than cash for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called are known as:**

[MTP-March 22]

- (a) Equity Shares
- (b) Preference Shares
- (c) Sweat Equity Shares
- (d) Redeemable preference shares

23. **Goals Limited, a listed company has authorised share capital of ₹ 25,00,000 (issued, subscribed and paid-up capital of ₹ 20,00,000). The company has planned to buy back shares worth ₹ 10,00,000. What is the maximum amount of equity shares that the company is allowed to buy back based on the total amount of equity shares?**

[MTP-March 22]

- (a) ₹ 2,00,000
- (b) ₹ 5,00,000
- (c) ₹ 6,25,000
- (d) ₹ 8,00,000

24. Raman, the original allottee of 2000 equity shares in ABC Limited has transferred the same to Ruchi. The instrument of transfer dated 21st August, 2022, duly stamped and signed by Raman was handed over to Ruchi.

Advise Ruchi regarding the latest date by which the instrument of transfer along with share certificates must be delivered to the company, to register the transfer in its register of members. [RTP-May 22]

- (a) 21st August, 2022.
- (b) 20th September, 2022.
- (c) 20th October, 2022.
- (d) 19th November, 2022.

Answers									
1	(d)	2	(a)	3	(c)	4	(d)	5	(b)
6	(c)	7	(d)	8	(d)	9	(b)	10	(c)
11	(c)	12	(c)	13	(b)	14	(b)	15	(d)
16	(c)	17	(b)	18	(b)	19	(c)	20	(c)
21	(c)	22	(c)	23	(b)	24	(c)		