

CA Final – Paper 4 (Law) – MCQ

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

Chapter - 3: Appointment and Remuneration of Managerial Personnel

1	<p>The Board of Directors of Capable Hospitality Services Limited has entrusted Mr. Vikas, the newly appointed Managing Director (MD) of the company, with some powers. However, Mr. Vikas is not interested in discharging administrative functions as authorised by the Board of Directors, since he is of the view that he should have been entrusted with substantial powers of the management. Out of the following four options, which one is correctly applicable in relation to the functions which Mr. Vikas, the MD of Capable Hospitality Services Limited, can undertake:</p> <ul style="list-style-type: none">(a) To draw and endorse any cheque on the account of Capable Hospitality Services Limited maintained with National Commercial Bank Limited, the main banker of the company.(b) To sign the financial statements of Capable Hospitality Services Limited.(c) To draw and endorse any bill of exchange when it exceeds ₹ 1,00,000.(d) To draw and endorse any bill of exchange when it exceeds ₹ 5,00,000.
2	<p>Mr. Joseph Daniel, holding the office of Whole-time Director (WTD) in Tasty Choco-Chips Limited, is desirous of appointing Mr. Vanilla Sequera, who has attained the age of 72 years, as the Managing Director (MD) of the company. However, the Board of Directors is of the opinion that no company shall appoint or continue the employment of any person as Managing Director, Whole-time Director or Manager who is below the age of twenty-one years or has attained the age of seventy years. From the following four options, select the one which is applicable in relation to the validity or invalidity of appointing Mr. Vanilla Sequera as the Managing Director (MD) of Tasty Choco-Chips Limited:</p> <ul style="list-style-type: none">(a) In spite of the fact that Mr. Vanilla Sequera has attained the age of 72 years, he can be validly appointed as Managing Director by the Board of Directors of Tasty Choco-Chips Limited when the recommendation has been made by Mr. Joseph Daniel, the Whole-time Director.(b) Since Mr. Vanilla Sequera has attained the age of 72 years, he cannot be validly appointed as Managing Director of Tasty Choco-Chips Limited.(c) In spite of the fact that Mr. Vanilla Sequera has attained the age of 72 years, he can be validly appointed as Managing Director by the shareholders of Tasty Choco-Chips Limited through passing a Special Resolution in general meeting.(d) In spite of the fact that Mr. Vanilla Sequera has attained the age of 72 years, he can be validly appointed as Managing Director of Tasty Choco-Chips Limited if an application is made to the jurisdictional National Company Law Tribunal (NCLT) and its permission is received for such appointment.
3	<p>Lockworth Safety Gears Limited which pays remuneration to its Directors on yearly basis, has Harsha as Whole-time Director (WTD). Recently, the company appointed Mr. Raviyansh as Managing Director (MD). While paying remuneration, Lockworth Safety Gears Limited needs to keep in view</p>

	<p>that the overall remuneration payable to the Directors including Managing Director, Whole-time Director and Manager shall not exceed maximum limit prescribed under the relevant provisions. After the appointment of Mr. Raviyansh as Managing Director, since the company has both Whole-time Director as well as Managing Director, select the appropriate option from those given below which indicates the maximum remuneration that is allowed in a Financial Year:</p> <p>(a) 3% of net profits. (b) 5% of net profits. (c) 10% of net profits. (d) 11% of net profits.</p>
4	<p>Mr. Abhishek has been in full time employment at F&I Limited (a listed company) working as Chief Financial Officer (CFO). He has been given the offer to hold the office of Whole-time Director at M&N Limited whose more than 51% of the paid-up share capital is held by F&I Limited. After considering the applicable provisions, you are required to choose the correct option from the following four which indicates whether Mr. Abhishek can validly proceed or not with the offer of Whole-time Director extended by M&N Limited while also continuing as Chief Financial Officer (CFO) of F&I Limited:</p> <p>(a) Mr. Abhishek can validly proceed with the offer of Whole-time Director at M&N Limited while also continuing as Chief Financial Officer (CFO) because being a Key Managerial Personnel he shall not be disentitled from accepting the offer of Whole-time Director in any other company after obtaining the permission of Board of Directors of his parent company i.e., F&I Limited. (b) Mr. Abhishek will not be able to proceed with the offer of Whole-time Director at M&N Limited since a whole time Key Managerial Personnel cannot hold office in more than one company at the same time. (c) Mr. Abhishek can proceed with the offer of Whole-time Director at M&N Limited while also continuing as Chief Financial Officer (CFO) since M&N Limited is a subsidiary of F&I Limited. (d) Mr. Abhishek will not be able to proceed with the offer of Whole-time Director at M&N Limited since a whole time Key Managerial Personnel cannot hold office in more than one company at the same time including its subsidiary company.</p>
5	<p>Hasmukh Entertainment Limited, incorporated under the Companies Act, 2013, appointed Mr. Ram Kishore, a well-qualified and experienced person, as Whole-time Director (WTD) for a period of five years in the Annual General Meeting (AGM) held on August 28, 2020. In order that Mr. Ram Kishore continues with the company as Wholetime Director (WTD), he was re-appointed in advance as Whole-time Director (WTD) for another term of five years in the Annual General Meeting which was held on September 28, 2022. The second term of five years will start after the expiry of first term in August, 2025. From the following alternatives, choose the one which indicates the validity or otherwise of re-appointment of Mr. Ram Kishore for the second term of five years by the company:</p> <p>(a) The re-appointment of Mr. Ram Kishore in advance as Wholetime Director (WTD) for another term of five years is valid because re-appointment can be made for a period not exceeding 5 years at any time provided the Articles of Association of the company provide for such re-appointment before one year from the completion of his 'yet-to-expire' term. (b) The re-appointment of Mr. Ram Kishore in advance as Wholetime Director (WTD) for another term of five years is invalid because his re-appointment as Whole-time Director (WTD) cannot be made earlier than one year before the expiry of his first term. (c) The re-appointment of Mr. Ram Kishore in advance as Wholetime Director (WTD) for another term of five years is valid provided the resolution for such re-appointment had earlier been passed with the</p>

	<p>consent of all the Directors present at the Board Meeting and thereafter, such re-appointment was taken up at the Annual General Meeting for approval.</p> <p>(d) The re-appointment of Mr. Ram Kishore in advance as Wholetime Director (WTD) for another term of five years is invalid because no special resolution for his re-appointment was passed at the Annual General Meeting for approval.</p>
6	<p>Murlidhar Masala Enterprises Limited, incorporated under the Companies Act, 2013, is into the business of trading of different kinds of spices used in the cooking of daily food items. Mr. Vinayak was appointed as the Chief Financial Officer (CFO) of the company on July 2, 2019 by the Board of Directors for a period of five years. In the Board Meeting held on July 30, 2022, Mr. Rinkesh aged 55 years was appointed as Managing Director of the company. In this meeting itself, the Board of Directors also made re-appointment of Mr. Vinayak as the Chief Financial Officer (CFO) for another term of 3 years and it was resolved that the new term of 3 years will start after the completion of the first term of five years. Further, in the Annual General Meeting of the company held on September 29, 2022, the appointment of Mr. Rinkesh as Managing Director was approved by the company and the members also noted the re-appointment of Mr. Vinayak as Chief Financial Officer (CFO) for another term of 3 years which would start after completion of the first term of five years. You are required to choose the correct option from the following four whether the reappointment of Mr. Vinayak is valid or not:</p> <p>(a) The re-appointment of Mr. Vinayak as Chief Financial Officer (CFO) for another term of 3 years is valid since the Board of Directors may appoint him for any term as it may think fit.</p> <p>(b) The re-appointment of Mr. Vinayak as Chief Financial Officer (CFO) for another term of 3 years is not valid since no Key Managerial Personnel (KMP) shall be re-appointed earlier than one year before the expiry of his term.</p> <p>(c) The re-appointment of Mr. Vinayak as Chief Financial Officer (CFO) for another term of 3 years is not valid since his reappointment has not been subsequently approved by the company in the Annual General Meeting held on September 29, 2022.</p> <p>(d) Both (b) and (c) above.</p>
7	<p>Go Dairy Products Limited, incorporated under the Companies Act, 2013, is into the business of selling dairy products through online mode. Mr. Dhaval was holding the office of the Whole-time Director in the Company. However, by the end of the Financial Year 2022-23, Mr. Dhaval had to vacate the office of Whole-time Director after attracting one of the disqualifications prescribed under Section 164 of the Companies Act, 2013. You are required to select the correct option from those given below as to the time period within which the Board of Directors are required to fill the vacancy of Whole-time Director created by the resignation of Mr. Dhaval considering the applicable provisions of the Companies Act, 2013:</p> <p>(a) The vacancy of Whole-time Director created by the resignation of Mr. Dhaval shall be filled by the Board of Directors at a meeting of the Board within a period of three months from the date of creation of such vacancy.</p> <p>(b) The vacancy of Whole-time Director created by the resignation of Mr. Dhaval shall be filled by the Board of Directors at a meeting of the Board within a period of six months from the date of creation of such vacancy.</p> <p>(c) The vacancy of Whole-time Director created by the resignation of Mr. Dhaval shall be filled by the Board of Directors at a meeting of the Board within a period of two months from the date of creation of such vacancy.</p>

	(d) The vacancy of Whole-time Director created by the resignation of Mr. Dhaval shall be filled by the Board of Directors at a meeting of the Board within a period of one month from the date of creation of such vacancy.
8	<p>Mr. Raman is a managing director of SLR Ltd. He was proposed to be appointed as director in the same company. Mr. Raman got better opportunity and joined the other company "Alternate Ltd.". He left the office of managing director of SLR Limited. State the correct legal position as to holding of offices of Mr. Raman in the companies-</p> <p>(a) he will hold directorship both in SLR Ltd and Alternate Ltd. (b) He cannot hold office in Alternate Ltd. being employed as managing director in SLR Ltd. (c) He will validly hold all the designated offices in both SLR and Alternative Ltd. (d) He can hold directorship only in Alternate Ltd.</p> <p style="text-align: right;">[MTP-April 19]</p>
9	<p>Mr. Rufftuff was appointed as a Managing Director in the government company, Constant Limited. He was of 70 years with good experience in the field of finance. He was appointed for 6 years. State the correct statement as to term of appointment of Mr. Rufftuff in the said company:</p> <p>(a) He cannot be appointed at all. (b) He can be appointed by passing special resolution for the period not exceeding 5 years. (c) Central government may appoint on application of Board to him for the period of 5 years. (d) He can be appointed by passing special resolution, or where no such special resolution is passed, he can be appointed by the Central Government on an application made by the Board, for the period exceeding 5 years.</p> <p style="text-align: right;">[MTP-April 19]</p>
10	<p>Sunila Interior Decorators and Furnishers Limited which has not accessed the primary market so far, is required to appoint whole-time Key Managerial Personnel (KMPs) in view of the fact that it has surpassed the threshold limit which necessitates such appointment. Out of the three whole-time KMPs which it is obligated to keep on roll, it has already appointed a Managing Director (MD) and a Company Secretary. From the given options, choose the third KMP which needs to be appointed by the company under the given circumstances.</p> <p>(a) Chief Executive Officer (CEO). (b) Chief Financial Officer (CFO). (c) Whole-time Director (WTD). (d) Chief Manager (CM).</p> <p style="text-align: right;">[RTP-Nov. 19]</p>
11	<p>Due to non-compliance of certain requirements under the Companies Act, 2013 not amounting to fraud, Super-Market Limited was required to re-state its financial statements for the financial year 2020-21 during the current year. After the financial statements were restated, it was found that Mr. Kumar, the Managing Director (MD) of that period, who is now retired, was paid excess remuneration to the extent of ₹ 5,00,000. In the given situation, choose the correct option out of those given below, which indicates whether such excess remuneration paid to ex-MD Mr. Kumar is recoverable or not.</p> <p>(a) Excess remuneration of ₹ 5,00,000 paid to Mr. Kumar, ex-MD of Super-Market Limited, cannot be recovered since such recovery after retirement is invalid. (b) Excess remuneration of ₹ 5,00,000 paid to Mr. Kumar, ex-MD of Super-Market Limited, shall be recovered irrespective of his retirement from the company. (c) Only ₹ 2,50,000, being 50% of excess remuneration of ₹ 5,00,000, paid to Mr. Kumar, ex-MD of Super-Market Limited, is validly recoverable because no fraud implicating him is involved.</p>

	(d) Only ₹ 1,25,000, being 25% of excess remuneration of ₹ 5,00,000, paid to Mr. Kumar, ex-MD of Super-Market Limited, is validly recoverable because no fraud implicating him is involved. [MTP-April 22]
12	<p>Who can be appointed as Secretarial Auditor?</p> <p>(a) Any person, who have the audit experience, can be appointed as Secretarial Auditor.</p> <p>(b) Any person who is a member of the Institute of Chartered Accountants of India and holding a certificate of practice, can be appointed as Secretarial Auditor.</p> <p>(c) Any person who is a member of the Institute of Company Secretaries of India and holding a certificate of practice, can be appointed as Secretarial Auditor.</p> <p>(d) Any person who is a member of the Institute of Cost Accountants of India and holding a certificate of practice, can be appointed as Secretarial Auditor. [MTP-April 22]</p>
13	<p>On June, 20, 2019, Mr. Anil Mehra was appointed as Manager of PQR Music Systems Limited for a period of five years. Considering his performance and dedication towards the company, the management of PQR Music Systems Limited decided to re-appoint him as Manager before the completion of his tenure. Out of the following four options, choose the one which indicates the date on which his re-appointment will be considered valid?</p> <p>(a) June 24, 2023.</p> <p>(b) February 1, 2023.</p> <p>(c) March 12, 2022.</p> <p>(d) September 10, 2022. [MTP-Sep. 22]</p>

Answers Key

Q. No	Answer
1	(d) To draw and endorse any bill of exchange when it exceeds ₹ 5,00,000.
2	(c) In spite of the fact that Mr. Vanilla Sequera has attained the age of 72 years, he can be validly appointed as Managing Director by the shareholders of Tasty Choco-Chips Limited through passing a Special Resolution in general meeting.
3	(c) 10% of net profits.
4	(c) Mr. Abhishek can proceed with the offer of Whole-time Director at M&N Limited while also continuing as Chief Financial Officer (CFO) since M&N Limited is a subsidiary of F&I Limited.
5	(b) The re-appointment of Mr. Ram Kishore in advance as Wholetime Director (WTD) for another term of five years is invalid because his re-appointment as Whole-time Director (WTD) cannot be made earlier than one year before the expiry of his first term.
6	(a) The re-appointment of Mr. Vinayak as Chief Financial Officer (CFO) for another term of 3 years is valid since the Board of Directors may appoint him for any term as it may think fit.
7	(b) The vacancy of Whole-time Director created by the resignation of Mr. Dhaval shall be filled by the Board of Directors at a meeting of the Board within a period of three months from the date of creation of such vacancy.
8	(d) He can hold directorship only in Alternate Ltd.
9	(d) He can be appointed by passing special resolution, or where no such special resolution is passed, appointed by the Central Government on an application made by the Board, for the period exceeding 5 years.

10	(b)	Chief Financial Officer (CFO)
11	(b)	Excess remuneration of ₹ 5,00,000 paid to Mr. Kumar, ex-MD of Super-Market Limited, shall be recovered irrespective of his retirement from the company.
12	(c)	Any person who is a member of the Institute of Company Secretaries of India and holding a certificate of practice, can be appointed as Secretarial Auditor.
13	(a)	June 24, 2023.

