

CA Inter – Paper 2 (Law) – Case Studies

Compiled by: CA. Pankaj Garg

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

Integrated Case Study - 11

Sehzad Colour Limited (SCL) was incorporated on 12th August, 2021 with its registered office situated in Dehradun and branch offices at Delhi and Jaipur. The company was engaged in the business of manufacturing herbal products used as cosmetics. The company had prepared its “books of account” and other relevant books and records and financial statements for the year ending on 31st March, 2022.

The company maintains its books of account on a double entry system of accounting on an accrual basis and keeps the books of account and other relevant books and papers and financial statements in the city of Jaipur in Rajasthan, which happens to be its major branch office.

Gradually, the activities of the company grew and it opened its first branch office outside India in Colombo, Sri Lanka. The business started developing well and necessary records and documents including the books of account of the branch were maintained. One of the Directors, Mr. Mac, felt it necessary to inspect the books of account and other relevant documents maintained at Colombo branch. However, due to his busy schedule, he could not personally inspect the records and accordingly sought necessary financial information through his attorney holder.

The board of directors of the company had entrusted Ms. Anjali, the General Manager of the Company to fulfil all the duty with regard to the complying with the provisions of the company law in relation to maintaining the books of account, place of keeping the books of account, time period for preservation of books and all relevant papers and such things as prescribed under the Companies Act, 2013 in this regard.

In view of the aforesaid scenario relating to “books of account” of SCL, answer the following questions:

[MTP-April 21]

1	<p>As observed in the case scenario above, Mr. Mac (a director) has sought financial information maintained outside the country (i.e. financial information relating to books of account maintained in Colombo). Can a director do so under the provisions of the Companies Act, 2013?</p> <p>(a) A director can inspect and seek information from any Branch of the Company located within the country only.</p> <p>(b) The director can seek the information through his attorney holder with respect to financial information maintained outside the country also.</p> <p>(c) The director can seek the information only individually and not through his attorney holder with respect to financial information maintained outside the country.</p> <p>(d) The director can seek the information through his representative with respect to financial information maintained outside the country.</p>
2	<p>With regard to preservation of the books of SCL, the books of account for the FY 2021-22 needs to be kept in good order until at least which of the following years?</p>

	(a) FY 2028-29 (b) FY 2029-30 (c) FY 2030-31 (d) FY 2031-32
3	<p>The board of directors of the company had entrusted Ms. Anjali, the General Manager of the Company to fulfil all the duty with regard to complying with the provisions of the company law in relation to maintaining the books of account. Which of the statement is correct with respect to entrusting Ms. Anjali for maintaining the books?</p> <p>(a) Only the Managing Director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account, etc.</p> <p>(b) Only the Managing Director or any Whole time director can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.</p> <p>(c) Only Whole time director (in charge of finance) or Chief Financial Officer can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.</p> <p>(d) Only the Managing Director or the Whole time director (in charge of finance) or Chief Financial Officer or any other person of a company charged by the Board with the duty can be entrusted to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc.</p>

Answers							
1	(c)	2	(b)	3	(d)		

Integrated Case Study - 12	
<p>Mr. Anay, a business graduate from a leading B-School, has been running a chain of restaurants as a sole proprietor concern. The business is based in Chennai. Mr. Anay, in order to develop the business decided to corporatize his business but he is concerned with dilution of his control over business decisions.</p> <p>Mr. Anay, during a journey met Mr. D’souza, one of his old school friends. Mr. D’souza is presently working in one of leading corporate advisory firms. Mr. Anay seeks advice from Mr. D’souza, regarding conversion of sole proprietorship concern to company and also explain his intention to keep the entire control in his hand. Mr. D’souza informed Mr. Anay, about a new type of company, called One Person Company (OPC), which can be formed under Companies Act, 2013. Mr. Dsouza quoted Sec. 2(62), which defines ‘one person company’ as a company which has only one person as a member.</p> <p>Mr. Anay felt OPC is correct form of business for him, hence he promoted an OPC ‘Casa Hangout Private Limited’ (One Person Company) on 14th September, 2021, to which he sold his sole proprietary business and became the sole member. Mr. Anay, appointed his younger son Mr. Amar, who was 21 year old then, as Nominee to OPC. Mr. Anand who is a famous food blogger and old friend of Mr. Anay was appointed as director of OPC, Mr. Anay himself also become director of company.</p> <p>Mr. Amar is a professional photographer, and went abroad for a certification course on 23rd October, 2021. He came back on 1st of March, 2022. He established a photo-studio as an OPC called ‘Best Click Private Limited’ (One Person Company) on 20th March, 2022, in which Mr. Anay is nominee and he became sole member. In the mean time, Mr. Amar also gave his consent as nominee to another OPC in which his elder brother Mr. Shankar is sole member.</p> <p>Mr. Anay met with an accident on 25th March, 2022, in which he lost his life. Nomination clause was invoked, as a result Mr. Amar has to take charge over ‘Casa Hangout Private Limited’ (One Person Company) as</p>	

member with immediate effect. On 30th March, 2022 Mr. Shankar was appointed as a new nominee to 'Casa Hangout Private Limited' (One Person Company), who gave written consent on 31st March, 2022. Mr. Shankar who is an investment banker by profession, is of the opinion that 'Casa Hangout Private Limited' (One Person Company) needs to amend its object clause and add 'carry out investment in securities of body corporate' as one of the objects.

The Financial year closed on 31st March, 2022. Financial statements of 'Casa Hangout Private Limited' (One Person Company), which is not containing cash flow statements were signed by Mr. Anand who left as only director after death of Mr. Anay. [MTP-April 21]

1	<p>With reference to appointment of Mr. Amar and Mr. Shankar as nominee to 'Casa Hangout Private Limited (One Person Company)', out of followings, who is eligible to be nominee of OPC?</p> <p>(a) Any natural person excluding minor. (b) Any legal person excluding minor. (c) Any natural person, who is resident of India, but excluding minor. (d) Any natural person, who is resident in India or otherwise as well as citizen of India, but excluding minor.</p>
2	<p>Mr. Shankar if he wishes to withdraw his consent as nominee, can do so by giving written notice to _____.</p> <p>(a) Director of OPC and to sole member of company. (b) Director of OPC and to Registrar of companies. (c) Sole member of company and to OPC. (d) Sole member of company and to Registrar of companies.</p>
3	<p>With reference to legal position of Mr. Amar as member/s and nominee/s to various OPCs, which of the following statement is correct with reference to ceiling limit in relation to membership and being nominee to OPC? A person, other than minor at specific point of time _____.</p> <p>(a) can be member in any number of OPCs but nominee in one OPC. (b) can be member in one OPC and nominee in any number of OPCs. (c) can be member in one OPC and nominee in another one OPC. (d) can be member and nominee both in any number of OPCs.</p>

Answers							
1	(d)	2	(c)	3	(c)		

Integrated Case Study - 13

Mr. Ajay is a renowned finance professional with wide experience in banking operations. Due to his experience, he has been appointed as director on the Board of various companies. He is working as the Executive Director - Finance of Doon Carbonates Limited (DCL) for the past 4-5 years and heading the finance department there. As per the object clause of the Memorandum of Association of DCL, it can raise funds by way of loans for the advancement of its business. Articles of Association of DCL authorizes the directors to borrow up to ₹ 50 lakhs on behalf of the company after passing a valid board resolution and any loans for amounts exceeding the above limit can be raised only after approval at a general meeting.

Board of Directors of DCL raised ₹ 80 lakhs from Srikant Finance Services after passing a board resolution and out of this amount, ₹ 60 lakhs was used to pay a legitimate liability of DCL by the directors. DCL is a widely held company with around 5,600 members as per the members register. The 21st AGM of DCL is convened on 1st September, 2021. A total of 34 members attended the meeting out of which 7 members

attended through proxy. 6 of such members are represented by single proxy, Mr. Das. The articles of DCL is silent about the quorum.

Mr. Ajay is also director of Padmani Silk Limited (PSL). PSL was established around 25 years back as a private company operating as a micro business with 10 employees in a three room building. During these years, the company grew exceptionally and went public and was also listed on SME exchange. PSL declares the interim dividend out of the previous year's undistributed profit on 31st August, 2021 on the occasion of the 25th anniversary of the company. PSL deposited the amount of said dividend in a separate bank account with a NBFC on 4th of September, 2021.

Mr. Ajay hails from a farming family and carries on the business of cultivation and milling of paddy. He is also the sole member of New-Deal Limited (NDL), a one person company. NDL is operated as rice sheller and also deals in trading of high quality basmati rice. Mr. Ajay's father is operating as a nominee for the purposes of this OPC. The accounts department of NDL prepared and published only Profit and Loss Account and Balance Sheet as a financial statement and did not prepare cash flow statements and explanatory notes to accounts.

A statement of changes in equity is not required in the case of NDL.

[RTP-May 21]

1	<p>Regarding compliance for declaration and distribution of Interim dividend by PSL, which of the following statement is correct?</p> <p>(a) There is a violation of the provisions because interim dividend can only be declared out of current year's profits.</p> <p>(b) There is no violation at all, and all the provisions prescribed by law have been complied with.</p> <p>(c) There is a violation because the bank account shall be designated and shall be one of existing banks account of company.</p> <p>(d) There is a violation because the bank account shall be opened with scheduled banks only.</p>
2	<p>Which of the following statement is correct, with reference to the requirement for financial Statements of 'New Deal Limited' (One Person Company)?</p> <p>(a) NDL fails to meet the requirement because its financial statement do not include explanatory notes to accounts.</p> <p>(b) NDL fails to meet the requirement because its financial statements do not include cash flow statement.</p> <p>(c) NDL fails to meet the requirement because its financial statements do not include explanatory notes to account and cash flow statement.</p> <p>(d) NDL has complied with the requirements related to financial statements.</p>
3	<p>The borrowing of the sum of ₹ 80 lakhs by the directors of DCL is _____.</p> <p>(a) <i>Void ab initio</i></p> <p>(b) Void</p> <p>(c) Voidable</p> <p>(d) Valid</p>
4	<p>Regarding the validity of the 21st Annual General Meeting of DCL, which of the following statement is correct?</p> <p>(a) The meeting doesn't have a quorum, because 30 members need to be present in person at the meeting.</p> <p>(b) The meeting is valid and has a quorum because 30 members are present at meeting either personally or through a proxy.</p> <p>(c) The meeting is valid and has a quorum, because only 5 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than 5,000 but not more than 10,000.</p>

	(d) The meeting is valid and has a quorum, because only 15 members are required to be present, either personally or through a proxy, if the number of members as on the date of the meeting is more than 5,000 but not more than 10,000.
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Answers							
1	(d)	2	(a)	3	(c)	4	(a)

Integrated Case Study - 14	
<p>Mr. M. Mishra is a director of Superior Carbonates and Chemicals Limited (SCCL). SCCL was incorporated by Mr. S. K. Mishra (father of Mr. M. Mishra) on 5th July, 1995 as a public company. SCCL accepts a loan of ₹ 1.5 crores from Mr. M. Mishra for short-term purpose and the loan is expected to be repaid after 24 months. SCCL in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. M. Mishra affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of his loan transactions are furnished in the boards' report.</p> <p>DBSL which is an unlisted public company, also accept the deposits from the public as on 1st November, 2019, which is due for repayment on 30th September, 2024. DBSL also accepts a LAP (Loan against property) for a term of 10 years from a financial institution on 18th June, 2021. Charge was created on that day, but DBSL has neglected to register the charge with the registrar. Finally, the application for registration of charge is furnished on 18th August, 2021.</p> <p>SCCL has registered office in Paonta-sahib (Himachal Pradesh) and corporate office is situated in Dehradun (Uttarakhand) but around 15% of members whose name is entered in members register are residents of Nainital (Uttarakhand). SCCL has a liaison Office at Nainital. Management of the company is willing to place the Register of Members at the Nainital Liaison Office.</p> <p>DBSL convene its 7th AGM on 10th September, 2021 at the registered office of the company. Notice for same was served on 21st August, 2021. 78% of members gave consent to convening AGM at shorter notice due to ambiguity and possibility of another lockdown starting from 11th September, 2021 on account of COVID-19.</p> <p style="text-align: right;">[RTP-May 21]</p>	
1	<p>Pick the right statement regarding SCCL's willingness to keep and maintain the register of members at the Nainital liaison office.</p> <p>(a) Register of members shall be kept at either registered office or within the same city that too after passing the resolution, hence SCCL is not correct in placing it at the Nainital liaison office.</p> <p>(b) Register of members cannot be kept at any other place by SCCL, without passing an ordinary resolution.</p> <p>(c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10th of the total members entered in the register of members reside there.</p> <p>(d) Register of members cannot be kept at Nainital liaison office, even after passing a special resolution, because less than 1/5th of the total members entered in the register of members reside there.</p>
2	<p>With reference to deposit accepted by DBSL and its duration, you are required to identify which of the following statement is correct:</p> <p>(a) There is no requirement relating to the duration of deposit, DBSL can accept a deposit for any duration.</p> <p>(b) Since DBSL is an unlisted company, provision relating to the duration of the deposit is not applicable.</p> <p>(c) There is a provision of a minimum duration of six months, but no upper cap to length is provided. Hence deposit accepted by DBSL is in compliance to provisions of Law.</p>

	(d) Acceptance of deposits by DBSL is in violation of provision of law, because the maximum period of acceptance of deposit cannot exceed 36 months.
3	<p>With reference to application to the registrar for registration of charge by DBSL, which of the following statement is correct?</p> <p>(a) The charge cannot be registered now, even if the Registrar permits the same. (b) The charge can be registered, if registrar permits with payment of <i>ad valorem</i> fee. (c) The charge can be registered, if registrar permits but with payment of an additional fee. (d) The charge can be registered, with payment of a standard fee.</p>
4	<p>With reference to the loan advanced by Mr. M. Mishra to SCCL, state whether the same is to be classified as a deposit or not?</p> <p>(a) Deposit, because any sum advanced by the director whether loan or otherwise is always classified as a deposit. (b) Deposit, because the tenor of the loan is for a period of more than six months. (c) Not a deposit, because such amount is recorded as loan in books of account of SCCL. (d) Not a deposit, because the written declaration is provided by Mr. M. Mishra, who was a director when the loan was advanced that the loan is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others.</p>
5	<p>Considering the provision relating to length of Notice for AGM, pick out the right option:</p> <p>(a) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by all the members entitled to vote at AGM. (b) Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to by at-least 95% of members entitled to vote thereat. (c) Notice served by DBSL is valid because the shorter length has been consented to by 75% of members entitled to vote thereat. (d) Notice served by DBSL is not valid, because notice given within a shorter length duration needs has to by at-least 50% of the members entitled to vote at AGM that too in writing.</p>

Answers									
1	(c)	2	(d)	3	(b)	4	(d)	5	(b)

Integrated Case Study - 15

Ramesh started a new venture of on-line business of supply of grocery items at the doorstep of consumers. Initially it was having the area of operations of Jaipur City only. He employed some young boys having their own bikes and allocated the areas which they were accustomed of it, for making delivery of the grocery items as per their orders. He also got developed a website and Mobile App to receive the orders on-line. His friend Sudhanshu who is a Chartered Accountant, suggested him to corporatize this business form, from proprietorship business to a One Person Company (OPC). Ramesh agreed and a OPC was incorporated in the name of "Ask Ramesh 4 Online Grocery (OPC) Pvt Ltd." (for short OPC-1). In this OPC Ramesh became the member and director and Sudha (the mother of Ramesh) was made as nominee.

After a year Ramesh got married with Rachna. Since the business of on-line supply of grocery was on rising trend, day by day, he thought to start a new business of supply of Milk and Milk Products and another OPC in the name of "Rachna Milk Products (OPC) Pvt. Ltd." (for short OPC-2) was incorporated with the help of his professional friend Sudhanshu. In this OPC-2, Rachna (his wife) became the member and director and Ramesh was named as Nominee. To summarise the position, the information is tabulated as under:

Name of OPC	Ask Ramesh 4 Online Grocery (OPC) Pvt. Ltd. [OPC-1]	Rachna Milk Products (OPC) Pvt. Ltd. [OPC-2]
Member and Director	Ramesh	Rachna
Nominee	Sudha (Mother of Ramesh)	Ramesh (Husband of Rachna)

After some time, Sudha (the mother of Ramesh) passed away. However, before the death, Sudha had made a WILL, in which she mentioned that after her demise, her another son Suresh be made nominee in the OPC-1. When Suresh came to know this fact, he argued with Ramesh to fulfil the wish of Sudha as per her WILL (Mother of Ramesh and Suresh), but Ramesh denied this and appointed Rachna (his wife) as nominee.

Aggrieved from the decision of Ramesh for not nominating him (Suresh), Suresh threatened Ramesh to take appropriate legal action against him for not honouring the WILL of mother Sudha and consulted his lawyer. Meanwhile due to continuous threatening and hot talks between Suresh and Ramesh, Rachna became mentally upset and became insane, as certified by the medical doctor, so lost her capacity to contract. In this situation, Ramesh being the nominee in OPC-2 became member and director of this OPC-2.

One of the friends of Ramesh advised him to do some charitable work of providing free education to the girl children of his native village near by Jaipur. Ramesh thought about this proposal and asked his professional friend Sudhanshu to convert this OPC-2 into Sec. 8 company.

Based on the above facts, answer the following MCQs:

[RTP-Nov. 21]

1	<p>Since Rachna, being insane, lost the capacity to contract, Ramesh (who was nominee) became the member of OPC-2. Now who will make nomination for this OPC:</p> <p>(a) Ramesh in the capacity of husband of Rachna can nominate any person as Nominee of OPC-2.</p> <p>(b) Ramesh (who was nominee) of OPC-2 has now become member of this OPC and now as a member of this OPC he can nominate any person as per his choice as Nominee for this OPC.</p> <p>(c) When no person is nominated, the Central Govt. will make nomination of such OPC-2.</p> <p>(d) When no person is nominated the Registrar shall order the company to be wound-up.</p>
2	<p>Whether conversion of OPC-2 into a company governed by Sec. 8 is permissible?</p> <p>(a) Yes, OPC can be converted into Sec. 8 company.</p> <p>(b) No, OPC cannot be converted into Sec. 8 company.</p> <p>(c) This OPC-2 can be converted into Sec. 8 company, provided the Central Govt. give license.</p> <p>(d) Providing of free education to girl child do not come under the specified objects mentioned for eligibility incorporation of Sec. 8 company.</p>
3	<p>Ramesh is a member in OPC-1 and became a member in another OPC-2 (on 2nd April, 2021) by virtue of his being a nominee in that OPC-2. Ramesh shall, by what date, meet the eligibility criteria that an individual can be a member in only one OPC:</p> <p>(a) 17th May 2021.</p> <p>(b) 25th August 2021.</p> <p>(c) 26th August 2021.</p> <p>(d) 29th September 2021.</p>
4	<p>After the demise of Sudha (the mother of Ramesh), Rachna was nominated by Ramesh for OPC-1 as Nominee. But now Rachna has become insane, so what recourse you will suggest to Ramesh.</p> <p>(a) Ramesh is required to nominate another person as nominee.</p> <p>(b) Ramesh should wait till Rachna becomes good of her health and able to have the capacity to contract.</p> <p>(c) Although Rachna has become insane, but if she is able to sign, her nomination in OPC-1 may continue.</p>

(d)	Sudhanshu (the Chartered Accountant) who helped in incorporation of OPC-1, may act as legal consultant on behalf of Rachna.
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Answers							
1	(b)	2	(b)	3	(d)	4	(a)

Integrated Case Study - 16		
Ronak and Bhowmik are brothers and they are engaged in the business of dairy. Ronak is having 10 cows. The monthly revenue and expenses of the cows is tabulated as under:		
S. No.	Particulars	(₹)
1	Revenue: (25 litres per cow per day) * (10 cows) * (Sale Price ₹ 40 per litre) * (30 days in a month) = 3,00,000.	3,00,000
2	Expenses: (i) For feeding: (300 per cow per day) * (10 cows) * (30 days in a month) = 90,000 (ii) Medical Expenses (Salary to a Veterinary Doctor per month = 10,000) (iii) Labour's Salary: (2 person * 10,000) = 20,000 (iv) Petrol expense for milk delivery van: Lump sum = 10,000 Total Exp= 90,000 + 10,000 + 20,000 + 10,000 = 1,30,000	(1,30,000)
3	Savings per month	1,70,000
4	Yearly savings = 1,70,000 * 12 months	20,40,000
5	Salary to Bhowmik for looking after Ronak's Dairy business: 10,000 * 12 = 1,20,000	(1,20,000)
6	Less: Contingency Expenditure	(20,000)
7	Net Revenue to be collected (after a year)	19,00,000
<p>Ronak's son Chirag is doing Engineering in Dairy Science from Denmark and is in Final Year. He learnt a lot by his engineering education and want to invite his father to know the technical aspects of dairy business. Chirag insisted his parents to come to Denmark and stay for a year to learn the nitty gritty of the dairy business and also enjoy the life in travelling nearby places.</p> <p>Ronak, talked to his brother Bhowmik and explained his plan to visit to Denmark for a year and requested to take care of his cows. The labourers are engaged for the maintenance of cows and delivery of the milk, and Bhowmik is just to have a watch over it, collect the revenues etc. and take care of the cows, till he returns back from Denmark. Ronak also offered Bhowmik that for taking care of his dairy business, he will pay to him ₹ 10,000 per month. Ronak also told Bhowmik that the cows are covered under the Insurance Policy, for which he has already paid advance premium and also shared the Insurance Policy with Bhowmik. However, Ronak did not disclosed that one cow is under sickness, it very often falls sick and needs to be taken care. Bhowmik agreed and the cows were shifted to Bhowmik's Dairy Farm House.</p> <p>Ronak and his wife went to Denmark to stay with their son and to understand the dairy business there and to visit the near places.</p> <p>Bhowmik was now looking after the dairy business of Ronak along with his dairy business. During the year, 2 cows gave the birth to 2 calves. One cow, which often used to fall ill, had also influenced the other cows, as a result, one cow of Bhowmik, and one cow of Ronak which remained in close contact with this sick cow, also fell sick. All the three cows (2 of Ronak and 1 of Bhowmik) died.</p> <p>When the insurance claim was lodged, the insurance company refused to pass on the claim on the following reasons:</p>		

- One cow of Ronak which was running sick was not insured.
- Post mortem Report of another two cows (one of Ronak and another of Bhowmik) revealed that these two cows were in close touch of the sick cow and due to infections, these two cows also died.

When Ronak returned back to India, he demanded his cows back. Bhowmik returned 8 cows (10-2) but did not returned calves. Bhowmik informed Ronak that due to one sick cow (of Ronak) his cow also became sick and died and no insurance claim was admitted.

Based on the above facts, answer the following MCQs:

[RTP-Nov. 21]

1	<p>What was the fault on the part of Ronak (bailor) in this case?</p> <p>(a) Ronak has not taken the Insurance Policy of the sick cow.</p> <p>(b) Ronak have not informed the continuous sickness of his cow, to Bhowmik.</p> <p>(c) Ronak has left the cows to his brothers and went to Denmark to enjoy the travelling and tourism.</p> <p>(d) Ronak, before going to Denmark, should have sold this sick cow.</p>
2	<p>Can Bhowmik claim damages for loss of his cow, which died, since this cow, remained in the close contact of the sick cow of Ronak.</p> <p>(a) Ronak is not liable for such loss.</p> <p>(b) Bhowmik should himself take care of his cow.</p> <p>(c) Ronak is liable to pay the price of the deceased cow of Bhowmik, since this cow died on account close contact of sick cow of Ronak.</p> <p>(d) Bhowmik should be vigilant in taking care of the cows.</p>
3	<p>Whether Bhowmik is responsible to give delivery of two calves which took birth during the year, when Ronak was on his tour to Denmark.</p> <p>(a) Bhowmik is not bound to give delivery of two calves, since he has already lost his own cow due to mistake of not disclosing the sickness of Ronak’s cow by him (Ronak).</p> <p>(b) Bhowmik is duty bound to hand over the delivery of two calves.</p> <p>(c) Ronak should not insist for delivery of the calves.</p> <p>(d) Bhowmik can keep the calves with him as the calves were born when the cows were in Bhowmik’s custody.</p>
4	<p>Bhowmik returns only 8 cows, since 2 cows of Ronak died. Whether Ronak is entitled to claim damages for 2 cows:</p> <p>(a) Ronak is not entitled to claim damages.</p> <p>(b) Ronak is entitled to claim damages only, if he can prove that Bhowmik has not taken care of the cows as a prudent person, not taken the medical help of the doctor etc.</p> <p>(c) Bhowmik should morally paid the loss of cows to his brother Ronak.</p> <p>(d) Bhowmik should not claim his salary, since Ronak has already suffered the loss of two cows.</p>

Answers							
1	(b)	2	(c)	3	(b)	4	(b)

Integrated Case Study - 17
<p>Ramola Textiles is a listed public company with the share capital of ten crores. The share value of the share is ₹ 100 per share. The company has maintained the following registers:</p> <p>(a) Register of Members indicating separately for each class of equity and preference shares held by each member residing in or outside India; and</p> <p>(b) Register of Debenture-holder.</p>

The company has a registered office in Ahmedabad (Gujarat) and its Corporate office is situated in Mumbai. Around 17% of members who are equity shareholders and 10% of the members who are preferential shareholders resides in Jaipur (Rajasthan). So out of these members 9% equity shareholders and 5% preferential shareholder made an application addressed to the company to shift its register of members to its liaison office in Jaipur. The company refused the request of the members by quoting that the register can only be maintained at registered office of the company.

Mr. Raheem, a shareholder of the company, wants to sell all his shares in the company and wants to settle abroad. Mr. Raheem sold his equity shares to Mr. Ram on 7th May, 2021. After completing all the formalities of transfer of shares Mr. Raheem left India on 10th May, 2021. After three days span Mr. Ram figured out that his name was still not registered in company Register of Members (RoM). The Annual General Meeting was scheduled to be held on 25th May, 2021. So, Mr. Ram wrote an e-mail to the company regarding addition of his name in RoM. But finally, after no response from the company, Mr. Ram approached the Tribunal to get his name registered in RoM. The Tribunal passed the order on 20th May, 2021 to enter Mr. Ram's name in register of members of the company.

In the Annual General Meeting (AGM) the company declared to pay 10% dividend to all its shareholders out of the profits which it earned in previous financial year. Mr. Krish, a member of the company is holding 1,000 equity shares in the company. Two years back Mr. Krish jointly bought fully paid 1,000 equity shares of the company, with Mr. Azim, who is also a member of the company holding 1,000 equity shares. Mr Krish needs to pay final call of ₹ 20 per share.

After the Annual General Meeting a report on the meeting including the confirmation to the effect that the meeting was convened, held and conducted as per the provisions of the Act and the rules made thereunder is required to be filed. A copy of the report was filed with the Registrar in Form No. MGT-15 with prescribed fees. [MTP-Oct. 21]

1	<p>The Tribunal passed an order dated 20.05.2021. Latest by what date should the entry of Mr. Ram's name be made in the register of members?</p> <p>(a) 25.05.2021 (b) 27.05.2021 (c) 30.05.2021 (d) 31.05.2021</p>
2	<p>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 2 Directors of the company, of which one was additional Director of the company. Comment on the signing of this report of AGM.</p> <p>(a) Yes, the signing is in order as the report can be signed by any director in the absence of Chairman. (b) No, the signing is not in order as only the Chairman is authorised to sign the report. (c) Yes, the signing is in order, as in the absence of Chairman at least two directors should sign the report. (d) No, the signing is not in order, since in case the Chairman is unable to sign, the report shall be signed by any 2 directors of the company, one of whom shall be the Managing director, if there is one and company secretary of the company.</p>
3	<p>According to the provision of Companies Act, 2013, till what date the company should submit report of AGM to the registrar?</p> <p>(a) 4.06.2021 (b) 9.06.2021 (c) 24.06.2021 (d) 25.06.2021</p>

Answers							
1	(c)	2	(d)	3	(c)		

Integrated Case Study - 18

Atul want to wear a new coat for his seminar which is to be held after 15 days. He bought cloth material from the market to make a new coat. Atul gives material to Babu, a tailor, to make the coat. Babu promised Atul to deliver the coat within the stipulated time of one week. Atul paid 10% advance so that he stitches his coat on priority basis. After one week when Atul went to the tailor he was shocked to see that the coat is still unstitched. The tailor demanded two more days time from Atul to stitch the coat, but Atul refused and asked the tailor to return his piece of cloth. Tailor retained the cloth and asked Atul to pay the price, as he already did the cutting of the cloth.

Yash, Atul's friend left his car at the company's authorised showroom for servicing. As Yash house is located in the remote area of the city, so he instructed the manager of the showroom to park the vehicle at Atul's residence. So as per Yash's instructions the car was sent to Atul house after servicing. The worker of the showroom parked the car outside Atul's residence and handed over the key to Atul's servant. Next day when Yash went to pick up his car he found that somebody has hit the car while it was parked there.

Yash found a mobile phone and a branded pen lying on the road outside Atul's residence. Yash tried to enquire about the real owner. He took the phone and pen with him and kept it in the drawer of his study table. Next day, Yash's wife came to the room searching for a pen, she saw the pen and took the pen and went out. Unfortunately, Yash's wife lost the pen. After two days the real owner, approached him (Yash), Yash humbly delivered his phone and apologized for the loss of pen. [MTP-Oct. 21]

1	<p>According to the provisions of the Indian Contract Act, 1872, do you think the tailor has a right of lien over the cloth?</p> <p>(a) Yes, he is entitled to retain the coat until he is paid.</p> <p>(b) No, he has not completed the work within the agreed time.</p> <p>(c) Yes, in case of particular lien he can retain the cloth.</p> <p>(d) No, but he is not required to return the advance amount.</p>
2	<p>Referring to the provision of the Indian Contract Act, 1872, what are the repercussions, when Yash found goods belonging to another and takes them into his custody? Choose the correct statement.</p> <p>(a) He becomes subjected to the same responsibility as of a bailee.</p> <p>(b) Merely possession of the goods does not make him a bailee.</p> <p>(c) No act is done by owner for placing the goods in the possession of Yash, so he cannot be treated as bailee.</p> <p>(d) In the absence of any express or implied contract, absolves Yash's liabilities as bailee.</p>

Answers							
1	(b)	2	(a)				

Integrated Case Study - 19

Mr. Hari Dutta is an Operation Head of North India region of Hilton Ltd. He was a full-time employee of the company. Mr. Hari draws a monthly salary of ₹ 1,00,000. On 14th May, 2020, Mr. Hari applied for a loan of ₹ 10,00,000, to buy 1,000 fully paid-up equity shares of ₹ 1,000 each in Mohan Limited (holding company of Hilton Ltd). The company refused to grant loan to Mr. Hari saying he is not eligible for the loan for the said

amount of ₹ 10,00,000. Hilton Ltd. is a listed company, authorized by its articles to purchase its own securities. According to the balance sheet and Annual statements of the company for the year 2020-21:

- Issued, subscribed and paid-up Share Capital (20,00,000 equity shares of ₹ 100 each, fully paid-up)
- Free Reserves ₹ 30,00,00,000
- Securities premium account ₹ 20,00,00,000
- Secured and unsecured Debt ₹ 50,00,00,000
- Accumulated losses ₹ 50,00,000

The company issued a circular as it wanted to buy back shares worth ₹ 10,00,00,000 from the funds it has in its free reserve and securities premium account. The board of directors passed a resolution for the same on 28th April, 2021.

The company has filed with the Registrar of Companies a Letter of Offer in e-form SH-8 on 1st May, 2021. The company had also filed with the Registrar of Companies, along with the letter of offer, a declaration of solvency.

The Letter of Offer was dispatched to all the shareholders on 3rd May, 2021. The company announced to avail the buy back offer latest by 10th May, 2021. Many shareholders who approached the company after the due date were not considered applicable for this buy back scheme. The shareholders raised strong objection on giving just 7 days time to avail the offer by the company.

A special resolution has been passed at a general meeting of the company authorizing the buy-back of shares, which was accompanied by an explanatory statement containing the particulars required to be mentioned as per the provisions of the Companies Act, 2013. [MTP-Nov. 21]

1	<p>The company has planned to buy back shares worth ₹ 10,00,00,000. What is the maximum amount of equity shares that the company is allowed to buy back based on the total amount of equity shares?</p> <p>(a) ₹ 2,00,00,000 (b) ₹ 5,00,00,000 (c) ₹ 7,00,00,000 (d) ₹ 8,00,00 000</p>
2	<p>Suppose the company intends to buy back some partly paid equity shares. Which of the following statement is correct?</p> <p>(a) The company is allowed to buy back partly paid equity shares. (b) The company is allowed to buy back partly paid equity shares if the total amount of such partly paid equity shares does not exceed 2% of the total buy back. (c) The company is allowed to buy back partly paid equity shares but it cannot buy back partly paid other specified securities. (d) All the shares or other specified securities for buy back must be fully paid-up.</p>
3	<p>Some shareholders and officers of the company are of the opinion that it was not necessary for the company to pass a special resolution in general meeting with respect to buy back. Choose the correct reasoning:</p> <p>(a) It was not necessary to pass the special resolution as the approval of Board had already been granted for such buy back of shares. (b) It was necessary to pass special resolution as the amount of buy back exceeds 10% of the total paid-up equity share capital and free reserves. (c) It was not necessary to pass the special resolution as the buy back was authorized by the articles of the company.</p>

(d)	It was necessary to pass special resolution as the amount of buy back exceeds 15% of the total paid-up equity share capital and free reserves.
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Answers							
1	(b)	2	(d)	3	(b)		

Integrated Case Study - 20	
<p>Kirtee Agarwal and Kishan Shaw are two friends studying in the Mumbai City College. They both are pursuing Bachelor of Commerce (Hons.) and are in their Semester V. Kirtee Agarwal is also pursuing Chartered Accountancy Course. She has completed her Foundation Level and is presently preparing for the Intermediate Level. On the other hand, Kishan Shaw is interested in Fashion Designing and is preparing to become a fashion designer after completing B.COM (Hons.).</p> <p>One fine morning over a cup of tea both Kirtee and Kishan heard two persons promising to financially help each other. One person named Mr. P promised the other Mr. Q, that he will pay him a certain sum of money on the 76th Independence Day of India. To this Mr. Q asked Mr. P to pay this sum to Mr. R (friend of Mr. Q). After a moment's thought Mr. P changed his mind and promised to pay a reduced sum of money to Mr. R along with an I-Pad.</p> <p>Over hearing this conversation both Kirtee and Kishan started discussing over Promissory Notes. Since Kirtee is a CA Student she shared her knowledge about Promissory Notes and explained Kishan about Sec. 4 of the Negotiable Instrument Act, 1881.</p> <p>Having heard the details Kishan was curious in his mind regarding Promissory Notes. He had the following questions for which he needed answers. Considering the above data and assuming you are Kirtee, answer the following questions of Kishan: [MTP-Nov. 21]</p>	
1	<p>Kishan asks, 'If Mr. P promises Mr. Q that he will pay ₹ 4,00,000. However, he will pay the sum to Mr. Q on the 76th Independence day of India'. Will this promise constitute a valid Promissory Note?</p> <p>(a) No. This is not a valid promissory note as it is conditional and promissory note should be unconditional.</p> <p>(b) No. This is not a valid promissory note as there is no express of promise. It is a mere statement.</p> <p>(c) Yes. This is a valid promissory note as the event stated in the promise is bound to happen.</p> <p>(d) Yes. This is a valid promissory note as there is a promise to pay irrespective of the promise being conditional or unconditional.</p>
2	<p>Kishan asked, 'when Mr. P promises to pay a friend of Mr. Q, ₹ 2,00,000 along with an I-Pad, on his birthday'. Will that be a valid Promissory Note?</p> <p>(a) No. It is not a valid Promissory note as the order to pay must consist of money only.</p> <p>(b) No. It is not a valid promissory note as there is no clarity on which birthday the payment will be made. It is a promise for an indefinite period.</p> <p>(c) Yes. It is a valid promissory note as the maker and payee are certain, definite and different person.</p> <p>(d) Yes. It is a valid promissory note as there is an express promise to pay ₹ 2,00,000 along with I Pad on friend's birthday.</p>

Answers							
1	(c)	2	(a)				