

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 - 4: Inspection, Inquiry and Investigation

1	<p>Sunder Cosmetics Limited was served a notice by the jurisdictional Registrar of Companies to produce at his office for inspection of certain more books of accounts, other books, papers and explanations, etc. at 11 A.M. on January 5, 2023. Choose the applicable option from those given below that indicates the reason for such inspection by the concerned Registrar of Companies:</p> <p>(a) Since no information or explanation was furnished by Sunder Cosmetics Limited to the Registrar of Companies within the time specified in the earlier notice issued by him.</p> <p>(b) Since Registrar of Companies, on an examination of the documents furnished by Sunder Cosmetics Limited, was of the opinion that the information or explanation furnished by the company was inadequate.</p> <p>(c) Since Registrar of Companies was satisfied on a scrutiny of the documents furnished by Sunder Cosmetics Limited, that an unsatisfactory state of affairs existed in the company and the information or documents so furnished did not disclose a full and fair statement of the information required.</p> <p>(d) All of the above.</p>
2	<p>At an Extra-ordinary General Meeting of Ravi Share-brokers Limited, held at its Registered Office situated at Rajendra Place, New Delhi, the shareholders passed a special resolution to the effect that the affairs of the company ought to be investigated. Ravi Share-brokers Limited, thereafter, submitted the special resolution so passed to the Central Government for further action. Under the given situation, you are required to select the appropriate option from those given below:</p> <p>(a) Power of the Central Government to order an investigation into the affairs of Ravi Share-brokers Limited as requested in the special resolution so submitted by the company is discretionary and therefore, it may or may not order an investigation.</p> <p>(b) Power of the Central Government to order an investigation into the affairs of Ravi Share-brokers Limited as requested in the special resolution so submitted by the company is mandatory and therefore, it shall order an investigation.</p> <p>(c) Central Government is not empowered to pass order of investigation in case of non-government companies and therefore, no order of investigation into the affairs of Ravi Share-brokers Limited as requested in the special resolution so submitted by the company shall be ordered.</p> <p>(d) None of the above.</p>
3	<p>Sanchita TechMart Limited is in the grip of serious apprehensions that its shares might be cornered by a group of unscrupulous persons and if it happens, it would certainly result in change in the Board of Directors which might be prejudicial to the public interest. With a view to impose restrictions, Ramneek, one of the directors of Sanchita TechMart Limited, seeks your advice as to how the</p>

	<p>company can impose restrictions on the transfer of shares of the company. Choose the correct option from those given below:</p> <p>(a) Sanchita TechMart Limited can make an application to the National Company Law Tribunal (NCLT) under Section 222 for imposition of restrictions on securities.</p> <p>(b) Sanchita TechMart Limited can make an application to the Central Government under Section 222 for imposition of restrictions on securities.</p> <p>(c) Sanchita TechMart Limited can make an application to the National Company Law Tribunal (NCLT) under Section 216 for investigation into the ownership of company.</p> <p>(d) Sanchita TechMart Limited can make an application to the Central Government under Section 216 for investigation into the ownership of the company.</p>
4	<p>After perusal of the inspector's report made under Section 223 of the Companies Act, 2013, it appears to the Central Government that some action is required to be taken against a company, it may cause to be presented to the Tribunal:</p> <p>(a) A petition for the winding up of the company on the ground that it is just and equitable that it should be wound up.</p> <p>(b) An application under Section 241 of the Companies Act, 2013.</p> <p>(c) Both (a) and (b).</p> <p>(d) A petition for the merger of the company on the ground that it is just and equitable that it should be merged.</p>
5	<p>Prakash, the Production Manager of Saharanpur based Garima Sugar Mills Limited, a company incorporated in the year 2004, proceeded on superannuation on October 30, 2022, handing over charge of his department to Aniket, the newly appointed Production Manager. It so happened that after his retirement Prakash received a notice from the jurisdictional Registrar of Companies requiring him to furnish certain information and explanation regarding production of sugar pertaining to the Financial Years 2020-21 and 2021-22. However, Prakash did not furnish any information to the Registrar of Companies since he was no more an employee of Garima Sugar Mills Limited. Choose the appropriate option from the four given below:</p> <p>(a) Since the information required by the Registrar of Companies relates to the Financial Years 2020-21 and 2021-22 when Prakash was serving Garima Sugar Mills Limited as Production Manager, he is liable to furnish the requisite information.</p> <p>(b) Though the information required by the Registrar of Companies relates to the Financial Years 2020-21 and 2021-22 but at the time of seeking information, Prakash is not serving Garima Sugar Mills Limited as Production Manager and therefore, he is not liable to furnish the requisite information.</p> <p>(c) Though the information required by the Registrar of Companies relates to the Financial Years 2020-21 and 2021-22 but at the time of seeking information, Prakash is not serving Garima Sugar Mills Limited as Production Manager and therefore, Aniket, the current Production Manager, is liable to furnish the requisite information.</p> <p>(d) Though the information required by the Registrar of Companies relates to the Financial Years 2020-21 and 2021-22 but at the time of seeking information, Prakash is not serving Garima Sugar Mills Limited as Production Manager and therefore, Vignesh who worked as foreman under Prakash and is still in employment, is liable to furnish the requisite information instead of Aniket, the newly appointed Production Manager.</p>
6	<p>Mr. Dinesh, Finance Manager of Sarvottam Steel Limited got retired on May 30, 2019. After examination of the financial statements of Sarvottam Steel Limited for the year ended 31st March 2019, the jurisdictional Registrar of Companies observed certain serious irregularities in writing off</p>

	<p>huge amounts of bad debts and no satisfactory explanation was provided for such write-off by the company. In such a situation, the Registrar of Companies seeks some explanation from the company as well as Mr. Dinesh, ex-Finance Manager and therefore, respective notices were served in this respect. Can the Registrar of Companies seek explanation from Mr. Dinesh after his retirement?</p> <p>(a) Since Mr. Dinesh is no more in the employment of Sarvottam Steel Limited, he cannot be called upon by the Registrar of Companies to furnish the requisite explanation.</p> <p>(b) Though Mr. Dinesh is no more in the employment of Sarvottam Steel Limited, yet he can be called upon by the Registrar of Companies to furnish the requisite explanation through a written notice served on him, but only within a period of one year from the date of his retirement.</p> <p>(c) Though Mr. Dinesh is no more in the employment of Sarvottam Steel Limited, yet he can be called upon by the Registrar of Companies to furnish the requisite explanation through a written notice served on him, but only within a period of 180 days from the date of his retirement.</p> <p>(d) Though Mr. Dinesh is no more in the employment of Sarvottam Steel Limited, yet he can be called upon by the Registrar of Companies to furnish the requisite explanation through a written notice served on him without any limit as to the time period.</p>
7	<p>Some of the creditors of Alpha Tyres Limited made a complaint to the jurisdictional Registrar of Companies pleading that the management of the company is indulged in destruction and falsification of the accounting records. The complainants request the Registrar of Companies to take immediate steps to stop the management to tamper with the records. The complaint was received in the morning on 1st January, 2023 and the Registrar of Companies entered the premises of Alpha Tyres Limited, the same day when the complaint from the creditors was received for the search. From the options given below, choose the one that correctly indicates the course of action that the Registrar of Companies may take in such a situation:</p> <p>(a) The Registrar of Companies may enter the premises of Alpha Tyres Limited and search the place where such books or papers are kept and seize them.</p> <p>(b) The Registrar of Companies may enter the premises of Alpha Tyres Limited and search the place where such books or papers are kept and seize them only after obtaining an order from the Special Court.</p> <p>(c) Registrar of Companies may enter the premises of Alpha Tyres Limited and search the place where such books or papers are kept only after obtaining the order to this effect from the National Company Law Tribunal.</p> <p>(d) Registrar of Companies may enter the premises of Alpha Tyres Limited, search the place where such books or papers are kept and give an opportunity to the company to represent why such documents may not be seized.</p>
8	<p>Mr. Raman, an Inspector appointed under Section 212 of the Companies Act, 2013, started investigations into the affairs of C-Tech Innovative Solutions Ltd. During the process of investigation, Mr. Raman noticed certain unusual facts and information regarding the transactions made by C-Tech Innovative Solutions Ltd. with its subsidiary company Shyamala InfoTech Solutions Ltd. Based on the information so collected from the investigation, Mr. Raman wanted to investigate the affairs of Shyamala InfoTech Solutions Ltd. also. Out of the following options, which one correctly indicates whether Mr. Raman can proceed with the investigation of the affairs of subsidiary company Shyamala InfoTech Solutions Ltd. or not in the light of the applicable provisions of the Companies Act, 2013.</p> <p>(a) Mr. Raman shall be able to proceed with the investigation of the affairs of subsidiary company Shyamala InfoTech Solutions Ltd. after obtaining the prior approval of the Director, Serious Fraud Investigation Office (SFIO).</p>

	<p>(b) Mr. Raman shall not be able to proceed with the investigation of the affairs of subsidiary company Shyamala InfoTech Solutions Ltd. since it is not within his powers to undertake investigation of any other entity.</p> <p>(c) Mr. Raman shall be able to proceed with the investigation of the affairs of subsidiary company Shyamala InfoTech Solutions Ltd. after obtaining the prior approval of the National Company Law Tribunal in whose jurisdiction the registered office of the subsidiary company is located.</p> <p>(d) Mr. Raman shall be able to proceed with the investigation of the affairs of subsidiary company Shyamala InfoTech Solutions Ltd. after obtaining the prior approval of the Central Government.</p>
9	<p>Utility Transporting Services Ltd., having its registered office at Connaught Place, New Delhi, was incorporated on 15th July 2020. Recently, some of the shareholders of Utility Transporting Services Ltd. came to know that certain transactions entered into by the company were not in accordance with the provisions of the Companies Act, 2013 and were also prejudicial to the interest of company and its members. Accordingly, they decided to make an application to the Central Government to conduct investigation into affairs of the company by appointing an Inspector under the provisions of the Companies Act, 2013. Will the application of these shareholders, if made, be acceptable under the relevant provisions of Companies Act, 2013.</p> <p>(a) The shareholders of a company do not have any right to make an application to the Central Government for conducting an investigation into the affairs of the company under Section 210 of Companies Act, 2013.</p> <p>(b) The shareholders of a company, after passing a special resolution at the General Meeting, have a right to make an application to the Central Government for conducting an investigation into the affairs of the company under Section 210 of the Companies Act, 2013.</p> <p>(c) The shareholders of a company, even without passing a special resolution, have a right to make an application to the Central Government for conducting an investigation into the affairs of the company under Section 210 of the Companies Act, 2013, when it is suspected that the affairs of the company are not managed in the interest of the company as well as the shareholders.</p> <p>(d) The shareholders of a company, even after passing a special resolution in the General Meeting, have no right to make an application to the Central Government for conducting an investigation into the affairs of the company under Section 210 of the Companies Act, 2013.</p>
10	<p>The Central Government appointed Mr. Rishikesh as an inspector to conduct investigation into the affairs of Oriental Threads Ltd. in accordance with relevant provisions of the Companies Act, 2013. During the course of investigation of Oriental Threads Ltd., Mr. Rishikesh found that company had reduced the position of Mr. Gopal Prasad (who was a senior employee) from Joint Manager to Assistant Manager within a few days after the commencement of investigation. No permission, whatsoever, was obtained from any authority but it was a sole decision of the company based on the recommendation of the Recruitment Committee to demote Mr. Gopal Prasad. Select the appropriate option from those given below as to whether Oriental Threads Ltd. is within its rights to reduce the rank of Mr. Gopal Prasad from Joint Manager to Assistant Manager during investigation:</p> <p>(a) It being an internal matter of the company, Oriental Threads Ltd. is very much within its rights to reduce the rank of Mr. Gopal Prasad from Joint Manager to Assistant Manager during investigation and no authority, whatsoever, can interfere in the matter.</p> <p>(b) Irrespective of whether there is investigation or not, if a company finds that an employee is not suitable for the position he is holding, then it can demote such employee.</p> <p>(c) Oriental Threads Ltd. cannot reduce the rank of Mr. Gopal Prasad from Joint Manager to Assistant Manager during the period when investigation is continuing without seeking approval of the National</p>

	<p>Company Law Tribunal for which an application needs to be made which shall be disposed of within next 30 days.</p> <p>(d) Oriental Threads Ltd. cannot reduce the rank of Mr. Gopal Prasad from Joint Manager to Assistant Manager during the period when investigation is continuing without seeking approval of the Central Government for which an application needs to be made which shall be disposed of within next 30 days.</p>
11	<p>While conducting an inspection of JupiterRise Portraits Ltd. under Section 207 of the Companies Act, 2013, the inspector, Mr. Suneet Prabhu noticed various irregularities which were committed while handling business affairs of the company. Mr. Suneet Prabhu sought necessary explanations from the Directors of JupiterRise Portraits Ltd. regarding those irregularities who furnished necessary explanations. Thereafter, Mr. Suneet Prabhu prepared the Inspection Report under Section 208 for onwards submission. You are required to choose the correct option from those given below as to whom the inspection report shall be submitted and whether Mr. Suneet Prabhu, as inspector has the right to make recommendations for further investigation?</p> <p>(a) The Inspection Report as prepared by Mr. Suneet Prabhu shall be submitted to the National Company Law Tribunal and he, as Inspector, has a right to make recommendations for further investigation provided he has given his reasons in support for such recommendations.</p> <p>(b) The Inspection Report as prepared by Mr. Suneet Prabhu shall be submitted to the Registrar of Companies and he, as Inspector, has a right to make recommendation for further investigation provided he has given his reasons in support for such recommendations.</p> <p>(c) The Inspection Report as prepared by Mr. Suneet Prabhu shall be submitted to the Central Government and he, as Inspector, has a right to make recommendations for further investigation provided he has given his reasons in support for such recommendation.</p> <p>(d) The Inspection Report as prepared by Mr. Suneet Prabhu shall be submitted to the Serious Fraud Investigation Office (SFIO) and he, as Inspector, has a right to make recommendations for further investigation provided he has given his reasons in support for such recommendation.</p>
12	<p>A group of creditors of X Limited makes a complaint to the Registrar of Companies. They asserted that the management of the company is indulged in destruction and falsification of the accounting records of the company. The complainants request the Registrar to take an immediate steps to stop the management to tamper with the records. The complaint was received in the morning on 1st January 2022 and the ROC entered the premises within half an hour for the search. The course of action that can be taken by Registrar are:</p> <p>(a) Registrar may enter and search the place where such books or papers are kept and seize them.</p> <p>(b) Registrar may enter and search the place where such books or papers are kept and can seize only after obtaining an order from the special court.</p> <p>(c) Registrar may enter and search the place where such books or papers are kept only on the order of the special court.</p> <p>(d) Registrar may enter and search the place where such books or papers are kept and give an opportunity to the company to represent why such documents may not be seized. [MTP-March 19]</p>
13	<p>Kumar Ltd. filed a complaint to conduct an inquiry against the past directors who were in whole time employment of the company for the entering into an arrangement of business of vested interest. Registrar was of the opinion that further information were necessitated to disclose the state of affairs that existed in the company. A notice was served to the company to furnish such information. Examine in the light of the given situation, the correct statement of the following as to the conduct of inquiry in the said matter.</p>

	<p>(a) No inquiry can be conducted on said business arrangement because past directors are no more part of the Kumar Ltd.</p> <p>(b) Inquiry can be conducted by seeking an information by serving notice to the Kumar Ltd and all the officers.</p> <p>(c) Inquiry can be conducted by seeking required information from the past directors (officers who were earlier in employment of the company) and they are bound to furnish information and explanation to the best of their knowledge.</p> <p>(d) No inquiry can be conducted as central government is authorised to look into the matter.</p> <p style="text-align: right;">[MTP-Oct. 19]</p>
14	<p>Mr. K, a Manager of XYZ Ltd. retired on 12th May 2021. On examination of the final accounts of the company for the year ended on 31st March 2021, the Registrar of Companies found some serious irregularities in writing off of the huge amounts of bad debts and no satisfactory explanation was provided for the same from the company. In such a situation the Registrar of Companies wants some explanation from the company and Mr. K. Can the ROC seek explanation from Mr. K? Advice.</p> <p>(a) No, Mr. K can't be called upon, as he does not hold the position or any office in the company any more.</p> <p>(b) Mr. K can be called upon within a period of one year from the date of completion of his service.</p> <p>(c) Mr. K can be called upon for necessary explanation within a period of 180 days from the date of leaving his office through a written notice served upon him.</p> <p>(d) Mr. K can be called upon by the Registrar through a written notice served on him without any time period limit.</p> <p style="text-align: right;">[MTP-Oct. 19]</p>
15	<p>Ultra Ltd. was incorporated on 13th May 2021. After one year of its incorporation the shareholders of company came to know that some transaction inside the company was not in accordance with the provision of Companies Act and also prejudicial in the interest of company and its members, so some shareholder decided to make application to Central Government to conduct investigation into affairs of the company by appointing inspector under the provision of Companies Act, 2013.</p> <p>Does application of shareholder can be acceptable under the provision of Companies Act, 2013.</p> <p>(a) No, shareholder didn't have right to make application under Section 210 of Companies Act, 2013.</p> <p>(b) Yes, shareholder after passing special resolution can make application to Central government to conduct the investigation under section 210 of Companies Act, 2013.</p> <p>(c) Yes, shareholder can make application without special resolution as company business is not in interest of company and member.</p> <p>(d) No, shareholder even after passing special resolution cannot make application under Section 210 of Companies Act, 2013.</p> <p style="text-align: right;">[MTP-Nov. 20]</p>
16	<p>During the investigation, Inspector has reasonable ground to believe that the books and papers of a company, are likely to be destroyed. He filed application for the same to the special court and seized such books and papers. State which of the following statement is valid in terms of the returning of such books and papers of a company by the Inspector:</p> <p>(a) It can returned any time after the investigation is over</p> <p>(b) within 180th day after such seizure</p> <p>(c) After 180th day any time</p> <p>(d) Anytime once the inspector is satisfied that no such the books and papers are likely to be destroyed.</p> <p style="text-align: right;">[MTP-Oct. 21]</p>

17	<p>Innovations Ltd. is a company engaged in the business of manufacturing and selling of electronic goods which are used for domestic purpose. The company is having its registered office at Mumbai with 500 members. Some of the members came to know that the business of the company is being conducted with intent to defraud its members. The promoters of the company are actually enjoying with the public money, siphoned the shareholders capital in purchasing the real estate in the names of the promoters. During the course of the AGM of company in Mumbai, the members assembled there, planned to have an investigation of the affairs of its business.</p> <p>In order to make an application to the National Company Law Tribunal, how many members are required?</p> <p>(a) Not less than 50 members or members holding not less than one-fifth of the total voting power. (b) Not less than 100 members or members holding not less than one-tenth of the total voting power. (c) Not less than 150 members or members holding not less than one-tenth of the total voting power. (d) Not less than 200 members or members holding not less than one-tenth of the total voting power.</p> <p style="text-align: right;">[MTP-Oct. 22]</p>
18	<p>Accurate Arms and Ammunitions Ltd. is a company engaged in manufacturing of ultra -powered sophisticated guns. The company has tie-up arrangement of supply of 100% of its production to the Central Government. The production capacity and the actual number of guns manufactured is required to be shown to the Central Government. During the course of the audit, it was revealed that the company was actually manufacturing more guns whereas less quantity was being declared. The undeclared manufactured guns were being sold to a group of persons having connections with terrorist groups. On what ground the Central Government can make an application to the NCLT:</p> <p>(a) The company has mis-reported the count of the manufactured guns (b) The manufacturing of the guns is against the public policy and only he Government owned company can manufacture the guns (c) The company has acted against the interests of the sovereignty and integrity of India (d) The Company has supplied less number of guns to the Central Government</p> <p style="text-align: right;">[MTP-Oct. 22]</p>
19	<p>Under the garb of cement business, some of the directors of Royal Cement Limited, a company incorporated in the year 2001 and having its factories at Rohtak and Bhiwani, were involved in several illegal activities. In such a situation, on receipt of a report of the Registrar of Companies or inspector under Section 208 or in the public interest or on request from any Department of the Central Government or a State Government, the Central Government may, by order, assign the investigation into the affairs of Royal Cement Limited to the Serious Fraud Investigation Office (SFIO). In addition to the above bases, there is one more basis which may prompt the Central Government to assign the investigation to the Serious Fraud Investigation Office (SFIO). From the following four options, choose such appropriate basis for assigning the investigation to the SFIO.</p> <p>(a) On intimation through an Ordinary Resolution passed by the shareholders of Royal Cement Limited that the affairs of the company are required to be investigated. (b) On intimation through a Special Resolution passed by the shareholders of Royal Cement Limited that the affairs of the company are required to be investigated. (c) On an intimation received from certain senior employees of Royal Cement Limited that the affairs of the company are required to be investigated. (d) On an intimation received from certain ex-directors of Royal Cement Limited that the affairs of the company are required to be investigated.</p> <p style="text-align: right;">[RTP-Nov. 22]</p>

Answers Key		
Q. No	Answer	
1	(d)	All of the above.
2	(a)	Power of the Central Government to order an investigation into the affairs of Ravi Share-brokers Limited as requested in the special resolution so submitted by the company is discretionary and therefore, it may or may not order an investigation.
3	(a)	Sanchita TechMart Limited can make an application to the National Company Law Tribunal (NCLT) under Section 222 for imposition of restrictions on securities.
4	(c)	Both (a) and (b).
5	(a)	Since the information required by the Registrar of Companies relates to the Financial Years 2020-21 and 2021-22 when Prakash was serving Garima Sugar Mills Limited as Production Manager, he is liable to furnish the requisite information.
6	(d)	Though Mr. Dinesh is no more in the employment of Sarvottam Steel Limited, yet he can be called upon by the Registrar of Companies to furnish the requisite explanation through a written notice served on him without any limit as to the time period.
7	(b)	The Registrar of Companies may enter the premises of Alpha Tyres Limited and search the place where such books or papers are kept and seize them only after obtaining an order from the Special Court.
8	(d)	Mr. Raman shall be able to proceed with the investigation of the affairs of subsidiary company Shyamala InfoTech Solutions Ltd. after obtaining the prior approval of the Central Government.
9	(b)	The shareholders of a company, after passing a special resolution at the General Meeting, have a right to make an application to the Central Government for conducting an investigation into the affairs of the company under Section 210 of the Companies Act, 2013.
10	(c)	Oriental Threads Ltd. cannot reduce the rank of Mr. Gopal Prasad from Joint Manager to Assistant Manager during the period when investigation is continuing without seeking approval of the National Company Law Tribunal for which application needs to be made which shall be disposed of within next 30 days.
11	(c)	The Inspection Report as prepared by Mr. Suneet Prabhu shall be submitted to the Central Government and he, as Inspector, has a right to make recommendations for further investigation provided he has given his reasons in support for such recommendation.
12	(b)	Registrar may enter and search the place where such books or papers are kept and can seize only after obtaining an order from the special court.
13	(c)	Inquiry can be conducted by seeking required information from the past directors (officers who were earlier in employment of the company) and they are bound to furnish information and explanation to the best of their knowledge.
14	(d)	Mr. K can be called upon by the Registrar through a written notice served on him without any time period limit.
15	(b)	Yes, shareholder after passing special resolution can make application to Central government to conduct the investigation under section 210 of Companies Act, 2013.
16	(b)	within 180th day after such seizure.

17	(b)	Not less than 100 members or members holding not less than one-tenth of the total voting power.
18	(c)	The company has acted against the interests of the sovereignty and integrity of India
19	(b)	On intimation through a Special Resolution passed by the shareholders of Royal Cement Limited that the affairs of the company are required to be investigated.

