

# 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 - 5: Compromises, Arrangements and Amalgamations

1	<p>A Ltd. was amalgamated into AB Ltd. The latter company AB Ltd. had held 100% shares in AC Ltd. Both AB Ltd. and AC Ltd. held 10,000 shares in A Ltd. before the amalgamation took place. A Ltd. had total 1,00,000 issued shares before amalgamation and 70,000 shares therein were held by B Ltd. which also later became shareholder of AB Ltd. under amalgamation. But the shareholders apart from B Ltd. (and excluding AB Ltd. and AC Ltd.) holding 10,000 shares did not become shareholders in the new AB Ltd. Assuming all other conditions for amalgamation in the 'nature of merger' are fulfilled, would this be:</p> <p>(a) Amalgamation in the 'Nature of Merger'. (b) Amalgamation in the 'Nature of Purchase'. (c) Both of these. (d) None of these.</p>
2	<p>Sectoral Regulators shall be able to make representation, if any, within _____ from the date of receipt of Notice of the Meeting to be called, held and conducted by the National Company Law Tribunal (NCLT) in respect of a scheme of compromise or arrangement.</p> <p>(a) 45 days. (b) 30 days. (c) 60 days. (d) 90 days.</p>
3	<p>It is imperative that the Scheme of Compromise or Arrangement needs to be approved by the members or class of members or creditors or class of creditors. From the given options, select the one which correctly indicates the minimum requirement for such approval:</p> <p>(a) The Scheme of Compromise or Arrangement shall be approved by more than 50% majority in number of members or class of members or creditors or class of creditors, as the case may be, who are present and voting at the meeting. (b) The Scheme of Compromise or Arrangement shall be approved by more than 75% majority in value of members or class of members or creditors or class of creditors, as the case may be, who are present and voting at the meeting. (c) The Scheme of Compromise or Arrangement shall be approved by more than 75% majority in number of members or class of members or creditors or class of creditors, as the case may be, who are present and voting at the meeting. (d) Both (a) and (b) together.</p>

4	<p><b>Mr. Aman is a registered holder of 15,000 equity shares of Kanha Textiles Limited whose issued capital is ₹ 1,00,00,000 divided into 10,00,000 equity shares of ₹ 10 each. He was offered a price, as determined by the registered valuer, for purchase of his shares by the majority shareholders. Since he has agreed to the proposal of selling his shares at the offered price, you are required to select the correct option from those given below that indicates the period within which such amount shall be disbursed to him:</b></p> <p>(a) Maximum within 15 days, such offered amount shall be disbursed to him.  (b) Maximum within 30 days, such offered amount shall be disbursed to him.  (c) Maximum within 60 days, such offered amount shall be disbursed to him.  (d) Maximum within 90 days, such offered amount shall be disbursed to him.</p>
5	<p><b>Navneet Textiles Limited, with a view to save itself from the looming liquidation, proposed a scheme of compromise to its creditors which valued ₹ 75,00,000. In the process, the company filed the said Scheme with the jurisdictional National Company Law Tribunal (NCLT). From the following options, select the one which correctly depicts the minimum strength of creditors in value that must confirm to the scheme of compromise so that Tribunal may dispense with calling of a meeting of the creditors:</b></p> <p>(a) The strength of creditors in value of Navneet Textiles Limited that must confirm to the scheme of compromise so that Tribunal may dispense with calling of a meeting of the creditors is minimum 70%.  (b) The strength of creditors in value of Navneet Textiles Limited that must confirm to the scheme of compromise so that Tribunal may dispense with calling of a meeting of the creditors is minimum 80%.  (c) The strength of creditors in value of Navneet Textiles Limited that must confirm to the scheme of compromise so that Tribunal may dispense with calling of a meeting of the creditors is minimum 90%.  (d) The strength of creditors in value of Navneet Textiles Limited that must confirm to the scheme of compromise so that Tribunal may dispense with calling of a meeting of the creditors is minimum 95%.</p>
6	<p><b>In respect of a scheme of compromise submitted by Neon ColorPrints Limited to the jurisdictional National Company Law Tribunal (NCLT), a meeting of the shareholders was held on the specified date and time and at the designated place. The company had 1200 shareholders holding equity shares of ₹ 1,20,00,000 (12,00,000 equity shares of ₹ 10 each) who all voted using the prescribed modes. However, 100 shareholders holding ₹ 36,00,000 worth of shares voted against the approval of the scheme of compromise. Choose the correct option from those stated below as to whether the scheme of compromise submitted by Neon ColorPrints Limited to the jurisdictional National Company Law Tribunal (NCLT) is to be considered as approved or not:</b></p> <p>(a) The scheme of compromise submitted by Neon ColorPrints Limited to the jurisdictional National Company Law Tribunal (NCLT) is to be considered as approved since shareholders holding more than one-half worth of shares in value voted in favour of the scheme.  (b) The scheme of compromise submitted by Neon ColorPrints Limited to the jurisdictional National Company Law Tribunal (NCLT) is to be considered as approved since shareholders holding more than fifty-five percent worth of shares in value voted in favour of the scheme.  (c) The scheme of compromise submitted by Neon ColorPrints Limited to the jurisdictional National Company Law Tribunal (NCLT) is to be considered as approved since shareholders holding more than sixty percent worth of shares in value voted in favour of the scheme.  (d) The scheme of compromise submitted by Neon ColorPrints Limited to the jurisdictional National Company Law Tribunal (NCLT) is not to be considered as approved by the shareholders.</p>
7	<p><b>Orange Communications Limited is planning to merge with its Wholly-owned Subsidiary (WoS) Vaartalaap Tech Limited under the scheme of fast track merger. After due approval of the Merger</b></p>

	<p><b>Scheme, the same was filed with the Central Government for its approval. However, the Central Government is of the opinion that the said Merger Scheme is not in the public interest. In case such an opinion is formed, then with which authority the Central Government can file an application stating its objections?</b></p> <p>(a) The Central Government cannot file an application in this respect except to decide the matter on its own.</p> <p>(b) The Central Government can file an application before the National Company Law Tribunal (NCLT) stating its objections.</p> <p>(c) The Central Government can file an application before the Delhi High Court stating its objections.</p> <p>(d) The Central Government can file a 'Special Leave Petition' before the Hon'ble Supreme Court stating its objections.</p>
8	<p><b>Abhik Trading and Marketing Company Limited is wholly owned subsidiary (WOS) of Eternal Cosmetics Limited. Keeping in view the expansion plans, Swapna and Shilpa, the two Directors of latter company are contemplating to make an application before the appropriate forum for merger of the subsidiary company Abhik Trading and Marketing Company Limited with holding company Eternal Cosmetics Limited under Section 232 of the Companies Act, 2013. However, Vibha Kumar, the Company Secretary of Eternal Cosmetics Limited is of the opinion that the merger between a holding and subsidiary company should have been undertaken as per the provisions of Section 233 which states procedure for fast track merger and not under Section 232. Which statement, out of the four given below, is applicable in the above stated situation:</b></p> <p>(a) The opinion of Vibha, the Company Secretary of the Eternal Cosmetics Limited, holds ground since merger between a holding and subsidiary company should have been undertaken as per the provisions of Section 233 of the Companies Act, 2013 which states procedure for fast track merger.</p> <p>(b) The opinion of Vibha, the Company Secretary of the Eternal Cosmetics Limited, does not hold ground since merger between a holding and subsidiary company is validly possible only as per Section 232 of the Companies Act, 2013.</p> <p>(c) The opinion of Vibha, the Company Secretary of the Eternal Cosmetics Limited, does not hold ground since the provisions given for fast track merger under Section 233 of the Companies Act, 2013 are of the optional nature.</p> <p>(d) The opinion of Vibha, the Company Secretary of the Eternal Cosmetics Limited, does not hold ground since the provisions given for fast track merger under Section 233 of the Companies Act, 2013 can be applied for merging only small companies.</p>
9	<p><b>National Company Law Tribunal (NCLT) has passed an order on January 25, 2021 approving the merger of two companies, namely, RGL Engineers Private Limited and RVGL Machines Limited. The merger order of the NCLT, which shall become effective from March 2, 2021, has been received by RGL Engineers Private Limited on January 27, 2021. Out of the following four options which one is the most appropriate as regards filing of the certified copy of the order by RGL Engineers Private Limited with the jurisdictional Registrar of Companies?</b></p> <p>(a) RGL Engineers Private Limited shall file the certified copy of the order with the jurisdictional Registrar of Companies latest by February 24, 2021, being one month from the date of passing of order by the NCLT.</p> <p>(b) RGL Engineers Private Limited shall file the certified copy of the order with the jurisdictional Registrar of Companies latest by February 26, 2021, being thirty days from the date of receipt of the order passed by the NCLT.</p>

	<p>(c) RGL Engineers Private Limited shall file the certified copy of the order with the jurisdictional Registrar of Companies latest by April 1, 2021, being thirty days from March 1, 2021, i.e. the date from which the order of the NCLT shall be effective.</p> <p>(d) RGL Engineers Private Limited shall file the certified copy of the order with the jurisdictional Registrar of Companies by April 26, 2021, being three months from the date of receipt of order passed by the NCLT.</p>
10	<p><b>PentoCure Laboratories Limited, a service provider of diagnostic tests and having paid-up capital of ₹ 3,00,00,000 (30,00,000 shares of ₹ 10 each), filed a scheme of arrangement with the National Company Law Tribunal (NCLT). After considering the scheme, NCLT passed an order directing PentoCure Laboratories Limited to conduct a meeting of the shareholders of the company. A notice of meeting was sent to all the 1000 shareholders holding total paid-up capital of ₹ 3,00,00,000 i.e. 30,00,000 lakh shares of ₹ 10 each. On the date of meeting which was held at the Registered Office of the company, only 580 shareholders holding 21 lakh shares (paid-up value ₹ 2,10,00,000) attended the meeting. Out of 580 shareholders, 400 shareholders holding 16 lakh shares (paid-up value ₹ 1,60,00,000) voted in favour of the scheme of arrangement as proposed by PentoCure Laboratories Limited and remaining 180 shareholders holding 5 lakh shares (paid-up value ₹ 50,00,000) voted against the said scheme. From the following four options which one correctly indicates whether the scheme of arrangement gets the required approval of the shareholders of PentoCure Laboratories Limited or not:</b></p> <p>(a) The scheme of arrangement as proposed by PentoCure Laboratories Limited gets valid approval of the shareholders with requisite majority.</p> <p>(b) The scheme of arrangement as proposed by PentoCure Laboratories Limited does not get valid approval of the shareholders since minimum 60% of shareholders (i.e. minimum 600 shareholders out of total 1000) did not attend the meeting for approving the scheme.</p> <p>(c) The scheme of arrangement as proposed by PentoCure Laboratories Limited does not get valid approval of the shareholders since minimum 70% of shareholders (i.e. minimum 700 shareholders out of total 1000) did not attend the meeting for approving the scheme.</p> <p>(d) The scheme of arrangement as proposed by PentoCure Laboratories Limited does not get valid approval of the shareholders since minimum 80% of shareholders (i.e. minimum 800 shareholders out of total 1000) did not attend the meeting for approving the scheme.</p>
11	<p><b>Choose the correct statement from those given below as regards the preservation of books and papers of an amalgamated company:</b></p> <p>(a) Books and papers of an amalgamated company can be disposed of any time after one year with the permission of Board of Directors of transferee company.</p> <p>(b) Books and papers of an amalgamated company can be disposed of with the permission of Central Government after five years.</p> <p>(c) Books and papers of an amalgamated company cannot be disposed of without obtaining prior permission of the Central Government.</p> <p>(d) Books and papers of an amalgamated company cannot be disposed of.</p>
12	<p><b>Ratnam Logistics Limited submitted a scheme of compromise to the jurisdictional National Company Law Tribunal (NCLT) and as per the orders of the Tribunal, it convened a meeting of the shareholders. Out of total 1400 shareholders having paid-up share capital of ₹ 1,10,00,000, only 1100 shareholders holding shares worth ₹ 90,00,000 attended the meeting on the appointed date. Of these, 600 shareholders with shareholding of ₹ 68,00,000 voted in favour of the scheme whereas</b></p>

	<p>remaining 500 shareholders voted for disapproval. Under the above circumstances, which option out of those given below is applicable:</p> <p>(a) The scheme of compromise shall be taken as approved.</p> <p>(b) The scheme of compromise shall be taken as approved only if minimum value of shares approving the scheme is ₹ 70,00,000.</p> <p>(c) The scheme of compromise shall be taken as approved only if minimum value of shares approving the scheme is ₹ 75,00,000.</p> <p>(d) The scheme of compromise shall be taken as approved only if minimum value of shares approving the scheme is ₹ 80,00,000.</p>
13	<p><b>ABHI Limited is a wholly owned subsidiary company of ETERNAL Limited. ETERNAL Ltd., makes an application for merger of Holding and Subsidiary Companies under section 232 of the Companies Act, 2013. The Company Secretary of the ETERNAL Ltd., states that company cannot apply for merger under section 232 of the said Act. In fact said that the company shall have to apply for merger as per section 233 i.e. Fast Track Merger. State the correct statement in terms of the validity of the difference in the opinion of the Company secretary-</b></p> <p>(a) Opinion of the Company Secretary of the ETERNAL Ltd. is valid holding that merger shall be as per section 233.</p> <p>(b) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as merger shall be possible only as per section 232.</p> <p>(c) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 are of the optional nature.</p> <p>(d) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 can be made between only small companies. <b>[MTP-March 19]</b></p>
14	<p><b>Which amongst the following is a restriction on transferee company in event of merger or amalgamation?</b></p> <p>(a) Hold any shares in its own name.</p> <p>(b) Hold any shares in the name of any trust on its behalf.</p> <p>(c) Hold any shares in the name of any trust on behalf of any of its subsidiary.</p> <p>(d) All of the above. <b>[MTP-April. 19]</b></p>
15	<p><b>X Ltd. amalgamated with Y Ltd. The transferee company decided to dispose of the books and papers of the X Ltd. in order to come up with maintenance of revised book and papers under the name of the transferee company to bring all the financial details of the amalgamated company also in the records. State the correct statement as to decision of the transferee company on the disposal of the Books and papers of the X Ltd.</b></p> <p>(a) Decision of Transferee Company is invalid, as books and papers of the amalgamated company shall be maintained for atleast three years.</p> <p>(b) Decision of Transferee Company is invalid, as books and papers of amalgamated company shall be maintained for at least eight years.</p> <p>(c) Decision of Transferee Company will be valid only on the sanction of the prior permission of the Central Government.</p> <p>(d) Decision of Transferee Company will be valid only after seeking prior permission of the requisite number of the creditors/shareholders of the amalgamated company. <b>[RTP-Nov. 19]</b></p>

16	<p><b>State which statement is correct as regards the preservation of books and papers of amalgamated company:</b></p> <p>(a) It can be disposed any time after 1 year with permission of Board of Directors of Transferee Company.</p> <p>(b) It can be disposed with permission of Central Government after 5 years.</p> <p>(c) Not be disposed of without prior permission of the Central Government.</p> <p>(d) It cannot be disposed.</p> <p style="text-align: right;"><b>[MTP-April. 21]</b></p>
17	<p><b>An amalgamation has been proposed between Magnum Limited and Micro Limited. A meeting of members of Micro Limited was convened under the orders of the Tribunal for the purpose of considering the scheme of amalgamation. The company has a paid up share capital of ₹ 1.50 crore consisting of 15,00,000 shares of ₹ 10 each. The meeting was attended by 500 members holding 10,00,000 shares. 300 members holding 7,00,000 shares in the aggregate voted for the scheme. 150 members holding 2,00,000 shares in aggregate voted against the scheme. 50 members holding 1,00,000 shares walked out of the meeting in protest from voting. Choose the correct statement regarding the validity of the approval of the Scheme based on the provisions of the Companies Act, 2013.</b></p> <p>(a) The scheme has not been validly approved because the requisite majority in number has not voted in favour of the scheme.</p> <p>(b) The scheme has not been validly approved because the members who voted in favour of the scheme do not hold 7,50,000 shares (3/4th in value).</p> <p>(c) The scheme has not been validly approved because 50 members walked out in protest.</p> <p>(d) The scheme has been validly approved.</p> <p style="text-align: right;"><b>[MTP-Oct. 21]</b></p>
18	<p><b>Somnath Ltd. proposed a scheme of compromise and arrangement with the creditors and members of the company on 22.03.2022. On the application, Tribunal ordered for the meeting to be conducted. Majority agreed to the scheme and was sanctioned by the Tribunal by an order passed on 23.4.2022 indicating a date 1.05.2022 for making effective the scheme. Identify the correct effective date for the said scheme.</b></p> <p>(a) From the proposed date of the scheme.</p> <p>(b) From the date of application filed before the Tribunal.</p> <p>(c) From the date of order passed by the Tribunal.</p> <p>(d) From the appointed date given in the Scheme.</p> <p style="text-align: right;"><b>[MTP-Nov. 21]</b></p>
19	<p><b>Kiara Limited holds 77% of the shares of Sunny Limited. Kiara Limited makes an application for merger of Holding and Subsidiary Company under section 233 – Fast Track Merger of the Companies Act, 2013. The legal counsel of Kiara Limited states that company cannot apply for merger under section 233 of the said Act. He further stated that company shall have to apply for merger as per section 232 of the Act i.e. Merger and Amalgamation of Companies. State the correct statement in terms of the validity of the difference in the opinion of the legal counsel.</b></p> <p>(a) Opinion of the legal counsel of Kiara Limited is valid as the provisions given for fast track merger in section 233 can be made between only small companies.</p> <p>(b) Opinion of the legal counsel of Kiara Limited is invalid as merger shall be possible only as per section 233 between Holding and Subsidiary Company.</p> <p>(c) Opinion of the legal counsel of Kiara Limited is valid as the provisions given for fast track merger in section 233 can be made between Holding and wholly owned subsidiary.</p>

	(d) Opinion of the legal counsel of Kiara Limited is invalid as merger of Holding and Subsidiary company is possible under both section 232 and section 233. [RTP-Nov. 21]
20	<p><b>B. Real Estate Developers Limited was demerged to B. Reality Constructions and Developers Limited and B. Real Estate Developers Limited. Choose the correct option from those given below as to what type of demerger is this:</b></p> <p>(a) Total demerger.          (b) Partial demerger.          (c) Internal reconstruction.          (d) Demerger in the 'nature of purchase'. [MTP-March 22]</p>
21	<p><b>A-One Software Limited is facing continuous losses and financial crunch for the last four years or so. In order to save company from the impending liquidation, it proposed a scheme of compromise to its creditors worth ₹ 1,50,00,000 and accordingly filed the said Scheme with the jurisdictional Tribunal. Minimum how many creditors in value must agree and confirm to the scheme of compromise so that Tribunal may dispense with calling of a meeting of the creditors:</b></p> <p>(a) In order that the Tribunal may dispense with calling of a meeting of the creditors, it is required that creditors having value of minimum ₹ 1,35,00,000 must agree and confirm to the scheme of compromise.          (b) In order that the Tribunal may dispense with calling of a meeting of the creditors, it is required that creditors having value of minimum ₹ 1,20,00,000 must agree and confirm to the scheme of compromise.          (c) In order that the Tribunal may dispense with calling of a meeting of the creditors, it is required that creditors having value of minimum ₹ 1,27,50,000 must agree and confirm to the scheme of compromise.          (d) In order that the Tribunal may dispense with calling of a meeting of the creditors, it is required that creditors having value of minimum ₹ 1,42,50,000 must agree and confirm to the scheme of compromise. [RTP-May 22]</p>

### Answers Key

Q. No	Answer	
1	(b)	Amalgamation in the 'Nature of Purchase'.
2	(b)	30 days.
3	(d)	Both (a) and (b) together.
4	(c)	Maximum within 60 days, such offered amount shall be disbursed to him.
5	(c)	The strength of creditors in value of Navneet Textiles Limited that must confirm to the scheme of compromise so that Tribunal may dispense with calling of a meeting of the creditors is minimum 90%.
6	(d)	The scheme of compromise submitted by Neon Color Prints Limited to the jurisdictional National Company Law Tribunal (NCLT) is not to be considered as approved by the shareholders.
7	(b)	The Central Government can file an application before the National Company Law Tribunal (NCLT) stating its objections.

8	(c)	The opinion of Vibha, the Company Secretary of the Eternal Cosmetics Limited, does not hold ground since the provisions given for fast track merger under Section 233 of the Companies Act, 2013 are of the optional nature.
9	(b)	RGL Engineers Private Limited shall file the certified copy of the order with the jurisdictional Registrar of Companies latest by February 26, 2021, being thirty days from the date of receipt of the order passed by the NCLT.
10	(c)	The scheme of arrangement as proposed by PentoCure Laboratories Limited does not get valid approval of the shareholders since minimum 70% of shareholders (i.e. minimum 700 shareholders out of total 1000) did not attend the meeting for approving the scheme.
11	(c)	Books and papers of an amalgamated company cannot be disposed of without obtaining prior permission of the Central Government.
12	(c)	The scheme of compromise shall be taken as approved only if minimum value of shares approving the scheme is ₹ 75,00,000.
13	(c)	Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 are of the optional nature.
14	(d)	All of the above.
15	(c)	Decision of Transferee Company will be valid only on the sanction of the prior permission of the Central Government.
16	(c)	Not be disposed of without prior permission of the Central Government.
17	(d)	The scheme has been validly approved.
18	(d)	From the appointed date given in the Scheme.
19	(c)	Opinion of the legal counsel of Kiara Limited is valid as the provisions given for fast track merger in section 233 can be made between Holding and wholly owned subsidiary.
20	(c)	Internal reconstruction.
21	(a)	In order that the Tribunal may dispense with calling of a meeting of the creditors, it is required that creditors having value of minimum ₹ 1,35,00,000 must agree and confirm to the scheme of compromise.