

CA Final – Paper 4 (Law) – MCQ

Compiled by: CA. Pankaj Garg

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

Chapter - 6: Prevention of Oppression and Mismanagement

1	<p>Due to the impending recession, the profits of Super Star Car Manufacturers Limited nosedived considerably for the financial year 2020-2021 and therefore, its Board of Directors did not recommend any dividend for the year. At the Annual General Meeting of Super Star Car Manufacturers Limited, a group of shareholders objected to the Board's decision of not recommending any dividend and coerced the directors to reverse such decision. On refusal by the Board, the disappointed members felt oppressed and filed a complaint with the National Company Law Tribunal (NCLT) against the action of the Board. In the given scenario, which option out of the four mentioned below, is the most appropriate:</p> <p>(a) The contention of the shareholders of Super Star Car Manufacturers Limited who filed a complaint with NCLT against the action of the Board for not recommending dividend shall be tenable.</p> <p>(b) The action of the Board of Directors of Super Star Car Manufacturers Limited, not to recommend any dividend shall amount to oppression and mismanagement.</p> <p>(c) The action of the Board of Directors of Super Star Car Manufacturers Limited who acted in the interest of the company by not recommending any dividend shall not amount to oppression and mismanagement.</p> <p>(d) Both (a) and (b).</p>
2	<p>The shareholders of Viable Plastic Industries Limited passed a special resolution at the Extraordinary General (EGM) of the company to alter the Articles of Association and empower Board of Directors to transfer the shares of any shareholder who competes with the business of the company. Mr. Akshat, one of the minority shareholders of Viable Plastic Industries Limited who was carrying on a competing business of manufacturing plastic bottles and containers as well as marketing them, challenged the validity of the alteration to be made in the Articles of Association and claimed such action as oppression against minority. Which of the option from the following four is applicable in the given situation?</p> <p>(a) The action of Mr. Akshat challenging the validity of the alteration to be made in the Articles of Association and claiming such action as oppression against minority is not valid since the Articles are being altered after following the due process of law.</p> <p>(b) The action of Mr. Akshat challenging the validity of the alteration to be made in the Articles of Association and claiming such action as oppression against minority is not valid since the Articles are being altered in the interest of the company.</p>

	<p>(c) The action of Mr. Akshat challenging the validity of the alteration to be made in the Articles of Association and claiming such action as oppression against minority is valid since the act complained of is oppressive and prejudicial to the interest of the company.</p> <p>(d) Both (a) and (b)</p>
3	<p>Meenu Automotive Private Limited, whose issued and paid-up share capital is ₹ 1,00,00,000 consisting of 1,00,000 lakh equity shares of ₹ 100 each, has 150 shareholders as per its Register of Members. Some of the shareholders are contemplating to file an application before the National Company Law Tribunal (NCLT) alleging various acts of fraud and mismanagement. Which of the following options correctly indicates as to who can apply to the National Company Law Tribunal (NCLT) for relief against oppression and mismanagement happening in a company having share capital:</p> <p>(a) In the above case such shareholders who are contemplating to file an application before the National Company Law Tribunal (NCLT) alleging various acts of fraud and mismanagement must be minimum one hundred and twenty five or not less than one-fifth of the total number of members, whichever is more, or any member or members holding at least one-fifth of the issued share capital on which all the calls have been paid.</p> <p>(b) In the above case such shareholders who are contemplating to file an application before the National Company Law Tribunal (NCLT) alleging various acts of fraud and mismanagement must be minimum fifty or not less than one-tenth of the total number of members, whichever is more, or any member or members holding at least one-fifteenth of the issued share capital on which all the calls have been paid.</p> <p>(c) In the above case such shareholders who are contemplating to file an application before the National Company Law Tribunal (NCLT) alleging various acts of fraud and mismanagement must be minimum seventy five or not less than one-fifth of the total number of members, whichever is less, or any member or members holding at least one-twentieth of the issued share capital on which all the calls have been paid.</p> <p>(d) In the above case such shareholders who are contemplating to file an application before the National Company Law Tribunal (NCLT) alleging various acts of fraud and mismanagement must be minimum one hundred or not less than one-tenth of the total number of members, whichever is less, or any member or members holding at least one-tenth of the issued share capital on which all the calls have been paid.</p>
4	<p>The issued and paid-up equity share capital of Golden Kalash Clothes Private Limited is ₹ 1,00,00,000 (10,00,000 equity shares of ₹ 10 each) which is held by ten shareholders. Jasmine holds 80,000 equity shares worth ₹ 8,00,000. Sensing oppression and mismanagement in the company, she is contemplating to apply to the National Company Law Tribunal (NCLT) for relief. Out of the following four options which one is applicable in the given situation:</p> <p>(a) Jasmine being a single member cannot apply for relief against oppression and mismanagement propagated by Golden Kalash Clothes Private Limited since at least 60% of total shareholders must apply for such relief i.e. at least 6 shareholders in the present case.</p> <p>(b) Jasmine cannot apply to the National Company Law Tribunal (NCLT) for relief against oppression and mismanagement since she is holding 80,000 equity shares worth ₹ 8,00,000 which is less than one-tenth of the issued and paid-up equity share capital of Golden Kalash Clothes Private Limited.</p>

	<p>(c) Jasmine, being one-tenth of the total number of shareholders, can apply to the National Company Law Tribunal (NCLT) for relief against oppression and mismanagement propagated by Golden Kalash Clothes Private Limited.</p> <p>(d) Jasmine, being a single member, cannot apply for relief against oppression and mismanagement propagated by Golden Kalash Clothes Private Limited since at least 50% of total shareholders must apply for such relief i.e. at least 5 shareholders in the present case.</p>
5	<p>For the past five years Mr. Rohtash was the holder 5,500 shares of Delta Software Solutions Ltd. which has issued share capital of ₹ 5,00,000 divided into 50,000 shares of ₹ 10 each. Mr. Rohtash was in the knowledge of some material changes that had taken place in Delta Software Solutions Ltd. and according to him they were prejudicial to the interest of members as well as the company. To contain the directors from continuing with unjustified changes, he wanted to make an application to the jurisdictional National Company Law Tribunal (NCLT) under Section 241 of the Companies Act, 2013. However, before Mr. Rohtash could proceed further and file the application with NCLT, he expired within one hour because of severe heart attack. Immediately thereafter, his only son Umang, a child specialist working in the Government Hospital, inherited his 5,500 shares. Is it possible for Umang to file an application with the jurisdictional National Company Law Tribunal (NCLT) highlighting the conduct of the affairs of the company in a manner which is prejudicial to the interest of members as well as the company. Choose the correct option from those given below whether Umang can proceed further:</p> <p>(a) Though Mr. Rohtash was eligible under Section 244 of the Companies Act, 2013 to make an application to the jurisdictional National Company Law Tribunal (NCLT) but his son Umang cannot file the application because he has not yet completed six months as holder of the shares which he inherited after the death of his father Mr. Rohtash.</p> <p>(b) Though Mr. Rohtash was eligible under Section 244 of the Companies Act, 2013 to make an application to the jurisdictional National Company Law Tribunal (NCLT) but his son Umang cannot file the application because he has not yet completed four months as holder of the shares which he inherited after the death of his father Mr. Rohtash.</p> <p>(c) Though Mr. Rohtash was eligible under Section 244 of the Companies Act, 2013 to make an application to the jurisdictional National Company Law Tribunal (NCLT) but his son Umang cannot file the application because he has not yet completed three months as holder of the shares which he inherited after the death of his father Mr. Rohtash.</p> <p>(d) Since Mr. Rohtash was eligible under Section 244 of the Companies Act, 2013 to make an application to the jurisdictional National Company Law Tribunal (NCLT), his son Umang can also file the application because he has inherited the 5,500 shares after the death of his father Mr. Rohtash.</p>
6	<p>The requisite members of Shukla Stationers Limited filed a class action suit to restrain the company from taking action contrary to a resolution passed by the company in the Extra-ordinary General Meeting (EGM). After following the due process of law, the National Company Law Tribunal (NCLT) passed an order restraining the company from taking action contrary to the resolution. Instead of complying with such order of National Company Law Tribunal (NCLT), Shukla Stationers Limited took action which was contrary to the said resolution. From the following options, choose the one which indicates the fine that can be levied on Shukla Stationers Limited:</p>

	<p>(a) For not complying with the order passed by the National Company Law Tribunal, Shukla Stationers Limited is punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees.</p> <p>(b) For not complying with the order passed by the National Company Law Tribunal, Shukla Stationers Limited is punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.</p> <p>(c) For not complying with the order passed by the National Company Law Tribunal, Shukla Stationers Limited is punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees.</p> <p>(d) For not complying with the order passed by the National Company Law Tribunal, Shukla Stationers Limited is punishable with fine which shall not be less than twenty five thousand rupees but which may extend to one lakh rupees.</p>
7	<p>Mr. Derek Jonathan, a majority shareholder, represented himself to be the Managing Director of Floyd Ceramics Ltd., and also discharged the functions in the capacity as Managing Director. However, he was not formally appointed as Managing Director of Floyd Ceramics Ltd. A group of six members, holding 1/12th of the issued share capital, which amounted to 1/10th of paid-up share capital of the company filed an application with the National Company Law Tribunal (NCLT) claiming that such an act of Mr. Derek Jonathan constituted oppression. The total number of members of Floyd Ceramics Ltd. are seventy-two. Which of the following statements is the most appropriate one in the above-mentioned situation?</p> <p>(a) The group of six members cannot file an application with National Company Law Tribunal (NCLT) as the strength of members is less than 1/10th of total number of members of Floyd Ceramics Ltd. However, after filing the application with NCLT, it is within the discretion of NCLT to allow the application to be filed even with fewer number of members.</p> <p>(b) The group of six members cannot file an application with National Company Law Tribunal (NCLT) since the members hold less than 1/10th of the issued share capital of the company.</p> <p>(c) The group of six members cannot file an application with the National Company Law Tribunal (NCLT) since the given fact pattern does not constitute oppression.</p> <p>(d) Since the group of six members holds 1/10th of the paid-up share capital of the company, they can file an application with the National Company Law Tribunal (NCLT).</p>
8	<p>Astistav Private Limited is a company with ten shareholders. A member holding less than one-tenth of the share capital of the company apply to the Tribunal for relief against oppression and mismanagement. State whether a member have a right to apply to the tribunal in above situation:</p> <p>(a) A single Member cannot apply to the Tribunal for relief against oppression and mismanagement.</p> <p>(b) A member cannot apply as he is holding less than one-tenth of the share capital of the company.</p> <p>(c) A member can apply being one-tenth of the total number of members.</p> <p>(d) A member cannot apply as the requirement of atleast hundred members is not complied with.</p> <p style="text-align: right;">[MTP-March 19]</p>
9	<p>“Allotment of shares by the directors of the company by which the existing majority is reduced to minority.” As per provisions of the Companies Act, 2013, the above act of the company should be classified as.....?</p>

	<p>(a) Oppression</p> <p>(b) Mismanagement</p> <p>(c) Material change in the company</p> <p>(d) All of the above</p> <p style="text-align: right;">[MTP-Nov. 20]</p>
10	<p>The members of H Limited apply to the National Company Law Tribunal under section 241 of the Companies Act, 2013 on grounds of oppression and mismanagement by the Board of Directors. The NCLT passed an order removing the Managing Director of the Company, Mr. M. One year later, Mr. M is now a changed man and the Board of Directors want Mr. M back, as Manager of the company. The Board of Directors seek your expert opinion as to what they should do to get Mr. M appointed as the Manager of the Company. State your opinion, in light of the relevant provisions of the Companies Act, 2013.</p> <p>(a) Mr. M cannot be appointed as the Manager of the company for a period of 5 years from the date of order of the NCLT and the only solution available in this regard to the Board is to wait for 4 more years.</p> <p>(b) Mr. M can be appointed as Manager if the special approval of the Central Government is obtained.</p> <p>(c) Mr. M can be appointed by way of making an application to the NCLT.</p> <p>(d) None of the above.</p> <p style="text-align: right;">[MTP-April. 21]</p>
11	<p>ABC Private Limited is a company with 10 shareholders. Mr. X, a member holding less than 1/10th of the share capital applied to the Tribunal for relief against oppression and mismanagement. State the correct answer according to the provisions of the Companies Act, 2013.</p> <p>(a) Mr. X singly cannot apply for relief against oppression and mismanagement.</p> <p>(b) Mr. X holding less than 1/10th of share capital, cannot apply for relief against oppression and mismanagement.</p> <p>(c) Mr. X being single and holding less than 1/10th of share capital, therefore cannot apply for relief against oppression and mismanagement.</p> <p>(d) Mr. X can apply for relief as condition of the requirement of holding of 1/10th of the total number of members is satisfied.</p> <p style="text-align: right;">[MTP-Nov. 21]</p>
12	<p>Business of Rozgar Ltd. is not been conducted and managed by directors in accordance with sound business practices. On account of that shareholders of Company referred the same to the Tribunal on 15th September 2022 with a request to the Tribunal to inquire into the case and take action against the director of company. The Tribunal has, after making proper inquiry, passed the order against the directors on 16th March 2023. Comment which is the correct statement as regards the validity of the order passed by the Tribunal.</p> <p>(a) In the given case order passed is valid, as Tribunal have to pass an order within 3 month from date of application and if not possible in 3 month, then further extension (on valid reason) by 90 days i.e., on 16th March, 2023.</p> <p>(b) In the given case order passed is not valid, as Tribunal have to pass order within 3 month from date of application, and if not possible in 3 month, then extension may be possible (if valid reason) for further 90 days i.e., latest by 15th March, 2023.</p> <p>(c) In the given case order passed is not valid, as Tribunal have to pass order within 3 month from date of application and if not possible in 3 month then extension may be possible (if valid reason) for further 30 days i.e., latest by 14th January, 2023.</p>

- (d) In the given case order passed is not valid, as Tribunal have to pass order within 3 month from date of application and if not possible in 3 month then extension may be possible (if valid reason) for further 60 days i.e., latest by 13th February, 2023. [MTP-April 22]

Answers Key		
Q. No	Answer	
1	(c)	The action of the Board of Directors of Super Star Car Manufacturers Limited who acted in the interest of the company by not recommending any dividend shall not amount to oppression and mismanagement.
2	(d)	Both (a) and (b)
3	(d)	In the above case such shareholders who are contemplating to file an application before the National Company Law Tribunal (NCLT) alleging various acts of fraud and mismanagement must be minimum one hundred or not less than one-tenth of the total number of members, whichever is less, or any member or members holding at least one-tenth of the issued share capital on which all the calls have been paid.
4	(c)	Jasmine, being one-tenth of the total number of shareholders, can apply to the National Company Law Tribunal (NCLT) for relief against oppression and mismanagement propagated by Golden Kalash Clothes Private Limited.
5	(d)	Since Mr. Rohtash was eligible under Section 244 of the Companies Act, 2013 to make an application to the jurisdictional National Company Law Tribunal (NCLT), his son Umang can also file the application because he has inherited the 5,500 shares after the death of his father Mr. Rohtash.
6	(a)	For not complying with the order passed by the National Company Law Tribunal, Shukla Stationers Limited is punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees.
7	(c)	The group of six members cannot file an application with the National Company Law Tribunal (NCLT) since the given fact pattern does not constitute oppression.
8	(c)	A member can apply being one-tenth of the total number of members.
9	(a)	Oppression
10	(d)	None of the above.
11	(d)	Mr. X can apply for relief as condition of the requirement of holding of 1/10th of the total number of members is satisfied.
12	(b)	In the given case order passed is not valid, as Tribunal have to pass order within 3 month from date of application, and if not possible in 3 month, then extension may be possible (if valid reason) for further 90 days i.e., latest by 15 th March, 202.