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Question Paper	
Corporate & Economic Laws	Duration: 75
Details: Test – 1	Marks: 40

**Instructions:**

- All the questions are compulsory
- Properly mention test number and page number on your answer sheet, Try to upload sheets in arranged manner.
- In case of multiple choice questions, mention option number only Working notes are compulsory wherever required in support of your solution
- Do not copy any solution from any material. Attempt as much as you know to fairly judge your performance.

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**Q-1** Mr. Yashpal and Mr. Dugal are proposed to be appointed as directors of Light Tubes Limited at the Annual General Meeting to be held on 2nd May, 2021.

Following additional information about these persons are provided:

- Mr. Yashpal had subscribed for 20,000 fully paid Equity shares of Rs. 10 each of Light Tubes Limited. The last date for payment of the second call amount was 20th June, 2020 and he has not paid the call money, till the time of submitting his consent to be appointed as director of the Company.
- Mr. Dugal is also a director of Heavy Tubes Limited, a subsidiary Company of Light Tubes Limited, which has full time director in charge of Finance & Accounts to ensure compliance with provisions of the Companies Act, 2013.

One aggrieved depositor of Heavy Tubes Limited has represented to the Holding Company that he has neither received refund of his deposit matured on 31st October, 2019 nor interest thereon.

As statutory auditor of the Holding Company, providing Secretarial Service, advise the company about the eligibility of Mr. Yashpal and Mr. Dugal to be appointed as Directors under Section 164 of the Companies Act, 2013.

**(5 marks)**

**Q-2** You are a leading Chartered Accountant advising corporate covering various aspects inter alia on Corporate and Economic Laws, Corporate Tax and related matters with excellent articulation skills and is a much sought after professional on the Board of many reputed Companies. Recently, you have been approached by Dash Board Ltd., a loss making company seeking your advice on the validity of the appointment of Mr. 'X', a turnaround specialist, as the Whole Time Director of the Company w.e.f. 01.01.2020 on which date he would be above 70 years of age. You were further informed that at the extra-ordinary general meeting of the

Company held on 15.03.2020, the shareholders have not passed a special resolution with regard to the appointment of Mr. 'X' but the votes cast in favor of the motion exceeded the votes cast against the motion. The Company has provided you the following inputs extracted from the latest audited Balance Sheet as at 31st March, 2020.

S. No.		Amount (Rs. In Crores)
1.	Authorized Equity Share Capital	1560
2.	Paid Up Equity Share Capital	860
3.	Share Application Money Account (Company is in process of Issue (FPO) Follow on Public	60
4.	Reserves and Surplus (including General Reserve - 600 & Revaluation Reserve -80)	680
5.	Long Term Borrowings	800
6.	Investments	160
7.	Accumulated Losses	40

On the basis of the above facts and figures, Dash Board Ltd. seeks your advice in respect of the following under the provisions of the Companies Act, 2013.

- Validity of the appointment of Mr. 'X' as Whole Time Director.
- Compute the effective capital for payment of managerial remuneration.

- iii. As the Company is running in losses, state the maximum amount of remuneration that can be paid on yearly basis to each Managerial person other than a managerial personnel functioning in a professional capacity.
- iv. How is the remuneration payable to a Whole Time Director determined?

(5 marks)

**Q-3** The Balance Sheet of RML Limited contains the following information about its financial position as on 31st March, 2019:

10,00,000 Equity shares of Rs. 100 each	Rs. 10.00 crore
Reserves & Surplus which includes revaluation reserve of Rs. 2.00 crore	Rs. 12.00 crore
Credit Balance in Profit & Loss Account	Rs. 2.00 crore
Secured Loan from a Nationalized Bank	Rs. 8.00 crore

  

Net Profit in the last three years were:	
31.3.2016	Rs. 1.20 crore
31.3.2017	Rs. 1.50 crore
31.3.2018	Rs. 1.80 crore

- (i) The Board of Directors decide to borrow an additional sum of Rs. 10.00 crore for the expansion. Decide whether the company is eligible to borrow the additional funds and the limit thereof.

- (ii) The Board also decide to make donation to two major political parties totaling Rs. 10,00,000. Comment on the validity of the action of the Board and the maximum amount of donation which the company can contribute.

**(5 marks)**

**Q-4** A group of creditors of MBIND Bronze Limited makes a complaint to the Registrar of Companies, Himachal Pradesh alleging that the management of the company is indulging in destruction and falsification of the accounting records of the company. The complainants request the Registrar to take immediate steps to seize the records of the company so that the management may not be allowed to tamper with the records. The complaint was received at 11 am on 6 January, 2018 and the registrar has attempted to enter the premise of the company but has been denied by the company, due to not having order from the special court. Is the contention of company being valid in terms of Companies Act, 2013? Discuss.

**(5 marks)**

**Q-5** As on 31-3-2021, Mr. K. Muthusamy is holding directorship in 4 listed Companies, 4 unlisted Public Companies and 4 Private Limited Companies. He has obtained two Director Identification Number (DIN) allotted to him inadvertently. Out of the 12 directorships, he holds 10 with the DIN allotted to him first and the rest with the DIN allotted to him later. He wants to surrender one of his DINs, but to keep all his 12 Directorships. In the light of the relevant provisions of the Companies Act, 2013, examine the following:

- (i)** Which DIN sourced by Mr. K. Muthusamy be surrendered?
- (ii)** What procedure he needs to follow and what actions will be done by the Central Government in this regard?
- (iii)** In what way can he keep all his 12 Directorships with one DIN?

(5 marks)

**Q-6** Mr. Mania is the Managing Director of S Limited (and nowhere else), which is a subsidiary of H Limited. Seeing the success of S Limited, the directors of H Limited (which is a listed company) decided and approached Mr. Mania to act as the MD of H Limited. Mr. Mania agreed with the directors of H Limited subject to a condition that he will continue to act as the MD of S Limited also. In this direction, the directors of H Limited propose to appoint him by means of a resolution by circulation (containing the terms and conditions of appointment excluding remuneration). Referring to and analyzing the relevant provisions of the Companies Act, 2013, decide whether the decision of appointing and the proposed mode of appointment of Mr. Mania as the Managing Director of H Limited is valid.

Will your answer differ in case S Limited is not a subsidiary of H Limited?

(5 marks)

**Q-7 MCQ**

**1.** Mr. Jigar is a director of PQR Ltd., which had accepted deposits from public. The Financial position of PQR Ltd. declined which resulted in failure to repay the deposits. It became due for payment on 10th April, 2017 and such repayment has not been made till 5th May, 2018. Another company JKL Ltd. wants to appoint the said Mr. Jigar as its director at its annual general meeting to be held on 6th August 2018. State the correct statement as to the appointment of Mr. Jigar as a director of JKL Ltd.

(a) Mr. Jigar can be appointed in JKL Ltd. as it is other than the defaulted company

(b) Mr. Jigar cannot be appointed at all in JKL Ltd. or any other company.

(c) Mr. Jigar will not be eligible to be appointed as a director of JKL Ltd. on the scheduled AGM but may be after expiry of five years from the date of default.

(d) Mr. Jigar will not be appointed as a director of JKL Ltd. before 6 months from the date of default.

**2.** Keen Ltd. intends to appoint Mr. Raja as a managerial person. Mr. Raja has attained the age of 70 years. A general meeting of Keen Ltd. was held in which a special resolution was proposed for appointing Mr. Raja as the managerial person. 200 votes were cast in favour of the resolution, whereas 80 votes were cast against the resolution. Mr. Raja can be appointed as the managerial person of Keen Ltd. If ..... is satisfied, on an application made by the Board, that appointment of Mr. Raja is most beneficial to the company.

(a) The CG

(b) The Tribunal

(c) The Nomination and Remuneration Committee

(d) None of these

**3.** AB, a listed Company was constituted in 2012. It has 8 directors Mr. Neeraj, Mr. Kapil, Mr. Ram, Mr. Shyam, Mr. Atul, Mr. Bakshi, Mr. Raheem and Mr. Das. Out of these directors Mr. Ram, Mr. Shyam, Mr. Atul and Mr. Neeraj has a good financial knowledge. An audit committee constituted by the company included Mr. Kapil, Mr. Das, Mr. Atul and Mr. Raheem as its chairpersons. After the commencement of the Companies Act, 2013, it was required for every audit committee of a company existing before the commencement of this Act, shall be reconstituted within one year of such commencement. Find out the correct statement, in the light of the given situation?



- a) The committee needs to reconstitute as the majority members are not experienced in the field of Finance
- b) The committee needs to reconstitute as two third of its members are not experienced in the field of Finance
- c) The committee needs to reconstitute as 50 percent of its members are not experienced in the field of Finance
- d) The committee needs to reconstitute as majority of board members are not included in it.

(2 × 3 = 6 marks)

4. 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 necessaited 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 enquiry in the said matter-

- (a) No enquiry can be conducted on said business arrangement because past directors are no more parts of the Kumar Ltd.
- (b) Enquiry can be conducted by seeking an information by serving notice to the Kumar Ltd and all the officers.
- (c) Enquiry can be conducted by seeking an 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.
- (d) No enquiry can be conducted as central government is authorised to look into the matters.



5. If a company fails to repay the deposits accepted by it ..... pay interest thereon ..... redeem any debentures on the due date or pay interest due thereon ..... pay the declared dividend ..... such failure continues for ..... or more, then, all the directors of such company shall be disqualified from being reappointed as a director of that company or appointed in any other company for a period of .....

(a) Or; or; or; and; 3 years; 5 years

(b) And; and; and; and; 1 year; 5 years

(c) Or; or; or; and; 1 year; 5 years

(d) Or; or; or; or; 3 years; 5 years

6. Due to non-compliance of certain requirements under the Act not amounting to fraud, a company was required to re-state its FS for the financial year 2016-17 during the current year. After the FS were re-stated it was found that the MD of that period, who is now retired, was paid excess remuneration to the extent of Rs. 5,00,000. State whether such excess amount is recoverable.

(a) Nothing can be recovered from the ex-MD

(b) Excess amount shall be recovered irrespective of whether at present he is MD or not

(c) Only 50% of excess amount is recoverable because no fraud is involved

(d) Only 25% of excess amount is recoverable because no fraud is involved

7. A company intends to contribute a sum of Rs. 1 crore to a hospital run exclusively for the benefit of employees. Consider the following statements:

Statement (1): Such contribution amounts to contribution to bonafide and charitable funds, etc. within the meaning of section 181.

Statement (2): Even if such contribution exceeds 5% of average net profits during immediately preceding 3 financial years, it can be made by the Board without obtaining any approval of the members in the general meeting.

- (a) Only Statement (1) is correct
- (b) Only Statement (2) is correct
- (c) Both the statements are correct
- (d) None of the statement is correct

(1 × 4 = 4 marks)

