

Date  
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subject :- corporate & other law.

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### Case scenario I

Ans 1) ~~(a)~~ shares must be allotted within 30 days of the receipt of application money towards such share.

Ans 2) ~~(d)~~ In order to raise deposits from public besides members the company should have networth of minimum Rs 100 crores or a turnover of minimum Rs. 750 crores.

Ans 3) ~~(c)~~ The company can offer equity shares maximum upto the 80 prospective shareholders in the remaining part of the current financial year.

### Case scenario II

Ans 4) ~~(a)~~ SCPL has complied with the legal provision.

Ans 5) ~~(b)~~ PTL has failed to comply with the law because the redemption period of the debentures is 12 years and a debenture trust deed is executed on 9th November 2020.

Ans 6) ~~(a)~~ Rule of literal construction.

Ans 7) —

Ans 8) ~~(a)~~ 30 days.

Ans 9) ~~X~~ (a) provide definitions in the Act.

Ans 10) ~~X~~ (d) Not less than 10% of the amount of its deposits maturing during the following year.

Ans 11)  (b) Advertisement was given after six months from the date of allotment and issuing house has paid the entire consideration.

Ans 12) ~~X~~ (a) Roma Trading Ltd. is definitely a 'small company' since its paid up capital is much below ~~₹ 2 cr~~ ₹ 50 lacs and also its turnover has not exceeded threshold limit of ₹ 2 crores.

Ans 13) ~~X~~ (a) since company belongs to Anu, she has full discretion to convert the opc either as section 8 company or a private/public company.

**need more practice in mcq**

Ans 14) ~~X~~ (c) Instead of absolute prohibition, the company can provide 'right to Renunciation' limited to 25% of offering. →

Ans 15) ~~X~~ (b) for minimum 10 years, from the date of creation of charge.

Ans 16) ~~X~~ (d) minimum five members of company holding at least 1% of the total paid up share capital must make a joint application to National Company Law Tribunal (NCLT) and seek direction for calling

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of AGM.

Ans 11) X b) within 15 days from the date it starts maintaining its books of accounts at the office situated at solan.

Ans 12) X d) None of the above.

part II - Descriptive questions.

Question 1.

Ans 1) ci) In the given case scenario AB Ltd holds 20% equity shares of RS Ltd before the date of issue of equity share.

RS Limited controls the composition of board of directors of XY Ltd and PQ Ltd. Hence RS Ltd holds substantial control over XY Ltd and PQ Ltd.

XY Ltd and PQ Ltd holds 40% and 20% sharehold respectively in ABC Ltd; which aggregates to 60%. Thus RS Ltd indirectly holds 60% in ABC Ltd.

Hence AB Ltd is a subsidiary of RS Ltd.

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cii) In the given case AB Ltd. can hold share of RS Ltd. since AB Ltd is a subsidiary of RS Ltd.

f  
ciii)

conceptual clarity towards answer  
explanation is weak

## Answer points should be more accurate

Ans b)

(i) In case of oversubscription which constitute to a default was committed with respect to allotment of shares by the officers of the company, Managing Director, whole time director or any other person designated by board are held responsible.

In given case scenario there were no Managing Director, whole time director or any other officer or person to be held responsible. Hence person who is responsible to issuing shares to the public is to be held responsible. Such person who authorizes the issuance of shares to the public should be in default.

(ii) As per provision of Companies Act 2013 a

pro  
As per sec 2(70) of Companies Act 2013, A prospectus has been defined as a notice / circular / document / advertisement for inviting offer for subscription of shares and securities of the company.

In the given case it was ~~stated~~ <sup>even though</sup> statements contained therein were literally true but company was in default for not declaring ~~any~~ the fact that dividend was distributed out of capital profit not trading profit. Owing to ~~an~~ <sup>for</sup> argument made by a shareholder ~~in~~ such default is valid since prospectus being false in material particulars hence the contention of the shareholder is valid.

Ans c)

(i) Suresh ~~was~~ was resident in India during the financial year 2020-21. He left India on 15th July 2021 for Switzerland for higher studies in biotechnology for 2 years.

for any person to be resident in India must satisfy any of the following conditions:

(i) ~~He~~ stay, in

A individual is considered to be resident ~~only~~ if.

(i) He has not left India for purpose of employment

(ii) ~~Has~~ he has no intention to residing and staying in ~~fore~~ abroad permanently.

In given case Suresh left India for purpose of education i.e. Higher ~~studie~~ studies in Biotechnology for 2 years Hence ~~+~~ according to provision of FEMA Act Mr. Suresh will be resident in India in the financial year 2021-22 and 2022-23 as ~~per~~ there is no intention of permanent stay in Switzerland.

(ii) In given case 'Printer Computer' has manufacturing unit in Singapore with its Headquarters in Pune.

At same unit having headquarters Pune has branch in Dubai controlled from Pune by <sup>in India</sup> ~~company~~ company.

The ~~resident~~ residential status of printer unit in Pune is and that of Dubai branch will be <sup>Domestic Company</sup> ~~resident~~ ~~Pune~~ principal place of business of both unit is in India.

more of the conclusion towards the answer to be explained in specific manner

Q.2

Ans) i) A company can give financial assistance to its employees to enable them to subscribe for fully paid shares of the company in form of Employee stock option benefit, bonus shares, etc. financial assistance provided by a company does not constitute to purchase of its own securities & shares. In Employee stock option plan, Issue of bonus shares may be issued to employee for exercising their rights available and can also be issued for payment of consideration in form other than cash. Hence in given case financial assistance from company does not constitute or amount of purchase of its own share.

However if company itself purchasing to redeem its preference shares it will amount to acquisition of own shares.

ii) For attaining public deposits the concept of 'credit rating' is applied for the purpose. 'credit rating' represents the risk of lending credit to a borrower. A borrower with high credit risk will constitute a low amount of risk from the perspective of lender and vice versa.

Ans b) Sec 2(16) of Companies Act 2013 has been defined as interest/lien created on the asset or property of the business or any of its undertaking ~~with~~ provided as security for attaining borrowing and loans.

In the given case scenario for attaining working capital loan of ₹2 lakh by offering its stock and Accounts receivable as security.

Hence company must creating a charge in favour of lender. 'floating charges' will be held as appropriate charge as assets offer or is of fluctuating nature. charge here is to created by way of hypothecation or lien. Hence company is required to create charge on working capital loan even though ~~with~~ ~~the~~ ~~company~~ has given guarantee on person terms. same provisions is applied in the case of adhoc overdraft.

## mention proper conclusion

Ans cc) LLP is an alternative Corporate business form that is of immense significance.

The benefits of LLP are as follows:-

- (i) Separates the liability of partners with the firm. partners are not liable to the extent of the personal assets in case of repayment of debt that has contracted with the firm.
- (ii) It provides flexibility in the operation of the LLP between partners and even in terms of partnership deed and agreement.

Quality of the answer is not up to the marks

vii) & others partners are not ~~liabli~~ liable for any misconduct of any partner. These partners are not jointly or severally ~~respons~~ responsible for each other misconduct or negligence.

viii) partners here are liable to the extent of their capital contribution to the firm and their personal ~~liabli~~ asset would be ~~not~~ be used ~~in~~ or for repayment of contracted ~~debt~~ debt.

ix) It provides a firm ~~the~~ similar features as of a ~~be~~ other body Corporate and thus LLP can act as a Corporate entity.

Q.3)

Ans 1) As per provision of Companies Act 2013 the require no. of person to be present to constitute quorum for general ~~members~~ meeting, are as follows

Total no. of members	members required to constitute quorum
upto 1000	5
1000 - 5000	15
more than 5000	20

In given case scenario company has 967 members as on date of meeting. Therefore minimum no. of members required to constitute a quorum is 5

But if AOA of PJA Ltd specifies number of member other than ~~is~~ stated above then that should be taken into consideration i.e. 7 members

mention applicable section it helps to improve presentation of answers



~~Ans~~ In given case among the members present one A being representative of Governor of Jharkhand which should not be included while constituting amount of ~~members~~ members in quorum

Hence remaining no. of members being 6 which is ~~less~~ less than ~~is~~ what stated in ~~the~~ Article of Association (A.O.A). Hence the required quorum was not present at the meeting.

(ii) As per provision of companies Act a shareholder who applies for proxy representing himself shall give notice before 5 days before meeting for inspecting proxies and he should approach within 24 hours before the scheduled meeting for inspecting the same.

In given case sirji approaches Company two days prior to the scheduled meeting for inspection purpose hence sirji is legally complied as per the provision of Companies Act 2013.

Ans (b) As per provision of ~~sec 203~~ Companies Act 2013 a company can declared in financial year where it incurred losses, but ~~if~~ it has comply with few conditions which are as follow:-

(i) ~~A~~ When company incurred losses during any financial year prior to the date of declaration of ~~dividend~~ dividend then the rate at which the dividend is declared to the company shall not exceed the average rate of dividend ~~at~~ at which divi

Balance of reserves after payment of dividend: Rs. 48 crore (50 crore - 2 crore)  
15% of paid up Share capital: 1.5 crore (15% of 10 crore) this condition is fulfilled. Taking into account all the conditions, it can be said that declaration of dividend by MNP Limited is valid.

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was declared in previous three financial year immediately preceding relevant financial year

iii) After declaration

ii) The amount of dividend declared shall not exceed  $\frac{1}{10}$ th of the sum of its paid up capital

and free reserves of the company

iii) The balance of accumulated reserves after declaring dividend shall not be less than 15% of the total paid up share capital of the company.

Ans 5) 'current account transaction' may be defined as transaction which are in the ordinary course of business which forms a part of operating activities. It includes:

(i) Availment of credit, overdraft

(ii) payment of interest on credit availed.

In the given cases

(i) In first case Mr. S is resident in India imports machinery from UK for installing in his factory

This will not fall under 'current Account Transactions' since the question is silent about credit period even though it is for business purpose.

(ii) In second case Indian resident imports machinery from vendor in US for installing in his factory on a credit period of 3 months.

It will fall under the 'current Account transaction'.

**Highlight important points wherever possible.**

11.

Ans (ii) In third case Indian resident transfer \$1000 to his NRI in New York as a 'gift'. This will not a part of 'Current Account transaction'.

Q.41

Ans (a) (i) As per provision of Companies Act 2013 a <sup>private</sup> company has to appoint internal auditor if:

(i) its paid up share is 50 crore or more during any financial year or

(ii) its total turnover at any time is 100 crore or more at any time during financial year

In given case Kim Pvt Ltd. has paid up share capital of ₹50 crore and ₹100 crore as a turnover

Since Kim Pvt Ltd. complies with 2 conditions therefore it is required to appoint internal auditor as per provision of Companies Act 2013.

(ii) A practising before appointing him as a statutory auditor of the company must propose a certificate by itself declaring:

(i) He is not disqualified to be appointed as auditor under chartered accountant 1949 for any professional misconduct

(ii) There is no ongoing proceeding going on against proposed auditor whether due to any professional misconduct made by him.

(iii) proposed auditor is appointed as per the terms prescribed under this act

2.

IV/ proposed director issued within the ~~for~~ limits laid down by the authorities under this Act. Hence to conclude above were the content of certificate to be issued in accordance with the Companies (Audit & Auditors) ~~rule~~ 2014).

Ans b)

(i) ~~Given~~ A company is incorporated outside India and registered in Moscow Russia installed its main ~~office~~ in Moscow (principle place of business). Hence given company is considered as foreign company.

(ii) Company incorporated outside India having no ~~place~~ of business in India. Hence given company is to be considered as 'foreign company'.

(iii) ~~Given~~ company is to be considered as Indian company.

(iv) A company being registered in Mauritius ~~but~~ <sup>but</sup> ~~its~~ <sup>its</sup> operations and meetings conducted in India indicating principle place of business in India. Hence to be considered as 'Indian company'.

restate your understanding about the question before proceeding with the answer

Q.6)

Ans (a) doctrine of Indoor management protects outsiders from the misconduct of the company.

→ outsiders ~~will~~ need to be aware about the fact that internal operating is being properly conducted of the company.

→ He is presuming that all the internal ~~operating~~ ~~conduct~~ is being properly conducted and necessarily meetings and resolution has been properly passed for the meeting.

→ Hence any default by company in passing resolutions and ~~con~~ ~~a~~ conduct of meeting in such case ~~it~~ ~~be~~ in such case ~~he~~ ~~will~~ company will be held responsible.

→ And company shall ~~be~~ compensated the shareholders for liquidated damages.

**Mention Exception to Doctrine of Indoor management (Applicability of doctrine of constructive notice)**