

DPH2

Roll No.

Total No. of Printed Pages – 12

Total No. of Questions – 5

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the descriptive answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 Marks

1. Question paper comprises 5 questions. Answer Question No. 1 which is compulsory and any 3 out of the remaining 4 questions.
2. Working note should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.



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PART – II

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- 1/ (a) Innovative Ltd. a start-up by a few qualified professionals, which was incorporated in 2014. The company is booming and favouring the younger generation to work. The Capital Structure of the Company is as follows :

Particulars	INR (Crores)
Authorised Share Capital	
100,00,000 Equity Shares of ₹ 10 Each	10.00
Issued, Subscribed and Paid-up Share Capital	
50,00,000 Equity Shares of ₹ 10 Each	5.00
Share Premium	1.00
General Reserve	3.52
Profit & Loss Account	1.58

The company decided to issue 30% sweat equity shares to a class of directors and permanent employees to keep them motivated and partner in growth. Lock-in period for sweat equity will be five years. For this purpose, a resolution in General meeting of Company was passed in this manner.

“The Resolution specifies 15 lakh sweat equity shares, Current Market price ₹ 25 per share with a consideration of ₹ 5 per share to be issued to a class of directors and employees.”

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The company seeks your advice with reference to the provision of issue of sweat equity shares company under the Companies Act, 2013.

- (i) Whether size of issue of sweat equity shares was appropriate ?
- (ii) Whether lock-in period was justifiable ?

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(b) ESPN Heavy Engineering Ltd. is a listed entity engaged in the business of providing engineering solutions to clients across the country. The company followed consistent growth over the years. Rate of Declaration of dividend in immediately preceding three financial years were 15%, 20%, and 25%. 2011

Unfortunately, due to obsolescence of a special part of machinery, company incurred losses in current financial year.

Even though, during the financial year 2021-22, the company declared interim dividend of 10% on the equity shares.

The Board of Directors of the company approved the financial result for the FY 2021-22 in its meeting held on 5th August, 2022, and recommended a final dividend of @15% in this board meeting.

The general meeting of the shareholders was convened on 31st August, 2022. The shareholders of the company demanded that since interim dividend @10% was declared by the company, so the final dividend should not be less than 20%. It was also submitted that Rate of Declaration of dividend in immediately preceding three years were 15%, 20%, and 25% But the Company Secretary emphasised that final dividend cannot be increased.

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- (i) Whether company can declare interim dividend, if company incurred losses during the current financial year ? What should be correct rate of interim dividend ?
- (ii) Do you think decision of company secretary is correct ? What should be correct rate of final dividend ?

Justify your answer with reference to provisions of the Companies Act 2013.

- (c) S guarantees V for the transactions to be done between V & B during the month of March, 2022. V supplied goods of ₹ 30,000 on 01.03.2022 and of ₹ 20,000 on 03.03.2022 to B. On 05.03.2022, S died in a road accident. On 10.03.2022, being ignorant of the death of S, V further supplied goods of ₹ 40,000. On default in payment by B on due date, V sued on legal heirs of S for recovery of ₹ 90,000. Describe, whether legal heirs of S are liable to pay ₹ 90,000 under the provisions of Indian Contract Act 1872.

What would be your answer, if the estate of S is worth of ₹ 45,000 only ?

- (d) A drew a cheque for ₹ 20,000 payable to B and delivered it to him. B endorsed the cheque in favour of R but kept it in his table drawer. Subsequently, B died, and cheque was found by R in B's table drawer. R filed the suit for the recovery of cheque. Whether R can recover cheque under the provisions of the Negotiable Instrument Act, 1881 ?

2. (a) A General Meeting of ABC Private Ltd. was scheduled to be held on 15th April, 2022 at 3.00 P.M. As per the notice the members who will be unable to attend the meeting in person can appoint a proxy and the proxy forms duly filled should be sent to the company, so that company can receive it within time. Mr. X, a member of the company appoints Mr. Y as his proxy and the proxy form dated 10-04-2022 was deposited by Mr. Y with the company at its registered office on 11-04-2022. Similarly, another member Mr. W also gives two separate proxies to two individuals named Mr. M and Mr. N. In the case of Mr. M, the proxy dated 12-04-2022 was deposited with the company on the same day and the proxy form in favour of Mr. N was deposited on 14-04-2022. All the proxies viz., Y, M and N were present before the meeting.

According to the provisions of the Companies Act, 2013, who would be the persons allowed to represent as proxies for members X and W respectively ?

- (b) (i) A fraud was reported to SFIO by Statutory Auditors of PQ Ltd. in the current financial year 2021-22. A Competent Authority observed, during the investigation found that there is a need to re-open the accounts of PQ Ltd. for the financial year 2015-16 and therefore, they filed an application before the National Company Law Tribunal (NCLT) to issue the order against PQ Ltd. for re-opening of its accounts and recasting the financial statements for the financial year 2015-16. Examine the validity of the application filed by the Competent Authority to NCLT.

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(ii) SSR & Co. (Statutory Auditors) while conducting audit for financial year 2021-22, find out some manipulative entries in books of accounts of ASR Ltd. Auditors told the MD that internal control system of company is not reliable. The Board of Directors of ASR Ltd. requested them to accept the assignment of designing and implementation of suitable financial information system to strengthen the internal control mechanism of the Company. The Company offered them a fee of Rs.10 lakhs plus taxes for this assignment for betterment of company. But Statutory Auditor refused to take the assignment. What are the consequences if they accept this assignment ?

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(c) Akashia Steels is a famous manufacturer of steel products. Proprietor of Akashia Steels, Mr. S.K Jain appointed Mr. Satish as his agent. Mr. Satish is entrusted with the work of recovering money from various traders to whom firm sells its products. Satish has earned commission of ₹ 1,15,000 for his work. He recovers money from clients on behalf of Akashia steels. During a particular month he collects ₹ 4,00,000 but deposited in the firm's account only ₹ 2,85,000 after deducting his commission ?

Examine with reference to relevant provisions of the Indian Contract Act, 1872, whether Act of Mr. Satish is valid ?

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- (d) Mr. X draws a cheque in favour of Mr. R for payment of his outstanding dues of ₹ 5,00,000 on 26/07/2022 with date of 1/08/2022. At the time of issuing cheque, he was having sufficient balance in his account, but on 29/07/2022 he made payment for his taxes, now his bank account is left with only ₹ 4,50,000. So, Mr. X requested Mr. R not to present the cheque for payment, but he did not accept his request. So, Mr. X instructed the bank to stop payment of cheque issued for dated 01/08/2022 in favour of Mr. R.

Decide, under the provisions of the Negotiable Instruments Act, 1881 whether the said acts of Mr. X constitute an offence ?

3.

- (a) The aggregate value of the paid-up share capital of ABC Security Services, was ₹ 200 crore divided into 20 crore equity shares of ₹ 10/- each at the end of the Financial Year 2021-22 having its registered office at Mumbai. This company had been registered with an authorized share capital of ₹ 300 crore divided into 30 crore equity shares of ₹ 10/- each. The extract of Balance Sheet of the company as on 31st March, 2022 showed the following figures :

Particulars	₹ Amount (in crore)
Authorized share capital	300
Paid -up share capital	200
Free reserves created out of profits	200
Securities Premium account	80
Credit balance of Profit & Loss account	50
Reserves created out of revaluation of assets	25
Miscellaneous expenditure not written off	10

Turnover of the company during the Financial Year 2021-22 was ₹ 800 crore and the net profit calculated in accordance with section 198 of the Companies Act, 2013 with other adjustments as per CSR Rules was ₹ 4 crore only.

Praveen, Company Secretary of the company advised that the company attracts the provisions of section 135 of the Companies Act, 2013 and all the formalities have to be complied with accordingly.

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Thereafter, on 30th April, 2022 a CSR committee was formed to comply with the provisions of Corporate Social Responsibility.

The Board of Directors of the company constituted of the following persons as its directors :

Mohan Singh	Managing Director
Rohit and Bhavna	Independent Directors
Venkatesh, Isha, Mohit and Muskaan	Directors

On the basis of above facts and by applying applicable provisions of Companies Act, 2013, answer the following :

- Is the contention of Praveen, Company Secretary of the company that the company attracts the provisions of section 135 of the Companies Act, 2013 and is required to form a CSR committee is correct ? Support your answer with the applicable provision and the required calculation.
- It was decided that Mohan Singh, Venkatesh, Isha and Bhavna will be the members of CSR committee. Is this decision correct in the light of provisions of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014 ?

- (b) L Ltd. having 2,000 members with paid up capital of ₹ 1 crore, decided to hold its Annual General Meeting (AGM) on 21st August, 2022. On 2nd July, 2022, 50 members holding paid-up capital of ₹ 6 lakhs in aggregate, has given notice of their intension for a resolution to be passed at the AGM for appointing Dawar & Co., as its Statutory auditor from F.Y. 2022-23 onwards, instead of its existing Statutory auditor, SNS & Co. which was originally appointed for 5 years term and had completed only 3 years term.

When such notice was received by existing auditors, they sent a representation in writing to the company along with a request for its notification to the members of the company.

In the context of aforesaid facts, answer the following question(s) according to provisions of the Companies Act, 2013 :

- Whether the said notice was given by adequate number of members and within the prescribed time limit to L Ltd. ?
- Whether the company was bound to send such representation to its members made by SNS & Co ?

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(c) Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881: 4

- (i) X receives a promissory note drawn by his father by way of gift.
- (ii) A received a cheque for full and final settlement of his dues from his client but, he is prohibited by a court order from receiving the amount of the cheque.
- (iii) B, the agent of C, is entrusted with an instrument without endorsement by C, who is the payee.
- (iv) P works in a bank. He steals a blank cheque of A and forges A's signature.

(d) When can the Preamble be used as an aid to interpretation of a statute ? 3

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4. (a) H Ltd. is the holding company of S Pvt. Ltd. As per the last profit and loss account for the year ending 31st March, 2022 of S Pvt. Ltd., its turnover was ₹ 1.80 crores; and paid up share capital was ₹ 80 lakhs. The Board of Directors wants to avail the status of a small company. The company secretary of the company advised the directors that the company cannot be categorized as a small company. In the light of the above facts and in accordance with the provisions of the Companies Act, 2013, you are required to examine whether the contention of practicing company secretary is correct, explaining the relevant provisions of the Act. 5

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- (b) Mr. Raj is an employee of DSP Trading Pvt Ltd. As per his contract of employment, his annual salary is ₹ 5,00,000. Mr. Raj paid to the company ₹ 5,30,000 in the nature of non-interest bearing security deposit. Referring to the provisions of the Companies Act, 2013, define deposit and decide whether this amount received from Mr. Raj will be considered as deposit as per rule 2(1)(c) ? 5
Annual salary
- (c) "Whenever an Act is repealed, it must be considered as if it had never existed." Comment and explain the effect of repeal under the General Clause Act, 1897. 4
- (d) Explain the Doctrine of Contemporanea Expositio. 3
5. (a) MBL Pharmaceutical Limited is committed to provide quality medicines at an affordable cost through relentless pursuit of excellence in its operations, product quality, documentation and services. The company is now focusing on oncology therapeutics & other generics with a vision to be a Global Leader in Oncology. The prospectus issued by the company contained some important extracts of the expert's report on research by oncology deptt. The report was found untrue. Mr. Diwakar purchased the shares of MBL Pharmaceutical Limited on the basis of the expert's report published in the prospectus. Will Mr. Diwakar have any remedy against the company ? State also the circumstances where an expert is not liable under the Companies Act, 2013. 5

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The Board of Directors are proposing to declare a bonus issue of 1 share for every 2 shares held by the existing shareholders.

The balance sheet of M/s Frontline Limited showed the following positions as at 31st March 2022 :

- (i) Authorized Share Capital (50,00,000 equity shares of ₹ 10 each)
₹ 5,00,00,000
- (ii) Issued, subscribed and paid-up Share Capital (20,00,000 equity shares of 10 each, fully paid-up) ₹ 2,00,00,000
- (iii) Free Reserves ₹ 50,00,000
- (iv) Securities premium account ₹ 25,00,000
- (v) Capital Redemption Reserve ₹ 25,00,000

The Board wants to know the conditions of issuing bonus shares under the provisions of the Companies Act, 2013. Also explain, whether the company may proceed for a bonus issue.

- (b) City Bakers Limited obtained a term loan of ₹ 1,00,00,000 from DNB Bank Ltd. The loan was granted by the bank by creating a charge on one of its office buildings and the charge was duly registered within 20 days from the date of creation of charge. Will such registration of charge be deemed to be a notice of charge to any person who wishes to lend money to the company against the security of such property ? Also explain the extension of time limit of its registration with the provisions under the Companies Act, 2013. 30-30-60

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- (c) It is the owner of the goods, or any person authorized by him in that behalf, who can pledge the goods. But in order to facilitate mercantile transactions, the law has recognised certain exceptions. Do you think bonafide pledge can be made by non-owners ? If yes, explain the circumstances with reference to provisions of the Indian Contract Act, 1872. 4
- (d) "No person shall be prosecuted and punished for the same offence more than once." Explain in the light of provisions of Section 26 of the General Clauses Act, 1897. 3