

BSH2

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 Questions in Part I are to be marked on the OMR answer sheet given on the Cover Page of descriptive answer book only. Answers to questions in Part II are to be written on the same descriptive type 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 type 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 type 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 notes 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

1. (a) (i) Chhavish, an Indian citizen and resident of India formed "Ekta 3

✓ Readymade Garments Ltd." as One Person Company on 1st April 2018 with his wife Mrs. Jyoti as nominee. The authorized and paid-up share capital of the company is ₹ 35 lakhs. He got in touch with a readymade garments buyer and was expecting to receive a substantial order by August 2020 where final delivery will be completed by December 2020. To expand the production

Paid-up Capital = ₹ 35 lakhs
New kind of
Capital = ₹ 10 lakhs
authorized and paid-up share capital is now ₹ 45 Lakhs. Promoter of the company seeks your advice. Considering the case and referring the provisions of the Companies Act, 2013, advice :

(A) Who is eligible to act as a member of OPC ?

(B) Whether "Ekta Readymade Garments Ltd." can convert into any other kind of company as on 1st December 2020 ?

(C) If the company increases its paid up share capital by ₹ 30 lakhs in August, 2019, can it be converted in any other kind of company immediately ?

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(ii) Following is the extract of the Balance sheet of Beltex Ltd. as on 31st March, 2020 ;

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Particulars	Amount (₹)
Equity & Liabilities	
(1) Shareholder's Fund	
(a) Share Capital :	
Authorized Capital :	
10,000 12% Preference Shares of ₹ 10 each	1,00,000
1,00,000 equity shares of ₹ 10 each	10,00,000
	11,00,000
Issue & Subscribed Capital :	
8000, 12% Preference Shares of ₹ 10 each fully paid up	80,000
90,000 equity shares of ₹ 10 each, ₹ 8 paid up	7,20,000
(b) Reserve and Surplus	
General Reserve	1,20,000
Capital Reserve	75,000
Securities Premium	25,000
Surplus in statement of P & L	2,00,000
	4,20,000
(2) Non-Current Liabilities :	
(a) Long-term Borrowings :	
Secured Loan : 12% partly convertible Debenture @ ₹ 100 each	5,00,000

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On 1st April, 2020 the company has made final call at ₹ 2 each on 90,000 Equity Shares. The Call Money was received by 25th April, 2020. Thereafter the company decided to capitalize its reserves by way of bonus @ 1 share for every 4 shares to existing shareholders.

Answer the following questions according to the Companies Act, 2013, in above case :

- (A) Which of the above-mentioned sources can be used by company to issue bonus shares ?
- (B) Calculate the amount to be capitalized from free reserves to issue bonus shares.
- (C) If the company did not ask for the final call on April 1st, 2020, can it still issue bonus shares to its members ?

(b) (i) ✓ Mr. Raman, a Chartered Accountant, was appointed as an auditor of Surya Distributors Ltd., in the AGM of the company held in August, 2020, in which he accepted the assignment. Later on in November, 2020, he joined as a partner in the Consultancy firm where Mr. Som is also a partner. Mr. Som is also working as a finance executive of Surya Distributors Ltd. Explaining the provisions of the Companies Act, 2013, decide whether Mr. Raman is required to vacate the office as an auditor. 2

(ii) ✓ Managing Director of ABC Ltd. himself appointed Mr. Aakash, a practicing chartered accountant as first auditor of the company. Is it a valid appointment ? Also explain the provisions of the Companies Act, 2013, in this regard ? 2

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(iii) The Board of Directors of ABC Company Limited at its board meeting declared dividend on its paid-up equity shares capital which was later on approved by the company's Annual General Meeting. In the meantime, the directors diverted the amount of total dividend to be paid to shareholders for purchase of investments for the company. Due to this dividend was paid to shareholders after 45 days of declaration.

Examining the provisions of the Companies Act, 2013, state whether the act of directors is in violation of the provisions of the Companies Act, 2013. Also explain what are the consequences of the above act of directors.

(c) Due to urgent need of money amounting to ₹ 3,00,000, Pawan approached to Raman and asked him for the money. Raman lent the money on the guarantee of Suraj, Tarun and Usha. However, there is no contract between Suraj, Tarun and Usha. Pawan makes default in payment and Suraj pays full amount to Raman. Suraj, afterwards, claimed contribution from Tarun and Usha. Tarun refused to contribute on the basis that there is no contract between Suraj and him. Examine referring to the provisions of the Indian Contract Act, 1872, whether Tarun can escape from his liability.

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- (d) 'M' is the holder of a bill of exchange made payable to the order of 'F'. 3

The bill of exchange contains the following endorsements in blank :

First endorsement 'N'

Second endorsement 'O'.

Third endorsement 'P' and

Fourth endorsement 'Q'

'M' strikes out, without Q's consent, the endorsements by 'O' and 'P'.

Decide, with reasons, whether 'M' is entitled to recover anything from

'Q' under the provisions of the Negotiable Instruments Act, 1881.

2. ~~X~~ (a) Explain the provisions of e-voting in an annual general meeting in the following cases as per the Companies Act, 2013 : 4

- (i) 'A' and his wife 'B' has joint Demat Account in Alfa Investment Ltd. In such a case, who will cast the vote in e-voting system ?
- (ii) AGM is going to be held on 07-09-2020. Then, what will be the e-voting period and the time of closing ?

- (b) Examine the validity of the following with reference to the relevant provisions of the Companies Act, 2013 : 6

- (i) The Board of Directors of a company refuse to convene the extraordinary general meeting of the members on the ground that the requisitionists have not given explanatory statement for the resolution proposed to be passed at the meeting.

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- (ii) The Board of Directors refuse to convene the extraordinary general meeting on the ground that the requisitions have not been signed by the joint holder of the shares.
- (iii) Adjournment of extraordinary general meeting called upon the requisition of members on the ground that the quorum was not present in the meeting.
- (c) Shyam, at the request of Govind, sells goods which were, in the possession of Govind. However, Govind had no right to dispose of such goods. Shyam did not know this and handover the proceed of the sale to Govind. Afterwards, Manohar, who was the true owner of the goods, sued Shyam and recovered the value of the goods. In the light of the provisions of the Indian Contract Act, 1872, answer the following questions :
- (i) Is Govind liable to indentify to Shyam for his payment to Manohar ?
- (ii) What will be the liability of Govind if the goods is a prohibited drug ?
- (d) A is a payee and holder of a bill of exchange. He endorses it in blank and delivers it to B. B endorses it in full to C or order. C without endorsement transfers the bill to D. State giving reasons whether D, as bearer of the bill of exchange, is entitled to recover the payment from A or B or C.

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3. (a) (i) RD Ltd. issued a prospectus. All the statements contained therein were literally true. It also stated that the company had paid dividends for a number of years but did not disclose the fact that the dividends were not paid out of trading profits but out of capital profits. An allottee of shares claims to avoid the contract on the ground that the prospectus was false in material particulars. Decide that the argument of shareholder, as per the provision of the Companies Act, 2013, is correct or not? 3
- (ii) Define "Small Company". 2
- (b) Referring the provisions of the Companies Act, 2013, regarding appointment of auditors, answer the following : 5
- (i) XYZ Ltd. is a newly established company owned by the Central Government. State the provisions regarding appointment of its first auditor.
- (ii) Mr. Kamal is the Auditor of XYZ Limited, which is a Government company. He has resigned on 31st December, 2020 while the financial year of the company ends on 31st March, 2021. Explain the provisions regarding filling of such vacancy. Would your answer differ if it is other than a Government company.
- (c) Referring the provisions of the Negotiable Instruments Act, 1881 give the answer of the following : 4
- (i) A promissory note was made without mentioning any time for payment. The holder added the words 'on demand' on the face of the instrument. Whether this may be treated as material alteration in the instrument ?
- (ii) Ankit draws a cheque for ₹ 2,000 and hands it over to Shreya by way of gift. Whether Shreya is a holder in due course ?

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- (d) Explain the Mischief Rule/the rule in Heydon's case for interpretation of statute. Also give four matters it considers in construing an Act. 3

4. (a) (i) Diya Limited, incorporated under the provisions of the Companies Act, 2013, has two subsidiaries – Jai Limited and Vijay Limited. All the three companies have prepared their financial statements for the year ended 31st March, 2021. Examining the provisions of the Companies Act, 2013, explain in what manner the subsidiaries – Jai Limited and Vijay Limited shall prepare their Balance Sheet and Statement of Profit & Loss? 3

- (ii) The Companies Act, 2013 has prescribed an additional duty on the Board of directors to include in the Board's Report a 'Directors' Responsibility Statement'. Briefly explain any three matters to be furnished in the said statement. 3

- (b) What are the provisions of the Companies Act, 2013 relating to the appointment of 'Debenture Trustee' by a company? Whether the following can be appointed as 'Debenture Trustee'? 4

- (i) A shareholder of the company who has shares of ₹ 10,000.
(ii) A creditor whom the company owes ₹ 999 only.
(iii) A person who has given a guarantee for repayment of amount of debentures issued by the company.

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(c) A confusion, regarding the meaning of 'financial year' arose among the finance executive and accountant of a company. Both were having different arguments regarding the meaning of financial year & calendar year. What is the correct meaning of financial year under the provision of the General Clauses Act, 1897 ? How it is different from calendar year ? 4

(d) In what way are the following terms considered as external aid in the interpretation of statutes : 3

- (i) Historical Setting
- (ii) Use of Foreign Decisions

5. (a) Examine that following offers of ABC Limited are in compliance with provisions of the Companies Act, 2013, related to private placement or should these offers be treated as public : 5

- (i) ABC limited wants to raise funds for its upcoming project. It has issued private placement offer letters to 55 persons in their individual name to issue its equity shares. Out of these four are qualified institutional buyers.
- (ii) If in case (i) before allotment under this offer letter company issued another private placement offer to another 155 persons in their individual name for issue of its debentures.
- (iii) Being a public company can it issue securities in a private placement offers ?

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(b) Discuss the following situations in the light of 'Deposit provisions' as contained in the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, as amended from time to time.

- (i) Bhupendra, one of the Directors of Moon Technology Private Limited, a start-up company, requested his close friend Paras to lend to the company ₹ 20.00 Lacs in a single tranche by way of a convertible note repayable within a period of six years from the date of its issue. Advise whether it is a deposit or not.
- (ii) Shriram Readymade Garments Limited wants to accept deposits of ₹ 50.00 lacs from its members for tenure, which is less than six months. Is there any possibility to do so?
- (iii) The turnover of Y Ltd. is ₹ 400 crore as per last audited financial statement and net worth is ₹ 50 crores. Can Y Ltd. accept deposits from the public as per Section 73 of the Companies Act, 2013?

OR

X New Pharma Ltd. issued a notice for holding its annual general meeting on 7th Sept. 2020. The notice was posted to the members on 16th August 2020. Some members of the company alleged that the company has not complied with the provision of the Companies Act, 2013, with regard to the period of notice and as such the meeting was invalid. Referring to the provision of the Companies Act, 2013, decide :

- (i) Whether meeting has been validly called?
- (ii) If there is a shortfall in the notice, state and explain by how many days does the notice fall short of the statutory requirements?
- (iii) Whether the length of serving of notices be curtailed by Article of Association?

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(c) ✓ Alpha Motor Ltd. agreed to sell a bike to Ashok under hire-purchase agreement on guarantee of Abhishek. The Terms were: hire-purchase price ₹ 96,000 payable in 24 monthly Instalments of ₹ 8,000 each. Ownership to be transferred on the payment of last Installment. State whether Abhishek is discharged in each of the following alternative cases under the provisions of the Indian Contract Act, 1872 : 4

(i) Ashok paid 12 installments but failed to pay next two installments. Alpha Motor Ltd. sued Abhishek for the payment of arrears and Abhishek paid these two installments i.e. 13th and 14th. Abhishek then gave a notice to Alpha Motor Ltd. to revoke his guarantee for the remaining month.

(ii) If after 15th Months, Abhishek died due to COVID-19.

(d) ✓ Give the definition of the following as per the General Clauses Act, 1897 : 3

(i) "Rule"

(ii) "Oath"

(iii) "Person"