

## HPQ2

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 given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same 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 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) The Board of Directors of SRD Limited, an unlisted public company, engaged in the business of manufacturing of two wheelers; intend to issue debentures in order to finance its project of electric scooter manufacturing. The Company seeks your advice regarding the maximum amount of debentures it can issue to raise the desired funds. The Company has provided the following abstracts from its financial statements ended on 31<sup>st</sup> March, 2022.

#### Authorised Share Capital:

|                                              |               |
|----------------------------------------------|---------------|
| 1,00,000 Nos. of Equity Shares of ₹ 100 each | ₹ 1,00,00,000 |
|----------------------------------------------|---------------|

#### Subscribed and Paid-up Share Capital :

|                                                                                                                            |           |
|----------------------------------------------------------------------------------------------------------------------------|-----------|
| 40,000 Nos. of Equity Shares of ₹ 100 each, fully paid-up.                                                                 | 40,00,000 |
| Share Premium Reserve                                                                                                      | 50,00,000 |
| General Reserve                                                                                                            | 30,00,000 |
| Balance in Profit and Loss Account                                                                                         | 20,00,000 |
| Capital Reserve (profit on sale of Fixed Assets)                                                                           | 30,00,000 |
| 8% Non-Convertible Debentures                                                                                              | 30,00,000 |
| 9.5% Term Loan from XYZ Bank Limited for purchase of Plant and Machinery (Repayment starts after 1 year moratorium period) | 20,00,000 |

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Short-term Cash Credit Loan from XYZ Bank Limited 50,00,000

(On hypothecation of stock and receivables of the Company, repayable on demand)

Referring to and analyzing the relevant provisions of the Companies Act, 2013, advise the Company presenting the necessary calculations :

- (i) The amount that can be raised by the Company by issuing debentures and the resolution if any is required to be passed in the General Meeting of the Company in respect of the same ?
  - (ii) What will be your answer in case the above company desired to issue debentures with an option to convert such debentures into shares ?
- (b) P Limited appointed "XYZ & Co.", an audit firm, as Auditor of the company at the Annual General Meeting held on 30<sup>th</sup> September, 2021. Mr. X, Y and Z are partners in XYZ & Co. With reference to the Companies Act, 2013, examine, the validity of appointment of the XYZ & Co. in each of the following cases separately :
- (i) Mrs. Q, wife of Mr. X has invested in the equity shares of P Limited having face value of ₹ 1 lakh.

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- (ii) Mrs. Q, wife of Mr. X has given guarantee in relation to a loan taken by G from P Limited of an amount worth ₹ 1,50,000.
- (iii) Mrs. Q, wife of Mr. X is indebted to Z Limited for ₹ 10,00,000 (P Limited holds one fourth of the paid-up Equity Share Capital of Z Ltd.)

- (c) Manish, a minor, lost his parents in COVID-19 pandemic. Due to poor financial background Manish was facing difficulties in maintaining his livelihood. He approached Mr. Soheli (a grocery shopkeeper) to supply him grocery items and to wait for some period for receiving his dues. Mr. Soheli did not agree with the proposal, but when Mr. Ganesh, a local person, who is a major, agreed to provide guarantee that he would pay the dues in case Manish fails to pay the amount, Mr. Soheli supplied the required groceries to Manish. After few months when Manish failed to clear his dues, Mr. Soheli approached Mr. Ganesh and asked him to clear the dues of Manish. Mr. Ganesh refused to pay the amount on two grounds; firstly, that there was no consideration in the contract of guarantee and secondly that Manish is a minor and therefore on both the grounds the contract of guarantee is not valid.

Referring to the relevant provisions of the Indian Contract Act, 1872, decide, whether the contention of Mr. Ganesh, (the surety) is tenable ? Will your answer differ in case both Manish (the principal debtor) and Mr. Ganesh (the surety) are minors ?

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- (d) Mr. A made endorsement of a bill of exchange amounting ₹ 50,000 to Mr. B. But, before the same could be delivered to Mr. B, Mr. A passed away. Mr. S, son of Mr. A, who was the only legal representative of Mr. A approached Mr. B and informed him about his father's death. Now, Mr. S is willing to complete the instrument which was executed by his deceased father. Referring to the relevant provisions of the Negotiable Instruments Act, 1881, decide, whether Mr. S can complete the instrument in the above scenario ? 3
2. (a) TST Limited has Equity Share Capital of 10000 shares @ ₹ 10 each. 4  
The Company has received a requisition from Mr. A & Mr. B each holding 1500 equity shares to call an Extraordinary General Meeting to remove Managing Director of the company who has been found to be involved in some malpractices. The company failed to call the said meeting. The requisitionists desires to call the meeting by themselves to pass the resolution to remove the Managing Director. Explain the validity of such resolution passed in the said meeting referring the provisions of the Companies Act, 2013.

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- (b) A company has accumulated Free Reserves of ₹ 75 lakhs during last five years. It has not declared any dividend during these years. Now, the company proposes to appropriate a part of this amount for making payment of dividend for current year in which it has earned a profit of ₹ 12 lakhs. The Board proposes a payment of dividend of ₹ 30 lakhs i.e. 30% on the paid up capital. Examine, as per the provisions of the Companies Act, 2013, whether, the proposal of the company is valid ? 6
- (c) Mr. X, owes Mr. Y ₹ 50,000. He (Mr. X) afterwards appoints Mr. Y as his agent to sell his Flat at Bangalore and after paying himself (i.e., Mr. Y) what is due to him, hand over the balance to Mr. X. Examine, as per the provisions of the Indian Contract Act, 1872, can Mr. X revoke his authority delegated to Mr. Y ? 4
- (d) Venkat executed a promissory note in favour of Raman for ₹ 45 Lakhs. The amount was payable hundred days after sight. Raman presented the promissory note for sight on 4<sup>th</sup> May 2021. Ascertain the date of maturity of the promissory note with reference to the relevant provisions of the Negotiable Instruments Act, 1881. 3

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3. (a) Referring the relevant provisions of the Companies Act, 2013, 5  
examine, whether following companies will be considered as listed company or unlisted company :
- (i) ABC Limited, a public company, has listed its non-convertible Debt securities issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
  - (ii) CHG Limited, a public company, has listed its non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.
  - (iii) PRS Limited, a public company, which has not listed its equity shares on a recognized stock exchange but whose equity shares are listed on a stock exchange in a jurisdiction as specified in sub-section (3) of section 23 of the Companies Act, 2013.
- (b) The Government of Rajasthan and Haryana are jointly holding 58% of 5  
the paid-up Equity Share Capital of Moon Ltd. The Audited financial statements of Moon Ltd. for the financial year 2021-22 were placed at its Annual General Meeting held on 31<sup>st</sup> August, 2022. However, pending the comments of the Comptroller and Auditor General of India (CAG) on the said accounts the meeting was adjourned without adoption of the accounts. Therefore the company did not filed its financial statements to the Registrar, Afterwards, on receipt of CAG comments on the accounts, the adjourned annual general meeting was held on 5<sup>th</sup> October, 2022 whereat the accounts were adopted. Thereafter, Moon Ltd. filed its financial statements relevant to the financial year 2021-22 with the Registrar of Companies on 25<sup>th</sup> October, 2022.

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Examine, with reference to the applicable provisions of the Companies Act, 2013, whether, Moon Ltd. has complied with the statutory requirement regarding filing of accounts with the Registrar.

- (c) A bill of exchange was drawn by Mr. G on Mr. H for ₹ 50,000 towards the value of goods purchased by Mr. H from Mr. G. Mr. H accepted the bill and returned it back to Mr. G. After that Mr. G handed over the bill to his supplier Mr. K to settle the amount of a transaction. On the due date, Mr. K presented the bill before Mr. H for payment. Mr. H denied to make payment and the bill was dishonoured. After five days of the date of dishonour of the bill, Mr. K gave a written notice of dishonour by post with acknowledgement to Mr. G without knowing the fact that Mr. G had passed away one day back. After one month, thereafter, Mr. K claimed the amount from Mr. L, the only son of Mr. G, who was the only legal representative of Mr. G; Mr. L contended that the notice of dishonour was neither served to him nor he had received the notice of dishonour which was sent by Mr. K addressing to his father and therefore, he is not liable for the amount of the bill. Referring to the relevant provisions of the Negotiable Instruments Act, 1881, advise Mr. K, whether the contention of Mr. L is tenable.

Would your answer differ in case Mr. L contended that even though he received the notice of dishonour addressed to his father, since it was not addressed to him, he is not liable for the amount of the bill ?

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- (d) Explain the “grammatical” and “logical” interpretation and state the situations where the courts adopt them while interpreting the Statutes in India. 3

4. + (a) Anika Limited has an Authorized Capital of 10,00,000 equity shares of the face value of ₹ 100 each. Some of the shareholders expressed their opinion in the Annual General Meeting that it is very difficult for them to trade in the shares of the company in the stock market and requested the company to reduce the face value of each share to ₹ 10 and increase the number of shares to 1,00,00,000. Examine, whether the request of the shareholders is considerable and if so, how the company can alter its share capital as per the provisions of the Companies Act, 2013 ? 6

- (b) Perfect Limited Company raised the secured deposit of ₹ 100 crores on 30<sup>th</sup> June, 2021 from the public on interest @ 12% p.a. repayable after 3 years. The charges has been created within prescribed time in favour of trustee of depositors against the deposit taking following assets of the company as security : 4

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|                   |             |
|-------------------|-------------|
| Land & Building   | ₹ 60 crores |
| Plant & machinery | ₹ 20 crores |
| Factory Shed      | ₹ 20 crores |
| Trade Mark        | ₹ 20 crores |
| Goodwill          | ₹ 25 crores |

Explain the validity of the charges created with reference to the Companies (Acceptance of Deposit) Rules, 2014.

- (c) Mr. A (landlord) staying in Delhi rented his flat of Bengaluru to Mr. B (tenant) for ₹ 20,000 per month to be paid annually. An agreement was made between them that during the tenancy period, if A requires his flat to be vacated, one-month prior notice is to be given to Mr. B. After eight months a notice was sent by Mr. A to Mr. B to vacate his flat by registered post which was refused to be accepted by Mrs. C (wife of Mr. B) and Mr. B denied to vacate the flat on ground of non-receipt of notice. Examine, as per the General Clauses Act, 1897, whether the notice is tenable ?

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- (d) Explain in reference of Interpretation of Statutes, the cases where Rule of Ejusdem Generis will not apply.

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5. (a) Aarna Ltd. was dealing in export of cotton fabric to specified foreign countries. The company was willing to purchase cotton fields in Punjab State. The prospectus issued by the company contained some important extracts of the expert report. The report was found untrue. Mr. Nick purchased the shares of Aarna Ltd. on the basis of the expert's report published in the prospectus. However, he did not suffer any loss due to purchase of such shares. Would Mr. Nick have any remedy against the company ? State the circumstances where an expert is not liable under the Companies Act, 2013.

**OR**

The Article Of Association (AOA) of AB Ltd. provides that documents may be served upon the company only through Speed Post. Suresh dispatches some documents to the company by courier, under certificate of posting. The company did not accept it on the ground that it is in violation of the AOA. As a result, Suresh suffered from loss. Explain with reference to the provisions of the Companies Act, 2013 :

- (i) Whether, refusal of document by the company is valid ?
- (ii) Whether, Suresh can claim damages for it ?

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(b) Nivedita Limited hypothecated its plant to a Nationalized Bank and availed a term loan. The Company registered the charge with the Registrar of Companies. The Company settled the term loan in full. The Company requested the Bank to issue a letter confirming the settlement of the term loan. The Bank did not respond to the request. State the relevant provisions of the Companies Act, 2013, to register the satisfaction of charge in the above circumstance. State the time frame upto which the Registrar of Companies may allow the Company to intimate satisfaction of charges.

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✓(c) Kartik took his AC to Pratik, an electrician, for repair. Even after numerous follow ups by Kartik, Pratik didn't return the AC in reasonable time even after repair. In the meantime, Pratik's electric shop caught fire because of short circuit and AC was destroyed. Decide, whether Pratik will be held liable under the provisions of the Indian Contract Act, 1872.

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✓(d) What is the meaning of 'Official Gazette' as per the provisions of the General Clauses Act, 1897 ?

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