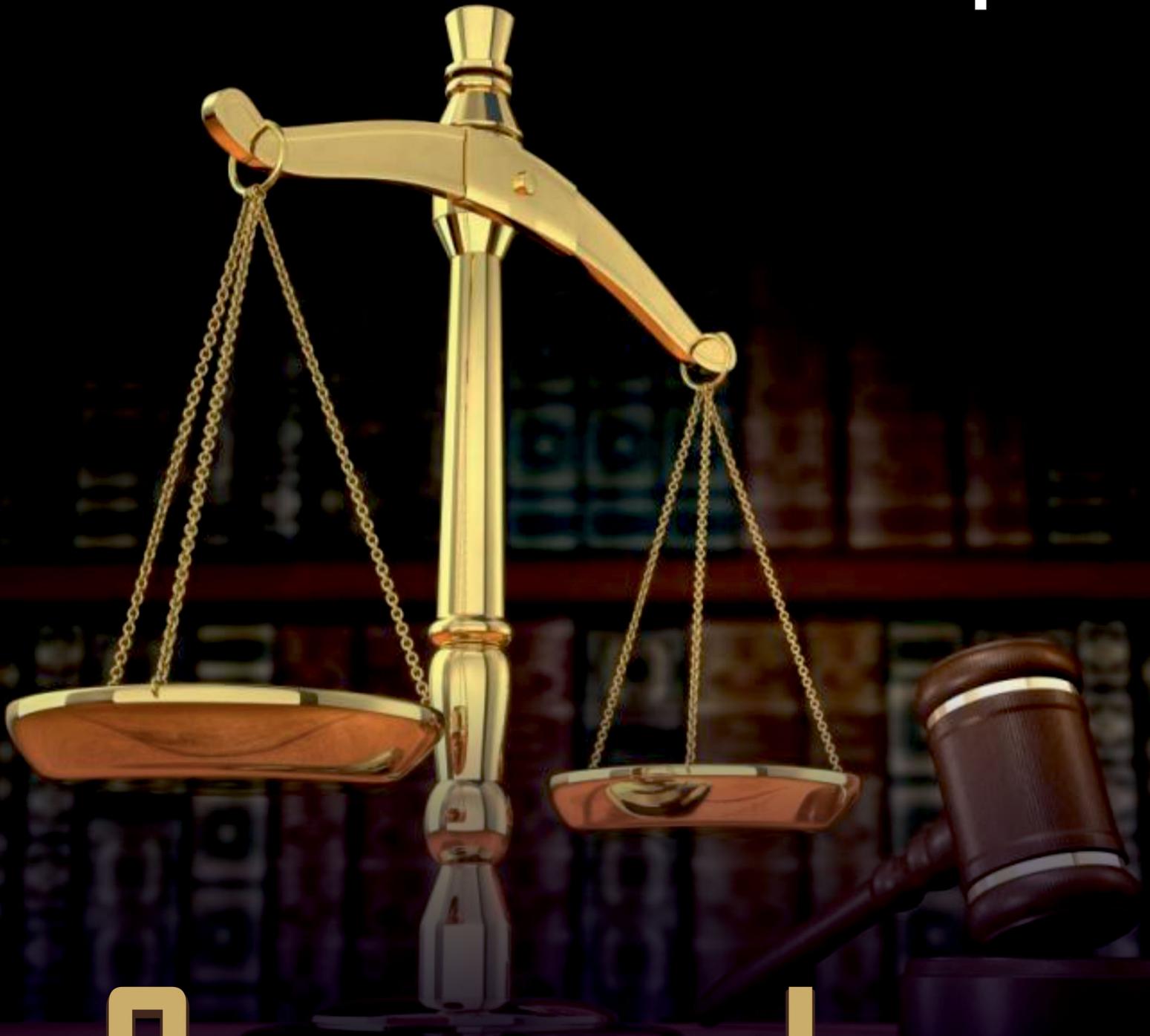


ICSI



Previous Year Questions Papers



Company Law

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 4

- NOTE :** 1 Answer SIX questions including Question No.1 which is compulsory.
2 All references to sections relate to the Companies Act, 1956 unless stated otherwise.

1. Comment on **any four** of the following :

- (i) An unlimited company is a company not having any limit on the liability of its members.
- (ii) A company can mortgage or charge any part of its 'reserve capital'.
- (iii) There is no statutory requirement that a director must hold qualification shares in the company in which he is a director.
- (iv) Statutory meeting can be held at any time and place as suited to the company.
- (v) Provisions of section 58A are not applicable to guarantee companies and section 25 companies (*i.e.*, associations not for profit).

(5 marks each)

2. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) Without the consent of the general meeting, the Board of directors can borrow money subject to a maximum of _____.
- (ii) A _____ though entitled to attend a general meeting and vote on a poll, but cannot participate in the discussion.
- (iii) Besides making investment and loans, a company can also provide _____ and security to another company.
- (iv) A sole buying agent who holds a beneficial interest of 5% or Rs. _____ or more in the shares in a company can be appointed only by passing a special resolution and prior approval of the Central Government.
- (v) A promoter can earn profit out of sale of his own property to the company by making _____, otherwise he has to account for the profits to the company.
- (vi) An issue of debentures by a listed public company needs to maintain post-issue debt equity ratio of 2:1 as per _____.
- (vii) Allotment of shares in a public issue without receiving minimum subscription amounts to _____.
- (viii) A member cannot ask for inspection of minutes of _____.

(1 mark each)

- (b) Choose the most appropriate answer from the given options in respect of the following :
- (i) A company is –
 - (a) A voluntary association for profit
 - (b) A compulsory association for profit
 - (c) A statutory association for profit
 - (d) None of the above.
 - (ii) A private company need not hold –
 - (a) Extra-ordinary general meeting
 - (b) Statutory meeting
 - (c) Annual general meeting
 - (d) Board meeting.
 - (iii) As per section 252(2), a private company cannot have less than –
 - (a) 3 Directors
 - (b) 2 Directors
 - (c) 5 Directors
 - (d) 7 Directors.
 - (iv) Who cannot become a member of a company –
 - (a) Company as a member of another company
 - (b) Foreigner
 - (c) Trade union
 - (d) Partnership firm.
 - (v) Section 125 requires a company to file prescribed particulars of charge after the date of creation of a charge with the Registrar of Companies within –
 - (a) 30 Days
 - (b) 60 Days
 - (c) 90 Days
 - (d) None of the above.
 - (vi) Change of registered office of a company from one city to another city in the same State but falling under the jurisdiction of two Registrars of Companies is required to be approved by the –
 - (a) Central Government
 - (b) Registrar of Companies
 - (c) Regional director
 - (d) Company Law Board.

- (vii) A public company can be converted into a private company only after the approval of the –
- (a) High Court
 - (b) State Government
 - (c) Central Government
 - (d) Company Law Board.
- (viii) As per the Companies Act, 1956, the types of resolutions to be passed by the shareholders are –
- (a) 5
 - (b) 4
 - (c) 2
 - (d) 3.
- (1 mark each)
3. (a) In what manner 'membership' in a company can be sought ?
- (8 marks)
- (b) What are the modes in which a director of a company can be appointed ?
- (8 marks)
4. Write short notes on **any four** of the following :
- (i) Doctrine of *ultra vires*.
 - (ii) Doctrine of constructive notice
 - (iii) Red-herring prospectus
 - (iv) Managerial remuneration
 - (v) Interim dividend.
- (4 marks each)
5. (a) What is 'floating charge' ? When does it crystallise ? What is effect of crystallisation of a floating charge ?
- (8 marks)
- (b) What are the salient features of limited liability partnership (LLP) ?
- (8 marks)
6. (a) State, giving reasons in brief, whether the following statements are correct or incorrect :
- (i) Auditor of a government company is appointed or re-appointed by the Central Government on the advice of Comptroller and Auditor General of India (CAG).
 - (ii) Joint-holders of shares in a public company are not a single member.

(iii) In case of forged, illegal or void *ab-initio* transactions, the doctrine of 'indoor management' protects an outsider.

(iv) DIN is a unique identification number and once obtained is valid for life time of a director.

(2 marks each)

(b) List out the various registers required to be maintained statutorily under the Companies Act, 1956.

(8 marks)

7. (a) Briefly explain the various modes of winding-up of a company.

(8 marks)

(b) Briefly explain the following terms used under e-filing –

(i) Pre-fill

(ii) Attachment

(iii) Check form

(iv) Pre-scrutiny.

(2 marks each)

8. (a) A managing director of a company stood as surety for the repayment of loan taken by it for which he was paid guarantee commission. Does this commission amount to managerial remuneration? Support your answer with decided case law, if any.

(5 marks)

(b) A whole-time director of a company made an invention during the course of his employment with the company. He patented the invention in his own name and appropriated the benefits to himself. Can he do so? Cite case law, if any.

(5 marks)

(c) Articles of association of a company reserved the powers for calling the annual general meeting. The managing director of the company, without reference to the Board, called an annual general meeting. Is the annual general meeting validly called? If not, what should be done to make it valid? Discuss with reference to case law, if any.

(6 marks)

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Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 4

- NOTE :** 1. Answer SIX questions including Question No.1 which is compulsory.
2. All references to sections relate to the Companies Act, 1956 unless stated otherwise.

1. Comment on **any four** of the following :

- (i) A company has a statutory right to alter its articles of association.
- (ii) 'Red-herring prospectus' means a prospectus which has complete particulars on the price of the securities offered and the quantum of securities offered.
- (iii) The power of directors to approve the annual accounts can be delegated to a committee of directors or some of the directors.
- (iv) There are no shareholders in a limited liability partnership, instead there are partners.
- (v) In case of a company, the terms 'winding-up' and 'dissolution' convey the same meaning.

(5 marks each)

2. (a) Choose the most appropriate answer from the given options in respect of the following :

- (i) Where the auditor of a company resigns, the vacancy arising therefrom can be filled by the company only at --
 - (a) General meeting
 - (b) Board meeting
 - (c) Audit committee meeting
 - (d) None of the above.
- (ii) The invitation and acceptance of deposits by non-banking non-financial companies in India is regulated by --
 - (a) The Reserve Bank of India Act, 1934
 - (b) The Securities and Exchange Board of India Act, 1992
 - (c) The Companies Act, 1956
 - (d) None of the above.

- (iii) The Companies Act, 1956 allows a company to re-convert its stock into --
- (a) Fully paid-up equity shares
 - (b) Partly paid-up equity shares
 - (c) Unpaid equity shares
 - (d) Uncalled shares.
- (iv) In the case of incorporation of an Asset Management Company (AMC), the memorandum of association and articles of association are required to be vetted by which of the following authority before these documents are registered by the Registrar of Companies --
- (a) R O C
 - (b) SEBI
 - (c) RBI
 - (d) NSDL.
- (v) Which of the following is correct in respect of a public limited company in India --
- (a) Business can be commenced immediately on incorporation
 - (b) No need to have more than two directors
 - (c) There is no restriction on remuneration payable to directors
 - (d) The number of members is unlimited.
- (1 mark each)*
- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) A private company, which is a subsidiary of a company which is not a private company, is a _____ company.
 - (ii) All contracts which are purported to be made on behalf of a company before its incorporation are known as _____ contracts.
 - (iii) The issue of ESOPs or Employees Stock Option Scheme shall be subject to approval of shareholders through a _____ resolution.
 - (iv) Sweat equity shares issued to employees or directors shall be locked-in for a period of _____ from the date of allotment.
 - (v) When a company makes buy-back of shares or securities, the buy-back operations shall be completed within _____ from the date of passing of the special resolution or a resolution passed by the Board.
- (1 mark each)*
- (c) Discuss the various methods by which sense of a meeting is ascertained.

(6 marks)

3. (a) Discuss the requirements for keeping the minutes book of general meetings.
(4 marks)
- (b) Discuss briefly the voting rights of a proxy.
(4 marks)
- (c) State whether a Board meeting of a company can be held at any place.
(4 marks)
- (d) What is the effect of crystallisation of a floating charge ?
(4 marks)
4. (a) In the case where the shares of a company are held in joint-names of two persons Arpit and Rakshit and one of these joint-holders requests the company to split the shares equally between them by issuing fresh share certificates, what should the company do ?
(4 marks)
- (b) Layman is a holder of a share warrant in Ontime Fliers Ltd., a public limited company. Unfortunately, Layman is unaware of any of the formalities to be complied with for transferring the said share warrant. Advise him about the formalities to be completed in this regard.
(4 marks)
- (c) Four types of persons, viz., a section 25 company, an insolvent individual, a trade union and a pawnee, apply for membership in your public limited company. Will you accept them as members of your company ? Why ?
(4 marks)
- (d) A company has forfeited shares of a defaulting shareholder for non-payment of call money. However, the defaulting shareholder approaches the Board after forfeiture of shares to cancel the said forfeiture. What should the Board do ? Give your advice.
(4 marks)
5. (a) Abhay is director in two companies -- Goodluck India Pvt. Ltd. and Lucky Winners India Pvt. Ltd. Abhay attended Board meetings of these two companies on 22nd August, 2009 in the same building 'Welcome House' at 2 p.m. and 4 p.m. respectively.
- (i) Can Abhay draw travelling allowance from both the companies ?
- (ii) Is he entitled to receive sitting fees fully from both the companies ?
(6 marks)
- (b) Rani is a wealthy lady enjoying large dividend and interest income. She has formed three private companies and agreed with each of them to hold a block of investment as an agent for it. Income received was credited in the accounts of the company but the company handed back the amount to her as a pretended loan. This way, she divided her income in three parts in a bid to reduce her tax liability. Discuss the legality of the purpose for which the three companies were formed.
(5 marks)

- (c) Carefree is an officer of Cosy Cosy Ltd., who is authorised to sign on behalf of the company any contract, bill of exchange, hundi, promissory note, cheque, or order for money or goods. In these circumstances, Carefree signs a cheque on behalf of the company without mentioning the name of the company. Who is liable to the holder in such a case ?

(5 marks)

6. Distinguish between **any four** of the following :

- (i) 'Company' and 'corporation'.
- (ii) 'Nominal capital' and 'subscribed capital'.
- (iii) 'Shares' and 'stock'.
- (iv) 'Whole-time chairman' and 'part-time chairman'.
- (v) 'Insolvency of an individual/firm' and 'winding-up of a company'.

(4 marks each)

7. State, with reasons in brief, whether the following statements are correct or incorrect :

- (i) The members of an unlimited company are liable directly to the creditors of the company.
- (ii) A promoter has legal right to claim promotional expenses for his services.
- (iii) Preference shares are non-cumulative unless expressly stated to be cumulative.
- (iv) A charge created orally shall also require registration.
- (v) A return of allotment in e-form 2 is required to be filed with the Registrar of Companies even if a single share is allotted by a company.
- (vi) The prospectus must be dated.
- (vii) A company is required to obtain approval of the debenture trustees for any distribution of dividend.
- (viii) Additional directors can be appointed only by public companies.

(2 marks each)

8. Write notes on **any four** of the following :

- (i) Disadvantages of corporate form of enterprise
- (ii) Remuneration of promoters
- (iii) Alternate directors
- (iv) Passing of resolution by postal ballot
- (v) Independent directors.

(4 marks each)

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Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

- NOTE :** 1. Answer SIX questions including Question No.1 which is compulsory.
2. All references to sections relate to the Companies Act, 1956 unless stated otherwise.

1. Comment on *any four* of the following :

- (i) The liability of member to pay their guaranteed amount arises only when the company has gone into liquidation and not when it is a going concern.
- (ii) The managing director and other directors of a company are not liable to be sued for dues against a company.
- (iii) The competent court of law can entertain a petition for winding-up of an illegal association under company law.
- (iv) A company can be regarded as having enemy character under certain circumstances.
- (v) Preference shares are non-cumulative unless expressly stated to be cumulative.

(5 marks each)

2. (a) Write the most appropriate answer from the given options in respect of the following :

- (i) Which of the following is not a 'public corporation' within the meaning of company law —
 - (a) Life Insurance Corporation of India
 - (b) Damodar Valley Corporation
 - (c) State Trading Corporation of India Ltd.
 - (d) None of the above.
- (ii) All contracts which are purported to be made on behalf of a company before its incorporation are known as —
 - (a) Preliminary contracts
 - (b) Provisional contracts
 - (c) Commercial contracts
 - (d) None of the above.

- (iii) Which of the following financial institution shall not be regarded for the purposes of the Companies Act, 1956 as 'public financial institution' (PFI) —
- (a) Life Insurance Corporation of India
 - (b) Infrastructure Development Finance Company Ltd.
 - (c) Unit Trust of India
 - (d) Sundaram Finance Ltd.
- (iv) Which of the following is incorrect as regards creditors of a partnership firm —
- (a) Creditors of a partnership firm are creditors of individual partners
 - (b) A decree against the firm can be executed against the partners jointly and severally
 - (c) Both (a) and (b) above
 - (d) None of the above.
- (v) Under section 252, every public company shall have at least —
- (a) Three directors
 - (b) Two directors
 - (c) Five directors
 - (d) Seven directors.
- (vi) Under section 285, in the case of every company, a meeting of the Board of directors shall be held —
- (a) At least once in every three months
 - (b) At least once in every six months
 - (c) At least once in every four months
 - (d) At least once in every two months.

: 3 :

- (vii) Appointment of a whole-time Company Secretary is mandatory for every producer company in case where average annual turnover exceeds —
- ₹5 crore in each of three financial years
 - ₹2 crore in each of three financial years
 - ₹10 crore in each of three financial years
 - ₹20 crore in each of three financial years.
- (viii) Any political contribution made in contravention of section 293A(5)(a) shall be punishable with fine upto —
- Three times of the contribution
 - Two times of the contribution
 - Four times of the contribution
 - One time of the contribution.

(1 mark each)

- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s) / figure(s) :
- The words _____ must be added at the end of its name by a private limited company.
 - A company formed under an Act of Parliament or State Legislature is called a _____ company.
 - A subsidiary of a government company is treated as a _____ company.
 - The quantum of fee prescribed for registration of a company having share capital depends on the _____ of the company to be incorporated.
 - The application for registration of multi-State co-operative society should be addressed to _____.

: 4 :

- (vi) Every producer company shall hold its first annual general meeting (AGM) within a period of _____ from the date of its incorporation.
- (vii) A foreign company is a company which is incorporated in a country outside India under the law of that other country and has a place of business in _____.
- (viii) Register and index of debentureholders should be preserved for _____ after the redemption of the debentures.

(1 mark each)

3. Distinguish between *any four* of the following :

- (i) 'Company' and 'corporation'.
- (ii) 'Doctrine of indoor management' and 'doctrine of constructive notice'.
- (iii) 'Rights issue' and 'bonus issue'.
- (iv) 'Motion' and 'resolution'.
- (v) 'Whole-time Company Secretary' and 'Company Secretary in whole-time practice'.

(4 marks each)

4. (a) As on 31st March, 2010, the balance sheet of ABC Ltd. shows the following :

	₹ in Crores
Paid-up share capital	30
Reserves and surplus	40
Reserve for redemption of debenture	20
Capital reserve	10

The company made loan/stood guarantee for loans to other companies as below :

Loan to DEF Ltd.	₹15 crore
Guarantee given on behalf of GHK Ltd.	₹15 crore

LKP Ltd. approached ABC Ltd. for loan of an amount of ₹20 crore.

Advise the management of ABC Ltd. as to whether the company can give loan of ₹20 crore to LKP Ltd.

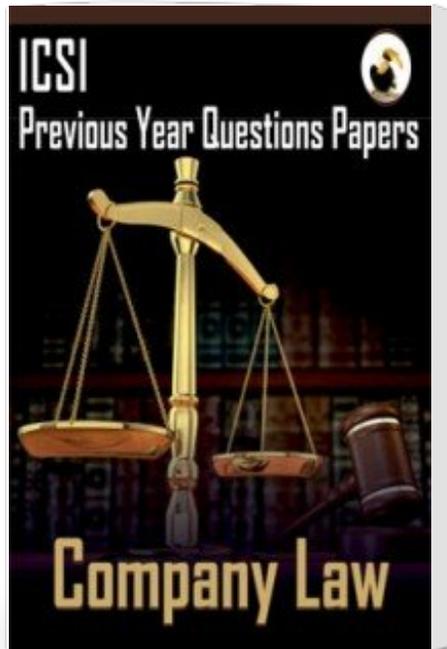
(4 marks)

: 5 :

- (b) State the procedure for granting loan by one company to another company. (6 marks)
- (c) What is meant by the term 'disqualifying company' under the Companies (Disqualification of Directors under Section 274(1)(g) of Companies Act, 1956) Rules, 2003 ? State the grounds under which the directors are disqualified under the said rules. (6 marks)
5. (a) What is meant by the term 'striking-off' of the name of a company ? Can any aggrieved creditor apply for restoration of the name of the company after 10 years of its striking-off ? If so, how ? (4 marks)
- (b) What is the general structure of e-filing process under MCA-21 ? (4 marks)
- (c) List out the kind of investigations carried out under the Companies Act, 1956. (4 marks)
- (d) Enumerate the circumstances under which the Central Government can order special audit. (4 marks)
6. (a) "Approval of the government is not always required under section 269 for appointment of a whole-time director by a company having a paid-up capital of ₹5 crore." Discuss. (4 marks)
- (b) "A new business cannot be dealt with in an adjourned meeting without permission of the chair." Do you agree with the statement ? Give reasons. (4 marks)
- (c) A single fixed depositholder, after marriage, applied for adding the name of his wife as joint-holder. The company refused to do so. What are the remedies available to the depositholder ? (4 marks)
- (d) What do you mean by 'abridged letter of offer' ? What should it contain ? (4 marks)

7. (a) The promoters of a new company have decided to start their company with the name 'i2 Technologies Ltd.'. However, the jurisdictional Registrar of Companies (ROC) has declined to allow the name starting with small alphabets. Is the ROC's contention valid under company law as prevalent in India ?
(4 marks)
- (b) John, who is a member of Alex Ltd., is of unsound mind. Can the shareholder of unsound mind exercise his voting rights in respect of his membership in the said company ? Give your advice.
(4 marks)
- (c) Thrive Ltd. is a public limited company, incorporated under the Companies Act, 1956. The Board of directors of the said company has recently decided to insert an article in its articles of association relating to expulsion of a member by the Board of directors of the company where the directors were of the view that the activities or conduct of such a member was detrimental to the interests of the company. Is the Board's decision valid in the eye of law ?
(4 marks)
- (d) Chatur is a director of Hopes Ltd., a public limited company, registered under the Companies Act, 1956. He wants to inspect the books of account and other books and papers of the company. Can he do so ? Will your answer be different, if the director wants to inspect the books of account through an agent ?
(4 marks)
8. (a) Shine Well Ltd. has accepted deposits from the public under the Companies (Acceptance of Deposits) Rules, 1975. The company has now decided to repay some of its deposits before maturity. Can the company do so ? If yes, what are the conditions attached thereto ?
(4 marks)
- (b) Grow More Ltd. is a government company in which the Central Government and many State Governments in India are members. The company has recently convened its annual general meeting at its registered office. Does the legislature have any access to the annual reports of such a company ? Give your advice.
(4 marks)

Company Law Question Paper



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