

**Mock Test Paper - Series II: April, 2026**

**Date of Paper: 4<sup>th</sup> April, 2026**

**Time of Paper: 10 A.M. to 1 P.M.**

**INTERMEDIATE COURSE: GROUP – I**

**PAPER – 2: CORPORATE AND OTHER LAWS**

**ANSWER TO PART – I CASE SCENARIO BASED MCQS**

1. (c)
2. (c)
3. (d)
4. (b)
5. (c)
6. (b)
7. (b)
8. (b)
9. (a)
10. (c)
11. (a)
12. (b)
13. (d)
14. (a)
15. (c)

**ANSWERS OF PART – II DESCRIPTIVE QUESTIONS**

1. (a) According to section 2(85) of the Companies Act, 2013, small company means a company, other than a public company, having-
  - (A) paid-up share capital not exceeding four crore rupees or such higher amount as may be prescribed which shall not be more than ten crore rupees; and
  - (B) turnover as per profit and loss account for the immediately preceding financial year not exceeding forty crore rupees or such higher amount as may be prescribed which shall not be more than one hundred crore rupees:

Provided that nothing in this clause shall apply to a holding company or a subsidiary company.

Also, according to section 2(87), subsidiary company, in relation to any other company (that is to say the holding company), means a company in which the holding company exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

In the given question, Clip Limited (a public company) holds 2,00,000 equity shares of Paper Private Limited (having paid up share capital of 5,00,000 equity shares @ ₹ 10 totalling ₹ 50 lakh). Hence, Paper Private Limited is not a subsidiary of Clip Limited and hence it is a private company and not a deemed public company.

Further, the paid up share capital (₹ 50 lakh) and turnover (₹ 2 crore) is within the limit as prescribed under section 2(85), hence, Paper Private Limited can be categorised as a small company.

- (b) According to section 124 of the Companies Act, 2013, where a dividend has been declared by a company but has not been paid or claimed within 30 days from the date of the declaration, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in any scheduled bank to be called the Unpaid Dividend Account.

Further, according to section 127 of the Companies Act, 2013, where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within 30 days from the date of declaration to any entitled shareholder, every director of the company shall, if he is knowingly a party to the default, be liable for punishment.

In the present case, the Board of Directors of Pacific Fashions Limited at its meeting recommended a dividend on its paid-up equity share capital which was later on approved by the shareholders at the Annual General Meeting. Thereafter, the directors at another meeting of the Board decided by passing a board resolution for diverting the total dividend to be paid to the shareholders for purchase of certain short-term investments in the name of the company. As a result, dividend was paid to shareholders after 45 days.

1. Since, declared dividend has not been paid within 30 days from the date of the declaration to any shareholder entitled to the payment of dividend, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid or

unclaimed to a special account to be opened by the company in any scheduled bank to be called the Unpaid Dividend Account.

2. The Board of Directors of Pacific Fashions Limited has violated section 127 of the Companies Act, 2013 as it failed to pay dividend to shareholders within 30 days due to its decision to divert the total dividend to be paid to shareholders for purchase of certain short-term investments in the name of the company.

**Consequences:** The following are the consequences for violation of the above provisions:

- (i) Every director of the company shall, if he is knowingly a party to the default, be punishable with maximum imprisonment of two years and shall also be liable for a minimum fine rupees one thousand for every day during which such default continues.
  - (ii) The company shall also be liable to pay simple interest at the rate of 18% p.a. during the period for which such default continues.
- (c) Under provisions of section 5 of the Foreign Exchange Management Act, 1999 certain Rules have been made for drawal of Foreign Exchange for Current Account transactions. As per these Rules, Foreign Exchange for some of the Current Account transactions is prohibited. As regards some other Current Account transactions, Foreign Exchange can be drawn with prior permission of the Central Government while in case of some Current Account transactions, prior permission of Reserve Bank of India is required.
- (i) Remittance out of lottery winnings, such remittance is prohibited and the same is included in First Schedule to the Foreign Exchange Management (Current Account Transactions) Rules, 2000. Hence, Ms. Kavya cannot withdraw Foreign Exchange for this purpose.
  - (ii) Foreign Exchange for meeting expenses of cultural tour can be withdrawn by any person after obtaining permission from Government of India, Ministry of Human Resources Development, (Department of Education and Culture) as prescribed in Second Schedule to the Foreign Exchange Management (Current Account Transactions) Rules, 2000. Hence, Ms. Kavya can withdraw the Foreign Exchange after obtaining such permission.

In all the cases, where remittance of Foreign Exchange is allowed, either by general or specific permission, the remitter has to obtain the Foreign Exchange from an Authorised Person as defined in section 2(c).

2. (a) (i) The requirement of having a minimum paid up share capital shall not apply to a section 8 company *vide notification dated 5<sup>th</sup> June 2015*.

- (ii) Yes, under section 8(3) of the Companies Act, 2013, a firm may be a member of the company registered under section 8.
  - (iii) According to Section 8(1)(c) of the Companies Act, 2013, section 8 company cannot pay dividend to its members as it prohibits the payment of dividends to its members.
- (b)** As per section 7 of the Companies Act, 2013 where a company has been got incorporated by furnishing any incorrect information, the Tribunal may on an application made to it, on being satisfied that the situation so warrants:
- (1) pass such orders, as it may think fit, for regulation of the management of the company including changes, if any, in its memorandum and articles, in public interest or in the interest of the company and its members and creditors; or
  - (2) direct that liability of the members shall be unlimited; or
  - (3) direct removal of the name of the company from the register of companies; or
  - (4) pass an order for the winding up of the company; or
  - (5) pass such other orders as it may deem fit:
- Provided that before making any order under this sub-section,—
- (i) the company shall be given a reasonable opportunity of being heard in the matter; and
  - (ii) the Tribunal shall take into consideration the transactions entered into by the company, including the obligations, if any, contracted or payment of any liability.
- Also the promoters, the persons named as the first directors of the company and the persons making declaration at the time of registration of company shall each be liable for action under section 447.
- (c)** According to section 38 of the Limited Liability Partnership Act, 2008,
- (1) In order to obtain such information as the Registrar may consider necessary for the purposes of carrying out the provisions of this Act, the Registrar may require any person including any present or former partner or designated partner or employee of a limited liability partnership to answer any question or make any declaration or supply any details or particulars in writing to him within a reasonable period.
  - (2) In case any person referred to in sub-section (1) does not answer such question or make such declaration or supply such details or particulars

asked for by the Registrar within a reasonable time or time given by the Registrar or when the Registrar is not satisfied with the reply or declaration or details or particulars provided by such person, the Registrar shall have power to summon that person to appear before him or an inspector or any other public officer whom the Registrar may designate, to answer any such question or make such declaration or supply such details, as the case may be.

In view of the provisions of the Act and facts of the question:

- (i) Yes, the Registrar is empowered to seek information from Ms. A, despite her being a former designated partner.
- (ii) As Ms. A failed to furnish the required information within the stipulated time and also she submitted an incomplete reply which the Registrar finds unsatisfactory, the Registrar shall have power to summon her to appear before him or an inspector or any other public officer whom the Registrar may designate, to answer any such question or make such declaration or supply such details, as the case may be.

3. (a) Section 140 of the Companies Act, 2013 prescribes procedure for removal of auditors. Under section 140 (1) the auditor appointed under section 139 may be removed from his office before the expiry of his term only by a special resolution of the company, after obtaining the previous approval of the Central Government in that behalf in the prescribed manner.

From this sub section it is clear that the approval of the Central Government shall be taken first and thereafter the special resolution of the company should be passed.

Provided that before taking any action under this sub-section, the auditor concerned shall be given a reasonable opportunity of being heard.

Hence, in the instant case, the decision of Kishore Ltd. to remove AB & Associates, auditors of the company at the general meeting held on 25-5-2025, is not valid. The approval of the Central Government shall be taken before passing the special resolution in the general meeting.

- (b) According to section 20(2) of the Companies Act, 2013, a document may be served on Registrar or any member by sending it to him by post or by registered post or by speed post or by courier or by delivering at his office or address, or by such electronic or other mode as may be prescribed.

Provided that a member may request for delivery of any document through a particular mode, for which he shall pay such fees as may be determined by the company in its annual general meeting.

Thus, if a member wants the notice to be served on him only by registered post at his residential address at Bangalore for which he has deposited sufficient money, the notice must be served accordingly, otherwise service will not be deemed to have been effected.

Accordingly, the questions as asked may be answered as under:

- (i) The contention of Veer shall be tenable, for the reason that the notice was not properly served.
  - (ii) In the given circumstances, the company is bound to serve a valid notice to Veer by registered post at his residential address at Bangalore and not outside India.
- (c) The Preamble expresses the scope, object and purpose of the Act more comprehensively. The Preamble of a Statute is a part of the enactment and can legitimately be used as an internal aid for construing it. However, the Preamble does not over-ride the plain provision of the Act. But if the wording of the statute gives rise to doubts as to its proper construction, for example, where the words or phrase has more than one meaning and a doubt arises as to which of the two meanings is intended in the Act, the Preamble can and ought to be referred to in order to arrive at the proper construction.

In short, the Preamble to an Act discloses the primary intention of the legislature but can only be brought in as an aid to construction if the language of the statute is not clear. However, it cannot override the provisions of the enactment.

Example: Use of the word 'may' in section 5 of the Hindu Marriage Act, 1955 provides that "a marriage may be solemnized between two Hindus....." has been construed to be mandatory in the sense that both parties to the marriage must be Hindus as defined in section 2 of the Act. It was held that a marriage between a Christian male and a Hindu female solemnized under the Hindu Marriage Act was void. This result was reached also having regard to the preamble of the Act which reads: 'An Act to amend and codify the law relating to marriage among Hindus' [*GullipoliSowria Raj v. BandaruPavani*, (2009)1 SCC714].

4. (a) Section 83 of the Companies Act, 2013 empowers the Registrar to make entries with respect to the satisfaction and release of charges even if no intimation has been received by him from the company. Accordingly, with respect to any registered charge if an evidence is shown to the satisfaction of Registrar that the debt secured by charge has been paid or satisfied in whole or in part or that the part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking, then he may

enter in the register of charges a memorandum of satisfaction that:

- ◆ the debt has been satisfied in whole or in part; or
- ◆ the part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking.

This power can be exercised by the Registrar despite the fact that no intimation has been received by him from the company.

**Information to affected parties:** The Registrar shall inform the affected parties within 30 days of making the entry in the register of charges.

**Issue of Certificate:** As per Rule 8 (2), in case the Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge in Form No. CHG-5.

Therefore, Mr. Raj can approach the Registrar and show evidence to his satisfaction that the charge has been duly settled and satisfied and request the Registrar to enter a memorandum of satisfaction noting the release of charge.

- (b) Section 105(1) of the Companies Act, 2013, provides that any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person as a proxy to attend and vote at the meeting on his behalf.

Further, section 105(4) of the Act provides that a proxy received 48 hours before the meeting will be valid even if the articles provide for a longer period.

In the given case, the company received a proxy form 54 hours before the time fixed for start of the meeting. Karuna Limited refused to accept proxy on the ground that articles of the company provides filing of proxy before 60 hours of the meeting. In the said case, in line with requirement of the above stated legal provision, a proxy received 48 hours before the meeting will be valid even if the articles provide for a longer period. Accordingly, the proxy holder can compel the company to admit the proxy.

- (c) **Residential Status:** According to section 2(v) of the Foreign Exchange Management Act, 1999, 'Person resident in India' means a person residing in India for more than 182 days during the course of preceding financial year [Section 2(v)(i)]. However, it does not include a person who has gone out of India or who stays outside India for employment outside India or for any other purpose in such circumstances as would indicate his intention to stay outside India for an uncertain period.

Generally, a student goes out of India for a certain period. In this case, Pintoo who resided in India during the financial year 2023-2024 left on 16<sup>th</sup> July 2024 for Switzerland for pursuing higher studies in Biotechnology for 2 years, he will be resident as he has gone to stay outside India for a 'certain period'. RBI has however clarified in its AP circular no. 45 dated 8<sup>th</sup> December 2003, that students will be considered as non-residents. This is because usually students start working there to take care of their stay and cost of studies.

Pintoo will be treated as person resident in India for Financial Year 2024-2025 till 16<sup>th</sup> July 2024 and from 17<sup>th</sup> July 2024, he will be considered as person resident outside India.

However, during the Financial Year 2025-2026, Pintoo will be considered as person resident outside India as he left India on 16<sup>th</sup> July 2024.

Foreign Exchange for studies abroad: According to Para I of Schedule III to Foreign Exchange Management (Current Account Transactions), Amendment Rule, 2015 dated 26<sup>th</sup> May, 2015, individuals can avail of foreign exchange facility for the studies abroad within the limit of USD 2,50,000 only. Any additional remittance in excess of the said limit shall require prior approval of the RBI. Further proviso to Para I of Schedule III states that individual may be allowed remittances (without seeking prior approval of the RBI) exceeding USD 2,50,000 based on the estimate received from the institution abroad. In this case the foreign exchange required is only USD 55,000 per academic year and hence approval of RBI is not required.

5. (a) Normally, general meetings are to be called by giving at least 21 clear days' notice as required by section 101 (1) of the Companies Act, 2013.

As an exception, first proviso to Section 101 (1) states that a general meeting may be called after giving shorter notice than that specified in sub-section (1) of section 101, if consent, in writing or by electronic mode, is accorded thereto—

In the case of any other general meeting (i.e. other than annual general meeting), by members of the company—

- (1) holding, if the company has a share capital, majority in number of members entitled to vote and who represent not less than ninety-five per cent. of such part of the paid-up share capital of the company as gives a right to vote at the meeting; or
- (2) having, if the company has no share capital, not less than ninety-five per cent. of the total voting power exercisable at that meeting.

Second proviso to section 101 (1) clarifies that where any member of a company is entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purposes of sub section (1) of section 101 in respect of the former resolution or resolutions and not in respect of the latter.

In view of the above provisions, RRR Limited is permitted to call the requisite general meeting by giving a shorter notice. However, the members holding at least ninety-five per cent of the paid-up share capital of the company which gives them a right to vote at the meeting must consent to the shorter notice.

Thus, if the meeting is called after obtaining the consent from members holding at least ninety-five per cent of the paid-up share capital of the company, the meeting can be validly called at shorter notice.

(b)

|    | <b>Basis</b>                         | <b>LLP</b>                                                                                                                                                  | <b>Limited Liability Company</b>                                                                                       |
|----|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| 1. | <b>Regulating Act</b>                | The Limited Liability Partnership Act, 2008.                                                                                                                | The Companies Act, 2013.                                                                                               |
| 2. | <b>Members/ Partners</b>             | The persons who contribute to LLP are known as partners of the LLP.                                                                                         | The persons who invest the money in the shares are known as members of the company.                                    |
| 3. | <b>Internal governance structure</b> | The internal governance structure of a LLP is governed by contract agreement between the partners.                                                          | The internal governance structure of a company is regulated by statute (i.e., Companies Act, 2013).                    |
| 4. | <b>Name</b>                          | Name of the LLP to contain the word "Limited Liability partnership" or "LLP" as suffix.                                                                     | Name of the public company to contain the word "limited" and Pvt. Co. to contain the word "Private limited" as suffix. |
| 5. | <b>No. of members/ partners</b>      | Minimum – 2 members<br>Maximum – No such limit on the members in the Act. The members of the LLP can be individuals/or body corporate through the nominees. | <b>Private company:</b><br>Minimum – 2 members<br>Maximum 200 members<br><b>Public company:</b><br>Minimum – 7 members |

|    |                                                         |                                                                                                                       |                                                                                                                        |
|----|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
|    |                                                         |                                                                                                                       | Maximum – No such limit on the members.<br>Members can be organizations, trusts, another business form or individuals. |
| 6. | <b>Liability of members/ partners</b>                   | Liability of a partners is limited to the extent of agreed contribution in case of intention is fraud.                | Liability of a member is limited to the amount unpaid on the shares held by them.                                      |
| 7. | <b>Management</b>                                       | The business of the company is managed by the partners including the designated partners authorized in the agreement. | The affairs of the company are managed by board of directors elected by the shareholders.                              |
| 8. | <b>Minimum number of directors/ designated partners</b> | Minimum 2 designated partners                                                                                         | Pvt. Co. – 2 directors<br>Public co. – 3 directors                                                                     |

- (c) The issue in the given case relates to the correct interpretation of statutory provisions. The applicable principle is that a statute must be read as a whole, and not in isolation.

It is an elementary rule of interpretation that all provisions of a statute must be construed together to ascertain the true meaning and intent of the legislature. No single section should be interpreted independently if other related provisions exist. The words of each provision should be interpreted in a manner that brings them into harmony with the other provisions of the Act, provided such interpretation does not distort their natural meaning.

In the present case, although Section 8 uses general words stating that “documents may be submitted to the authority,” Sections 15 and 22 clearly prescribe that such documents are to be submitted in electronic form and through an online portal. These provisions indicate a specific mode and manner of submission.

Applying the principle of reading the statute as a whole, Section 8 cannot be interpreted in isolation. The general expression “documents may be submitted” must be read subject to the specific provisions contained in Sections 15 and 22.

Further, one of the safest guides to interpretation is to examine similar expressions used elsewhere in the same statute. Since multiple provisions impose a consistent requirement of electronic filing, it can be inferred that the legislature intended to restrict the mode of submission accordingly. Therefore, the general words in Section 8 must be read with such limitation.

Accordingly, the submission of documents in physical form by the company is not valid, and the authority is justified in rejecting the same.

Section 8 must be read in conjunction with Sections 15 and 22, and documents are required to be submitted only in electronic form.

6. (a) According to section 2(42) of the Companies Act, 2013, "Foreign company" means any company or body corporate incorporated outside India which-
- (1) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and
  - (2) conducts any business activity in India in any other manner.

Further, branch offices are generally considered as reflection of the Parent Company' office. Thus, branch offices of a company incorporated outside India are considered as a place of business for conducting business activity in India and will be required to follow provisions of Chapter XXII and such other provisions as may be specified elsewhere under Companies Act, 2013.

- (b) According to Rule 2(1)(e) of the Companies (Acceptance of Deposits) Rules, 2014, an "eligible company" as referred to in section 76(1) of the Companies Act, 2013 means a public company, having a net worth of not less than one hundred crore rupees or a turnover of not less than five hundred crore rupees and which has obtained the prior consent of the company in general meeting by means of a special resolution and also filed the said resolution with the Registrar of Companies before making any invitation to the public for acceptance of deposits.

However, an 'eligible company', which is accepting deposits within the limits specified under section 180 (1) (c), may accept deposits by means of an ordinary resolution.

According to Rule 4 (a) of the Companies (Acceptance of Deposits) Rules, 2014, an 'eligible company' shall accept or renew any deposit from its members, if the amount of such deposit together with the amount of deposits outstanding as on the date of acceptance or renewal of such deposits from members does not exceed ten per cent. of the aggregate of the paid-up share capital, free reserves and securities premium account of the company.

A Limited is having a net worth of ₹ 200 crore. Hence, it falls in the category of 'eligible company'.

The fact that turnover has not been stated in the question will not affect this answer, since fulfilling any one criteria will be sufficient.

Thus, A Limited has to ensure that acceptance of deposits from its members together with the amount of deposits outstanding as on the date of acceptance or renewal of such deposits from the members, in no case, exceeds 10% of the aggregate of the paid-up share capital, free reserves and securities premium account of the company.

- (c) **“Meaning of Service by post”:** According to section 27 of the General Clauses Act, 1897, where any legislation or regulation requires any document to be served by post, then unless a different intention appears, the service shall be deemed to be effected by:

- (i) properly addressing
- (ii) pre-paying, and
- (iii) posting by registered post.

A letter containing the document to have been effected at the time at which the letter would be delivered in the ordinary course of post.