Mock Test Paper - Series I: July, 2026

Date of Paper: 27th July, 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. (b) Both A and R are true, but R is not the correct explanation of A.

2. (b) I and III only

3. (c) The director is incorrect- the company must first amend its Articles (if not already authorising the increase), then pass an ordinary resolution of the shareholders, followed by the requisite ROC filing.

4. (b) Deposits from members may lawfully be accepted, but only if the company complies with the conditions laid down under Section 73 and the Companies (Acceptance of Deposits) Rules, 2014.

5. (b) Incorrect- the LLP must comply by 20th June, 2026, since the statutory period is reckoned from the date of the direction and not from the date of its receipt.

6. (b) Within 30 days of appointment.

7. (c) Vaibhav may continue to be regarded as a partner vis-à-vis third parties who dealt with the LLP without notice of his cessation.

8. (b) Government may allot a new name and Registrar may issue a fresh Certificate of Incorporation.

9. (a) AIL can remit USD 7 million and USD 2 million without obtaining prior approval of RBI.

10. (c) Non-resident from the date she left India for studies abroad and continues to remain non-resident after accepting employment abroad.

11. (b) AIL can make both remittances through an Authorised Dealer Bank, and Shalini is treated as a person resident outside India from the date she left India for studies abroad.

12. (b) The contract remains valid, but Q Limited cannot initiate legal proceedings until it complies with the provisions.

13. (c) The association is a person since the term "person" under the General Clauses Act, 1897, includes any company or association or body of individuals, whether incorporated or not.

14. (b) Shares are movable property since they are not immovable property.

15. (c) The Company and every officer in default shall be liable to total penalty of ₹ 1,20,000 for delay in convening of Annual General Meeting.

ANSWERS OF PART – II DESCRIPTIVE QUESTIONS

1. (a) Section 27(1) of the Companies Act, 2013 provides that a company shall not, at any time, vary the terms of a contract referred to in the prospectus, or the objects for which the prospectus was issued, except by way of a special resolution passed at a general meeting.

The first proviso to sub-section (1) requires that the prescribed details of the notice given to shareholders must also be published in newspapers (one in English and one in vernacular language) circulating in the city where the registered office of the company is situated, clearly indicating the justification for the variation.

The second proviso to sub-section (1) further prohibits the company from using any amount raised through the prospectus for buying, trading or otherwise dealing in the equity shares of any other listed company.

Section 27(2) provides that the dissenting shareholders (those who did not agree to the variation) are to be given an exit offer by the promoters or controlling shareholders, at such exit price and in such manner as may be specified by SEBI regulations.

In the given question, MNC Limited has raised amount through issue of equity shares. It was specified that the amount so received will be exclusively used for setting up a manufacturing unit for affordable dialysis equipment. However, now the company wants to use the surplus money left from the mentioned issue of shares, for development of cloud-based hospital management software and for investing in Equity Shares of Y Limited (a listed company).

Applying the provisions to the facts:

- Contention (i): A special resolution requires not less than three-fourths of the votes cast in favour. Since the votes in favour, though in excess of votes against, did not reach the three-fourths threshold, the resolution was not validly passed as a special resolution. This contention of the shareholders is tenable.

- Contention (ii): Since the required newspaper publication (English and vernacular, in the city of the registered office, with justification for the variation) was not made, this contention is also tenable.
- Contention (iii): The second proviso to section 27(1) bars a company from using prospectus proceeds to deal in the equity shares of any other listed company. As Y Limited is a listed company, MNC Limited cannot use the issue proceeds to invest in its shares. This contention is also tenable; the resolution to invest ₹10,00,000 in the equity shares of Y Limited is invalid.

Hence, all three contentions of the shareholders are tenable.

(b) Filling up a Casual Vacancy [Section 139(8) of the Companies Act, 2013]

Any vacancy in the office of auditor arising for a reason other than expiry of term is a casual vacancy. Under section 139(8) of the Companies Act, 2013, the Board of Directors (other than in a Government company) has the power to fill a casual vacancy within 30 days.

Where the casual vacancy arises from the resignation of the auditor, the appointment made by the Board must be approved by the company by an ordinary resolution at a general meeting convened within three months of the Board's recommendation. The auditor so appointed holds office until the conclusion of the next annual general meeting.

The appointment must take into account any recommendation of the Audit Committee, where one exists [Section 139(11)], and the new auditor must furnish a written consent and a certificate under Rule 4 of the Companies (Audit and Auditors) Rules, 2014 confirming eligibility under section 141 and the absence of disqualification. The company must intimate the auditor of the appointment.

Compliances:

- The resigning auditor must file Form ADT-3 with the company and the Registrar of Companies within 30 days of resignation, under section 140(2) and (3) read with Rule 8 of the Companies (Audit and Auditors) Rules, 2014.
- The company must file Form ADT-1 with the Registrar within 15 days of the meeting at which the new auditor is appointed.
- The new auditor's certificate must confirm eligibility and absence of disqualification under sections 139, 141 of the Companies Act, 2013 and the Chartered Accountants Act, 1949, give written consent to act, confirm the appointment is within permissible limits, disclose pending proceedings, if any, regarding professional misconduct and the incoming auditor should

communicate with the outgoing auditor as a matter of professional courtesy under the ICAI Code of Ethics.

RST Ltd. must therefore follow this procedure to validly appoint a new statutory auditor in place of Sohan Lal.

(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) Under section 2(71) of the Companies Act, 2013, a public company is one that is not a private company and has the prescribed minimum paid-up capital. Further a company that is a subsidiary of a company which is not a private company is deemed a public company for the purposes of the Act, even if it continues to describe itself as private in its Articles.

Under section 2(51) of the Companies Act, 2013, Key Managerial Personnel (KMP) includes the Chief Financial Officer.

Section 67(2) of the Companies Act, 2013 prohibits a public company from giving financial assistance directly or indirectly, whether by loan, guarantee, security or otherwise for the purchase of, or subscription for, its own shares or those of its holding company.

Section 67(3) of the Companies Act, 2013 carves out an exception permitting a company to lend money to its employees (other than directors or KMP) up to six months' salary, to enable them to buy or subscribe fully paid shares of the company or its holding company, to be held beneficially.

SSPL, being a wholly owned subsidiary of SBL (not itself a private company), is deemed a public company under the proviso to Section 2(71).

(i) Mr. Sohan, being an employee (Deputy Marketing Manager) and not a director or KMP, may be lent up to six months' salary, i.e., 6 × ₹1,50,000 = ₹9,00,000. The proposal to lend him ₹18,00,000 exceeds this limit and is therefore not valid to that extent.

Ms. Subarna, being the CFO, is a KMP, section 67(3) does not extend to KMP, so the proposed loan to her is not valid.

(ii) Section 67 does not apply to a private company in whose share capital no other body corporate has invested any money. If SBL held only 25% of SSPL's shares, SSPL would not be a subsidiary of SBL and would remain a genuine private company. However, since SBL (a body corporate) would still hold shares in SSPL, SSPL would not fall within the exempted class of private companies, and section 67 would continue to apply. The answer therefore remains the same even if SBL held only 25% of SSPL.

(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) Under Section 3(18) of the General Clauses Act, 1897, 'document' includes any matter written, expressed, or described upon any substance by means of letters, figures or marks, or by more than one of those means, intended to be used, or which may be used, for the purpose of recording that matter. Examples include books, files, paintings, inscriptions and computer records, Indian currency notes are excluded.

(i) Power of Attorney: A written legal instrument by which a principal authorises an agent to act on their behalf. It records information describing the authority granted and is intended for legal use. It is a document.

(ii) A digitally signed loan agreement stored as an electronic record: The definition of 'document' is technology-neutral. Thus, the loan agreement as it is intended to be used for recording matter, falls within Section 3(18). It is a document.

Both therefore fall within the meaning of 'document' under Section 3(18) of the General Clauses Act, 1897.

3. (a) Under section 16 of the Companies Act,2013, where a company is registered under a name that, in the opinion of the Central Government (power delegated to the Regional Director), is identical with or too nearly resembles the name of an existing company, or the registered trade mark of another person under the Trade Marks Act, 1999 either on the Central Government's own motion or on application by the registered trade mark's proprietor, a direction may be issued to change the name. The company must comply within three months of the direction, after passing an ordinary resolution. An application by a trade mark proprietor must be made within three years of the company's incorporation, registration or change of name.

Ground A: Not tenable. The restriction under section 16 covers not only resemblance to an existing company's name, but also an application by the proprietor of a registered trade mark. 'UINA Infra Projects' is verbatim identical to Mr. X's registered trade mark, so this ground fails.

Ground B: Not tenable. The limitation period is three years from incorporation. The company was incorporated on 1st June, 2023, and Mr. X's complaint on 10th July, 2025 falls well within three years.

The Regional Director's direction is therefore valid, and UINA Infra Projects Private Limited must change its name within three months of the direction, i.e., on or before 10th October, 2025, after passing the requisite ordinary resolution.

(b) **(i)** Under section 115 of the Companies Act, 2013, where special notice is required for a resolution, it must be given to the company by members holding not less than 1% of total voting power. Section 140(4) requires special notice for a resolution appointing an auditor other than the retiring auditor.

Members of World One Limited holding more than 2% of total voting power exceed the 1% threshold, so the requirement entitles them to validly approach the company to give such special notice.

(ii) Under Rule 20(4)(v) of the Companies (Management and Administration) Rules, 2014, a member who has cast a vote by remote e-voting may still attend the general meeting but is not entitled to vote again or to change the vote already cast.

(c) This is the primary rule of literal construction. The intention of the legislature must be found in the words the legislature has itself used. Where the language of a statute is plain, clear and capable of only one meaning, courts must give effect to that plain meaning and cannot adopt a hypothetical construction merely to align with a supposed legislative object or policy.

The maxim *'absoluta sententia expositore non indiget'*, an absolute proposition needs no expositor means that plain words require no interpretation or explanation beyond their ordinary grammatical sense. It is the court's primary duty to construe statutory language according to its natural meaning where there is no ambiguity.

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) According to section 31 of the Limited Liability Partnership Act, 2008,

(1) The Court or Tribunal may reduce or waive any penalty leviable against any partner or employee of a limited liability partnership, if it is satisfied that:

(a) such partner or employee of a limited liability partnership has provided useful information during investigation of such limited liability partnership; or

(b) when any information given by any partner or employee (whether or not during investigation) leads to limited liability partnership or any partner or employee of such limited liability partnership being convicted under this Act or any other Act.

(2) No partner or employee of any limited liability partnership may be discharged, demoted, suspended, threatened, harassed or in any other manner discriminated against the terms and conditions of his limited liability partnership or employment merely because of his providing information or causing information to be provided pursuant to sub-section (1)

As per facts of the question and provision of the Act,

(i) Yes, the Tribunal may waive or reduce the ₹1,75,000 penalty on Mr. J, since he provided information useful to the investigation.

(ii) No, section 31(2) protects a whistle-blowing partner or employee from being discharged, demoted, suspended, threatened, harassed or otherwise discriminated against merely for providing such information. The LLP cannot lawfully suspend Mr. J on this ground.

(c) *'Ejusdem generis'* means 'of the same kind or species'. Where specific words describing a class or genus are followed by general words, the general words are construed as limited to things of the same kind as those specifically listed. It is not an absolute rule of law but a subsidiary aid to construction, and does not apply where the legislative intent is otherwise clear.

The rule is not applied by courts where:

- the preceding (specific) words themselves are of a general nature, so no distinct genus can be identified;
- the specific words already exhaust the whole genus, leaving nothing for the general words to add;
- the specific objects enumerated are essentially diverse in character, so no common genus can be inferred; or
- there is a clear expression of legislative intent that the general words are not to be read ejusdem generis with the specific ones.

5. **(a)** Rule 8(3) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 requires every company having an average CSR obligation of ₹10 crore or more in the three immediately preceding financial years to undertake, through an independent agency, an impact assessment of CSR projects with outlays of ₹1 crore or more and which have been completed not less than one year before undertaking the impact study.

(i) Not all companies are required to be undertaken impact assessment. Its applicable to only those with average CSR obligation of ₹10 crore or more in the preceding three financial years, in respect of projects with outlay of ₹1 crore or more completed at least a year earlier.

Since Quick Money Limited's average obligation of ₹12 crore exceeds this threshold, it is required to undertake impact assessment for qualifying projects.

(ii) The impact assessment must be conducted through an independent agency.

(b) Under Section 64 of the LLP Act, 2008, an LLP may be wound up by the Tribunal if:

- the LLP itself decides that it should be wound up by the Tribunal;
- the number of partners is reduced below two for a period of more than six months;
- the LLP is unable to pay its debts (read, since the Insolvency and Bankruptcy Code, 2016, together with the applicable IBC provisions and rules governing LLP insolvency);

- the LLP has acted against the interests of the sovereignty and integrity of India, the security of the State, or public order;
- the LLP has defaulted in filing its Statement of Account and Solvency, or annual return, with the Registrar for five consecutive financial years; or
- the Tribunal is of the opinion that it is just and equitable that the LLP be wound up.

(c) Definition under section 3(42) of the General Clauses Act, 1897

Under section 3(42) of the General Clauses Act, 1897, 'person' is defined in an inclusive manner to include any company, association, or body of individuals, whether incorporated or not. This is a general, residuary definition meant to apply to any Central Act or Regulation where the term 'person' is used but not separately defined, unless the context otherwise requires.

Relevance to Foreign Exchange Management Act (FEMA), 1999

The FEMA, 1999 does not borrow this definition as such it contains its own specific and wider definition of 'person' under Section 2(u) of the FEMA, 1999, which exhaustively includes an individual, a Hindu Undivided Family, a company, a firm, an association of persons or a body of individuals whether incorporated or not, every artificial juridical person not falling within any of the preceding categories, and any agency, office or branch owned or controlled by such person. Since FEMA's definition already covers "every artificial juridical person" and "body of individuals whether incorporated or not," it is largely self-contained. The General Clauses Act's definition becomes relevant only in a residual, interpretive sense to clarify the juristic character of an entity.

6. (a) (i) Under the second proviso to section 96(2), as introduced for Section 8 companies by Notification G.S.R. 466(E) dated 5th June, 2015, the time, date and place of each AGM of a Section 8 company must be decided by the Board having regard to any direction given by the company in general meeting. A mere suggestion made informally at a general meeting, however, is not itself a binding 'direction', the Board should give it due regard, but is not compelled to act on a non-binding suggestion. On balance, since the members' view was expressed at a general meeting, the Board is expected to give it serious consideration, though it is not strictly bound if there is good reason not to.

(ii) The same notification permits a Section 8 company to hold a general meeting on 14 days' notice, instead of the 21 days otherwise required under Section 101(1). A 15 days' notice, being more than 14 days, is valid.

(iii) Under section 108 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, a company having 1,000 or more members must provide e-voting facility at a general meeting. Since Top Spinners Foundation has 1,400 members, the decision to offer only physical voting and no e-voting is not valid.

(b) Under Section 124 of the Companies Act, 2013, a dividend declared but not paid or claimed within 30 days of declaration must be transferred by the company, within 7 days of the expiry of that period, to a special 'Unpaid Dividend Account' in a scheduled bank. Any amount remaining unclaimed for 7 years from such transfer must then be transferred, with accrued interest, to the Investor Education and Protection Fund (IEPF) under section 125. Under section 124(6), the corresponding shares must also be transferred to the IEPF, along with the prescribed statement, once dividends have remained unclaimed for 7 consecutive years.

Since Manish has not claimed his dividends for 8 years, on the expiry of the 7th consecutive year his shares along with the unclaimed dividends, would already have been transferred by the company to the IEPF. Manish should therefore apply to the IEPF Authority to claim his shares and dividends, following the prescribed procedure and submitting the required documents.

(c) Under Section 2(j) of the FEMA, 1999, 'current account transaction' means a transaction other than a capital account transaction, and includes:

(i) payments in the ordinary course of foreign trade, and other current business, including short-term banking and credit facilities in the ordinary course of business,

(ii) payments due as interest on loans and as net income from investments,

(iii) remittances for living expenses of parents, spouse and children residing abroad; and

(iv) expenses in connection with foreign travel, education and medical care of parents, spouse and children.