

**MOCK TEST PAPER 1**  
**INTERMEDIATE (IPC): GROUP – I**  
**PAPER – 2: BUSINESS LAWS, ETHICS AND COMMUNICATION**

***Division A is compulsory***

*In Division B, Question No.1 is compulsory*

*Attempt any **Four** questions out of the remaining **Five** questions*

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**Division A (30 Marks)**

1. Mr. Hari Dutta is an Operation head of North India region of Hilton Ltd. He was a full-time employee of the company. Mr. Hari draws a monthly salary of Rs. 1,00,000. On 14th May 2020, Mr. Hari applied for a loan of Rs. 10,00,000, to buy 1000 fully paid-up equity shares of Rs. 1000 each in Mohan Limited (holding company of Hilton Ltd). The company refused to grant loan to Mr. Hari saying he is not eligible for the loan for the said amount of Rs. 10,00,000.

Hilton Ltd. is a listed company, authorized by its articles to purchase its own securities. According to the balance sheet and Annual statements of the company for the year 2020-21:

- Issued, subscribed and paid-up Share Capital (20,00,000 equity shares of Rs. 100/- each, fully paid-up)
- Free Reserves Rs. 30,00,00,000
- The security premium account Rs. 20,00,00,000
- The secured and unsecured Debt Rs. 50,00,00,000
- Accumulated losses Rs. 50,00,000

The company issued a circular as it wanted to buy back shares worth Rs. 10,00,00,000 from the funds it has in its free reserve and security premium account. The board of directors passed a resolution for the same on 28th April, 2021.

The company has filed with the Registrar of Companies a Letter of Offer in e-form SH-8 on 1st May 2021. The company had also filed with the Registrar of Companies, along with the letter of offer, a declaration of solvency.

The Letter of Offer was dispatched to all the shareholders on 3<sup>rd</sup> May, 2021. The company announced to avail the buy back offer latest by 10<sup>th</sup> May, 2021. Many shareholders who approached the company after the due date were not considered applicable for this buy back scheme. The shareholders raised strong objection on giving just 7 days time to avail the offer by the company.

A special resolution has been passed at a general meeting of the company authorizing the buy-back of shares, which was accompanied by an explanatory statement containing the particulars required to be mentioned as per the provisions of the Companies Act, 2013.

**Multiple Choice Questions [3 MCQs of 2 Marks each: Total 6 Marks]**

- (i) The company has planned to buy back shares worth rupees 10,00,00,000. What is the maximum amount of equity shares that the company is allowed to buy back based on the total amount of equity shares?
- (a) Rs. 2,00,00,000
- (b) Rs. 5,00,00,000

- (c) Rs. 7,00,00,000
  - (d) Rs. 8,00,00 000
- (ii) Suppose the company intends to buy back some partly paid equity shares. Which of the following statement is correct?
- (a) The company is allowed to buy back partly paid equity shares
  - (b) The company is allowed to buy back partly paid equity shares if the total amount of such partly paid equity shares does not exceed 2% of the total buy back.
  - (c) The company is allowed to buy back partly paid equity shares but it cannot buy back partly paid other specified securities.
  - (d) All the shares or other specified securities for buy back must be fully paid up.
- (iii) Some shareholders and officers of the company are of the opinion that it was not necessary for the company to pass a special resolution in general meeting with respect to buy back. Choose the correct reasoning:
- (a) It was not necessary to pass the special resolution as the approval of Board had already been granted for such buy back of shares
  - (b) It was necessary to pass special resolution as the amount of buy back exceeds ten percent of the total paid up equity share capital and free reserves
  - (c) It was not necessary to pass the special resolution as the buy back was authorized by the articles of the company
  - (d) It was necessary to pass special resolution as the amount of buy back exceeds fifteen percent of the total paid up equity share capital and free reserves
2. Kirtee Agarwal and Kishan Shaw are two friends studying in the Mumbai City College. They both are pursuing Bachelor of Commerce (Hons) and are in their Semester V. Kirtee Agarwal is also pursuing Chartered Accountancy Course. She has completed her Foundation Level and is presently preparing for the Intermediate Level. On the other hand, Kishan Shaw is interested in Fashion Designing and is preparing to become a fashion designer after completing B.COM (Hons).

One fine morning over a cup of tea both Kirtee and Kishan heard two persons promising to financially help each other. One person named Mr. P promised the other Mr. Q, that he will pay him a certain sum of money on the 76<sup>th</sup> Independence Day of India. To this Mr. Q asked Mr. P to pay this sum to Mr. R (friend of Mr. Q). After a moment's thought Mr. P changed his mind and promised to pay a reduced sum of money to Mr. R along with an I-Pad.

Over hearing this conversation both Kirtee and Kishan started discussing over Promissory Notes. Since Kirtee is a CA Student she shared her knowledge about Promissory notes and explained Kishan about Section 4 of the Negotiable Instrument Act, 1881.

Having heard the details Kishan was curious in his mind regarding Promissory Notes. He had the following questions for which he needed answers. Considering the above data and assuming you are Kirtee, answer the following questions of Kishan:

**Multiple Choice Questions [2 MCQs of 2 Marks each: Total 4 Marks]**

- (i) Kishan asks, 'If Mr. P promises Mr. Q that he will pay Rs. 4,00,000. However, he will pay the sum to Mr. Q on the 76<sup>th</sup> Independence day of India'. Will this promise constitute a valid Promissory Note?
- (a) No. This is not a valid promissory note as it is conditional and promissory note should be unconditional.

- (b) No. This is not a valid promissory note as there is no express of promise. It is a mere statement.
  - (c) Yes. This is a valid promissory note as the event stated in the promise is bound to happen.
  - (d) Yes. This is a valid promissory note as there is a promise to pay irrespective of the promise being conditional or unconditional.
- (ii) Kishan asked, 'when Mr. P promises to pay a friend of Mr. Q, Rs 2,00,000 along with an I-Pad, on his birthday'. Will that be a valid Promissory Note?
- (a) No. It is not a valid Promissory note as the order to pay must consist of money only.
  - (b) No. It is not a valid promissory note as there is no clarity on which birthday the payment will be made. It is a promise for an indefinite period.
  - (c) Yes. It is a valid promissory note as the maker and payee are certain, definite and different person.
  - (d) Yes. It is a valid promissory note as there is an express promise to pay Rs 2,00,000 along with I Pad on friend's birthday.
3. On which offer of securities, commission is permitted to be paid to any underwriter by the company:
- (a) When securities are offered on rights basis
  - (b) When securities are offered in the form of bonus issue
  - (c) When securities are offered on private placement basis
  - (d) When securities are offered to the public for subscription **(1 Mark)**
4. In a company if any change of right of one class also affects the right of other class, then:
- (a) A resolution should be passed in general meeting in this case
  - (b) Company need not to do anything else
  - (c) Written consent of three fourth majority of that other class should be obtained
  - (d) A resolution in joint meeting of both the classes should be passed **(1 Mark)**
5. Vrinda Limited defaulted in the repayment of last two instalments of term loan availed from National Commercial Bank. On 30th September, 2020, they cleared all the dues by repaying it. When can it issue equity shares with differential voting rights?
- (a) From 1<sup>st</sup> October, 2020
  - (b) From 1<sup>st</sup> October, 2021
  - (c) From 1<sup>st</sup> October, 2023
  - (d) From 1<sup>st</sup> October, 2025 **(2 Marks)**
6. P Ltd. has invested 51% in the shares of Q Pvt. Ltd. on 31<sup>st</sup> March 2021. Q Pvt. Ltd. have been holding 2% equity of P Ltd since 2014. Q Pvt. Ltd. wants to increase its holdings in equity upto 4% in P Ltd. after 31<sup>st</sup> march 2020.Can Q Pvt. Ltd. increase its holdings in equity upto 4% in P Ltd. after 31<sup>st</sup> march 2021?
- (a) Yes; it can increase its holdings
  - (b) No; it cannot increase its holdings
  - (c) Yes, it can increase subject to the limit of 35%
  - (d) Yes, it can increase its holding subject to 90% **(2 Marks)**

7. Which of the following statement is contrary with the provisions of the Companies Act, 2013?
- a private company can make a private placement of its securities
  - company has to pass a special resolution for private placement
  - Minimum offer per person should have Market Value of Rs. 20,000
  - a public company can make a private placement of its securities **(2 Marks)**
8. V Limited is a growing company and requires additional funds for expansion from time to time. They are following the same process for making an offer to public and then issue those shares. This is very time and energy consuming for them. Kindly advise them if there is any way out.
- During first offer they shall file prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
  - During first offer they shall file prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
  - During first offer they shall file shelf prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
  - During first offer they shall file shelf prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required. **(1 Mark)**
9. As per the Payment of Bonus Act, 1965, the amount payable to an employee by way of bonus shall be paid within a period of 8 months from the closing of accounting year. However, this period may be extended up to maximum of ..... by appropriate Government.
- 1 year
  - 15 months
  - 18 months
  - 2 years **(1 Mark)**
10. Who is not treated as family as per the Payment of Gratuity Act, 1872, in case of a male employee:
- himself
  - his wife
  - dependent parents of his wife
  - adult children of his son **(1 Mark)**
11. As per the Contract Act, 1872, which of the following are circumstances when the authority conferred on the agent gets terminated:
- Revocation of authority by the principal
  - Renunciation of agency by the agent
  - Completion of business of agency
  - Where the agent gets interested in the subject matter **(2 Marks)**
12. Vinod, a transporter was transporting tomatoes of Avinash from his (Avinash's) farm to the market. However, due to heavy rains, Vinod was stuck for three days and thus he sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Choose the correct option in the light of the provisions of the Indian Contract Act, 1872.
- Avinash will succeed in recovering losses of tomatoes from Vinod

- (b) Avinash will not succeed in recovering losses of tomatoes from Vinod
- (c) Vinod can sell the tomatoes only at a price higher than the market rate
- (d) Avinash is liable to compensate Vinod as his truck was stuck for three days and hence, he (Vinod) could not complete the deliveries of other clients and thus he (Vinod) suffered loss.

**(2 Marks)**

13. Offences committed under the Negotiable Instruments Act can be:

- (a) Compoundable
- (b) Non- compoundable
- (c) Non- compoundable and non-bailable
- (d) Non- bailable

**(1 Mark)**

14. Mr. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statement is correct in this regard:

- (a) This is a case of bailment
- (b) The parking people has possession of the car of Mr. Vishal
- (c) The parking people has custody of car of Mr. Vishal
- (d) This is the case of mortgage

**(2 Marks)**

15. M offered to sell his land to N for Rs. 20 Lac. N replied purporting to accept the offer but enclosed a cheque for Rs. 5 Lac only. He promised to pay the balance of Rs. 15 Lac by monthly installments of Rs. 1 Lac each. Which of the following statement is correct in this regard:

- (a) M is bound to accept the offer of N to receive the balance amount in monthly instalments
- (b) N could not enforce his acceptance because it was not an unqualified one
- (c) N could enforce his acceptance because it was not an unqualified one
- (d) N could enforce his acceptance because it was a qualified one

**(2 Marks)**

### **Division B (70 Marks)**

1. (a) Kat Pvt. Ltd., is an unlisted company incorporated on 2.6.2012. The company have a share capital of rupees fifty crores. The company has decided to issue sweat equity shares to its directors and employees on 5.7.2021. The company decided to issue 10% sweat equity shares (which in total will add up to 30% of its paid up equity shares), with a locking period of five years, as it is a start-up company. How would you justify these facts in relation to the provisions for issue of sweat equity shares by a start-up company, with reference to the provisions of the Companies Act, 2013? Explain.

**(6 Marks)**

(b) Explain the following sources of ethical standard:

- (i) The Fairness or Justice Approach
- (ii) The Common Good Approach

**(4 Marks)**

(c) State reasons for selecting the oral mode of communication instead of the written mode of communication.

**(4 Marks)**

2. (a) Mr. X was an employee of Green Sugars, Ltd. the whole of undertaking of Green Sugars Ltd. was taken-over by a new company named Modern Sugars Ltd. The services of Mr. X remained continuous in the new company. After serving for one year Mr. X met with an accident and

became permanently disabled. Mr. X applied to the new company for the payment of gratuity. The new company refused to pay gratuity on the ground that Mr. X has served only for a year in the new company.

Examine the validity of the refusal of the company in the light of the provisions of the Payment of Gratuity Act, 1972. **(6 Marks)**

- (b) What is meant by 'Stakeholders'? Describe those stakeholders who are affected by or can affect the organization? **(4 Marks)**
- (c) Explain the following characteristics of group personality under Group Dynamics:
  - (i) Spirit of Conformity
  - (ii) Respect for group values **(4 Marks)**
- 3. (a) What matters may not be taken into account while calculating direct tax payable by the employer under the Payment of Bonus Act, 1965. **(3 Marks)**
- (b) Who has the authority to verify the instrument of charge created for property situated outside India? Give your answer as per the provisions of the Companies Act, 2013. **(3 Marks)**
- (c) Answer whether the statement is correct or incorrect with brief reason:  
'Company management has responsibility only towards its shareholders.' **(4 Marks)**
- (d) Describe types of groups in organization. **(4 Marks)**
- 4. (a) Mr. Vikram, an old man, by a registered deed of gift, granted certain house property to A, his daughter. By the terms of the deed, it was stipulated that an annuity of Rs. 20, 000 should be paid every year to B, who was the brother of Mr. Vikram. On the same day A made a promise to B and executed in his favour an agreement to give effect to the stipulation. A failed to pay the stipulated sum. In an action against her by B, she contended that since B had not furnished any consideration, he has no right of action.

Examining the provisions of the Indian Contract Act, 1872, decide, whether the contention of A is valid? **(6 Marks)**

- (b) Write Short Notes On:
  - (1) Advantages of Ethical Communication
  - (2) Organization Values **(4 Marks)**
- (c) What are the main components of deeds and documents? **(4 Marks)**
- 5. (a) Kavita Ltd. scheduled its Annual General Meeting to be held on 11<sup>th</sup> March, 2020 at 11:00 A.M. The company has 900 members. On 11<sup>th</sup> March, 2020 following persons were present by 11:30 A.M.
  - 1. P1, P2 & P3 shareholders
  - 2. P4 representing ABC Ltd.
  - 3. P5 representing DEF Ltd.
  - 4. P6 & P7 as proxies of the shareholders
  - (i) Examine with reference to relevant provisions of the Companies Act, 2013, whether quorum was present in the meeting.
  - (ii) What will be your answer if P4 representing ABC Ltd., reached in the meeting after 11:30 A.M.?

- (iii) In case lack of Quorum, discuss the provisions as applicable for an adjourned meeting in terms of date, time & place. **(6 Marks)**
- (b) State the objectives of the Central Consumer Protection Council in India. **(4 Marks)**
- (c) Write short notes on 'Corporate Culture'. **(4 Marks)**
6. (a) What are the parties to a bill of exchange. **(3 Marks)**
- (b) What are the exceptions to Doctrine of Indoor Management. **(3 Marks)**
- (c) Describe the safeguards which may be created by finance and accounting profession and legislation to eliminate or reduce the threats to an acceptable level to ensure an ethical environment in an organization. **(4 Marks)**
- (d) Prateek Limited dispatched Bonus Share Certificate to Mr. Rohit. Mr. Rohit did not receive the Bonus Share Certificate as it was lost in the transit. Mr. Rohit applied to the company to issue the Bonus share certificate in duplicate. Prateek Limited asked Mr. Rohit to submit an Indemnity Bond so that Bonus Share Certificate in duplicate may be issued to him. Draft an Indemnity Bond to be given by Mr. Rohit to the company for seeking release of Bonus Share Certificate in duplicate. **(4 Marks)**