

**MOCK TEST PAPER 2**  
**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. Anay, a business graduate from a leading B-School, has been running a chain of restaurants as a sole proprietor concern. The business is based in Chennai. Mr. Anay, in order to develop the business; decided to corporatize his business but he is concerned with dilution of his control over business decisions.

Mr. Anay, during a journey met Mr. Dsouza; one of his old school friends. Mr. Dsouza is presently working in one of leading corporate advisory firms. Mr. Anay seeks advice from Mr. Dsouza, regarding conversion of sole proprietorship concern to company and also explain his intention to keep the entire control in his hand. Mr. Dsouza informed Mr. Anay, about a new type of company, called One Person Company (OPC), which can be formed under Companies Act, 2013. Mr. Dsouza quoted section 2(62), which defines 'one person company' as a company which has only one person as a member.

Mr. Anay felt OPC is correct form of business for him, hence he promoted an OPC 'Casa Hangout Private Limited' (One Person Company) on 14<sup>th</sup> September 2019, to which he sold his sole proprietary business and became the sole member. Mr. Anay, appointed his younger son Mr. Amar, who was 21 year old then, as Nominee to OPC. Mr. Anand who is a famous food blogger and old friend of Mr. Anay was appointed as director of OPC, Mr. Anay himself also become director of company.

Mr. Amar is a professional photographer, and went abroad for a certification course on 23<sup>rd</sup> October 2019. He came back on 1<sup>st</sup> of March 2020. He established a photo-studio as an OPC called 'Best Click Private Limited' (one Person Company) on 20<sup>th</sup> March 2020, in which Mr. Anay is nominee and he became sole member. In the mean time, Mr. Amar also gave his consent as nominee to another OPC in which his elder brother Mr. Shankar is sole member.

Mr. Anay met with an accident on 25<sup>th</sup> March 2020, in which he lost his life. Nomination clause was invoked, as a result Mr. Amar has to take charge over 'Casa Hangout Private Limited' (One Person Company) as member with immediate effect. On 30<sup>th</sup> March 2020 Mr. Shankar was appointed as a new nominee to 'Casa Hangout Private Limited' (One Person Company), who gave written consent on 31<sup>st</sup> March 2020. Mr. Shankar who is an investment banker by profession, is of the opinion that 'Casa Hangout Private Limited' (One Person Company) needs to amend its object clause and add 'carry out investment in securities of body corporate' as one of the objects.

The Financial year closed on 31<sup>st</sup> March 2020. Financial statements of 'Casa Hangout Private Limited' (One Person Company), which is not containing cash flow statements were signed by Mr. Anand who left as only director after death of Mr. Anay.

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

- (i) With reference to appointment of Mr. Amar and Mr. Shankar as nominee to 'Casa Hangout Private Limited' (One Person Company)', out of followings, who is eligible to be nominee of OPC?
- (a) Any natural person excluding minor

- (b) Any legal person excluding minor
  - (c) Any natural person, who is resident of India; but excluding minor
  - (d) Any natural person, who is resident as well as citizen of India; but excluding minor
- (ii) Mr. Shankar if he wishes to withdraw his consent as nominee, can do so by giving written notice to
- (a) Director of OPC and to sole member of company
  - (b) Director of OPC and to Registrar of companies
  - (c) Sole member of company and to OPC
  - (d) Sole member of company and to Registrar of companies
- (iii) With reference to legal position of Mr. Amar as member/s and nominee/s to various OPCs, which of the following statement is correct with reference to ceiling limit in relation to membership and being nominee to OPC? A person, other than minor; at specific point of time;
- (a) Can be member in any number of OPCs but nominee in one OPC
  - (b) Can be member in one OPC and nominee in any number of OPCs
  - (c) Can be member in one OPC and nominee in another one OPC
  - (d) Can be member and nominee both in any number of OPCs.
2. Mr. Aylam issued a cheque amounting to Rs. 25,000 dated 2<sup>nd</sup> February 2020 to Mr. Gandhi which was deposited by Mr. Gandhi on 16<sup>th</sup> March 2020 in his bank account. The said cheque got dishonored on 17<sup>th</sup> March 2020 by the bank of Mr. Aylam citing insufficient funds in the account of Mr. Aylam. Then Mr. Gandhi demanded the payment from Mr. Aylam by issuing the notice on 31<sup>st</sup> March 2020 which was received by Mr. Aylam on 2<sup>nd</sup> April 2020. Assuming that Mr. Aylam failed to make the payment within stipulated time, what is the last date by which Mr. Gandhi should have made a complaint in the court?
- (a) 17th May 2020
  - (b) 2nd May 2020
  - (c) 17th April 2020
  - (d) 30th April 2020
- (2 Marks)**
3. Atul contracts to indemnify Neha against the consequences of any proceedings which Chirag may take against Neha in respect of a sum of Rs. 15000/- advanced by Chirag to Neha. Neha is called upon to pay the sum of money due to Chirag but she fails to do so. Now, as per the provisions of the Indian Contract Act, 1872, advise the future course of action to be taken by Chirag:
- (a) Chirag can recover the amount only from Neha
  - (b) Chirag can recover the full amount from Atul
  - (c) Chirag cannot recover the amount from Atul
  - (d) Chirag can recover at least 10% of the total amount from Neha
- (2 Marks)**
4. Where depositors so desire, deposits may be accepted in joint names not exceeding \_\_\_\_
- (a) 2
  - (b) 3
  - (c) 5
  - (d) 7
- (1 Mark)**

5. A resolution shall be a special resolution when the votes cast in favour of the resolution by members are not less than \_\_\_\_\_ the number of votes, if any, cast against the resolution.
- Twice
  - Three times
  - One third
  - One fourth
- (1 Mark)**
6. Anu got incorporated 'One Person Company' with his sister Alpa as the nominee and about three years have passed satisfactorily. From time to time, Anu does a number of charitable works and is associated with three NGOs. In the meantime, her business under her OPC has also flourished. Now she is contemplating to convert the OPC either as a Section 8 company (i.e. formation of companies with charitable objects). Choose the correct option.
- Since company belongs to Anu, she has full discretion to convert the OPC either as a Section 8 company or as a private or public company
  - Since the company was formed as a private company, the only option available with Anu is to convert it into a public limited company.
  - There is specific prohibition on converting OPC into a Section 8 company; otherwise it can be converted into a private or public company without any hindrance.
  - Since Anu does a lot of charitable works there is no prohibition to convert his OPC into a Section 8 company (companies formed with charitable objects).
- (2 Marks)**
7. Which of the following statement is not correct in reference to the Payment of Bonus Act, 1965:
- The Act is applicable to Piece rate worker
  - The Act is applicable to Employees employed by the Reserve Bank of India
  - The Act is applicable to a temporary workman
  - The Act is applicable to a probationer
- (1 Mark)**
8. As per the Payment of Gratuity Act, 1972, the age of superannuation means:
- 55 years
  - 58 years
  - 60 years
  - the attainment by the employee of such age as is fixed in the contract of employment
- (1 Mark)**
9. A company shall execute a deposit trust deed at least -----days before issuing the circular or circular in the form of advertisement.
- 7
  - 14
  - 21
  - 28
- (1 Mark)**
10. Validity period for the presentment of cheque in bank is—
- 3 months
  - 6 months

- (c) 1 year  
(d) 2 years **(1 Mark)**
11. Under the Payment of Gratuity Act, 1972, gratuity shall be payable to an 'employee' on termination of his employment after he has rendered continuous service for not less than:  
(a) 3 years  
(b) 5 years  
(c) 10 years  
(d) 15 years **(1 Mark)**
12. Resham was handed over an instrument of transfer dated 21<sup>st</sup> August, 2020, duly stamped and signed by Ruchi who had transferred 2000 equity shares of Rs. 100 each allotted to her by Murti Mechanical Toys Private Limited. Advise Resham regarding the date by which the instrument of transfer along with share certificates must be delivered to the company, to register the transfer in its register of members.  
(a) 21<sup>st</sup> August, 2020.  
(b) 20<sup>th</sup> September, 2020  
(c) 20<sup>th</sup> October, 2020.  
(d) 19<sup>th</sup> November, 2020. **(2 Mark)**
13. If a company is registered by incorrect information then its winding up may be ordered by:  
(a) Central Government  
(b) Registrar of Companies  
(c) National Company Law Tribunal  
(d) Court **(1 Mark)**
14. Mr. J has appointed Ms. V as his agent to sell the garments manufactured by Mr. J. Ms. V due to her personal issues could not work effectively. Hence, she appointed Mr. Kanth to sell on her behalf. Can Mr. J be bound by the acts of Mr. Kanth?  
(a) No, an agent without authority cannot lawfully appoint a sub-agent.  
(b) Yes, Ms. V is liable for the acts of Mr. Kanth and in turn J is liable for the transaction.  
(c) No, Mr. Kanth will be liable on his own account for any sales made.  
(d) Yes, Kanth now becomes direct agent of Mr. J as Mr. Kanth has sold garments manufactured by Mr. J. **(2 Marks)**
15. Offences committed under the Negotiable Instruments Act can be—  
(a) Compoundable  
(b) Non- compoundable  
(c) Non- compoundable and non-bailable  
(d) bailable **(1 Mark)**
16. Which of the following is not a correct statement with respect to characteristics of a Promissory Note:  
(a) An oral promise to pay is sufficient  
(b) It should be in writing

- (c) There must be an express promise to pay
- (d) The promise to pay should be definite and unconditional **(1 Mark)**
17. R gives his umbrella to M during rainy season to be used for two days during Examinations. M keeps the umbrella for a week. While going to R's house to return the umbrella, M accidentally slips and the umbrella is badly damaged. Who shall bear the loss?
- (a) R shall bear the loss
- (b) M shall bear the loss
- (c) Both R and M shall bear the loss in the ratio of 50:50
- (d) Neither R nor M shall bear the loss as the bailee failed to return the umbrella within the stipulated time **(2 Marks)**
18. According to the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Central Government may after giving ..... notice of its intention to do so, apply the provisions of this Act to any establishment with less than 20 persons in the employment.
- (a) not less than 6 months
- (b) not less than 1 year
- (c) not less than 3 months
- (d) not less than 2 months **(1 Mark)**
19. What is the maximum tenure for which a company can accept or renew deposits from its members as well as public?
- (a) 12 months
- (b) 24 months
- (c) 36 months
- (d) 48 months **(1 Mark)**

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

1. (a) Mr. Shyamlal is a B. Tech in computer science. He has promoted an IT start up and got it registered as a Private Limited Company. Initially, only he and his family members are holding all the shares in the company. While drafting the Articles of Association of the company, it has been included that Mr. Shyamlal will remain as a director of the company for lifetime.
- Mr. Mehra, a close friend of Mr. Shyamlal has warned him (Mr. Shyamlal) that in future if 75% or more shares in the company are held by non-family members then by passing a Special Resolution, the relevant articles can be amended and Mr. Shyamlal may be removed from the post of director.
- Mr. Shyamlal has approached you to advise him for protecting his position as a director for lifetime.
- Give your answer as per the provisions of the Companies Act, 2013. **(6 Marks)**
- (b) Explain the meaning of the terms 'ethics' and 'business ethics' and also state the requirements of 'business ethics'. **(4 Marks)**
- (c) Explain the process of Communication. **(4 Marks)**

2. (a) Examine whether the Payment of Bonus Act, 1965 be applicable to the following cases:
  - (i) Jason, who is working in a social welfare organization.
  - (ii) David, an employee employed by an establishment engaged in an industry carried on by a department of the Central Government. **(6 Marks)**
- (b) Explain the meaning of the "Iron Law of Responsibility". State the resulting benefits which may be acquired by achieving the long-term objectives through the business activities. **(4 Marks)**
- (c) What is meant by 'Active listening'? State the importance of 'Active listening' in the business communication skills. **(4 Marks)**
3. (a) Define the term 'Employer' under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. **(3 Marks)**
- (b) As per the provisions of the Companies Act, 2013, state the legal provisions in respect of 'Declaration of Solvency', which an unlisted public company needs to adhere to while taking steps to buy-back its own shares. **(3 Marks)**
- (c) State with reasons whether the following statement is correct or incorrect:  
'Fairness and honesty are the pillars of success in business.' **(4 Marks)**
- (d) What are features of 'groups' in an organization? **(4 Marks)**
4. (a) Megha lends a sum of Rs. 20,000 to Bhim, on the security of two shares of a Prema Limited on 1<sup>st</sup> April 2019. On 15<sup>th</sup> June, 2019, the company issued two bonus shares. Bhim returns the loan amount of Rs. 20,000 with interest but Megha returns only two shares which were pledged and refuses to give the two bonus shares. Advise Bhim in the light of the provisions of the Indian Contract Act, 1872. **(6 Marks)**
- (b) Answer whether the statement is correct or incorrect with brief reason:  
Water pollution is also a kind of resource depletion. **(4 Marks)**
- (c) Draft a notice for calling the Board of Directors meeting of New Limited where Mr. Rajiv is co-opted as an Additional Director and also to consider buy-back of company's equity shares to an extent of 10%, of issued share capital. **(4 Marks)**
5. (a) P Limited had called its Annual General Meeting on 30<sup>th</sup> August 2019. Mr. Pawan has filed a complaint against the company, that he could attend the meeting as the company did not serve the notice to him for attending the annual general meeting. The company, in turn, provided the proof that they had sent the notice, by way of an email to Mr. Pawan, inviting him to attend the annual general meeting of the company. Mr. Pawan alleged that he never received the email.  
  
In the light of the provisions of the Companies Act, 2013, advise the whether the company has erred in serving the notice of Annual General Meeting to Mr. Pawan. **(6 Marks)**
- (b) What is the role of the following factors in shaping the direction of the Corporate Social Responsibility (CSR) domain:
  - (i) Accountability Throughout the Value Chain
  - (ii) Advances in Information Technology. **(4 Marks)**
- (c) Explain the elements that can be used to influence an organisational culture. **(4 Marks)**

6. (a) According to the provisions of the Companies Act, 2013, whether an annual general meeting can be held on a national holiday. **(3 Marks)**
- (b) As per the Negotiable Instruments Act, 1881, what are the parties who may cross a cheque? **(3 Marks)**
- (c) Answer whether the statement is correct or incorrect with brief reason:
- (i) Window-dressing of financial statements will not be useful in the long run.
- (ii) Ensuring fair treatment to whistle blowers will help in creating good ethical accounting environment in a business enterprise. **(4 Marks)**
- (d) Explain Affidavit and its model format. **(4 Marks)**