INTERMEDIATE COURSE: GROUP - I

PAPER – 2: CORPORATE AND OTHER LAWS

Time Allowed – 3 Hours | Maximum Marks – 100

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Case Scenario based Multiple Choice Questions (MCQs)
3. Part II comprises questions which require descriptive type answers.

PART I – Case Scenario based MCQs (30 Marks)

Part I is compulsory.

(a) CASE SCENARIO – I:

ABC Industries Limited is a listed public company engaged in the manufacture of industrial electrical equipment. During the financial year 2025–26, the company recorded a turnover of ₹1,240 crore, a net worth of ₹680 crore and a net profit of ₹14 crore, computed in accordance with Section 198 of the Companies Act, 2013. The company's net profits for the three immediately preceding financial years were ₹9 crore, ₹11 crore and ₹13 crore, respectively. Accordingly, the Board of Directors examined the applicability of the provisions relating to Corporate Social Responsibility (CSR).

The Board constituted a CSR Committee comprising three directors, including one Independent Director, and approved an annual CSR Action Plan recommending expenditure of ₹28 lakh on various CSR projects. During the year, due to delay in obtaining statutory approvals for one of the identified projects, the company could spend only ₹20 lakh. The balance amount remained unspent and did not relate to any ongoing project. The Board proposed to disclose the reasons for the unspent amount in its Report and decided to transfer the remaining amount to a fund specified in Schedule VII within the prescribed time. However, one of the directors expressed the view that transfer of the unspent amount was not mandatory since the company had already undertaken substantial CSR activities during the year.

Based on the above facts, answer the following Multiple Choice Questions (Questions No. 1 to 3):

1. Which of the following correctly explains the applicability of CSR provisions to ABC Industries Limited for the financial year 2025–26?

(A) CSR is applicable only because the company's turnover exceeded the prescribed limit.

(B) CSR is applicable because the company satisfied one or more of the prescribed financial criteria during the immediately preceding financial year.

(C) CSR is applicable only because the company earned net profit exceeding ₹14 crore during the current financial year.

(D) CSR is applicable only if all the prescribed financial criteria are satisfied simultaneously.

2. In the given case, which of the following statements regarding the constitution of the CSR Committee is correct?

(A) A CSR Committee consisting of three directors including one Independent Director is in accordance with the Companies Act, 2013.

(B) Every CSR Committee must consist of at least four directors.

(C) The CSR Committee cannot include an Independent Director.

(D) The Board itself must discharge the functions of the CSR Committee in every listed company.

3. As the unspent CSR amount does not relate to any ongoing project, which of the following actions is legally correct?

(A) Carry forward the unspent amount to the next financial year without any further compliance.

(B) Transfer the unspent amount to the Unspent CSR Account within 30 days from the end of the financial year.

(C) Disclose the reasons in the Board's Report and transfer the unspent amount to a fund specified in Schedule VII within the prescribed period.

(D) No further action is required because substantial CSR expenditure has already been incurred during the year.

[3×2 MARKS=6]

(b) CASE SCENARIO – II:

Vertex Biotech Limited is an unlisted public company having a paid-up share capital of ₹8 crore, divided into 80 lakh equity shares of ₹10 each. The company has 3,450 members. At a meeting of the Board of Directors held on 5th August, 2026, the Board resolved to convene the Annual General Meeting (AGM) on 10th September, 2026 at 11:00 a.m. at the registered office of the company.

Pursuant to the Board Resolution, the company sent the notice of the AGM on 18th August, 2026 by e-mail to all members whose e-mail addresses were registered with the company and by speed post to the remaining members. The notice contained the ordinary business and a special business relating to the approval of a contract with Nova Healthcare Private Limited, in which one of the directors of Vertex Biotech Limited held 3% of the paid-up equity share capital. An explanatory statement setting out all material facts and the nature of the director's interest accompanied the notice.

On the date of the AGM, 28 members were personally present, and 22 valid proxies attended on behalf of other members. Before transacting the special business, one member questioned whether the quorum requirement had been fulfilled and whether the explanatory statement given with the notice satisfied the requirements of the Companies Act, 2013.

Based on the above case scenario, answer the following Multiple Choice Questions (Questions No. 4 and 5):

4. With reference to the approval of the contract with Nova Healthcare Private Limited, which of the following statements is legally correct?

(A) An explanatory statement was not required because the interested director held less than 5% of the paid-up share capital.

(B) The explanatory statement is mandatory for the special business and should disclose all material facts, including the nature of the director's interest.

(C) Disclosure of the director's interest is required only at the AGM and not in the notice.

(D) The explanatory statement is required only if the interested director proposes the resolution.

5. Determine the validity of the quorum for the AGM of Vertex Biotech Limited.

(A) The quorum is valid because both members personally present and proxies are counted for quorum.

(B) The quorum is valid as at least 30 members were personally present.

(C) The quorum is not valid since only 28 members were personally present, and proxies are not counted for quorum.

(D) The AGM may proceed because the Chairman has discretion to ignore the quorum requirement.

[2×2 MARKS=4]

(c) CASE SCENARIO – III:

Crystal Motors Limited is a public company engaged in the manufacture of electric vehicles. During the financial year 2025–26, the company accepted deposits from its members in accordance with the provisions of the Companies Act, 2013. As on 31st March, 2026, a deposit of ₹75 lakh accepted from one of its members became due for repayment. Owing to temporary liquidity constraints arising from the expansion of its manufacturing facilities, the company failed to repay the deposit together with the interest due thereon on the maturity date.

In the same financial year, the Board of Directors proposed a final dividend of ₹4 per equity share on 1,20,00,000 equity shares. The proposal was placed before the members at the Annual General Meeting held on 25th September, 2026, where the dividend was duly declared. Thereafter, the company transferred the total amount of dividend to a separate bank account within the prescribed time. However, due to incorrect bank account particulars and non-submission of updated KYC documents by certain shareholders, dividend amounting to ₹1.80 crore remained unpaid. While reviewing the compliance requirements, one of the directors suggested retaining the unpaid amount in the company's general bank account until the shareholders approached the company for payment.

Based on the above facts, answer the following Multiple Choice Questions (Questions No. 6 to 8):

6. In respect of the unpaid member deposit, which of the following statements is legally correct?

(A) The company is not required to pay any interest after the maturity date.

(B) The company is liable to repay the deposit together with the applicable interest in accordance with the Companies Act, 2013.

(C) The company may postpone repayment until its financial position improves without any legal consequences.

(D) Repayment of deposits is optional if the deposit was accepted only from members.

7. Which of the following statements regarding the declaration and payment of final dividend is correct?

(A) The Board of Directors alone may declare the final dividend.

(B) Final dividend is declared by the members at the Annual General Meeting on the recommendation of the Board.

(C) Final dividend may be declared without any recommendation of the Board.

(D) Final dividend can be declared only after transfer of the amount to the Unpaid Dividend Account.

8. In relation to the unpaid dividend of ₹1.80 crore, which of the following is the correct legal position?

(A) The company may retain the unpaid amount indefinitely in its general bank account.

(B) The unpaid amount is required to be transferred to the Unpaid Dividend Account within the prescribed period.

(C) The unpaid amount should immediately be transferred to the Investor Education and Protection Fund (IEPF).

(D) The unpaid amount automatically lapses if not claimed within thirty days.

[3×2 MARKS=6]

(d) CASE SCENARIO – IV:

Global Agro Exports Private Limited, an Indian company engaged in the export of processed food products, entered into a contract on 15th January, 2026 with Fresh Harvest Inc., Canada, for the export of dehydrated vegetables valued at USD 3,50,000. The goods were duly exported on 10th February, 2026, and the shipping documents were submitted through an Authorised Dealer Category-I Bank. As per the export agreement, the overseas buyer was required to remit the sale proceeds within 90 days from the date of shipment.

Before the expiry of the stipulated period, the overseas buyer informed the company about temporary financial difficulties and requested an extension of time for making the payment. Acting on the request, the Managing Director of the company independently granted an extension of eight months without obtaining the approval of the Authorised Dealer or complying with the applicable FEMA requirements. During a subsequent internal compliance review, the Company Secretary pointed out that the extension and realization of export proceeds are governed by the provisions of the Foreign Exchange Management Act, 1999, and the directions issued by the Reserve Bank of India. The Board, therefore, decided to examine the legal validity of the extension granted and the responsibilities of the exporter under FEMA.

Based on the above case scenario, answer the following Multiple Choice Questions (Questions No. 9 to 11):

9. Under FEMA, the amount receivable by Global Agro Exports Private Limited from the overseas buyer represents:

(A) A capital account transaction.

(B) A current account transaction relating to export of goods.

(C) A prohibited foreign exchange transaction.

(D) A domestic transaction not governed by FEMA.

10. Which of the following statements regarding the extension of time for realization of export proceeds is legally correct?

(A) The Managing Director may grant any extension without complying with FEMA or RBI directions.

(B) Extension of time should be dealt with in accordance with FEMA and the directions issued by the Reserve Bank of India through the Authorised Dealer.

(C) No extension can ever be granted for realization of export proceeds.

(D) Only the overseas buyer can determine the time limit for realization of export proceeds.

11. Which of the following entities is authorised to deal in foreign exchange under the Foreign Exchange Management Act, 1999?

(A) Registrar of Companies

(B) National Company Law Tribunal

(C) Authorised Person authorised by the Reserve Bank of India

(D) District Magistrate

[3×2 MARKS=6]

(e) CASE SCENARIO – V:

Vertex Professional Services LLP was incorporated under the Limited Liability Partnership Act, 2008 with Mr. Arvind Sharma and Ms. Neha Kapoor as its Designated Partners. The LLP Agreement provided that a new partner could be admitted only with the unanimous consent of all the existing partners and upon execution of a supplementary LLP Agreement specifying the capital contribution, profit-sharing ratio and other mutual rights and duties.

On 15th April, 2026, the partners unanimously resolved to admit Mr. Rohan Verma, a Chartered Accountant, as a new partner to strengthen the firm's advisory practice. Accordingly, a supplementary LLP Agreement was executed on 20th April, 2026, under which Mr. Verma agreed to contribute ₹12 lakh as capital and was allotted a 20% share in the profits and losses of the LLP. Although Mr. Verma immediately started participating in the management of the LLP and represented the LLP before several clients, the compliance executive failed to file the prescribed notice of change in partners with the Registrar of LLPs within the statutory time limit. During the annual compliance review, one of the partners argued that since the supplementary LLP Agreement had already been executed and acted upon by all the partners, the admission was legally complete and no further statutory compliance was required. Another partner disagreed and insisted that compliance with the filing requirements under the LLP Act was mandatory notwithstanding the execution of the LLP Agreement.

Based on the above case scenario, answer the following Multiple Choice Questions (Questions No. 12 and 13):

12. Which of the following statements regarding the admission of Mr. Rohan Verma as a partner is legally correct?

(A) A person may become a partner of an LLP only in accordance with the LLP Agreement.

(B) A person automatically becomes a partner immediately after making a capital contribution.

(C) Admission of every new partner requires prior approval of the Central Government.

(D) A partner can be admitted only after obtaining the approval of the Registrar.

13. With reference to the filing requirements under the LLP Act, 2008, which of the following statements is correct?

(A) Filing with the Registrar is optional if the supplementary LLP Agreement has been executed.

(B) The prescribed notice of change in partners is required to be filed with the Registrar within the prescribed time.

(C) Filing with the Registrar is necessary only when the incoming partner is appointed as a Designated Partner.

(D) No filing is required if the new partner has already started participating in the management of the LLP.

[2×2 MARKS=4]

(f) CASE SCENARIO – VI:

The State Government issued the Public Commercial Establishments Regulation Rules, 2025 under the powers conferred by the Commercial Establishments Regulation Act, 2025. Rule 18 of the said Rules provided that every commercial establishment "shall submit" an annual compliance return to the prescribed authority on or before 30th June every year. Failure to comply with the said requirement attracted penal consequences under the Act.

Sunrise Retail Private Limited, a company engaged in wholesale trading, completed all statutory compliances for the financial year but submitted its annual compliance return on 3rd July, 2026, explaining that the delay occurred due to a technical failure in the Government portal during the last week of June. The competent authority rejected the explanation and imposed the prescribed penalty on the ground that the word "shall" used in Rule 18 made timely filing mandatory under all circumstances. The company, however, contended that the provision should be interpreted as directory since substantial compliance had been made and the delay was beyond its control. During the proceedings, another issue arose regarding the authority of the State Government to modify the Rules issued under the Act, and one of the officers argued that the power to issue Rules ordinarily includes the power to amend, vary or rescind them, unless a contrary intention appears.

Based on the above case scenario, answer the following Multiple Choice Questions (Questions No. 14 and 15):

14. While interpreting Rule 18, which of the following principles of statutory interpretation is most relevant for determining whether the word "shall" is mandatory or directory?

(A) Harmonious Construction

(B) Literal Rule of Interpretation

(C) Rule of Ejusdem Generis

(D) Rule of Noscitur a Sociis

15. Under the General Clauses Act, 1897, unless a different intention appears, the power to issue rules, notifications or orders ordinarily includes the power to:

(A) Review judicial decisions.

(B) Amend, vary or rescind such rules, notifications or orders.

(C) Delegate legislative powers to private persons.

(D) Override the provisions of the parent Act.

[2×2 MARKS=4]

PART II – Descriptive Questions (70 Marks)

*Question **No.1 is compulsory**. Answer **any four** questions from the remaining **five** questions.*

1. **(a)** (i) ABC Limited has defaulted in repayment of matured deposits accepted from its members. One of the depositors proposes to initiate legal proceedings against the company. State the remedy available to the depositor under the Companies Act, 2013. **(3 Marks)**

(ii) State any two powers of the Board of Directors which can be exercised only by means of resolutions passed at a duly convened Board Meeting under the Companies Act, 2013. **(2 Marks)**

(b) (i) Mr. Raj, an Indian resident, purchased foreign currency from an Authorised Dealer for his approved overseas business visit. However, after cancellation of the visit, he retained the unused foreign exchange for more than the period permitted under FEMA. Examine the legal position under the Foreign Exchange Management Act, 1999. **(3 Marks)**

(ii) State any **two** rules of interpretation applied by courts while construing statutes. **(2 Marks)**

(c) ABC Consultants LLP was incorporated with its registered office in Mumbai. Owing to business expansion, the partners decided to shift the registered office to Pune. The decision was duly approved by all the partners in accordance with the LLP Agreement, and the LLP immediately started operating from the new office. However, no intimation was filed with the Registrar regarding the change for nearly two months. One of the partners is now concerned whether the LLP has complied with the provisions of the Limited Liability Partnership Act, 2008.

Advise ABC Consultants LLP regarding the legal requirements for shifting its registered office, the filing requirements with the Registrar, and the consequences, if any, of the delay in filing. **(4 Marks)**

2. **(a)** The Board of Directors of Orion Industries Limited, a public company, proposed to appoint Mr. Nikhil Sharma as Managing Director for a period of five years. At the time of the proposed appointment, Mr. Sharma had already attained the age of 71 years. Certain shareholders objected to the proposal on the ground that a person above the age of seventy years cannot be appointed as Managing Director under the Companies Act, 2013.

Examine the validity of the objection and state the legal position with reference to the provisions of the Companies Act, 2013.

(5 Marks)

OR

(a) The Board of Directors of Horizon Technologies Limited borrowed ₹180 crore from a scheduled bank for expansion of its manufacturing facilities. Subsequently, the Board proposed to borrow an additional ₹250 crore, which, together with the existing borrowings, would exceed the aggregate of the company's paid-up share capital, free reserves and securities premium.

Advise the Board whether it can borrow the additional amount without obtaining the approval of the members. Discuss the relevant provisions of the Companies Act, 2013.

(5 Marks)

(b) Bright LLP has three designated partners. One of the designated partners intends to resign from the LLP. State the legal requirements relating to resignation of a designated partner and the filing of the prescribed documents under the Limited Liability Partnership Act, 2008.

(3 Marks)

(c) Galaxy Exports Private Limited, an Indian company, entered into an agreement with a company incorporated in Germany for the purchase of specialised machinery valued at EUR 4,50,000. The company made the payment through an Authorised Dealer Category-I Bank after obtaining all necessary import documents. Subsequently, the Board decided to acquire 18% equity shares in the German company as a long-term strategic investment. One director was of the view that both the import payment and acquisition of shares were merely current account transactions under FEMA since both involved payment in foreign exchange. Another director disagreed.

Discuss, with reasons, whether the two transactions constitute current account transactions or capital account transactions under the Foreign Exchange Management Act, 1999.

(6 Marks)

3. **(a)** State any two circumstances under the Companies Act, 2013 in which a company may re-open its books of account.

(2 Marks)

(b) State any two essential conditions for a valid proxy under the Companies Act, 2013.

(2 Marks)

(c) State any two powers of the Audit Committee under the Companies Act, 2013.

(2 Marks)

(d) State any two situations in which a Director is required to disclose his concern or interest in any company, body corporate, firm or other association of individuals under the Companies Act, 2013.

(2 Marks)

(e) The Board of Directors of Pioneer Manufacturing Limited, a listed public company, approved the proposal to appoint M/s. S & Associates, Chartered Accountants, as the Statutory Auditors of the company at the forthcoming Annual General Meeting. Before the appointment could be placed before the members, it came to the notice of the Board that one of the partners of the firm was indebted to the company for ₹7 lakh, and another partner's relative was holding securities of the company having a face value of ₹1.20 lakh. One of the directors contended that these facts would not affect the eligibility of the audit firm since the firm itself was neither indebted to the company nor holding any securities. Another director disagreed.

Examine the validity of the proposed appointment with reference to the provisions of the Companies Act, 2013.

(6 Marks)

4. **(a)** State any two circumstances under the Companies Act, 2013 in which a company is required to maintain its Books of Account at a place other than its Registered Office.

(2 Marks)

(b) The Board of Directors of Crystal Limited proposes to convene a Board Meeting through video conferencing. One of the directors contends that every item of business can be transacted through video conferencing without any restriction.

Discuss the legal position under the Companies Act, 2013.

(3 Marks)

(c) Prime Infra Limited has a paid-up equity share capital of ₹120 crore. The company proposed to make a private placement of secured non-convertible debentures to 180 identified investors during the financial year. Before completing the allotment, the company decided to invite another 40 identified investors under the same offer to raise additional funds. One of the directors was of the opinion that since the offer was made only to identified persons, the provisions relating to private placement would continue to apply irrespective of the number of offerees.

Examine the validity of the proposal with reference to the provisions of the Companies Act, 2013.

(5 Marks)

(d) Mr. Amit, an Indian resident, inherited a residential property situated in Singapore from his late father, who was a person resident outside India. Amit proposes to retain the property and receive rental income from it. One of his relatives advises him that an Indian resident cannot hold any immovable property situated outside India without obtaining prior approval of the Reserve Bank of India.

Discuss the legal position under the Foreign Exchange Management Act, 1999.

(4 Marks)

5. **(a)** The Board of Directors of Silverline Technologies Limited recommended a final dividend of ₹6 per equity share for the financial year 2025–26. Before the proposal could be considered by the members at the Annual General Meeting, the company suffered substantial losses due to a major fire accident at one of its manufacturing units. A group of shareholders insisted that the company was bound to declare the dividend as recommended by the Board, whereas the Board proposed to withdraw its recommendation considering the changed financial position of the company.

Examine the legal position under the Companies Act, 2013.

(5 Marks)

(b) Explain the Doctrine of Harmonious Construction. Under what circumstances is this rule of interpretation applied by the courts?

(3 Marks)

(c) The State Government enacted the Clean Public Spaces Act, 2026, which provides that "No vehicle shall be permitted inside any public park." During a cultural event, the park authorities prevented the entry of battery-operated wheelchairs used by persons with disabilities on the ground that they are also "vehicles" within the meaning of the Act. The affected persons contended that the intention of the Legislature was only to prohibit vehicles that may cause congestion, pollution or endanger public safety, and not wheelchairs used for mobility by persons with disabilities.

Applying the appropriate rule of interpretation of statutes, examine the validity of the action of the park authorities. Give reasons in support of your answer.

(4 Marks)

(d) State any two consequences of non-registration of an LLP Agreement under the Limited Liability Partnership Act, 2008.

(2 Marks)

6. **(a)** Nova Pharmaceuticals Limited, a listed public company, entered into a contract for the supply of specialised machinery with Medicraft Engineering Private Limited, a company in which Mr. Ramesh, a Director of Nova Pharmaceuticals Limited, together with his relatives, held more than 2% of the paid-up share capital. The contract was entered into by the Board without obtaining the approval of the members by an ordinary resolution. Subsequently, a shareholder questioned the validity of the transaction, whereas the Board contended that approval of the Board alone was sufficient since the transaction was entered into in the ordinary course of business.

Examine the validity of the transaction with reference to the provisions of the Companies Act, 2013.

(5 Marks)

(b) Skyline Innovations LLP was incorporated with Mr. Arvind, Ms. Neha and Mr. Karan as partners, of whom Mr. Arvind and Ms. Neha were designated partners. Owing to continuous financial losses, the LLP was unable to discharge its liabilities. During the course of business, it was found that Mr. Karan had knowingly entered into several transactions with the intention of defrauding creditors and had concealed material information from them. The creditors sought to recover the outstanding dues personally from Mr. Karan.

Discuss the legal position under the Limited Liability Partnership Act, 2008 regarding liability arising from fraudulent conduct.

(5 Marks)

(c) State any two circumstances under the General Clauses Act, 1897 in which the power to appoint includes the power to suspend or dismiss.

(2 Marks)

(d) State any two essential characteristics of a 'person resident in India' under the Foreign Exchange Management Act, 1999.

(2 Marks)