Skillshort

Self-Study Preparation Pack

CA INTERMEDIATE

Paper 2: Corporate and Other Laws

Chapter-wise Practice Questions with Answers

For January 2027 attempt · 50 MCQs (5 sets) + 12 descriptive questions with solutions · Original Skillshort questions

50 MCQs with key | 12 descriptive with solutions | Solve after each chapter

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Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

Part A – Chapter-wise MCQs

Each set is followed by its answer key. Attempt a set in 20 minutes after finishing the related chapters.

Set 1 – Chapters 1–3 (Definitions, incorporation, prospectus and allotment)

1. A private company may have a maximum of how many members, excluding employee-members?

(a) 50
(b) 200
(c) 500
(d) No limit

2. A subsidiary of a public company whose articles contain private-company restrictions is treated as

(a) a private company
(b) a public company
(c) an OPC
(d) a dormant company

3. X Ltd. holds 22% of the total voting power of Y Ltd. and has no control. Y Ltd. is X Ltd.'s

(a) subsidiary
(b) associate company
(c) holding company
(d) joint venture only if so agreed

4. A company with share capital incorporated on 1 May 2026 must file the declaration for commencement of business (s. 10A) by

(a) 30 May 2026
(b) 28 October 2026
(c) 31 March 2027
(d) Before its first AGM

5. Which statement on the doctrine of indoor management is correct?

(a) It protects insiders who know of the irregularity
(b) It protects outsiders dealing in good faith from internal irregularities, but not where the document relied upon is forged
(c) It applies even if the act is beyond the objects of the memorandum
(d) It requires outsiders to verify Board minutes

6. A shelf prospectus is valid for

(a) 6 months
(b) 1 year from the opening of the first offer
(c) 3 years
(d) until the information memorandum is filed

7. Shares allotted to a merchant banker with a view to offering them to the public within 6 months are offered by a document which is

(a) an information memorandum
(b) a deemed prospectus (s. 25)
(c) a red herring prospectus
(d) not a prospectus

8. Civil liability for misstatement in a prospectus is under

(a) s. 34
(b) s. 35
(c) s. 36
(d) s. 447 only

9. In a private placement, the return of allotment (PAS-3) must be filed within

(a) 7 days
(b) 15 days
(c) 30 days
(d) 60 days of allotment

10. The minimum investment size per person in a private placement is

(a) ₹10,000
(b) ₹20,000 of face value
(c) ₹1 lakh
(d) ₹5 lakh

Set 1 – Answer key

Q	Ans	Explanation / working
1	(b)	s. 2(68)(ii): members limited to 200, excluding present and former employees who are members; joint holders count as one.
2	(b)	Proviso to s. 2(71): a subsidiary of a public company is deemed to be a public company.
3	(b)	Significant influence = control of at least 20% of total voting power (s. 2(6)).
4	(b)	Within 180 days of incorporation: 1 May 2026 + 180 days = 28 October 2026.
5	(b)	Exceptions include knowledge of irregularity, negligence/suspicion, forgery and acts outside the company's powers.
6	(b)	s. 31(1): validity of one year from the date of opening of the first offer.
7	(b)	s. 25(2): an offer within 6 months of allotment is evidence that the allotment was made with a view to offer to the public.
8	(b)	s. 34 – criminal liability; s. 35 – civil liability; s. 36 – fraudulently inducing persons to invest.
9	(b)	s. 42(8): return of allotment within 15 days.
10	(b)	Rule 14(2)(d): value of offer per person ≥ ₹20,000 of face value.

Set 2 – Chapter 4 (Share capital and debentures)

11. Preference shares (other than for infrastructure projects) must be redeemed within

(a) 10 years
(b) 20 years
(c) 30 years
(d) 5 years

12. Equity shares with differential rights cannot exceed what percentage of total post-issue paid-up equity capital?

(a) 26%
(b) 50%
(c) 74%
(d) 25%

13. A company can issue shares at a discount only in the case of

(a) rights issues
(b) sweat equity shares and shares issued to creditors on conversion of debt under a statutory resolution plan
(c) bonus shares
(d) ESOP

14. Bonus shares cannot be issued out of

(a) free reserves
(b) securities premium
(c) capital redemption reserve
(d) revaluation reserve

15. Sweat equity shares are locked in for

(a) 1 year
(b) 3 years
(c) 5 years
(d) No lock-in

16. Notice of consolidation or sub-division of share capital must be filed with the ROC within

(a) 15 days
(b) 30 days
(c) 60 days
(d) 7 days

17. A company proposes to buy back 8% of its paid-up equity capital and free reserves. The authorisation needed is

(a) a special resolution
(b) a Board resolution, being within 10%
(c) Tribunal approval
(d) Central Government approval

18. After a buy-back, the company cannot make a further issue of the same kind of shares (other than bonus and subsisting obligations) within

(a) 6 months
(b) 1 year
(c) 2 years
(d) 3 months

19. A debenture trustee must be appointed before issuing debentures by private placement to more than

(a) 200 persons
(b) 500 persons
(c) 1,000 persons
(d) 50 persons

20. For unlisted companies (other than NBFCs/HFCs), the Debenture Redemption Reserve is

(a) not required
(b) 10% of the value of outstanding debentures
(c) 25%
(d) 50%

Set 2 – Answer key

Q	Ans	Explanation / working
11	(b)	s. 55(2): redemption within 20 years; infrastructure projects up to 30 years with 10% annual redemption from the 21st year.
12	(c)	Rule 4(1)(c) of the Share Capital and Debentures Rules – up to 74%.
13	(b)	s. 53(1) prohibits discount, except s. 54 sweat equity and debt conversion under s. 53(2A).
14	(d)	s. 63(1) and (2) – reserves created by revaluation of assets cannot be capitalised.
15	(b)	Rule 8(5) of the Share Capital and Debentures Rules.
16	(b)	s. 64(1).
17	(b)	Proviso to s. 68(2)(b): up to 10% by a Board resolution.
18	(a)	s. 68(8).
19	(b)	s. 71(5) and Rule 18(2).
20	(b)	Rule 18(7)(b)(iv)(B) VERIFY.

Set 3 – Chapters 5–7 (Deposits, charges, management and administration)

21. A public company (not an eligible company) may accept deposits from members up to

(a) 25%
(b) 10%
(c) 35%
(d) 100%

22. The maximum tenure of a deposit is

(a) 24 months
(b) 36 months
(c) 60 months
(d) 12 months

23. Penalty on a company under s. 76A for contravention of deposit provisions is

(a) ₹1 lakh to ₹10 lakh
(b) ₹1 crore to ₹10 crore, in addition to repayment with interest
(c) ₹25 lakh to ₹2 crore
(d) imprisonment only

24. A person who acquires property already subject to a registered charge is deemed to have notice of the charge from

(a) the date of acquisition
(b) the date of registration of the charge
(c) the date of the loan
(d) the date of satisfaction

25. The register of charges (CHG-7) is kept at

(a) the ROC's office
(b) the registered office of the company
(c) the bank
(d) the charge-holder's office

26. The annual return of a small company is filed in

(a) MGT-7
(b) MGT-7A
(c) AOC-4
(d) MGT-14

27. A proxy can

(a) speak and vote on a show of hands
(b) vote only on a poll and cannot speak
(c) speak but not vote
(d) vote by e-voting only

28. A demand for a poll can be made by members holding at least

(a) 1/20th of the voting power
(b) 1/10th of the voting power or paid-up capital of at least ₹5 lakh
(c) 5% of the members
(d) 25% of the voting power

29. A special resolution requires votes in favour to be

(a) more than votes against
(b) at least three times the votes against
(c) 75% of all members
(d) unanimous

30. Special notice must be given to the company at least

(a) 7 days
(b) 14 days
(c) 21 days
(d) 30 days before the meeting

Set 3 – Answer key

Q	Ans	Explanation / working
21	(b)	Of paid-up capital, free reserves and securities premium (Rule 3(3)).
22	(b)	Rule 3(1): not less than 6 months and not more than 36 months.
23	(b)	Officers in default: up to 7 years' imprisonment and fine of ₹25 lakh to ₹2 crore.
24	(b)	s. 80.
25	(b)	s. 85.
26	(b)	MGT-7A applies to OPCs and small companies.
27	(b)	s. 105(1).
28	(b)	s. 109(1) (the ₹5 lakh is the prescribed amount for companies with share capital).
29	(b)	s. 114(2)(c).
30	(b)	s. 115 and Rule 23 – the company gives notice to members at least 7 days before the meeting.

Set 4 – Chapters 8–11 (Dividend, accounts, audit, foreign companies)

31. Interim dividend is declared by

(a) members at a general meeting
(b) the Board of Directors
(c) the Central Government
(d) the auditor

32. Shares on which dividend has not been paid or claimed for seven consecutive years are

(a) forfeited
(b) transferred to the IEPF
(c) cancelled
(d) sold by the company

33. Books of account must be preserved for at least

(a) 5 years
(b) 8 years
(c) 10 years
(d) 3 years

34. Re-opening of accounts under s. 130 can be ordered by

(a) the Board
(b) a court or the Tribunal
(c) members by special resolution
(d) the auditor

35. CSR applies if, in the immediately preceding FY, net profit is at least

(a) ₹1 crore
(b) ₹5 crore
(c) ₹10 crore
(d) ₹50 crore

36. Contributions to Zero Coupon Zero Principal instruments on a Social Stock Exchange can count as CSR up to

(a) 5%
(b) 10%
(c) 25%
(d) 100% of the CSR expenditure for the year

37. An auditor cannot be appointed if his relative holds shares in the company of face value exceeding

(a) ₹50,000
(b) ₹1 lakh
(c) ₹5 lakh
(d) Any amount

38. Which of the following is NOT a prohibited service for the statutory auditor under s. 144?

(a) Internal audit
(b) Actuarial services
(c) Tax audit
(d) Investment banking

39. A foreign company must file documents under s. 380 within

(a) 15 days
(b) 30 days
(c) 60 days
(d) 6 months of establishing a place of business in India

40. s. 379 applies Chapter XXII and prescribed provisions as if a foreign company were Indian when Indian citizens/companies hold at least

(a) 26%
(b) 50%
(c) 51%
(d) 75% of its paid-up share capital

Set 4 – Answer key

Q	Ans	Explanation / working
31	(b)	s. 123(3).

Q	Ans	Explanation / working
32	(b)	s. 124(6).
33	(b)	s. 128(5).
34	(b)	On application by the Central Government, income-tax authorities, SEBI, other regulators or any person concerned.
35	(b)	s. 135(1) – or net worth ≥ ₹500 crore or turnover ≥ ₹1,000 crore.
36	(b)	Amendment notified 27 May 2026 (RTP January 2027).
37	(b)	Proviso to s. 141(3)(d)(i) and Rule 10.
38	(c)	s. 144 lists accounting, internal audit, financial information system design, actuarial, investment advisory, investment banking, outsourced financial services and management services. Tax audit is not prohibited.
39	(b)	Form FC-1.
40	(b)	"Not less than fifty per cent".

Set 5 – Chapters 12–15 (LLP, General Clauses Act, Interpretation, FEMA)

41. If the number of partners of an LLP falls below two and it continues business for more than six months, the remaining partner who knows of it is

(a) not liable
(b) personally liable for obligations incurred during that period
(c) liable only to the ROC
(d) disqualified

42. The statement of account and solvency (Form 8) of an LLP for FY 2025-26 is due by

(a) 30 May 2026
(b) 30 October 2026
(c) 31 December 2026
(d) 30 September 2026

43. Which of the following can be a partner of an LLP?

(a) A co-operative society
(b) A company (body corporate)
(c) An undischarged insolvent
(d) A person of unsound mind

44. A compromise between an LLP and its creditors requires approval of a majority representing

(a) one-half
(b) two-thirds
(c) three-fourths in value
(d) 90% in number

45. Under the General Clauses Act, "from" in a period of days

(a) includes the first day
(b) excludes the first day
(c) excludes holidays
(d) includes only working days

46. Under s. 21 of the GCA, the power to issue a notification includes the power to

(a) only issue it once
(b) add to, amend, vary or rescind it
(c) apply it retrospectively in all cases
(d) override the parent Act

47. The rule that requires penal statutes to be construed in favour of the subject is

(a) beneficial construction
(b) strict construction
(c) mischief rule
(d) contemporanea expositio

48. "Means and includes" in a definition indicates that the definition is

(a) inclusive and open-ended
(b) exhaustive
(c) illustrative only
(d) a proviso

49. Under the LRS, a resident individual may remit up to

(a) USD 1,00,000 per year
(b) USD 2,50,000 per financial year
(c) USD 5,00,000 per year
(d) No limit

50. Mr. Q stayed in India for 200 days in 2025-26 and left India on 10 April 2026 to take up a job in Germany. Under FEMA, for 2026-27 he is

(a) a person resident in India for the whole year, having stayed over 182 days in the preceding FY
(b) a person resident outside India from 10 April 2026, as he has gone out of India for employment
(c) resident until he completes 182 days abroad
(d) resident outside India only if he becomes a German citizen

Set 5 – Answer key

Q	Ans	Explanation / working
41	(b)	s. 6(2).
42	(b)	Within 30 days from the end of six months of the FY.
43	(b)	A co-operative society is not a "body corporate" for the LLP Act; insolvents and persons of unsound mind are barred (s. 5).
44	(c)	s. 60(3).
45	(b)	s. 9(1); "to" includes the last day.
46	(b)	Exercisable in the same manner and subject to the same sanction.
47	(b)	Penal and taxing statutes are construed strictly.
48	(b)	"Means and includes" is treated as exhaustive.
49	(b)	Schedule III, para 1.
50	(b)	s. 2(v)(i)(A): a person who goes out of India for taking up employment outside India is excluded from "person resident in India".

Part B – Descriptive Practice Questions

QUESTION D1 – OPC and section 8 (5 marks)

Ms. Radha, an Indian citizen, wants to (i) form an OPC with her husband as nominee and (ii) later form a second OPC; (iii) she also asks whether an OPC can be registered as a section 8 company. Advise.

SOLUTION D1

(i) Only a **natural person who is an Indian citizen** (resident or not) can form an OPC and must nominate another such person, with the nominee's written consent – her husband (if an Indian citizen) can be the nominee. (ii) A person **cannot incorporate more than one OPC** or be nominee in more than one OPC (Rule 3). (iii) An OPC **cannot be incorporated or converted into a section 8 company** (Rule 3 of the Incorporation Rules).

QUESTION D2 – Alteration of objects (5 marks)

Kiran Ltd. raised money from the public through a prospectus in 2024 and still has ₹10 crore unutilised. It now wants to change its objects. State the procedure.

SOLUTION D2

s. 13(8): a company that has raised money from the public through a prospectus and has any **unutilised amount** cannot change the objects for which it raised money unless a **special resolution is passed through postal ballot**; the details are published in newspapers (one English, one vernacular) and on the website; and **dissenting shareholders** are given an **exit opportunity** by the promoters and shareholders in control, as per SEBI regulations. The altered memorandum is filed with the ROC within 30 days and is effective on registration.

QUESTION D3 – Financial assistance (5 marks)

Sapna Ltd. (a public company) wants to (i) lend ₹10 lakh to its employee (not a director/KMP) whose 6 months' salary is ₹6 lakh to buy fully paid shares of the company and (ii) fund an employee share purchase trust with ₹8 crore when paid-up capital plus free reserves is ₹120 crore. Examine.

SOLUTION D3

s. 67(2) prohibits a public company from giving financial assistance for the purchase of its own shares. Exceptions in s. 67(3): (b) money provided under a scheme approved by **special resolution** for purchase of fully paid shares by trustees for employees – subject to Rule 16, **not exceeding 5% of paid-up capital and free reserves**; (c) loans to employees (other than directors/KMP) **not exceeding six months' salary** to buy fully paid shares to be held as beneficial owners. (i) ₹10 lakh exceeds ₹6 lakh – **not permitted** beyond ₹6 lakh. (ii) 5% × ₹120 crore = ₹6 crore; ₹8 crore exceeds the limit – **not permitted** beyond ₹6 crore.

QUESTION D4 – Premature repayment of deposit (5 marks)

Vega Ltd. (eligible company) accepted a deposit of ₹10,00,000 on 1 April 2023 for 3 years at 9% p.a.; rates for 1-year and 2-year deposits were 7.5% and 8.25%. The depositor seeks premature repayment on 1 December 2025 (2 years 8 months). What rate applies?

SOLUTION D4

Rule 15: on premature repayment after 6 months, interest is **reduced by 1%** from the rate the company would have paid had the deposit been accepted for the period it actually ran. Under the Explanation, a part of a year of **six months or more is reckoned as one year**, and less than six months is ignored. Period run = 2 years 8 months → treated as **3 years**. Applicable rate = 9% − 1% = **8% p.a.** (If it had run 2 years 4 months, the period would be 2 years: 8.25% − 1% = 7.25%.)

QUESTION D5 – Shorter notice (5 marks)

Leo Ltd. has 400 members holding ₹10 crore paid-up capital. It wants to hold (i) its AGM and (ii) an EGM at 10 days' notice. Consents received: AGM – 382 members; EGM – 210 members holding ₹9.6 crore. Examine.

SOLUTION D5

s. 101(1) proviso: a general meeting may be called at shorter notice if consent is given – for an **AGM**, by **not less than 95% of the members entitled to vote**; for **any other meeting**, by a **majority in number** of members entitled to vote and holding **not less than 95% of the paid-up share capital** carrying voting rights. (i) 95% of 400 = 380; 382 consented – **valid**. (ii) 210 is a majority of 400, and ₹9.6 crore = 96% ≥ 95% – **valid**.

QUESTION D6 – Dividend out of reserves (5 marks)

Ankit Ltd. has paid-up capital of ₹50 crore and free reserves of ₹30 crore. In 2025-26 it made a loss of ₹2 crore. Dividend rates in the last three years: 8%, 10%, 12%. It wants to declare 12% out of free reserves. Examine under Rule 3.

SOLUTION D6

Rule 3 conditions: (1) rate ≤ **average of the three preceding years** = (8 + 10 + 12) ÷ 3 = **10%**; (2) amount drawn ≤ **1/10th of paid-up capital + free reserves** = 10% × 80 = **₹8 crore**; (3) amount drawn first used to set off the **current year's loss** (₹2 crore); (4) balance of reserves after drawal ≥ **15% of paid-up capital** = ₹7.5 crore. Dividend at 10% = ₹5 crore; drawal = 5 + 2 = ₹7 crore ≤ ₹8 crore; balance reserves = 30 − 7 = ₹23 crore ≥ ₹7.5 crore. **Conclusion:** 12% is not allowed; maximum **10%**.

QUESTION D7 – Auditor's appointment by Board vs audit committee (5 marks)

The audit committee of Kanak Ltd. (listed) recommended CA X, but the Board disagrees and wants CA Y. How is the auditor appointed?

SOLUTION D7

Rule 3 of the Companies (Audit and Auditors) Rules, 2014: where the company has an audit committee, it recommends the name; the Board considers it. If the **Board disagrees**, it **refers the recommendation back** to the committee with reasons. If the committee does not reconsider, the Board records its reasons and sends **its own recommendation** to the members; if the Board **agrees**, it sends the committee's recommendation. The **members at the AGM** make the final appointment (s. 139(1)).

QUESTION D8 – LLP agreement not filed (5 marks)

V, S and N formed an LLP; the agreement (profit 40:35:25; only V and S can contract) was never filed. N claims equal profits. Advise.

SOLUTION D8

s. 23(2): the LLP agreement must be filed with the ROC (Form 3) within **30 days** of incorporation; non-filing attracts penalty. However, the agreement **between the partners** is still a valid contract inter se; the **First Schedule** applies only to matters **not provided** in the agreement or where there is no agreement. Since the agreement exists and provides 40:35:25, N's claim to equal sharing is **not tenable** among partners. For outsiders, restrictions on N's authority not filed or notified may not bind third parties who were unaware (s. 26, 27). The LLP should file Form 3 with additional fees.

QUESTION D9 – Winding up of LLP (5 marks)

State the modes of winding up of an LLP and the grounds for winding up by the Tribunal. Does dissolution follow?

SOLUTION D9

s. 63: an LLP may be wound up **voluntarily** or by the **Tribunal**. Tribunal grounds (s. 64): (a) the LLP decides so; (b) partners fall below two for more than six months; (c) it is **unable to pay its debts**; (d) it has acted against the sovereignty, integrity, security or public order of India; (e) default in filing Form 8/Form 11 for **five consecutive FYs**; (f) the Tribunal thinks it **just and equitable**. On completion of winding up, the Tribunal passes an order of **dissolution**, and the LLP is dissolved from that date; the order is filed with the ROC within 30 days.

QUESTION D10 – Ejusdem generis (4 marks)

Explain ejusdem generis and its exceptions.

SOLUTION D10

Where specific words of a particular **class or category** are followed by **general words**, the general words are construed as limited to **things of the same kind** (*ejusdem generis*). Conditions: (1) the statute enumerates specific words; (2) they form a distinct genus or category; (3) the general words follow them; (4) there is no different legislative intent. **Exceptions:** (a) the specific words do not belong to a single class; (b) the specific words exhaust the class, so the general words must have a wider meaning; (c) the context or legislative intent shows a wider meaning; (d) the general words precede the specific words.

QUESTION D11 – Effect of repeal (4 marks)

State the effects of repeal under s. 6 of the General Clauses Act, 1897.

SOLUTION D11

Unless a different intention appears, repeal does not: (a) **revive** anything not in force or existing when the repeal takes effect; (b) affect the **previous operation** of the repealed enactment or anything done or suffered under it; (c) affect any **right, privilege, obligation or liability** acquired, accrued or incurred; (d) affect any **penalty, forfeiture or punishment** incurred for an offence; (e) affect any **investigation, legal proceeding or remedy** regarding such right, liability or penalty – which may be instituted, continued or enforced, and the penalty imposed, as if the repealing Act had not been passed.

QUESTION D12 – FEMA current account (4 marks)

A company wants to (i) donate USD 6 million to a technical institution abroad when its forex earnings in the last three years were USD 900 million; (ii) remit USD 80,000 for pre-incorporation expenses when the investment brought into India is USD 1 million. Advise.

SOLUTION D12

Schedule III (persons other than individuals): (i) donations require RBI approval if they exceed **1% of forex earnings of the previous three FYs or USD 5,000,000, whichever is less**. 1% × 900 million = USD 9 million; lower = USD 5 million. USD 6 million exceeds this – **RBI approval required**. (ii) Reimbursement of pre-incorporation expenses requires approval if it exceeds **5% of the investment brought into India or USD 1,00,000, whichever is higher**. 5% × 1 million = USD 50,000; higher = USD 1,00,000. USD 80,000 is within the limit – **no approval needed**.