BLOGS

Solve the Company Law Passage for CLAT PG 2021

Harshita Gulati · 03 Dec 2020

Read the passage given below on company law and answer the questions based on the general knowledge of law and current affairs.

Passage on Company Law For CLAT PG

(Excerpted from the judgment of A. Lakshmanaswami v. Life Insurance Corporation of India)

A Company is competent to carry out its objects specified in the Memorandum of Association and cannot travel beyond the objects. The objects of the Company are set out in cl. III. By the first sub-cl. the Company is authorised to carry on life insurance business in all its branches and all kinds of indemnity and guarantee business and for that purpose to enter into and carry into effect all contracts and arrangements. By sub-clause (ii) the Company is authorised ―to invest and deal with funds and assets of the Company upon such securities or investments and in such manner as may from time to time be fixed by the Articles of Association of the Company‖. Sub-clauses (iii) and (iv) are not material for the purposes of this appeal. By sub-cl. (v) the Company is authorised to do ―all such other things as are incidental or conducive to the attainment of the above objects or any of them‖. The Memorandum of Association must like any other document be construed according to accepted principles applicable to the interpretation of all legal documents and no rigid canon of construction is to be applied to such a document. Like any other document, it must be read fairly and its import derived from a reasonable interpretation of the language which it employs. 9. Power to carry out an object, undoubtedly includes power to carry out what is incidental or conducive to the attainment of that object, for such extension merely permits something to be done which is connected with the objects to be attained, as being naturally conducive thereto. By sub-cl. (i) of cl. III of the objects clause of the Memorandum of Association, the Company is to carry on life insurance business in all its branches. Clause (ii) authorises the Company to invest and deal with funds and assets of the Company upon such securities or investments and in such manner as may from time to time be fixed by the Articles of Association of the Company. This is in truth not an object clause, it is a clause authorising investment of funds. Clause (ii) does not invest the Directors with power to deal with the funds in such manner as may from time to time be fixed by the Articles of Association: power conferred thereby is power to invest and deal with funds and assets of the Company. The Directors under sub-cl. (ii) of cl. III merely have the power to invest and deal with the funds and assets of the Company upon such securities or investments and the power is to be exercised in the manner prescribed by the Articles of Association. By Article 93 (t) the Directors are undoubtedly invested with authority to establish, maintain and subscribe to any institution or Society which may be for the benefit of the Company, and to ―make payments towards any charitable or any benevolent object, or for any general public, general or useful object‖. But this is within the authority of the Directors only if the Company has the power under the Memorandum of Association to achieve the object specified, or for doing anything incidental to or naturally conducive to the objects specified. If the object is not within the competence of the Company, the Directors relying upon Art. 93 (t) cannot expand the funds of the Company for achieving that object. The primary object of the Company is to carry on life insurance business in all its branches, and donations of the Company‘s funds for the benefit of a trust for charitable purposes is not incidental to or naturally conducive to that object. There is in fact no discernible connection between the donation and the objects of the Company.

Questions

A. A company for charitable purpose may be incorporated as-

a. A limited company only

b. An unlimited company only

c. Limited by guarantee

d. None of the above

Ans. a

B. In which of the following business association the liability of its members is joint and several?

a. Partnership

b. Limited liability partnership

c. Company

d. All the above

Ans. a

C. A company is vested with a distinct legal personality from its members was held in:

a. Salmon v. Salmon

b. Dalmier v. Continental tyre

c. Bridges v. Hawkesworth

d. None of the above

Ans. a

D. Corporate personality is a mere procedural form which is used to work out of a convenient way for immediate purpose. It was stated by

a. Holland

b. Austin

c. Starke

d. Honfield

Ans. d

E. Haward v. Patent Ivory is a case about

a. Doctrine of ultra vires

b. Doctrine of indoor management

c. Doctrine of public notice

d. Doctrine of social responsibility

Ans. b

F. Memorandum of association is a

a. Private document

b. Public document

c. Either a or b

d. Both a and b

Ans. b

G. Director of a company can be removed by

a. Shareholders

b. Central government

c. Company law board

d. Any of the above

Ans. d

H. A person cannot be a director in more than ____ public companies at a time

a. 10

b. 20

c. 7

d. 5

Ans. a

I. Which of the following case is related to doctrine of ultra vires

a. Lakshmiswami Mudaliar case

b. Ashbury case

c. Both a and b

d. None of the above

Ans. c

J. The preamble of the Companies Act, 2013 provides that it is an Act to

a. Define and amend

b. Consolidate and define

c. Consolidate, define and amend

d. Consolidate and amend

Ans. d

Visit our complete collection of legal reasoning questions and posts.

Read our legal reasoning post on void agreements and the practice questions here

Read CLATapult's post on offer and acceptance here. Also, try their mocks for more legal reasoning practice questions.

Visit CLATalogue for more legal reasoning practice questions for CLAT 2020