

# Sectional Test on Companies Act, 2013 for CLAT PG

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**1. Under the Companies Act, 2013, the minimum number of members required to incorporate a private company is:**

- a. Three
- b. One
- c. Seven
- d. Two

**2. Alteration of the Memorandum's Object Clause necessitates:**

- a. Special Resolution
- b. Ordinary Resolution
- c. Board Resolution
- d. Tribunal Approval

**3. According to the Companies Act, shares are regarded as:**

- a. Actionable Claims
- b. Immovable Property
- c. Movable Property
- d. Intellectual property

**4. If a director is absent from every board meeting for \_\_\_\_\_ months, he vacates office automatically.**

- a. A financial year
- b. 24 months
- c. 6 months
- d. 12 months

**5. Which of the following was established in Foss v. Harbottle?**

- a. Doctrine of ultravires
- b. Doctrine of indoor management

- c. Majority Rule and proper plaintiff rule
- d. Lifting of corporate veil

**6. Under which section of the Companies Act, an application for oppression and mismanagement is submitted?**

- a. Section 242
- b. Section 241
- c. Section 245
- d. Section 240

**7. Dividends may only be declared from**

- a. Net profits or free reserves
- b. Capital reserves
- c. Gross profit
- d. Securities premium

**8. Under the Companies Act of 2013, voluntary winding up is now governed by:**

- a. Insolvency and Bankruptcy Code, 2016
- b. Companies Act only
- c. SEBI Regulations
- d. Companies Act

**9. Assertion (A): Both civil and criminal liability may result from a prospectus that contains untrue statements.**

**Reason (R): To safeguard investors, the Companies Act of 2013 imposes liability for misstatements.**

- a. Both A and R are true, and R correctly explains A
- b. Both A and R are true, but R does not explain A
- c. A is true, but R is false
- d. A is false, but R is true

**10. Assertion (A): To alter the Articles of Association, a specific resolution is needed.**

**Reason (R): The articles bind the members and govern the company's internal management.**

- a. Both A and R are true, and R correctly explains A
- b. Both A and R are true, but R does not explain A

- c. A is true, but R is false
- d. A is false, but R is true

**11. Which section of the Companies Act of 2013 states that subscribers to the memorandum will become members of the company on the date of incorporation?**

- a. Section 5
- b. Section 7
- c. Section 9
- d. Section 4

**12. Which of the following statements about Section 7 of the Companies Act of 2013 is untrue?**

- a. It addresses company incorporation.
- b. The Memorandum and Articles must be filed.
- c. It gives the Registrar the authority to grant certificates of incorporation.
- d. It requires a statement before commencement of business

**13. Which of the following best describes the Memorandum and Articles' binding effect under Section 10?**

- a. They bind the company and other stakeholders.
- b. They bind the company and its members together
- c. They bind directors alone
- d. Only stockholders are bound by them

**14. In case a private company declines to register a share transfer, the aggrieved party must file an appeal with NCLT within:**

- a. 15 days
- b. 60 days
- c. 30 days
- d. 120 days

**15. If a dividend is not paid after seven years, it will be transferred to:**

- a. National Company Law Tribunal
- b. Consolidated Fund of India
- c. General Reserve
- d. Investor Education and Protection Fund

## Answers

1. (D) Section 3 of the Companies Act deals with the formation of a Company. As per Section 3(1)(b), a private company may be formed by two or more persons.
2. (A) As per Section 13 of the Act, alteration of the memorandum requires a special resolution.
3. (C) Section 44 deals with the nature of shares or debentures. As per the section, shares are movable property.
4. (D) Section 167 deals with the vacation of the office of the director.
5. (C)
6. (B)
7. (A) Section 123 deals with the declaration of dividends.
8. (A)
9. (A) Sections 34 and 35.
10. (B) Both statements are true, but R doesn't clarify why a special resolution is necessary.
11. (C)
12. (D) Section 10A, not Section 7, governs the commencement of business.
13. (B)
14. (B) As per Section 58.
15. (D) Section 125 deals with the Investor Education and Protection Fund.