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BLOGS

Sectional Test on the MOA and AOA under Company Law for CLAT PG

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1. Which of the following sections of the Companies Act defines 'Memorandum of Association'?

a. Section 2(52)

b. Section 2(55)

c. Section 2(56)

d. Section 2(53)

2. Which of the following statements are correct with respect to the definition of the Memorandum of Association?

I. Memorandum of Association is defined under Section 2(56)

II. It includes the memorandum of association of a company as originally framed or as altered from time to time

III. It includes only the originally framed memorandum

a. I and II only

b. II and III only

c. I and III only

d. All of the above

3. Which of the following statements are incorrect regarding the name clause in the Memorandum of Association of a company?

a. The name stated in the memorandum shall not be identical with or resemble too nearly the name of an existing company

b. Be such that its use by the company will constitute an offence under any law.

c. The name is undesirable in the opinion of the Central Government

d. A company can be registered with a name that contains any word or expression which is likely to give the impression that the company is in any way connected with the Central Government.

4. Which of the following does not form a part of the memorandum of association of a company?

a. Name Clause

b. Objects Clause

c. Internal Rules/bylaws

d. Liability Clause

5. In Ashbury Railway Carriage Co. Ltd v. Riche, it was established that:

a. Ultravires acts shall not be binding on the company.

b. Directors shall be liable for such contracts

c. Ultravires acts shall be binding on the company

d. Both A and B

6. In which of the following cases was it held by the Apex Court that if a company goes beyond its objects, such an act is absolutely void and cannot be ratified?

a. Lakshmanaswamy v. LIC of India (1963)

b. Ashbury Railway Carriage Co. Ltd v. Riche

c. LIC v. Escorts Ltd.

d. Sahara India Real Estate Corp. v. SEBI

7. The memorandum of association of a company is also known as:

a. Charter of a company

b. Internal rules of a company

c. Shareholder agreement

d. Bylaws of a company

8. The Doctrine of Indoor Management is an exception to:

a. Doctrine of Ultra Vires

b. Doctrine of Constructive Notice

c. Doctrine of Separate Legal Entity

d. Doctrine of Agency

9. The Articles of Association primarily deal with:

a. External affairs of the company

b. Internal management and regulations

c. Government approvals

d. Public disclosures only

10. In case of conflict between MOA and AOA:

a. AOA prevails

b. MOA prevails

c. Both are equal

d. Tribunal decides

11. Which of the following correctly distinguishes MOA from AOA?

a. MOA governs internal rules; AOA defines objectives

b. MOA defines scope; AOA regulates internal management

c. Both are identical

d. AOA is superior to MOA

12. Which of the following statements are correct concerning the articles of association of a company?

I. Defined in Section 2(5) of the Companies Act and covered in Section 5 of the Act.

II. AOA contains rules for the attainment of objects as given in MOA and for the management of internal affairs.

III. AOA are the bylaws/internal regulations for the company's management.

a. I and II only

b. II and III only

c. I and III only

d. All of the above

13. Which of the following statements are incorrect with respect to the alteration of articles of association?

a. Articles can be altered by passing a special resolution, i.e. 3\4 majority of members

b. Articles can be altered with retrospective effect.

c. Power to alter articles is a statutory power

d. The alteration can be inconsistent with the conditions contained in the memorandum

14. Identify the correct statements with respect to the doctrine of constructive notice under the Company Law?

I. The doctrine lays down that after registration, the MOA and AOA become public documents.

II. It is presumed that everyone dealing with the company knows these documents.

III. If the person has not read these documents or understood their implications, he cannot later on plead ignorance or blame the company or hold it liable for ultra vires transactions.

a. I and II only

b. II and III only

c. I and III only

d. All of the above

15. Which of the following cases is a leading case on the doctrine of indoor management?

a. Royal British Bank v. Turquand

b. Ashbury Railway Carriage Co v. Riche

c. Salomon v. Salomon & Co Ltd

d. Foss v. Harbottle

Answers

1. C
2. A
3. D
4. C
5. D. In this case, it was held that ultra vires acts shall not be binding on the company, and directors shall themselves be liable for such contracts.
6. A
7. A
8. B
9. B
10. B
11. B
12. D
13. D. The alteration of articles cannot be inconsistent with the conditions contained in the memorandum. Articles are subject to the Memorandum and must not override the MOA

14. D. It is presumed that everyone dealing with the company knows these documents. If he enters into any transaction which is beyond the powers of the company as set out in those documents, he is deemed to have dealt at his own risk and shall bear the consequences
15. A. While the doctrine of constructive notice presumes that outsiders dealing with the company are presumed to know the MOA and AOA, they are not deemed to have constructive notice of any of its procedural failures – Royal British Bank v. Turquand.