

FINAL EXAMINATION

December 2013

P-13(CLC)
Syllabus 2012

Corporate Laws & Compliance

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.
Please answer all parts of a question at one place. Wherever necessary,
the students can make suitable assumptions
and state them clearly in the answer.*

SECTION A

Answer Question No. 1 which is compulsory and any four from rest in this section.

1. (a) A group of promoters approach you for advice regarding the formation of a guarantee company. Advise them briefly about the types of organizations for which it is suitable to form a guarantee company and the advantages that can be derived by registering a guarantee company. 4
- (b) The capital of Sigma Ltd. is Rs. 80 Lakhs, consisting of equity share capital of Rs. 50 Lakhs and redeemable preference share capital of Rs. 30 Lakhs. The preference share capital is to be redeemed before 31st March 2013. The company is running in losses and its total accumulated losses amount to Rs. 20 Lakhs. The company wants to borrow Rs. 30 Lakhs from financial institution to improve its working and also to redeem the preference share capital. Advise. 3
- (c) Sec. 253 of The Companies Act, 1956 provides that no body Corporate, Association or Firm can be appointed Director of a company. Only an individual can be appointed as director. Explain briefly the reasons as to why it is necessary that only an individual should be a Director of a company. 3
- (d) Draft a Directors responsibility statement to be attached in Director's report under The Companies Act, 1956. 5
2. (a) Mr. Ajit was a member of The Competition Commission of India. He retired on 31st March 2012. He was offered the post of Chairperson in Supriya Ltd. with appropriate remuneration and perquisites. Discuss whether he can accept the job. What will be the position if Mr. Ajit joins Gail Ltd., a Government company with effect from 1st April 2013? 4
- (b) Explain with reference to the provisions of The Companies Act, 1956, whether the following companies are covered under the definition of "foreign companies".
 - (i) Indian citizens incorporated a company in Dubai for the purpose of carrying on business there.
 - (ii) A company incorporated in New York, U.S.A., which has a share transfer office at Chennai? 4
- (c) State the rules for disposal of non-banking assets under The Banking Regulation Act, 1949. 4
- (d) A Director claims that he may leave the company any time merely by submitting his resignation without waiting for its acceptance. Discuss whether it is acceptable and valid? 3

Please Turn Over

3. (a) Explain with reference to decided cases, what constitute and what do not constitute oppression of members. 5
- (b) A company declared dividend at an Annual General Meeting for the financial year ended 31st March 2013 without providing for depreciation on certain immovable properties on the ground that these assets were acquired as investment for the purpose of the earning supplementary income, though shown in the balance sheet under the head "Fixed Assets", and not for the purpose of any business carried on by the company. If the company had provided depreciation on the said immovable properties, the company would have suffered loss for the financial year ended 31st March 2013.
Answer the following in the context of the above and with reference of The Companies Act, 1956: 6
- (i) Is it in order for the company to declare dividend for the financial year ended 31st March 2013 without providing for depreciation on certain immovable properties?
- (ii) Is it possible for the Board of Directors of the company to revoke the dividend which has been declared at the Annual General Meeting?
- (iii) Is it possible for the company to claim that depreciation has not been provided in the accounts as the company is not entitled to any depreciation under The Income Tax Act.
- (c) Distinguish between member's voluntary winding up and creditors' voluntary winding up. 4
4. (a) Write a brief note on Conglomerate merger. 5
- (b) In a limited liability partnership (LLP), what are the requirements relating to minimum and maximum number of partners, designated partners and identification numbers for the designated partners? 4
- (c) State the minimum limits for annuities and other benefits secured by policies of life insurance under The Insurance Act, 1938. 4
- (d) Is it legally necessary for the every producer company to appoint a whole-time secretary under the provision of The Companies Act, 1956. 2
5. (a) Mrs. Kavita, an Indian National desires to obtain foreign exchange for the following purpose:
(i) Remittance of US Dollar 30000 for payment for goods purchased from a party situated in Japan.
(ii) Remittance of US Dollar 50000 out of winnings on a lottery ticket.
(iii) Payment to be made for securing insurance for health from a company abroad.
Advise her if she can get the foreign exchange and under what condition? 6
- (b) Explain briefly what type of defaults by the stock brokers come within the purview of Section 15F of SEBI Act, 1992. 3
- (c) State the functions of the regional load dispatch center as per SEC 28 of The Electricity Act, 2003. 4
- (d) Decide under the provision of The Companies Act, 1956, whether notice of a board meeting is required to be sent to an interested director. 2
6. (a) (i) What are the disclosure requirements under The Companies Act, 1956 for making political contribution?
(ii) A mere distributor of company's product cannot become a Sole Selling Agent.—Justify. 4

- (b) Examine whether the following transactions can be considered as a loan to a director requiring approval of the Central Government under SEC 295 of The Companies Act. 4
- (i) A public company secures residential accommodation for the use of its managing director by entering into an arrangement under which the company has to deposit a certain amount with the landlord to secure compliance with the terms of the agreement.
- (ii) A public company purchases a flat which is subsequently sold to a director at the prevailing market price out of which the director pays 50% immediately and contracts to pay the balance in 10 equal annual instalments.
- (c) A was appointed director of the company in its annual general meeting. He took over the office and started acting on behalf of the company as its director. Subsequently it was found that the appointment of the director was not valid because in the meeting where he was appointed certain members who had voted were not qualified to vote and certain members had voted twice by mistake. There were also certain mistakes in the counting of the votes. As such, the appointment of the director was held to be invalid. Would the acts of A, done by him as director be valid and binding upon the company? 3
- (d) The liability of audit fees has been outstanding since last two years. This year after completion of audit, the auditor informs to the secretary of the company over phone to bring the cheque of all the three years and take delivery of the audit report. Discuss briefly the above statement in the context of the right of the auditor to receive remuneration. 4

SECTION B

Answer any five questions from Q. No. 7(a) to 7(f).

5×5=25

7. (a) What is meant by the corporate governance as per renowned exponents in this field? How far do you agree with their views (agree/strongly agree/disagree etc.)?
- (b) As per the revised corporate governance code published in Japan in 2001, discuss the mission and role of (i) Board of Directors and (ii) Committees established within the board.
- (c) What are the possible stages in family firm's governance?
- (d) What are the core elements of the CSR policy as per the CSR voluntary guide lines 2009?
- (e) What do you mean by 'whole life cycle costing'? Explain the role of risk assessment in whole life costing.
- (f) Write short note on:
- (i) Corporate citizenship.
- (ii) Role of independent directors in corporate governance.