

**FINAL EXAMINATION**

June 2014

**P-13(CLC)**  
**Syllabus 2012**

**SUBJECT : 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) What is the effect of the registration of the Memorandum of Association of a company on
- (i) the subscribers of the Memorandum;
  - (ii) such other persons as may from time to time become members of the company;
  - (iii) the company and
  - (iv) outsiders dealing with the company? 4
- (b) A Private Limited Company reports the following position as on 31st March, 2014.
- |                          |           |
|--------------------------|-----------|
| Paid up capital          | ₹ 30 Lacs |
| Revaluation Reserve      | ₹ 10 Lacs |
| Capital Reserve          | ₹ 11 Lacs |
| P & L A/c. (Dr. Balance) | ₹ 2 Lacs  |
- The management of the company contends that CARO 2003 is not applicable to it. Comment. 4
- (c) An Audit Committee of a Public Limited Company constituted under section 292A of the companies Act, 1956 submitted its report of its recommendation to the Board. The Board however did not accept the recommendations. In the light of the situation, State whether :
- (i) The Board is empowered not to accept the recommendations of the Audit Committee.
  - (ii) If so, what alternative course of action, would be Board resort to?
  - (iii) As a chairman of the Audit Committee, how would you respond to the situation? 3
- (d) The Vewar Rural Financial Corporation, Udaipur, established under a special statute issued 7 years bonds to public directly and not through any stock exchange. Decide whether the said Act of the Vewar Rural Financial Corporation is in violation of the provisions of the securities contracts (regulation) Act. 1956. 2
- (e) A producer company wants to issue bonus shares. You are required to state the relevant provisions of the companies Act, 1956 in this regard. 2
2. (a) In what way does the Reserve Bank of India regulate the determination of the loans and advances which can be made by a banking company under the Banking Regulation Act, 1949? 4
- (b) The Directors of Welldone Company Limited are required to file declaration of solvency as they desire to proceed for voluntary winding up of the company. Advise them about the requirements to be followed for the said purpose. 6
- (c) What provisions has been made under section 15G of the SEBI Act, 1992 in connection with penalty for insider trading? 3

**Please Turn Over**

- (d) Mr Kabir is an exporter of goods and services. Explain his duties under Foreign Exchange Management Act, 1999 regarding realization and repatriation of Foreign Exchange on such exports. 2
3. (a) What are the qualifications of appointment of members of State Commission as per Indian Electricity Act, 2003? 3
- (b) Indian citizens incorporated a company in London for the purpose of carrying on business there. Examine with reference to the relevant provisions of the companies Act, 1956 whether it is a "Foreign Company". What would be your answer in case the London Company was incorporated by a company registered in India. 4
- (c) X Ltd. has accumulated losses of ₹ 12 crores. The reserves and surplus of the said company also include "Securities Premium Account" of ₹ 15 crores. The company intends to adjust the accumulated losses against the "Securities Premium Account". Is the company permitted to do so under the provision of the companies Act, 1956? 4
- (d) Somex Ltd. having paid up capital of ₹ 99 Lacs, entered into an agreement for purchase of raw materials worth ₹ 50 Lacs with ABC Private Ltd., in which 2 Directors of the company are the Directors. With the prior approval of the board but before material could be supplied, the paid up capital of the company became ₹ 1.50 crores. The company did not obtain approval of the Central Govt. even after the increase of paid up capital. Decide whether there is any violation of sec. 297. 2
- (e) What are Non performing Asset under the Sarfaesi Act, 2002? 2
4. (a) State briefly the composition of Competition Commission of India. Examine whether the chairperson of the competition commission shall be only a person, who has been or is qualified to be a Judge of a High Court. 3
- (b) On 24th January, 2014, the Board of Directors of BUL Limited appointed Mr. A as the company's sole selling agent for a period of 5 years. At the first general meeting of the company, held after the board meeting, on April 10, 2014, the above appointment was disapproved. Referring to the provisions of the companies Act, 1956.
- (i) State the date from which the above appointment comes to an end.
- (ii) What would be your answer in case a condition in the above appointment that "The appointment must be made by the company in general meeting" was not attached thereto? 4
- (c) "In an Audit of an Insurance Company, the Receipts and Payments account is also subjected to Audit." Justify. 3
- (d) Examine with reference to the provisions of the companies Act, 1956 whether the following Act, of the company is valid :
- The Board of Directors of a company has made a bonafide decision not to declare any dividend for the year ended 31st March, 2013. A group of shareholders complain to the company law board against the above decision of the Board of directors on the ground of mismanagement and wants the company to declare dividend. 3
- (e) DHP LTD. wants to make the liability to its directors unlimited. You are required to state with reference to the provisions of the companies Act, 1956 whether this can be done. 2
5. (a) State your views on the following with reference to the provision of the companies Act, 1956 :
- (i) Complex Ltd, a well reputed manufacturing Public Limited Company has made a contribution of ₹ 2.5 Lacs during the financial year ended, 31-03-13 to a political party for running a school, situated in the village, where most of the workers of the company reside. It is admitted that the benefit of the school is mostly for the children of the workers of the company. The company has not made any profits in the last four years.

- (ii) The statutory Auditor of a Government company have issued a qualified Audit report on the accounts of the company. In his supplementary Audit, the Comptroller and Auditor General of India (C&AG) has also made further qualifications on the accounts of the company.  
But the report of the board of directors of the company is silent on the comments of statutory Auditors and those of C&AG. 3+3=6
- (b) Mr. Prasad is Managing Director of Bapi Ltd. He gave his resignation letter to the Chairman of the Board of Directors on 31st December, 2013, and requested that he should be relieved immediately. When does the resignation of Mr. Prasad take effect? 3
- (c) Advise the Board of Directors of a Limited Company regarding validity and extent of their powers, under the provisions of the companies Act, 1956 in relation to the following matters :
- (i) Buy-Back of the shares of the company, for the first time up to 10% of the paid up equity share capital without passing a special resolution.
- (ii) Delegation of power to the Managing Director of the company to invest surplus funds of the company in the shares of some companies. 2+2=4
- (d) X Ltd. Issued Bonds to the tune of ₹ 100 Lacs and provided security to the tune of ₹ 80 Lacs for the same. It insists that it will disclose the Bonds as "Secured" in the balance sheet of the company. Comment. 2
6. (a) What are the provisions available in the companies Act, 1956 for protection of employees during investigation? 3
- (b) Write a brief note on personal expenses of Directors. 3
- (c) Examine with reference to the provisions of the companies Act, 1956 whether notice of a Board Meeting is required to be sent to the following persons :
- (i) Alternate Director;
- (ii) An interested Director;
- (iii) A Director who has expressed his inability to attend a particular Board Meeting;
- (iv) A Director who has gone abroad. 4
- (d) State the distinction between a Mandatory provision and a Directory provision. 2
- (e) State the powers of the Court about the matters that would be considered while sanctioning the scheme of amalgamation under the provisions of the companies Act, 1956. 3

## SECTION B

Answer any five Questions from Question No. 7(a) to 7(f).

5×5=25

7. (a) Discuss various reasons for Corporate Social Responsibility (CSR)?
- (b) Enumerate the principles of corporate Governance as evolved by OECD?
- (c) Explain the need of corporate Governance in Banks.
- (d) CSR is an integral part of sustainable development. Explain.
- (e) "The development of corporate Governance in the U. K. was initially the findings of a trilogy of codes". Discuss in brief.
- (f) What are the pros and cons of adopting Corporate Social Responsibility?