

FINAL EXAMINATION

June 2015

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.

Answer all the questions.

Students are requested to read the instructions against each individual question also.

All workings must form part of your answer.

Assumptions, if any, must be clearly indicated.

SECTION A

1. Answer *all* questions: 20
- (a) Define the term 'Promoter' as contained in the Companies Act, 2013. 3
- (b) Mr. K is appointed as an Additional Director by the Board of Directors of PNR Company Limited at its meeting held on 1st October, 2014 for a period as permitted by Law. 3
Draft a resolution and state the body which appoints K. 3
- (c) Mr. Balu was on the list of contributories as a member who had transferred his shares within a year before the winding up order. After a call had been made against him by the liquidator, he brought certain debts which were due from the company and claimed a reduction in his liabilities under the calls to the extent of those debts. Is this claim maintainable under Companies Act, 1956? 3
- (d) Dehradun Stock Exchange wants to get itself recognize. What information will have to be provided with the application for recognition under Securities Contracts (Regulation) Act, 1956? 3
- (e) Explain the power of Reserve Bank of India to appoint Additional Director as per Banking Regulation Act, 1949. 3
- (f) Write short note on Corporate Governance Committee. 3
- (g) Discuss briefly the Corporate Citizenship. 2

SECTION B

2. Answer *any four* questions: 15×4= 60
- (a) (i) Mr. Birat is a Director of MEGLOW LTD. He intends to construct a residential building for his own use. The cost of construction is estimated at ₹ 1.00 Crore which Mr. Birat proposes to finance partly from his own sources to the tune of ₹ 50 Lakh and balance ₹ 50 Lakh from housing loan to be obtained from a Housing Finance Company. For the purpose of obtaining the loan, he has approached the housing finance company which has in principle agreed to grant loan, but has put a condition. 4
The condition put by the housing finance company is that MEGLOW LTD. of which Mr. Birat is a Director should provide the guarantee for repayment of the loan and interest as per terms of the proposed agreement for granting the loan to Mr. Birat.
You are required to advise Mr. Birat on the matter keeping in view the relevant provisions of the Companies Act, 2013.

Please Turn Over

- (ii) Mr. B has won a big lottery and wants to remit US Dollar 25,000 out of the winnings to his son who is in USA.
Advise whether such remittance is possible under the Foreign Exchange Management Act, 1999. 2
- (iii) UCO Bank, a Nationalized Bank, acquired on January 1, 2007 a building, fully occupied by various tenants, from Mr. Atanu, the owner of the building in discharging of a term loan advanced to Mr. Atanu who had mortgaged the said Building as security with the said bank and failed to repay the loan. The said bank wants to keep the building permanently with it and earn the rent from tenants.
You are required to state with reference to the provisions of the Banking Regulation Act, 1949, whether the said bank can do so? 4
- (iv) A company incorporated in Malaysia, has established its place of business at Mumbai, what documents are required to be furnished on such establishment of business in India under the Companies Act, 1956. 3
- (v) Mr. Johi held certain partly paid up shares of Ltd. company. The company asked him to pay the final call money on the shares. Due to some unavoidable circumstances he was unable to pay the amount of call money to the company. At a general meeting of the shareholders, the chairman disallowed him to cast his vote on the ground that the articles do not permit a shareholder to vote if he has not paid the calls on the shares held by him. Johi contested the decision of the Chairman. Referring to the provisions of the Companies Act, 2013 decide whether the contention of Johi is valid. 2
- (b) (i) XYZ Private Limited is a company in which there are eight shareholders. Can a member holding less than one-tenth of the share capital of the company apply to the Company Law Board for relief against oppression and mismanagement under the Companies Act, 1956. 3
- (ii) M/s Variety Stores Limited is planning to buy-back of its shares during the current year, but the company has defaulted in the payment of term loan and interest thereon to its bankers. The company seeks your advice as to how and when the company can buy-back its shares under these circumstances as per the provisions of the Companies Act, 2013. 2
- (iii) State with reasons, whether the following statements are correct or incorrect under the Companies Act, 2013:
- (1) Cost audit can be conducted also by Chartered Accountant if in the opinion of the Central Government sufficient numbers of Cost Accountants were not available.
 - (2) The provisions for appointment of directors to be voted individually shall be applicable to only public company or a private company which is a subsidiary of a public company. 1+1=2
- (iv) Explain the provisions regarding directors' responsibility statement as covered under the Companies Act, 2013. 5
- (v) Q Limited has defaulted repayments of dues to a financial institution during the financial year 2013-14 and the same remained outstanding as at March 31, 2014. However, the company settled the total outstanding dues including interest in April, 2014 subsequent to the year end and before completion of the audit. Discuss how you would deal with this matter as per schedule III to the Companies Act, 2013. 3

- (c) (i) Explain the term 'Overriding Preferential Payments' under the provision of the Companies Act, 1956. ABC Limited is being wound-up by the Court. The official liquidator has realized ₹ 100 lakh by selling the land and buildings mortgaged by the company in favour of its bankers. The company owes ₹ 200 lakh to the bank. The bank has claimed that the amount realised by sale of land and buildings must be paid in full to it in preference to the workmen's dues to the extent of ₹ 50 lakh. Examine the bank's claim with reference to the provisions of the Companies Act, 1956. 3+2=5
- (ii) ABC Limited, an Indian insurance company carrying on general insurance business, is facing liquidity problems and, therefore, it has decided to maintain deposits under section 7 of the Insurance Act, 1938 at one per cent of total gross premium written in India. The company thinks that it is sufficient, as the company has a Paid-up Capital of ₹ 150 Crores. What would be your suggestion to the company for compliance of Insurance Act and rules and regulations made there under? 3
- (iii) PKR Ltd. is a securitization and reconstruction company under SRFAESI Act, 2002. The certificate of registration granted to it was cancelled. State the authority which can cancel the registration and the right of PKR Ltd. against such cancellation. 3
- (iv) Explain the provisions under the Companies Act, 1956 for amendment of articles of association of a producer company. 2
- (v) Explain in what way the term 'Illustration' is considered as 'Internal Aid' in the interpretation of statutes. 2
- (d) (i) Telco Ltd. had the following items under the head 'Reserves and Surplus' in the Balance Sheet as on 31st March, 2015.

	Amount ₹ in Lakhs
Capital Reserve	70
Security Premium Reserve	80
General Reserve	70

- The company had an accumulated loss of ₹ 240 Lakhs on the same date, which it has disclosed under the head 'Statement of Profit and Loss' as an asset in its Balance Sheet. Comment on accuracy of this treatment in line with schedule III to the Companies Act, 2013. 4
- (ii) 'Money Laundering' does not mean just siphoning of fund. Comment. 2
- (iii) Under 'The Electricity Act, 2003, Licensee shall not do certain things.' Explain. 4
- (iv) Anu Ltd. and Kirti Ltd. dealing in petro-chemicals made an agreement to jointly produce, supply and distribution of their products. Competition Commission of India (CCI) has received a complaint that agreement is anti-competitive and against the interests of persons dealing in the trade. What factors CCI will take into account to determine whether this agreement has any appreciable adverse effect on competition in the market. Examine. 3
- (v) Explain the provisions of 'Compliance' with regard to clause 49 of Corporate Governance. 2

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- (e) (i) The Board of Directors of Kanu Limited by passing a resolution decides to borrow from the company's bankers an additional sum of ₹ 200 Crores, as long term loan in order to finance the new projects to be taken up shortly.

The company gives you the following financial information:

	₹
Equity Share Capital	100 Crores
Preference Share Capital	50 Crores
General Reserve	25 Crores
Debenture Redemption Reserve	20 Crores
Provision For Taxation	10 Crores

Existing Long Term Loan is ₹ 25 Crores.

Examining the provisions of the Companies Act, 2013, the company seeks your advice about the extent to which the company can borrow from its bankers and also state whether the board of directors' proposal to borrow ₹ 200 Crores is valid. 5

- (ii) There are 9 (nine) directors in a company and out of which 2 offices of the directors have fallen vacant. What will be the quorum for the board meeting under the provisions of the Companies Act, 2013? 2
- (iii) (a) Mumbai Stock Exchange wants to establish additional trading floor. Advise.
(b) Complaints of unethical practices have been received against members of a recognized stock exchange by the Government. Examine whether the Government has any power to suspend the business of such a recognized stock exchange. 2+2
- (iv) What are the circumstances in which an inspector appointed under Sec. 210 of the Companies Act, 2013, can investigate into affairs of related companies? 4

SECTION C

3. Answer any two questions: 10×2= 20
- (a) (i) What are the CORE elements of the Corporate Social Responsibility (CSR) policy as per the CSR Voluntary Guidelines, 2009? 5
- (ii) According to 'Altered Images: The 2001 State of Corporate Responsibility in India Poll' a survey conducted by TATA Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches.—Explain the same. 5
- (b) (i) Risk assessment form a major element in whole life costing. Discuss. 5
- (ii) Discuss corporate brand as CSR initiative to enable corporates to build a stronger brand. 5
- (c) (i) Discuss the issue of subjectivity in Whole Life Cycle Costing(WLCC). 5
- (ii) What is the need for Corporate Governance in India? 5