

**FINAL EXAMINATION**

June 2018

**P-13(CLC)**

**Syllabus 2016**

**Corporate Laws & Compliance**

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

*Answer Question No. 1 which is compulsory carrying 20 marks and answer*

*any five questions from Question No. 2 to question No. 8.*

1. Answer *all* questions mentioned below. Mark the correct answer (only indicate A or B or C or D) and give justification.

Multiple choice questions:

2×10=20

- (i) A company shall have its Registered Office from the date \_\_\_\_\_ of its incorporation.
- (A) 7th day
  - (B) 15th day
  - (C) 30th day
  - (D) one month
- (ii) During any financial year Corporate Social Responsibility Committees of the Board shall be constituted by every Company having
- (A) Turnover of ₹ 5,000 crores or more.
  - (B) A Net Profit of ₹ 2 crores or more.
  - (C) Net Worth of ₹ 5 crores or more.
  - (D) Authorized capital of ₹ 500 crores or more.

**Please Turn Over**

- (iii) Board of every Company shall ensure that the company spends in every financial year on account of CSR Policy at least
- (A) 5% of average Net Profit.
  - (B) 3% of average Net Profit.
  - (C) 2.5% of average Net Profit.
  - (D) 2% of average Net Profit.
- (iv) Under Insolvency Bankruptcy code 2016 where extension of time is requested, the Corporate Resolution process shall be completed within a period of \_\_\_\_\_ from the date of admission of the application to initiate such process.
- (A) 60 days
  - (B) 90 days
  - (C) 180 days
  - (D) 240 days
- (v) According to Banking Regulation Act 1949, no Banking Company shall pay dividend on its shares until all its
- (A) Depreciation is fully written off.
  - (B) "Capitalized expenses" have been completely written off
  - (C) Bad debts are provided in full.
  - (D) Contingent liability is settled.
- (vi) The Director prepared the annual accounts in Director Responsibility Statement on a/an
- (A) Money measurement basis
  - (B) Going concern basis
  - (C) Accrual basis
  - (D) Business Entity basis

- (vii) Accounts and Balance Sheet along with auditor's reports should be filed with Reserve Bank of India within \_\_\_\_\_ from the end of the period to which these relate.
- (A) 3 months
  - (B) 6 months
  - (C) 9 months
  - (D) 12 months
- (viii) A minor can be nominated as a nominee in Life Insurance Policy by its
- (A) Drawer
  - (B) Agent
  - (C) Holder
  - (D) Corporation
- (ix) Which of the following is not the type of unfair competition?
- (A) Collusive price fixing
  - (B) Creation of barriers to entry
  - (C) Tie in purchase
  - (D) Predatory pricing
- (x) Business should \_\_\_\_\_ the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- (A) Accept
  - (B) Respect
  - (C) Reject
  - (D) Object

2. (a) ABC Ltd. having a networth of ₹ 80 crores and turnover of ₹ 30 crores wants to accept deposits from public other than its members. Referring to the provisions of the Companies Act, 2013, state the conditions and the procedures to be followed by ABC Ltd. for accepting deposits from public other than its members. 4
- (b) The Secretary of a company issued a share certificate to 'Prem' under the company's seal with his own signature and the signature of a Director forged by him. 'Prem' borrowed money from 'Amar' on the strength of this certificate. 'Amar' wanted to realise the security and requested the company to register him as a holder of the shares. Explain whether 'Amar' will succeed in getting the share registered in his name. Explain with the help of the doctrine of 'Indoor management' in brief. 4
- (c) (i) X Ltd. appointed CA Innocent as a statutory auditor for the company for the current financial year. Further the company offered him the services of actuarial, investment advisory and investment banking which was also approved by the Board of Directors. Comment.
- (ii) Universal, a foreign company, incorporated in Australia was carrying on its business in Delhi related to manufacturing of automobile parts. Due to failure of its compliance with the respective law of the country under which it was incorporated, it was ceased to exist. Decide in the light of the Companies Act, 2013 the status of the company and the effect on the Conduct of Business in India. 5+3=8
3. (a) There are four directors in Shine Paper Limited. Mr. Madhav, being the director in station, has been authorized to draw and endorse cheque or other negotiable instruments on account of the company and also to direct registration of transfer of shares and signing the share certificates etc. Evaluate whether he will be treated as Managing Director of the company. Also recommend the procedure of appointment of a Managing Director in a company in the light of the Companies Act, 2013. 6

(b) Examine the following aspect related to convening of board meeting with reference to the provisions of the Companies Act, 2013:

(i) The Chairman of Greenhouse Limited convened a board meeting and two weeks' notice was served on all directors of the company. Two of the independent directors on the board objected on the grounds that no proper agenda for the meeting was circulated.

(ii) Purple Florence Limited proposes to hold its board meeting at a shorter notice through video conferencing. 7

(c) State briefly the composition of SERIOUS FRAUD INVESTIGATION OFFICE (SFIO) under the Companies Act, 2013. 3

4. (a) Winding up proceedings has been commenced by the Tribunal against Paramount Limited, a government company (Central Government is a member). Even after completion of one year from the date of commencement of winding up proceedings, it has not possible to conclude the same. The liquidator is of the opinion that the statement shall be filed with tribunal and registrar only.

(i) Decide validity to the opinion made by the liquidator and penalty that can be imposed on the liquidator for contravention of the provision as per the Companies Act, 2013.

(ii) Discuss, if the Paramount Limited is a non-government company. 7

(b) State the law with respect to the Establishment of Special Court. Mr. A is Judicial Magistrate in a Lower Court. He was appointed to hold the office of the Special Court for the speedy disposal of the pending cases under the Act. Decide as per the applicable provisions of the Companies Act, 2013, whether the appointment of Mr. A is tenable. 4

(c) (i) State the different types of Penalties prescribed under the Companies Act, 2013.

(ii) State the provisions of the companies Act, 2013 relating to preservation of books and papers of amalgamated Companies. 3+2=5

5. (a) List out the main features of a qualified and independent audit committee to be set up under SEBI (listing obligations and disclosure Requirements) Regulations, 2015. 5
- (b) Upon an enquiry made by the Competition Commission of India it was found that Huge Limited is enjoying dominant position in the market and there is every possibility that the company may abuse its dominant position. In order to overcome such a possible situation, the Competition Commission of India wants to order for division of Huge Limited. Referring to the provisions of the Competition Act, 2002, describe the matters which may be provided in the said order. 5
- (c) (i) A group of shareholders consisting of 25 members decide to file a petition before the Tribunal for relief against oppression and mismanagement by the Board of Directors of M/s Fly By Night Operators Ltd. The company has a total of 300 members and the group of 25 members holds one-tenth of the total paid-up share capital accounting for one-fifteenth of the issued share capital. The main grievance of the group is that due to mismanagement by the board of directors, the company is incurring losses and the company has not declared any dividend even when profits were available in the past years for declaration of dividend. In the light of the provisions of the Companies Act, 2013, advise the group of shareholders regarding the success of (I) getting the petition admitted and (II) obtaining relief from the Tribunal.
- (ii) Mr. Arnab, one of the Directors of Aim Insurance Company Limited had taken some life insurance policies from the company. He, now, wants to avail a temporary loan from the company. The company refused to grant such loan on the ground that there is a prohibition in this regard. Mr. Arnab, approached you, now, about the matter. Advise him with reference to the Insurance Laws Amendment Act, 2015 as well as Section 185 of the Companies Act, 2013, whether such loan can be obtained by him. 3+3=6
6. (a) Popular Limited defaulted in the repayment of term loan taken from a Bank against security created as a first charge on some of its assets. The Bank issued notice pursuant to Section 13 of the SARFAESI Act, 2002 to the Company to discharge its liabilities within a period of 60 days from the date of the notice. The company failed to discharge its liabilities within the time limit specified. Identify and explain the measures to be taken by the Bank to enforce its security interest under the said Act. 4

(b) Ms. Ashima, daughter of Mr. Mittal (an exporter), is residing in Australia since long. She wants to buy a flat in Australia. Since she is unmarried, she wants to make her father Mr. Mittal a joint holder in that flat, for which entire proceeds are to be paid by her.

(i) State the provisions of FEMA governing such type of transaction.

(ii) On Applying the relevant provisions, can Mr. Mittal join his daughter in acquiring such a flat in Australia? 4

(c) (i) State the manner of initiation of corporate insolvency resolution process by financial creditor under the Insolvency and Bankruptcy Code, 2016.

(ii) State the qualification for appointment as Presiding Officer or member of securities Appellant Tribunal (Section 15M). 5+3=8

7. (a) Vijay, a director, resigns after giving due notice to the company and he forwards a copy of resignation in e-form DIR-11 to the Registrar of Companies (RoC) within the prescribed time. What would be the status of Vijay if the company fails to intimate about the resignation of Vijay to RoC? 4

(b) Sohan Lal, a farmer, was found involved in embezzlement of opium cultivated by him. State the punishment that can be awarded to him under the Prevention of Money Laundering Act, 2002. 3

(c) (i) Explain the concept of Corporate Social Responsibility and its meaning to different people.

(ii) State the causes and methods adopted for generation of Black Money. 6+3=9

8. Write short notes on *any four* of the following:

4×4=16

- (a) Types of listing
  - (b) Guidance on implementation of principles and Core Elements. (National Voluntary Guidelines 2011)
  - (c) Disadvantages of the family Businesses over non-family Businesses
  - (d) Applicability of Insolvency and Bankruptcy Code 2016
  - (e) Activities not to be considered as CSR Activities
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