

Paper13- Corporate Laws and Compliance

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Paper-13: Corporate Laws and Compliance

Full Marks: 100

Time allowed:3 hours

Section A

1. Answer all questions mentioned below. Mark the correct answer (only indicate A or B or C or D) and give justification . [2 × 10 = 20]

Multiple choice question

- (i) According to Section 2 (62) of the Companies Act, 2013 'One Person Company' means a company which has only one person as a member. A company formed under one-person company may be either:
- (A) A company limited by shares, or
 - (B) Company limited by guarantee, or
 - (C) An unlimited company.
 - (D) All three above
- (ii) Dormant company is formed and registered under this Act –
- (A) for a future project
 - (B) to hold an asset
 - (C) intellectual property and has no significant accounting transaction
 - (D) All of the above
- (iii) Unpaid dividend, after 7 years is transferred to
- (A) Profit and loss account of the company
 - (B) Investor Education and Protection Fund
 - (C) Reserve Bank of India
 - (D) None of the above
- (iv) A company has 15 directors but intends to appoint more. It has to take approval of:
- (A) Board of Directors
 - (B) Shareholders through special resolution
 - (C) Central Govt.
 - (D) None of the above
- (v) SEBI has three functions rolled into one body. Which of the following is not the function of SEBI?
- (A) Quasi-legislative
 - (B) Quasi-judicial
 - (C) Quasi-executive
 - (D) Quasi-official
- (vi) According to Banking Regulation Act 1949, no Banking Company shall pay dividend on its shares until all its

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- (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.

(vii) 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

(viii) The Commission also has the power to impose a fine which may extend up to of the total turnover or the assets of the combination, whichever is higher, for failure to give notice to the Commission of the combination.

- (A) 2%
- (B) 1%
- (C) 0.5%
- (D) 3%

(ix) The Companies Act, 2013 specified "Small Shareholder" as a shareholder holding _____ shares of nominal value of not more than:

- (A) Rs 15,000
- (B) Rs 20,000
- (C) Rs 25,000
- (D) Rs 30,000

(x) Insolvency and Bankruptcy code 2016 is not applicable on:

- (A) Financial Service Providers
- (B) Partnership Firms and Individuals
- (C) Limited Liability Partnership (LLP)
- (D) Companies Incorporated under Companies Act.

Answer:

i	D	According to Section 2 (62) of the Companies Act, 2013 'One Person Company' means a company which has only one person as a member. A company formed under one person company may be either: (a) A company limited by shares, or (b) Company limited by guarantee, or (c) An unlimited company.
ii	D	As per Companies Act, 2013, where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar in such manner as may be prescribed for obtaining the status of a dormant company.
iii	A	Under section 124 of the Act, unpaid dividend shall be transferred to Investor Education and Protection Fund. Till that time, shareholder can claim from the company. Once it is transferred to funds, shareholders can claim from the Fund.
iv	B	As per section 149(1)(b) of the Act, if a company intends to appoint more than 15 directors, it has to take approval of shareholders through special resolution.

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v	D	SEBI has three functions rolled into one body. Quasi Legislative, Quasi-judicial and Quasi-executive.
vi	B	Sec. 15 prohibits every Banking Co. from paying any dividend on its share until all its capitalized expense completely written off.
vii	C	Tie in purchase is not the type of unfair competition.
viii	B	he Commission also has the power to impose a fine which may extend to one per cent of the total turnover or the assets of the combination, whichever is higher, for failure to give notice to the Commission of the combination
ix	B	According to Section 151 of the Companies Act, 2013, "small shareholder" means a shareholder holding shares of nominal value of not more than Rs 20,000 or such other sum as may be prescribed.
x	A	The Insolvency and Bankruptcy Code, 2016 (IBC) is the bankruptcy law of India. The aim of this code is to consolidate the existing framework by creating a single law for insolvency and bankruptcy. The provision of this code is applicable to any company incorporated under the companies act 2013, or under any previous law, limited liability partnership (LLP) incorporated under LLP Act, 2008. Partnership firm and individuals, and any other body incorporated under any law for the time being in force. The I&B Code is applicable to the corporate person only when the amount of default is not less than one lakh rupees and not more than one crore rupees.

Section B

Answer any Five Question [16 X 5 =80]

2. (a) **What is the procedure which has to be followed by the company while transferring unpaid or unclaimed dividend from unpaid dividend account to IEPF.** [8]
- (b) **Powers of the Board to be exercised by the Board by means of the resolution passed at a duly convened Board meeting.** [8]

Answer:

2(a) The following procedure should be followed by the company while transferring unpaid or unclaimed dividend from unpaid dividend account to IEPF:

- (1) Section 124(5) of the Act, provides that any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer is required to be transferred by the company along with interest accrued, if any, thereon to the Investor Education and Protection Fund (IEPF) established under Section 125.
- (2) The amount shall be remitted into the specified branches of State Bank of India or any other nationalized bank along with challan (in triplicate) within a period of 90 days of such amount becoming due to be credited to the IEPF. The Bank will return two copies duly stamped to the Company as token of having received the amount and the company shall file one such copy of challan to the authority.
- (3) The company shall send a statement of amount credited to Investor Education and Protection Fund in Form DIV 5 to the authority which administer the fund and the authority shall issue a receipt to the company as evidence of such transfer.
- (4) On receipt of this statement, the authority shall enter the details of such receipts in a register maintained by it in respect of each company every year and reconcile the amount.
- (5) The company shall keep a record consisting of names, last known addresses of the persons entitled to receive the same, the amount to which each person is entitled, folio number/ client ID, certificate number, beneficiary details etc. of the persons in respect of whom amount has been remain unpaid or unclaimed for 7 years and transferred to IEPF. Such record shall be maintained for a period of 8 years from the date of such transfer to IEPF and authority shall have the powers to inspect such records.

- 2(b)** Powers of the Board to be exercised by the Board by means of the resolution passed at a duly convened Board meeting [Section 179 (3)]:
- (1) to make calls on shareholders in respect of money unpaid on their shares;
 - (2) to authorise buy-back of securities under section 68;
 - (3) to issue securities, including debentures, whether in or outside India;
 - (4) to borrow monies;
 - (5) to invest the funds of the company;
 - (6) to grant loans or give guarantee or provide security in respect of loans;
 - (7) to approve financial statement and the Board's report;
 - (8) to diversify the business of the company;
 - (9) to approve amalgamation, merger or reconstruction;
 - (10) to take over a company or acquire a controlling or substantial stake in another company;
 - (11) any other matter which may be prescribed (e) Additionally, Rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 has prescribed certain more powers that shall also be exercised by the Board of Directors only by means of resolutions passed at meetings of the Board: (1) to make political contributions; (2) to appoint or remove KMP (3) to appoint internal auditors and secretarial auditor; Vide Notification No. G.S.R. 206(E) dated 18th March, 2015, in rule 8 item numbers(3),(5),(6),(7),(8),and (9) and the entries relating thereto have been omitted by the Companies (Meetings of Board and its Powers) Amendment Rules, 2015.

3(a) Explain the role of committee of creditors under Insolvency and bankruptcy code 2016. [10]

(b) 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]

Answer:

- 3(a)** In following cases, resolution professional can take action only with prior approval of committee of creditors, with 66% voting in favour [Section 28(1) of Insolvency and Bankruptcy Code, 2016].
- (a) Raise any interim finance in excess of the amount as may be decided by the committee of creditors in their meeting.
 - (b) Create any security interest over the assets of the corporate debtor.
 - (c) Change the capital structure of the corporate debtor, including by way of issuance of additional securities, creating a new class of securities or buying back or redemption of issued securities in case the corporate debtor is a company.
 - (d) Record any change in the ownership interest of the corporate debtor.
 - (e) Give instructions to financial institutions maintaining accounts of the corporate debtor for a debit transaction from any such accounts in excess of the amount as may be decided by the committee of creditors in their meeting.
 - (f) Undertake any related party transaction
 - (g) Amend any constitutional documents of the corporate debtor
 - (h) Delegate its authority to any other person.
 - (i) Dispose of or permit the disposal of shares of any shareholder of the corporate debtor or

their nominees to third parties.

- (j) Make any change in the management of the corporate debtor or its subsidiary.
- (k) Transfer rights or financial debts or operational debts under material contracts otherwise than in the ordinary course of business.
- (l) Make changes in the appointment or terms of contract of such personnel as specified by the committee of creditors; or
- (m) Make changes in the appointment or terms of contract of statutory auditors or internal auditors of the corporate debtor.

3(b) Managing Director [Section 2(54)]: Section 2(54) of the Companies Act, 2013 defines a "Managing Director" as a director who is entrusted with substantial powers of management of the affairs of the company by:

- (a) virtue of articles of a company, or
- (b) an agreement with the company, or
- (c) a resolution passed in its general meeting, or by its Board of Directors, and includes a director occupying the position of the managing director, by whatever name called.

Explanation to Section 2 (54) clarifies that substantial powers of the management shall not be deemed to include the power to do such administrative acts of a routine nature when so authorised by the Board such as:

- (i) the power to affix the common seal of the company to any document or
- (ii) to draw and endorse any cheque on the account of the company in any bank or
- (iii) to draw and endorse any negotiable instrument or
- (iv) to sign any certificate of share or
- (iv) to direct registration of transfer of any share.

In the instant case, Mr. Madhav, a director in Shine Paper Limited 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. Hence, according to explanation to section 2(54), Mr. Madhav will not be treated as managing director of the company as he is authorized to do administrative acts of a routine nature.

Procedure of appointment of a managing director [Section 196(4)]

1. Subject to the provisions of section 197 and Schedule V, a managing director shall be appointed, and the terms and conditions of such appointment and remuneration payable be approved by the Board of Directors at a meeting.
2. The terms and conditions and remuneration approved by Board of Directors as above shall be subject to the approval of shareholders by a resolution at the next general meeting of the company.
3. In case such appointment is at variance to the conditions specified in the Schedule V of the Companies Act, 2013, the appointment shall be approved by the Central Government.
4. The notice convening Board or general meeting for considering such appointment shall include the terms and conditions of such appointment, remuneration payable and such other matters including interest, of a director or directors in such appointments, if any.
5. A return in the prescribed form (Form No. MR.1) along with the prescribed fee shall be

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filed with the Registrar within sixty days of such appointment.

- 4(a) Discuss the process of Merger or Amalgamation of an Indian company with a foreign company as per Companies act, 2013. [8]**
(b) How the selection of the members of the NCLT and NCLAT be made under Section 412 of the Companies Act, 2013 [8]

Answer

4(a) Section 234 (2) Subject to the provisions of any other law for the time being in force, a foreign company, may with the prior approval of the Reserve Bank of India, merge into a company registered under this Act or vice versa and the terms and conditions of the scheme of merger may provide, among other things, for the payment of consideration to the shareholders of the merging company in cash, or in Depository Receipts, or partly in cash and partly in Depository Receipts, as the case may be, as per the scheme to be drawn up for the purpose.

For the purposes of Sub-Section (2), the expression 'foreign company' means any company or body corporate incorporated outside India whether having a place of business in India or not. Section 234 (1) states that the provisions of this Chapter unless otherwise provided under any other law for the time being in force, shall apply mutatis mutandis to schemes of mergers and amalgamations between companies registered under this Act and companies incorporated in the jurisdictions of such countries as may be notified from time to time by the Central Government. The Central Government may make rules, in consultation with the Reserve Bank of India, in connection with mergers and amalgamations provided under this Section.

- 4(b)** Section 412 of the Act contains the provisions as to Selection of Members of Tribunal and Appellate Tribunal. According to this Section:
- (a) The President of the Tribunal and the chairperson and Judicial Members of the Appellate Tribunal shall be appointed after consultation with the Chief Justice of India. [Section 412(1)].
 - (b) The Members of the Tribunal and the Technical Members of the Appellate Tribunal shall be appointed on the recommendation of a Selection Committee. [Section 412 (2)].
 - (c) Constitution of selection Committee: The selection committee shall consist of:
 - (1) Chief Justice of India or his nominee Chairperson.
 - (2) a senior Judge of the Supreme Court or a Chief Justice of High Court - Member.
 - (3) Secretary in the Ministry of Corporate Affairs - Member.
 - (4) Secretary in the Ministry of Law and Justice – Member, andWhereas, the Secretary, Ministry of Corporate Affairs shall be the Convener of the Selection Committee [Section 412 (3)].
 - (d) Functioning of the Selection committee: The Selection Committee shall determine its procedure for recommending persons for the appointment of the members of the Tribunal and the technical members of the Appellate Tribunal [Section 412 (4)].
 - (e) No appointment of members shall be invalid: No appointment of the Members of the Tribunal or the Appellate Tribunal shall be invalid merely by reason of any vacancy or any defect in the constitution of the Selection Committee. [Section 412(5)].

Therefore, the President of the Tribunal and the Chairperson and the Judicial Members of the Appellate Tribunal shall be appointed after consultation with the Chief Justice of India. The members of the Tribunal and the Technical Members of the Appellate Tribunal shall be appointed on recommendation of a Selection committee. The constitution of the selection committee has been provided in the Act. Convener to Selection Committee shall be the Secretary, Ministry of Corporate Affairs.

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Selection Committee has been allowed to determine its procedure for recommending persons. However, in case of tie on any matter a chairman shall have a casting vote.

- 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** [8]
(b) Explain the provisions as to Prohibition of certain agreements under Chapter II of Competition Act, 2002 [8]

Answer:5(a)

The main features of a qualified and independent audit committee to be set up under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as follows:

1. The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors;
2. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise; Explanation (I): The term "financially literate" means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows. Explanation (ii): A member will be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.
3. The Chairperson of the Audit Committee shall be an independent director;
4. The Chairperson of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries;
5. The Audit Committee at its discretion shall invite the finance director or the head of the finance function, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the committee; provided that occasionally, the Audit Committee may meet without the presence of any executives of the listed entity.;
6. The Company Secretary shall act as the secretary to the committee.

- 5(b)** Chapter II of the Competition Act, 2002 deals with Prohibition of certain Agreements along with Abuse of Dominant Position and Regulation of Combinations.

An anti-competitive agreement is an agreement having appreciable adverse effect on competition. Anti-competitive agreements include, but are not limited to:

- (1) agreement to limit production and/or supply.
- (2) agreement to allocate markets.
- (3) agreement to fix price.
- (4) bid rigging or collusive bidding.
- (5) conditional purchase/sale (tie-in arrangement).
- (6) exclusive supply/distribution arrangement.
- (7) resale price maintenance. And
- (8) refusal to deal.

(b) Section 3(1) of the Competition Act provides that no enterprise or association of enterprises or person or association of persons shall enter into any agreement in respect of production, supply, distribution, storage, acquisition or control of goods or provision of services, which causes or is likely to cause an appreciable adverse effect on competition, the market or any other similar way, and

- (4) directly or indirectly results in bid rigging or collusive bidding, shall be presumed to have an appreciable adverse effect on the competition and onus to prove otherwise lies on the defendant. The explanation appended to the Section 3 defines the term 'bid rigging' as any agreement between enterprises or persons which has the effect of eliminating or reducing competition for bids or adversely affecting or manipulating the process for bidding. Efficiency enhancing joint ventures entered into by parties engaged in identical or similar goods or services, shall not be presumed to have appreciable adverse effect on competition but judged by rule of reason. The term 'cartel' used in the Section is the most severe form of entering into 'anti competitive agreements' and has been defined in Section 2(c). Bid rigging takes place when bidders collude and keep the bid amount at a pre-determined level. Such pre-determination is by way of intentional manipulation by the members of the bidding group. Bidders could be actual or potential ones, but they

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collude and act in concert.

Section 3(2) further declares that any anti-competitive agreement within the meaning of sub-Section 3(1) shall be void. Under the law, the whole agreement is construed as void if it contains anti-competitive clauses having appreciable adverse effect on competition. Section 3(3) provides that following kinds of agreements entered into between enterprises or association of enterprises or persons or associations of persons or person or enterprise or practice carried on, or decision taken by any association of enterprises or association of persons, including cartels, engaged in identical or similar goods or services which:

- (1) directly or indirectly determines purchase or sale prices.
- (2) limits or controls production, supply, markets, technical development, investment or provision of services.
- (3) shares the market or source of production or provision of services by way of allocation of geographical area of market, or type of goods or services, or number of customers in

6(a) What are the prohibited sectors for FDI in India?

[10]

(b) State the "Insurable Interest"—based on the Insurance Act, 1938.

[6]

Answer:6(a)

FDI is prohibited in:

- (1) Lottery Business including Government / private lottery, online lotteries, etc.
- (2) Gambling and betting including casinos etc.
- (3) Chit funds.
- (4) Nidhi company.
- (5) Trading in Transferable Development Rights (TD'Rs').
- (6) Housing and Real Estate Business or Construction of Farm Houses 'Real estate business' shall not include development of townships, construction of residential / commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations 2014.
- (7) Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
- (8) Activities/ sectors not open to private sector investment e.g.,
 - a) Atomic Energy and
 - b) Railway operations (other than permitted activities).

Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business and Gambling and Betting activities. Investments in India have to be in accordance with any one of the schedules to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000. There are nine schedules to the Regulations.

Investments can be made by non-residents in the equity shares/fully, compulsorily and mandatorily convertible debentures/fully, compulsorily and mandatorily convertible preference shares of an Indian company, through the Automatic Route or the Government Route which is also alternatively referred to as the approval route. Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from Government of India for the investment. Under the Government Route, prior approval of the Government of India is required. Proposals for foreign investment under Government route, are considered by respective administrative ministry of central government. Various filing are required to be made to RBI in automatic route.

6(b) Insurable Interest

To constitute insurable interest, it must be an interest such "that the risk would by its proximate effect cause damage to the assured, that is to say, cause him to lose a benefit or incur a liability.

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The validity of an insurance contract in India is dependent on the existence of an insurable interest in the subject matter. The person seeking an insurance policy must establish some kind of interest in the life or property to be insured, in the absence of which, the insurance policy would amount to a wager and consequently void in nature.

The test for determining if there is an insurable interest is whether the insured will in case of damage to the life or property being insured, suffer pecuniary loss [New India Insurance Company Ltd. v. G.N. Sainani (1997) 6 SCC 383]. A person having a limited interest can also insure such interest.

Insurable interest varies depending on the nature of the insurance. The controversy as to the existence of an insurable interest between spouses was settled by the court, which held that such an interest could exist as neither was likely to indulge in any 'mischievous game'. The same analogy may be extended to parents and children. Further, the courts have also held that such an insurable interest would exist for a creditor (in a debtor) and for an employee (in an employer) to the extent of the debt incurred and the remuneration due, respectively.

The existence of insurable interest at the time of happening of the event is another important consideration. In case, of life and personal accident insurance it is sufficient if the insurable interest is present at the time of taking the policy. However, in the case of fire and motor accident insurance the insurable interest has to be present both at the time of taking the policy and at the time of the accident. The case is completely different with marine insurance wherein there need not be any insurable interest at the time of taking the policy.

7(a) State the OECD Principles of Corporate Governance

[8]

(b) Benefit of CSR programme

[8]

Answer:7(a) OECD Principles of Corporate Governance

In response to a call by its council, the OECD issued the OECD Principles of Corporate Governance in 1999 after extensive consultations. These were later revised in 2004 following a comprehensive survey of corporate governance practices in and outside the OECD area. Since their launch, the principles have formed the basis for corporate governance initiatives in both OECD and non-OECD countries alike. They represent the minimum standard that countries with different traditions have agreed on, being applicable to countries with a civil and common law tradition without being unduly prescriptive.

The principles have been devised with four fundamental concepts in mind: responsibility, accountability, fairness and transparency and enabling diversity of rules and regulations. They outline the following:

- (1) the basis for an effective corporate governance framework.
- (2) the rights of shareholders.
- (3) equitable treatment of shareholders.
- (4) the role of stakeholders in corporate governance.
- (5) disclosure and transparency, and
- (6) the responsibilities of the board.

The 2004 revisions covered four main areas:

- (1) a new set of principles on the development of regulatory framework to underpin corporate governance mechanisms for implementation and enforcements.
- (2) additional principles to strengthen the exercise of informed ownership by shareholders that call

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on institutional investors to disclose their corporate governance policies and to strengthen the rights of shareholders when choosing Board members.

(3) strengthened principles to reinforce Board oversight and enhance Board members' independent judgment, and (4) new and strengthened principles to contain conflicts of interest through enhanced disclosure and transparency (for example, on related party transactions), thus making auditors more accountable to shareholders and promoting auditors' independence.

7(b) Benefits of CSR programme As the business environment gets increasingly complex and stakeholders become vocal about their expectations, good CSR practices can only bring in greater benefits, some of which are as follows:

- (a) Communities provide the licence to operate: Apart from internal drivers such as values and ethos, some of the key stakeholders that influence corporate behaviour include governments (through laws and regulations), investors and customers. In India, a fourth and increasingly important stakeholder is the community and many companies have started realising that the 'licence to operate' is no longer given by governments alone, but communities that are impacted by a company's business operations. Thus, a robust CSR programme that meets the aspirations of these communities not only provides them with the licence to operate, but also to maintain the licence, thereby precluding the 'trust deficit'.
- (b) Attracting and retaining employees: Several human resource studies have linked a company's ability to attract, retain and motivate employees with their CSR commitments. Interventions that encourage and enable employees to participate are shown to increase employee morale and a sense of belonging to the company.
- (c) Communities as suppliers: There are certain innovative CSR initiatives emerging, wherein companies have invested in enhancing community livelihood by incorporating them into their supply chain. This has benefitted communities and increased their income levels, while providing these companies with an additional and secure supply chain.
- (d) Enhancing corporate reputation: The traditional benefit of generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programmes. This allows companies to position themselves as responsible corporate citizens.

8. Write short notes any four of the following:

4X4=16

- (a) Types of Listing
- (b) Grant of recognition to Stock Exchanges—Conditions, Section 4(2) SCRA, 1956
- (c) Define (i) Capital account transaction (ii) Depository receipt
- (d) CSR can mean different things to different people. Explain
- (e) Inquiry by the Registrar [(Section 206(4)]

Answer:

8(a) Types of Listing

Listing of securities falls under 5 groups:

- (1) Initial listing: If the shares or securities are to be listed for the first time by a company on a stock exchange is called initial listing.
- (2) Listing for Public Issue: When a company whose shares are listed on a stock exchange comes out with a public issue of securities, it has to list such issue with the stock exchange.
- (3) Listing for Rights Issue: When companies whose securities are listed on the stock exchange

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issue further securities to existing share holders on rights basis, it has to list such rights issues on the concerned stock exchange.

(4) Listing of Bonus Shares: Companies issuing shares as a result of capitalization of profits through bonus issue shall list such issues also on the concerned stock exchange.

(5) Listing for merger or amalgamation: When new shares are issued by an amalgamated company to the share holders of the amalgamating company, such shares are also required to be listed on the concerned stock exchange.

8(b) Grant of recognition to stock exchanges - Conditions: Section 4(2), SCRA, 1956 The conditions may include, condition relating to:

- 1) qualification for Membership of the Stock Exchange.
- 2) manner in which contracts shall be entered into and enforced as between members.
- 3) representation of the Central Government on the Stock Exchange (not exceeding 3 nominated by the Central Government,)
- 4) maintenance of Accounts of members and their audit by Chartered Accountants whenever audit is required by the Central Government.

8(c) Under FEMA , 'capital account transaction' means a transaction which alters the assets or liabilities, including contingent liabilities, outside India of persons resident in India or assets or liabilities in India of persons resident outside India. Depository Receipt (DR)

Depository Receipt (DR) means a negotiable security issued outside India by a Depository bank, on behalf of an Indian company, which represent the local Rupee denominated equity shares of the company held as deposit by a Custodian bank in India. In other words, it is a foreign currency denominated instrument, issued by foreign depository on the books of securities transferred to it by the company. DRs are traded on Stock Exchanges in the US, Singapore, Luxembourg, etc. DRs listed and traded in the US markets are known as American Depository Receipts (ADRs) and those listed and traded anywhere/elsewhere are known as Global Depository Receipts (GDRs). DRs are governed by Notification No. FEM

8(d) CSR can mean different things to different people:

for an employee it can mean fair wages, no discrimination, acceptable working conditions etc.
for a shareholder it can mean making responsible and transparent decisions regarding the use of capital.

for suppliers it can mean receiving payment on time.

for customers it can mean delivery on time, etc.

for local communities and authorities it can mean taking measures to protect the environment from pollution.

for non-governmental organisations and pressure groups it can mean disclosing business practices and performance on issues ranging from energy conservation and global warming to human rights and animal rights, from protection of the rainforests and endangered species to child and forced labour, etc.

For a company, however, it can simply be seen as responding to the needs and concerns of people who can influence the success of the company and/or whom the company can impact through its business activities, processes and products.

8(e) Inquiry by the Registrar [Section 206(4)]

(1) The Registrar may call on the company to furnish in writing any information or explanation on matters specified in the order within such time as he may specify therein and carry out such inquiry as he deems fit after providing the company a reasonable opportunity of being heard, if

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the Registrar is satisfied :

- (a) on the basis of information available with or furnished to him, or
 - (b) on a representation made to him by any person that the business of a company is being carried on for a fraudulent or unlawful purpose or not in compliance with the provisions of this Act, or
 - (c) the grievances of investors are not being addressed.
- (2) Before calling the company to furnish in writing any information or explanations and carrying out inquiry, the Registrar has to inform the company of the allegations made against it by a written order. (3) The Central Government may, if it is satisfied that the circumstances so warrant, direct the Registrar or an Inspector appointed by it for the purpose to carry out the inquiry under this sub-section. (4) It is further provided that where business of a company has been or is being carried on for a fraudulent or unlawful purpose, every officer of the company who is in default shall be punishable for fraud in the manner as provided in section 447.

