

Paper-13: CORPORATE LAWS AND COMPLIANCE

PTP_Final_Syllabus 2012_Dec 2014_Set 1

	Learning objectives	Verbs used	Definition
LEVEL C	KNOWLEDGE What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION What you are expected to understand	Describe	Communicate the key features of
		Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identify	Recognize, establish or select after consideration
		Illustrate	Use an example to describe or explain something
	APPLICATION How you are expected to apply your knowledge	Apply	Put to practical use
		Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
		Solve	Find an answer to
		Tabulate	Arrange in a table
	ANALYSIS How you are expected to analyse the detail of what you have learned	Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
		Construct	Build up or compile
		Prioritise	Place in order of priority or sequence for action
		Produce	Create or bring into existence
	SYNTHESIS How you are expected to utilize the information gathered to reach an optimum conclusion by a process of reasoning	Discuss	Examine in detail by argument
		Interpret	Translate into intelligible or familiar terms
Decide		To solve or conclude	
EVALUATION How you are expected to use your learning to evaluate, make decisions or recommendations	Advise	Counsel, inform or notify	
	Evaluate	Appraise or asses the value of	
	Recommend	Propose a course of action	

Paper-13: CORPORATE LAWS AND COMPLIANCE

Full Marks: 100

Time Allowed: 3 Hours

This paper contains 3 questions. All questions are compulsory, subject to instructions provided against each question. All workings must form part of your answer. Assumptions, if any, must be clearly indicated.

Question 1: Answer all questions

[20 Marks]

- (i) Asha Pvt Ltd Co is having only 5 members. All the members of the company were travelling by car to go to a business meeting. An accident took place and all of them died on the spot. Answer with reasons with reference to Companies Act, 2013 whether the existence of Asha Ltd. has also come to an end. [3]
- (ii) Virat Ltd. wants to be a small company. What are the conditions that need to be satisfied? [3]
- (iii) When can dividend be held in abeyance? [3]
- (iv) Mr. Angad, a former bank executive, was convicted by a court eight years ago for embezzlement of funds and was sentenced to imprisonment for one year. Can Mr. Angad become the director of Sushma Jewelers Ltd., a public company? [3]
- (v) Mr. Sundeep, a director states that he will not be able to attend the next Board meeting. Advise whether notice is required to be sent to him. [3]
- (vi) Write a note on Smith Report (2003). [3]
- (vii) State the elements of Ethics. [2]

Question 2: Answer any four questions

[60 Marks]

Question 2(a)

- (i) The paid up share capital of Vishnu Private Ltd. is ₹ one crore consisting of 8,00,000 equity shares of ₹ 10 each fully paid up and 2,00,000 cumulative preference shares of ₹ 10 each fully paid up. Priya Pvt. Ltd. and Radha Pvt. Ltd. are holding 3,00,000 equity shares and 1,50,000 equity shares respectively in Vishnu Private Ltd. Priya Pvt. Ltd. and Radha Pvt. Ltd. are the subsidiaries of Parvati Estates Pvt. Ltd. Examine with reference to the provisions of the Companies Act, 2013 whether Vishnu Private Ltd. is a subsidiary of Parvati Estates Pvt. Ltd. Will

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your answer be different, if Parvati Estates Pvt. Ltd. controls the composition of Board of Directors of Vishnu Private Ltd.?

- (ii) Ms. Preeti the secretary of Strong Limited issues a Share certificate in favour of Mr. Akshaye purporting to be signed by the directors and the secretary and the seal of the company affixed to it. In fact the secretary forged the signature of the directors and has affixed the seal without authority. Can Mr. Akshaye hold the company liable for the shares covered by the Share certificate?
- (iii) With a view to issue shares to the general public a prospectus containing some false information was issued by a company. Mr. Javed received a copy of the prospectus from the company, but did not apply for allotment of any shares. The allotment of shares to the general public was completed by the company within the stipulated period. A few months later, Mr. Javed bought 2000 shares through the stock exchange at a higher price which later on fell sharply. Javed sold these shares at a heavy loss. Mr. Javed claims damages from the company for the loss suffered on the ground that the prospectus issued by the company contained a false statement. Referring to the provisions of the Companies Act, 2013 examine whether Javed's claim for damages is justified.
- (iv) The Board of directors of a company decides to pay 5% of issue price as underwriting commission to the underwriters. On the other hand the articles of association of the company permit only 3% commissions. The Board of directors further decides to pay the commission out of the proceeds of the share capital. Are the decisions taken by the Board of directors valid under the Companies Act, 2013?
- (v) Define "Sweat Equity Shares" as per Companies Act, 2013.

[5+2+2+4+2= 15]

Question 2(b)

- (i) Srishti Ltd. is authorised by its articles to accept the whole or any part of the amount of remaining unpaid calls from any member although no part of that amount has been called up. 'Arjun', a shareholder of the Srishti Ltd., deposits in advance the remaining amount due on his shares without any calls made by Srishti Ltd.
Referring to the provisions of the Companies Act, 2013 state the rights and liabilities of Mr. Arjun, which will arise on the payment of calls made in advance.
- (ii) Mr. 'Vasu', the transferee, acquired 250 equity shares of BHARAT Limited from Mr. 'Sneh', the transferor. But the signature of Mr. 'Sneh', the transferor, on the transfer deed was forged. Mr. 'Vasu' after getting the shares registered by the company in his name, sold 150 equity shares to Mr. 'Anil' on the basis of the share certificate issued by BHARAT Limited. Mr. 'Vasu' and 'Anil' were not aware of the forgery. State the rights of Mr. 'Sneh', 'Vasu', and 'Anil' against the company with reference to the aforesaid shares.
- (iii) Rahul had applied for the allotment of 1,000 shares in a company. No allotment of shares was made to him by the company. Later on, without any further application from Rahul, the company transferred 1,000 partly-paid shares to him and placed his name in the Register of

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Members. Rahul, knowing that his name was placed in the Register of Members, took no steps to get his name removed from the Register of Members. The company later on made final call. Rahul refuses to pay for this call. Referring to the provisions of the Companies Act, 2013 examine whether his (Rahul's) refusal to pay for the call is tenable and whether he can escape himself from the liability as a member of the company.

[6+5+4 = 15]

Question 2(c)

- (i) The Board of Directors of Sreeja Company Limited at its meeting declared a dividend on its on its paid-up equity share capital which was later on approved by the company's Annual General meeting. In the meantime the directors at another meeting of the Board decided by passing a resolution to divert the total dividend to be paid to shareholders for purchase of investments for the company. As a result dividend was paid to shareholders after 45 days. Examining the provisions of the Companies Act, 2013, state:
1. Whether the act of directors is in violation of the provisions of the act and also the consequences that shall follow for the above act of directors?
 2. What would be your answer in case the amount of dividend to a shareholder is adjusted by the company against certain dues to the company from the shareholder?
- (ii) Mr. Prem recently acquired 76% of the equity shares of M/s Good-day Company Ltd. in the hope of earning good dividend income. Unfortunately the existing Board of Directors has been avoiding declaration of dividend due to alleged inadequacy of profits. Unconvinced, Mr. Prem seeks permission of the company to allow him to examine the Books of Accounts, which is summarily rejected by the Company. Examine and advise the provisions relating to inspection of Books of Accounts and remedy available under Companies Act, 2013.
- (iii) Mr. Ashu was appointed as managing director for life by the articles of association of a private company incorporated on June, 2014. The articles also empowered Mr. Ashu to appoint a successor. Mr. Ashu appointed, by will, Mr. Jay to succeed him after his death. Can Mr. Jay succeed Mr. Ashu as managing director after the death of 'X'? Analyze with reference to Companies Act, 2013.

[5+6+4 = 15]

Question 2(d)

- (i) On recommendation of the Board of Directors of Ganga Company Limited, Mr. Ranjan is appointed at the company's Annual General Meeting held on 1st October, 2014 as auditor for period of 10 years. A resolution to this effect was passed unanimously with no vote against the resolution. Explaining the provisions of the Companies Act, 2013 relating to the appointment and re-appointment of auditors:
1. Examine the validity of the above resolution.
 2. What shall be your answer in case an audit firm Messrs Ranjan & Associates is appointed as the company's auditor?
- (ii) Mr. Azad is a director of Down Limited which failed to repay matured deposits from 1st April, 2014 onwards and the default continues. But Down Limited is regular in filing annual accounts and annual returns. Mr. Azad is also a director of Hope Limited and Trust Limited.

Answer the following questions with reference to the relevant provisions of the Companies Act, 2013:

1. Whether Mr. Azad is disqualified and if so, whether he is required to vacate his office of director in Hope Limited and Trust Limited.
2. Is it possible for Board of directors of Faith Limited to appoint Mr. Azad as an additional director at the Board meeting to be held on 15th May, 2015? Would your answer be different if Mr. Azad ceased to be a director of Down Limited by resignation on 1st March, 2015?

State also the auditor's liability with regard to reporting of disqualification under section 164(2).

- (iii) Andrew, one of the shareholder of a company, filed a civil suit in a Court for removal of directors Bikash, Shraddha and Elle. Is the suit maintainable? Advice in the light of Companies Act, 2013.

[6+6+3 = 15]

Question 2(e)

- (i) One of the directors of your company has been prosecuted for non-payment of sales tax by the company. He intends to obtain relief under the Companies Act, 2013. Will he succeed?

- (ii) Mr. Harris was appointed as a director of Imperial Woodens Ltd. with effect from 1st April, 2014. Since the company, namely, Imperial Woodens Ltd. wanted to take full advantage of the wisdom and expertise of Mr. Harris, it offered him remuneration payable on monthly basis and made an application to the Central Government for approval for payment of such remuneration. Anticipating the approval of the Central Government, Imperial Woodens Ltd. started paying such remuneration from the date of appointment and continued to do so till 31st March, 2015. The Central Government did not fully approve the remuneration proposed by the company and restricted the same to a lower amount.

On scrutiny of the accounts, it was established that the company, till 31st March, 2015, has paid to Mr. Harris a total sum of ₹ 1.20 lakhs in excess of the remuneration sanctioned by the Central Government.

You are required to State with reference to the provisions of Companies Act, 2013 in respect of recovery and waiver of recovery of the excess remuneration so paid, whether Mr. Harris can keep the excess remuneration so received and under what conditions.

- (iii) Mr. Ram goes abroad for four months from 4.1.2015 and an alternate director has been appointed in his place. Advice as to sending of notice as required under section 173 of the Companies Act, 2013.

[6+6+3 = 15]

Question 3: Answer any two questions

[20 Marks]

Question 3(a)

- (i) What is Corporate Citizenship? Is this fundamentally different from Corporate Social Responsibility?
- (ii) Discuss the OECD Guidelines for Corporate Governance of State-owned Enterprises.

[5+5 =10]

Question 3(b)

- (i) "The development of Corporate Governance in the UK was initially the findings of a trilogy of codes." Explain the same in brief.
- (ii) "Family ownership of firms is the prevalent form of ownership in many countries around the globe."
In view of the above statement, explain the concept and need of Ownership structures.

[5+5 =10]

Question 3(c)

- (i) Write short notes on:
- Whole Life Cycle Costing
 - Golden Parachute Proposals
- (ii) What are the pros and cons in adopting Corporate Social Responsibility?

[(2.5×2)+5 = 10]