

P13_Practice Test Paper_Syl12_Dec13_Set 2

PAPER 13 : Corporate Laws & Compliance

Full Marks: 100

Time : 3 hours

SECTION A

[Answer to Q.No.1 is compulsory and attempt any 4 from the rest]

1. (a) A government company holds 49% of the subscribed share capital in Smart & Co. Ltd. Mr. R has been appointed as the auditor at the Annual General Meeting of Smart & Co. Ltd. through an ordinary resolution. Certain members of the company object to this appointment on the ground that the appointment of auditors is violative of the provisions of the Companies Act, 1956. Examine the legal position with reference to the relevant provisions of the Companies Act, 1956. **[5]**

(b) ABC Company Ltd. in its first general meeting appointed 6 directors whose period of office is liable to be determined by rotation. Briefly explain the procedure and rules regarding retirement of these directors. Will it make any difference, if ABC Company Ltd. does not carry on business for profit? **[5]**

(c) Amar Textiles Ltd. is a company engaged in manufacture of fabrics. The company has investments in shares of other bodies corporate including shares in Amar Cotton Co. Ltd. and it has also advanced loans to other bodies corporate. The aggregate of all the investments made and loans granted by Amar Textiles Ltd. exceeds 60% of its paid up share capital and free reserves and also exceeds 100% of its free reserves. In course of its business requirements, Amar textiles Ltd. has obtained a term loan from Industrial Development Bank of India (a Public Financial Institution within the meaning of section 4A of the companies Act, 1956) and the same is still subsisting. Now the company wants to increase its holding from 70% to 80% of the equity share capital in Amar Cotton Co. Ltd. by purchase of additional 10% shares from other existing shareholders. State the legal requirements to be complied with by Amar Textiles Ltd. under the provisions of the companies Act, 1956 to give effect to the above proposal. Will your answer be different if Amar Textiles Ltd. would have defaulted in payment of matured fixed deposits accepted by it from the public? **[5]**

2. (a) Mr. Raj, a director of PQR Ltd., submitted his resignation from the post of director to the Board of directors on 30th June, 2010 and obtained a receipt therefore on the same day. The Board of directors of PQR Ltd. neither accepted the resignation nor did it file Form No. 32 with the registrar of companies. You are required to state whether Mr. Raj ceases to be the director of PQR Ltd. and if yes, since when? **[5]**

(b) The Directors of Infotech Consultants Ltd, registered in Calcutta, propose to hold the next Board Meeting in May 2008. They seek your advice in respect of the following matters –

- (i) Can the Board Meeting be held in Chennai, when all the Directors of the Company reside at Calcutta?
(ii) Can the Board meeting be called on a Public Holiday and that too after business hours as majority of the Directors of the Company have gone to Chennai on vacation?
(iii) Is it necessary that the notice of the Board meeting should specify the nature of business to be transacted? **[3]**

(c) Modern Technologies Limited, an Unlisted Company, proposed to finance its expansion programme by issuing Equity Shares to public. The company has been making good profits every year from the commencement of business on 1st April 2003, but it has not declared dividend so far.

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The Company was started with initial Equity Share Capital of ₹3 Crores in Jan 2003. The Paid-up Equity Share Capital and Free Reserves as per the latest Audited Balance Sheet as at 31st March, 2010 amounted to ₹5 Crores and ₹10 Crores respectively.

State the conditions which are required to be fulfilled by an Unlisted Company under the SEBI (ICDR) Regulations, 2009 in order to be eligible to make an IPO and also examine whether Modern Technologies Limited is eligible to make the proposed Public issue. [4]

(d) Tomato Ltd., a vehicles manufacturing company in India has received an order from a transport company in Italy for supply of 100 Trucks on lease. You are required to state, how the said Tomato Ltd. can accept such an order. [3]

3. (a) BOD of M/s RP Ltd., in its meeting held on 29th May, 2013 declared an interim dividend payable on paid up equity share capital of the company. In the Board meeting scheduled for 10th June, 2013, the Board wants to revoke the said declaration. You are required to state with reference to the provisions of the Companies Act, 1956 whether the BOD can do so. [3]

(b) The Issued, Subscribed and Paid Up Share Capital of ABC Nidhi Company Ltd is ₹10 lakhs consisting of 90,000 Equity Shares of ₹10 each fully paid up, and 10,000 Preference Shares of ₹10 each fully paid up. Out of the Members of the Company, 400 Members holding one Preference Share each and 50 Members holding 500 Equity Shares applied for relief u/s 397 & 398. As on the date of petition, the Company had 600 Equity Shareholders and 5,000 Preference Shareholders.

Examine whether the above petition is maintainable. Will your answer be different, if Preference Shareholders have subsequently withdrawn their consent? [6]

(c) M/s Raman Limited was wound up by the court. The official liquidator invited claims from the creditors which stood as under:

Income Tax dues	₹11.00 lakhs
Sales Tax dues	₹05.00 lakhs
Dues of workers	₹25.00 lakhs
Unsecured loans payable to directors	₹25.00 lakhs
Trade creditors who supplied raw material	₹15.00 lakhs
Secured creditors being the bankers of the company	₹75.00 lakhs
Total	₹156.00 lakhs

Official Liquidator could realize only ₹80.00 lakhs by sale of the assets and realization made from company's debtors, which is not sufficient to pay to all the creditors. Please decide the order of priority for payment to creditors explaining the relevant provisions of the Companies Act, 1956. [6]

4. (a) Joe Ltd. was incorporated in London with a paid up capital of 20 million pounds. Mr. Y an Indian Citizen holds 25% of the Paid Up Capital. X Ltd., a Company registered in India holds 30% of the Paid Up Capital of Joe Ltd. Joe Ltd. has recently established a Share Transfer Office at New Delhi. The Company seeks your advice as to what formalities it should observe as a Foreign Company. State briefly the requirements relating to filing of accounts with the ROC by the Foreign Company in respect of its global business as well as Indian business. [7]

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(b) The promoters of a Company to be registered under the Companies Act, 1956 having its main object of carrying on the business as manufacture and stockiest of Iron and Steel, proposes that the name of the Company is to be 'Abha Steel Bank Limited'. You are required to state whether the said company with the proposed name can be registered.
[3]

(c) On 24th January 2010, the Board of Directors of M/s. Bold 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 29th September 2010, 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 clause in the above appointment that "the appointment must be made by the company in General Meeting" was not inserted as a condition?
[5]

5. **(a)** A company made a profit of ₹500 lakh during the financial year 2012–13. The Board of directors passed a resolution making a donation of ₹100 lakh to Gandhi National Memorial Fund. Discuss the validity of the decision of the directors. **[4]**

(b) What are the qualifications to be appointed as members of Central Commission as per The Indian Electricity Act, 2003? Also state the functions of the Central Commission.

[3+4=7]

(c) The association of Truck Operators of India by agreement insisted that members of the association shall not deal with non-members in transportation of goods. The association claims that this agreement is entered for the welfare of trade and not for any other purpose. Would this agreement be under the purview of the Act? Will the answer be different if the association attempts to control the provisioning of services rendered by its members?
[4]

6. **(a)** Gayatri, a resident in India is likely to inherit an immovable property in USA from her father, who is a resident outside India. Advise Gayatri about the restrictions, if any, in this regard. Will your answer be different if she is likely to inherit foreign securities? **[4]**

(b) XYZ Automobiles Limited intends to make a public issue of 2,00,00,000 equity shares of ₹10 each through the 100% book building process indicating a price band.

You are required to answer the following with reference to the SEBI (Disclosure and Investor Protection) guidelines:

(i) What is the price band that can be indicated in the red herring prospectus, if the floor price is proposed to be fixed at ₹300 per equity share?

(ii) What are the restrictions, if the company wants to revise the price band during the bidding period?

(iii) How the shares are to be allocated to different categories of investors like Qualified Institutional Buyers, Retail Individual Investors, etc.?
[8]

(c) ABC Producer Company Limited was incorporated on 1st April, 2008. At present it has got 200 members and its Board consists of 10 directors. The Board of directors of the company seeks your advice on the following proposals:

Appointment of one expert director and one additional director by the Board for a period of four years. Advise the Board of directors explaining the relevant provisions of the Companies Act, 1956.

[3]

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SECTION B

[Answer any five questions from Q.No.7 (a) to (f)]

7. (a) What is Corporate Citizenship? Is this fundamentally different from Corporate Social Responsibility? [5]
- (b) Discuss the OECD Guidelines for Corporate Governance of State-owned Enterprises. [5]
- (c) "The development of Corporate Governance in the UK was initially the findings of a trilogy of codes." Explain the same in brief. [5]
- (d) "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]
- (e) Write short notes on:
(i) Whole Life Cycle Costing
(ii) Golden Parachute Proposals [2.5*2=5]
- (f) What are the pros and cons in adopting Corporate Social Responsibility? [5]