

FINAL EXAMINATION

December 2017

**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.

(a) Multiple choice questions:

2×10=20

(i) The power of appointing additional director can be exercised by the

- (A) Annual General Meeting
- (B) Board Meeting
- (C) Statutory Meeting
- (D) None of the above

(ii) A company has 9 Directors, on 01-01-2016. The office of 2 Directors have fallen vacant on 02-01-2016. The quorum required for conducting a Board meeting is

- (A) 4
- (B) 3
- (C) 2
- (D) 5

(iii) Power to recognize Stock Exchange vests with

- (A) Central Government
- (B) State Government
- (C) SEBI
- (D) Supreme Court

Please Turn Over

- (iv) A Government department supplying water for irrigation to the agriculturists after levying charges for water supplied can be considered as
- (A) Firms
 - (B) Enterprise
 - (C) Joint venture
 - (D) Joint sector
- (v) The Apples producers of Shimla have formed an association to control the production of apples. This association is called as
- (A) Pool
 - (B) Cartel
 - (C) Merger
 - (D) Combination
- (vi) Every Banking Company incorporated in India shall prepare a balance sheet and profit and loss account as on the last working day of the
- (A) Calendar Year
 - (B) Accounting Year
 - (C) Month
 - (D) None of the above
- (vii) A memorandum containing such salient features of a prospectus as may be specified by the Securities and Exchange Board by making regulation in this behalf is known as
- (A) Red Hearing Prospectus
 - (B) Abridged Prospectus
 - (C) Shelf Prospectus
 - (D) Deemed Prospectus

(viii) The Chairman of the Insurance Regulatory and Development Authority shall hold office for a term of _____ from the date on which he enters upon his office and should be eligible for reappointment.

(A) 3 years

(B) 4 years

(C) 5 years

(D) 6 years

(ix) Corporate Governance is a blend of the Internal and External Corporate Governance

(A) Techniques

(B) Mechanisms

(C) Systems

(D) Methods

(x) Which of the following is the advantage of the family business over non-family business?

(A) Staff recruitment

(B) Raising funds for growth

(C) Ownership vs. Management

(D) Deep industry insight

2. (a) Minu Limited was incorporated by furnishing false informations. As per the Companies Act, 2013, state the power of the Tribunal in this regard. 7

(b) Referring to the provisions of the Companies Act, 2013, examine the validity of the following:

The Board of Directors of ABC Limited proposes to declare dividend at the rate of 20% to the equity shareholders, despite the fact that the company has defaulted in repayment of public deposits accepted before the commencement of this Act. 4

(c) The Board of Directors of a company have filed a complaint with the Institute of Chartered Accountants of India against their Statutory Auditors for their failing to attend the Annual General Meeting of the Shareholders in which audited accounts were considered. Comment. 5

3. (a) Robertson Ltd. is a company registered in Thailand. Although, it has no place of business established in India, yet it is doing online business through telemarketing in India. Whether it will be treated as a Foreign Company under the Companies Act, 2013? Explain. 7

(b) Various complaints have been made against the activities of a Co-operative Banking company to the effect that, if unchecked, the shareholders, depositors and others will suffer heavily and the complainants requested for the appointment of directors by Reserve Bank of India. Discuss whether the Reserve Bank has any powers to inspect the records of the Co-operative Bank to ascertain the truth or otherwise in the complaints and to appoint directors in the Co-operative Bank under the Banking Regulation Act, 1949. 5

(c) The Board of Directors of Stepping Stones Publications Ltd. at a meeting held on 15.01.2014 resolved to borrow a sum of ₹ 15 crores from a nationalized bank. Subsequently the said amount was received by the company. One of the Directors, who opposed the said borrowing as not in the interest of the company has raised an issue that the said borrowing is outside the powers of the Board of Directors. The Company seeks your advice and the following data is given for your information:

- (i) Share Capital ₹ 5 crores
- (ii) Reserves and Surplus ₹ 5 crores
- (iii) Secured Loans ₹ 15 crores
- (iv) Unsecured Loans ₹ 5 crores

Advise the management of the company.

4. (a) (i) ABC 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 Tribunal for relief against oppression and mismanagement? Give your answer according to the provisions of the Companies Act, 2013.
- (ii) Does the scheme of compromise or arrangement require approval of preference shareholder? 4+3=7

- (b) (i) Shareholders of Hide and Seek Ltd. are not satisfied about performance of the company. It is suspected that some activities being run in the name of the company are not in the interest of the company or its members. 101 out of total 500 shareholders of the company have made an application to the Central Government to appoint an inspector to carry out investigation and find out the true picture.

With reference to the provisions of the Companies Act, 2013, mention whether the shareholders' application will be accepted. Elaborate.

- (ii) B B Ltd. is a listed company and it has been served with notice for appointment of small shareholders' director. Referring to the provisions of the Companies Act, 2013, advise on the following:

What is the tenure of small shareholders' director and whether he can be re-appointed as such, after expiry of his tenure? Also state whether he can be appointed as an officer of the company on expiry of his tenure as small shareholders' director. 6+3=9

5. (a) (i) In the annual general meeting of XYZ Ltd., while discussing on the matter of retirement and reappointment of director Mr. X, allegations of fraud and financial irregularities were levelled against him by some members. This resulted into chaos in the meeting. The situation was normal only after the Chairman declared about initiating an inquiry against the director, Mr. X, however, could not be re-appointed in the meeting. The matter was published in the newspapers next day. On the basis of such news, whether the court can take cognizance of the matter and take action against the director on its own?

Justify your answer with reference to the provisions of the Companies Act, 2013.

- (ii) What is the role of the Audit Committee vis-à-vis the statutory auditor when the company wishes to engage them to perform certain engagements not restricted under Section 144? 4+4=8

- (b) (i) X was appointed as Managing Director for life by the Articles of Association of a private company incorporated on 1st June, 2014. Examine in this connection.

(A) Can 'X' be appointed for life as Managing Director?

(B) Is it possible for the company in general meeting to remove 'X' from his office of directorship during his life time?

- (ii) Explain briefly over-riding preferential payments in accordance with the provision of the Companies Act, 2013. 4+4=8

6. (a) Business should support inclusive growth and equitable development. Explain briefly as per National Voluntary Guidelines 2011 in this regard. 7

- (b) Interior Pvt. Ltd. is a manufacturing company having turnover of ₹ 210 crore but having maximum outstanding loan from public financial institution of ₹ 90 crore only during the preceding financial year. You are required to state whether the company is liable for internal audit as per the provisions of the Companies Act, 2013. 5

- (c) XYZ. Ltd. is a listed company having turnover of ₹ 1200 crores during the financial year 2015-16. The CSR committee of the Board formulated and recommended a CSR project which was approved by the Board. Company finalised the project under its CSR initiatives which require funds @5% of average net profit of the company for last three financial years. Will such excess expense be counted in subsequent financial years as a part of CSR expenditure? Advise. 4

7. (a) Referring to the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 state the circumstances under which the Reserve Bank of India may cancel the certificate of registration granted to a Securitisation Company. 8

- (b) With reference to the provisions of Insurance Act, 1938 as amended by Insurance Regulatory and Development Authority Act, 1999, state the norms in respect of paid up equity capital for carrying out the business of an insurer. Also state the items that are excluded in determining the amount of paid up equity capital of an insurer under the said Acts. 4

- (c) (i) Central Government and Government of Maharashtra together hold 40% of the paid-up share capital of MN Limited. A government company also holds 20% of the paid-up share capital in MN Limited.
- (ii) PQ Limited is a subsidiary but not a wholly owned subsidiary of a government company.

Examine with reference to the provisions of the Companies Act, 2013 whether MN Limited and PQ Limited can be considered as Government Company. 4

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

4×4=16

- (a) Objectives of the Competition Act, 2002
 - (b) Difference between Mediation and Conciliation
 - (c) Benefits of Listing
 - (d) Objectives of MOU System
 - (e) Strategy to tackle black money
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