

MOCK TEST PAPER
FINAL (NEW) COURSE: GROUP – II
PAPER-6D: ECONOMIC LAWS

Time Allowed – 4 Hours

Maximum Marks – 100

Case Study -1

Jain Bikes Ltd. (JBL) is engaged in the business of manufacturing and selling of motor cycles. Its registered office and corporate office, both are in Chandigarh. It has captured the market area of almost North India. It covers the whole Rajasthan, Punjab, Haryana, Himachal Pradesh, Jammu and Kashmir, Uttarakhand, Uttar Pradesh, Delhi and Chandigarh. JBL has appointed its sole distributors in almost in every district of the states of North India.

JBL have its own terms and conditions for granting of distributorship. It dictates the following conditions:

- Security Deposits with the company: Rs. 10 lakh.
- Space for showroom (own or rental): 10000 Sq. feet
- Space for workshop: 2400 Sq feet
- Two Trained Engineers (training shall be provided by the JBL at the cost of distributor)
- Monthly sales target of bikes:
 - for Tier 1 Cities: 1000 (minimum)
 - for Tier 2 Cities: 700 (minimum)
 - for Tier 3 Cities: 500 (minimum)
- Each of the distributor shall provide 3 free servicing of the bikes.
- Each distributor shall not sale any of the vehicles of other companies / make.
- Each distributor shall keep in reserve at least 100 bikes in its showroom to meet the sudden rise in the demand.
- Distributor shall sale the vehicles at the pre-determine price, fixed by the company, neither up, nor down.

Under the JBL group, there are following group companies:

- JBL General Insurance Company Ltd.
- JBL Finance Company Ltd.
- JBL Tubes and Tyres Ltd.
- JBL Marketing Ltd.

The JBL General Insurance Company Ltd. provides the comprehensive insurance on the bikes, purchased by the customers. JBL Finance Company Ltd. is a NBFC and it provides finance to customers. JBL has made it mandatory for the customers to avail finance from its NBFC and buy insurance policy only from its group insurance company.

The company's bike is a monopoly product. Bike costs around Rs. 75,000/-. It have 175 cc engine and is rough and tough in running on any road. It gives 50 km average. However, its spare parts are costly and

parts made by the JBL can only be used in it. The average life of the vehicle is estimated for 3 lakh km run / 10 years.

The company also provide the road side assistance, provided the customer gets the renewal of insurance only from its group company.

Rohan is one of a distributor of JBL, having its showroom in Jaipur. He is selling the bikes of JBL for the last 5 years. His yearly turnover of sale of bikes is 50,000. Recently, the JBL put some more stringent conditions on distributors, who are having their showrooms in the State Capital City. The JBL advised all such distributors to deposit additional security amount of Rs. 20 lakh. The yearly sales targets were increased by 10% of the last FY' sales figures. The company also insisted that each and every customer should avail the loan facility from the group NBFC company. Without finance, no bike should be sold. Further buying of the insurance policy from its group company is also mandatory.

The JBL insisted that all walk-in customers in the showroom, must be asked for their name, mobile number, e-mail id and address and prepare a data bank and send it to the company. The JBL through its group company, JBL Marketing Ltd. will approach the customers as listed in the data bank and will call on and often to the prospective clients and to pursue them to buy the company's product. Each distributor is supposed to create such data bank of at least 5000 prospective customers in a month.

The JBL also put a condition on the distributors that if any of customer of their showroom, who has availed loan from its group NBFC, and not paying the EMI should contact the concerned defaulter and will assist in recovery of the loan. If any such customer's loan account becomes non-performing, it shall be the responsibility of the distributor to make good the losses on account of NPA to the JBL Company.

Rohan was very annoyed with the dictatorship of the company. It was not possible for him to make the recovery from the defaulters and make good the losses to the company. Further, for every month, sending the data to the company is also difficulty. Many of the people have complained to the distributor that the marketing and recovery persons on and often and that too on odd times, visits to the residential address of the defaulting borrowers and harassing them.

Aggrieved with the attitude of JBL, Rohan wanted to file a case against the company alleging the following points:

- The JBL had already security deposit of Rs. 10 lakh at the time of taking distributorship and again asked to deposit addition security deposit of Rs. 20 lakh, resulting a total deposit of Rs. 30 lakh on which no interest is payable by the company.
- The JBL has insisted to assist in the recovery from the defaulters and if the loan with its Group NBFC of JBL is not liquidated, the distributor shall have to make good the losses.
- The distributors are also under stress to sale the vehicles only through loan and also there is compulsion to buy insurance from the JBL group company, which, many a times, the customers have objected to it. There are many customers who do not want to avail the loan, but due to the pre-condition, they are either reluctant to buy the bike or are forced to purchase the bike on loan
- Providing of the data bank every month to the JBL is a cumbersome task and the company harasses the persons listed in the data bank, by calling them on and often.
- There is exclusive supply agreement on the part of the distributors. They cannot sale the spare parts and other peripherals of other's make.

Based on the captioned facts, answer the following questions:

Multiple Choice Questions (5 questions of 2 marks each)

- 1.1 Where Rohan can file case against the JBL:
- (a) Consumer Court
 - (b) National Company Law Tribunal
 - (c) Competition Commission of India (CCI)
 - (d) Insolvency and Bankruptcy Board of India (IBBI)
- 1.2 Which provision of the Competition Act, 2002 shall be applicable in this case:
- (a) Anti-competitive agreements – Section 3
 - (b) Abuse of dominant position- Section 4
 - (c) Combination-Section 5
 - (d) Some parts of Section 3 and 4, both
- 1.3 Selling of bike along with compulsion to buy insurance from the group insurance company and that too on finance / loan, are an example of:
- (a) Refusal to deal
 - (b) Resale price maintenance
 - (c) Tie in arrangement
 - (d) Exclusive distribution agreement
- 1.4 Normally every company, while giving the distributorship, put some reasonable conditions. Which among the following may be treated as reasonable conditions:
- (a) Customers to purchase bike only through loan from its Group NBFC Company
 - (b) Buy compulsory insurance from its Group Insurance Company
 - (c) To sale the bike at predetermined price fixed by the JBL
 - (d) Create a data bank of 5000 customers on monthly basis and send it to JNL
- 1.5 The prime responsibility of making recovery of the EMI from the borrowers is of:
- (a) The Lender (JBL Finance Company Ltd.)
 - (b) The Bike manufacturer (Jain Bikes Ltd -JBL)
 - (c) The Distributor (Rohan)
 - (d) JBL General Insurance Company Ltd.

Descriptive Questions (15 Marks)

- 1.6 Any agreement which requires a purchaser of goods, as a condition of such purchase, to purchase some other goods, normally prevails in the business world. Would you treat this condition as an anti-competitive agreement? **(8 Marks)**
- 1.7 Which agreements entered between the two parties shall be presumed to have an appreciate adverse effect on competition? **(7 Marks)**

Case Study 2

Ms. Drishel Patel is a young dynamic IT professional and currently resides in America. She holds the NRI status. Ms. Drishel works for Blip LLC, which has a wholly own subsidiary Blip India Private Limited (here-in-after referred to as Blip). Blip deals in the mobile operating system. Blips' operating system 'Diordna' is widely popular among the mobile phone manufacturers in India. Blip also offers proprietary applications and services (Such as Blip Maps, Blip Internet Explorer, and Blip Tube, etc.). Blips Mobile Services (BMS) is a bundled suite of Blips' applications and services and such apps and services are not available in isolation. In trade parlance, the mobile OS is different from OS designed for desktop as they have additional handheld use features. 80% of mobile phone, which are in use has Diordna as an operating system.

If a mobile manufacturer wants to manufacture a 'bare' Diordna mobile, it needs to only pass technical tests and accept the Diordna License Agreement; but in bare Diordna mobile manufacturer are not permitted to include any of BMS such as Blip Maps, Blip Internet Explorer, Blip Tube. If a manufacturer wants to manufacture a mobile having Diordna with pre-installed BMS, he has to enter into two additional agreements with Blip i.e. Mobile Application Distribution Agreement and Anti Fragmentation Agreement. BMS couldn't be availed directly by the end-users, in case it is not pre-installed.

Ms. Drishel got married to Mr. Joe Harris around a year back. The marriage took place with a traditional saptapadi ceremony in the backyard of Harris family's resident where only close relatives were present. Marriage was registered six months later due to a widely observed lockdown to prevent the widespread of COVID-19.

Indian traditions have a deep-rooted impact on William's family because the grandmother of Joe is from India. Joe's grandfather is also influenced by Indian culture, hence willing to migrate to India along with Joe's grandmother to spend the rest of their life. Considering this in the month of January 2021, Drishel and Joe acquired a luxurious apartment in joint name in India; so that Joe's grandparent can stay there comfortably. Half of the consideration was paid by Ms. Drishel out of the Non-Resident Account maintained by her, and the remaining half by Joe through proper banking channel, and too in the manner prescribed. To identify the flat and fulfill the legal requirement for registration of the same Ms. Drishel took the help of his elder cousin Mr. Arya Patel, who is permanently residing in India.

Mr. Arya along with two of his friends owns a cement manufacturing company in India called 'Strong Cement Private Limited' (SCPL). The SCPL supplies cement to various builders and retail consumers through a network of stockiest and retailers. An understanding has been reached among the manufacturers of cement to control the price and supply of cement, but the understanding is not in writing and it is also not intended to be enforced by legal proceedings.

Rock Solid Private Limited (RSPL) is the substantial supplier of clay, slate, blast furnace slag, silica sand which are essential raw materials of cement, and a shortage of same observed in the market. Mr. Arya on behalf of SCPL has executed a supply agreement with RSPL on 20th October 2020 wherein it is provided that RSPL will not supply these raw materials to any other cement manufacturer, against this the purchase commitment has been made from SCPL for all their (RSPL) output at price mentioned in such agreement.

Solid Cement Limited (SCL) who is another cement manufacturer is not happy with the RSPL, because RSPL not supplied the slate and silica power to SCL against the PO (Purchase Order) placed by SCL dated 18th October 2020, hence board of directors of SCL is considering taking legal remedy against RSPL in the capacity of the consumer. SCL borne loss on account of the stock-out situation emerged from the non-availability of raw material. It was found that only half of the consideration paid and 30 days credit was available for making payment of the remaining balance, regarding which payment promise is made by SCL.

Mr. Alok who is co-owner of Mr. Arya in SCPL conducts the market study and concluded that the RMC segment has favourable opportunities because currently competition is relatively less in RMC and RMC based block segments. Moreover, RMC based block has wide acceptance as an economical replacement of the brick-based structure. Hence SCPL must diversify into the RMC segment. Mr. Arya expresses his concerns over the availability of funds for the same. Mr. Anil the third member of SCPL, advises both the co-owners to float capital through the capital market. After numerous rounds of discussions, SCPL decided to go for public issue and listing of its equity shares, largely for business expansion, initially with setting up a new large scale RMC plant.

Mrs. Patel, the Mother of Ms. Drishel, who also resides with her daughter and son-in-law in states and holds NRI status, acquired two immovable properties (one farmhouse for residential purposes and another an agricultural land, because she studies botany during her master and willing to develop botanical garden there) in their native place situated near to Rajkot district of Gujarat in India in the year 2020-2021 for total consideration equivalent to USD 4,70,000. She made payment for the same out of her non-resident account.

Multiple Choice Questions (5 questions of 2 marks each)

- 2.1 Whether the understanding reached among the manufacturers of cement be termed as an agreement
- (a) No, because it is not in writing
 - (b) No, because it is also not intended to be enforced by legal proceedings
 - (c) No, because it is not in writing and also not intended to be enforced by legal proceedings
 - (d) Yes
- 2.2 The agreement is executed among SCPL and RSPL on 20th October 2020, can be categories as
- (a) Exclusive supply agreement
 - (b) Tie-in arrangement
 - (c) Refuse to deal agreement
 - (d) None of these
- 2.3 Can SCL assume the position of the consumer for the purpose of competition laws?
- (a) No, because only half of the consideration paid by SCL
 - (b) No, because SCL is not buying slate and silica sand for personal use or direct resale
 - (c) No, because only an individual can be a consumer
 - (d) Yes
- 2.4 Which of the following statements is correct regarding the acquisition of immovable property in India by Mrs. Patel?
- (a) Mrs. Patel not allowed to acquire any sort of immovable property in India
 - (b) Mrs. Patel not allowed to acquire farmhouse and agricultural land in India
 - (c) Mrs. Patel may acquire the farmhouse, but not agricultural land in India
 - (d) Mrs. Patel may acquire both the farmhouse and agricultural land in India

- 2.5 SCPL decided to go for public issue and listing of its equity shares, largely for business expansion, initially with setting up a new large scale RMC plant. In the context of shares, which one of the following statements is correct under the Competition Act, 2002?
- (a) Shares can't be considered as "goods" because nothing has to do with manufacturing, processing, or mining.
 - (b) Shares shall be considered as "goods" only if fully paid-up.
 - (c) Shares shall be considered as "goods" after the application made for shares since application monies are paid for the acquisition of shares.
 - (d) Shares shall be considered as "goods" after allotment.

Descriptive Questions (15 Marks)

- 2.6 Decide, whether Blip has dominance and does it abused its dominant position? Support your decision with legal backing. **(7 Marks)**
- 2.7 Can Mr. Joe acquire immovable property in India, independently? Is the acquisition of a flat by Drishel and Joe, jointly as per the provisions of the Foreign Exchange Management Act and relevant regulations made thereunder? Can Joe acquire another property which is agricultural land, in joint ownership with Drishel for investment purposes? **(8 Marks - 2+3+3)**

Case Study 3

Ronak Builders Pvt. Ltd. (RBL) is engaged in the business of land development, site planning, construction and selling of residential and commercial complexes. After enactment of the Real Estate (Regulation and Development) Act, 2016 (RERA), every project launched by the RBL was registered with the Real Estate Regulatory Authority (RERA). RBL has earned a good reputation in the real estate market and is a trusted name, as it complies the provisions of REDA.

RBL in January, 2017 planned to launch a new real estate project in Panvel, Navi Mumbai. It got registration of the project with the RERA. RBL after doing all the legal formalities relating to the construction of flats prepared some sample flats of 3BHK. The name of this complex was kept as Ronak Heights. It will be of G+20 story building with 15 sections and will have all the modern facilities like, Gym, Swimming Pool, Separate Sports area for Children, Senior Citizen's Lobby, Temple and a Conference Hall. The number of flats in the complex will be 315.

After preparing sample flats, RBL started doing advertising and marketing of the project. The cost of the each flat was fixed for Rs. 80 lakh, which was payable as under:

At the time of booking	:	Rs. 10 lakh
At the time of Registering	:	Rs. 20 lakh
After completing of 5 th Floor	:	Rs. 10 lakh
After completing of 8 th Floor	:	Rs. 10 lakh
After completing of 11 th Floor	:	Rs. 10 lakh
After completing of 15 th Floor	:	Rs. 10 lakh
After completing of 20 th Floor	:	Rs. 10 lakh
Total	:	Rs. 80 lakh

The possession of the flat will be given to the allottees in the month of December, 2020. Just after making the advertisements, all the flats were booked. The booking amount was collected from all the 315 allottees. The legal documents and stamp papers of each of the flat was prepared and collected Rs 30 lakh each from the allottees.

Thereafter, the work of construction went on full swing. It completed the construction upto 20th floor and collected all the remaining amount due i.e. Rs. 50 lakh each from the allottees. The construction of 20th floor was completed by the end of June 2019 and the allottees were expecting to get the allotment of the flat by the due date i.e. December 2020. However, the furnishing and finishing, installation of electric and sanitary work etc. all of sudden stopped and no construction related activity was going on after September 2019.

Some of the allottees who resides nearby Panvel area used to go at the location, on and often to observe the progress of the work. When the work stopped they approached to the RBL and enquired about the development. The RBL ensured that due to upcoming festival time the labours have gone to their native places and after the end of Diwali, the work will resume again.

However, the work, as promised by the RBL could not be started. Many of the allottees contacted at the RBL's office to know the status, but got no satisfactory replies. Ultimately the dead line of giving possession of the flats, which was pre-determined as December 2020, crossed.

Meanwhile it came to the knowledge of some of the allottees that RBL has transferred this real estate project to a third party named Ganpati Constructions Ltd (GCL) without obtaining the consent of the allottees.

This transfer was objected by the allottees and threatened to move to RERA and to take other legal recourse, if the RBL is not taking back the completion of the work. After a prolonged discussions held with the officials of the RBL and GCL and the representatives of the allottees, the RBL agreed that all the liabilities pertaining to this real estate project shall be of RBL only and GCL will only do the incomplete work as a sub-contractor.

Some 100 allottees of the flat, demanded their money back from RBL on account of non-completion of the project in time. The RBL requested all such allottees to remain in the project, but the allottees were adamant and were not turning back. As a result, the promoter had to pay off the amount raised from such allottees along with the interest including the compensation as per the provisions contained in the RERD.

However, the remaining 215 ($315 - 100 = 215$) allottees desired to stay with the project till the completion and possession but demanded from the promoter to compensate them by paying interest since they are suffering for not providing the flat and had to pay the rent to their present landlord in which they are residing. RBL agreed to their demand.

The site was completed by the end of April 2021. All the remaining allottees were given the possession of the flats.

Based on the captioned facts, answer the following questions:

Multiple Choice Questions (5 questions of 2 marks each)

3.1 In the given case, the promoter transferred his rights and liabilities to a third party. Can he do so:

- (a) The promoter cannot transfer his rights and liabilities to a third party
- (b) The promoter can transfer his rights and liabilities to a third party
- (c) The promoter can transfer his rights and liabilities to a third party after obtaining prior written

consent of at least 10% of allottees

- (d) The promoter can transfer his rights and liabilities to a third party after obtaining prior written consent from two-third allottees and without the prior written approval of the Authority.

3.2 In the given case, RBL obtained the booking amount from the prospective allottees a sum of Rs. 10 lakh. Is it justified:

- (a) RBL can receive any amount as a commitment from the prospective allottees towards the booking of flat
- (b) RBL cannot received any amount at the time of booking of the flat
- (c) RBL cannot accept a sum more than 10% of the cost of the flat. The cost of flat is Rs 80 lakh, so he cannot accept more that Rs. 8 lakh
- (d) RBL cannot accept a sum more than 20% of the cost of the flat. The cost of flat is Rs 80 lakh, so he can accept upto Rs. 16 lakh, while he had actually accepted only Rs, 10 lakh which is permissible

3.3 Were the 215 allottees correct in demanding from the promoter to compensate them to pay interest since they are suffering for not providing the flat and had to pay the rent to their present landlord in which they are residing. Choose the correct option as per the provisions of the Real Estate (Regulation and Development) Act, 2016:

- (a) Yes, these allottees shall be given interest for every month of delay, till the handing over of the possession
- (b) These allottees shall not be given any interest
- (c) These allottees shall be given the notional rent of the flat till the handing over of the possession
- (d) These allottees shall be given special discount at the time giving of possession

3.4 Can the allottees of the flat, file an application for initiation of Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (IBC):

- (a) No, the allottees can not file CIRP under IBC
- (b) The allottees can file CIRP if the NCLT permits as a special case
- (c) The allottees can file CIRP under IBC provided the number of allottees are not less than 100 under the same real estate or 10% of the total number of allottees, whichever is less
- (d) The RERA was specifically enacted to regulate the real estate business and to safeguard the interest of the home buyers, so the allottees can seek remedies by filing an application before the RERA.

3.5 As per the Insolvency and Bankruptcy Code, 2013, in the given case scenario, the amount that was raised by the promoter from the allottees for Ronak Heights, shall be deemed to be an amount of the nature:

- (a) Advance received against booking of flat
- (b) Commercial effect of borrowing
- (c) Consideration for agreement to sale flat
- (d) Reservation of flat against money

Descriptive Questions (15 Marks)

- 3.6 The Real Estate (Regulation and Development) Act, 2016 (RERA) was enacted to regularise the unregulated real estate business. Substantiate your answer in light of the given case. **(10 Marks)**
- 3.7 Where the possession of the flat is delayed as per the agreed terms, what recourse is available before the allottees under the IBC and RERA? **(5 Marks)**

Case Study 4

Alta Modern Builders Ltd (AMBL) is a builder and have built many residential complexes and shopping malls in Mumbai, Pune, Bangalore and Chennai.

AMBL was established initially as a private sector company in 1980. As the business grew up, it was converted into Public Ltd. in 2005. It has its registered office and corporate office in Versova, Mumbai.

In the year 2017, it purchased a land near Kurla, Mumbai measuring of 50,000 sq feet and developed and took approval from the competent authority for construction of flats. The AMBL has plan to construct 500 residential flats in that area consisting of 2 BHK and 3 BHK. The cost of the flat was kept as Rs. 99 lakh.

The AMBL constructed some sample flats and started giving advertisements of the flats. The registration of this real estate project with RERA was pending and before registration it booked and taken the deposit amount of Rs. 10 lakh from each of the 300 allottees.

Some of the real estate agents who seen the advertisement of booking of the flats by the AMBL approached the builder. The negotiations were made between the agents and the AMBL that, AMBL will pay Rs. 1,00,000 to each of the real estate agent, if he brings in any prospective buyer to book the flat, and through his efforts the flat is booked.

Ganpati Estate Agent was one of such real estate agent, who brought in 50 prospective home buyers with the builder and all have booked the flats. Ganpati Estate Agent has not got registration with RERA as an agent. The AMBL paid Rs. 50 lakh to this agent.

The RERA officials of the Mumbai, Maharashtra came to know that AMBL has received the amount without getting itself registered with the RERA. The RERA officials imposed penalty on the AMBL. Further during the course of investigation of books of the AMBL, the RERA official came to know that one Ganpati Estate Agent, who brought in 50 customers, was also not registered with the RERA. It called on the explanation of Ganpati Estate Agent and when no satisfactory reply was received, imposed a penalty on the agent, for not getting registered with the RERA.

The AMBL after paying the penalty immediately registered the project with RERA and created its web-page on the website of the RERA and put in all the relevant information as mentioned in the RERA. While displaying such information, the AMBL submitted some false information of its web-page, so that by reading this, more customers can be attracted. The false information was about the carpet area, free parking for one car for one flat and providing of the modern amenities in the complex, such as school up to the age of 5th class, sports club house, conference hall etc.

Actually, the AMBL has falsely represented for free parking. It was not free parking of a car but of two wheeler only. The carpet area as mentioned at the web-page of the RERA, was actually captured by the surrounding walls. When the complaints were lodged by some of the allottees with RERA that there are differences between, what has been displayed on the web-page of AMBL at the website of the RERA and what documents have been provided to allottees. The RERA officials again investigated the matter and imposed fine on the company.

The AMBL who was doing business of real estate since 1980 did not took seriously even after the enactment of the RERD. It thought that nothing has changed and the terms and conditions of the builder will prevail as was being done previously. However, after the enactment of the RERD, the Regulator RERA is there and the promoter have to adhere to the compliances as prescribed under the Act.

Based on the captioned facts, answer the following questions:

Multiple Choice Questions (5 questions of 2 marks each)

- 4.1 the given case, the promoter has booked some of the flats prior to registration of real estate project with the Real Estate Regulatory Authority (RERA). What penalty can be imposed on the promoter by the RERA:
- (a) The penalty may extend up to 5% of the estimated cost of the real estate project as determined by the Authority
 - (b) The penalty may extend up to 10% of the estimated cost of the real estate project as determined by the Authority
 - (c) The penalty may extend up to 12% of the estimated cost of the real estate project as determined by the Authority
 - (d) The penalty may extend up to 15% of the estimated cost of the real estate project as determined by the Authority
- 4.2 The promoter while submitting the application for registration of real estate project under section 4 of the RERD submitted false information that he have the legal title to the land, but in fact at the time of application for registration, he was not having such clear title. What penalty can be imposed on the promoter:
- (a) The promoter shall be liable to a penalty which may extend up to 1% of the estimated cost of the real estate project, as determined by the Authority.
 - (b) The promoter shall be liable to a penalty which may extend up to 3% of the estimated cost of the real estate project, as determined by the Authority
 - (c) The promoter shall be liable to a penalty which may extend up to 5% of the estimated cost of the real estate project, as determined by the Authority
 - (d) The promoter shall be liable to a penalty which may extend up to 7% of the estimated cost of the real estate project, as determined by the Authority
- 4.3 What is the time limit within which the promoter shall execute a registered conveyance deed in favour of the allottee, in the absence of any local law:
- (a) Within one month form the date of issue of occupancy certificate
 - (b) Within two months form the date of issue of occupancy certificate
 - (c) Within three months form the date of issue of occupancy certificate
 - (d) Within six months form the date of issue of occupancy certificate
- 4.4 What is the time limit within which the allottee shall take physical possession of the apartment:
- (a) Within a period of one month of the occupancy certificate
 - (b) Within a period of two months of the occupancy certificate

- (c) Within a period of three months of the occupancy certificate
- (d) Within a period of four months of the occupancy certificate

4.5 In the given case, the real estate agent, who was not registered with the RERA shall bear the penalty of _____ for every day during which such default continues, which may extend up to five per cent. of the cost of the apartment:

- (a) Rs. 5000/-
- (b) Rs. 7000/-
- (c) Rs 10000/-
- (d) Rs. 15000/-

Descriptive Questions (15 Marks)

- 4.6** Real Estate Agent is a person who merely assist any person in sale / purchase of flat in any apartment and also provides 'To-let' services to the flat owners / tenants. He have no role in developing of land, getting approval of the site plan, registering and constructing the apartments. He have no role to play in the Real Estate (Regulation and Development) Act, 2016. Comment on the statement. **(6 Marks)**
- 4.7** The post RERD era have put stringent compliance norms on the part of the promoter to ensure the provisions of the RERD. State the compliances which are to be adhered by the promoter in terms of the RERD. **(9 Marks)**

Case Study 5

Sun Private Limited (SPL) is a fully integrated operation from taking a 3D model as input to the design and manufacturing of tools to the manufacturing of finished products. The Company is also into Engineering Services with headquarters in Mumbai, India managed and run mainly by the promoters Mr. S (Managing Director), Mr. T (Director), and Mr. U (Director). All three are Indian residents.

SPL has a marketing office with warehouse facility Sun Trading Spolka Z.O.O (STS) in Poland, fully owned and controlled by it, to cater to the demands of European customers. LTS has been established with the permission of the Reserve Bank of India, duly complying with the required statutory formalities.

On 1st January 2020, SPL, shipped some engineering products with a CIF value of EUR 265,000 to STS; the cost of the products is EUR 250,000, Insurance EUR 3,000, and Freight EUR 12,000. Also, some of the products worth CIF GBP 126,000 were shipped to one of the customers in the UK on the same date. The total value of Exports of SPL during the calendar year 2020 from various customers from different countries was USD 12 Million.

SPL during the normal course of business also entered into a Supply (Export) Agreement with one of its customers Royal Group (RG) in the UK for the supply of two machines, a total export value estimated to be CIF GBP 4 Million.

As per the terms of supply:

- a. Two Machines, as specified, worth about CIF GBP 2 Million each are to be exported by SPL to RG.
- b. Exact value of each of the Machinery can be ascertained only after the export to the UK since some more processes are involved during installation and commissioning.
- c. An advance of GBP 1 Million is to be remitted to India by RG to SPL for the purchase or import of

critical components required for the manufacture of the said machines.

- d. Interest shall be payable on Advance payment by SPL to RG up to the date of the bill of lading of the first shipment.
- e. The first Machinery is to be supplied within 15 months from the date of receipt of advance payment in India and the second one within a period not exceeding 27 months.

Accordingly, as per the terms of supply, a sum of GBP 1 Million was received by SPL from RG on 1st July 2021 as an advance towards exports through the State Bank of India. The First machinery was supplied on time and the relevant export declaration was furnished to the specified authority in a specified manner. Other export formalities were duly complied with.

SPL also established a marketing office in Dubai, UAE - Sun Emirates LLC (SEL) for conducting normal business activities of the Indian entity, to cater to the requirements of customers from the Middle East. For promoting business in the Middle East Region, SPL sponsored a T20 Cricket match in Dubai International Cricket stadium and approached the State Bank of India for remittance of USD 250,000 towards sponsorship Fees.

SPL is holding certain properties in the form of some residential flats in UAE ready for sale. Prestige Real Estate LLC (PREL) is a well-reputed real estate agent in UAE and has experience in marketing, advertising, and selling real estate property. While on travel to Dubai, Mr. S and T, on behalf of SPL entered into an Agency Agreement PREL for the sale of properties in UAE. As per the Agreement

- a. PL grants PREL the exclusive rights to sell all the residential flats in UAE.
- b. Any and all offers and negotiations in regards to the said properties shall be conducted by PREL
- c. PREL shall do everything possible to entertain and vet offers made. It is the Agent's sole purpose to sell the properties and as so shall be permitted to employ additional Brokers to assist in the selling and advertising process.
- d. Any offers considered valid should be reported to the Seller within 2 days and it shall be at the discretion of SPL to accept or decline.
- e. SPL agreed to remit PREL a flat commission of a certain percentage of the final sale price, on a case-to-case basis.

PREL is also authorized to sell one of the commercial plots owned by SPL in India on similar terms as stated above. For one of the plots owned by SPL in Pune, PREL finds a buyer from UAE. Because of the efforts of PREL, such a plot could be sold at USD 400,000. PREL transferred USD 400,000 to India, as sale proceeds. As per the Agreement, USD 22,000 is to be transferred as Commission to PREL.

Mr. U wants to remit USD 250,000 under the Liberalized Remittance Scheme (LRS) to buy lottery tickets abroad making use of his business connections.

Answer the following questions in the light of given information.

Multiple Choice Questions (5 questions of 2 marks each)

- 5.1 For one of the plots owned by SPL in Pune, PREL find a buyer from UAE. Because of the efforts of PREL, such a plot could be sold at USD 400,000. PREL transferred USD 400,000 to India, as sale proceeds. As per the Agreement, USD 22,000 is to be transferred as Commission to PREL. In the context of commission which of the following statements is correct:
- (a) Without any pre-approval from the Reserve Bank of India upto USD 100,000 or 5% of the amount

remitted, whichever is higher, can be transferred as a commission by SPL to PREL

- (b) Without any pre-approval from the Reserve Bank of India any amount upto USD 25,000 or 5% of the amount remitted, whichever is higher can be transferred as a commission by SPL to PREL
 - (c) Without any pre-approval from the Reserve Bank of India only USD 20,000 can be transferred as a commission by SPL to PREL in the given case.
 - (d) Without any pre-approval from the Reserve Bank of India upto USD 50,000 or 5% of the amount remitted, whichever is lesser, can be transferred as a commission by SPL to PREL.
- 5.2 The First machinery was supplied on time and the relevant Export Declaration was furnished to the specified authority in a specified manner. In the context of the Export Declaration, which one of the following statements is **not** correct?
- (a) Export of goods can be made without furnishing the specified Declaration when goods are imported free of cost on a re-export basis;
 - (b) Export of goods can be made without furnishing the specified Declaration when goods are sent outside India for testing subject to re-import into India.
 - (c) Export of goods can be made without furnishing the specified Declaration when defective goods are sent outside India for repairs at an agreed price with the supplier outside, subject to re-import into India.
 - (d) Export of goods can be made without furnishing the specified Declaration in case of unaccompanied personal effects of travelers.
- 5.3 STS (Sun Trading Spolka Z.O.O) in Poland in the stated case shall be treated as:
- (a) Person resident outside India
 - (b) Person resident in India
 - (c) Person not ordinary resident in India
 - (d) No relevance to LTS of residential status with reference to Indian laws
- 5.4 For promoting business in the Middle East Region, SPL sponsored a T20 cricket match in Dubai International Cricket stadium and approached the State Bank of India for remittance of USD 250,000 towards sponsorship Fees.
- (a) State Bank of India can remit USD 250,000 towards cricket sponsorship without any limits and any pre-approval.
 - (b) State Bank of India can remit USD 250,000 with the approval from Reserve Bank of India.
 - (c) State Bank of India can remit USD 250,000 with prior approval from the appropriate ministry of the Government of India.
 - (d) Remittance by State Bank of India of USD 250,000 towards T20 cricket sponsorship in Dubai is a transaction for which remittance of foreign exchange is prohibited.
- 5.5 Mr. U wants to remit USD 250,000 under the Liberalized Remittance Scheme (LRS) to buy lottery tickets abroad making use of his business connections.
- (a) Remittance to buy lottery tickets abroad is a prohibited item under LRS
 - (b) Remittance of more than USD 100,000 for buy lottery tickets abroad is prohibited under LRS

- (c) Remittance upto USD 250,000 per financial year is permitted to buy lottery tickets abroad under LRS
- (d) Remittance only upto USD 150,000 per financial year is permitted to buy lottery tickets abroad under LRS

Descriptive questions (15 Marks)

5.6 On 1st January 2020, SPL shipped some engineering products with a CIF value of EUR 265,000 to STS; the cost of the products is EUR 250,000, Insurance is EUR 3,000, and Freight is EUR 12000. In this regard answer the following; **(9 Marks)**

- A. What is the period within which the export value of goods shipped to STS to be realized and repatriated to India, and does it make any difference, if only the cost price is realized but not Insurance and Freight within the period specified?
- B. Will your answer change to part A above, in the case of the transaction wherein goods worth GBP 126,000 shipped/exported to one of the customers in the UK and not to STS?
- C. Will your answer change to part A above, in case SPL has an Export Oriented Unit in Mumbai and goods/software/services are shipped therefrom? Explain.

5.7 SPL is holding certain properties in the form of some residential flats in the UAE. What are the possible ways by which these properties might have been legally acquired by SPL in the UAE?

(6 Marks)