

Roll No.

Total No. of Printed Pages – 11

Total No. of Questions – 6

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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PART – II

1. (A) The dividends declared by Alpha Limited, during the immediately preceding 5 years was 6%, 9%, 8%, 14%, 15% respectively. The company has incurred losses upto the quarter ending 30-09-2020 during the current financial year. To maintain the confidence of the shareholders in the company, the Board of Directors of Alpha Limited, declared an interim dividend @ 12% in its Board meeting held on 19-10-2020 to be paid to the shareholders of the company. 4

(i) Advise, whether the declaration of an interim dividend is permissible, considering that the company is making losses in the current financial year, as per provisions of Section 123(3) of the Companies Act, 2013.

(ii) Would your advice be different if the above company was a Section 8 company ?

- (B) Turbo Limited had appointed Mr. P a Chartered Accountant, as their auditor for a period of 5 years. One tenth of the members of the company, made an application to the Tribunal, that the auditor was acting in a fraudulent manner, in collusion with the Chief Manager. The Tribunal on being satisfied about his fraudulent behaviour, directed the company to change the auditor. 4

The auditor challenged that the order of the Tribunal was not tenable since the application was made by only one tenth of the members of the company.

Within a month of such removal, he accepted an order for appointment as auditor of Mettle Limited.

Decide whether the actions of the auditor are valid, in the light of the provisions of Section 140(5) of the Companies Act, 2013.

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- (C) Crown Industrial Conveyors Limited had advanced a loan of ₹ 1 crore to M & Co. Private Limited whose office was functioning in a rented house property belonged to Mr. M, the Managing Director. The lending company intends to attach the property of Mr. M as liquidation asset and seeks your advice with regard to its position in a Liquidation proceedings initiated under the Insolvency and Bankruptcy Code 2016. 4
- (D) Whether it is possible to go for a liquidation process before the submission of resolution plan. 2

2. (A) Time Zone Limited was engaged in the manufacturing of watches. 4
Two of the directors along with the chief Financial Officer, were engaged in a lot of malpractice, and falsifying accounts. Some of the employees who were also members of the company became suspicious that serious fraud was perpetrated by the directors in collusion with the Chief Financial Officer. They decided to file an application with the Central Government Under Section 212 of the Companies Act, 2013 for carrying out an investigation into the affairs of the company by Serious Fraud Investigation Office. 1600 of the 2000 members passed a resolution for investigation by the Central Government into the affairs of the company. The Central Government accepted their application and assigned its investigation to SFIO.

The two of the directors believed that the application was not tenable since it was not filed by 90% of the members of the company.

State the circumstances under which the Central Government can carry out an investigation into the affairs of a company under Section 212 of the Companies Act, 2013. In the light of the said provisions, state whether the application filed by the members is tenable.

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- (B) Sigor Limited was in the process of liquidation. It had some correspondence with its auditor, which was in the company's letter head. The auditor observed that the letter head was not in compliance with Section 344, as it did not mention the fact that the company was being wound up. He immediately called up one of the directors and advised him about the provisions of Section 344 and the consequences of non-compliance:

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State, the provisions and consequences regarding which the auditor would have advised.

- (C) Graphics Bank Limited, has been posting exceptionally good results continuously for the past few years. In compliance of Section 17 of the Banking Regulation Act, 1949 the bank was transferring from its net profits the specified percentage to its Reserve Fund every year. In the financial year 2019-20, also the bank had made a huge profit, maintaining the previous trend. The Chairman was of the opinion that the bank had accumulated enough funds in the Reserve Fund, to comply with Section 17, and recommended to the Board, that there was no requirement to transfer any amount to Reserve Fund. The Board also approved the resolution for non-transfer to Reserve Fund for that financial year. During the annual general meeting, a shareholder who was also a depositor objected to this non-transfer, stating that it was against the interest of the depositors.

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State whether the Board's decision is right in the light of the provisions of Section 17 of the Banking Regulation Act, 1949.

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3. (A) Hybrid Limited is having issued share capital of ₹ 8,00,000 consisting of 80,000 shares of ₹ 10 each. The company has 38 members. Some members who felt oppressed by certain decisions of the Board, submitted a petition before the Tribunal for relief against the same. 4

Details of the members who submitted the petition are given below :

Member A holding 1000 shares

Member B holding 2500 shares

Members C and D – jointly holding 3500 shares

Examining the above under the provisions of Section 244 of the Companies Act, 2013, state whether the petition is maintainable.

- (B) Draft a Board resolution for approval of investment in equity shares by Speed Cycles Limited in Brakes and Gears Limited. 4

- (C) Molly had resided in India for 182 days in the financial year 2017-18. She went to UK on 1st April, 2018 and returned to India on 1st July, 2019 on an employment contract in India for a year. She completed her contract and immediately left India. 6

Under Section 2 (v) of FEMA 1999, determine the residential status of Molly for the financial years :

(i) 2018-19

(ii) 2019-20

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4. (A) A company incorporated in France, with limited liability, established an office in Baroda, and started conducting business activity from its place of business. In compliance of Section 382 of the Companies Act, 2013, it conspicuously exhibited a name board outside its office, with the name of the company in English in big block letters.

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In three days, the company received a notice from the Registrar stating that it had not properly complied with the requirements of Section 382 of the Companies Act, 2013.

Mention the areas of lapses of the foreign company, which would be mentioned in the notice.

OR

Dissatisfied with the decision of the NCLT, Rana had filed an appeal before the Appellate Tribunal, which was also turned down. Advise him on further course of action to be taken.

- (B) Jackpot Limited, a public limited company, with 7 Directors in the Board, had not filed annual returns and financial statements for 2 consecutive financial years. The Register after required formalities, entered the name of the company in the register maintained for dormant companies.

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One of the directors suggested that since, the company was now registered as a dormant company, the company need not have 7 directors and having one or maximum two directors would suffice. Following his advice, 5 directors resigned, and the company was left with only 2 directors. The existing two directors did not file any statement with the Registrar, regarding change of directors.

Advise stating the provisions of Section 455, of the Companies Act, 2013, whether the reduction in the number of directors and not filing a statement with Registrar regarding change of Directors, is appropriate.

(C) The Board of SEBI is managed by its members. The Chairman Mr. A aged 65, has just completed his three year term of office and his office has become vacant. The Union Government is of the opinion that Mr. A is a person with specialized knowledge in the areas of law, finance, economics and appoints him as Chairman for another period of 3 years.

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(i) Discuss the validity of the above appointment under Section 5 of SEBI Act, 1992.

(ii) The Board of SEBI at its meeting, passed a resolution altering the bye laws of one of the member stock exchange. The stock exchange refused to accept the alteration on the ground that the appointment of one of the directors in the Board, was defective.

Explain whether the contention of the stock exchange is right.

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5. (A) Halogen Limited, is facing acute shortage of funds and owes huge sums of money to its financial and operational creditors. 4

(i) When will the provisions of insolvency and liquidation of corporate persons be applicable on a corporate person ?

(ii) State with reasons whether the following persons can initiate insolvency resolution process against Halogen Limited :

- Mr. Y, a person to whom an operational creditor of Halogen Limited has assigned his debt of ₹ 120 lakhs.
- Mr. P, is a financial creditor, to whom the company owes ₹ 80 lakhs.

(B) The term of office of the Managing Director of Tractors Limited will be expiring on 31st December, 2023. One of the directors at the Board meeting held on 18th October, 2022 proposed that he should be reappointed for another term of 5 years. 4

Alternately, the Managing Director, proposed that his son aged 19 years could be appointed as Managing Director, at the time of the expiry of his tenure.

Explain whether both the above proposals are as per the provisions of Section 196 of the Companies Act, 2013.

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- (C) (i) Rajan had filed an appeal before the Appellate Tribunal regarding unlawful attachment of one of his properties. The Bench, which was handling the appeal, consisted of 2 members, and both the members were divided in their opinion, on the decision. The matter was referred to a third member of the Appellate Tribunal who gave his opinion. Between the three, the majority decision was that the attachment of Rajan's property was lawful and enforceable. Rajan contended that when the Bench was divided in its opinion, the matter should be decided by the Chairman, with his casting vote and not by any other member of the Appellate Tribunal, and so the decision was not tenable. 3

State with the reasons whether Rajan's contention is right, under the provisions of Section 38 of the Prevention of Money Laundering Act, 2002.

- (ii) State the procedure for withdrawal of recognition given to a Stock Exchange under Section 5 of the Securities Contracts (Regulation) Act, 1956. 3

6. (A) Mr. Yashpal and Mr. Dugal are proposed to be appointed as directors of Light Tubes Limited at the Annual General Meeting to be held on 2nd May, 2021. Following additional information about these persons are provided : 4

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- Mr. Yashpal had subscribed for 20,000 fully paid Equity shares of ₹ 10 each of Light Tubes Limited. The last date for payment of the second call amount was 20th June, 2020 and he has not paid the call money, till the time of submitting his consent to be appointed as director of the Company.
- Mr. Dugal is also a director of Heavy Tubes Limited, a subsidiary Company of Light Tubes Limited, which has full time director in charge of Finance & Accounts to ensure compliance with provisions of the Companies Act, 2013. One aggrieved depositor of Heavy Tubes Limited has represented to the Holding Company that he has neither received refund of his deposit matured on 31st October, 2019 nor interest thereon.

As statutory auditor of the Holding Company, providing Secretarial Service, advise the company about the eligibility of Mr. Yashpal and Mr. Dugal to be appointed as Directors under Section 164 of the Companies Act, 2013.

- (B) State with reasons whether the following companies should constitute a Nomination and Remuneration Committee as per Section 178 of the Companies Act, 2013 :

- (1) Zero Limited, an unlisted public company having turnover of ₹ 180 crores.
- (2) Eldo Limited, an unlisted public company having, outstanding loans ₹ 30 crores, and debentures ₹ 12 crores.

All the above figures are as on the date of last audited Financial Statements.

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- (C) (i) Mr. R was under investigation in France regarding a smuggling case. His accomplice in India Mr. M was aiding him in this illegal activity. The government of France approached the Government of India, (Contracting State) with which agreement for exchange of information has already been entered into, for assistance to enquire into the activities of Mr. M and for freezing of certain properties in India. 4
- (1) Explain Contracting State.
- (2) State the procedure to be followed by the Central Government of India in regard to this request under Section 58 of the Prevention of Money Laundering Act, 2002.
- (ii) Explain the significance of SCHEDULE as one of the internal aids to interpretation/construction of statutes. 2
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