

P13_Practice Test Paper_Syl12_Dec13_Set 1

Corporate Laws & Compliance

SECTION A

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

1. (a) Anita Ltd. and Binita Ltd. entered into a scheme of amalgamation by which Anita Ltd. would transfer its entire undertaking to Binita Ltd. However, the Central Govt. raised an objection that unless the Objects Clause of the companies are similar, and Memorandum empowers to do so, the scheme of amalgamation cannot be permitted. Is the contention of the Central Govt. correct? **[3]**
- (b) Mr. Ram, a Director of XYZ Ltd., requested by providing an advance information for leave of absence expressing his inability to attend the next Board meeting. Advise whether notice is required to be sent to him. **[2]**
- (c) Amal, Vimal, Chapal and Dhabal are Directors of ABCD Ltd. Chapal and Dhabal did not attend the Board Meeting which was properly convened. At the said Board Meeting, two Additional Directors were appointed. They are the wife and brother of Amal and Vimal respectively, the Directors who attended the Board Meeting. Explain whether the Directors who attended the Board Meeting are entitled to vote on the subject-matter and whether the appointment of Additional Directors is valid. **[4]**
- (d) The board of Directors of GF Projects Ltd., a company whose Shares are listed on the Delhi Stock Exchange proposes to give loans to a sister Company in excess of the limit prescribed u/s 372A (1). The next AGM of the Company is due only after 6 months. Since the Board is anxious to complete the formalities quickly without waiting for the date of next AGM, advise the board about the steps to be taken to comply with the legal requirements under the Companies Act, 1956. **[6]**
2. (a) One of the members of AB Ltd. has proposed the name of Mr. Fern for appointment as a director of the company in the Annual General Meeting and given a notice under section 257 of the Companies Act, 1956. Mr. Fern is one of the partners of Fern & Fern, Chartered Accountants, who are the retiring auditors of the company. But the audit of the company is being looked after by another partner of the firm. Examine whether Fern & Fern can be reappointed as auditors, if Mr. Fern is appointed as director. **[4]**
- (b) Unique Technologies Ltd. has been wound up and the Official Liquidator has been asked to take charge of the Company. Briefly explain the relevant provisions regarding filing of Statement of Affairs in relation to the Company in liquidation. **[8]**
- (c) Examine the validity of the following appointment made by Board of Dhanavan Ltd. Buddhiman Ltd. is a Subsidiary Company of Dhanavan Ltd. in which Mr. Pratik Sen is a Director. Mr. Pratik Sen has been appointed as Manager – Research & Development in Dhanavan Ltd. on a Monthly Salary ₹2.5 Lakhs per month with effect from 1st April 2013. What would be your answer in case ABC Ltd. is a Subsidiary of Buddhiman Ltd. **[3]**

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3. (a) Union Bank of India, a National Bank, acquired on 1st January 2002 a Building, fully occupied by various tenants, from Mr. Rahul, the owner of the Building in discharging of a Term Loan advanced to Mr. Rahul, who had mortgaged the said building as security with the said Bank and failed to repay the Loan. The said Bank wants to keep the Building permanently with it and earn the rent from tenants. You are required to state with reference to the provisions of the Banking Regulation Act, 1949 whether the said Bank can do so. [4]

(b) "Life Policy cannot be questioned after the expiry of 2 years from the date on which it was effected". Explain with reference to Section 45 of the act. [4]

(c) A Public Company has been declaring dividend at the rate of 20% on equity shares during the last 5 years. The company has not made adequate profits during the year ended 31st March, 2013, but it has got adequate reserves which can be utilised for maintaining the rate of dividend at 20%. Advise the Company as to how it should go about if it wants to declare dividend at the rate of 20% for the year 2012-13. Would your answer be different if the company utilised only the profits made in the previous years and retained in the profit and loss account for the purpose of payment of dividend at the rate of 20% for the year 2012-13? [7]

4. (a) Mr. X is a director of M/s ABC Ltd. He has approached M/s Housing Finance Co. Ltd. for the purpose of obtaining a loan of ₹50 lacs to be used for construction of building his residential house. The loan was sanctioned subject to the condition that M/s ABC Ltd. should provide the guarantee for repayment of loan installments by Mr. X. Advise Mr. X. [6]

(b) The Board of Directors of M Limited propose to donate ₹3,00,000 to a school established exclusively for the benefit of the children of employees and also donate ₹50,000 to a political party during the financial year ending 31st March 2010. The average net profit determined in accordance with the provisions of section 349 and 350 of the Companies Act, 1956 during the immediately preceding three financial years is ₹40,00,000. Examine with reference to the provisions of the Companies Act, 1956 whether the proposed donations are within the powers of the Board of Directors of the Company. [5]

(c) ABC Limited wants to appoint PQR Private Limited as its sole selling agent for Southern India. Mr. Goodword, director of ABC Limited is also a director in PQR Private Limited. Advise the company about the compliances required under the Companies Act. [4]

5. (a) M/s Ahana Private Limited was incorporated in the year 2001 under the Companies Act, 1956 by 3 brothers, namely, Amit, Anil and Akhlesh. All the three were Promoter-directors named in the Articles of Association and subscribed for 100 shares each in the company through Memorandum of Association. Thereafter, from time to time, further shares were allotted in proportion of one-third to each of them and in due course, the company started earning substantial profits. Due to greed of money, the two brothers, namely, Amit and Anil, joined hands together to assume complete control of the

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company, leaving their brother, Akhlesh in lurch. Both the brothers got further shares allotted to themselves, thereby their joint shareholding increased from 66 2/3% to 90%, while the shareholding of Akhlesh got reduced from the erstwhile 33 1/3% to 10%. No notice of any Board Meeting was sent to Akhlesh, who was sidelined and was also removed as a Director.

Aggrieved by the decisions taken by his two brothers at his back, Akhlesh seeks your advice for taking out appropriate proceedings before the court or judicial authority of competent jurisdiction. Also suggest the nature of reliefs he may claim while filing his case. [6]

(b) Some of the Indian citizens in U.K. joined to commence a business by incorporating a company in U.K. for the purpose of carrying on business there. Examine with reference to the relevant provisions of the Companies Act, 1956 whether it is a "Foreign Company". What would be your answer in case the U.K. Company was incorporated by a company registered in India? [4]

(c) RBI receives a complaint that an authorized person has submitted incorrect statements and information to the RBI in respect of receipt and utilization of Foreign Exchange. Explain the powers of the RBI with regard to inspection of records of the above authorized person. Also state the duties of the authorized person. [5]

6. **(a)** Discuss the powers and role of Audit Committee as per Clause 49 of the Listing agreement. [8]

(b) Sunflower Ltd. decided to terminate the services of Mr. Dinesh, who was employed as Sales Manager. However, the Company feels that the Sales Manager may not vacate the Company's flat at Mumbai. What action can be taken by the Company under the Companies Act, to regain possession of the flat? Is it necessary to take such action under the Act before terminating the services of Mr. Dinesh? Will it make any difference, if the flat is not owned by the Company, but taken on lease? [7]

SECTION B

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

7. **(a)** "Corporate Social Responsibility is to be considered as an investment and not as a charity" – Elaborate the statement [5]

(b) What is Whole Life-Cycle Costing Risk Management? Why does it fail to embrace WLCC? [5]

(c) What is Corporate Governance? What is the need for Corporate Governance in India? [5]

(d) Mention the core elements of CSR Policy as per the CSR Voluntary Guidelines 2009. [5]

(e) Write short notes on:

(i) Corporate Governance in USA

(ii) Corporate Governance in Japan [2.5*2=5]

(f) "The concept of Memorandum of Understanding (MoU) has been designed to provide flexibility and autonomy to CPSEs such that it facilitates them in pursuing the objectives and purposes, for which the enterprises have been set up."

In the light of the above statement, explain the concept of MoU in India. [5]