

FINAL EXAMINATION

December 2014

P-13(CLC)
Syllabus 2012

Corporate Laws and Compliance

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

- Please (1) Write answers to all parts of a question together.
(2) Open a new page for answer to a new question.
(3) Indicate in the front page of the answer book the questions attempted.*

Where necessary, suitable assumptions may be made and disclosed by way of a Note.

SECTION A

Answer Question No. 1 which is compulsory (Carrying 20 Marks) and also answer any four (Carrying 15 Marks each) from rest in this Section.

1. (a) M/S ANAND STEEL LTD. showed a net balance in the Profit and Loss Account for the last five years as follows :

Financial Year 2009-10	Loss	₹ 125 Lakh (Dr.)
Financial Year 2010-11	Profit	₹ 180 Lakh (Cr.)
Financial Year 2011-12	Loss	₹ 110 Lakh (Dr.)
Financial Year 2012-13	Profit	₹ 180 Lakh (Cr.)
Financial Year 2013-14	Profit	₹ 190 Lakh (Cr.)

The Board of Directors of the Company propose to donate a sum of ₹ 25 Lakh to a Social Organization (approved/bonafide) engaged in Education and Health Care of Backward Community in the locality. Examine with reference to the provisions of the Companies Act, 2013, whether the proposed donation is within the powers of the Board of Directors of the Company. 2

- (b) In case of application for oppression and mismanagement, how far the following situations hold good under the provisions of companies Act, 1956.
- (i) Application by minority shareholders holding majority beneficial interest.
- (ii) Application by a group of shareholders against non-declaration of dividend. 2+1=3
- (c) TREEZA LTD. declared dividend for the Financial Year 2013-2014 on 1st July, 2014 but did not pay the same to the shareholders within the prescribed time. Explain with reference to the provisions of Companies Act, 2013.
- (I) What are the penal provisions against such violation?
- (II) Under what circumstances no offence shall be deemed to have been committed? 2+2=4
- (d) Mr. Anuj is a director in State Bank of India. On the ground of his misconduct to the interest of the depositors, the Reserve Bank of India terminates his service. Decide whether the Reserve Bank of India can do so under the Banking Regulation Act, 1949. 3
- (e) The shares of MNC LTD. were listed on a recognized stock exchange. The stock exchange delists the shares of the company. Referring to the provisions of the Securities Contracts (Regulation) Act, 1956, advise the company on the remedies available to the company against the order of the stock exchange. 3
- (f) (i) 'The German Corporate Governance system is based around a dual board system'. Elucidate this statement. 3
- (ii) Why does construction industry fail to embrace WLCC? 2

Please Turn Over

2. (a) Mr. Abir, a Cost Accountant and an Independent Director of Gurgaon Auto Ancillaries Ltd. will be abroad for three months from 10-11-2014. The Company wants to appoint Mr. Rahul as an alternate Director in place of Mr. Abir.
Draft a Board Resolution authorising the appointment. 4
- (b) HILTON LTD. was incorporated on 1st January, 2012. On 1st July, 2014 a political party approaches the company for a contribution of ₹ 12 lakh for political purpose.
Advise in respect of the following under Companies Act, 2013,
(i) Is the company legally authorised to give this political contribution?
(ii) Will it make any difference, if the company was incorporated on 1st December, 2010?
(iii) Can the company be penalized for defiance of rules in this regard? 2+2+2=6
- (c) MODERN INSURANCE LTD. has issued a policy on 25th March, 2014 for Fire Risk favouring one of the leading Corporate House in the country without the actual receipt of premium and it was reflected as premium receivable as at 31st March, 2014. The company maintained that it is a usual practice in respect of big customers and the money was collected on 5th April, 2014. There was a fire accident in the premises of the insured on 31st March, 2014 and a claim was lodged for the same. The Insurance Company also made a provision for claim. Please respond. 3
- (d) Write a note on disclaimer of onerous property as per Companies Act, 1956. 2
3. (a) MANTOP LTD. is a London based Company having several business units all over the world. It has a unit for manufacturing laptop, with its headquarters in Pune. It has a branch at Seoul, South Korea which is controlled by the Headquarters in Pune.
What would be the residential status under the Foreign Exchange Management Act, 1999 of laptop units in Pune and that of Seoul branch? 4
- (b) Mr. Samart, an officer of PUNE TEXTILE MILLS LTD. was in possession of ₹ 1lakh and occupation of the quarter of the said Mills even after his retirement and neglected the notice of the Company to return back the properties.
State the punishment prescribed under the Companies Act, 2013 for wrongful withholding of property. 3
- (c) The board meeting of MANO LTD. was held on 10th June, 2014 at Lucknow at 10.30 a.m. At the time of starting the board meeting, the number of directors present were 8. The total number of directors in the company were 10. The board transacted eight items in the board meeting on that day. At 12 noon after the completion of four items in the agenda, 5 directors left the meeting.
Examine the validity of all these transactions explaining the relevant provisions of the Companies Act, 1956. 4
- (d) Honest Limited, a company incorporated in India has six members in its Audit Committee. Due to recessionary conditions in India the revenue of the company is going down and there is slow down in other activities of the company. Therefore, it was expected that there would not be significant work for members of the Audit Committee. Considering the overall recession in the company and the economy, the members of the Committee decided unanimously to meet once in a year only on March 31, 2014. They reviewed monthly information system of the Company and found no errors.
Would you consider the decision taken by the Audit Committee is in line with the Clause 49 of the (SEBI) Listing Agreement? 4
4. (a) M PRIVATE LTD. had taken overdrafts from two Banks with a limit of ₹ 10 Lakhs each against the security of Fixed Deposit it had with those Banks and an unsecured overdraft from a financial institution of ₹ 9 Lakhs. The said loans were outstanding as at 31st March, 2014. The paid up capital and reserves of the company as at that date was ₹ 40 Lakhs and its turnover during the financial year ended on 31st March, 2014 was ₹ 3 Crores. The management of the company is of the opinion that CARO, 2003 is not applicable to it, because turnover and

paid-up capital were within the exemption limits prescribed and loans taken against the fixed deposits can not be considered. The company further contended that loan limit is to be reckoned per Bank or Financial Institution and not to be aggregated.

Comment with reference to the provisions of Companies Act, 1956.

3

(b) Under what circumstances a Managing Director or whole time Director is not entitled to compensation for loss of office under the Companies Act, 2013?

5

(c) What is e-Governance? What are the advantages of e-Filing?

2+2=4

(d) Explain the "Majority" required for approving the scheme of amalgamation in a meeting of members of a company called as per directions of the Court.

Examine further whether the scheme should be approved by the preference shareholders under Companies Act, 1956.

2+1=3

5. (a) Explain the conditions for order of winding up of the sick Industrial company under section 424G(1) of the Companies Act, 1956.

2

(b) AKSHAY LTD. has advanced a loan of ₹ 1,00,000 to one of its Directors in contravention of the provisions of Sec. 185 of the Companies Act, 2013.

State the consequences of such contravention.

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(c) Explain the different tools of corporate restructuring.

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(d) Explain 'Competition Advocacy' under the Competition Act, 2002.

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(e) A Housing Society started banking business which was ultra vires the regulations governing the said society. On its winding up, the assets were composed partly of the shareholders' money and partly of the ultra vires depositor's money.

Discuss the rights of the shareholders and depositors.

2

6. (a) Examine with reference to the provisions of the Companies Act, 1956 whether winding up can be ordered by the Court in case the Board of Directors of the Company decide to discontinue one of its business. Would your answer differ in case the company suspends the entire business? Explain.

2+1=3

(b) Under section 603 of the Companies Act, 1956, what are the particulars required to be included in a prospectus to be issued by an existing Foreign Company?

3

(c) Which is the apex body to ensure integrated operation of the power system in a state? What are the duties of this authority?

1+3=4

(d) Explain the objective of the prevention of Money Laundering Act (PMLA), 2002.

3

(e) How disputes are resolved under the SARFAESI Act, 2002?

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SECTION B

Answer any two Questions from Question No. 7(a) to 7(c).

10×2=20

7. (a) (i) State the factors influencing Corporate Social Responsibility. (C.S.R.)

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(ii) Why whole life risk monitoring is essential for ensuring effective implementation of risk control measures?

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(b) (i) State OECD guidelines for corporate Governance of State owned Enterprises.

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(ii) Explain corporate citizenship as a new way to market CSR.

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(c) (i) "Corporate Social Responsibility is not Charity". Discuss.

6

(ii) Explain the role of subjectivity in WLCC.

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