

# FINAL EXAMINATION

December 2015

*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.*

*Answer all the questions.*

*Students are requested to read the instructions against each individual question also.*

*All workings must form part of your answer.*

*Assumptions if any, must be clearly indicated.*

### SECTION A

1. Answer all questions:

- (A) An association of 120 persons has been formed with the object of acquisition of gain. Now, due to an internal mismanagement, the said association has applied for being wound up under the provisions of the Companies Act, 2013. Advise. 3
- (B) PWL Limited is facing loss in business during the current Financial Year 2015-16. In the immediate preceding three financial years, the company had declared dividend at the rate of 8%, 10% and 12% respectively. To maintain the goodwill of the company, the Board of Directors has decided to declare 12% interim dividend for the current financial year. Examine the applicable provisions of the Companies Act, 2013 and state whether the Board of Directors can do so? 3
- (C) It is apprehended by the Directors of Minu Ltd. that they are likely to be prosecuted for an offence under the Companies Act, 2013 which is not compoundable. Explain the provisions of the Companies Act, 2013 under which the Directors can seek relief from the liability for offence. What will be the position in case prosecution has already been launched? 3
- (D) Referring to the provisions of the Securities contracts (Regulation) Act, 1956 state how a recognised stock exchange may delist the securities and how an appeal may be filed by an aggrieved investor against the decision of stock exchange for delisting of securities. 4
- (E) Mr. Sekh, resided for a period of 150 days in India during the Financial Year 2013-2014 and thereafter went abroad. He came back to India on 1st April, 2014 as an employee of a business organization. What would be his residential status during the Financial Year 2014-2015 under Foreign Exchange Management Act, 1999. 2
- (F) What corporate governance measures are required to be implemented by the Indian companies as per Clause 49 of The Listing Agreement? Explain in brief. 5

### SECTION B

2. Answer any four questions:

15×4=60

- (A) (i) A meeting of the Board of 'No Holiday Ltd.' was held on a national holiday. However due to lack of quorum, the proceedings of the meeting could not be held and therefore the Chairman of the meeting decided with the consent of the majority that the Board meeting be adjourned to next Monday. However, the date fixed for the adjourned meeting happened to be a 'national holiday'. Advise and draw your analogy with reference to the provisions of the Companies Act, 2013, whether the adjourned meeting of the Board can be held on a day which is a public holiday. 4

**Please Turn Over**

- (ii) Write short notes on the Constitution of Audit Committee under Sec. 177 of the Companies Act, 2013. 3
  - (iii) Which offences are deemed to be Non-cognizable under the Companies Act, 2013? Enumerate the relevant provisions. 5
  - (iv) Mr. B. Pandey, a newly appointed director of Ankrit Ltd. applied for DIN (Director Identification Number). Advise him about the list of scanned documents required to be attached with Dir.3. 3
- (B)
- (i) XYZ Ltd. made an initial public offer of certain number of equity shares. Examine whether these shares can be considered as 'Goods' under the Competition Act, 2002 before allotment. 3
  - (ii) The Board of Directors of MKR Ltd., a banking company incorporated in India, for the accounting year ended 31-03-2015 transferred 15% of its net profit to its Reserve Fund. Certain shareholders of the company object to the above act of the Board of Directors on the ground that it is violative of the provisions, of the Banking Regulation Act, 1949. Examine the provision of Banking Act and decide:
    - (a) Whether contention of the Shareholders is tenable.
    - (b) Would your answer be still the same in case the Board of Directors transfer 30% of the company's net profits to Reserve Fund. 5
  - (iii) M, wants to nominate Mr. S, his 10 years old son, as a nominee for his life insurance policy. Advise him under the provisions of the Insurance Act, 1938. 3
  - (iv) Explain the meaning of the term "Money Laundering". x, a known smuggler was caught in transfer of funds illegally exporting narcotic drugs from India to some countries in Africa. State the maximum punishment that can be awarded to him under prevention of Money Laundering Act, 2002. 4
- (C)
- (i) The Board of Directors of Sunrise Ltd. want to circulate unaudited accounts before the Annual General Meeting of the Shareholders of the company. Examine the validity of the act of the Board of Directors under the provisions of the Companies Act, 2013. 3
  - (ii) Under provisions of Companies Act, 1956, relating to producer company, examine whether the office of director of such company shall fall vacant in the following circumstances:
    - (a) X, a Director of P.K.R. Ltd., a producer company has made a default in payment of loan taken from a company and default continues for 60 days.
    - (b) Z, a Director of the above company could not call the Annual General Meeting for the company due to some natural calamity which occurred three days before the schedule date. 4
  - (iii) Mr. Rana an allottee of shares in a company brought action against a Director in respect of false statement in prospectus. The Director contended that the statements were prepared by the promoters and he has relied on them. Is the Director liable under the circumstances? Decide referring to the provisions of the Companies Act, 2013. 5

- (iv) Speciality Chemicals Private Limited is controlled by two groups of members. The group holding majority of shares made an application to Company Law Board alleging oppression by the minority group. Give your answer according to the provisions of the Companies Act, 1956. 3

- (D) (i) Bank of India, a Nationalised Bank, wants to acquire the Financial Assets of MARS LTD.

Is the Bank or Financial Institutions bound to give notice of acquisition of financial assets to the obligor?

State the Provisions in this regard with reference to the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. 6

- (ii) SHRIJA LTD. secures residential accommodation for the use of its Managing Director by entering into a license arrangement under which the company has to deposit a certain amount with the Landlord to secure compliance with the terms of the license agreement.

Can it be considered as a loan to a Director? Discuss with reference to the Companies Act, 2013. 3

- (iii) On the complaint of Mr. X, SEBI after enquiry finds that Mr. Y a Chief Executive Officer of the company, on the basis of unpublished price sensitive information, has indulged in the trading of the securities of that company. Explain, on the basis of the said finding, what action SEBI can take against Mr. Y under the Securities and Exchange Board of India Act, 1992. 4

- (iv) State whether the following statements are correct or incorrect:

(i) As per Companies Act, 2013, listed company means a Public Company which has any of its securities listed on any recognised stock exchange.

(ii) Foreign Exchange drawal to the extent of US Dollars 80,000 for cultural tours in Washington does not require prior permission / approval of the Government of India. 1+1=2

- (E) (i) A scheme of amalgamation of Anu Co. Ltd. with Priya Co. Ltd. was presented to the Tribunal for sanction after the scheme was approved by an overwhelming majority of shareholders, secured and unsecured creditors of both companies at meeting held under Section 391 of the Companies Act, 1956. While the scheme was pending in the High Court, some of the members requisitioned EGM for the purpose of requesting company 'Anu Limited' to negotiate with company 'Priya Ltd.' as according to the requisitionists the exchange ratio was not fair and reasonable. Can the directors refuse to call EGM? Comment. 3

- (ii) Alliance Ltd. a newly formed company, obtained a certificate to commence business on 1st January, 2014. But it did not hold its statutory meeting up to 30th June, 2014, nor did it deliver a statutory report to the Registrar. The Registrar presented a petition to the Tribunal for company's winding up on the ground that the company has made default in holding the statutory meeting. Can the company be wound up on this ground? Would your answer differ if Alliance Ltd. were a private limited company? Decide with reference to relevant provisions of the Companies Act, 1956. 3

**Please Turn Over**

(iii) How an auditor shall report in his audit report to comply with CARO 2015 in respect of

- (a) Repayment of dues
- (b) Guarantee by the company
- (c) Use of funds
- (d) Fraud

6

(iv) What are the qualifications required to be appointed members of state commission as per the Indian Electricity Act, 2003?

3

### SECTION C

3. Answer *any two* questions (10 marks each):

10×2=20

- (A) (i) "Corporate Social Responsibility is to be considered as an investment and not as a charity"—Elaborate the statement. 6
  - (ii) "Corporate Governance is about promoting fairness". Is it truly beneficial?— Discuss. 4
  - (B) (i) State the reasons for failure of construction industry to embrace whole life cycle costing (WLCC). 5
  - (ii) State the factors responsible for increasing attention towards Corporate Social Responsibility by the corporates. 5
  - (C) (i) What is the relationship between Corporate Social Responsibility and Sustainable Development? 5
  - (ii) What are the difficulties encountered in Governance in the State owned Business? 5
-