

**FINAL EXAMINATION**

June 2019

**P-13(CLC)  
Syllabus 2016**

**Corporate Laws & Compliance**

Time Allowed: 3 Hours

Full Marks: 100

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

*Answer Question No. 1 which is compulsory carrying 20 marks and answer any five questions from Question No. 2 to question No. 8.*

1. Answer *all* questions mentioned below. Mark the correct answer (only indicate A or B or C or D) and give justification.

Multiple choice questions:

2×10=20

- (i) The asset in respect of which no default in repayment of principal or payment of interest has occurred is known as
- (A) Non-performing Asset
  - (B) Standard Asset
  - (C) Sub-standard Asset
  - (D) Doubtful Asset
- (ii) A person who fails to get appointed as a director in a general meeting can not be appointed as
- (A) Additional director
  - (B) Alternate director
  - (C) Independent director
  - (D) Nominee director
- (iii) Which of the following is not the correct manner in the event of any change in his particulars as stated in Form DIR-3, an applicant intimate such change to the Central Government within a period of 30 days of such change in Form DIR-3?
- (A) The applicant shall download Form DIR-6 from the portal.
  - (B) The form shall be digitally signed by CA or CS or CMA.
  - (C) The applicant shall submit the fees.
  - (D) The applicant shall submit the form DIR-6.



- (iv) In which of the following principle, every members holds equal rights with other members of the company in the same class? The scale of rights of members of the same class must be held evenly for smooth functioning of the company.
- (A) Interference
  - (B) Non-interference
  - (C) Indifference
  - (D) Difference
- (v) SEBI has three functions rolled into one body. Which of the following is not the function of SEBI?
- (A) Quasi-legislative
  - (B) Quasi-judicial
  - (C) Quasi-executive
  - (D) Quasi-official
- (vi) Which of the following is not the condition for issue of IDR?
- (A) Issue size should not be more than ₹ 50 crores.
  - (B) Minimum application amount should be ₹ 20,000.
  - (C) At least 50% of the IDR issued should be allotted to qualified institutional buyers on proportionate basis.
  - (D) There will be only denomination of IDR of the issuing company.
- (vii) Which of the following FDI in resident entities is not eligible as investee entities?
- (A) FDI in an India company
  - (B) FDI in Partnership
  - (C) FDI in HUF
  - (D) FDI in LLP
- (viii) For the appointment, reappointment, remuneration and removal of the director of a banking company, prior approval of \_\_\_\_\_ should be obtained.
- (A) Chairman
  - (B) RBI
  - (C) Managing Director
  - (D) Finance Secretary



(ix) A Nidhi shall not accept deposit exceeding \_\_\_\_\_ times of its net owned funds

- (A) Ten times
- (B) Fifteen times
- (C) Twenty times
- (D) Twenty five times

(x) Which of the following Committee was formed by SEBI for improving standards of Corporate Governance of Listed Companies in India?

- (A) Naresh Chandra Committee
- (B) N.R. Narayan Murthy Committee
- (C) Kotak Committee
- (D) Kumar Mangalam Birla Committee

2. (a) (i) Although Company is an artificial person, it can still own property and enter into contracts — Comment. 2

(ii) State with reasons whether the following statements are 'True' or 'False'

(I) The liability in respect of offences committed under the Companies Act, 2013 by the officers in default of the transferor Company prior to its merger or amalgamation shall not continue after such merger or amalgamation.

(II) Only a natural person who is an Indian Citizen shall be eligible to incorporate a one-person Company. 1+1=2

(iii) State briefly the requirements relating to filing of accounts with the Registrar of Companies by the Foreign Company in respect of Global Business as well as Indian Business. 2

(iv) Define the terms 'Mediation' and 'Conciliation'. 1+1=2

(b) Simplex Ltd. has a credit balance of ₹ 10,00,000 in Securities Premium Reserve. It did not earn profit during the year and thus was unable to declare dividend. Bapi, the accountant of the Company, suggested that Securities Premium Reserve of ₹ 10,00,000 may be used for payment of dividend. Comment. 4

(c) Explain the particulars required to be contained in Directors Responsibility Statement as per provision of the Companies Act, 2013. 4



3. (a) The Promoters of M/s Soma Limited, a listed public company propose to have the strength of the Board of Directors as eleven. They also propose to make the Managing Director and Whole Time Directors as directors not liable to retire by rotation. Advise on the following matters as per the provisions of the Companies Act, 2013:

- (i) How many of the remaining directors will have to retire by rotation every year at the Annual General Meeting (AGM)?
- (ii) For the purpose of increasing the strength, certain nominations were received to nominate candidates for contesting elections. One of the nominations was rejected by the directors as it was received after sending the notice of AGM and that too after the working hours of the last day on which nomination should have been received. 5

- (b) M/s Daga Limited (an unlisted company) without any public deposits as per the audited financial statements of the company as at March 31st, 2018 gives you the following informations:

Paid-up Share Capital	₹ 20 crores
Gross Turnover	₹ 500 crores
Bank Borrowings	₹ 50 crores (from a National Bank)
Other Borrowings	₹ 30 crores (from a Public Financial Institution)

Mr. Lodha, a Chartered Accountant employed in the finance and audit department of the company wants to form a Vigil Mechanism for directors and employees of the company. Advise whether it is mandatory for M/s Daga Limited to formulate a Vigil Mechanism for directors and employees of the company. 4

- (c) (i) DEF Limited is a listed company. The Board of Directors of the company at their meeting held on 1st November, 2018 approved the proposal to issue bonus shares in the ratio of 1 : 1. Such bonus issue is authorized by its Articles of Association for issue of bonus shares and capitalization of reserves. The company implemented the bonus issue on 15th November, 2018. Whether the company has contravened the provisions of Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2009? 4
- (ii) The e-forms rolled out by the Ministry of Corporate Affairs (MCA) under the provisions of the Companies Act, 2013 and rules framed thereunder are mandatorily numbered alpha-numeric. Explain this concept. 3



4. (a) M/s RST and Co., a firm of Chartered Accountants, comprising of three partners R, S and T are Statutory Auditors of 50 companies as per details given below:

- (i) Small Companies — 10
- (ii) Private Companies having paid-up share capital of less than ₹ 100 Crores — 20
- (iii) Private Companies having paid-up share capital of more than ₹ 100 Crores — 15
- (iv) Public Companies — 5

Mr. R signs the Balance Sheet of 10 Small Companies and 10 Private Companies having paid-up share capital of less than ₹ 100 Crores. Mr. S signs the Balance Sheet of 10 Private Companies having paid-up share capital of less than ₹ 100 Crores and 5 Private Companies having paid-up share capital of more than ₹ 100 Crores. Mr. T signs the Balance Sheet of 10 Private Companies having paid-up share capital of more than ₹ 100 Crores and 5 Public Companies.

What is the maximum number of audits that the firm as a whole can accept and what is the maximum number of audits each individual partner can accept? 6

- (b) State briefly with reference to the applicable provisions of the Companies Act, 2013 read with rules thereunder whether an unlisted Public Company which is a wholly owned Subsidiary Company will be required to appoint Independent Directors. 2

- (c) (i) PBX Pvt. Ltd. is a company in which there are 6 shareholders. Mr. Bala, who is a director and also the legal representative of a deceased shareholder holding less than one tenth of the share capital of the company made a petition to the tribunal for relief against oppression and mismanagement. Examine under the provisions of the Companies Act, 2013 whether the petition made by Mr. Bala is valid and maintainable. 4

- (ii) Decide the liability of the person for commission of the act during the course of inspection, inquiry or investigation under the Companies Act, 2013:

(I) A person who is required to make statement during the course of investigation pending against its company, is a party to the manipulation of documents related to the transfer of securities and naming of holders in the register of members by the company.

(II) An employee of the company publicized among his social networking of sound financial position of his organization in order to incite the public to purchase the shares of its company. In actuality, the company was running in loss. 4



5. (a) Discuss the National Voluntary Guidelines on “Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner”. 4
- (b) Referring to the provisions of the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002 state the circumstances under which the Reserve Bank of India may cancel the certificate of registration granted to a Securitisation Company. 5
- (c) (i) Mr. Z, a director of Southern Highway Tolls Private Limited, is duly authorized by the Board of Directors to prepare and file returns, report or other documents to the Registrar of Companies on behalf of the company. Though he filed all the required documents to Registrar in time, however, subsequently it was found that the filed documents were false and inaccurate in respect to material particulars (knowing it to be false) submitted to the Registrar. Discuss the penal provision under the Companies Act, 2013 in the light of the given situation. 4
- (ii) Mr. Ganesh, an operational creditor filed an application for corporate insolvency resolution process. He does not propose for appointment of an interim resolution professional in the application. State the provisions given by the code in the given situation. State the term of such appointed IRP. 3
6. (a) (i) ABC Ltd., is a company which has a net worth of INR ₹ 200 crores, it manufactures rubber parts for automobiles. The sales of the company are affected due to low demand of its products.

The previous year's financial state:

(₹ in Crore)

	March 31, 2019 (Current year)	March 31, 2018	March 31, 2017	March 31, 2016
Net Profit	3.00	8.50	4.00	3.00
Sales (turnover)	850	950	900	800

Does the company have an obligation to form a CSR Committee since the applicability criteria is not satisfied in the current financial year? 3

- (ii) Explain the concept of KMP (Key Managerial Personnel) as introduced by the Companies Act, 2013. 2



- (b) (i) Mr. Zupi was appointed as a Member of the Competition Commission of India by Central Government. He has a professional experience in international business for a period of 12 years, which is not a proper qualification for appointment of a person as member. Pointing out this defect in the Constitution of Commission, Mr. P. K. against whom the commission gave a decision, wants to invalidate the proceedings of the commission. Examine with reference to the provisions of the Competition Act, 2002 whether Mr. P. K. will succeed. 3
- (ii) M/s Samrat is a company engaged in providing services of supplying goods all over the world through aircrafts. The aircrafts of the said company is registered and insured in India with the reputed insurance company. Company found that the insurance policy of one of aircraft which is in Europe had expired. Company said to his officer to get new insurance policy of that aircraft in Europe. State the validity of such an act of registration of aircraft in Europe. 3
- (c) Explain the responsibilities of banking companies under the Prevention of Money Laundering Act, 2002. 5

7. (a) (i) Which principle of insurance is related to the following statements?

(I) The cause for loss must be related to the purpose of insurance.

(II) The insured should not be allowed to make any profit by selling damaged or in the case of lost property being recovered. 1+1=2

- (ii) XYZ Ltd. issued prospectus for the subscription of its shares for ₹ 500 Crores. The issue was over subscribed by 10 times. The company issued shares to all the applicants on pro-rata basis. Later SEBI inspected the prospectus and found some misleading statement about the management of the Company in it. SEBI imposed a penalty of ₹ 1 Crore and banned its two executive directors for dealing in securities market for three years.

Identify the function and its type performed by SEBI in above case. 2

- (iii) (I) Who shall be the competent authority for all decisions pertaining to arrest as per the provision of the Companies (Arrests in connection with investigation by serious Fraud Investigation office) Rules, 2017?

(II) Who is empowered to designate court of session as special courts for trial of offence of money laundering? 1+1=2

- (iv) Who can initiate insolvency resolution process? 2

(b) Explain how the provisions of the Companies Act, 2013 relating to Audit Committee will help in achieving some of the objectives of Corporate Governance. 5

(c) State briefly the effect of floating charge on the undertaking or property of the company when a company is being wound-up. 3



**8. Write short notes on *any four* of the following:**

**4×4=16**

- (i) List the quarterly compliances for a listed entity under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
  - (ii) Constitution of the National Financial Reporting Authority
  - (iii) Acquisition and Transfer of Property in India by a Non-resident Indian or an Overseas Citizen of India
  - (iv) Benefits of CSR Programme
  - (v) Rights and duties of authorised representative of financial creditors
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