

PAPER 13 – Corporate Laws and Compliance

SECTION A

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

1. (a) At an annual general meeting held on 25th September, 2011, the auditor was appointed to hold office up to the conclusion of next annual general meeting. The next AGM was convened on 20th September 2012 but it stood adjourned without transacting any business. Does the retiring auditor continue in the office? [3]
- (b) Mr. A is managing director of APACHE Ltd. He gave his resignation letter to the Chairman of the Board of directors on 31st December, 2012 and requested that he should be relieved immediately. When does the resignation of Mr. A take effect? [4]
- (c) A meeting of members of a company was convened under the orders of the court to consider a scheme of compromise and arrangement. The meeting was attended by 200 members holding 5,00,000 shares in aggregate 70 members holding 4,00,000 shares voted for the scheme. The remaining members voted against the scheme. Examine with reference to the relevant provision of the companies Act, 1956 whether the scheme is approved by the required majority. [3]
- (d) To which Company the Restriction as to Reduction of Share Capital applies? State the Procedure for Reduction of Capital as per the Companies Act. [2+3=5]
2. (a) On 31st March, 2012, D holds certain securities issued under 'Collective Investment Scheme'. His name appears in the books of the scheme. He has transferred these securities to another person for a consideration. The transferee lodged the instrument of transfer with the authorities one month after the date on which the income on these securities became due. Examining the provisions of the Securities Contracts (Regulation) Act, 1956 state:
- (i) Whether D is entitled to receive and retain the income on these securities for the financial year ended 31st March 2012 in the given case?
- (ii) Would your answer be still the same in case the transferee lodged the instrument of transfer with the authorities 14 days after the date on which the income on these securities became due? [4]
- (b) Mia Ltd. entered into a contract with M and Co. Ltd. for purchase of raw materials of ₹2,50,000 at the prevailing market rate. The director of Mia Ltd., Mr. B, was holding shares of the value of 1% of the paid up capital of M and Co. Ltd. Another Director of Mia Ltd., Mr. C was holding shares of the value of 1.5% of the paid up capital of M and Co. Ltd. Mr. B at the beginning of the year, gave a general notice to Mia Ltd. that he was interested in M and Co. Ltd. but did not disclose the nature of interest.
Mr. B claims that he had given notice to Mia Ltd. as required under the Companies Act and that his holding being only 1% is within the limit under the Companies Act. [6]
- (c) Anaida is an air-hostess with the British Airways. She flies for 12 days in month and thereafter a break for 18 days. During the break, she is accommodated at 'base' which is normally the city where the Airways is headquartered. In India, the base city for British

Airways in Mumbai. During the Financial Year, she was accommodated at Mumbai for more than 182 days. What would be her residential status under FEMA? [2]

(d) Mr. MKP was member of the CCI. He ceased to be such a member on 31st March 2011. Thereafter, he was offered the post of Executive Director with appropriate remuneration and other perquisites, in the following organization to join his duties on and from 1st July 2011 –

- HLL Ltd a Private Sector Public Limited Company, whose case was disposed off by CCI under the provisions of the Competition Act, in February 2011.
- Life Insurance Corporation of India.

State the option available to Mr. KMP in respect of accepting the above offers. [3]

3. (a) When does Transmission of Shares take place? What are the effects of Transmission? [2+2=4]

(b) An investor has complained to SEBI that he has not received the payment due to him from the stock broker registered with Calcutta Stock Exchange Association Ltd. The complainant has requested SEBI to take appropriate action against the stock broker. You are required to state with reference to the provisions of Securities and Exchange Board of India Act, 1992 the answer to the following:

- (i) What action SEBI can take against the stock broker on the complaint as stated above?
- (ii) What is the procedure to be adopted and what are the factors that will be taken into account while taking such action? [3]

(c) Ranbir was appointed as sole selling agent of S Ltd. for a period of five years in a general meeting of the company. Exactly after one and half years, S Ltd was amalgamated with another company A Limited. Ranbir was not appointed as the sole selling agent of A Ltd. S Ltd paid Ranbir ₹6.00 lacs as selling commission during the said one and half years. Is Ranbir entitled to any compensation and if yes, what is the quantum? [4]

(d) The Board of Director of VDV Ltd., a banking Company incorporated in India, for the accounting year ended 31-3-2010 transferred 15% of its net profit to its Reserve Fund. Certain Shareholder of the Company objects to the above act of the Board of Directors on the ground that it is violative. Examine the provision of Banking Regulation Act, 1949 and decide -

- Whether contention of the Shareholder is tenable?
- Would your answer be still the same in case the Board transfers 30% of the Company's Net Profits to Reserve Fund? [4]

4. (a) In a public company the total number of Directors are 9 and 2 office of the Directors have fallen vacant. Referring to the relevant provisions of the Companies Act, 1956:

- (i) What would be the quorum for the Board Meeting?
- (ii) Can the articles of a company fix the quorum (higher or lower) for the Board Meeting?
- (iii) Assuming if there are 15 Directors in the company and of which 13 happen to be interested Directors, what would be the quorum?
- (iv) How do you resolve the situation if all the Directors are interested in a particular transaction? [4]

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- (b) A person, who was sentenced to imprisonment for a period of 2 months under the Income-tax Act, 1961, wants to be appointed as a whole-time director of the company. Whether he can be appointed as a whole time director? [2]
- (c) Discuss the Constitution and functions of Regional Load Despatch Centre as per the Electricity Act, 2003. [2+4=6]
- (d) An arrangement has been made among the Cotton Producers that the Cotton produced by them will not be sold to mills below a Certain Price. The arrangement is in writing but it not intended to be enforced by legal proceedings. Examine whether the said arrangement can be considered as an arrangement within the meaning of Sec. 2(b) of the Competition Act, 2002. [3]
5. (a) Write short notes on Clause 49 of the Listing Agreement of SEBI in connection with Corporate Governance and Audit /Committee. [5]
- (b) How are the disputes relating to formation, management or business of a Producer Company resolved? [4]
- (c) Explain the objective of the Prevention of Money Laundering Act (PMLA), 2002. [3]
- (d) Mr. X is already working as Chief Accounts Officer in the company and his father is appointed as a whole time director in the subsidiary company. Examine applicability of the section 314.
Will your answer be different if Mr. X's father is appointed in the same company as whole time director? [3]
6. (a) What are the transactions for which SARFAESI Act, 2002 does not apply? [4]
- (b) Write a short note on:
(i) Surrender of Shares.
(ii) Debenture Redemption Reserve. [3+3=6]
- (c) What are the provisions in the Insurance Act, 1938 regarding nomination by a life Insurance Policy Holder? Whether a minor can be a nominee in a Life Insurance Policy? [4+1=5]

SECTION B

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

7. (a) Why should Corporate Social Responsibility (CSR) look beyond the concept of philanthropy? [5]
- (b) Discuss the steps involved in the whole life-cycle risk process for each stage of the project. [5]
- (c) "Companies are not entirely free to decide on how they shall handle their risks." Discuss this statement in the light of clause 49 of the listing agreement. [5]
- (d) Explain briefly the key strategies which can be used at the time of implementation of Corporate Social Responsibility policies and practices in a company. [5]

(e) State with reasons - whether the following statements are correct or incorrect:

“Corporate Social Responsibility is closely linked with the principles of sustainable development.” [5]

(f) “Family ownership of firms is the prevalent form of ownership in many countries around the globe.”

In view of the above statement, explain the concept and need of Ownership structures. [5]