

Corporate Laws & Compliance

Full Marks: 100

Time Allowed: 3 hours

This paper contains 3 questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer. Assumptions, if any, must be clearly indicated.

(1) Answer all questions: [20 marks]

(a) Mr. Rahim resided in India during the financial year 2006-2007 for less than 183 days. He came to India on 1st April, 2007 for employment. What would be his residential status during the financial year 2007-2008 under FEMA, 1999? **(3 Marks)**

(b) State the forms of business organisation which are prohibited from carrying on Insurance Business. **(3 Marks)**

(c) Whether the Act shall apply to an Insurer after it has discontinued its business? **(3 Marks)**

(d) During the year 2013, Akash Ltd. held four meetings of the Board on 2nd January 2013, 10th May 2013, 16th October 2013 and 31st December 2013. Examine whether this was in accordance with the provisions of the Companies Act, 1956? **(3 Marks)**

(e) Pritam Ltd. had been incorporated in May, 1950 and its articles of association at that time fixed the maximum number of directors as 16. It has now 10 directors, but wants to appoint 6 new directors. Will the approval of the Central Government be required? **(3 Marks)**

(f) State the nature of Corporate Governance. **(2¹/₂ Marks)**

(g) What are the reasons for Corporate Governance failure? **(2¹/₂ Marks)**

(2) Answer any four questions: [4 × 15 = 60 marks]

(a)(i) Piyush Private Limited is a company in which there are eight shareholders. Can a member holding less than one-tenth of the share capital of the company apply to the Company Law Board for the relief against oppression and mismanagement? It is alleged by the said member that the directors of the company have misused their position in making certain inter- corporate deposits which are against the interests of the company. Will the Company Law Board entertain application containing such allegation in the case of Private Company? **(5 Marks)**

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(a)(ii) The executive committee of a recognized stock exchange desires to transfer certain duties and functions of a clearing house to a recently set up clearing corporation, incorporated as a company under the companies Act, 1956.

Examining the provisions of the Securities Contracts (Regulation) Act, 1956:

(A) State the purposes for which such transfer of duties and functions can be made to clearing corporation.

(B) What is the procedure to be adopted for such transfer of duties and functions? (5 Marks)

Answer:

(a)(iii) Mr. C was a member of the Competition Commission of India. He ceased to be such member on 31st March, 2008. Thereafter, he was offered the post of Executive Director with appropriate remuneration and perquisites in the following organisations to join his duties on and from 1st July, 2008:

(A) HL Ltd., a private sector public limited company, whose case was disposed off by the Competition Commission under the provisions of the Competition Act, 2002 in the month of February, 2008.

(B) Life Insurance Corporation of India.

You are required to state with relevant provisions of the Competition Act, 2002 the option available to Mr. C in respect of accepting the above offers. (5 Marks)

(b)(i) A majority of the Board of Directors of M/s SAV Drugs Ltd. have reasons to believe that some of the business activities Carried on in the name of the company are prima facie against the interests of the company and its members.

They want the matter to be referred to Central Government in the form of an application for appointment of an Inspector to reach to the bottom of the matter and unveil the truth. In this connection you are required to –

State the steps required to be taken with reference to the provisions of the Companies Act, 1956.

(5 Marks)

(b)(ii) Examine with reference to the provisions of the Companies Act, 1956 the validity of the following:

(A) A scheme provides for amalgamation of a 'foreign company' with a company registered under the Companies Act, 1956.

(B) The statement forwarded with the notice convening a meeting of its members pursuant to Court's direction under Section 391 contains only 'exchange ratio' without details of its calculation. (5 Marks)

(b)(iii) Mr. Samrat, an Indian National desires to obtain foreign exchange for the following purposes:

(A) Remittance of US Dollar 50,000 out of winnings on a lottery ticket.

(B) US Dollar 1,00,000 for sending a cultural troupe on a tour of U.S.A.

(C) US Dollar 50,000 for meeting the expenses of his business tour to Europe.

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Advise him whether he can get foreign exchange and if so, under what conditions? (5 Marks)

(c)(i) A meeting of the Board of directors of a company was convened to be held on 30th December, 2012, but the meeting could not be held for want of quorum. The last meeting of the Board of directors was held on 14th August, 2012. Advise. (5 Marks)

(c)(ii) State the provisions relating to issue of security by a securitisation or reconstruction company. (5 Marks)

(c)(iii) What are requirements as to capital for carrying on insurance business? (5 Marks)

(d)(i) Can a Banking Company hold any immovable property? (5 Marks)

(d)(ii) Directors of XYZ Limited are not holding any shares in D Company Limited. Similarly directors of D company Limited are not holding any shares in XYZ Limited. But, wife of director 'X' of XYZ Limited holds 40% of the paid up share capital of D Company Limited. Board of directors of XYZ Limited entered into a contract with D Company Limited for purchase of goods and director 'X' did not disclose his indirect interest in D Company Limited. Examine whether 'X' has violated any of the provisions of the Companies Act and also the validity of the contract.

(5 Marks)

(d)(iii) What shall be the term of office of the Chairperson and Members of the Insurance Regulatory and Development Authority? (5 Marks)

(e)(i) Examine, with reference to the provisions of the Foreign Exchange Management Act, 1999, the residential status of the branches mentioned below:

(A) M Limited, an Indian company having its Registered Office at Delhi, India established a branch at New York U.S.A. on 1st April, 2004.

(B) WIP Ltd., a company incorporated and registered in London established a branch at Mumbai in India on 1st April, 2004. (5 Marks)

(e)(ii) Can the Central Government grant immunity to a person who has violated the provisions of the SEBI Act? (5 Marks)

(e)(iii) Mr. Ram is a Director of Fraudulent Ltd., Honest Ltd. and Regular Ltd. For the financial year ended on 31st March, 2010 two irregularities were discovered against Fraudulent Ltd. Fraudulent Ltd. did not file its annual accounts for the year ended 31.3.2010 and failed to pay interest on loans taken from a financial institution for the last three years.

On 1st June, 2011 Mr. Ram is proposed to be appointed as additional director of Goodwill Ltd., which company has sought a declaration from Mr. Ram and he also submitted the declaration

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stating that the disqualification specified in Section 274 of the Companies Act, 1956 is not attracted in his case. Decide under the provisions of the Companies Act:

(A) Whether the declaration submitted by Mr. Ram to Goodwill Ltd. is in order?

(B) Whether Mr. Ram can continue as a Director in Honest Ltd. and Regular Ltd.? (5 Marks)

(3) Answer any two questions: [2 x 10 = 20 marks]

(a)(i) State the recommendation of Cadbury Committee relating to the Non-executive Directors under Corporate Governance. (5 Marks)

(a)(ii) What are the roles of members of the Board of a Listed Company? (5 Marks)

(b) State the dimensions of Social Responsibility of a Company. (10 Marks)

(c) What are the assumptions of Social Responsibility of a Company? (10 Marks)