

## **Paper-13: CORPORATE LAWS AND COMPLIANCE**

## MTP\_Final\_Syllabus 2012\_Dec2015\_Set 1

	Learning objectives	Verbs used	Definition
<b>LEVEL C</b>	KNOWLEDGE  What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION  What you are expected to understand	Describe	Communicate the key features of
		Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identify	Recognize, establish or select after consideration
		Illustrate	Use an example to describe or explain something
	APPLICATION  How you are expected to apply your knowledge	Apply	Put to practical use
		Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
		Solve	Find an answer to
		Tabulate	Arrange in a table
	ANALYSIS  How you are expected to analyse the detail of what you have learned	Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
		Construct	Build up or compile
		Prioritise	Place in order of priority or sequence for action
		Produce	Create or bring into existence
	SYNTHESIS  How you are expected to utilize the information gathered to reach an optimum conclusion by a process of reasoning	Discuss	Examine in detail by argument
		Interpret	Translate into intelligible or familiar terms
		Decide	To solve or conclude
EVALUATION  How you are expected to use your learning to evaluate, make decisions or recommendations	Advise	Counsel, inform or notify	
	Evaluate	Appraise or assess the value of	
	Recommend	Propose a course of action	

**Paper-13: CORPORATE LAWS AND COMPLIANCE**

Full Marks: 100

Time Allowed: 3 Hours

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

**Question 1: Answer all questions**

**[20 Marks]**

- (a) Mr. Ramdhan the secretary of Strong Limited issues a Share certificate in favour of Mr. Rudra purporting to be signed by the directors and the secretary and the seal of the company affixed to it. In fact the secretary forged the signature of the directors and has affixed the seal without authority. Can Mr. Rudra hold the company liable for the shares covered by the Share certificate?
- (b) What are the conditions that need to be satisfied to be a small company, as per Companies Act, 2013?
- (c) Atul, one of the shareholder of a company, filed a civil suit in a Court for removal of directors Dinesh, Suresh and Radha. Is the suit maintainable? Advice in the light of Companies Act, 2013.
- (d) With a view to issue shares to the general public a prospectus containing some false information was issued by Dhisoom company. Mr. Khanna received a copy of the prospectus from the company, but did not apply for allotment of any shares. The allotment of shares to the general public was completed by the company within the stipulated period. A few months later, Mr. Khanna bought 2000 shares through the stock exchange at a higher price which later on fell sharply. Khanna sold these shares at a heavy loss. Mr. Khanna claims damages from the company for the loss suffered on the ground that the prospectus issued by the company contained a false statement. Referring to the provisions of the Companies Act, 2013 examine whether Khanna's claim for damages is justified.
- (e) Mr. Ashutosh, a former bank executive, was convicted by a court eight years ago for embezzlement of funds and was sentenced to imprisonment for one year. Can Mr. Ashutosh become the director of Rashmi Jewelers Ltd., a public company?
- (f) What do you understand by the term 'Normative Ethics'?
- (g) "Businessman should have Social responsibility". Comment.

**Question 2: Answer any four questions**

**[60 Marks]**

**Question 2(a)**

- (i) Prachi Limited is an unlisted Public company having paid up share capital of ₹ 80 crores during the preceding financial year 2014-15. The turnover of the company was ₹ 110 crores for the same period. Referring to the provisions of the Companies Act, 2013, answer the following:
1. Is it mandatory for the above company to appoint an internal auditor for the financial year 2015-16?
  2. What are the qualifications of the Internal Auditor?
- (ii) Under Section 387 of the Companies Act, 2013, what are the particulars required to be contained in a prospectus to be issued by an existing foreign company?
- (iii) Are the provisions of the Information Technology Act, 2000 applicable to electronic records kept under The Companies Act, 2013?

**[6+6+3 =15]**

**Question 2(b)**

- (i) Tanishq Company Limited served a notice of general meeting upon its shareholders. The notice stated that the issue of sweat equity shares would be considered at such meeting. Mr. Abhinav, a shareholder of the Tanishq Company Limited complains that the issue of sweat equity shares was not specified fully in the notice. Is the notice issued by Tanishq Company Limited regarding issue of sweat equity shares valid according to the provisions of the Companies Act, 2013? Explain in detail.
- (ii) An enterprise is not satisfied with the decision of the Competition Commission, Advise whether any remedy is available to the aggrieved party against the decision of the Competition Commission under the Competition Act, 2002?
- (iii) Mr. Danish, an Indian National desires to obtain foreign exchange for the following purposes:
- (a) Payment to be made for securing insurance for health from a company abroad.
  - (b) Payment of commission on exports under Rupee State Credit Route.
  - (c) Gift remittance exceeding US Dollars 10,000.
- Advise him whether he can get foreign exchange and if so, under what condition?

**[3+6+6 = 15]**

**Question 2(c)**

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- (i) "RBI has power to control advances by banking companies". Comment.
- (ii) Mr. Narayan held certain partly paid up shares of Ltd. Company. The company asked him to pay the final call money on the shares. Due to some unavoidable circumstances he was unable to pay the amount of call money to the company. At a general meeting of the shareholders, the chairman disallowed him to cast his vote on the ground that the articles do not permit a shareholder to vote if he has not paid the calls on the shares held by him. Narayan contested the decision of the Chairman. Referring to the provisions of the Companies Act, 2013 decide whether the contention of Narayan is valid.
- (iii) The Balance Sheet of Royal Ltd. as at 31-03-2015 disclosed the following details:
- |                             |             |
|-----------------------------|-------------|
| 1. Authorized share capital | ₹400 crores |
| 2. Paid up share capital    | ₹150 crores |
| 3. Reserves and surplus     | ₹750 crores |
- The company has issued in the year 2010, Fully Convertible Debentures of ₹100 crores which are due for conversion in the year 2015. The company proposes, after the conversion of Debentures to issue Bonus shares in the ratio of 1: 1. Explain briefly the requirements of the Securities and Exchange Board of India (SEBI) Regulations to be followed by the company in this regard.

[6+3+6 = 15]

### Question 2(d)

- (i) The Board of Directors of Disha Limited appointed Ms. Piyali as a Women Director in the Board Meeting held on 10<sup>th</sup> September, 2015. The said appointment was made to fill the vacancy of the Woman Director, which had occurred as a result of resignation of Ms. Divya on 30<sup>th</sup> June, 2015.  
Will your answer differ if the Board Meeting of the company was held on 8<sup>th</sup> November, 2015?
- (ii) Chanchal Limited was incorporated on 5<sup>th</sup> May, 2015 under the Companies Act, 2013. Mr. Rinku was appointed as the first Resident Director of the company in the Board Meeting held on 30<sup>th</sup> September, 2015.
- (iii) The Articles of a Public Company clearly stated that Mr. Bibhu will be the solicitor of the company. The company in its general meeting of the shareholders resolved unanimously to appoint Sona in place of Bibhu as the solicitor of the company by altering the articles of association. Examine, whether the company can do so? State the reasons clearly.

[5+5+5 = 15]

### Question 2(e)

- (i) Explain the provisions of SEBI (Issue of Capital and Disclosure Requirements) /Regulations, 2009 on the conditions for issue of 'Indian Depository Receipts'.

- (ii) A company passed a special resolution for the winding up of the company by the Court and made the necessary petition to the Court. In spite of the opposition of the workers, the company was ordered to be wound up. The workers filed an appeal against the winding up order. It is contended by the company that the workers have no right to appeal as they have neither any right to present a petition for the winding up, nor to be heard in winding up proceedings. Is the contention of the company correct? Cite case law.
- (iii) Which of the provisions of the Companies Act, 2013 shall apply to a foreign company in which 50% of the paid up share capital is held by Indian citizens?

[6+6+3 = 15]

**Question 3: Answer any two questions**

[20 Marks]

**Question 3(a)**

- (i) What are the accepted instruments for promoting socially responsible practices in business?
- (ii) State a few arguments against the implementation of social responsibility for business.

[8+2 = 10]

**Question 3(b)**

- (i) 'Need for Corporate Governance versus Corporate Governance Needs'. Comment.
- (ii) Can there be compliance to corporate governance beyond the regulations?

[7+3 = 10]

**Question 3(c)**

- (i) State the pillars of Corporate Governance.
- (ii) What are the dimensions of Corporate Governance?

[5+5 = 10]