

Paper-13: CORPORATE LAWS AND COMPLIANCE

PTP_Final_Syllabus 2012_Dec 2015_Set 2

	Learning objectives	Verbs used	Definition
LEVEL C	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 asses the value of	
	Recommend	Propose a course of action	

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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) Is a company incorporated outside India required to pay fees for registration of documents? 3
- (b) State whether contracts entered into by a company before registration continue to be binding after incorporation of the company under the Companies Act, 2013? 3
- (c) Shruti Furniture Limited was willing to purchase teakwood estate in Jharkhand State. Its prospectus contained some important extracts from an expert report giving the number of teakwood trees and other relevant information in the estate in Jharkhand State. The report was found inaccurate. Mr. 'X' purchased the shares of Shruti Furniture Limited on the basis of the above statement in the prospectus. Will Mr. 'X' have any remedy against the company? When an expert will not be liable? State the provisions of the Companies Act, in this respect. 3
- (d) Mr. Om is a director of Vidhi Ltd. He intends to construct a residential building for his own use. The cost of construction is estimated at ₹ 1.35 crores, which Mr. Om proposes to finance partly from his own sources to the tune of ₹ 60 lacs and the balance ₹ 75 lacs from housing loan to be obtained from a housing finance company. For the purpose of obtaining the loan, he has approached the housing finance company which has in principle agreed to grant the loan, but has put a condition. The condition put by the housing finance company is that the Company Vidhi Ltd. of which Mr. Om is a director should provide the guarantee for repayment of the loan and interest as per the terms of the proposed agreement for granting the loan to Mr. Om. You are required to advise Mr. Om on the matter with reference to the provisions of the Companies Act, 2013. 3
- (e) State the provisions of the Insurance Act, 1938 relating to refund of deposit. 3
- (f) Do you consider business ethics to be a professional code? 2
- (g) What responsibility towards public should a Management Accountant professional have? 3

Question 2: Answer any four questions

[60 Marks]

Question 2(a)

(i) Mr. Zeo has been arrested for a cognizable and non-bailable offence punishable for a term of imprisonment for more than three years under the Prevention of Money Laundering Act, 2002. Advise, as to how can he be released on bail in this case?

(ii) A producer company has received applications from Mr. Richard, a Director of the

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company, and Mr. Pichai, a member of the Company, for grant of loan of ₹ 2,00,000 and ₹ 25,000 respectively. Discuss the relevant provisions of the Companies Act, 1956 as to how the applications for grant of loan will be disposed of by the Company.

(iii) Write a short note on non-disclosure of the source of information with respect to an investigation of the Company, as per Companies Act, 2013. [7+6+2 = 15]

Question 2(b)

(i) Fun Toys Limited and Bright Toys Limited marketing their products in India propose to be amalgamated. The enterprise created as a result of the said amalgamation will have assets of value of ₹ 300 crore and turnover of ₹ 1000 crore. Examine whether the proposed amalgamation attracts the provisions of the Competition Act, 2002?

(ii) Sundar, a citizen of India, left India for employment in Australia on 1st June 2007. Mr. Sundar purchased a flat at New Delhi for ₹ 15 lakhs in September, 2008. His brother, Mr. Satya employed in New Delhi, also purchased a flat in the same building in September, 2008 for ₹ 15 lakhs. Mr. Satya's flat was financed by a loan from a housing finance company and the loan was guaranteed by Mr. Sundar. Examine with reference to the provisions of Foreign Exchange Management Act, 1999, whether purchase of flat and guarantee by Mr. Sundar are capital account transactions and whether these transactions are permissible.

(iii) What power does the Central Government have to make Rules relating to winding up? [4+6+5 = 15]

Question 2(c)

(i) State the formalities that has to be followed with respect to registration of prospectus of Companies Incorporated outside India, as per provisions contained in the Companies Act, 2013.

(ii) A company created a floating charge of its current assets in favour of a bank to secure a current account, which was in debit of ₹ 5 lakhs and also to secure further working Capital facilities provided by the bank. The charge created on 1st January, 2013 was duly registered with the Registrar of Companies. The bank advanced ₹ 10 lakhs subsequent to the creation of charge. The company has gone into voluntary liquidation pursuant to a resolution passed on 1st September, 2013. Examine the validity of the floating charge in case it is a creditors' voluntary winding up, but there is no fraudulent preference. Would your answer be different, if it was a member's voluntary winding up?

(iii) The issued, subscribed and paid-up capital of Super Supplements Limited is ₹ 2 crore consisting of 20,00,000 equity shares of ₹ 10 each. The said company has 800 members. For the purpose of relief against oppression and mismanagement, a petition was submitted before the appropriate authority duly signed by 90 members holding 1,00,000 equity shares of the said company. Subsequently, 30 members, who signed the petition, withdrew their consent. Decide, under the provisions of the Companies Act, 1956 whether the said petition is maintainable? [3+7+5 = 15]

Question 2(d)

(i) Discuss whether property of the company before registration vests in the company incorporated under the Companies Act, 2013?

- (ii) Examine the extent to which the legal representatives of a deceased director against whom misfeasance proceedings were initiated by the liquidator of the company, under the Companies Act 1956, can be held liable.
- (iii) Answer the following with reference to a scheme of amalgamation of companies explaining the relevant provisions of the Companies Act, 1956.
- (a) Whether companies being amalgamated must be companies registered in India.
 - (b) What is the majority required for approving the scheme of amalgamation in a meeting of members of a company called as per directions of the Court? Is the scheme to be approved by preference shareholders?
 - (c) When will the Court order dissolution of the Transferor company?

[5+4+6 = 15]

Question 2(e)

- (i) Elite Ltd. is engaged in the business of construction. Arun, Barun and Kiran, directors of the Elite Ltd. are holding 75% of the capital of this company. The company passed a resolution at its general meeting that it would not be interested in a particular contract for construction of a bridge. Subsequently, the same contract was obtained by Arun, Barun and Kiran in their own names.
- (ii) Shyam, a Director of Radha Studio Ltd., was appointed on 1st April, 2014. One of the terms of appointment was that in the absence of adequacy of profits or if the company had no profits in a particular year, he will be paid remuneration in accordance with Schedule V. For the financial year ended 31st March, 2015, the company suffered heavy losses. The company paid him a remuneration of ₹ 50 lacs for the financial year 2014-15. The effective capital of the company is ₹ 150 crores. Referring to the provisions of Companies Act, 2013, as contained in Schedule V, examine the validity of the above payment of remuneration to Shyam.
- (iii) The Board of Directors of Laxmi Jewellery Limited propose to donate ₹ 3,00,000 to a school established exclusively for the benefit of children of employees and also donate ₹ 50,000 to a political party during the Financial year ending 31st March, 2010. The average net profits during the three immediately preceding financial years is ₹ 40,00,000. Examine with reference to the provisions of the Companies Act, 2013 whether the proposed donations are within the powers of the Board of Directors of the Company.

[4+5+6 = 15]

Question 3: Answer any two questions

[20 Marks]

Question 3(a)

1. What is Project Governance? What are the benefits of Project Governance?
2. "Corporate Social Responsibility is to be considered as an investment and not as a charity" –Discuss

[4+6 = 10]

Question 3(b)

1. What is Corporate Governance? What is the need for Corporate Governance in India?

2. State the advantages of Good Corporate Citizenship.

[5+5 = 10]

Question 3(c)

1. 'Corporate Governance is about promoting fairness'. Is it truly beneficial?

2. Write a short note on SA 8000.

[6+4 = 10]