

Paper-13: CORPORATE LAWS AND COMPLIANCE

PTP_Final_Syllabus 2012_Jun 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 |
| | APPLICATION How you are expected to apply your knowledge | Illustrate | Use an example to describe or explain something |
| | | 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 |
| | ANALYSIS How you are expected to analyse the detail of what you have learned | Tabulate | Arrange in a table |
| | | 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 |
| | SYNTHESIS How you are expected to utilize the information gathered to reach an optimum conclusion by a process of reasoning | Produce | Create or bring into existence |
| | | Discuss | Examine in detail by argument |
| | | Interpret | Translate into intelligible or familiar terms |
| EVALUATION How you are expected to use your learning to evaluate, make decisions or recommendations | Decide | To solve or conclude | |
| | Advise | Counsel, inform or notify | |
| | Evaluate | Appraise or asses 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]

- (i) Manish applies for shares on the basis of prospectus which contains mis-statement. The shares were allotted to him, who afterwards transfers them to Nishant. Can Nishant bring an action for a recession on the ground of mis-statement? Decide under the provisions of Companies Act, 2013. [3]
- (ii) Gagan Ltd. an engineering company has distributed ₹ 20 lacs to scientific institutions for furtherance of scientific education and research. Referring to the provisions of Companies Act, 2013 decide whether the said distribution of money was 'ultra vires' the company? [3]
- (iii) Arun, a member of Priya & co Ltd., holding some shares in his own name on which final call money has not been paid, is denied by the company voting right at a general meeting on the ground that the articles of association do not permit a member to vote if he has not paid the calls on the shares held by him.
With reference to the provisions of Companies Act, 2013 examine the validity of company's denial to Arun of his voting rights. [3]
- (iv) The minutes of the meeting must contain fair and correct summary of the proceedings thereat. Can the chairman direct exclusion of any matter from the minutes? Some of the shareholders insist on inclusion of certain matters which are regarded as defamatory of a director of the company. The chairman declines to do so. State how the matter can be resolved based on Companies Act, 2013. [3]
- (v) The apple producers from Kashmir have formed an association to control production of oranges. Examine whether it will be considered as a cartel within the meaning of sec 2© of the Competition Act, 2002.
- (vi) Write a note on CSR reporting. [3]

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(vii) State the role of 'Audit Committee' in regulating Corporate Governance.

[2]

Question 2: Answer any four questions

[60 Marks]

Question 2(a)

- (i) X & Co. Ltd. made a loss of ₹ 20 lakhs after providing for depreciation for the year ended 31st March, 2015 and as a result the company was not in a position to declare any dividend for the said year out of profits. However, the Board of Directors of the company announced the declaration of dividend of 15% on the equity shares payable out of the free reserves. The paid up share capital of the company and its free reserves as on 31st March, 2015 are ₹ 2 crores and ₹ 10 crores respectively. The average dividend declared by the company in the last three years is 25%. Examine the validity of declaration of Dividend.
- (ii) The Board of directors of a company decides to revise the accounts which have been submitted to the auditors, but the auditors have not yet given their report. Examine the validity.
- (iii) How is the subsequent auditor appointed in case of a government company? Answer with reference to Companies Act, 2013.

[8+2+5 = 15]

Question 2(b)

- (i) M/s. Super India Ltd. issued shares of the nominal value of ₹10 per share, out of which ₹5 was payable on application and balance ₹5 was payable on call. The call money was invited by the Board of directors but some shareholders, including a non-executive director, failed to pay the same within the prescribed period. Explain the status of director who defaulted in paying call money. Answer with reference to Companies Act, 2013.
- (ii) Mr. Abhinav is named as a director for life in the articles of association of M/s. Aarti Private Limited which was incorporated on 1st April, 1977. The articles of association of the company also provide that he cannot be removed by the members in general meeting. Some of the members want to remove 'Abhinav' by passing an ordinary resolution in general meeting. State with reference to the relevant provisions of the Companies Act, 2013 whether the proposed action is valid.
- (iii) Vibrant Ltd. has 12 Directors on its Board and has the following clause in its Article of Association:
"The question arising at any meeting of the Board of Directors or any Committee thereof shall be decided by a majority of votes, except in cases where the Companies Act, 2013 expressly provides otherwise."

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In one of the meeting of the Board of Directors of Vibrant Ltd 8 Directors were present. After completion of discussion of matter, voting was done. 3 Directors voted in favour of the motion, 2 Directors voted against the motion while 3 Directors abstained from voting.

State whether the motion was carried or not. It is clarified that the motion being voted up to was not concerning a matter which requires consent of all the Directors present in the meeting.

[4+5+6 = 15]

Question 2(c)

- (i) The Board of directors of ABC Ltd. met thrice in the year 2015 and the 4th meeting, though called could not be held for want of quorum. Examine with reference to the relevant provisions of the Companies Act, 2013, the following:
1. Whether any provisions of the Companies Act, 2013 have been contravened?
 2. Is a director bound to attend the Board meetings and when his frequent absence from the Board meetings may be excused?
- (ii) Mr. Deva was appointed as the managing director of Sure Leather Industries Ltd. for a period of five years with effect from 01.04.2012 on a salary of ₹12 lakhs per annum with other perquisites. The Board of Directors of the company, oncoming to know of certain questionable transactions, terminated the services of the managing director from 01.03.2015. Mr. Deva termed his removal as illegal and claimed compensation from the company. Meanwhile the company paid a sum of ₹5 lakhs on ad hoc basis to Mr. Deva pending settlement of his dues. Discuss whether:
1. The company is bound to pay compensation to Mr. Deva, and, if so, how much.
 2. The company can recover the amount of ₹5 lakhs paid on the ground that Mr. Deva is not entitled to any compensation, because he is guilty of corrupt practices.
- (iii) Discuss in brief the issue of certificate of registration of existing companies, under Companies Act, 2013

[6+6+3 = 15]

Question 2(d)

- (i) Explain the provisions relating to investigation into the affairs of a company as per Companies Act, 2013.
- (ii) As per provisions of the Companies Act, 2013, what is the status of Star Ltd., a company incorporated in London, U.K., which has a share transfer office at Mumbai? Would the case have been the same, if Star Ltd. would have been formed by Indian citizens, but it did not have its Mumbai branch?

- (ii) Examine, with reference to the provisions of the Foreign Exchange Management Act, 1999, the residential status of the branches mentioned below:
1. Mita Limited, an Indian company having its Registered Office at Mumbai, India established a branch at New York U.S.A. on 1st April, 2004.
 2. Wella Ltd., a company incorporated and registered in London established a branch at Chandigarh in India on 1st April, 2004.
 3. Wella Ltd.'s Singapore branch which is controlled by its Chandigarh branch.

[5+4+6 = 15]

Question 2(e)

- (i) The Central Government, without referring the matter to the Supreme Court of India for inquiry, removed a member of the Competition Commission of India on the ground that he has become physically or mentally incapable of acting as a member. Decide, under the provisions of the Competition Act, 2002, whether removal of the member by the Central government is lawful?
- (ii) Is the Authority required to furnish any returns to the Central Government, as per provisions of IRDA Act, 1999?
- (iii) State the provisions relating to incorporation of Insurance Association of India, as per Insurance Act, 1938.
- (iii) Point out the circumstances where under the following powers may be exercised by the Securities and Exchange Board of India:
1. Prohibiting a company from issuing or publishing any document or advertisement soliciting money from public for the issue of securities.
 2. Pass cease and desist order in relation to any listed company.

What remedies are available to the companies against such orders under the Securities and Exchange Board of India Act, 1992.

[4+4+3+4 = 15]

Question 3: Answer any two questions

[20 Marks]

Question 3(a)

- (i) "The German Corporate Governance system is based around a dual board system". Elucidate the statement.
- (ii) Discuss the various reasons for Corporate Social Responsibility (CSR). [5+5 = 10]

Question 3(b)

- (i) Briefly discuss the various issues regarding the MoU System in Indian CPSEs.
- (ii) "The typical organizational structure of PSUs makes it difficult for the implementation of corporate governance practices as applicable to other publicly-listed private enterprises." In view of the above, list the difficulties encountered in governance.

[5+5 = 10]

Question 3(c)

- (i) Write short notes on:
1. Influence of Cromme code on Corporate Governance in Germany
 2. Risk and uncertainty in Whole Life Cycle Costing
- (ii) According to "Altered Images: The 2001 State of Corporate Responsibility in India Poll" a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches. Explain the same.

[(2.5 × 2) + 5 = 10]