

Paper-13: CORPORATE LAWS AND COMPLIANCE

PTP_Final_Syllabus 2012_Jun 2015_Set 3

	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	

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) Nitya Builders Ltd decides to pay 2.5 percent of value of debentures as underwriting commission to the underwriters but the articles of the company authorizes to pay only 2 percent underwriting commission on debentures. Comment on the validity based on Companies Act, 2013. [3]
- (ii) The object clause of Memorandum of Association of the XYZ (Pvt.) Ltd., authorized to do trading in diamonds. The company, however, entered into partnership with Mr. Andy and traded in diamonds and incurred liabilities to Mr. Andy. The company subsequently, refused to admit the liability to Mr. Andy on the ground of 'ultra vires' the company. Advice whether stand of the company is legally valid and if so, gives reasons to support your answer. [3]
- (iii) Mr. Bakshi resided for a period of 170 days in India during the financial year 2013-14 and thereafter went abroad. He came back to India on 1.04.2014., as an employee of a business organization. What would be his residential status during the financial year 2014-15 under FEMA, 1999? [3]
- (iv) During the year 2015, Excel Ltd. held four meetings of the Board on 2nd January 2015, 10th May, 2015, 16th October 2015 and 31st December 2015. Examine whether this was in accordance with the provisions of Companies Act, 2013. [3]
- (v) Who is authorized to call a Board meeting? [3]
- (vi) State the core elements that CSR should cover. [2]
- (vii) State the responsibility of State Owned Enterprises in providing equitable treatment to shareholders. [3]

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Question 2: Answer any four questions

[60 Marks]

Question 2(a)

- (i) Explain the power of the central Government to exempt a class of banks or financial institutions, as per Sarfaesi Act, 2002.

- (ii) Accounts and Balance Sheet along with auditor's reports has been filed with Reserve Bank of India after nine months from the end of the period to which these relate. Comment on the validity based on Banking Regulation Act, 1949.

- (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.

- (iv) Examine with reference to the relevant provisions of the Competition Act, 2002 whether Government department supplying water for irrigation to the agriculturists after levying charges for water supplied (and not a water tax) can be considered as an 'enterprise'.

[4+3+4+4 = 15]

Question 2(b)

- (i) Indian citizens incorporated a company in U.K. for the purpose of carrying on business there. Examine with reference to the relevant provisions of the Companies Act, 2013 whether it is a "Foreign Company". What would be your answer in case the U.K. company was incorporated by a company registered in India?

- (ii) What are the provisions relating to placing of annual report in the House(s) of State Legislature where the Central a Government is not a member in a Government company, as per Companies Act, 2013.

- (iii) Mohan Company Limited decided to terminate the services of Mr. Dharmesh who was employed as Sales Manager. The Company, however, feels that the Sales Manager may not vacate the company's flat at Delhi. What action can be taken by the company under the Companies Act, 2013 to regain possession of the flat? Is it necessary to take such action

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before terminating the services of Mr. Dharmesh? Will it make any difference, if the flat is not owned by the company, but taken on lease?

[4+5+6 = 15]

Question 2(c)

- (i) Prithvi Limited is paying remuneration to its non-executive directors at the rate of one percent of the net profits of the company distributed equally among all the non-executive directors. Is it possible for the company to pay minimum remuneration to non-executive directors besides sitting fees in the event of loss in a financial year? Answer with reference to Companies Act, 2013.
- (ii) The Board of directors of a public company in the private sector having made an average profit of ₹ 1 crore during the last 3 financial years propose to donate during the current year ₹ 40,000 to a general charitable fund.
Advise the Board of directors about their powers in respect of the above explaining the relevant provisions of the Companies Act, 2013.
- (iii) Advise the Board of directors of a public company about their powers in respect of the following proposal explaining the relevant provisions of the Companies Act, 2013:
'Delegating to the managing director of the company the power to invest surplus funds of the company in the shares of some companies.'
- (iv) Mr. Singh was appointed as the managing director of a public limited company for a period of 5 years effective from 1.04.2007. It is noticed that he performed certain acts on behalf of the company after the expiry of his term. Some of the aggrieved parties have questioned the validity of the managing director's acts. Advise, with reference to Companies Act, 2013.

[3+3+5+4 = 15]

Question 2(d)

- (i) Seven Seas Company Ltd. in its annual general meeting appointed all its directors by passing one single resolution. No objection was made to the resolution. Examine the validity of appointment of directors explaining the relevant provisions of the Companies Act, 2013. Will it make any difference, if Seven Seas Company was a private company?
- (ii) Annual general meeting of Adarsh Ltd. has been scheduled in compliance with the requirements of the Companies Act, 2013. In this connection, it has some directors who are rotational and out of which some have been appointed long back, some have been appointed on the same day,

Decide in this connection,

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1. Which of the directors shall be retiring by rotation and be eligible for re-election?
2. In case two directors were appointed on the same day, how would you decide their retirement by rotation?
3. In case the meeting could not decide how the vacancies caused by retirement to be dealt with, what shall be consequences?
4. What will be your answer, assuming that the matter could not be decided even at the adjourned meeting?

(iii) Vriddhi Ltd, requires your advice in relation to applicability of appointment of woman director. Kindly advice with reference to Companies Act, 2013.

[4 + (2 ×4) + 3 =15]

Question 2(e)

- (i) The Board of directors of a company decides to revise the accounts which have already been adopted by the shareholders in annual general meeting. Advise.
- (ii) Explain the concept of 'CSR' (Corporate Social Responsibility) as introduced by the Companies Act, 2013. Examining the provisions of the Act and state the applicability, constitution of CSR committee and its duties.
- (iii) The Annual General Meeting of Supreme Limited declared a dividend at the rate of 30 percent payable on paid up equity share capital of the Company as recommended by Board of Directors on 30th April, 2013. But the Company was unable to post the dividend warrant to Mr. Rudra, an equity shareholder of the company, up to 30th June, 2013. Mr. Rudra filed a suit against the Company for the payment of dividend along with interest at the rate of 20 percent per annum for default period. Decide in the light of provisions of the Companies Act, 2013 whether Mr. Rudra would succeed? Also state the directors' liability in this regard under the Act.

[5+6+4 = 15]

Question 3: Answer any two questions

[20 Marks]

Question 3(a)

- (i) "Corporate Social Responsibility is to be considered as an investment and not as a charity" – Elaborate the statement.
- (ii) What is Whole Life-Cycle Costing Risk Management? Why it is not widely embraced?

[5+5 = 10]

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Question 3(b)

(i) What is Corporate Governance? What is the need for Corporate Governance in India?

(ii) Write a note on CSR Policy, expenditure and reporting as per Companies Act, 2013.

[5+5 = 10]

Question 3(c)

(i) Write short notes on:

1. Corporate Governance in USA
2. Corporate Governance in Japan

(ii) "The concept of Memorandum of Understanding (MoU) has been designed to provide flexibility and autonomy to CPSEs such that it facilitates them in pursuing the objectives and purposes, for which the enterprises have been set up."

In the light of the above statement, explain the concept of MoU in India.

[(2.5 × 2) + 5 = 10]