

Paper 13 – Corporate Law and Compliance

Case Study 1

One of the members of AB Ltd. has proposed the name of Mr. Fern for appointment as a director of the company in the Annual General Meeting and given a notice under section 257 of the Companies Act, 1956. Mr. Fern is one of the partners of Fern & Fern, Chartered Accountants, who are the retiring auditors of the company. But the audit of the company is being looked after by another partner of the firm. Examine whether Fern & Fern can be reappointed as auditors, if Mr. Fern is appointed as director.

Case Study 2

Ms. Sheela already holds Directorships in 13 Public Ltd. Companies. She was appointed as Director in the following Public Ltd. Companies on the date given below.

Company	Date of appointment
A Ltd.	29.02.2014
B Ltd.	10.03.2014
C Ltd.	11.03.2014
D Ltd.	13.03.2014

- Sheela did not choose the Directorships as required u/s 277. State the legal implications thereof.
- What would be the position if the appointment in D Ltd were made on 18.03.2014?
- What would be the position if the appointment in C Ltd. and D Ltd. were made on 28.03.2014?

Case Study 3

Mr. Mohan was appointed managing director of the company for 5 years w.e.f. 1st January, 2012 at a monthly remuneration of ₹2,00,000 per month with annual increment of 15%. However, due to differences with other directors he was removed from the post on 31st October 2013. Decide –

- Whether company is liable to pay any compensation to him for the loss of office.
- If compensation is payable, calculate the amount of compensation.

Case Study 4

BOD of M/s RP Ltd., in its meeting held on 29th May, 2014 declared an interim dividend payable on paid up equity share capital of the company. In the Board meeting scheduled for 10th June, 2014, the Board wants to revoke the said declaration. You are required to state with reference to the provisions of the Companies Act, 1956 whether the BOD can do so.

Case Study 5

XYZ Machineries Ltd. having a paid-up share capital of `80 lakhs proposes to enter into contract with the following parties for the supply of certain components for a period of five years with effect from 1st January, 2009:

- (i) ABC Forgings Private Limited where 'X', a director of XYZ Machineries Limited, is interested as a director and member.
- (ii) DEF Casting Limited, where 'Y', a director of XYZ Machineries Limited, is interested as a member holding 25 per cent of the paid-up share capital.

State briefly the legal requirements to be complied with under the Companies Act to give effect to the above proposals. Will the agreements continue to be valid after the paid-up share capital of XYZ Machineries Ltd. is increased to `4 crores in December 2005 by further issue of shares?