

FINAL EXAMINATION

December 2022

18538

P-13(CLC)
Syllabus 2016

Corporate Laws and Compliance

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

*Wherever necessary, Suitable assumptions may be made and
clearly indicated in answer by the candidate.*

*Answer Question No. 1 which is compulsory carrying 20 marks and
answer any five Questions from Question No. 2 to Question No. 8.*

1. Answer all questions mentioned below. Mark the correct answer: 2×10=20

- (i) The Companies Act, 2013 has been divided into _____ chapters with _____ schedule.
- (A) 26, VI
(B) 27, VIII
(C) 28, VII
(D) 29, VII
- (ii) Under section _____ every company shall hold the minimum _____ meeting of its Board of Directors every year.
- (A) 183, six
(B) 173, four
(C) 104, seven
(D) 114, four
- (iii) Dormant Company means a company which is formed for _____ and has not been carrying on any _____.
- (A) past project, accounting transactions
(B) present project, transaction
(C) future project, accounting transaction
(D) present project, accounting transaction
- (iv) Only a natural person who is _____ and _____ shall be eligible to incorporate a one person company.
- (A) 18 years old, resident in India
(B) 21 years old, citizen of India
(C) an Indian citizen, resident of India
(D) a resident in India, citizen of any country

- (v) In case of related party transaction for leasing of property of any kind exceeding _____ of the turnover of the company or _____ whichever is lower, approval of the company by special resolution required.
- (A) 20%, ₹ 200 Crore
 - (B) 10%, ₹ 100 Crore
 - (C) 20%, ₹ 100 Crore
 - (D) 10%, ₹ 200 Crore
- (vi) Work relating to Insolvency resolution is expected to be handled by “ _____ ” and are required to be registered with “ _____ ”.
- (A) Adjudicating Authority, Information utilities
 - (B) Insolvency Professional, Adjudicating Authority
 - (C) Insolvency Professional, Insolvency Professional Agency
 - (D) Insolvency Professional, Insolvency and Bankruptcy Board of India
- (vii) Section _____ of the Companies Act, 2013 imposes a _____ obligation on every company to cause minutes of all proceeding of general meetings, board meetings and other meeting and Resolution passed by postal ballot.
- (A) 118, statutory
 - (B) 119, statutory
 - (C) 119, non-statutory
 - (D) 118, non-statutory
- (viii) A/An _____ company must have a _____ director as per Companies Act, 2013.
- (A) unlisted, woman
 - (B) government, part-time
 - (C) private, rotational
 - (D) listed, woman
- (ix) The Prevention of Money Laundering Act, 2002 consists of _____ Chapters containing _____ Section.
- (A) 7, 75
 - (B) 8, 45
 - (C) 9, 50
 - (D) 10, 75
- (x) According to Sections 14, no banking company shall create any charge upon its _____, and any such charge if created, shall be _____.
- (A) Uncalled capital, void
 - (B) Subscribed capital, illegal
 - (C) Reserve capital, void
 - (D) Unpaid capital, invalid

2. (a) XYZ Ltd. having inadequate profits, proposes to declare 10% equity dividend out of its current profits and its free reserves.

Following are the data drawn from the latest audited financial statements as at 31st March, 2019:

17,500 Preference Shares of ₹100 each fully paid; (Dividend @ 9%)
 7,00,000 Equity Shares of ₹10 each
 General Reserves: ₹ 21,00,000
 Capital Reserves: ₹ 3,50,000
 Securities Premium: ₹ 3,50,000
 Surplus (P&L): ₹ 63,000 (Excluding current year's profit given below)
 Net Profit for the year: ₹ 3,57,000
 Average Rate of Return for the last three years: 15%
 Average Rate of Dividend during the three years: 15%
 The company has declared dividends in each of the 3 preceding financial years.

In the light of the information given above, analysing and applying the provisions of the Companies Act, 2013 and the applicable Rules made thereunder, calculate the minimum amount that is required to be withdrawn from free reserve by XYZ Ltd. for declaring 10% dividend to the equity shareholders. 6

- (b) Blue Berry Ltd, is a Company incorporated outside India. 50% of its preference share capital and 20% of its equity share capital are held by Companies incorporated in India. It issued prospectus inviting subscriptions in India for its shares but did not state the Country in which it is incorporated. Examine in the light of the provisions of the Companies Act, 2013 whether the issue of prospectus by the Company is valid. 2
- (c) XYZ Producer Company Limited, a producer company, was incorporated on 1st April, 2003. At present it has got 200 members and its board consists of 10 Directors. The Board of Directors of the Company propose to advance a Loan of ₹ 10,000 to Mr. X, a Director of the Company repayable within a period of six months. Explaining the provisions of the Companies Act, 1956, examine the validity of the above proposal. 2
- (d) Sunita Garments Limited is engaged in the business of exporting leather garments. The company is neither located in a Special Economic Zone, nor has availed any special status like Status Holder Exporter, Export Oriented Unit or a unit under Bio-Technology Park.

The company seeks your advice regarding the time limit within which the company is required to realise and import into India the foreign exchange arising out of export of goods by them and to be paid to the authorised dealer. Referring to the provisions of the Foreign Exchange Management Act, 1999 advise the company. 3

(e) Mr. Jaydev was the Chairperson of the Competition Commission of India and he ceased to hold his office on 31st March, 2019. Recently, he has been offered the post of the Executive Director with an attractive remuneration and perquisites in the following organisations:

- (i) Arnab Limited, a private sector public company, which has been a party to a proceeding before the Competition Commission of India.
- (ii) National Milk Products Limited, a Government Company, as defined under the provisions of the Companies Act, 2013.

Mr. Jaydev is confused and seeks your advice regarding selection of the appropriate concern, with which he should join. Examine the situation in the light of the provisions of the Competition Act, 2002 and advise him. 3

3. (a) Mr. K and Mr. L who are the directors of RR Limited informed the company about their inability to attend the Board meetings because the notice thereof was not served on them. Discuss whether there is any default on the part of RR Limited and the consequences thereof. 4

(b) Mr. MS, an operational creditor, filed an application with the Adjudicating Authority (NCLT, Delhi) to initiate the Corporate Insolvency Resolution Process (CIRP) against TR Limited, and the application was accepted. On 10th July, 2022, NCLT, Delhi appointed Mr. VS to act as an Interim Resolution Professional of TR Limited. After the appointment, Mr. VS issued the public announcement on 12th July, 2022, of the initiation of CIRP process and called for the submission of claims. On 20th July, 2022, the Committee of Creditors was constituted by Mr. VS. Thereafter, Mr. MS wants to withdraw his application under Section 12A of the Insolvency and Bankruptcy Code, 2016. However, Mr. VS denied filing a withdrawal application stating that the Committee of Creditors has already been constituted.

Referring to the provisions of the Insolvency and Bankruptcy Code, 2016, answer the following with reference to the above facts.

- (i) Is Mr. VS right to deny Mr. MS to file a withdrawal application with NCLT, Delhi? Explain in detail.
- (ii) Would your answer differ in case the Committee of Creditors is not constituted?
- (iii) Who is the authority to pass the final order of withdrawal application? 4

(c) A group of shareholders consisting of 25 members decide to file a petition before the Tribunal for relief against oppression and mismanagement by the Board of Directors of KV Ltd. The company has a total of 300 members and the group of 25 members holds one-tenth of the total paid-up share capital accounting for one-fifteenth of the issued share capital. The main grievance of the group is the due to mismanagement by the board of directors, the company is incurring losses and the company has not declared any dividends even when profits were available in the past years for declaration of dividend. In the light of the provisions of the Companies Act, 2013, advise the group of

shareholders regarding the success of (i) getting the petition admitted and (ii) obtaining relief from the Tribunal. 4

- (d) Securities and Exchange Board of India (SEBI) in the interest of trade has amended the bye-laws of the ABC Stock Exchange, by written order, specifying the reasons there for, order for amendment of the bye-laws of ABC Stock Exchange Limited immediately. Aggrieved of the said order of the SEBI, ABC Stock Exchange Limited seeks your advice whether the act of SEBI is tenable since such amendment was neither published in the Official Gazette of India nor in the Official Gazette of the state in which the Stock Exchange is situated. Referring to and analyzing the relevant provisions of the Securities Contract (Regulation) Act, 1956. Advise the Stock Exchange. 4

4. (a) Gupta and Co. has been appointed as an internal auditor of TCB Bank Ltd., a private sector bank, registered with RBI. Mr. Gupta, the engagement partner, while performing the audit as per the checklist, noted down the following points, which would be part of the audit queries, as tabulated below:

Sr. No.	Queries
1	Interest on State Government Guaranteed Advance has been taken to income even though such advance has remained overdue for more than 90 days.
2	There is an account for which an ad hoc limit has not been reviewed for 180 days from the date of such ad hoc sanction and such account has been treated as a performing asset in the books.
3	One of the NPAs was sold for a value higher than the net book value. Profit was not recognized but the excess provision in respect of the same has been reversed.
4	In case of one of the accounts, an additional temporary limit has been sanctioned for 25% of the existing limit and for 120 days tenure.
5	On verification of outstanding forward exchange contracts, the 'net position' in respect of one of the foreign currencies was not squared and was uncovered by a substantial amount.

You are required to provide the reasons to which such queries would have been raised by Mr. Gupta and describe the actions that may be taken by the person responsible on behalf of TCB Bank Ltd. for solving such queries. 10

- (b) The Central Government initiated a case against Mr. Sujay Bishoi, Managing Director of BSK Ltd. for causing damage to the interest of the financial industry by mismanaging the funds and referred the case to the Tribunal where the Tribunal passed an order on 20th June, 2018, holding that Mr. Sujay was not fit and proper person to hold such office.

Mr. Sujay vacated his office as on 21st June, 2018 and he demanded compensation, as per the contract with the company, for early termination. On 23rd January, 2022, Mr. Sujay was appointed as a non-executive director in one other company.

In the light of the given facts, advise in the given legal situations:

- (i) Whether Mr. Sujay was entitled for such compensation?
- (ii) Whether Mr. Sujay was entitled to be appointed as a non-executive director in such other company?

6

5. (a) XYZ Ltd. is an investment company whose principal business is an acquisition of shares and debentures of other companies. The following figures were derived from the books of XYZ Ltd.:

Assets:	
Investment in shares and debenture	₹ 95 Lakh
Other Assets	₹ 105 Lakh
Total	₹ 200 Lakh
Income:	
Income from investment business	₹ 12 Lakh
Other Income	₹ 18 Lakh
Total	₹ 30 Lakh

- (i) Whether the company is an investment company as per section 186 and eligible to claim exemption given thereunder?
 - (ii) The Board of Directors of XYZ Ltd. is considering the proposal for making the investment in ABC Ltd. The company has 5 directors on Board and in the Board Meeting 4 directors were present, three of them gave the consent to the proposal and one director abstained from voting. Comment on the same. 5
- (b) Mr. 'Bemaan' purchased a flat out of the proceeds obtained by illegal transactions of business. The flat was attached by the Director of Enforcement Directorate after complying with the procedures under section 5 of the Prevention of Money Laundering Act, 2002. Mr. 'Bemaan' got a stay from the High Court for any proceedings under the said Act. The stay was subsequently vacated. State the relevant provisions of the PMLA, 2002 for computing the period of provisional attachment including extension, if any. Whether Mr. 'Beta', son of Mr. 'Bemaan' can occupy the flat during the period of provisional attachment? 5
- (c) Ava is holding the post of directorship in 8 listed entities as on January 2019. She received an offer of directorship from another listed entity in April 2020. Ava is holding the position of Whole Time Director in a listed entity. Besides this, she is also getting offer of independent directorship in some 6 listed entities. In one of the listed entities, Ava asked for allotment of the stock option. Ava, as an independent director has to devote much time in reading and understanding the agency items put forwarded to her before the Board meeting. She expects to be rewarded with suitable compensation for the same. Ava is a Chartered Accountant. In one of the listed entities, she was offered to hold the position of chairperson in the meeting of the audit committee.

Based on the information and profile of Ava, answer the following questions as per the requirement of SEBI (LODR) Regulations, 2015:

- (i) Whether Ava can join the 9th listed entity as a director with effect from April, 2020?
- (ii) Ava is holding the position of WTD in a listed entity. In how many more companies she can be an independent director?
- (iii) Whether Ava can be Chairperson in Audit Committee of Boards in a listed entity? 6

6. (a) Rule 8 of the CSR rules provides that the Companies, upon which the CSR Rules applicable shall be required to incorporate in its Board's Report an annual report on CSR containing the certain particulars. What are those particulars? 8

(b) Electro Ltd. is engaged in generation of electricity for captive consumption through Captive Generating Plant. The Company also maintain cost records in their books of account as required under Cost Records and Audit Rules. Mr. X, friend of Managing Director of the company, suggested name of his brother, who is a Cost Accountant in Practice, for the purpose of cost audit. However, the statutory auditor of the company, is of the view that the company is not legally required to conduct cost audit. Now, the Managing Director is in dilemma about the requirement of cost audit. Being an expert in cost records and audit rules, you are required to guide in this regard. 4

(c) Fill in the blanks with appropriate words: 1×4=4

- (i) The Director prepared the Annual Accounts in Director Responsibility Statement on a _____ basis.
- (ii) A minor can be nominated as a nominee in Life Insurance policy by its _____.
- (iii) The fixed deposit shall be accepted by Nidhi Company for a minimum period of six months and a maximum period of _____ months.
- (iv) The CSR committee shall have at least _____ Independent Director.

7. (a) State with reasons, whether the following statements are True or False: 1×4=4

- (i) Government Company is completely owned managed and controlled by Government Ministry.
- (ii) There is no minimum limit under Real Time Gross settlement.
- (iii) In a Marine Insurance Contract, insurable interest must exist both at the time of making the contract and at the time of loss.
- (iv) Preference share create a charge on the asset of the company.

(b) State briefly the duties of resolution professional before initiation of pre-packaged insolvency resolution process. 6

(c) Surya Ltd., wants to reorganise the company's share capital by the consolidation of shares of different classes and passed a resolution to this effect in the Board meeting and thereafter made an application to the Tribunal. The Tribunal ordered that a meeting of the members be called. The company sent notices to all the members.

In the meeting, some of the members made objections to such arrangements. However, the majority of the members were interested in the resolution proposed by the company. Tribunal after scrutinising the minutes of the meeting, sanctioned the proposed arrangement.

Examine in the light of the given facts, that in order to give effect to the arrangement which prescribes the reorganisation of company's share capital by the consolidation of shares of different classes, mention the requirements on the execution of the said arrangement under the Companies Act, 2013. 6

8. Write short notes on *any four* of the following:

4×4=16

- (a) Advantages of XBRL
 - (b) Different Models of E-Governance
 - (c) Liquidation estate
 - (d) Register and records generally prepared in respect of claims by Insurance Companies
 - (e) CSR Expenditure (Rule-7)
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SUGGESTED ANSWERS TO QUESTIONS

Answer to Q. no.: 1

2×10=20

- (i) (D)
- (ii) (B)
- (iii) (C)
- (iv) (C)
- (v) (B)
- (vi) (C)
- (vii) (A)
- (viii) (D)
- (ix) (D)
- (x) (D)

[Any FIVE from Question No. 2 to 8]

16X5=80 Marks

6 Marks

2(a) The minimum amount that the Company is required to withdraw from free reserves is Rs 4,37,500.

2 Marks

(b) According to Section 387(1) (a) (iv) of the Companies Act, 2013, no person shall issue, circulate or distribute in India any prospectus offering to subscribe for securities of a company incorporated or to be incorporated outside India, whether the company has or has not established, or when formed will or will not establish, a place of business in India. unless the prospectus is dated and signed, and contains particulars with respect to the date on which and the country in which the company would be or was incorporated. Hence, in the instant case, issue of prospectus by Blue Berry Limited is not valid as it did not state the Country in which it is incorporated.

2 Marks

(c) According to proviso to Section 581ZK of the Companies Act, 1956, any loan or advance by a Producer Company to any director or his relative shall be granted only after the approval by the Members in general meeting.

In the instant case, the proposal to advance a loan of 10,000 to Mr. X, a director of the XYZ Producer Company Limited by the Board of Directors will be valid only after the approval by the Members in general meeting is taken for granting of such loan.

3 Marks

(d) Period within which amount representing the export value shall be realized & repatriated as per Section 7 of the FEMA, 1999 read with Foreign Exchange Management (Export of Goods and Services) Regulations, 2015: The amount representing the full export value of goods/software/services exported shall be realized and repatriated to India within nine months from the date of export, provided:

(a) that where the goods are exported to a warehouse established outside India with the permission of the Reserve Bank, the amount representing the full export value of goods exported shall be paid to the authorized dealer as soon as it is realized and in any case within fifteen months from the date of shipment of goods;

(b) Extension of Period: Further that the Reserve Bank, or subject to the directions issued by that Bank in this behalf, the authorized dealer may, for a sufficient and reasonable cause shown, extend the period of nine months or fifteen months, as the case may be.

Sunita Garments Limited may be advised as above.

(e) As per the provisions of Section 12 of the Competition Act, 2002, the Chairman and other Member of CCI shall not, for a period of two years from the date on which he ceased to hold office, accept any employment in or connected with the management or administration of any enterprise, which has been a party to a proceeding before the Commission. However, these provisions will not apply to any appointment in a Government Company or the Central Government or any State Government or local authority or any Corporation established by or under any Central or State or Provincial Act.

(I) In view of the aforesaid, Mr. Jaydev cannot join Arnab Limited for a period of two years starting from 1st April, 2019.

(II) However, there is no bar for him to join National Milk Products Limited, since it is a Government Company

4 Marks

3 (a) Under section 173 (3) of the Company Act, 2013 a meeting of the Board shall be called by giving not less than seven days' notice in writing to every director at his address registered with the company and such notice shall be sent by hand delivery or by post or by electronic means.

Section 173 (4) further provides that every officer of the company whose duty is to give notice under this section and who fails to do so shall be liable to a penalty of Rs. 25,000/- In the given case, as no notice was served on Mr. K and Mr. L who are the directors of R R Limited, every officer responsible for such default in serving notice shall be punishable with fine of Rs. 25,000/- as required by Section 173 (4). Neither the Companies Act, 2013 nor the Companies (Meetings of the Board and its Powers) Rules, 2014 lay down any specific provision regarding the validity of a resolution passed by the Board of Directors in case notice was not served to all the directors. The Companies Act, 2013 clearly provide for the notice to be sent to every directors. The Supreme Court, in the case of Parmeshwari Prasad vs. Union of India (1974) has held that the resolutions passed in the board meeting shall not be valid, since notice to all the Directors was not given in writing. Hence, even though the directors concerned knew about the Board meeting, the meeting shall not be valid and resolutions passed thereat also shall not be valid.

4 Marks

(b) (i) According Section 12A of the Insolvency and Bankruptcy Code, 2016 read with Regulation 30A of the IBBI (Insolvency Resolution process for Corporate persons) Regulations, 2016, the Adjudicating Authority may allow the withdrawal of application admitted under Section 7 or Section 9 or Section 10, on an application made by the applicant with the approval of ninety per cent voting share of the Committee of Creditors, in such manner as may be specified. Thus, the application can be withdrawn if approval of ninety per cent, voting share of the Committee of Creditors is obtained. Hence, Mr. VS cannot deny Mr. MS for filing of withdrawal application only on the basis that committee of creditors has been constituted.

(ii) Before Constitution of Committee of Creditors The applicant shall make an application for withdrawal to the Adjudicating Authority through the interim resolution professional. The resolution professional shall submit such withdrawal application to the Adjudicating Authority on behalf of the applicant, within three days of receipt of request. Further, the final approval of such withdrawal shall be by way of an order passes by the Adjudicating Authority. Thus, if Committee of Creditors is not constituted Mr. MS shall apply to the Adjudicating Authority (NCLT, Delhi) through the Interim Resolution Professional, for withdrawal. Hence, the answer will not differ and Mr. VS cannot deny Mr. MS to file a withdrawal application with NCLT, Delhi.

(iii) The final approval of such withdrawal shall be by way of an order passed by the Adjudicating Authority i.e. NCLT, Delhi.

(c) Section 244 of the Companies Act, 2013 provides the right to apply to the Tribunal for relief against oppression and mis-management. This right is available only when the petitioners hold the prescribed limit of shares as indicated below.

- (i) In the case of company having a share capital, not less than 100 members of the Company or not less than one tenth of the of the total number of its members whichever is less or any member or members holding not less than one tenth on the issued share capital of the company, provided that the applicant(s) have paid all calls and other dues on the shares.
- (ii) In the case of company not having share capital, not less than one-fifth of the total number of its members.

Since the group of shareholders do not number 100 or hold 1/10th of the issued share capital or constitute 1/10th of the total number of members, they have no right to approach the Tribunal for relief.

However, the Tribunal may, on an application made to it waive all or any of the requirements specified in (i) or (ii) so as to enable the members to apply under section 241. As regards obtaining relief from Tribunal, continuous losses cannot, by itself, be regarded as oppression (Ashok Betelnut co. P. Ltd. Vs. M.K. Chandrakanth). Similarly, failure to declare dividends or payment of low dividends also does not amount to oppression. (Thomas Veddon V.J. (v) Kuttanad Robber Co.Ltd.) Thus, the shareholders may not succeed in getting any relief from Tribunal.

4 Marks

(d) As per the provisions of section 10(1) of the Securities Contract (Regulation) Act, 1956(SCRA), the Securities and Exchange Board of India (SEBI), may either on a request in writing received by it in this behalf from the governing body of a recognized stock exchange or on its own motion, if it is satisfied after consultation with the governing body of the stock exchange that it is necessary or expedient so to do and after recording its reasons for so doing, make bye laws for all or any of the matters specified in section 9 or amend any bye laws made by such stock exchange under that section.

As per provisions of section 10(2) of SCRA. Where in pursuance of this section any bye laws have been made or amended, the bye laws so made or amended shall be published in the Gazette of India and also in the official Gazette of the state in which the principal office of the recognized stock exchange is situate and on the publication thereof in the Gazette of India, the bye laws so made or amended shall have effect as if they had been made or amended by the recognized stock exchange concerned.

As per the provisions of 10(4) of the SCRA, the making or the amendment or revision of any bye laws under this section shall in all cases be subject to the condition of previous publication: Provided that if the SEBI is satisfied in any case that in the interest of the trade or in the public interest any bye laws should be made, amended or revised immediately, it may by order in writing specifying the reasons there for, dispense with the condition of previous publication. In term of the proviso to section 10(4) as stated above, it can be concluded that the act of the SEBI is valid and accordingly it should be advised to the stock exchange.

4(a)

10 Marks

Sr. No	Reason for such Query	Action that may be taken in response to the query
1	A State Government Guaranteed advance has to be treated as NPA even if it remains overdue for more than 90 days and in case of NPA, for the purpose of income recognition, interest on such advance should not be taken to income unless interest is realized.	Interest income recognized on such advance would be reversed and would be taken to income only when it is realized.
2	Accounts for which an adhoc limit has not been reviewed for 180 days from the date of such ad hoc sanction, should be considered as NPA.	It's treatment In the books would be changed from performing asset to a non-performing asset from the date when such change in the treatment was required.
3	In case of sale of NPA, Where the sale is for a value higher than the NBV, the auditor is required to ensure that no profit is recognized, and the excess provision has not been reversed but retained to meet the shortfall/ loss that may arise because of the sale of other non-performing financial assets.	The entry for reversal of the excess provision would be cancelled in the books and such excess provision would be retained to meet the shortfall/ loss that may arise because of the sale of other non-performing financial assets.
4	Additional temporary limit may be sanctioned, for a maximum of 20% of the existing limit and 90 days maximum tenure.	The terms of additional temporary limit in case of such account would be revised to 20% of the existing limit and for 90 days maximum tenure.
5	Net position in respect of each of the foreign currencies should be generally squared and should not be uncovered by a substantial amount.	The net "position" of the branch in relation to each foreign currency should be squared off and get covered by a substantial amount.

6 Marks

(b) (i) The Tribunal had passed an order pursuant to subsection (4A) of section 242 of the Companies Act, 2013, as the case had been referred to it by the central Government to decide whether Mr. Sujay was fit and proper person or not

As per section sub- sections (1A) and (1B) of the 243 of the Companies Act, 2013, the person who is not a fit and proper person pursuant to subsection (4A) of section 242, shall not hold the office of a director or any other office connected with the conduct and management of the affairs of any company for a period of five years from the date of the said decision:

Provided that the Central Government may, with the leave of the Tribunal, permit such person to hold any such office before the expiry of the said period of five years. Notwithstanding anything contained in any other provisions of this Act, or any other **law** for the time being in force, or any contract, memorandum or articles, on the removal of a person from the office of a director or any other office connected with the conduct and management of the affairs of the company, that person shall not be entitled to, or be paid, any compensation **Conclusion:** Here, Mr. sujay was not entitled for such compensation for early termination of his office, despite of the terms of the contract, as his termination was pursuant to order of Tribunal passed under subsection (4A) of section 242 of the companies Act, 2013.

(ii) As discussed aforesaid, as per sub-section (1A) to the Companies Act, 2013, Mr. sujay was not entitled to hold the office of a director or any other office connected with the conduct and management of the affairs of any company for a period of five years from the date of the said decision.

The decision was given by the Tribunal on 20th June, 2021 and so till 20th June, 2026, Mr. Sujay was not entitled to hold such office except with the permission of the Central Government accorded by the leave of Tribunal. **Conclusion:** If Mr. Sujay had been appointed as a non-executive director in other company without the permission of the Central Government, then he and every other director of such other company who is Knowingly a party to such contravention, shall be liable to punishment as per the provisions of sub-section (3) to Section 243, as Follows:- Any person (i.e. Mr. Sujay) who Knowingly acts as a managing director or other director or manager of a company in contravention of clause (b) of sub-section (1) or sub-section (1A), and every other director of the company who is Knowingly a party to such contravention, shall be punishable with fine which may extend to five lakh rupees.

5 Marks

- 5 (a)** (i) As per the explanation given under section 186 of the Companies Act, 2013, an investment company means a company whose principal business is the acquisition of shares, debentures or other securities and a company will be deemed to be principally engaged in the business of acquisition of shares, debentures or other securities, if its assets in the form of investment In shares, debentures or other securities constitute not less than fifty per cent of its total assets, or if its income derived from investment business constitutes not less than fifty per cent as a proportion of its gross income.

Facts: In light of the above explanation, the assets of XYZ Ltd. in form of Investment in shares or debentures is less than fifty percent of the total assets of the company and also the income derived from the investment business is less than fifty percent of the total Income of the company. Hence, either of the two conditions need to be satisfied to make an investment company and, in this case, neither of this condition is satisfied. So, XYZ Ltd. cannot be an Investment company for the purpose of Section 186.

- (ii) As per section 186 (5) of the Companies Act, 2013, no investment shall be made or loan or guarantee or security given by the company, unless the resolution sanctioning it is passed at a meeting of the Board with the consent of all the directors present at the meeting and the prior approval of the public financial institution concerned where any term loan is subsisting. is obtained. So, in this case the Board of Directors of XYZ Ltd. while considering the proposal for making the investment in ABC Ltd. has not complied with the provision of section 186(5) of the Companies Act, 2013, where the consent of all the directors present at the meeting is required. The resolution of the board of directors therefore is not valid and has no legal effect.

5 Marks

- (b)** According to section 5 of the Prevention of Money Laundering Act, 2002, where the Director or any other officer (not below the rank of Deputy Director authorized by the Director), has reason to believe (the reason for such belief to be recorded in writing), on the basis of material in his possession, that-

- (i) any person is in possession of any proceeds of crime; and
- (ii) Such proceeds of crime are likely to be concealed, transferred or dealt with in any manner which may result in frustrating any proceedings relating to confiscation of such proceeds of crime under this Chapter,

he may, by order in writing, provisionally attach such property for a period not exceeding 180 days from the date of the order, in such manner as may be prescribed. Provided further that, any property of any person may be attached under this section if the Director or any other officer not below the rank of Deputy Director authorised by him has reason to believe (the reasons for such belief to be recorded in writing), on the basis of material in his possession, that if such property involved in money-laundering is not attached immediately under this Chapter, the non-attachment of the property is likely to frustrate any proceeding under this Act.

Computation of period of attachment:

Provided also that for the purposes of computing the period of 180 days, the period during which the proceedings under this section is stayed by the High Court, shall be excluded and a further

period not exceeding 30 days from the date of order of vacation of such stay order shall be counted. No effect on the right to enjoy the property: This section shall not prevent the person interested in the enjoyment of the immovable property attached from such enjoyment. Here, "person interested", in relation to any immovable property, includes all persons claiming or entitled to claim any interest in the property. In the given case, Mr. Beta, son of Mr. Bemaan can occupy the flat during the period of provisional attachment if he claims to have any interest in the said property.

6 Marks

(c) (i) Regulation 17A(1) of the SEBI (LODR) Regulations, 2015 provides that a person shall not be a director in more than eight listed entities with effect from April 1, 2019 and not in more than seven listed entities with effect from April 1, 2020. Ava can continue of having directorship in 8 listed entities up to **31st March 2020** only, but from 1st April, 2020 the number of directorships in listed entities have been reduced to 7 from 8.

(ii) Regulation 17A(2) of the SEBI (LODR) Regulations, 2015 provides that any person who is serving as a WTD/MD in any listed entity shall serve as an independent director in not more than 3 listed entities.

Hence Ava, besides holding the position of WTD, can serve as an Independent Director maximum up to 3 listed companies only.

(iii) Regulation 18(1)(d) of the SEBI(LODR) Regulations, 2015 provides that the chairperson of the audit committee shall be an independent director and he/she shall be present at Annual general meeting to answer shareholder queries. Since, Ava is an independent director with a CA qualification; hence she can be the Chairperson of Audit Committee of Board.

8 Marks

6 (a) Rule 8: CSR Reporting: Rule 8 of the CSR Rules provides that the companies, upon which the CSR Rules are applicable shall be required to incorporate in its Board's report an annual report on CSR containing the following particulars:

- A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs;
- The composition of the CSR Committee;
- Average net profit of the company for last three financial years;
- Prescribed CSR Expenditure (2% of the amount of the net profit for the last 3 financial years);
- Details of CSR Spent during the financial year;
- In case the company has failed to spend the 2% of the average net profit of the last three financial year, reasons thereof;
- A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.
- In case of a foreign company, the balance sheet shall contain an annual report on CSR
- Every company having average CSR obligation of Rs 10 Crore or more in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency. of their CSR projects having outlays of Rs1 Crore or more, and which have been completed not less than one year before undertaking the impact study.
- The impact assessment reports need to be placed before the Board and shall be annexed to the annual report on CSR.

(b) Applicability of Provisions related to Cost Records and Audit: The provisions relating to cost records and audit are governed by section 148 of the Companies Act, 2013 read with the Companies, (Cost Records and Audit) Rules, 2014. The audit conducted under this section shall be in addition to the audit conducted under section 143. Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 provides the classes of companies, engaged in the production of goods or providing services, required to include cost records in their books of account. However, the requirement for cost audit under these rules shall not be applicable to a company which is covered under Rule 3, and,

- (i) whose revenue from exports, in foreign exchange, exceeds 75 per cent of its total revenue; or
- (ii) which is operating from a special economic zone.
- (iii) which is engaged in generation of electricity for captive consumption through Captive Generating Plant.

In the given case, Electro Ltd. is engaged in generation of electricity for captive consumption through Captive Generating Plant. Therefore, Electro Ltd. is not required to conduct cost audit as it is falling under the exemption criteria. Hence, the opinion of statutory auditor of the company regarding non-applicability of cost audit is correct and the management should follow the same.

1×4=4 Marks

- (c)**
- (i) Going concern
 - (ii) Holders
 - (iii) Sixty Months
 - (iv) One

1X4= 4 Marks

- 7(a)**
- (i) False
 - (ii) False
 - (iii) False
 - (iv) False

6 Marks

(b) Duties of resolution professional before initiation of pre-packaged insolvency resolution process 54B.

- (1) The insolvency professional, proposed to be appointed as the resolution professional shall have the following duties commencing from the date of the approval under clause (e) of sub-section of section 54A, namely:-
 - (a) prepare a report in such form as may be specified, confirming whether the corporate debtor meets the requirements of section 54A, and the base resolution plan conforms to the requirements referred to in clause (c) of sub-section (4) of section 54A;
 - (b) file such reports and other documents, with the Board, as may be specified; and
 - (c) perform such other duties as may be specified.
- (2) The duties of the insolvency professional under sub-section (1) shall cease, if,-
 - (a) the corporate debtor fails to file an application for initiating pre-packaged insolvency resolution process within the time period as stated under the declaration referred to in clause (f) of subsection (2) of section 54A; or
 - (b) the application for initiating pre-packaged insolvency resolution process is admitted or rejected by the Adjudicating Authority, as the case may be.
- (3) The fees payable to the insolvency professional in relation to the duties performed under sub-section (1) shall be determined and borne in such manner as may be specified and such fees shall form part of the prepackaged insolvency resolution process costs, if the application for initiation of pre-packaged insolvency resolution process is admitted.

6 Marks

(c) Section 230(1) of the Companies Act, 2013 provides that where a compromise or arrangement is proposed- (a) between a company and its creditors or any class of them; or (b) between a company and its members or any class of them, The Tribunal may, on the application of the company or of any creditor or member of the company, or in the case of a company which is being wound up. of the liquidator, "appointed under this Act or under the Insolvency and Bankruptcy Code, 2016, as the case may be," order a meeting of the creditors or class of creditors, or of the members or class of members, as the case may be, to be called, held and conducted in such manner as the Tribunal directs. Here the term, arrangement includes a reorganisation of the company's share capital by the consolidation of shares of different classes or by the division of shares into shares of different classes, or by both of those methods. Any compromise or arrangement needs the order of sanction by the Tribunal and the Tribunal may on an application made by the company, order the company to call the meeting of the shareholders, pass such resolution in the meetings and then forward the minutes to the Tribunal for its order. The order of the Tribunal shall be filed with the Registrar by the company within a period of thirty days of the receipt of the order. The Tribunal may dispense with calling of a meeting of creditor or class of creditors where such creditors or class of creditors, having at least ninety per cent. value, agree and confirm, by way of affidavit, to the scheme of compromise or arrangement.

8 (Any FOUR of the following)

4X4=16 Marks

(a) Advantages of XBRL

4 Marks

XBRL offers major benefits at all stages of business reporting and analysis. The benefits are seen in automation, cost saving, faster, more reliable and more accurate handling of data, improved analysis and in better quality of information and decision making. XBRL enables producers and consumers of financial data to switch resources away from costly manual processes, typically involving time consuming comparison, assembly and re-entry of data. They are able to concentrate effort on analysis, aided by software which can validate and process XBRL information. XBRL is a flexible language, which is intended to support all current aspects of reporting in different countries and industries. Its extensible nature means that it can be adjusted to meet particular business requirements, even at the individual organization level. All types of organizations can use XBRL to save costs and improve efficiency in handling business and financial information. Because XBRL is extensible and flexible, it can be adapted to a wide variety of different requirements. All participants in the financial information supply chain can benefit, whether they are preparers, transmitters or users of business data. XBRL is set to become the standard way of recording, storing and transmitting business financial information. It is capable of use throughout the world, whatever the language of the country concerned, for a wide variety of business purposes. It will deliver major cost saving and gains in efficiency, improving processes in companies, governments and other organisations.

(b) Different Models of E-Governance

4 Marks

1. Government to Citizen (G2C) The goal of government to customer/citizen (G2C) e-governance is to offer a variety of ICT services to citizens in an efficient and economical manner and to strengthen the relationship between government and citizens using technology. There are several methods of government-to-customer e-governance. Two-way communication allows citizens to instant message directly with public administrators and cast remote electronic votes (electronic voting) and instant opinion poll. Transactions such as payment of services, such as city utilities, can be completed online or over the phone. Mundane services such as name or address changes, applying for services or grants, or transferring existing services are more convenient and no longer have to be completed face to face.

2. Government to Employees (G2E) E-Governance to Employee partnership (G2E) is one of four main primary interactions in the delivery model of E-Governance. It is the relationship between online tools, sources, and articles that help employees maintain communication with the government and their own companies. E-Governance relationship with Employees allows new learning technology in one simple place as the computer. Documents can now be stored and shared with other colleagues online. E-governance makes it possible for employees to become paperless and makes it easy for employees to send important documents back and forth to colleagues all over the world instead of having to print out these records or fax G2E services also include software for maintaining personal information and records of employees.
3. Government to Government (G2G) It is an electronic sharing of data and/or information system between government agencies, departments or organizations. The goal of G2G is to support e-government initiatives by improving communication, data access and data sharing.
4. Government to Business (G2B) It is an online non-commercial interaction between local and central government and the commercial business sector with the purpose of providing businesses information and advice on e-business 'best practices'. G2B is also refers to the conduction through the Internet between government agencies and trading companies. Public issue and share transfer records is mandatory to be kept in electronic form.

4 Marks

(c) Liquidation Estate The liquidation estate shall comprise all liquidation estate assets as follow, except those specified in Section 36(4) of Insolvency and Bankruptcy Code, 2016 [Section 36(3) of Insolvency and Bankruptcy Code, 2016]

- (a) Any assets over which the corporate debtor has ownership rights, including all rights and interests therein as evidenced in the balance sheet of the corporate debtor or an information utility or records in the registry or any depository recording securities of the corporate debtor or by any other means as may be specified by the Board, including shares held in any subsidiary of the corporate debtor.
- (b) Assets that may or may not be in possession of the corporate debtor including but not limited to encumbered assets.
- (c) Tangible assets, whether movable or immovable.
- (d) Intangible assets including but not limited to intellectual property, securities (including shares held in a subsidiary of the corporate debtor) and financial instruments, insurance policies, contractual rights.
- (e) Assets subject to the determination of ownership by the court or authority.
- (f) Any assets or their value recovered through proceedings for avoidance of transactions in accordance with this Chapter.
- (g) Any assets of the corporate debtor in respect of which a secured creditor has relinquished security interest.
- (h) Any other property belonging to or vested in the corporate debtor at the insolvency commencement date, and
- (i) All proceeds of liquidation as and when they are realised.

4 Marks

(d) Register and Records generally prepared in respect of Claims by Insurance Companies: The following register and records are generally prepared in respect of claims-

- (i) Claims Intimation Register;
- (ii) Claims Paid Register;
- (iii) Claims Disbursement Bank Book;
- (iv) Claims Dockets, normally containing the following records;

Claim intimation, claim form, particulars of policy, survey report, Photograph showing damage, repairer's bills, letter of subrogation, police report, fire service report, claim settlement note, claim satisfaction note, salvage report, salvage disposal note, claims discharge voucher etc;

(v) Report of quality assurance team and

(vi) Salvage register.

The Claim Account is debited with all the payments including repair charges, fire fighting expenses, police report fees, survey fees, amount decreed by the Courts, travel expenses, photograph charges, etc. The provision for claims incurred but not reported is not made at Branch/Divisional Office level but at the Head Office level.

4 Marks

(e) According to the Companies (CSR Policy) Amendment Rules, 2021, the administrative overheads should not exceed five percent of the total CSR expenditure of the company for the financial year. The CSR amount may be spent by a company for the creation or acquisition of a capital assets, which shall be held by the following firms:

- A company established under section 8 of the Act
- Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number
- Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities A public authority