

Test Series: March, 2016

MOCK TEST PAPER – 2

FINAL COURSE: GROUP – I

PAPER – 4 : CORPORATE AND ALLIED LAWS

*Question No.1 is compulsory.*

*Attempt any five questions from the remaining six Questions.*

Time Allowed – 3 Hours

Maximum Marks – 100

1. (a) The Board of Directors of Excellent Limited at its meeting declared a dividend on its paid-up equity share capital which was later on approved by the company's Annual General Meeting. In the meantime the directors at another meeting of the Board decided by passing a resolution to divert the total dividend to be paid to shareholders for purchase of investments for the company. As a result dividend was paid to shareholders after 45 days. Examining the provisions of the Companies Act, 2013, state:
- (i) Whether the act of directors is in violation of the provisions of the Act and also the consequences that shall follow for the above act of directors?
  - (ii) What would be your answer in case the amount of dividend to a shareholder is adjusted by the company against certain dues to the company from the shareholder? *(6 Marks)*
- (b) Param Limited appointed Mr. Raman as its auditor in the Annual General Meeting held on 30th September, 2015. Initially, he accepted the appointment. But he resigned from his office on 31st October, 2015 for personal reasons. The Board of directors seeks your advice for filling up the vacancy by appointment of Mr. Pinto as auditor. Advise as per the provisions of the Companies Act, 2013.
- Also suggest the procedure to be adopted in case Mr. Pinto is proposed to be removed from his office before the expiry of his term. *(6 Marks)*
- (c) Mr. R, an investor is not satisfied with the dealings of his stock broker who is registered with Delhi Stock Exchange. Mr. R approaches you to guide him regarding the avenues available to him for making a complaint against the stock broker under Securities and Exchange Board of India Act, 1992 and also the grounds on which such complaint can be made. You are required to briefly explain the answer to his queries. *(4 Marks)*
- (d) P Ltd. is holding 30% of the paid up equity capital of Koya Stock Exchange. The company appoints M Ltd. as its proxy who is not a member of the Koya Stock Exchange, to attend and vote at the meeting of the stock exchange. Examine

whether the Koya Stock Exchange can restrict the appointment of M Ltd. as proxy for P Ltd. and further restrict, the voting rights of P Ltd. in the Koya Stock Exchange.

*(4 Marks)*

- 2 (a) Examine in the light of the relevant provisions of the Companies Act, 2013 whether the following persons can be appointed as a Director of a company:
- (i) Mr. A, who has huge personal liabilities far in excess of his Assets and Properties, has applied to the court for adjudicating him as an insolvent and such application is pending.
  - (ii) Mr. B, who was caught red-handed in a shop lifting case two years ago, was convicted by a court and sentenced to imprisonment for a period of eight weeks.
  - (iii) Mr. C, a Former Bank Executive, was convicted by a court eight years ago for embezzlement of funds and sentenced to imprisonment for a period of one year.
  - (iv) Mr. D is a Director of DLT Limited, which has not filed its Annual Returns pertaining to the Annual General Meetings held in the years 2011, 2012 and 2013. *(8 Marks)*
- (b) (i) Shyamgarh Chemicals Limited, a listed company, having a paid-up equity share capital of Rs. 80 crore and net worth of Rs. 120 crores as on 31st March, 2015 proposes to raise funds to finance its expansion programme by issue of equity shares under the "Qualified Institutions Placement Scheme." State the conditions to be satisfied by the company to make Qualified Institutions Placement with reference to the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. *(4 Marks)*
- (ii) As per provisions of the Companies Act, 2013, what is the status of XYZ Ltd., a Company incorporated in London, U.K., which has a share transfer office at Mumbai. *(4 Marks)*
- 3 (a) X Limited merged with Y Limited on account of amalgamation. Some workers of X Limited refused to join as workers of Y Limited and claimed compensation on the ground of premature termination of their services. Y Limited resists the claim of the workers on the ground that their services have been transferred to Y Limited in view of the order of amalgamation and merger and hence the workers must join the service of Y Limited and cannot claim any compensation.
- State the powers of the court about the matters that would be considered while sanctioning the scheme of amalgamation under the provisions of the Companies Act, 1956. Decide whether the contention of the workers is justified. *(8 Marks)*

- (b) (i) Explain the meaning of the term "Current Account Transaction" and the right of a citizen to obtain Foreign Exchange under the Foreign Exchange Management Act, 1999. *(4 Marks)*
- (ii) Advise XYZ Ltd. in respect of the following proposals under consideration of its Board of directors:
- (1) Appointment of Managing Director who is more than 70 years of age;
- (2) Payment of remuneration of Rs. 40,000 per month to the whole time director of the company running in loss and having an effective capital of Rs. 95.00 lacs. *(4 Marks)*
- 4 (a) What are the steps to be taken for up in a case, where the company is solvent, but the business for which it was formed has been completed. Give your answer referring to the provisions of the Companies Act, 1956. *(8 Marks)*
- (b) (i) Mr. P and Mr. Q who are the directors of the Company informed the Company their inability to attend the meeting because the notice of the meeting was not served on them. Discuss whether there is any default on the part of the Company and the consequences thereof. *(4 Marks)*
- (ii) In a proceeding before the Competition Commission of India involving two Pharmaceutical companies, the plaintiff requested the presiding officer to call upon the services of experts from the pharmaceutical sector to determine the truth of the allegations levied by it against the respondent. The respondent opposed the request on the ground that such action cannot be taken by the Competition Commission. You are required to state with reference to the provisions of the Competition Act, 2002, whether the contention of the respondent is tenable. *(4 Marks)*
- 5 (a) State the procedure for the following, explaining the relevant provisions of the Companies Act, 2013:
- (i) Appointment of First Auditor, when the Board of directors did not appoint the First Auditor within one month from the date of registration of the company.
- (ii) Removal of Statutory Auditor (appointed in last Annual General Meeting) before the expiry of his term. *(8 Marks)*
- (b) (i) What are the duties of the inspector as enumerated in section 223 of the Companies Act, 2013, in relation to his report. *(4 Marks)*
- (ii) A life insurance policy, in favour of K, came into force on 1st February, 2013. In January, 2016 the insurer came to know that there was a mis-statement in the proposal for insurance regarding the age of the insured. Decide, under the provisions of the Insurance Act, 1938,

- whether the said insurance policy can be called in question? (4 Marks)
- 6 (a) (i) A Producer Company has received applications from Mr. R, a Director of the Company, and Mr. P, a member of the Company, for grant of loan of Rs. 2,00,000 and Rs. 25,000 respectively. Discuss the relevant provision of the Companies Act, 1956 as to how the applications for grant of loan will be disposed of by the Company. (4 Marks)
- (ii) ABC Private Limited is a company in which there are eight shareholders. Can a member holding less than one-tenth of the share capital of the company apply to the Company Law Board for relief against oppression and mismanagement? Give your answer according to the provisions of the Companies Act, 1956. (4 Marks)
- (b) (i) The Board of Directors of Kumar Limited decided to pass a resolution to purchase 15,000 equity shares of Rs. 100 each of PQR Limited at a meeting. Draft a specimen Board Resolution to be passed at the said meeting. (4 Marks)
- (ii) Mr. genius 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? (4 Marks)
7. Attempt any Four-
- (a) What is the procedure of obtaining DIN? (4 Marks)
- (b) It is apprehended by the Directors of a Public Company that they are likely to be prosecuted for an offence under the Companies Act, 2013 which is not compoundable. Explain the provisions of the Companies Act, 2013 under which the Directors can seek relief from the liability for offence. What will be the position in case prosecution has already been launched? (4 Marks)
- (c) Which offences are deemed to be Non- cognizable under the Companies Act, 2013? Enumerate the relevant provisions. (4 Marks)
- (d) The Central Government acquired a Banking Company. The scheme of acquisition, apart from other matters, provided for the quantum of compensation payable to the shareholders of acquired bank. Some shareholders are not satisfied with the amount of compensation fixed under the scheme of acquisition.
- Is there any remedy available to the shareholders under the provisions of the Banking Regulation Act, 1949? (4 Marks)
- (e) Explain the usefulness of 'Heading and Title of a chapter in an Act and marginal notes of a Section' as internal aids in interpreting the provisions of a Statute. (4 Marks)