

Test Series: February, 2013

MOCK TEST PAPER 1

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) Mr. X who was appointed as a Director at the last annual general meeting resigned. The Board filled up the casual vacancy by appointing Mr. Y. But within a few days of his becoming Director, Mr. Y died. The Board wishes to fill up the casual vacancy by appointing Mr. Z in place of Mr. Y in the next Board meeting. State the legal position. (5 Marks)
 - (b) In the meeting of the Board of Directors, only 3 directors were present out of 11 directors. None of the 3 directors was interested in any of the items of the agenda. Examine the validity of the meeting. (5 Marks)
 - (c) The Central Government has formed its opinion on certain grounds that the recognition granted to a Stock-Exchange be withdrawn. Examining the provisions of the Securities (Contracts) Regulation Act, 1956, explain the procedure that must be followed by the Central Government to give effect to the above. Also state whether any such withdrawal of recognition shall affect the validity of the contracts already entered into by Stock-Exchange, before withdrawal of recognition. (5 Marks)
 - (d) Parkash Carriers Limited appointed Mr. Raman as its auditor in the Annual General Meeting held on 30th September, 2010. Initially, he accepted the appointment. But he resigned from his office on 31st October, 2010 for personal reasons. The Board of Directors seeks your advice for filling up the vacancy by appointment of Mr. Albert as auditor. Advise.

Also suggest the procedure to be adopted in case Mr. Albert is proposed to be removed from his office before the expiry of his term. (5 Marks)
2. (a) A group of shareholders consisting of 25 members decide to file a petition before the Company Law Board for relief against oppression and mismanagement by the Board of Directors of M/s Fly By Night Operators 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 that 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. Advise the

group of shareholders regarding the success of (i) getting the petition admitted and (ii) obtaining relief from the Company Law Board. (8 Marks)

- (b) (i) The paid-up share capital of AJD Limited is ₹10 Crores consisting of 70 Lakhs Equity Shares of ₹10 each, fully paid-up and 30 Lakhs Preference Shares of ₹10 each, fully paid-up. Nationalised Banks, LIC, and IDBI hold among themselves 30 Lakhs Equity Shares and 25 Lakhs Preference Shares.

With reference to the provisions of the Companies Act, 1956, examine whether AJD Limited is a Government company. Explain the manner in which you would proceed in the matter of appointment of auditors for the said company.

- (ii) Mr. Prakash, a Chartered Accountant in full time practice was appointed as the auditor of ABC Ltd., a company which is a subsidiary of DGH Ltd. and DGH Ltd. has another subsidiary called PKM Ltd. Mr. Prakash had taken a loan of ₹ 25,000 from PKM Ltd. and the loan is outstanding as on the date of his appointment as auditor of ABC Ltd. Examine the validity with reference to the provisions of the Companies Act, 1956: (8 Marks)

3. (a) As per their Articles of Association the maximum number of Directors of each of the following companies is 9:

- (i) Goodheart Limited.
(ii) Frontline Trading Private Limited.
(iii) Hindustan Zink limited (a Government company under section 617 of the Companies Act, 1956).

The Board of Directors of the aforesaid companies proposes to increase the number of Directors to 15. Advise, whether under the provisions of the Companies Act, 1956, the Board of Directors can do so? (8 Marks)

- (b) Non-executive Directors of ABC Limited, who are neither in the whole time employment of the company nor Managing Directors have been given the following remuneration --

- (i) Guarantee Commission has been paid to them for having guaranteed the term loans obtained from a financial institution.
(ii) Commission payable to them is calculated on the basis of book-profits arrived at after providing for depreciation as per straight line method,

Examine the validity of these payments in the light of the provisions of the Companies Act, 1956. (8 Marks)

4. (a) Chairman of Board of Directors of ABC Ltd. came across a matter, which required the approval by way of a board resolution. In the prevailing circumstances, it is not possible to convene and hold a Board Meeting. The Chairman approaches you to advise him of the way and the relevant procedure to obtain such approval without

holding the Board Meeting. You are required to advise him on the matter as per the provisions of the Companies Act, 1956. (8 Marks)

- (b) Mars India Limited, a company incorporated under the Companies Act, 1956 is being wound up by the Court. After realization of the assets of the company, the official liquidator has an amount of ₹ 70,00,000 at his disposal towards payment of creditors of the said company. The details of creditors are as follows:

- (i) Unsecured creditors: ₹ 50,00,000
- (ii) Taxes and duties payable to Government: ₹ 5,00,000
- (iii) Dues to workers: ₹ 30,00,000
- (iv) Dues to secured creditors: ₹ 40,00,000

The available amount with the liquidator, obviously, is not sufficient to meet the claims of all the creditors. Moreover, the company had already created a charge on all the assets of the company in favour of the secured creditors. Explain the procedure to be followed by the liquidator for payment of dues as provided in the Companies Act, 1956. (8 Marks)

5. (a) An allegation was leveled against PQR Ltd. that the funds of the company are being misused. Mr. Z, one of the Directors of the company wants to inspect the books of account of the company in order to ascertain whether the allegation was true. But since Mr. Z does not have the knowledge of accounting, he appoints Mr. A, his friend and a practicing Chartered Accountant to go through the books of account of the company on his behalf. The company seeks your advice as to whether Mr. A may be allowed to inspect the books of account of the company on behalf of Mr. Z. You are required to give your advice to the company on behalf of Mr. Z. You are required to give your advice to the company keeping in view the provisions of the Companies Act, 1956.

What would be your advice if Mr. Z would have been a shareholder only and not a Director of the company? (8 Marks)

- (b) AVD Limited was incorporated on 1st April, 2006. The Company got its shares listed at Bombay Stock Exchange on 30th September, 2007. The Company at an Extra-Ordinary General Meeting held on 31st October, 2009, decided to go for public issue of equity shares to an extent of ₹ 300 crores. The net worth of the Company as per the audited Balance sheets in the financial years 2007-08 and 2008-09 was ₹ 50 crores and 60 crores respectively. During the financial year 2008-09 the Company had already issued equity shares amounting to ₹ 20 crores. There is no change in the name of the Company or its business activities during the financial year 2008-09. Referring to the Regulations issued by Securities and Exchange Board of India, advise the Company on the following:

- (i) Whether the Company can go ahead with the public issue of equity shares as stated above.

- (ii) What would be your advice in case the net worth of the Company as per audited balance sheets in the financial years 2007-08 and 2008-09 was ₹ 20 crores and 30 crores respectively?
- (iii) What would be the position in case the Company in question changed its name to AJD Limited during the year 2008-09, three months before filing the offer document and the revenue due to change of business activity suggested by the new name during the financial year 2008-09 was 40% less than the total revenue for the financial year 2007-08 reckoned from the date of filing the offer document? (8 Marks)
6. (a) What are the provisions in the Insurance Act, 1938 regarding nomination by Life Insurance Policy holder? Whether a minor can be a nominee in a Life Insurance Policy? (8 Marks)
- (b) Answer the following with reference to a scheme of amalgamation of companies explaining the relevant provisions of the Companies Act, 1956:
- (i) Whether companies being amalgamated must be companies registered in India.
- (ii) What is the majority required for approving the scheme of amalgamation in a meeting of members of a company called as per directions of the court? Is the scheme to be approved by preference shareholders?
- (iii) When will the court order dissolution of the transferor company? . (8 Marks)
7. Attempt any **four**:
- (a) Mr. Kale, an Indian National desires to obtain foreign exchange for the following purposes:
- (i) Remittance of US Dollar 50,000 out of winnings on a lottery ticket.
- (ii) US Dollar 100,000 for sending a tour of a cultural group to USA.
- Advise him, if he can get the Foreign Exchange and under what conditions. (4 Marks)
- (b) Examine with reference to the relevant provisions of the Competition Act, 2002 the following:
- Whether a person purchasing goods not for personal use, but for resale can be considered as a 'consumer.' (4 Marks)
- (c) Mr. Zameen, a member of a Producer Company, wants to transfer his shares. You are required to state as to how he can transfer his shares under the provisions of the Companies Act, 1956. (4 Marks)
- (d) Does an explanation added to a section widen the ambit of a section? Support your answer with an example from the Companies Act, 1956. (4 Marks)
- (e) Enumerate the obligations of banking companies under the Prevention of Money Laundering Act, 2002. (4 Marks)