

www.CAclubindia.com :

CA PCC - Company Law - June 2009 - Question Paper

Total No. of Questions—20]

[Total No. of Printed Pages—15

Time Allowed—3 Hours

Maximum Marks—100

GFC

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

PART—I

Question Nos. 1 and 2 are compulsory. Attempt any **eight** questions from the rest.

Marks

1. (a) A, the bailor, pledges cinema projector and other accessories with Cine Association Co-operative Bank Limited, the bailee, for loan. A requests the bank to allow the pledged goods to remain in his possession and promises to hold the same in trust for the bailee and also further promises to handover the possession of the same to the bank whenever demanded. Examining the provisions of Indian Contract Act, 1872 decide, whether a valid contract of pledge has been made between A, the bailor and Bank, the bailee ? 5
- (b) State with reasons whether the following statements are correct or incorrect : 2×1
- (i) An agreement entered with a minor may be ratified on his attaining majority. =2
 - (ii) Any variation in terms of contract made between principal debtor and a creditor without the consent of surety, automatically discharges the liability of the surety.
- (c) Pick out the correct answer from the following and give reasons : 3×1
- (i) An agreement to subscribe or contribute a plate or prize of the value of Rs. 500 or above to be awarded to the winner of a horse race is =3
 - (1) Void
 - (2) Valid
 - (3) Illegal
 - (4) Unenforceable.

GFC

P. T. O.

(2)

GFC

Marks

(ii) Substitution of new contract for an existing contract between the same parties is known as :

- (1) Remission
- (2) Alteration
- (3) Rescission
- (4) Novation.

(iii) In legal terms, person who takes the instrument bonafide for value before it is overdue, in good faith, is known as

- (1) Holder in due course
- (2) Holder
- (3) Holder for value
- (4) None of the above.

2. (a) The articles of ABC Limited provided that only those shareholders would be entitled to vote whose names have been there on the Register of Members for two months before the date of the meeting. X, a member, of the ABC Limited was holding 200 equity shares of the company. X transferred his shares to Y before one month from the date on which the meeting was due. The name of Y could not be entered in the Register of Members as the application of transfer of shares was pending. X attended the meeting but he was prohibited by the company from exercising his voting right on the ground that he has not hold his shares for specified period as provided in the articles before the date of the meeting.

5

State whether X can exercise his voting right in the meeting ? State also the grounds upon which X may be excluded from exercising his voting rights in the meeting of the shareholders.

(b) State whether the following statements are true or false and give reasons :

2×1

(i) A share warrant is a bearer instrument and bearer is entitled to the shares specified in the share warrant.

=2

(ii) Every Company which is registered under the Companies Act, 1956, need not have their own Articles of Association.

GFC

(3)

GFC

Marks

(c) Pick out the correct answer from the following and give reasons :

3×1
=3

(i) Statutory meeting is to be called by :

- (1) Government Company
- (2) Private Company having share capital
- (3) Public Company having share capital
- (4) Foreign Company.

(ii) The Securities Premium Account can not be utilised :

- (1) In writing off the preliminary expenses of the company
- (2) In writing off the expenses of commission paid on issue of share of the company
- (3) For redemption of redeemable preference shares
- (4) In providing for the premium payable on the redemption of redeemable preference shares.

(iii) A "Statement in lieu of Prospectus" must be filed before the allotment of the shares with the Registrar of Companies by :

- (1) A Private Company
- (2) A Guarantee Company
- (3) A Public Company which issues the prospectus to the public
- (4) A Public Company which does not issue the prospectus to the public.

3. Skypark Wooden Toys Limited was established at Kolkata in the year 2005 employing 100 workmen. Since then the company suffered the losses, but minimum bonus was paid in the accounting years of 2006 and 2007. In the accounting year 2008 the company earned huge profits. After mitigating the previous losses the company is having surplus profits and wants to pay the bonus to its workmen. Skypark Wooden Toys Limited wants the legal advice on the following issues :

5

(a) How much minimum and maximum bonus may be paid to the workmen ?

GFC

P. T. O.

- (b) Whether the company may adjust the puja bonus already paid to the workmen while calculating the amount of bonus payable to workmen of that accounting year.
- (c) Company wants to give wooden toys as bonus instead in cash. Whether the Company can do so ?

Advice the Skypark Wooden Toys Limited, stating the provisions of the Payment of Bonus Act, 1965.

4. Mr. 'Wise' obtains fraudulently from 'R' a crossed cheque "Not Negotiable". He transfers the cheque to 'V', who gets the cheque encashed from ANS Bank Limited which is not the drawee bank. 'R' on coming to know about the fraudulent act of Mr. 'Wise' sues ANS Bank for the recovery of money. Examine with reference to the relevant provisions of The Negotiable Instruments Act, 1881, whether 'R' will succeed in his claim ? Would your answer be still the same in case Mr. 'Wise' does not transfer the cheque and gets the cheque encashed from ANS Bank himself ? 5
5. National Steels Limited decided to forfeit the amount of gratuity of its employees A, B and C on account of disorderly conduct and other acts which caused loss to the property belonging to the company. A, B and C, committed the following acts : 5
 - (i) A refused to surrender the occupied land belonging to the company.
 - (ii) B committed theft under law involves offence of moral turpitude.
 - (iii) C after superannuation continued to occupy the quarter of the company for six months.

Against the decision of the company, A, B and C applied to the court for relief. The Company contented that the right to gratuity is not a statutory right and the forfeited amount of gratuity was within the law.

Examine the contention of the company and the decision taken by the company to forfeit the amount of gratuity in the light of the Payment of Gratuity Act, 1972.
6. State the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 relating to the protection of the amount standing to the credit of an employee in the provident fund against attachment. 5

7. A issues an open 'bearer' cheque for Rs. 10,000 in favour of B who strikes out the word 'bearer' and put crossing across the cheque. The cheque is thereafter negotiated to C and D. When it is finally presented by D's banker, it is returned with remarks "Payment countermanded" by drawer. In response to this legal notice from D, A pleads that the cheque was altered after it had been issued and therefore he is not bound to pay the cheque. Referring to the provisions of the Negotiable Instruments Act, 1881 decide, whether A's argument is valid or not ? 5
8. F, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for it. The dividend and interest income received by the company was handed back to F as a pretended loan. This way F divided his income into three parts in a bid to reduce his tax liability. 5
- Decide, for what purpose three companies were established ? Whether the legal personality of all the three companies may be disregarded ?
9. Annual General Meeting of MGR Limited is convened on 28th December, 2008. Mr. J, who is a member of the company, approaches the company on 28th December, 2008 and demands inspection of proxies lodged with the company. Explain the legal position as stated under the Companies Act, 1956 in this regard. 5
10. India Cosmetics Limited was a registered company Under Indian Companies Act, 1956. Lateron, another company, India Cosmetics and Accessories Limited was formed and registered. Being similarity in the names of both Companies, India Cosmetics Limited lodged the complaint against India Cosmetics and Accessories Limited to the Registrar of Companies stating that there is sufficient similarity between these two names which may mislead or defraud to the public. India Cosmetics and Accessories Limited is intending to alter its name. 5
- Advice the India Cosmetics and Accessories Limited to alter the name of the Company according to the provisions of the Companies Act, 1956.
11. While sanctioning working limit, the rate of interest has been fixed at a specified percentage above the bank rate as notified by the Reserve Bank of India. There was a change in the interest rate due to Reserve Bank of India notification issued later. The Bank insisted on filing a return of modification of charges. Is the stand of bank correct ? Discuss, in the light of the provisions of the Companies Act, 1956. 5

(6)

GFC

Marks

12. What is meant by "Abridged Prospectus" ? Is it necessary to furnish abridged form of prospectus alongwith the application form for shares. Under what circumstances an abridged prospectus need not accompany the detailed information regarding prospectus alongwith the application form ? 5

PART—II

Question No. 13 is compulsory. Attempt any **two** questions from the rest.

13. (a) "To maintain social contract between society and business, the trusteeship relations are essential". Describe the role of business ethics in this reference. 5
(b) Explain the factors that influence ethical behaviour of an employee. List out some examples of various ethical issues faced in a workplace. 5
14. What is meant by Stakeholders ? Describe those stakeholders who are being affected by or can affect the organisation. 5
15. Answer any **two** out of **four**. You are required to state whether the statement is correct or incorrect with brief reasons. $2 \times 2 \frac{1}{2} = 5$
(a) Ethical behaviour is not essential to work environment at the workplace.
(b) In the longrun those business firms who do not respond to society's needs favourably will survive.
(c) There is no economic growth without ecological costs.
(d) 'Consumer interest' and 'Public interest' are synonymous.
16. Explain the reasons for unethical behaviour among finance and accounting professional. 5

PART—III

Question No. 17 is compulsory. Attempt any **two** questions from the rest.

17. (a) Explain the factors which are responsible for the growing importance of communication of an organisation. 5
(b) Draft a circular for employees insisting on punctuality. 5

GFC

(7)

GFC

Marks

18. What is meant by "Active listening" ? State the importance of 'Active listening' in the business communication skills. 5
19. A partnership firm was constituted by A, B and C partners, carrying on the business of shoe manufacturing. Later on, Nickson Shoe Manufacturing Co. Limited proposed to purchase the business of the firm to the partners of the firm. The partners unanimously consented to it and agreed to dissolve the firm. Draft a Partnership Dissolution Deed in this respect. 5
20. SVA Limited despatched Bonus Share Certificate to Mr. R. R did not receive the Bonus Share Certificate as it was lost in the transit. R applied to the Company to issue the Bonus share certificate in duplicate. SVA Limited asked Mr. R to submit an Indemnity Bond so that Bonus Share Certificate in duplicate may be issued to him. Draft an Indemnity Bond to be given by R to the company for seeking release of Bonus Share Certificate in duplicate. 5

GFC

P.T.O.