Roll No..............................

Total No. of Questions—7] [Total No. of Printed Pages—5

Time Allowed—3 Hours Maximum Marks—100

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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.

Answer all questions.

Marks

1. (a) A stock exchange desirous of taking over another stock exchange, seeks your advice on corporatisation. Examining the provisions of the Securities Contracts (Regulation) Act, 1956 and the meaning of the terms 'corporatisation' and 'demutualisation', advise the stock exchange about the steps to be taken to give effect to the scheme of corporatisation. 5

(b) Mr. Veer a newly entered investor in the field of securities business seeks your advice on the investments to be made in securities of large companies for long term purposes. With this object in view, he wants to know the meaning of the following terms commonly used in any stock exchange. 5

(i) Derivative

(ii) Option in securities

(iii) Spot delivery contract.

Advise suitably.

2. (a) (i) Mr. Ruchi resided for a period of 170 days in India during the financial year 2008-09 and thereafter went abroad. He came back to India on 1st April, 2009 as an employee of a business organisation. What would be his residential status during financial year 2009-10 under Foreign Exchange Management Act, 1999. 7

Marks

(ii) Pamtop is a London based company having several business units all over the world. It has a manufacturing unit called Laptop with headquarters in Bengaluru. It has a branch in Seoul, South Korea which is controlled by the headquarters in Bengaluru. What would be the residential status under FEMA 1999 of Laptop in Bengaluru and that of Seoul branch ?

(b) Referring to the provisions of Foreign Exchange Management Act, 1999, examine whether V, an exporter is bound to make declaration of the following goods exported from India to United Kingdom : 7

(i) Exports software valuing Rs. 50,000.

(ii) V gifts certain items of jewellery valued at Rs. 20,000 to his friend in Australia.

(iii) V exports certain goods valuing US $ 5,000 to Myanmar under Barter Trade Agreement.

3\. (a) 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 Rs. 300 crores. The net worth of the company as per the audited Balance Sheets in the financial years 2007-08 and 2008-09 was Rs. 50 crores and 60 crores respectively. During the financial year 2008-09 the company had already issued equity shares amounting to Rs. 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 guidelines issued by Securities and Exchange Board of India, advise the company on the following : 8

(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 Rs. 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 ?

Marks

(b) (i) An arrangement has been made among the cotton producers that the cotton produced by them will not be sold to mills below a certain price. The arrangement is in writing but it is not intended to be enforced by legal proceeding. Examine whether the said arrangement can be considered as an agreement within the meaning of Section 2(b) of the Competition Act, 2002. 8

(ii) The orange producers of Nagpur have formed an association to control the production of oranges. Examine whether it will be considered as a cartel within the meaning of Section 2(c) of the Competition Act, 2002.

4. (a) (i) Many a time a proviso is added to a section of the enactment. Explain the function of such a proviso while carrying out the interpretation. 8

(ii) Discuss the rules of interpretation of deeds and documents.

(b) PQR Limited held three board meetings till 31st December, 2008 during the financial year 2008-09. The next board meeting was due to be held on 27th March, 2009, but for want of quorum the meeting could not be held. A group of shareholders complained that the company has violated the provisions of Section 285 of the Companies Act, 1956 in not holding the required board meetings. Further, 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. What will be the quorum in the given situation ? 7

5. (a) Mr. Weldon was appointed as a director of Esquire Engineering Ltd. with effect from 1st October, 2008. Since the company wanted to take full advantage of the wisdom and experience of Mr. Weldon, it offered him attractive remuneration payable on monthly basis and made an application to the Central Government for approval to pay such remuneration. Anticipating the approval of the Central Government. Esquire Engineering Ltd. started paying such remuneration from the date of appointment and continued to do so till 31st March, 2009. The Central Government did not fully approve the remuneration proposed by the company and restricted the same to a lower amount. On scrutiny of accounts, the company noticed that till 31st March, 2009 it has paid to Mr. Weldon a total sum of Rs. 5.50 lakhs in excess of the remuneration sanctioned by the Central Government. 8

Explain the relevant provisions of the Companies Act, 1956, in respect of recovery and waiver of recovery of the excess remuneration so paid. Draft a resolution for recovery/waiver of recovery of the excess remuneration paid by the company.

(b) SKD an employee of M/s Morch Ltd. met with an accident and died. The accident occurred when SKD was on company's duty. He held one hundred shares partly paid. Normally the company has a first and paramount lien on the shares. The Board of directors, however, relaxed the said provision with regard to the hundred shares held by SKD as a goodwill gesture on the part of the company. Is the action of the company valid ? State the reasons. Also state whether the company's lien can be extended to dividend payable on such shares.

6. (a) MDV Ltd. is an infra-structure company with paid up capital and free reserves of Rs. two crores and one crore respectively. The Board of directors granted a loan of Rs. 50 lakhs to ABC Ltd. and also gave a guarantee to IDBI for giving a loan of Rs. one crore to RMA Co. MDV Ltd. has not given any other loan or guarantee to any one. A group of shareholders of MDV Ltd. objected to the above deals on the ground that they are violative of the provisions of the Companies Act, 1956. Applying the provisions of the said enactment relating to inter-corporate loans and investments in the given case, decide :

(i) Whether the objection raised by the shareholders is tenable ?

(ii) Would your answer be the same in case the amount of loan granted is Rs. one crore and the guarantee given is for an amount of Rs. one and half crores ?

(iii) What would be your answer in case MDV Ltd. is a private company not being the subsidiary of any public limited company ?

(b) (i) The Comptroller and Auditor General of India has appointed KOL & Co. to conduct a supplementary audit of XYZ Ltd. a subsidiary of a Government company. XYZ Ltd., however, is of the opinion that the Comptroller and Auditor General has no power to authorise such audit, it being merely a subsidiary of the Government company. Is the argument correct ? Discuss.

(ii) CRE Ltd. a Government company wants to appoint Parasnath & Co. as its auditors for the period 2009-10. State with reference to the provisions applicable to Government companies, the procedure to appoint the auditors.

Marks

7. (a) X Ltd. had gone into liquidation and a liquidator was appointed to administer the assets and liabilities of the company. The liquidator of the company finds that the assets of the company are not sufficient to meet out the liabilities. He therefore, calls on the contributories including the part members as per List B, to contribute towards the assets. The past members object to the liquidator's act on the ground that since they are no more members of the company, they are not liable to contribute. Referring to the provisions of the Companies Act, 1956 decide : 8

(i) Whether the contention of the past members is tenable and can they be exempted from the liability to contribute ?

(ii) What would be your answer in case the members in question are the present members ?

(b) A group of shareholders holding more than 15% of the issued capital of M/s Defraud Ltd. have filed a petition before the Company Law Board alleging various acts of illegal, invalid and irregular transactions entered into in the name of the company. Examine the merits of the petition in the light of the judicial pronouncements made in this regard. 7