

Test Series: February, 2012

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) The Articles of Association of Rajasthan Toys Private Limited provide that the maximum number of Directors in the company shall be 10. Presently, the company is having 8 Directors. The Board of Directors of the said company desire 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. (5 Marks)
 - (b) A director goes abroad for a period of more than 3 months and an alternate director has been appointed in his place under Section 313(1). During the period of absence of the original director, a board meeting was called. In this connection, with reference to the provisions of the Companies Act, 1956, advise whom should the notice of Board meeting be given to the "original director" or to the "alternate director"? (5 Marks)
 - (c) The Executive Committee of a recognized Stock Exchange desires to transfer certain duties and functions of a clearing house to a recently set up Clearing Corporation, incorporated as a company under the Companies Act, 1956. Examining the provisions of the Securities Contracts (Regulation) Act, 1956:
 - (i) State the purpose for which such transfer of duties and functions can be made to Clearing Corporation.
 - (ii) What is the procedure to be adopted for such transfer of duties and functions? (5 Marks)
 - (d) XYZ Ltd. while preparing the Balance Sheet and Profit and Loss Account for the financial year ended 31st March, 2011 did not comply with the Accounting Standards. State the consequences that follow in case of Non-compliance. (5 Marks)
2. (a) The issued, subscribed and paid-up share capital of ABC Company Limited is ₹10 lakhs consisting of 90,000 equity shares of ₹10 each fully paid up and 10,000 preference shares of ₹10 each fully paid up. Out of the members of company, 400 members holding one preference share each and 50 members holding 500 equity shares applied for relief under Sections 397 and 398 of the Companies Act, 1956. As on the date of petition, the company had 600 equity shareholders and 5,000

preference shareholders.

State with details whether the above petition under Section 397 and 398 is maintainable. Will your answer be different, if preference shareholders have subsequently withdrawn their consent? (8 Marks)

- (b) Sunrise Limited is a subsidiary company of Hotline Limited. The financial year of Sunrise Limited is 1st July to 30th June, whereas the financial year of Hotline Limited is from 1st April to 31st June, whereas the financial year of Hotline Limited is from 1st April to 31st March every year. To maintain uniformity and consolidation of annual accounts the Board of Directors of Hotline Limited decided that the accounting year of Sunrise Limited for the year 1st July, 2009 to 30th June, 2010 be extended from present 12 months to 21 months i.e. 1st July, 2009 to 31st March, 2011.

Mention, in the light of the provisions of the Companies Act, 1956, the steps to be taken by the Hotline Limited in this regard. (8 Marks)

3. (a) An article of Association of a listed company has fixed payment of sitting fee for each Meeting of Directors subject to maximum of ₹ 10,000. In view of increased responsibilities of independent directors of listed companies, the company proposes to increase the sitting fee to ₹ 25,000 per meeting. Advise the company about the requirement under Companies Act, 1956 to give effect. (8 Marks)
- (b) ABC Limited has 10 directors on its board. Two of the directors have retired by rotation at an Annual General Meeting. The place of retiring directors is not so filled up and the meeting has also not expressly resolved 'not to fill the vacancy'. Since the Annual General Meeting could not complete its business, it is adjourned to a later date. At this adjourned meeting also the place of retiring directors could not be filled up, and the meeting has also not expressly resolved 'not to fill the vacancy'.

Referring to the provisions of the Companies Act, 1956, decide:

- (i) Whether in such a situation the retiring directors shall be deemed to have been re-appointed at the adjourned meeting?
- (ii) What will be your answer in case at the adjourned meeting, the resolutions for re-appointment of these directors were lost?
- (iii) Whether such directors can continue in case the directors do not call the Annual General Meeting? (8 Marks)
4. (a) Examine the validity of the following:
- (i) Proceedings of Annual General Meeting of a Public Company not held in time.
- (ii) Appointment of a proxy by a person authorised to represent a Body Corporate at a General Meeting of a Company of which the body corporate is a member.
- (iii) Fresh Proxies deposited by members in respect of adjourned Annual General

Meeting.

- (iv) Casting vote by the Chairman of a General Meeting of a Company in respect of a Special Resolution. (8 Marks)
- (b) XYZ Limited is being wound up by the Court. The official liquidator after realisation of the assets has an amount of ₹ 56,00,000 at his disposal towards payment of creditors of the company. Details of creditors are as under:

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(i) Dues to secured creditors	40,00,000
(ii) Dues to workers	30,00,000
(iii) Taxes and duties payable to Government authorities	4,00,000
(iv) Unsecured creditors	80,00,000

Since the available amount is insufficient to meet the claims of all the creditors, explain the procedure to be followed for payment of dues as provided in the Companies Act, 1956, assuming that the company has created a charge on all the assets of the company in favour of the secured creditors. (8 Marks)

5. (a) State the procedure for the following, explaining the relevant provisions of the Companies Act, 1956:
- (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.

What difference it would make, if the Auditor was First Auditor appointed by the Board of Directors? (8 Marks)

- (b) Following information is available from the Records of Chirag Chemicals & Engineering Ltd.:
- (i) The company is a closely held unlisted company.
- (ii) The paid up share capital of the company since 1st April, 2001 is ₹3.00 crores and its net worth as at 31st March, 2010 was ₹ 5.00 crores as per audited Balance Sheet.
- (iii) The Net Tangible Assets of the company as per last 3(three) audited Balance Sheets as at 31st March, 2007, 2008 and 2009 were ₹ 4.00 crores, 4.50 crores and 5.00 crores respectively, out of which monetary assets were less than ₹ 50 lacs in each of the three years.
- (iv) The company was incorporated in 1998 and commenced its business on 1st April, 1998 and since then it has earned good profits and it has not incurred any loss in any year in past.

- (v) The company has not declared any dividend so far, but according to the profits earned so far, the management could have declared the dividend in each of the last five years.
- (vi) The name of the company was changed from Star Engineering Ltd. to its present name with effect from 1st January, 2009
- (vii) The company's turnover in the years ended 31st March, 2008, 2009 and 2010 was ₹20 crores, 30 crores and 35 crores respectively.

The company wants to make a public issue of shares to raise ₹ 20.00 crores by issuing equity shares at premium. For the purpose of including the information in the prospectus, the Company has prepared its accounts for 12 months ended 31st December, 2009 showing segment wise revenue which reveals that revenue from chemical segment is more than the revenue from Engineering segment.

You are required to state the relevant guidelines issued by SEBI and your conclusion whether the Company can make the desired issue of equity shares based on the facts stated above. (8 Marks)

6. (a) In what way does the Reserve Bank of India regulate the determination of loans and advances which can be made by a Banking Company under the Banking Regulation Act, 1949? Explain. (8 Marks)
- (b) What is Director Identification Number (DIN)? What are the grounds for rejection of DIN application? (8 Marks)
7. Attempt any **four**:
 - (a) Examine whether the following branches can be considered as a 'Person resident in India' under Foreign Exchange Management Act, 1999:
 - (i) ABC Limited, a company incorporated in India established a branch at London on 1st January, 2010.
 - (ii) M/s XYZ, a foreign company, established a branch at New Delhi on 1st January, 2010. The branch at New Delhi controls a branch at Colombo. (4 Marks)
 - (b) The Central Government has formed an opinion that Mr. CBM (a member of the Competition Commission of India) has acquired such financial interest that it may affect prejudicially his functions as a member of the Competition Commission and it wants to remove him from his office. You are required to state with reference to the provisions of the Competition Act, 2002, whether the Central Government can do so and if yes, how? (4 Marks)
 - (c) The existing Inter-state Cooperative Society seeks your advice regarding the papers to be submitted to the Registrar of Companies for its registration as a Producer

Company under the provisions of the Companies Act, 1956. You are required to prepare a list of such papers. (4 Marks)

- (d) Briefly discuss the Rule of 'ejusdem generis' as applied in the interpretation of statute. (4 Marks)
- (e) Explain briefly the procedure relating to Enforcement of security interest under SARFAESI Act, 2002? (4 Marks)