

Test Series: March, 2012

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) Mr. X is a director of a company and also a Chartered Accountant by profession and one of the partners in M/s Lee and John Co. The company appointed the said firm as Chartered Accountant of the company on a regular basis. Does Mr. X holds any office or place of profit in the company. Would your answer be different if his appointment is on a case-to-case basis? (5 Marks)
- (b) The Board of Directors of Sun Star Ltd. are contributing every year to a charitable organization a sum of Rs.1 lac. In a particular year, the company suffered losses and the directors are contemplating to contribute the said amount in spite of the losses. In this connection, state whether the directors can do so? (5 Marks)
- (c) Define the terms given under Securities Contracts (Regulation) Act,1956
 - (i) Stock exchange
 - (ii) Securities (5 Marks)
- (d) The Companies (Amendment) Act, 2000 has prescribed an additional duty on the Board of Directors to include in the Board's Report a 'Directors' Responsibility Statement'. Explain briefly the details to be furnished in the said statement. (5 Marks)
2. (a) The group of requisite shareholders under Section 399 filed a petition before the Company Law Board for relief against oppression. Meanwhile, a secured creditor filed a civil suit for winding up for non-payment of his debt. The shareholders contended that winding up proceeding should not be heard as the Company Law Board is seized of the petition under Section 397. Is their contention tenable?

What would be your answer, if in the said situation a composite petition (petition praying for relief against oppression as well as petition for winding up) is filed in the Court of Law? (8 Marks)
- (b) The Annual General Meeting of M/s Robertson Ltd., for laying the Annual Accounts thereat for the year ended 31st March, 2010 was not held, as the accounts were not ready. In this context:
 - (i) Advise the company regarding compliance of the provisions of Section 220 of the Companies Act, 1956 for filing of copies of Annual Accounts with the

Registrar of Companies.

- (ii) Will it make any difference in case the Annual Accounts were duly laid before the Annual General Meeting held on 27th September, 2010 but the same were not adopted by the shareholders? (8 Marks)

3. (a) Decide on the following:

- (i) A the Managing Director who has completed 70 years of age is to be re-appointed for 5 years. The remuneration will be in the limits prescribed under Schedule-XIII.
- (ii) X the Managing Director of Y Limited who is also the Managing Director of Z Limited wants to draw remuneration from both the companies.
- (iii) The Directors' wish to increase the sitting fees payable for attending board meetings from Rs.2,000/- to Rs.20,000/- by passing the resolution in the Board Meeting.
- (iv) The Board of XYZ Ltd. has received an attractive offer for sale for one of the sugar mills owned by the company. The transaction should be completed within a month. (8 Marks)

(b) The articles of association of KPM Ltd. incorporated with an authorized share capital of Rs. 50 crores divided into 5 crore equity shares of Rs. 10 each contained the following clause:

"The Qualification of a director shall be the holding of at least 1,000 equity shares in the company and such a director, if not already qualified shall have to obtain his qualification within a period of 30 days from the date of his appointment as a director."

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

4. (a) In a public company the total number of directors are 12 and 2 office of the directors have fallen vacant. Referring to the relevant provisions of the Companies Act, 1956:

- (i) What would be the quorum for the Board meeting?
- (ii) Assuming if there are 15 directors in the company and of which 13 happen to be interested directors, what would be the quorum? (8 Marks)

(b) A official liquidator of a company in liquidation instituted misfeasance proceedings against the director thereof and during the pendency of the proceeding itself the director passes away.

What is meant by misfeasance? Can the legal representatives of the deceased director be impleaded and the proceedings continued against them? (8 Marks)

5. (a) How would you deal with the following situations in the matter of appointment of Auditors?
- (i) The shareholding of L.I.C. and U.T.I. increased from 23 per cent to 27 per cent of the subscribed share capital of the company after issue of notice of the Annual General Meeting, but before the date of the Annual General Meeting.
 - (ii) Ordinary resolution is passed at the Annual General Meeting of a company when a special resolution is required to be passed for appointment of Auditor?
- (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 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:
- (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?
- (8 Marks)
6. (a) XLR Bank Limited is not managing its affairs properly. Employees as well as depositors of the bank have complained to the Central Government from time to time about such mismanagement and requested the Central Government to acquire the undertaking of the Banking Company. Explain the powers of the Central Government in this regard under the Banking Regulation Act, 1949. (8 Marks)
- (b) What do you mean by marking a company as having management dispute by RoC under MCA-21 system? (8 Marks)

7. Attempt any **four**:

- (a) Mr. Atul, an Indian National desires to obtain foreign exchange for the following purposes:
- (i) Remittance of US Dollar 10,000 for payment for goods purchased from a party situated in Nepal.
 - (ii) US Dollar 10,000 for remitting as commission to his agent in USA for sale of commercial plot situated near Bangalore, consideration in respect of which was received by Mr. Atul by way of foreign currency inward remittance amounting to US Dollar 1,00,000.

Advise him, if he can get the Foreign Exchange and under what conditions.

(4 Marks)

- (b) The Central Government on the recommendation of selection committee appoints Mr. RKP aged 56 years as Member of the Competition Commission of India to be effective from 1st January, 2009. State with reference to the provisions of Competition Act, 2002 the term for which he will be appointed and whether he can be reappointed as such and also if he resigns after two years whether the vacancy can be filled up by the Chairman of the commission. *(4 Marks)*
- (c) A Producer Company wants to issue bonus shares. You are required to state the relevant provisions of the Companies Act, 1956 in this regard. *(4 Marks)*
- (d) In the Companies Act, 1956 and in FEMA, 1999, there are several provisions which start with the words 'without prejudice' and notwithstanding'. Explain the nature and significance thereof, applying the principles of Statutory Interpretation. *(4 Marks)*
- (e) How are rights or interest in financial assets acquired under the SARFAESI Act, 2002? *(4 Marks)*