

Test Series: March, 2013

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) State giving reasons whether the following are true or false?
The Board of Directors of ABC Ltd. wants to circulate unaudited accounts before the Annual General Meeting of the shareholders of the Company. (5 Marks)
 - (b) XYZ Limited in its annual general meeting appointed all its directors by passing one single resolution. No objection was made to the resolution. Examine the validity of appointment of directors explaining the relevant provisions of the Companies Act, 1956. Will it make any difference, if XYZ Limited was a private company? (5 Marks)
 - (c) Industrial Finance Corporation of India, established under the Industrial Finance Corporation Act, 1948, having its registered office at Mumbai issued 8% Redeemable Bonds redeemable after 7 years. These bonds were issued directly to the members of the public and not through mechanism of Stock exchanges.
You are required to state with reference to the provisions of Securities Contracts (Regulation) Act, 1956, whether such direct issue of bonds by the Industrial Finance Corporation of India is not violating the provisions of the said Act. (5 Marks)
 - (d) A Public Company has been declaring dividend at the rate of 20% on equity shares during the last 5 years. The Company has not made adequate profits during the year ended 31st March, 2012, but it has got adequate reserves which can be utilized for maintaining the rate of dividend at 20%. Advise the Company as to how it should go about if it wants to declare dividend at the rate of 20% for the year 2011-2012. Would your answer be different if the company utilized only the profits made in the previous years and retained in the profit and loss account for the purpose of payment of dividend at the rate of 20% for the year 2011-2012? (5 Marks)
2. (a) (i) A meeting of members of ABC Limited was convened under the orders of the Court to consider a scheme of compromise and arrangement. Notice of the meeting was sent in the prescribed manner to all the 700 members holding in the aggregate 20,00,000 shares. The meeting was attended by 400 members holding 13,00,000 shares. 160 members holding 10,00,000 shares voted in favour of the scheme. 150 members holding 2,40,000 shares voted against the scheme. The remaining members abstained from voting. Examine with

reference to the relevant provisions of the Companies Act, 1956 whether the scheme is approved by the requisite majority.

- (ii) Does the scheme of compromise or arrangement require approval of preference shareholders? (8 Marks)
- (b) 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)

3. (a) ACE Automobiles Limited is a company engaged in the manufacture of Cars. The company's investment in the shares of other bodies corporate and the loans made to other bodies corporate exceed 60 per cent of its paid-up share capital and free reserves and also 100 per cent of its free reserves. The company has obtained a term loan from the Industrial Credit and Investment Corporation of India Limited. The company proposes to increase its investment in the equity shares of ACE Forgings Limited from 60 per cent to 70 per cent of the equity share capital of ACE Forgings Limited by purchase of shares from the Forgings Collaborator.

State the legal requirements to be complied with by ACE Automobiles Limited under the Companies Act, 1956, to give effect to the above proposal. Will your answer be different if the company has defaulted in repayment of matured deposits accepted from the public? (8 Marks)

- (b) Advise the Chairman of your company on the following:
 - (i) A company has in its Articles of Association provided for appointment of not less than two-thirds of the total number of its directors according to the principle of proportional representation. Can the directors so appointed be removed by the company in general meeting?
 - (ii) Company Y with a paid up capital of Rs. 50 Lakhs entered into a contract with company Z in which a director of Y is holding equity shares of the nominal value of Rs. 50,000. The director did not disclose his interest at the Board meeting under section 299 of the Companies Act, 1956. Is the director liable for his Act?

(8 marks)

4. (a) (i) The Articles of Association of a company fixed 3 as the quorum for a meeting of the Board. At a meeting of the Board, all the 5 directors were present. They allotted the shares of the company to 3 of the directors. Is it valid?

- (ii) a meeting of the Board of directors of a company was convened to be held on 30th December, 2012, but the meeting could not be held for want of quorum. The last meeting of the Board of directors was held on 14th August, 2012. Advise. (8 marks)
- (b) M/s. Info-tech Overtrading Ltd. was ordered to be wound up compulsory by an order dated 15th October, 2012 of the Delhi High Court. The official liquidator who has taken control for the assets and other records of the company has noticed the following:
- (i) The Managing Director of the company has sold certain properties belonging to the company to a private company in which his son was interested causing loss to the company to the extent of ₹ 50 lakhs. The sale took place on 10th May, 2012.
- (ii) The company created a floating charge on 1st January, 2012 in favour of a private bank for the overdraft facility to the extent of ₹ 5 crores, by hypothecating the current assets viz., stocks and book debts.
- Examine what action the official liquidator can take in this matter, having regard to the provisions of the Companies Act, 1956. (8 Marks)
5. (a) M/s. Zebra Private Limited was incorporated in the year 2010 under the Companies Act, 1956 by 3 brothers, namely A, B and C. All the three were Promoter-directors named in the Articles of Association and subscribed for 100 shares each in the company through Memorandum of Association. Thereafter, from time to time, further shares were allotted in proportion of one-third to each of them and in due course the company started earning substantial profits. Due to greed of money, the two brothers, namely A and B joined hands together and assumed complete control of the company leaving their brother C in lurch. Both the brothers got further shares allotted to themselves, thereby their joint shareholding increased from 66% to 90%, while the shareholding of C got reduced from the erstwhile 33% to 10%. No notice of any Board Meeting was sent to C, who was sidelined and was also removed as a Director.
- Aggrieved by the decisions taken by his two brothers at his back, C seeks your advice for taking out appropriate proceedings before the Court or Judicial authority of competent jurisdiction. Also suggest the nature of reliefs he may claim while filing his case. (8 Marks)
- (b) An unlisted Company, having paid-up Share Capital of ₹ 3 crores consisting of 30,00,000 Equity Shares of ₹ 10 each fully paid-up, proposes to make an initial Public offer of 90,000 Equity Shares of ₹ 10 each at a premium of ₹ 5 per share, in July, 2012. The promoters acquired 10,00,000 shares on 1st January, 2008 and another 10,00,000 shares on 1st January, 2012 at face value:

- (i) What should be the minimum contribution that should be made by the promoters of the above company in order to comply with the Regulations issued by SEBI?
 - (ii) State also the period for which the promoters are required to hold these shares and also the shares, if any acquired by the promoters in excess of the required minimum contribution. (8 Marks)
- 6. (a) Various complaints have been made against the activities of a Co-operative Banking Company to the effect that if unchecked, the shareholders, depositors and others will suffer heavily and the complainants requested for the appointment of directors by Reserve Bank of India. Discuss whether the Reserve bank has any powers to inspect the records of the Co-operative Bank to ascertain the truth or otherwise in the complaints and to appoint directors in the Co-operative Bank under the Banking Regulation Act, 1949. (8 Marks)
- (b) DEJYAS Limited incorporated in Singapore, desires to establish a place of business at Mumbai. You being a practising Chartered Accountant has been appointed by the company as a liaison officer, for compliance of legal formalities on behalf of the company. Examining the provisions of the Companies Act, 1956, state the documents you are required to furnish on behalf of the company, on the establishment of a place of business at Mumbai. (8 Marks)
- 7. Attempt any **four**:
 - (a) Examine the provisions of Foreign Exchange Management Act, 2002 and advise whether the approval of Central Government is needed in the following cases:
 - (i) X wants to remit certain sum of money out of lottery winnings.
 - (ii) Payment of Royalty in case it is 10% of local sales and 20% of exports and the lump sum payment of U.S. \$ 3 millions. (4 Marks)
 - (b) A dispute between PQR Limited and ABC Limited is pending in the Competition Commission of India. During the course of hearing, PQR Limited submitted an application that services of experts may be obtained for deciding an issue. ABC Limited raised objection that services of experts can not be obtained. Decide whether the Commission can obtain the services of experts under the provisions of the Competition Act, 2002. (4 Marks)
 - (c) Under provisions of Companies Act, 1956, relating to producer company, examine whether the office of director of such company shall fall vacant in the following circumstances:
 - (i) X a Director of ABC Ltd., a producer company has made a default in payment of loan taken from a company and default continues for 60 days.

- (ii) Z a Director of the above company could not call the Annual General Meeting for the company due to some natural calamity which occurred three days before the Schedule date. (4 Marks)
- (d) "Associate words should be understood in common sense manner ". Explain the statement in the light of rules of interpretation of statutes. (4 Marks)
- (e) Explain the term "Offence of Money Laundering" within the meaning of the Prevention of Money Laundering Act, 2002. State the punishment for the offence of money laundering. (4 Marks)