

Test Series: September, 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) XYZ Ltd. was registered in the year 2010 under Companies Act, 1956. There are allegations that the three directors who manage the affairs of the company are siphoning the funds of the company. The company has not declared any dividends on the ground that company is incurring losses. Mr. A, who controls 51% of the share capital of the company sends a notice to the management that he will inspect the books of account to verify the allegations. Examine the right of Mr. A to carry out the inspection. State the persons who have the right to carry out the inspection under the Companies Act, 1956. (5 Marks)
- (b) The Board of Directors of XYZ Ltd. filled up a casual vacancy caused by the death of Mr. P by appointing Mr. C as a director on 3rd April, 2009. Unfortunately Mr. C expired on 15th May, 2009 after working about 40 days as a director. The Board now wishes to fill up the casual vacancy by appointing Mrs. C in the forthcoming meeting of the Board. Advise the Board in this regard. (5 Marks)
- (c) Delhi Stock Exchange has refused to grant listing of the shares of ABC Limited but the Exchange has not disclosed any reason therefore. The company wants to challenge the decision of the Stock Exchange in the Civil Court.
Advise the company pursuant to relevant provisions of the Securities Contracts (Regulation) Act, 1956. (5 Marks)
- (d) M/s. USA Industries Limited has constituted "Investor Education and Protection Fund" as required under the Companies Act, 1956 but so far no amounts have been deposited into the said account. Explain with reference to the above said enactment, the amounts payable to the credit of the said account and the period within which the amounts shall be paid. (5 Marks)
2. (a) The shareholders and creditors of Wagonbound Limited, in meeting convened for approval of a scheme of reconstruction of the company, passed resolutions. The scheme of reconstruction provided for the following:
 - (i) Sale of vacant land and appropriation of proceeds for payment of outstanding wages, tax dues and repayment of loan.

- (ii) Unsecured creditors to forego 40% of their claims against the company and receive debentures for the balance amount.

A few share holders and creditors raised objections against the said arrangements. Advise the directors about the steps to be taken to give effect to the proposed scheme under the Companies Act, 1956. (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) In ABC Ltd. three Directors were to be appointed. The item was included in agenda for the Annual General Meeting scheduled on 30th September, 2010, under the category of 'Ordinary Business'. All the three persons as proposed by the Board of Directors were elected as Directors of the company by passing a 'single resolution' avoiding the repetition (multiplicity) of resolution. After the three directors joined the Board, certain members objected to their appointment and the resolution. Examine the provisions of Companies' Act, 1956 and decide

- (i) Whether the contention of the members shall be tenable and whether both the appointment of Directors and the 'single resolution' passed at the Company's Annual General Meeting shall be void.
- (ii) What would be your answer in case the company in question is an "Association not for Profit" incorporated under Section 25 of the Companies Act, 1956. (8 Marks)

- (b) The Balance Sheet of International Operators Ltd as on 31-03-2011 disclose the following position

	₹ (in crores)
Share Capital	100
Reserves & Surplus	300
Secured Loans	150
Unsecured Loans	100
Current Liabilities	70

Mr X, the Managing Director of the company approaches the Royal Bank for a secured loan of ₹ 600 crores to finance the new projects to be taken up shortly. The

Bank seeks your advise whether it can grant the loan of ₹ 600 crores on the application of Mr. X. Advise the Royal Bank having regard to the provisions of the Companies Act, 1956. (8 Marks)

4. (a) The Board of Directors of M/s Infotech Consultants Limited, registered in Kolkata, proposes to hold the next board meeting in the month of May, 2010. They seek your advice in respect of the following matters:
- (i) Can the board meeting be held in Chennai, when all the directors of the company reside at Kolkata?
 - (ii) Whether the board meeting can be called on a public holiday and that too after business hours as the majority of the directors of the company have gone to Chennai on vacation.
 - (iii) Is it necessary that the notice of the board meeting should specify the nature of business to be transacted?

Advise with reference to the relevant provisions of the Companies Act. (8 Marks)

- (b) Certain Members of MDV Company Limited having share capital feel that the affairs of the company are being mismanaged by Directors. Members therefore, decide to move the Company Law Board, complaining the mismanagement of company affairs by Directors of the Company. Examine the provisions of the Companies' Act, 1956 and state
- (i) Whether members are entitled to complain the Company Law Board.
 - (ii) Whether the following acts of the Board, of Directors amount to mismanagement:
 - (A) Continuation of Directors in their office after expiry of their tenure and infighting continues among them.
 - (B) Non-declaration of dividend when it does not lead to devaluation of shares.

(8 Marks)

5. (a) 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, 2007 to 30th June, 2008 be extended from present 12 months to 21 months i.e. 1st July, 2007 to 31st March, 2009.

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)

- (b) The Securities and Exchange Board of India issued an order against ABC Limited for redressal of grievance of one of its members. On failure on the part of the company the Board imposed penalty upon the company under Section 15 C of the Securities and Exchange Board of India Act, 1992. The company seeks your advice whether it has any remedy against the order of the said Board. (8 Marks)
6. (a) Mr. Gopal is a director in a Bank. The Reserve Bank of India terminates him on the ground that his conduct is detrimental to the interest of the depositors. Decide, whether the Reserve Bank of India can do so under the Banking Regulation Act, 1949. Can the Reserve Bank of India appoint additional Director in a Bank under the said Act? (8 Marks)
- (b) M/s Joel Ltd. was incorporated in London with a paid up capital of 10 million pounds. Mr. Y an Indian citizen holds 25% of the paid up capital. M/s. X Ltd. a company registered in India holds 30% of the paid up capital of Joel Ltd. M/s. Joel Ltd. has recently established a share transfer office at New Delhi. The company seeks your advice as to what formalities it should observe as a foreign company under Companies Act, 1956. State briefly the requirements relating to filing of accounts with the Registrar of Companies by the foreign company in respect of its global business as well as Indian business. (8 Marks)

7 Attempt any four:

- (a) The Reserve Bank of India issued certain directions to Dream Construction Limited, an authorised person under the Foreign Exchange Management Act, 1999 to file certain returns. The Company failed to file the said returns. Decide, as to what penal provisions are applicable against the said authorised person under the said Act. (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) What are the modes of investment, from and out of its general reserves, available to a Producer Company formed and registered under Section 581C of the Companies Act, 1956? (4 Marks)
- (d) 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? (4 Marks)
- (e) Explain Asset Reconstruction, Financial Assets under the Securitization and Reconstruction of Financial Assets Enforcement of Security and Interest Act 2002. (4 Marks)