

Test Series: September, 2013

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) ABC Ltd. wants to make the liability to its directors unlimited. You are required to state with reference to the provisions of the Companies Act, 1956 whether this can be done. (5 Marks)
 - (b) Examine with reference to the provisions of the Securities Contracts (Regulation) Act, 1956, whether it is possible for Allora Stock Exchange Limited, a company incorporated under the Companies Act, 1956 and a recognized Stock Exchange, to insist that its members should appoint only other members as their proxies to attend and vote at the meeting of the Stock Exchange.. (5 Marks)
 - (c) IOBL Ltd. for a number of years was in various types of business. In order to exit from its non core business, its management decided to hive off the business of Food Processing by demerging the said business with an associate company, namely, BPD Ltd. You are required to advise briefly, with reference to the provisions of the Companies Act, 1956, the steps the management should take to give effect to the proposed demerger (5 Marks)
 - (d) Dharma, an employee of M/s Karma Ltd. met with an accident and died. The accident occurred when Dharma 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 Dharma 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. (5 Marks)
2. (a) Mr. Busy Bee is a Director of Honey Ltd. The company defaulted in filing of Annual Accounts and Annual Returns with the Registrar of Companies for a continuous period of three financial years ending 31st March, 2013. Referring to the provisions of the Companies Act, 1956 examine the validity of the following:
 - (i) Whether Busy Bee can continue to be a Director of Honey Ltd. He is a Director in another company called Sugar Ltd. Whether he can continue as a Director in Sugar Ltd also. Also state whether he can be reappointed as a

Director in Honey Ltd. as well as Sugar Ltd.

- (ii) Would your answer be still the same in case Mr. Busy Bee is a nominee Director of a Public Financial Institution?
 - (iii) What would be your answer in case the defaulting company (i.e. Honey Ltd.) is a Private Company? (8 Marks)
 - (b) Saransh Ltd. holds its Board meeting regularly after every 45 days. The last meeting was held on 1st September, 2013 and the next meeting is due on 15th October, 2013. Now, an urgent matter has cropped up on 5th September, 2013 and it is not possible to convene and hold a board meeting. The chairman now wants to pass the resolution regarding the matter through circulation. As an advisory to the chairman you are required to explain the procedure for passing the resolution by Circulation under Section 289 of the Companies Act, 1956. (8 Marks)
3. (a) Examining the provisions of the Companies Act, 1956, advice on the following:
- (i) Mira and Company Limited, a newly incorporated company seeks your advice on the manner in which the first auditor of the company can be appointed.
 - (ii) The auditor of Krishna Limited has resigned from the office of auditor of the company due to some personal reasons. Advise the company the action to be taken in this regard to fill up the vacancy.
 - (iii) What is the ceiling on the number of companies in which an individual can conduct audit? (8 Marks)
- (b) SEBI received a complaint from an investor that he has not received the payment due to him from a registered stock broker. Explain the action that can be taken by SEBI against the stock broker under the provisions of Securities and Exchange Board of India Act, 1992 and the factors that will be taken into account while taking such action (8 Marks)
4. (a) In the light of the provisions of section 295 of the Companies Act, 1956, examine if the following transactions can be considered as loans to directors:
- (i) Advance payment of salary to the employee who is also the spouse of the Managing Director of the Company.
 - (ii) A loan to a firm in which the Director of the company is a Partner.
 - (iii) A sale of flat of the company at the current market rates and price. The director pays 60% cash immediately and contracts to pay the balance in ten monthly instalments. (8 Marks)
- (b) The profits of King Company Limited for the financial year 2009-2010 fell considerably due to recession. The Board of directors of the company, therefore, bonafide did not recommend any dividend for the year. At the Annual General Meeting of the company, a group of shareholders/members objected to the Board's

decision and wanted the Board to make recommendation for dividend.

On refusal by the Board, the members, who feel oppressed by the Board's decision to skip the dividend, move to the Company Law Board/ and complain against the Board on the ground of oppression and mismanagement.

Examining the provisions of the Companies Act, 1956, decide:

- (1) Whether the members' contention shall be tenable?
 - (2) Whether the act of Board of Directors not to recommend any dividend shall amount to oppression and mismanagement? (8 Marks)
5. (a) The paid-up capital of Kundar Limited has been increased from ₹ 4 crores to ₹ 6 crores. The Board of Directors of Kundar Limited propose to constitute an 'Audit Committee'. At present the board consists of 10 directors including a Managing Director. Draft a board resolution taking into account the requirements under the Companies Act relating to the constitution of the Audit Committee and the chairman of the audit Committee. Kundar Limited is not a listed public company. (8 Marks)
- (b) Mr. Ramesh wants to make his son Master Suresh (a minor) nominee for his life Insurance policy. Advise Mr. Ramesh as to what are the provisions in the Insurance Act, 1938 regarding nomination by of Life Insurance Policy holder? Whether Master Suresh (minor son) can be a nominee in a Life Insurance Policy? (8 Marks)
6. (a) (i) A two year old Producer Company registered under Section 581C of the Companies Act, 1956 wants to donate some amount. The Chief Executive of the Producer Company has approached you to advise him as to how and for what purposes the donation can be made by such company. Also state the monetary restrictions, if any, laid down in the Companies Act, 1956 on making donations by a Producer Company. You are informed that as per the Profit & Loss account of the Producer Company for its last accounting year, net profit was ₹ 20.00 lacs.
- (ii) Is it obligatory for every producer company to appoint a whole time secretary under the provisions of the Companies Act, 1956? (8 Marks)
- (b) M/s Water Ltd. was incorporated in London with a paid up capital of 10 million pounds. Mr. Yashmit, an Indian citizen holds 25% of the paid up capital of M/s Water Ltd. M/s. Jal Ltd. a company registered in India holds 30% of the paid up capital of Water Ltd. M/s. Water 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 Competition Commission of India has received a complaint that XYZ Ltd., has been abusing its dominant position in the food processing industry. Explain briefly the factors that will be considered by the Commissions to ascertain whether XYZ Ltd., enjoys a dominant position in the industry. (4 Marks)
- (b) Explain briefly the distinction between "Mandatory" and "Directory" provisions in a statute. How the Court deals with them differently? (4 Marks)
- (c) Mr. Rohit is an exporter of goods and services. Explain briefly his duties under Foreign Exchange Management Act, 1999 with regard to the furnishing of information relating to such exports. (4 Marks)
- (d) Referring to the provisions of the Prevention of the Money Laundering Act, 2002, examine whether the punishment under the Act can be provided in the following situations:
 - (i) A public servant accepting some money for doing a favour to a party for an official act, in addition to the permissible honorarium.
 - (ii) Accepting money for exercising personal influence on a public servant on duty. (4 Marks)
- (e) Mr. Aditya 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? (4 Marks)