

**GENERAL INSTRUCTIONS TO CANDIDATES**

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

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**PART – II**

**70 marks**

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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**PART – II**

1. (a) The Balance Sheet of MDL Limited as on 31<sup>st</sup> March, 2019 is as follows :

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- (i) Paid up share capital – 8,00,000 equity shares of ₹ 100 each – ₹ 8.00 crore and 2,00,000 Preference Shares of ₹ 10 each carrying 10% preference dividend – ₹ 2.00 crore – Totaling ₹ 10 crore.
- (ii) Reserves & Surplus – ₹ 23 Crore
- (iii) Rate of Dividend declared by the company for the year ended 31.3.2016 - 15%; for the year ended 31.3.2017 – 20% and for the year ended 31.3.2018 – 25%.
- (iv) For the year ended 31.3.2019, the Net Profit after taxation was ₹ 1 crore.
- (v) The Board of Directors have decided to maintain the rate of dividend at the rate of 15% for the year ended 31.3.2019.
- (vi) Unclaimed dividend for the year ended 31.3.2018 – ₹ 1,00,000.

One of the directors objected to the declaration of dividend stating that surplus is to be preserved for future expansion. The Board seeks your advice about the declaration of dividend as per the Companies Act, 2013 and rules made there under.

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- (b) (i) PDP Limited has one Wholly-owned subsidiary AB Limited and one Joint Venture Company, KRN Limited in which PDP Limited has got 60% share. PDP Limited has got plans to go for listing with National Stock Exchange at the end of 2020. The Managing Director, Mr. P, is interested to prepare the Consolidated Financial Statements for the year ended 31.3.2020. The Chief Financial Officer, Mr. G, has not agreed to such a proposal. You are required to advise the company and to decide the validity of the views of the Managing Director and the CFO as per the relevant provisions of the Companies Act, 2013. *1 mark* 4
- (ii) Mr. Rajan is a Chartered Accountant and is practising as an individual in the name of Rajan & Co. He is the Statutory Auditor of RYR Limited for the last 10 years. The share capital of the company as on 31.3.2013 was ₹ 2.50 crore. Over the period of time the Paid up Share capital has been increased by way of issue of bonus shares and rights shares. The Paid up capital as on 31.3.2019 was ₹ 10.20 crore. The Annual General Meeting for the company was held on 20.9.2019. Can Mr. Rajan continue as the Statutory Auditor of the company? *No*
- (c) NYM Garments Limited was incorporated under the Companies Act, 1956. Now, the company is under the Insolvency proceedings and the application is pending before the Adjudicating Authority. AVR Fabrics Limited is the supplier to NYM Garments Limited and a sum of ₹ 10,00,000 is outstanding as on 31<sup>st</sup> January, 2020. A notice was issued by the advocate of AVR Fabrics Limited to NYM Garments on 1<sup>st</sup> February, 2020 to make the payments. The notice was delivered at the registered office of NYM Garments Limited on 4<sup>th</sup> February, 2020. AVR Fabrics Limited has not received any payment or reply from the corporate debtor, NYM Garments Limited till 13<sup>th</sup> February, 2020. The Corporate Creditor, AVR Fabrics Limited, seeks your advice regarding the admission of application by NCLT on the following issues : 6

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- (i) The procedure for filing the application and the documents to be submitted to the Tribunal.
- (ii) If the Corporate Debtor, NYM Garments Limited, disputed the amount of claim by a reply on 25<sup>th</sup> February, 2020, stating the amount outstanding was ₹ 8,00,000 only and not ₹ 10,00,000 as claimed by AVR Fabrics Limited.
- (iii) If the Corporate Debtor, NYM Garments Limited, has paid an amount of ₹ 7,00,000 in full settlement of the outstanding due.

2. (a) Mr. Balan is a Director of Green Tea Plantation Limited and True Spicy Agro Products Limited for the year ended 31<sup>st</sup> March, 2019. Some irregularities were found in the affairs of Green Tea Plantation Limited for mismanagement. Green Tea Plantation Limited did not file the financial statements for the year ended 31<sup>st</sup> March, 2019. It also failed to pay interest on loans taken from a Nationalized Bank for the last two years. On 5<sup>th</sup> January, 2020 his name is proposed to be appointed as an additional Director of Standard Agro Products Limited. The company has sought declaration from Mr. Balan and he submitted the declaration that he is not attracted by the disqualification stated under the provisions of Sec. 164 of the Companies Act, 2013. Decide under the provisions of the Companies Act, 2013 :

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- (i) Is the declaration submitted by Mr. Balan to Standard Agro Products Limited in order ?
- (ii) Can he continue as a Director of Green Tea Plantation Ltd. and True Spicy Agro Products Limited ?

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(b) (i) Superfine Limited is under the Insolvency proceedings under the Insolvency and Bankruptcy Code, 2016 and Mr. Rakesh is the Interim Resolution Professional (IRP). He collated the details of all claims from the financial creditors, operational creditors and others. The number of financial creditors are 12 in numbers having a total claim of ₹ 6.00 crore out of which two financial creditors (Mr. A and Mr. D) are also operational creditors of the company. Mr. A whose total claim is Rs.50.00 lakh includes an operational credit for supply of material – ₹ 10.00 lakh. Similarly Mr. D whose total claim of ₹ 20 lakh includes ₹ 5.00 lakh for supply of materials to Superfine Limited. How shall the committee of creditors be constituted by IRP ?

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(ii) During the proceedings it came to the knowledge of IRP that Mr. P is a relative of the Managing Director of Superfine Limited who is a financial creditor for ₹ 5.00 lakh. He informed the IRP to participate in the meeting of COC. Discuss the validity of Mr. P's request.

(c) (i) Mr. Ganesh has been appointed as the Investigating Authority by Securities and Exchange Board of India to investigate the affairs of a listed company on the reasoning that the transactions in securities are being dealt in a manner detrimental to the investors.

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The Investigating Officer has taken over charge and the custody of books and documents after due approval of the Magistrate. He is unable to complete the investigation within 180 days. The Board of Directors of the company filed an application with SEBI to return the books and documents. Discuss the validity of the request of the Board of Directors of the company.

During the investigation, one of the directors of the company had refused to answer the questions and produce the books and documents. What is the punishment that can be imposed on him under the provisions of the SEBI Act, 1992 ?

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- (ii) What do you understand by the term "Cease and desist proceedings" ? Can such a proceedings be initiated against any listed public company for the violation of insider trading ?

3. (a) The Balance Sheet of RML Limited contains the following information about its financial position as on 31<sup>st</sup> March, 2019 : 4

10,00,000 Equity shares of ₹ 100 each ₹ 10.00 crore

Reserves & Surplus which includes revaluation reserve of ₹ 2.00 crore ₹ 12.00 crore

Credit Balance in Profit & Loss Account ₹ 2.00 crore

Secured Loan from a Nationalized Bank ₹ 8.00 crore

Net Profit in the last three years were : 31.3.2016 – ₹ 1.20 crore, 31.3.2017 – ₹ 1.50 crore and 31.3.2018 - ₹ 1.80 crore.

- (i) The Board of Directors decide to borrow an additional sum of ₹ 10.00 crore for the expansion. Decide whether the company is eligible to borrow the additional funds and the limit thereof.
- (ii) The Board also decide to make donation to two major political parties totaling ₹ 10,00,000 Comment on the validity of the action of the Board and the maximum amount of donation which the company can contribute.
- (b) M & N Project Engineering Services Private Limited had applied to the Registrar of Companies to be considered as Dormant company as the project got delayed due to the non-clearance from the National Green Tribunal. The RoC has granted the certificate to allow the status of dormant company in May 2018. Now the company is granted clearance from National Green Tribunal. The Board of the company wants to revive the status as active company. They seek your advice on approval by the Registrar for revival of status as active company. 4

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(c) (i) What is a Scheduled Offence under the Prevention of Money Laundering Act, 2002 (PMLA) ? An Export house has committed an offence under Section 135 of the Customs Act, 1962 by undervaluing the exported item. The declared value of the export item is ₹ 50 lakhs. Under which part of the Schedule of the PML Act, will this violation be classified as an offence ? *part 2*

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(ii) Softskin Soaps and Consumer Goods Limited has applied to Delhi Stock Exchange to list its securities. The Board of the Stock Exchange after one month refused to list the securities and returned the application. The information of refusal is received by the company on 10<sup>th</sup> April 2020. The company is aggrieved by the refusal of stock exchange. What is the remedy available under the Securities Contracts (Regulations) Act, 1956 ?

4. (a) The shareholders of SKM Limited are not satisfied with the performance of the company. Some of the activities carried on by the company are not in the interest of the company and its members. The total number of shareholders as per the Register of Members as on 31.3.2019 was 2,000 and 450 members holding 16% of the paid up value of the shares have made an application jointly to the Central Government to appoint an Inspector to carry out the investigation and find out the true picture. With reference to the provisions of the Companies Act, 2013, mention whether the application will be accepted ? Elaborate. After the filing of the application about 100 members holding about 7% of the paid up capital had withdrawn. Decide whether the application is maintainable or not.

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- (b) (i) Puresoft Solutions Private Limited is incorporated in Singapore and more than 60% of the paid up share capital is held by two citizens of India who are Software Engineers. The company wants to open a branch office in Kolkata.

Determine the status of Puresoft Solutions as per the provisions of the Companies Act, 2013.

- (ii) North Sea Shipping Limited is incorporated in South Korea. It has established an office in Paradeep. Mr. Jonathan is the Branch in charge and the Compliance Officer in India. He has received a communication from the Chief Executive Officer in South Korea to explore the possibilities of issuing Indian Depository Receipts to the extent of ₹ 1,000 million in financial year 2020-21. He has approached you being financial consultant for your advice.

Advise him as per the provisions of the Companies Act, 2013.

- (c) (i) In the interpretation of a statute, 'proviso' plays a major role in clarifying the true intention of the legislature to bring such an enactment. Define the term "Proviso". Enumerate the difference between "Proviso", "Exceptions" and "Saving clause".

- (ii) Mr. D has been arrested at the Chennai Airport in connection with certain offenses under the Foreign Exchange Management Act, 1999. The Adjudicating Authority (AA) imposed a fine of ₹ 5 lakh on him. In order to secure the penalty, AA directs the officials to confiscate the deposit of ₹ 10 lakh lying in the account of D maintained at a nationalized Bank in New Delhi. Comment upon the validity of the confiscation proposal of the Adjudicating Authority for the levy of penalty under the relevant provisions of FEMA, 1999.

5. (a) Genuine Spares and Accessories Limited has got a good reputation in the market and has loyal customers. Due to the local competition and from unbranded spares, its turnover has gone down over the years and it had ended in red with a loss of ₹ 2.00 crore for the year ended 31.3.2020 and the same trend is expected to continue for the year ended 31.3.2021. It has got a large amount of unpaid trade creditors of ₹ 1,25,00,000 and unpaid dividends for the year ended 31.3.2016 – ₹ 1,50,000 and 31.3.2017 – ₹ 80,000. 4

Even during the difficult periods of business environment, the company continued the business. One of the directors has suggested in the meeting of the Board of Directors that the company can compromise or make arrangements with creditors. Mr. Magesh is the Chief Accounts Officer of the company for the last two decades. He has been entrusted with the task of finding out the possibility of making compromise with the creditors. Enumerate the formalities to be observed by the company with regard to (i) filing of compromise application and (ii) disclosures to be made in the application by the company.

- (b) A Public Limited Company is finalizing its accounts for the year ended 31.3.2020 and the Chief Financial Officer has been asked to compute the net profit for the purpose of managerial remuneration on the basis of the following information : 4

Net Profit as per the Profit and Loss Account ₹ 500.00 lakh

The Profit & Loss account includes the following items :

- (i) Profit from the sale of a machinery ₹ 50.00 lakh
- (ii) Profit from the sale of forfeited shares ₹ 1.00 lakh

The Profit and Loss Account does not include the following items :

- (i) Interest on unsecured loans and advances ₹ 2.00 lakh
- (ii) Bad debts to the extent to be written off ₹ 5.00 lakh

Calculate the correct net profit for the purpose of determining the managerial remuneration.

- (c) (i) High Energy Oil Engines Limited and All Power Batteries Limited have entered into an arrangement to combine their business activities whose total present turnover is ₹ 7,000 crores as per the latest financial information. After receiving information about the amalgamation of the two companies, the Competition Commission passed an order approving the combination with certain modifications and to report within 30 working days. Even ninety days after the intimation of order, the companies have not made the modification as proposed by the Commission.

Comment on the consequences of non-acceptance of modifications by the companies as per the relevant provisions of the Competition Act, 2002.

- (ii) High Growth Housing and Finance Limited is incorporated as a Public Limited company in 2010 and its net owned fund as on 31.3.2019 was ₹ 250 crore. The Board of Directors have decided to commence a business of securitisation and to apply to Reserve Bank of India. From the financial statements of the company it is seen that the company had incurred a net loss of ₹ 2.00 crore in 2014 and posted good profits in the subsequent years till 2019. The Board seeks your advice with regard to the conditions to be fulfilled for grant of approval by RBI as an ARC.

(a) Royal Productions Limited filed an application before the National Company Law Tribunal and the application was dismissed for want of evidence and documents by the Tribunal on 2.2.2020. The order was received by the company on 4.2.2020. Aggrieved by the order, the company wants to file an appeal to NCLAT. It seeks the procedure to file the appeal and the time limit for filing the appeal under the following circumstances :

- (i) The Tribunal has passed the order without giving a reasonable opportunity of being heard and the impugned order is passed ex-parte.
- (ii) The order has been passed with the consent of both the parties before the Tribunal.

**OR**

The Board of Directors of Zion Spinning and Weaving Mills Limited have decided to pass a resolution regarding the fixation of salary of General Manager (Technical) by way of circulation among the directors who are away from the Registered Office. Draft a notice with the specimen resolution.

(b) Arctic Refrigerators Limited has got 5000 shareholders. Some of the members have decided to file an application under Sec. 241 of the Companies Act, 2013, for oppression and mismanagement. Discuss the qualification of members who have the right to apply to the tribunal.

Due to the fresh issue of shares, the shareholding of the members who filed the petition gets reduced to below required % of the paid up share capital. The main contention in the petition is challenging the validity of the issue. Is the petition maintainable ? Mr. Dina, one of the directors also, wants to file an application for oppression and mismanagement. Can he do so ?

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- (c) (i) The Central Government have decided to acquire Aspire Bank Ltd. and passed the orders in consultation with Reserve Bank of India. Do you agree that the Central Government has got the right to acquire a bank ? The total number of shareholders as on the date of acquisition is 1000 and about 220 shareholders holding 30% of shareholding of Aspire Bank Limited who are aggrieved by the acquisition and the compensation amount determined. Therefore these shareholders have requested the Central Govt. to refer the matter to Tribunal. Are the shareholders justified in their request ?
- (ii) Anush Properties Private Limited have availed a term loan from a nationalized bank on the security of a house property of a director. When the company received a copy of the Memorandum of Title Deeds registered with the Sub-Registrar, it is found that there are some discrepancies in the description of the property and the value of the mortgaged property. The company seeks your advice regarding the rectification of such mistakes with the office of sub-Registrar and Central Registry. Advise.
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