

GFR2

Roll No.

Total No. of Printed Pages – 12

Total No. of Questions – 6

Maximum Marks – 70

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.

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. 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) ABC Limited showed a net profit of ₹ 70 Lakh after including the following items credited / debited to the Profit and Loss Statement for the year ending on 31st March, 2021 for arriving at Profit before Tax.

Other Revenue	Amount (₹)
Profit on Sale of Fixed Assets	7,00,000
Revaluation of assets	5,00,000
Change in carrying amount of an assets on measurement of the asset at fair value	9,00,000
Expenditure	Amount (₹)
Debt considered bad and written off	6,00,000
Loss of capital on the inclusion of sale of the undertaking	7,00,000
Tax Expenses, Current Tax payable	15,00,000

Details of Sale of Fixed Assets :

(Rupees)

Sale Value	20,00,000
Original Cost	16,00,000
Written down value	13,00,000

Referring to the above details, you are requested to analyse the provisions of the Companies Act, 2013 and answer the following :

- Compute the Company's net profit as laid down under Section 198 of the Companies Act, 2013 to calculate the managerial remuneration.
- Reporting Requirement in auditor's report regarding managerial remuneration.
- What are the modes of payment of managerial remuneration ?

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- (b) Mr. Sid has applied for directorship in Tees Limited after complying with the provisions of Section 160 of the Companies Act, 2013 and Rule 13 of the Companies (Appointment and Qualification of Directors) Rules, 2014. Tees Limited decided to conduct the general meeting on 17th July, 2021, regarding the candidature of Mr. Sid for the office of director and listed the notice in its website on 5th July, 2021. On 8th July, 2021 one of the shareholders objected to the company that the notice was not issued properly. Examine the following situations and comment as per the provisions of the Companies Act, 2013.

- Whether action taken by Tees Limited regarding service of notice is valid ?
- Whether there is any alternative available to Tees Limited, if it is decided not to serve notice individually to its members ?

- (c) (i) In MAP Limited, the following directors are getting sitting fees.

Director's Name	Sitting fees (INR)
Mr. X (Non-Executive Independent Director)	INR 70,000
Mrs. Y (Non-Executive Woman Director)	INR 80,000
Mr. Z (Non-Executive Director)	INR 60,000
Mr. L (Non-Executive Director)	INR 50,000

The Boards of Directors of MAP Limited increased the sitting fees of Mr. Z and Mr. L to one Lakh rupees each and continued the sitting fees of Mr. X and Mrs. Y at the old fees stated above. Referring to the provisions of the Companies Act, 2013, examine whether the decision of the Board of Directors to increase the sitting fees of few directors and maintaining the same sitting fees for remaining directors shall be deemed to be valid.

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- (ii) Whether Mr. X, an Independent Director and Mrs. Y, a Woman Director shall be entitled for remuneration, other than the sitting fees, and if so, what shall be the maximum remuneration payable to each of them per annum in case the Company has no profit and its effective capital is ₹ 250 crore as at the 31st March, 2021.

2. (a) Sigma Limited is ordered to be wound-up compulsory by the Tribunal. The Commencement date of winding-up is the 30th July 2019. Mr. Rajesh is the company's liquidator. There were few onerous properties that Mr. Rajesh was unaware of and could not be disclaimed by the 29th August, 2019. Meanwhile, Mr. Mahesh applied with Tribunal to claim an interest in disclaim property. Referring to the provisions of the Companies Act, 2013, examine whether Mr. Rajesh can disclaim those properties after 29th August 2019 and (ii) what the order can the Tribunal pass after hearing Mr. Mahesh's Application ? 4
- (b) BKK Ltd had filed its annual returns and other documents with the Registrar of Companies in Mumbai. Based on the documents, the inspector appointed by the Registrar was conducting an inquiry under Section 206 of the Companies Act, 2013. In the inspection, the inspector has called for books of account for review. Mr. R, a director of the company, refused to produce the books of account for the inspection. Mr. R is also a director in MKK Limited and SKK Limited. Examine the validity of the action of Mr. R and state the penalties for which he shall be liable for contraventions, if any, as per the provisions of the Companies Act, 2013. Further, examine whether he can continue to be the director of MKK Limited and SKK Limited. 4

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- (c) Hill Limited, a Public Limited company in India, obtained an External Commercial Borrowing ('ECB') of USD 50,000 dated 30th June, 2020, from a foreign lender. On 2nd July, 2021, based on mutual consent of the parties, ECB is fully converted into equity. The shares were issued to foreign lender at the par value and not at fair value. You are required to provide the correct legal position regarding the valuation of shares and state the reporting requirements by Hill Limited at the time of conversion of ECB into equity in the light of the provisions of the Foreign Exchange Management Act, 1999 and the Rules made thereunder.

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- (d) Mr. Vivek, an Indian citizen, was working in Singapore for ten years. He is currently holding assets and bank balances in Singapore and planning to settle down in India. Mr. Vivek seeks your advice as to whether he can hold, own, transfer or invest in a foreign currency, foreign security or any immovable property situated outside India as per the Foreign Exchange Management Act, 1999.

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3. (a) Referring to the provisions of the Companies Act, 2013 and the Companies (Registered Valuer and Valuation Rules), 2017 answer the following :

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- (i) Mr. Shah was convicted by Court in case of valuation report issued to X Limited for preferential allotment to angel investors. The valuer made no due diligence, and methods adopted while valuing the company intended to defraud its members. What will be the liability of Mr. Shah in the above-mentioned conviction ?
- (ii) Mr. Ravi, a Chartered Accountant, was convicted by the Court to civil offence dated 31st July, 2012 for 10 years. On 1st August, 2021, he wants to register himself as a registered valuer. Can Mr. Ravi register himself as a registered valuer ?

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- (b) (i) Tokyo Ferro Alloys Limited, a company registered in Japan, started its operations in India by establishing a Marketing Division in Mumbai on 1st April, 2021. Recently, the Company decided to issue certain securities in India and therefore is planning to circulate in India, a prospectus offering for subscription in securities of the Company. Assuming that all the other formalities in this respect have been complied with, advise the person in-charge of Indian operations regarding the other documents required to be annexed to the prospectus in order to register the same, referring to the relevant provisions of the Companies Act, 2013 and the rules made thereunder. 4
- (ii) Vibav Pte, a company incorporated in Singapore is having a liaison office in Delhi. The Liaison office seeks your advice regarding the documents to be filed with the Registrar along with the financial statement under the Companies Act, 2013 read with the Companies (Registration of Foreign Companies) Rules, 2014. 3
- (c) The Special Court at Jaipur passed the final order that Mr. Rohit has committed the offences of money laundering. The Special Court ordered to confiscate the property of Mr. Rohit. However, his friend Mr. Mohit claimed that he is the beneficial owner of the property since he has given finance against the property and have encumbrance on it. Based on the above scenario, referring to provisions of the Prevention of Money Laundering Act, 2002, comment whether Mr. Mohit has encumbrance on the property after the final order having been passed by the special court and conclude who has the vested interest in the property? 3
- (d) A Police officer arrested Mr. Radhe without any warrants for the offence under the Prevention of Money Laundering Act, 2002 (PMLA). Is the police officer right in his action? When can the special court take cognizance of any offence under PMLA, 2002?

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4. (a) The Securities and Exchange Board of India (SEBI), at present, is having a Chairman, 2 members from the Union Ministry, 1 member from the Reserve Bank of India and 5 other members (nominated by the Government of India). Out of the 5 other members, 4 members are whole-time members. Mr. A is one of those 4 whole-time members, who is also a director of PQR Limited. A matter relating to PQR Limited came up for consideration in a meeting of the Board (SEBI), in which Mr. A had some indirect pecuniary interest. Mr. A declared the fact of interest at the meeting of the SEBI, but took part in the deliberation and decision of the Board in respect to that matter. Out of the total 9 members (including the chairman), who were all present in the meeting, 5 members including the chairman and Mr. A (both are in strong support of the proposal), voted in favour of the matter and the remaining 4 members voted against the matter. Referring to the provisions of the Securities and Exchange Board of India Act, 1992, advise, how the matter will be decided. Will your answer differ in case Mr. A was only a part-time member and not a whole-time member of the SEBI ?

- (b) You are the compliance officer appointed by the Board of Directors of PR Limited, a listed company. Advice, referring to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 about the reporting timelines requirements with Stock Exchanges :
- (i) Change in the Capital structure of the listed company exceeding 2% of the total paid-up share capital –
 - (ii) Proposal for buyback of securities
 - (iii) Change in contents of the listed company website
 - (iv) Record Date or date of closure of transfer book.

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- (c) Mr. Rajesh seeks your expert advice for reporting compliance in respect of receiving the following foreign contribution / gift article in India referring to the provision of the Foreign Contribution (Regulation) Act, 2016. 3
- (i) Foreign Contribution from his brother who stays in Singapore to the extent of INR 12,20,000 in a financial year.
 - (ii) A TV set of USD 1300 gifted to him by his friend who stays in Japan for his personal use. The market value of the said gifted article in India on the date of gift is ₹ 1,00,000.

- (d) In the case of Mr. Lal Vs QPR Limited, the Arbitrator in his Arbitration Award asked Mr. Lal to pay INR 10 Crore towards his dues to QPR Limited, who is not a financial creditor. However, the financial creditors of Mr. Lal wants to challenge the arbitration award given by the arbitrator. In the light of the provisions of the Arbitration and Conciliation Act, 1996 answer the following : 3

- (i) www.Calubindia.com Will be successful in challenging the Arbitration award ?
- (ii) What are the timelines for challenging the Arbitration award ?
- (iii) Is the automatic stay on the enforcement of Arbitration award shall be operated, if challenged ?

5. (a) The shareholders and creditors of Fume Limited, in a meeting convened for approval of a scheme of reconstruction of the company, passed the necessary resolutions. The Tribunal makes an order sanctioning a scheme of reconstruction of the company. After a few days the Tribunal decided to modify the scheme of reconstruction of the company. After modifications of the scheme based on the order of the Tribunal, the company could not implement the scheme satisfactorily and the Tribunal decided to go for winding-up of the company. The directors of the company objected to the above acts of the Tribunal. Comment with reference to the provisions of the Companies Act, 2013, whether the objection raised by the directors is right on the decision of the Tribunal modifying the scheme and winding-up of the company. 4

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- (b) TIM Limited is undergoing Corporate Insolvency Resolution Process ("CIRP") under the jurisdiction of National Company Law Tribunal (NCLT), Delhi. During the CIRP process, the Resolution Professional needs the assistance of the District Collector due to non-cooperation from the directors of TIM Limited to take control of all the property, books of account or other documents and has approached NCLT, Delhi, regarding this matter. In the meanwhile, TIM Limited applied with High Court objecting the assistance from the District Collector.

Referring to the provisions of the Companies Act, 2013, examine whether the District Collector can deny the request of NCLT, Delhi and further comment whether the High Court has the power to question the act of the District Collector.

- (c) Mr. Kush, an operational creditor, filed an application with the Adjudicating Authority (NCLT, Delhi) to initiate the Corporate Insolvency Resolution Process ("CIRP") against M Limited, and the application was accepted. On 10th July 2021, NCLT Delhi appointed Mr. Ajay to act as an Interim Resolution Professional of M Limited. After the appointment, Mr. Ajay issued the public announcement on 12th July 2021, of the initiation of CIRP process and call for the submission of claims. On 20th July 2021 the Committee of Creditors was constituted by Mr. Ajay. Thereafter, Mr. Kush wants to withdraw his application under Section 12A of the Insolvency and Bankruptcy Code, 2016. However, Mr. Ajay denied filing a withdrawal application stating that the Committee of Creditors has already been constituted.

Referring to the provisions of the Insolvency and Bankruptcy Code, 2016, answer the following with reference to the above facts.

- (i) Is Mr. Ajay right to deny Mr. Kush to file a withdrawal application with NCLT, Delhi? Explain in detail.
- (ii) Would your answer differ in case the Committee of Creditors is not constituted?
- (iii) Who is the authority to pass the final order of withdrawal application?

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6. (a) The following balances are extracted from the audited financial statement of BLM Private Limited for the financial year ending the 31st March, 2021 :

	₹ in crore
Paid-up share capital	20
Balance in Profit and Loss Account	6
Borrowing from banks and financial institutions	49
Current Liabilities and Provisions	8

No other body corporate has invested any money in the share capital of BLM Private Limited. The Company has no default in repayment of the above borrowings subsisting at the proposed time of making the above investment. The Company has also not committed a default in filing its financial statements or Annual Return with the Registrar.

The Company proposes to provide a loan of ₹ 50 lakh to its director Mr. B, who is in dire need of funds for financing his daughter's education. Another Director Mr. L contended that the loan should not be provided by the Company to Mr. B due to the restrictions imposed by the provisions of the Companies Act, 2013. Mr. B, on the other hand, is of the opinion that the Company being a Private Company, the restrictions are not applicable to the Company. Analysing and referring to the relevant provisions of the Companies Act, 2013 and the relevant notifications issued by the MCA, examine the validity of the proposal of BLM Private Limited to provide the loan to its director Mr. B.

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Mrs. Reena, one of the directors in MAP Limited (Listed company) got evidence against Mrs. Meena, Chief Financial Officer ('CFO'), that she is indulged in the revenue leakage activities in the company. Mrs. Reena is scared to report the above matter since Mrs. Meena is a very close relative of other Directors, and Mrs. Reena won't get adequate safeguards from the company. Since you are an expert in the secretarial matter, advice Mrs. Reena, referring to provisions of the Companies Act, 2013, regarding the vigil mechanism, on the following points.

- (i) Can Mrs. Reena (Director) use the safeguards mechanism option available in the company regarding the above reporting?
- (ii) Who is the reporting authority to whom victims can access to report the above matter?
- (iii) What are the disclosure requirements of details of Vigil Mechanism?

(b) Referring to recent amendments in Rule 6 of Companies (Appointment and Qualification of Directors) Rules, 2014 vide notification dated G.S.R 774 (E) dated 18th December 2019, advice the directors in the following situation :

- (i) Mr. Anup intends to get an appointment as an independent director in a company and hence applied in the data bank. However, he has not cleared the online proficiency self-assessment test from the last one year from the date of enrolment in the data bank. Whether Mr. Anup is eligible to get appointed as an independent director?
- (ii) Mrs. Vandana intends to get an appointment as an independent director in a company and hence applied in the data bank. She has not cleared the online proficiency self-assessment test yet. She has served as an independent director in a listed company for more than four years from the date of inclusion of her name in the data bank. Whether Mrs. Vandana is eligible to get appointed as an independent director?

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(c) Mr. Ranjit, an officer, received an information in the morning of the 1st December, 2021 that some assets involved in money laundering have been stored in a certain premises and they are likely to be shifted to a place out of the State by the evening of the same day. The matter being serious and needs urgent action, Mr. Ranjit, in exercise of his powers, under the Prevention of Money Laundering Act, 2002, entered immediately in that premises and arrested the In-charge of the premises without reasons recorded in writing. You are being an expert, examine, whether Mr. Ranjit shall be liable for any punishment for such action under the provisions of the Prevention of Money Laundering Act, 2002.

(d) ABC Limited is undergoing voluntary liquidation process under Section 59 of the Insolvency and Bankruptcy Code, 2016 (IBC, 2016). Mrs. Rita was appointed as liquidator by ABC Limited after complying with the provisions of the IBC, 2016. During the process, Mrs. Rita got occupied with other professional assignments, and hence ABC Limited decided to replace the liquidator with other insolvency professional. Referring to the provisions of IBC, 2016, answer the following :

- (i) Whether ABC Limited can replace Mrs. Rita with another liquidator ?
- (ii) What will be the reporting requirements to be fulfilled by the newly appointed liquidator immediately after appointment under the IBC, 2016 ?
- (iii) What are the reporting requirements under IBC, 2016, after receiving the order of dissolution from the Adjudicating Authority ?

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