

MEPL CLASSES

COMPANY LAW – PROSPECTUS

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TIME ALLOTTED – 90 MINUTES

MARKS ALLOTTED – 50 MARKS

**EACH QUESTION CARRIES 5 MARKS**

**Question 1.**

XYZ Limited, a listed company was incorporated on 1st August, 2020 with the objective of dairy business. Demand for dairy products was high in the area due to that the sales are remarkable, and business was outstanding. Hence, the Board of Directors in its meeting approved the proposal to set up a new unit in West Bengal and also resolved to raise the funds by issuing shares of the company to the public. The company intends to raise share capital by issuing equity shares in different stages over a certain period of time according to the construction works of the new unit. However, the company does not wish to issue prospectus each and every time of issue of shares. What can be the way out for the company to follow to avoid repeated issuance of prospectus ? Advise, in light of the provisions of the Companies Act, 2013.

**Question 2.**

Write a short note on Golden Legacy.

**Question 3.**

What is a Shelf-Prospectus? State the important provisions relating to the issuance of Shelf Prospectus under the provisions of the Companies Act, 2013 and the Companies (Prospectus and Allotment of securities) Rules, 2014.

**Question 4.**

Unique Builders Limited decides to pay 2.5 percent of the value of debentures as underwriting commission to the underwriters but the Articles of the company authorize only 2.0 percent underwriting commission on debentures. The company further decides to pay the underwriting commission in the form of flats. Examine the validity of the above arrangements under the provisions of the Companies Act, 2013.

**Question 5.**

How does the Companies Act, 2013 regulate and restrict the following matters in respect of a company going for public issue of shares:

- (i) Minimum Amount stated in the Prospectus; and
- (ii) Application Money payable on shares.

**Question 6.**

The Board of Directors of ABC Limited are proposing to raise funds from the public through issue of equity shares. However, due to volatile financial markets, the price per share and the number of shares to be issued are left open and to be decided post closure of the issue. As a financial advisor of the company, what would you suggest to the Board in this regard as per the provisions of the Companies Act, 2013?

**Question 7.**

With a view to issue shares to the general public a prospectus containing some false information was issued by a company. Mr. X received copy of the prospectus from the company, but did not apply for allotment of any shares. The allotment of shares to the general public was completed by the company within the stipulated period. A few months later, Mr. X bought 2000 shares through the stock exchange at a higher price which later on fell sharply. X sold these shares at a heavy loss. Mr. X claims damages from the company for the loss suffered on the ground the prospectus issued by the company contained a false statement.

Referring to the provisions of the Companies Act, 2013 examine whether X's claim for damages is justified.

**Question 8.**

Explain various instances which make the allotment of securities as irregular allotment under the Companies Act, 2013.

**Question 9 .**

RD Ltd. issued a prospectus. All the statements contained therein were literally true. It also stated that company had paid dividends for a number of years but did not disclose the fact that the dividends were not paid out of trading profits but out of capital profits. An allottee of shares claims to avoid the contract on the ground that the prospectus was false in material particulars. Decide that the argument of shareholder, as per the provision of the Companies Act, 2013, is correct or not?

**Question 10.**

TDL Ltd., a public company is planning to bring a public issue of equity shares in June, 2018. The company has appointed underwriters for getting its shares subscribed. As a Chartered Accountant of the company appraise the Board of TDL Ltd. about the provisions of payment of underwriter's commission as per Companies Act, 2013

