

FINAL EXAMINATION

December 2016

P-13(CLC)
Syllabus 2012**Corporate Laws and Compliance**

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.**Please (1) write answers to all parts of a question together,**(2) open a new page for answer to a new question.**Where necessary, suitable assumptions may be made and disclosed by way of a Note.**Answer Question No. 1 (carrying 20 marks) which is compulsory and also**answer any five (carrying 16 marks each) from Question No. 2 to Question No. 8.***1. Answer any four from the following:****5×4=20**

- (a) List out the Matters not to be dealt with in a meeting through Video Conferencing or Other Audio Visual Means as prescribed under the Companies Act 2013 and the Rules made thereunder. **5**
- (b) Fill in the Blanks: **1×5=5**
- (i) No Banking Company shall create any charge upon any _____ Capital of the Company, and any such charge shall be _____.
 - (ii) Unless the Articles of Association of the Producer Company provide for a larger number, _____ of the total number of members of the Producer Company shall be the Quorum for its Annual General Meeting.
 - (iii) _____ in relation to electricity, means the sale of electricity to a licensee or consumer.
 - (iv) A person is not eligible for appointment as auditor of any company, if he is indebted to the company, or its subsidiary or its holding or associate company or a subsidiary of such holding company in excess of rupees _____.
 - (v) The amount of the Dividend, including Interim dividend, shall be deposited in a scheduled bank in a separate account within _____ days from the date of declaration of such dividend.
- (c) State whether the following statements are TRUE or FALSE: **1×5=5**
- (i) The Financial Reporting Council (FRC) has five operational bodies.
 - (ii) The board of every Company having specified networth or turnover or net profit during any financial year shall ensure that the Company spends, in every financial year, at least five per cent of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.
 - (iii) A Company, other than a Government Company and a Company which has been in existence for less than two financial years, may contribute any amount directly or indirectly to any political party.
 - (iv) The maximum number of Public companies in which a person can be appointed as a director shall not exceed twenty.

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- (v) Auditor's Report shall be read before the company in General Meeting and shall be open to inspection by any member of the company.
- (d) Minu Ltd. wants to make an initial offer of its securities. Advise the company on the following issues under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009:
- (i) Extent of promoters contribution;
 - (ii) Lock in period of securities held by promoters; 2+3=5
- (e) What is Corporate Social Responsibility? Why is it needed in Indian Business environment? 5
2. (a) Examine the validity of the following appointments with reference to the provisions of the Companies Act 2013:
- (i) Mr. Person together with one of his relatives holds 3% of the total voting power of XYZ Ltd. The Board of Directors of the company appointed him as an independent director.
 - (ii) ABC Ltd., a listed company having 5,000 small shareholders, upon receiving notice from 400 of such small shareholders has refused to appoint a small shareholders' director under section 151 of the Companies Act, 2013.
 - (iii) Mr. D, who fails to get appointed as a director in the general meeting of AJD Limited, subsequently was appointed as an additional director by the Board of Directors of the company. 1+2+1=4
- (b) Mr. Raman is a Managing Director of X company. He resigns from his office as a result of amalgamation of the X company with the other body corporate. Further he is appointed as the Managing director of the body corporate resulting from the amalgamation. State in the light of the Companies Act, 2013 whether in this situation, is company liable towards Managing Director to compensate for the loss of office after his resignation. 5
- (c) (i) What are the duties of the inspector as enumerated in Sec. 223 of the Companies Act, 2013 in relation to his report?
- (ii) Is it obligatory for every producer company to appoint a whole-time Secretary under the provisions of the Companies Act, 1956? 5+2=7
3. (a) (i) State the main features of the qualified and Independent Audit Committee set up under clause 49 of the listing agreement.
- (ii) Bombay Textiles Limited and Gujarat Textiles Limited marketing their products in India propose to be amalgamated. The enterprise created as a result of the said amalgamation will have assets of value of ₹ 300 crore and turnover of ₹ 1000 crore. Examine whether the proposed amalgamation attracts the provisions of the Competition Act, 2002. 6+2=8
- (b) (i) X a newly established insurance company started the business of health insurance. It decided to get itself registered with the paid up equity capital of ₹ 99 crore excluding the preliminary expenses incurred during formation and registration. Examine in the light of the Insurance Act, 1938, whether X can be registered and can conduct the insurance business.

- (ii) RST Ltd. is a securitization and reconstruction company under SARFAESI Act, 2002. The certificate of registration granted to it was cancelled. State the authority which can cancel the registration and the right of RST Ltd. against such cancellation. 5+3=8
4. (a) (i) MS LOMIA a resident outside India, is likely to inherit from her father some immovable property in India. Are there any restrictions under the provisions of the Foreign Exchange Management Act, 1999 in acquiring or holding such property?
State, whether Ms Lomia can sell the property and repatriate outside India the sale proceeds.
- (ii) A group of shareholders of DEPLOMAT TECHNO LTD., filed an application before the Company Laws Tribunal (CLT) alleging various acts of frauds and mismanagement by MR. SUNNY the Managing Director and his associates. During the course of hearing before the Company Laws Tribunal (CLT), the authorized representatives of the said company contended that the alleged transactions had taken place several years ago and the company has already removed the Managing Director, who was responsible for such transactions and hence there is no case before the CLT to interfere in the working of the company. Against the submissions on behalf of the company, the applicants submitted that although the fraudulent transactions were done in the past and the Managing Director has been removed, but the company is still controlled by the person, who are in league with the erstwhile Managing Director and are working as his Henchman. State, the merits of the applicants' arguments and power of the Company Laws Tribunal (CLT) according to the provisions of the Companies Act, 2013. 2+4=6
- (b) (i) Explain the powers of Reserve Bank of India to control advances by Banking Company under the Banking Regulation Act, 1949.
- (ii) Mr. Gordon who is registered as an intermediary fails to enter into an agreement with his client and hence penalized by SEBI under section 15B of SEBI Act 1992. Advise Mr. Gordon as to what remedies are available to him against the order of SEBI. 5+5=10
5. (a) (i) Renuka Spinning Mills Ltd. is a sick company and has accumulated losses of ₹ 10 crores. The company has ₹ 12 crores in its share Premium Account. The Management desires to adjust the accumulated losses against the share premium balance. Advise the company giving your reasons in accordance with the provisions of the Companies Act, 2013
- (ii) How a trial under the prevention of money Laundering Act, 2002 is conducted in Special Courts? 4+4=8
- (b) (i) Explain the law laid down under the Companies Act, 2013 in respect of filing of Annual Financial Statements with Registrar of Companies (ROC) in the following two situations who is liable for the default.
- (1) Where financial statements of the Company are filed with the R.O.C. after 11 months from the due date?

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- (2) Where financial statements are not at all filed by the Company with R.O.C.? 2+2=4
- (ii) Explain the provisions laid down under the Companies Act, 2013 in respect of the formation of the Rehabilitation and Insolvency Fund for the purposes of rehabilitation, revival and liquidation of the sick companies. 4
6. (a) (i) What are the qualifications required to be appointed Chairperson and members of the Appellate Tribunal as per the Indian Electricity Act, 2003?
- (ii) "Decision taken by the Board of Directors cannot be altered or changed by the shareholders even if they want to approve it with unanimous majority". Comment with reference to the provisions of the Companies Act, 2013. 5+3=8
- (b) MR. AMAN a 15% shareholder of a company and other shareholders have lost confidence in the Managing Director (MD) of the company. He is a director not liable to retire by rotation and was re-appointed as Managing Director for 5 years w.e.f. 01.04.2015 in the last Annual General Meeting of the company.
- Mr. Aman seeks your advice to remove the MD after following the procedure laid down under the Companies Act, 2013.
- (i) Specify the steps to be taken by Mr. Aman and the company in his behalf;
- (ii) Draft a suitable resolution to be passed for removal of MD;
- (iii) Is it necessary to state reasons to support the resolution for his removal? 3+2+1=6
- (c) Does the scheme of compromise or arrangement under the Companies Act, 2013 require approval of preference shareholders? 2
7. (a) The Companies Act, 2013 has introduced several provisions which would change the way Indian Corporate do business and one such provision is spending on Corporate Social Responsibility (CSR) activities which has assumed considerable importance.
- Discuss the provisions governing CSR as provided in the Companies Act, 2013 and the Rules made thereunder. 8
- (b) The Financial Reporting Council (FRC) is responsible for high standards of Corporate Governance. Explain this statement along with the aims of FRC. 8
8. (a) Define Corporate Citizenship. Explain the relation between Corporate Citizenship and Corporate Social Responsibility. 8
- (b) What are the responsibilities of the Board of State Owned Enterprises? 4
- (c) What are the possible stages in a family firm's governance? 4