

FINAL EXAMINATION

June 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) Mr. Kachi was appointed as an additional Director of ROYAL Ltd. w.e.f. 1st October 2015, in a casual vacancy by way of a circular resolution passed by the Board of Directors. The next annual general meeting of the company was due on 31st March 2016, but the same was not held due to delay in the finalization of the accounts. Some of the shareholders of the company have questioned the validity of the appointment of Mr. Kachi and his continuation as additional Director beyond 31st March 2016.

Advise the company on the complaint made by the shareholders. 5

- (b) The Board of Directors of a newly incorporated Banking Company is required to file the accounts and balance sheet. Advise the Board of Directors about the law relating to preparation, signing and filing of accounts and balance sheet under the provisions of the Banking Regulation Act, 1949. 5

- (c) An arrangement has been made among the cotton producers that the cotton produced by them will not be sold to mills below a certain price. The arrangement is in writing but it is not intended to be enforced by legal proceeding. Examine whether the said arrangement can be considered as an agreement within the meaning of Section 2(b) of the Competition Act, 2002. 5

- (d) Forex Dealers Ltd. is an Authorised Person within the meaning of Foreign Exchange Management Act, 1999. Reserve Bank of India issued certain directions to the said Authorised person to file certain returns which it failed to file. You are required to state the penal provisions to which the said Authorised Person has exposed itself. 5

- (e) Analyse Corporate Social Responsibility as a Corporate Brand. 5

- PTP - Sy112 - D15 - S3 (OK)

Please Turn Over

2. (a) Industrial Finance Corporation of India, established under the Industrial Finance Corporation Act, 1948 having its registered office at Mumbai issued 8% redeemable bonds redeemable after 7 years. These bonds were issued directly to the members of the public and not through mechanism of stock exchanges.
You are required to state with reference to the provisions of Securities Contracts (Regulation) Act, 1956, whether such direct issue of bonds by the Industrial Finance Corporation of India is not violating the provisions of the said Act. 4
- (b) Some changes in the particulars of a Director, who has already obtained a Director Identification Number have taken place. Now the Director wants to incorporate the changes in his DIN in the database maintained by the Central Government in this regard. Describe the procedure to be followed by the Director. 4
- (c) The Articles of Association of Rajasthan Toys Private Limited provide that the maximum number of Directors in the company shall be 10. Presently, the company is having 8 directors. The Board of Directors of the said company desire to increase the number of directors to 16. Advise whether under the provisions of the Companies Act, 2013 the Board of Directors can do so. 4
- (d) Audit Committee is to be formed by each and every company and the auditor has right to vote in the meeting of such Audit Committee. Comment. 4
3. (a) Explain the power of Securities and Exchange Board to regulate issue and transfer of securities under Companies Act, 2013. 6
- (b) The promoters of Welcome Company incorporated on 8th June, 2015 has entered into a contract with A on 10th May, 2015 for supply of goods. After incorporation, the company does not want to proceed with the contract. As a company advisor, advise the management of the company, referring to the provisions of the Companies Act, 2013. 5
- (c) A Life Insurance Policy in favour of Raj Kumar came into force on 1st February, 2012. In January, 2015, the insurer came to know that there was a misstatement in the proposal for insurance regarding the age of the nominee. Decide, under the provisions of the Insurance Act, 1938, whether the said Insurance policy can be called in question? 5
4. (a) (i) Define the expression "Accounting Standards" within the meaning of Companies Act, 2013. 4
(ii) Is it legally necessary for the every producer company to appoint a whole-time secretary under the provision of the Companies Act, 1956. 2

(b) Mr. Biron was appointed as the Managing Director of NIVA LTD. for a period of 5 years w.e.f. 1st January, 2014. Since his work was found unsatisfactory, his services were terminated from 20th October, 2015 by paying compensation for the loss of office as provided in the agreement entered into by the company. Later, the company discovered that during his tenure of office Mr. Biron was guilty of many corrupt practices and that he should have been removed without payment of compensation.

Advise the company whether the services of Managing Director can be terminated without payment of compensation as provided in the agreement and whether the company can recover the amount already paid to Mr. Biron. 5

(c) A notice was sent to Mr. Left by the Registrar to furnish the information related to a business transacted during his tenure in the X Company. Mr Left ignored the notice considering that he is no more an employee of X Company. Registrar issued the summon against Mr Left. Explain in the light of the Companies Act, 2013 about the liability of the Mr Left in the given case. 5

5. (a) Board of Directors of PBX Limited held a board meeting on 2nd May, 2014 at its registered office. You are required to state the salient points to be taken into account while drafting the minutes of the said board meeting. 6

(b) A listed Public Company was ordered to be wound up by the order of the Chennai High Court. While ordering the winding up, the Court ordered the Official Liquidator to submit a preliminary report to the Court as per the provisions contained in the Companies Act. Referring to the provisions of the Companies Act, 1956, state briefly the details to be given in the preliminary report of the official liquidator. 5

(c) Explain Asset Reconstruction, Financial Assets under the Securitization and Reconstruction of Financial Assets and Enforcement of Security and Interest Act, 2002. 5

6. (a) Mr. Clever has been arrested for a cognizable and non-bailable offence punishable for a term of imprisonment for more than three years under the Prevention of Money Laundering Act, 2002. Advise, as to how can he be released on bail in this case? 5

(b) Answer the following with reference to a scheme of amalgamation of companies explaining the relevant provisions of the Companies Act, 1956:

(i) Whether companies being amalgamated must be companies registered in India. 3

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- (c) Company Y with a paid-up capital of ₹ 50 lakhs entered into a contract with company Z in which a director of Y is holding equity shares of the nominal value of ₹ 50,000. The director did not disclose his interest at the Board meeting under section 184 of the Companies Act, 2013. Is the director liable for his act? 3
- (d) Star Gold Ltd, declared and paid dividend in time to all its equity holders for the financial year 2014-15, except in the following two cases: 5
- (i) Mrs. Sheela, holding 250 shares had mandated the company to directly deposit the dividend amount in her bank account. The company, accordingly remitted the dividend but the bank returned the payment on the ground that there was difference in surname of the payee in the bank records. The company, however, did not inform Mrs. Sheela about this discrepancy.
- (ii) Dividend amount of ₹ 50,000 was not paid to Mr. Mohan, deceased, in view of court order restraining the payment due to family dispute about succession.

You are required to analyse these cases with reference to provisions of the Companies Act, 2013 regarding failure to distribute dividends.

7. (a) "The development of Corporate Governance in the UK was initially the findings of a Trilogy of Codes". Explain the same in brief. → left out the recommendations → PTP - Pg 15 - 51 - Syll 12 6
- (b) What do you mean by Hedging and Pledging? Explain the factors in determining vote recommendations for the election of directors. (OR) - SM - Pg 8. 26 5
- (c) What are the advantages of a formal governance structure? OR - SM - Pg 8. 31. 5
8. (a) Explain the introduction of Memorandum of Understanding (MOU) system in India. OR - SM - Pg 8. 41
- (b) "What are the implementation guidance of the Corporate Social Responsibility (CSR) policy as per the CSR voluntary Guidelines 2009?" Lok Sabha Secretariat PDP - (OR) 5
- (c) Returns on invested capital costs are essential in making decisions on investment scenarios. Explain different capital costs need to be assessed in Whole Life Cycle Costing. 5

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