

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 16

Time Allowed – 3 Hours

Maximum Marks – 100

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Answers to 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 valued.

Question No. 1 is compulsory.

Candidates are required to answer any **five** questions from the remaining **six** questions.

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1. (a) Star Ltd. declared and paid dividend in time to all its equity holders **4**
for the financial year 2014-15, except in the following two cases :
- (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.

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(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.

(b) You are working as the Finance Head of Super Energy Ltd. The company is in advance stage of finalising projects of wind power generation, which will considerably improve the operational and financial strengths of the company. You have got some information that one of the directors of the company, who is involved in the project, is indulged in trading of shares of the company. **4**

Write a note for internal circulation explaining insider trading of securities and consequences of contravention of the relevant provisions of the Companies Act, 2013.

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- (c) RPS Ltd. got its shares listed with a Stock Exchange. It has been regularly paying the listing fees. Certain information about shareholding pattern etc. was asked by the Stock Exchange, which the company could not supply in the prescribed time. It was then given a further opportunity to furnish the desired information alongwith supporting document, but in vain, as the company did not maintain any record. What are the penalties leviable against the company under the Securities Contracts (Regulation) Act, 1956 for the failure to furnish the information ? **4**

- (d) Shareholders of Hide and Seek Ltd. are not satisfied about performance of the company. It is suspected that some activities being run in the name of the company are not in the interest of the company or its members. 101 out of total 500 shareholders of the company have made an application to the Central Government to appoint an inspector to carry out investigation and find out the true picture. **4**

With reference to the provisions of the Companies Act, 2013, mention whether the shareholders' application will be accepted ?
Elaborate.

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- (e) One of the Objects Clauses of the Memorandum of Association of Info Company Limited conferred upon the company power to sell its undertaking to another company with identical objects. Company's Articles also conferred upon the directors whereby power was conferred upon them to sell or otherwise deal with the property of the company. At an Extraordinary General Meeting of the company, members passed an ordinary resolution for the sale of its assets on certain terms and authorized the directors to carry out the sale. Directors refused to comply with the wishes of the members where upon it was contended on behalf of the members that they were the principals and directors being their agents, were bound to give effect to their (members') decisions.

Examining the provisions of the Companies Act, 2013 answer the following :

- (i) Whether the contention of members against the non-compliance of members' decision by the directors is tenable ?
- (ii) Whether it is possible for the members usurp the powers which by the Articles are vested in the directors by passing a resolution in the general meeting ?

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2. (a) The auditor of Organic Foods Ltd. accepted the Certificate from **8**

Mr. Rohan who is the manager, a person of knowledge, competence and high reputation, as to the value of the stock in trade. The valuation of stock referred to above was found to be grossly overstated for several years in the balance sheets of the company. As a result of the over valuation, dividends were paid out of capital. The Auditor did not examine the books of account very minutely. If they had done so and compared the amount of stock at the beginning of the year, with the purchases and sales during the year, they would have noticed the over valuation. The company subsequently went into liquidation and the auditors were sued to make good the loss caused by the wrongful payment of dividends based on the balance sheets figures. Based on the above facts, you are required to decide, with reference to the provisions of the Companies Act, 2013 and the decided case laws, the following issues :

- (i) Whether the Auditors of the company will be liable for the loss caused to the company by the wrongful payment of dividends based on the Balance Sheets duly audited by the Auditors.
- (ii) What are the statutory duties of the Auditors in this regard ?

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(6)

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(b) Best Plastics Limited is being wound up by the Court. The Official Liquidator after realization of the assets has an amount of ₹ 28 lakhs in his hand towards payment of creditors of the company. Details of creditors are as follows :

(i) Secured Creditors	₹ 20 lakhs
(ii) Workers wages	₹ 15 lakhs
(iii) Income Tax payable	₹ 2 lakhs
(iv) Unsecured Creditors	₹ 40 lakhs
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Total Creditors	₹ 77 lakhs
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Since the available amount in the hands of Liquidator is only ₹ 28 lakhs, which is insufficient to meet the claims of all the above creditors, explain the procedure you would follow for payment of the above in accordance with the provisions of the Companies Act, 1956, assuming that the company has created a charge on all the assets of the company in favour of secured creditors.

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(7)

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- (c) ABC Limited has on its Board, four Directors viz. W, X, Y and Z. In addition, the company has Mr. D as the Managing Director. The company also has a full time Company Secretary, Mr. Wise, on its rolls. The financial statements of the company-Balance Sheet and Statement of Profit & Loss and the Board's Report for the year ended 31st March, 2015 were authenticated by two of the directors, Mr. X and Y under their signatures. **4**

Referring to the provisions of the companies Act, 2013 :

- (i) Examine the validity of the authentication of the Balance Sheet and Statement of Profit & Loss and the Board's Report.
- (ii) What would be your answer in case the company is a One Person Company (OPC) and has only one Director, who has authenticated the Balance Sheet and Statement of Profit & Loss and the Board's Report ?

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(8)

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3. (a) (i) In the annual general meeting of XYZ Ltd, while discussing on the matter of retirement and reappointment of director Mr. X, allegations of fraud and financial irregularities were levelled against him by some members. This resulted into chaos in the meeting. The situation was normal only after the chairman declared about initiating an inquiry against the director. Mr. X, however, could not be re-appointed in the meeting. The matter was published in the newspapers next day. On the basis of such news, whether the court can take cognizance of the matter and take action against the director on its own ?

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Justify your answer with reference to the provisions of the Companies Act, 2013.

- (ii) CB Ltd., an unlisted company, having a paid up equity share capital of ₹ 6 crore consisting of 60 lakh equity shares of ₹ 10 each, proposes to reduce the denomination of equity shares to ₹ 2 per share and make an initial public offer at a premium of ₹ 98 per share.

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Examine whether it is possible for the company to go ahead with these proposals under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations, 2009 ?

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(b) Queens Limited is a company listed at Bombay Stock Exchange.

Company's Articles empower the Board of Directors to appoint additional director. The Board of Directors, therefore, appoints Mr. K, as the additional director. It may, however, be pointed out that earlier, the proposal to appoint Mr. K, as a director on the Company's Board was rejected by the members at the company's Annual General Meeting.

Examining the provisions of the Companies Act, 2013, answer the following :

- (i) Whether Mr K's appointment as additional director by the Board of Directors is valid ?
- (ii) Whether the Company's Annual General Meeting can appoint Mr. K as the additional director when the proposal to appoint comes before the meeting for the first time ?
- (iii) In case the AGM of the company is not held within the stipulated time, decide whether Mr. K who was appointed by the Board as additional director, for the first time, can continue to act as a director ?

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(10)

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4. (a) Elaborate the provisions of the Companies Act, 2013 regarding Notice of Board Meeting. Draft a notice for the first meeting of the Board of Directors of India Timber Ltd. **8**
- (b) (A) DJA Company Limited, incorporated under the provisions of Companies Act, 2013, has two subsidiaries – AJD Limited and AMR Limited. All the three companies have prepared their financial statements for the year ended 31st March, 2015. Examining the provisions of the Companies Act, 2013, answer the following : **4**
- (i) In what manner the subsidiaries – AJD Limited and AMR Limited shall prepare their Balance Sheet and Profit & Loss Account ?
- (ii) What would be your answer in case the DJA Limited – the holding company, is not required to prepare consolidated financial statements under the Indian Accounting Standards ?
- (iii) What shall be your answer in case one of the subsidiary company's financial statements do not comply with the Accounting Standards ?

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(iv) To what extent is the Central Government empowered to exempt a company from preparing the financial statements in compliance with the Indian Accounting Standards ?

(B) Mr. S, a member of MN Ltd., obtained an order from the Securities and Exchange Board of India (SEBI) against the company. But the company failed to redress the grievance of Mr. S within the time fixed. Consequently, SEBI imposed penalty on the company. The company, however, did not pay the penalty also. State how the penalty can be recovered from the company ? **4**

5. (a) A and B were appointed as first directors on 4th April, 2014 in Sun Glass Ltd. Thereafter, C, D and E were appointed as directors on 6th July, 2014 and F, G and H were also appointed as directors on 7th August, 2014 in the company. In the Annual General meeting (AGM) of the company held after the above appointments, A and B were proposed to be retired by rotation and reappointed as directors. **8**

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At the AGM, resolution for A's retirement and reappointment was passed. However, before the resolution for 'B' could be taken up for consideration, the meeting was adjourned. In the adjourned meeting also, the said resolution could not be taken up and the meeting was ended without passing the resolution for B's retirement and reappointment.

In the light of above and with reference to relevant provisions of the Companies Act, 2013, answer the following :

- (i) Whether proposals for retirement by rotation and reappointment of A and B only were sufficient ?
 - (ii) What will be the status of B as a director in the company ?
- (b) Robertson Ltd. is a company registered in Thailand. Although, it has no place of business established in India, yet it is doing online business through telemarketing in India. Whether it will be treated as a Foreign Company under the Companies Act, 2013 ? Explain. 4

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(c) (i) The mango producers in Lucknow have entered into an arrangement among them whereby they have decided not to sell the mango below certain price. This arrangement has been made in writing but not intended to be enforced by any legal proceedings. Referring to the provisions of the Competition Act, 2002, examine whether the said arrangement shall fall within the jurisdiction of the term 'agreement' within the meaning of the said Act.

2×2
=4

(ii) The coconut producers in Tirunelveli (Tamil Nadu) have formed an association to control the production of coconuts. Referring to the provisions of the Competition Act, 2002, examine whether the said association to control the production of coconuts shall fall within the jurisdiction of the term 'Cartel' under the provisions of the said Act.

6. (a) Ideal Producer Co. Ltd. was incorporated on 1st April, 2009. Its paid up capital of ₹ 10 Lakh consists of 1 lakh equity shares of ₹ 10 each held by 100 individuals. There are 6 directors on its Board. Referring to the provisions of the Companies Act, 1956, answer the following :

(i) What is the quorum for the Annual General Meeting ?

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(14)

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- (ii) What is the quorum for the Board Meeting ?
- (iii) The Board of Directors wants to co-opt one expert in the field of agronomics, as Director on its Board. Whether is it permissible ?
- (iv) Is it obligatory for this company to have internal audit of its accounts for Financial Year 2015-16 ?
- (b) (i) Mr. Gambler 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. He seeks your advise as to how can he be released on bail. Advise him. **4**
- (ii) What is the object of Constituting Panel for Mediation and Conciliation under the Companies Act, 2013 ? Who can file application for mediation and conciliation ? **4**

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(15)

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7. Attempt any **four** :

4×4

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- (a) India Exports Limited engaged in the export of software products to U.S. One party in U.S. to whom the company exported certain products failed to pay the amount due for these exports resulting into non-repatriation of amount to India. The Adjudicating Authority on coming to know about this, levied a penalty on India Exports Limited under the provisions of Foreign Exchange Management Act, 1999. The company seeks your advice as to which authority, to whom it can make an appeal against the decision of Adjudicating Authority. State also, the time limit within which the appeal can be lodged.
- (b) What do you understand by 'public interest' ? Explain, giving suitable examples, about its relevance under the Companies Act, 1956.
- (c) Under Section 31 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, certain situations have been specified in which the provisions of this Act are not applicable. You are required to mention any four of such situations.

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(d) Explain the usefulness of following terms in interpreting/construing a statute : 2×2
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(i) Preamble

(ii) Use of Foreign Decisions

(e) Bharat Insurance Company issued a policy having sum assured of ₹ 5 lakhs on the life of Ms. Nirmala. While obtaining education loan of ₹ 4 lakh for higher studies, Ms. Nirmala assigned the above insurance policy in favour of the Bank providing the loan. Who, in this case, will be called the 'Policy Holder' under the Insurance Act, 1938 and why? Explain. 4

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