

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 11

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 who has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

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

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working notes should form part of the respective answers.

Wherever necessary, candidates are permitted to make suitable assumptions which should be disclosed by way of note.

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1. (a) The Directors of Som Limited proposed dividend at 12% on equity shares for the financial year 2015-16. The same was approved in the annual general meeting of the company held on 20th September, 2016. The Directors declared the approved dividends. They seek your opinion on the following matters :
- (i) Mr. Ashok, holding equity shares of face value of ₹ 10 lakhs has not paid an amount of ₹ 1 lakh towards call money on shares. Can the same be adjusted against the dividend amount payable to him ?

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- (ii) Ms. Nini was the holder of 1,000 equity shares on 31st March, 2016, but she has transferred the shares to Mr. Raj, whose name has been registered on 20th May, 2016. Who will be entitled to the above dividend ?
- (b) Seafood Limited, a public limited company was incorporated on 1st April, 2015. The company has conducted four Board meetings during the financial year 2015-16 i.e. on 6th April, 2015, 28th August, 2015, 30th September, 2015 and 30th March, 2016. 4
- (i) Has the company contravened the provisions of the Companies Act, 2013 in respect of the conduct of the meetings ?
- (ii) Will your answer differ if the company was incorporated under Section 8 of the Companies Act, 2013 ?
- (c) RSE Stock Exchange Limited, a recognised stock exchange is involved in trading of shares of Son Limited. The SEBI on receiving a complaint from a group of investors enquired and found that trading of shares of Son Limited is being conducted in a manner detrimental to the interest of the general investors. In order to curb the same, the SEBI wants to issue some directions to RSE Stock Exchange Limited. Referring to the provisions of the Securities Contract (Regulation) Act, 1956, discuss whether the SEBI has power to issue such directions. Can such directions be given to an individual who made some profit in any transaction in contravention of any provision of the Securities Contracts (Regulation) Act, 1956, or regulations made thereunder ? 4

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(d) Referring to the provisions of the Companies Act, 2013, examine the following : 4

(i) XYZ Limited, a listed company has constituted an audit committee consisting of five members out of whom two are independent directors. Subsequently, the company increased the composition of audit committee to six members with three independent directors.

(ii) Mr. Intelligent, was appointed as a small shareholder's director of XYZ Limited, which is in the business of Oil refining. Subsequently, A Limited and B Limited have also appointed him as small shareholder's director. Is the appointment valid ?

(e) Lifesys Limited, a billion dollar, Indian company wishes to create a chair in a reputed university in the U.S. This chair is for the department of computer science. The company wishes to obtain your advise in regard to the following with reference to the FEMA, 1999. 4

(i) Is such "chair" creation permissible ?

(ii) What is the maximum amount that can be donated for such chair ?

(iii) Any formalities to be complied with ?

2. (a) Super Real Estate Limited, a listed company has made the following profits, the profits reflect eligible profits under the relevant section of the Companies Act, 2013. 8

Financial year	Amount (₹ in crores)
2011-12	20
2012-13	40
2013-14	30
2014-15	70
2015-16	50

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- (i) Calculate the amount that the company has to spend towards CSR.
 - (ii) Give the composition of the CSR committee of a listed and unlisted company.
 - (iii) Will the company suffer penalties if they fail to provide for or incur expenditure for CSR ?
 - (iv) List only two activities that are expressly prohibited from being considered as CSR activities.
- (b) The Balance Sheet of Loyal Limited as at 31-03-2016 disclosed the following details :
- (i) Authorised share capital – ₹ 400 crore
 - (ii) Paid up share capital – ₹ 150 crore
 - (iii) Reserves and surpluses – ₹ 750 crore

The company has issued, in the year 2011, fully convertible debentures of ₹ 100 crores which are due for conversion in the year 2016. The company proposes after the conversion of debentures to issue Bonus Shares in the ratio of 1 : 1.

Referring to the provisions of the Securities and Exchange Board of India, (Issue of Capital and Disclosure Requirements) Regulations, 2009, explain the provisions with regard to :

- (1) Authorisation to issue the Bonus shares
- (2) Revision of paid up share capital
- (3) Sources of funds
- (4) Any other restriction

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3. (a) Mr. Smart, a technocrat aged 71 years and reputed to be a specialist in reviewing sick companies is being considered to be appointed as Managing Director of Downhill Industries Limited. The company has been incurring losses for the past several years and its "effective capital" is ₹ 500 crore. Referring to the provisions of the Companies Act, 2013, discuss :

(i) Can Mr. Smart be appointed as Managing Director of the company despite being over 70 years of age ? If so, what is the process to be followed to enable this ?

(ii) What is "effective capital" as per Schedule IV of the Act ?

(iii) What is the maximum permissible remuneration under the Companies Act, 2013 ?

(b) Greater DINA Investors Association made a complaint by an informal letter to the Central Government that Management of Secret Limited has been indulging in fraudulent activities causing loss to the shareholders and that an investigation should be carried out to find out the whole truth. On receipt of the letter, the Central Government directed the Association to approach them formally after complying with the provisions of the Companies Act, 2013. Advise the Association.

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- (c) Mr. Arnab, one of the Directors of Aim Insurance Company Limited had taken some life insurance policies from the company. He, now, wants to avail a temporary loan from the company. The company refused to grant such loan on the ground that there is a prohibition in this regard. Mr. Arnab, approached you, now, about the matter. Advise him with reference to the Insurance laws Amendment Act, 2015 as well as Section 185 of the Companies Act, 2013, whether such loan can be obtained by him. 4

4. (a) Bengaluru Limited is a listed company with a net worth of ₹ 95 lakhs and turnover of ₹ 11.6 crores as on 31st March, 2016. The company wants to circulate the financial statements in electronic mode. Referring to the provisions of the Companies Act, 2013, advise the company whether it can do so. 4

- (b) Dull Limited was not running its business since last 2 years. It had no significant accounting transactions during that period. Hence the company had applied and was granted the status of a 'dormant company' by the Registrar of Companies. Now the company has got some opportunity and recently started its operations. Therefore the company is intending to get back the status of an active company and approached you for your advice on the basis of the applicable provisions of the Companies Act, 2013 and appropriate Rule of the Companies (Registration Offices and Fees) Rules, 2014. Also state the power of the Registrar to remove the name of a company from the register of 'dormant company' and treat it as an active company. 4

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- (c) State with reference to the provisions of the Companies Act, 2013, whether the following persons can be appointed as a Director of a company. 4
- (i) Mr. L, who has not paid any calls in respect of any shares of the company held by him and five months have passed from the last day fixed for the payment of calls.
- (ii) Mr. G is Director of LDT Limited, who has not filed the company's annual return pertaining to the annual general meeting held in the calendar years 2014, 2015 and 2016.
- (d) The Board of Directors of Shakti Bank Limited, a banking company incorporated in India, for the accounting year ended on 31-03-2016, transferred 15% of its net profit to its reserve fund. Certain shareholders of the company objected to the above act of Board of Directors on the ground that it is violative of the provisions of the Banking Regulation Act, 1949. Examine the relevant provisions of the Banking Regulation Act, 1949 to decide whether the contention of shareholder is tenable. 4
5. (a) The Central Government in the public interest ordered for the amalgamation of ABC Limited and DEF Limited into a single company named KPN Limited through a notification in the official gazette. In this connection the prescribed authority ordered that the equity shareholders of ABC Limited were to be provided with a cash compensation of ₹ 2,000/- and two equity shares in KPN Limited for 6

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every single equity share held in ABC Limited. Mr. Ganesh, an equity shareholder of ABC Limited was dissatisfied not only with the amalgamation but also with the compensation offered by the prescribed authority. Advise him whether he can challenge the above amalgamation order of the Central Government. Also advise him within how many days and before which authority he can prefer an appeal against the order of the prescribed authority. Advise him referring to the provisions of the Companies Act, 1956 in this regard.

- (b) Mr. K, is making an arrangement to acquire some stock-in-trade from BL Limited for consideration of some furniture lying with him. He is a Director of JS Limited, which is the holding company of BL Limited. Advise him on the basis of provisions of Companies Act, 2013. What will be the position of the arrangement if there is a contravention of the applicable provisions of the Companies Act, 2013 ? 6
- (c) The liability of members of Style Limited, a company incorporated in Singapore, is limited. The company plans to start a place of business in Mumbai from 1st Dec., 2016. It has taken an office space in Andheri (West), Mumbai for that purpose. The person who is to take charge of Mumbai Office seeks your advice regarding the provisions of the Companies Act, 2013, in respect of displaying of the company's name etc. at its Mumbai office as well as in its business letters and other documents. Advise him with reference to the provisions of the Companies Act, 2013 governing foreign companies. 4

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6. (a) Soft and Secure Lenders Limited, has convened a Board Meeting on 25th October, 2016. One of the items of the agenda is to approve the grant of loan of ₹ 20 crore to Easy Going Industries Limited, for expansion of its business activities. At the Board Meeting, out of the total of six Directors of the lending company, five directors were present and except one director, the remaining four directors approved the grant of loan of ₹ 20 crores to Easy Going Industries Limited. The borrowing company has taken loans from a public financial institution and also deposits from public. Examine the loan proposal with reference to the provisions of the Companies Act, 2013. 4
- (b) Discuss "Related Party Transactions" under the Companies Act, 2013, with specific reference to the nature of transactions which fall under the purview of the Companies Act, 2013. 4
- (c) GST Limited is a securitization and reconstruction company under SARFAESI Act, 2002. The certificate of registration granted to it was cancelled. State the circumstances when the certificate can be cancelled. Further, state the authority which can cancel the certificate of registration. 4
- (d) Upon an enquiry made by the Competition Commission of India it was found that Huge Limited is enjoying dominant position in the market and there is every possibility that the company may abuse its dominant position. In order to overcome such a possible situation, the Competition Commission of India wants to order for division of Huge Limited. Referring to the provisions of the Competition Act, 2002, describe the matters which may be provided in the said order. 4

7. Answer any four :

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(a) Winding-up proceeding has been commenced by the court against Lucky Limited, a non-government company. Even after completion of one year from the date of commencement of winding up proceedings, it has not been possible to conclude the same. Discuss the duties of the liquidator with respect to auditing and filing of the required statements with the appropriate authority as per the provisions of the Companies Act, 1956. Also discuss the penalty which can be imposed on the liquidator for contravention of the above provisions.

(b) Sky Limited, a listed company has been incorporated under the Companies Act, 2013. An intermittent vacancy of a woman director has arisen on 15th June, 2016. Advise the company to fill the vacancy as per the provisions of the Companies Act, 2013. The Board meeting was held on 14th August, 2016.

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(c) Can a holding company advance any loan to its wholly owned subsidiary company ? What are the relevant provisions of the Companies Act, 2013 with regard to granting of loans by holding company to its wholly owned subsidiary company ? Mention the penalties for the contravention of the provisions of the Companies Act, 2013.

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(d) Explain very briefly the significance of conjunctive and disjunctive words "or" "and" in the matter of interpretation of statutes.

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(e) Discuss the provisions relating to annual reports of Government Companies – **4**

- (i) Where in addition to the Central Government, any State Government is a member of the company.
 - (ii) Where the Central Government is not a member of the Government Company.
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