



**CA FINAL**  
**SUBJECT- CORPORATE AND**  
**ECONOMIC LAWS**  
**Test Code – FNJ 7385**  
(Date :)

**(Marks - 100)**

**PART A                      MULTIPLE CHOICE QUESTIONS (30 MARKS)**

**QUESTION 1**

**( 1\* 10 = 10 MARKS)**

1. Which of the contracts in derivative are not legal:
  - (a) Contracts which are traded on a recognised stock exchange
  - (b) Contracts which are Settled on the clearing house of the recognised stock exchange in accordance with the rules and bye-laws of such stock exchange;
  - (c) Contracts which are recognized as per the notification issued by the Central Government
  - (d) Contracts which are between such parties and on such terms as the CG may, by notification in the Official Gazette, specify.
  
2. Under what circumstances the meeting of the creditors may be dispensed by the NCLT?
  - (a) if 70% of the creditors in value agree and confirm to the scheme by way of affidavit
  - (b) if 80% of the creditors in value agree and confirm to the scheme by way of affidavit
  - (c) if 90% of the creditors in value agree and confirm to the scheme by way of affidavit
  - (d) None of the above
  
3. Surya Ltd., incorporated and registered in New Delhi with a foreign shareholding more than 50% due to liberalisation in Foreign Direct Investment (FDI) policy.  
State the correct statement as to the status of the Surya Ltd.
  - (a) Surya limited shall not be considered as foreign source because of its registration in India.
  - (b) Surya Ltd would be 'foreign source' having foreign shareholding more than 50% of foreign company.
  - (c) Surya Ltd would be 'foreign source' having foreign contribution through various international agencies.
  - (d) Both (b) & (c)
  
4. With whom will the Central Government file an application if it is of the opinion that such a scheme is not in public interest or in the interest of the creditors?
  - (a) Cannot move an application
  - (b) it may file an application before the Tribunal
  - (c) it may file an application before the Parliament
  - (d) It may be through Special Petition before Supreme Court.
  
5. Mr. Raman, is appointed as valuer in April, 2018 in ABC Ltd. He undertook the valuation of the assets of the company in 2018. In case Mr. Raman becomes interested in any property, stock etc of the company, he may be not be eligible to undertake valuation in such property of the company till:
  - (a) 2019
  - (b) 2020
  - (c) 2021
  - (d) He will never be appointed as Registered Valuer of ABC Ltd.

6. PQR Limited and LMN Limited have proposed Scheme of Amalgamation between them under Section 232 of the Companies Act 2013. They are seeking your advice on which of the following approvals can be asked for in the petition to be filed before NCLT for the proposed scheme.
- (a) Change in Main Object Clause of Memorandum of Association;
  - (b) Reduction of Share Capital;
  - (c) Dissolution of the Transferor Company without winding up;
  - (d) All of the above.
7. Which of the following terms are not included within arrangements entered into by the Central Government with another country, in relation to reciprocal arrangements under PMLA, 2002?
- (a) Enforcement of the provisions of PMLA, 2002
  - (b) Prevention of offence in India under the corresponding PMLA law in force in the other country
  - (c) Exchange the history of person if it is wilful offender under the PMLA on annual basis.
  - (d) Exchange information to prevent any offence under PMLA, 2002.
8. The time line of 180 days for the Corporate Insolvency Resolution process commences from the
- (a) Date of Debt
  - (b) Date of preferring the application
  - (c) Date of admission of application by NCLT
  - (d) 90 days after the debt is due
9. In case of transfer of whole of its undertaking by a company, no compensation is payable to the directors for loss of office if:
- (a) the company has failed to appoint additional director
  - (b) the company has failed to pay dividend on preference shares
  - (c) the company has failed to appoint all the directors as prescribed by its articles
  - (d) None of the above
10. When can an application be made to Tribunal for constitution of a winding up committee to assist and monitor the progress of liquidation proceedings by the Company Liquidator in carrying out the function?
- (a) Within two weeks from the date of passing of winding up order
  - (b) Within three weeks from the date of passing of winding up order
  - (c) Within four weeks from the date of passing of winding up order
  - (d) Within six weeks from the date of passing of winding up order

**QUESTION 2****(2\* 5 = 10 MARKS)**

1. State under which given situation, a lender can avail the benefits of SARFAESI Act –
  - (i) An insolvency application has been launched against the borrower
  - (ii) The borrower is under BIFR
  - (iii) A winding up petition has been made against the borrower
  - (iv) A criminal proceeding has been launched by the lender against the borrower
  - (a) In situations (i) & (iii)
  - (b) In situations (ii) & (iv)
  - (c) In situations (ii), (iii) & (iv)
  - (d) In all the given situations (i), (ii), (iii) & (iv)
  
2. In September 2016, Mr. P, went to USA, London and Germany on a month long business trip. For this trip he got exchanged US\$ 50000 from an authorized dealer. In December 2016 he remitted US\$ 50000 to his son in Canada, who was studying there. In January 2017 he sent his mother and wife to America for his mother's treatment and for the purpose he remitted US\$ 75000 to his younger brother, who was living there. In March 2017 his daughter got engaged and she opted for a destination marriage to be held in May 2017, in Switzerland. While on trip to Dubai in the March end, 2017, he spent US \$ 35000 for his daughter's shopping in Dubai. Later, the event manager gave an estimate of US \$ 250000 for the wedding. As per the provisions of FEMA, for how much remittance does he need to take prior approval of the Reserve bank of India.
  - (a) He does not need any prior approval at all
  - (b) For US \$ 210000
  - (c) For US \$ 250000
  - (d) For US \$ 15000
  
3. ABP Ltd. is a Company having paid up Capital of INR 100,000,000. It needs to appoint key managerial personnel. It can use combination of:
  - i) Chief Executive officer, Company Secretary and Manager
  - ii) Chief Executive officer, Company Secretary and Chief Financial officer
  - iii) Managing Director, Company Secretary and Manager
  - iv) Managing Director, Company Secretary and Chief Executive officer

Which options are available for the Company?

  - a) (i) (ii) & (iii)
  - b) (ii) (iii) & (iv)
  - c) (i) (ii) & (iv)
  - d) (i) (iii) & (iv)

4. Aster Limited, a foreign company with a place of business in India was established to conduct the business online as to data interchange and other digital supply transactions. The said company failed to deliver within the prescribed time period, some desired documents to the Registrar of Companies in compliance to the Companies Act, 2013. State the penalty cast on Aster Limited for the cause of its failure.
- (a) Aster Ltd. punishable with fine upto Rs. 3,00,000 + additional fine upto Rs. 50,000 in case of continuing offence.
- (b) Aster Ltd. punishable with fine extending upto Rs. 25,000 + additional fine upto Rs. 50,000 in case of continuing offence.
- (c) Aster Ltd. punishable with fine extending upto Rs. 5,00,000 + additional fine upto Rs. 50,000 in case of continuing offence.
- (d) Aster Ltd. punishable with fine levied Rs. 1,00,000 to Rs. 3,00,000 + additional fine upto Rs. 50,000 in case of continuing offence
5. SEBI has imposed a penalty on Hotel Leel Ventures Ltd. for violation of Takeover Code. The directors of Management is seeking your advice to apprise them with the time period for filling an appeal with SAT and Supreme Court? Suggest what will be the time period for filing appeal with SAT and Supreme Court?
- (a) In case of filing appeal with SAT: Within 45 days from the date of order of the copy made by SEBI or adjudicating officer and in case of filing appeal with Supreme Court: Within 60 days from the date of communication of the decision or order of SAT.
- (b) In case of filing appeal with SAT: Within 60 days from the date of order of the copy made by SEBI or adjudicating officer and in case of filing appeal with Supreme Court: Within 60 days from the date of communication of the decision or order of SAT.
- (c) In case of filing appeal with SAT: Within 30 days from the date of order of the copy made by SEBI or adjudicating officer and in case of filing appeal with Supreme Court: Within 60 days from the date of communication of the decision or order of SAT.
- (d) In case of filing appeal with SAT: Within 60 days from the date of order of the copy made by SEBI or adjudicating officer and in case of filing appeal with Supreme Court: Within 45 days from the date of communication of the decision or order of SAT.

### **QUESTION 3                      Integrated Case Scenario**

Lagus Transport Services Limited (LTSL) is operating in logistics and public transport domain. The company has pan-India presence. As per its Articles of Association, the company can appoint a maximum of 15 directors and all of them shall be rotational directors. Presently, the company has a strength of 14 directors, of which 9 are executive directors and the remaining 5 are non-executive directors. As on 31<sup>st</sup> March, 2018, its paid-up share capital was Rs. 8.42 crore; the turnover was Rs. 84 crore; and it had, in the aggregate, outstanding loans, debentures and deposits to the tune of Rs. 42 crore.

In the Annual General Meeting (AGM), held on 20<sup>th</sup> August, 2018, Anil, Badal, Chanchal and Damodar were appointed as directors in place of Mohan, Navin, Om and Prasad by passing a single resolution with simple majority. It is to be noted that earlier, a motion authorising the appointment of Anil, Badal, Chanchal and Damodar by a single resolution was passed in the meeting and not a single vote was cast against such motion.

As on 31<sup>st</sup> March, 2019, the turnover of the company increased to Rs. 120.52 crore but the aggregate of outstanding loans, debentures and deposits reduced to Rs. 40 crore. The paid-up share capital was the same as earlier. Due to the increased turnover there arose the requirement of appointing two independent directors.

Since the company was required to appoint two independent directors, the total strength of the Board with such appointments would go up to 16 directors from the present 14 whereas according to the Articles, the company can have a maximum of 15 directors. Accordingly, the Articles were altered and the total strength was increased to 20 directors.

After altering the Articles, the company proceeded to appoint four independent directors instead of the mandatorily required two since it was felt that such step would strengthen the corporate governance to the maximum extent. The independent directors were - Mrs. Eekam, who is considered 'influencer' on supply chain management and has a lot of expertise in the logistics field; Mrs. Prajna who is a marketing expert; Mrs. Ruchita, who is MBA (Finance and Accounting) from IIM, Ahmedabad; and Mr. Amit, who is skilled in developing customised software. Subsequent to the above developments, the time to hold Annual General Meeting (AGM) approached and it was held on 12<sup>th</sup> August, 2019, at the registered office of the company at Mumbai.

**Question No.: (1-5)**

**(2\* 5 = 10 MARKS)**

1. In this case scenario, Anil, Badal, Chanchal and Damodar were appointed as directors by passing a single resolution at the AGM. Is such appointment valid?
  - (a) The appointment of Anil, Badal, Chanchal and Damodar by a single resolution is valid because beforehand, a motion authorising their appointment by a single resolution was passed in the meeting and not a single vote was cast against such motion.
  - (b) The appointment of Anil, Badal, Chanchal and Damodar by a single resolution is not valid because passing of resolution by simple majority indicates that it was not passed unanimously.
  - (c) The appointment of Anil, Badal, Chanchal and Damodar by a single resolution with simple majority is not valid because such resolution is required to be passed as a special resolution.
  - (d) The appointment of Anil, Badal, Chanchal and Damodar by a single resolution is not valid because in no case more than one director can be appointed by passing a single resolution.
2. In the given case scenario, according to the Articles all the directors are rotational. Had this been not the case, how many directors were required to retire at the AGM which was held on 20<sup>th</sup> August, 2018?
  - (a) Five directors
  - (b) Four directors
  - (c) Three directors
  - (d) Two directors
3. In the given case scenario, if it is presumed that as on 31<sup>st</sup> March, 2019, the turnover of the company is Rs. 87.00 crore and the paid-up share capital is Rs. 12.00 crore, would the company be still mandatorily required to appoint two independent directors?
  - (a) There is no need to appoint two independent directors since the aggregate of turnover and paid-up share capital has not crossed the threshold of Rs. 100 crore.
  - (b) Instead of appointing two independent directors, the company is required to appoint only one independent director since the aggregate of turnover and paid-up share capital is above Rs. 90 crore but less than Rs. 100 crore.
  - (c) The company is required to appoint minimum two independent directors since the paid-up share capital is Rs. 12 crore.
  - (d) The company is required to appoint only one independent director since the paid-up share capital is below Rs. 15 crore.

4. According to the case scenario, the company altered its Articles of Association so as to increase the total strength of directors up to 20 from the present 15 directors. Which of the following options is applicable in such a case of alteration:
- (a) The articles were altered by passing an ordinary resolution.
  - (b) The articles were altered by passing an ordinary resolution followed by approval sought from the jurisdictional Registrar of Companies.
  - (c) The articles were altered by passing a Board Resolution with more than seventy- five percent majority.
  - (d) The articles were altered by passing a special resolution.
5. As on 12<sup>th</sup> August, 2019, when the AGM of LTSL was held, the total strength of directors reached to 18 due to the appointment of four independent directors. When all the directors are rotational, how many directors shall get retired at this AGM?
- (a) Six directors      (b) Five directors      (c) Four directors      (d) Two directors

**PART B      DESCRIPTIVE QUESTIONS      (70 MARKS)**

**QUES. 4 IS COMPULSORY. ATTEMPT ANY FOUR OUT OF REMAINING FIVE QUESTIONS.**

**Question 4(a)**

**(4 marks)**

- (i) Srajan Ltd., a company incorporated in July 2015. The Board of Directors of Srajan Ltd., proposed to donate Rs. 2,00,000 to a school established exclusively for the benefit of the employees of the company. Besides, also proposed to donate Rs.1 lac to a political party during the financial year ending March 31, 2018. The net profit during the financial year 2017 -2018, was Rs.35,00,000.

**Evaluate the given below situations in the light of the stated facts under the relevant provisions of the Companies Act, 2013-**

- (i) Whether the proposed political donation made by the Srajan Ltd., are within the powers of the Board of Directors of the company
- (ii) Whether the contribution by Srajan Ltd. to school established for the benefit of an employee is charitable contribution.

**Question 4(a)**

**(4 marks)**

- (ii) Info – tech Overtrading Ltd. was ordered to be wound up compulsorily by an order dated 10<sup>th</sup> March, 2017 by the Tribunal. The official liquidator who has taken control for the assets and other records of the company has noticed the following :

The Managing Director of the company has sold certain properties belonging to the company to a private company in which his son was interested causing loss to the company to the extent of INR 50 lakhs. The sale took place on 15<sup>th</sup> October, 2016.

**Examine what action the official liquidator can take in this matter. Having regard to the provisions of the Companies Act, 2013.**

**Question 4(b)**

**(3 marks)**

- (i) The Article of Association of a listed company have fixed payment of sitting fee for each meeting of Directors subject to maximum of Rs. 30,000. In view of the increased responsibilities of independent directors of listed companies, the company proposes to increase the sitting fee to Rs. 45,000 per meeting. **Advise the company about the requirement under the Companies Act, 2013 to give effect to the proposal.**

**Question 4(b)****(3 marks)**

- (ii) 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.

**Question 5(a)****(4 marks)**

- (i) A petitioner presented an application before the tribunal in July, 2017 and order was passed and made available to parties in September, 2017. Aggrieved party filed an appeal before NCLAT in November, 2017. The appeal was pending before NCLAT for 6 months.

**Examine in the light of the Companies Act, 2013, the following issues –**

- (i) Whether the filing of an appeal before the NCLAT is in order.  
(ii) Time period latest by which the NCLAT should dispose off the said appeal

**Question 5(a)****(4 marks)**

- (ii) Some creditors of NTY Limited approached you to guide them to apply to the Tribunal for seeking an order for conducting an investigation into the affairs of the company due to the fact that the business of the company is being conducted with intention to defraud its creditors. Referring to the provisions of the Companies Act, 2013, **guide them regarding the circumstances** under which and how a person, not being a member of the company can apply to the Tribunal to seek an order for conducting an investigation into the affairs of a company.

**Question 5(b)****(3 marks)**

- (i) 'Printex Computer' is a Singapore based company having several business units all over the world. It has a unit for manufacturing computer printers with its Headquarters in Pune. It has a Branch in Dubai which is controlled by the Headquarters in Pune. **What would be the residential status under the FEMA, 1999 of printer units in Pune and that of Dubai branch ?**

**Question 5(b)****(3 marks)**

- (ii) In 2016, Company Amar, Food processor manufacturing unit entered into a joint venture agreement with Company USHA, the largest manufacturer of Food processors for supply of parts of mixer & grinder for manufacturing its latest model. Both the companies are registered under the Companies Act 2013. Agreement carries the term that all disputes shall be arbitrated in Mumbai. **State the type of arbitration agreement made between them.**

**Question 6(a)**

**(4 marks)**

(i) **Discuss the legal position in the given situations with reference to the provisions of the Companies Act, 2013 :**

- (a) Mr. Arthav, a director resigns after giving due notice to the company and he forwards a copy of resignation in e – form DIR – 11 to the Registrar of Companies (RoC) within the prescribed time. Besides, the company fails to intimate about the resignation of Mr. Arthav to RoC.
- (b) The Board of Directors of Superwood Limited decides to appoint on its Board, Mr. Ramakant as a nominee director upon the request of a bank which has extended a long term financial assistance to the company. The Articles of Association of the company do not confer upon the Board any such power. Also, there is no formal agreement between the company and the bank for any such nomination.

**Question 6(a)**

**(4 marks)**

(ii) A group of shareholders consisting of 25 members decide to file a petition before the Tribunal for relief against oppression and mismanagement by the Board of Directors of M/s Fly By Night Operators Ltd. The company has a total of 300 members and the group of 25 members holds one – tenth of the total paid – up share capital accounting for one – fifteenth of the issued share capital. The main grievance of the group is the due to mismanagement by the board of directors, the company is incurring losses and the company has not declared any dividends even when profits were available in the past years for declaration of dividend. In the light of the provisions of the Companies Act, 2013, **advise the group of shareholders regarding the success of (i) getting the petition admitted and (ii) obtaining relief from the Tribunal.**

**Question 6(b)**

**(3 marks)**

(i) The Adjudicating Authority appointed under the Prevention of Money Laundering Act, 2002 issued an order attaching certain properties of XYZ Limited alleged to be involved in money laundering for a specified period. The company aggrieved by the order of the Adjudicating Authority seeks your advice about the remedy that is available under the Act. **Analyse and apply the relevant provisions of the Prevention of Money Laundering Act, 2002 in relation to the above given situation.**

**Question 6(b)**

**(3 marks)**

(ii) Sohan Lal, a farmer, was found involved in embezzlement of opium cultivated by him. **State nature of the act committed by Sohan Lal** in the light of the Prevention of Money Laundering Act, 2002.

**Question 7(a)**

**(4 marks)**

(i) Securities and Exchange Board of India (SEBI) has undertaken inspection of books of accounts and records of LR Ltd., a listed public company. **Specify the measures which may be taken by SEBI** under the Securities and Exchange Board of India Act, 1992 to protect the interest of investors and securities market, on completion of such inquiry.



**Question 7(a)****(4 marks)**

- (ii) PQR Ltd. is holding 30% of the paid up equity capital of Cochin Stock Exchange. The company appoints MNL Ltd. as its proxy who is not a member of the Cochin Stock Exchange, to attend and vote at the meeting of the stock exchange. **Examine whether the Cochin Stock Exchange can restrict the appointment** of MNL Ltd. as proxy for PQR L td. and **further restrict**, the voting rights of PQR Ltd. in the Cochin Stock Exchange.

**Question 7(b)****(6 marks)**

Mr. Satish, General Secretary of a political party received an invitation from the American Labour Party. He wants to avail foreign hospitality. **Define the term "foreign hospitality"**. In the light of the provisions of the Foreign Contribution (Regulation) Act, 2010, **decide whether he can avail it. Discuss also the exception**, if any, under which the provisions of the said Act may be relaxed.

**Question 8(a)****(4 marks)**

- (i) JKL Research Development Limited is a registered Public Limited Company. The company has a unique business idea emerging from research and development in a new area. However, it is a future project and the company has not significant accounting transactions and business activities at present. The company desires to obtain the status of a 'Dormant Company.' **Advise the company** regarding the provisions of the Companies Act, 2013 in this regard and the procedure to be followed in this regard.

**Question 8(a)****(4 marks)**

- (ii) At the meeting of the members of M/s QRS Limited, a scheme of compromise and arrangement was approved by requisite majority. The National Company Law Tribunal (NCLT) after complying the provisions, issued an Order, approving the scheme of compromise and arrangement.

**List out the matters to be provided in the Order** issued by NCLT under Section 230(7) of the Companies Act, 2013.

**When shall the Order be filed with ROC?**

**Question 8(b)****(6 marks)**

Referring to the provisions of the Securitisation & Reconstruction of financial Assets & Enforcement of Security Interest Act, 2002 **state the circumstances under which the Reserve Bank of India may cancel the certificate of registration** granted to a Securitisation Company.

**Question 9(a)****(4 marks)**

- (i) **Identify the powers of the Central Government** under the Companies Act, 2013 regarding :
- (a) To appoint company prosecutors
  - (b) To Appeal against acquittal

**Question 9(a)****(4 marks)**

- (ii) Board of Directors of the ABC Ltd., a listed company, in their meeting passed the resolution for an appointment of Company Secretary and the Compliance Officer for the guidance to the Board with regards to their duties, responsibilities and powers and the conduct of the affairs of the company. **Draft the Resolution** for an appointment of Mr. Nirman as Company Secretary and Compliance Officer of the company.

**Question 9(b)****(6 marks)**

The following particulars relate to Big Rammy (Private) Ltd. which has gone into Corporate Insolvency Resolution Plan (CIRP):

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount in Rs.</b>
1	Amount realized from the sale of liquidation of assets	14,00,000
2	Secured creditor who has relinquished the security	5,00,000
3	Unsecured financial creditors	4,00,000
4	Income-tax payable within a period of 2 years preceding the liquidation commencement date	50,000
5	Cess payable to state government within a period of one year preceding the liquidation commencement date	20,000
6	Fees payable to resolution professional	75,000
7	Expenses incurred by the resolution professional in running the business of the Big Rammy (Private) Ltd. on going concern	25,000
8	Workmen salary payable for a period of thirty months preceding the liquidation commencement date. The workmen salary is equal per month	3,00,000
9	Equity shareholders	10,00,000

**State the priority order in which the liquidator shall distribute the proceeds under the Insolvency and Bankruptcy Code 2016.**