

(Time Allowed – 3 Hours)

DIVISION A: MULTIPLE CHOICE QUESTIONS (TOTAL OF 30 MARKS)

(Question nos. 1-10 are of 2 marks each and from 11- 20 are of 1 mark each)

1. ABHI Limited is a wholly owned subsidiary company of ETERNAL Limited. ETERNAL Ltd., makes an application for merger of Holding and Subsidiary Companies under the section 232 of the Companies Act, 2013. The Company Secretary of the ETERNAL Ltd., states that company cannot apply for merger under section 232 of the said Act. In fact said that the company shall have to apply for merger as per section 233 i.e. Fast Track Merger. State the correct statement in terms of the validity of the difference in the opinion of the Company secretary-
 - (a) Opinion of the Company Secretary of the ETERNAL Ltd. is valid holding that merger shall be as per section 233.
 - (b) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as merger shall be possible only as per section 232.
 - (c) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 are of the optional nature.
 - (d) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 can be made between only small companies.
2. Mr. Raj, a resident of India went to Australia for a business deal in January 2019. He realised foreign exchange for bearing expenses while staying there for the business purpose. After maturing the deal, he returned back to India in 28th of February ,2019. Mr. Raj was left with certain unused foreign exchange. He retained the foreign exchange with him for future use. Mr. Raj have to return the unused foreign exchange -
 - (a) Latest by 27th August 2019
 - (b) Latest by 28th August 2019
 - (c) Latest by 29th August 2019
 - (d) Latest by 31st August 2019
3. ABC and Co, the tax consultants of X Limited for which an interim resolution professional – Mr A, has been appointed under the Corporate Insolvency resolution process has refused to furnish information to Mr A on the grounds of client confidentiality. Are they right?
 - (a) Yes, they are right

- (b) No, the Code provides powers to the IRP to access all information from various parties
 - (c) Partly right, they can do so only after consent of the directors
 - (d) Mr A is not right in even asking for this information
4. 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 considered as foreign source because of its registration in India.
 - (b) Surya Ltd would be 'foreign source' have foreign shareholding more than 50% of foreign company.
 - (c) Surya Ltd would be 'foreign source' have foreign contribution through various international agencies.
 - (d) Both (b) & (c)
5. Aakaar Solar Energy Private Limited was allowed the status of a 'dormant company' after a certificate to this effect was issued on 1st July 2018 by the Registrar of Companies, Delhi and Haryana. Mention the latest date after which the Registrar is empowered to initiate the process of striking off the name of the company if Aakaar Solar Energy continues to remain as a dormant company.
- (a) After 30th June, 2023.
 - (b) After 30th June, 2019.
 - (c) After 30th June, 2020.
 - (d) After 30th June, 2021.
6. Jupiter Shopping Mall Limited was incorporated on 3rd December, 2016. As on 31st March 2018, it had free reserves of Rs. 50.00 lacs and its Securities Premium Account showed a balance of Rs. 7.50 lacs. One of its directors Raha has a leaning towards a particular political party in which his other family members are actively involved. Raha convinced the other two directors of the company i.e. Promila and Rana to contribute a sum of Rs. 10.00 lacs to this political party. Accordingly, the Board of Directors held a meeting on 16th December, 2018 and passed a resolution to contribute the decided amount. Advise the company as to how much amount they can contribute to a political party in the FY 2018-19.
- (a) The company cannot contribute any amount to a political party in the FY 2018-19.
 - (b) The company can contribute maximum Rs. 2.50 lacs in the FY 2018-19.
 - (c) The company can contribute maximum Rs. 3.75 lacs in the FY 2018-19.
 - (d) The company can contribute maximum Rs. 5.00 lacs in the FY 2018-19.
7. Astistav Private Limited is a company with ten shareholders. A member holding less than one-tenth of the share capital of the company apply to the Tribunal for relief against oppression and mismanagement. State whether a member have a right to apply to the

tribunal in above situation:

- (a) A single Member cannot apply to the Tribunal for relief against oppression and mismanagement
 - (b) A member cannot apply as he is holding less than one-tenth of the share capital of the company
 - (c) A member can apply being one-tenth of the total number of members.
 - (d) A member cannot apply as the requirement of atleast hundred members is not complied with.
8. Nanny Marcons Private Limited was incorporated on 9th June, 2017. For the financial year 2017-2018, it did not file its financial statements and annual returns. For the time being the company desires to be treated as 'inactive company' since it does not intend to carry on any business permitted by its Memorandum. As to when ROC can issue certificate of status of dormant company to 'Nanny Marcons' on the basis of non-submission of financial statements if the company makes an application to the Registrar in this respect.
- (a) After non-submission of financial statements for the two financial years i.e. 2018-19 and 2019-20.
 - (b) After non-submission of financial statements for the next financial year i.e. 2018-19.
 - (c) After non-submission of financial statements for the three financial years i.e. 2018-19, 2019-20 and 2020-21.
 - (d) After non-submission of financial statements for the four financial years i.e. 2018-19, 2019-20, 2020-21 and 2021-22.
9. Mr. KG filed a complaint against Mr. P alleging that Mr. P has communicated unpublished price sensitive information to Mr. X. Mr. P took a plea that Mr. X requested him for such information and it was done bonafidely. State the correct statement as to the liability of Mr. P in the given situation-
- (a) Mr. P will not be liable as he communicated about unpublished price sensitive information on the request of Mr. X
 - (b) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X in the ordinary cause of business
 - (c) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X as it was done without any malafide intention.
 - (d) Mr. P will be liable as he communicated about unpublished price sensitive information to Mr. X, whether with or without his request for such information.
10. P Ltd. was holding 35% of the paid up equity capital of X Stock Exchange. The company appoints M Ltd. as its proxy who is not a member of the X Stock Exchange, to attend and vote at the meeting of the stock exchange. State the correct statement as to the

appointment of M Ltd. as a proxy for P Ltd. and on the voting rights of P Ltd. in the X Stock Exchange:

- (a) X Stock Exchange can restrict the appointment of M Ltd., as proxy, and voting rights of P Ltd. in the Stock Exchange.
- (b) Central Government can restrict appointment of proxies and voting rights of P Ltd. in the X Stock Exchange.
- (c) Both (a) & (b)
- (d) X Stock Exchange can restrict the appointment of M Ltd. & also voting rights of P Ltd. if rules of the exchange so provides. Otherwise can restrict the voting rights of P Ltd. & appointment of proxies through amendment in rules.

11. Sona Sweets Private Limited was incorporated on 5th November, 2018 with an authorised capital of Rs. 10.00 lacs. Advise regarding the latest date by which the first meeting of the Board of Directors is required to take place.

- (a) Latest by 15th November, 2018. (b) Latest by 20th November, 2018.
- (c) Latest by 5th December, 2018. (d) Latest by 20th December, 2018.

12. Srishakti Homecare Limited, incorporated on 30th October, 2018, has ten subscribers to the Memorandum out of which two are private limited companies and remaining individuals. However, there is no mention in any of the documents as to who shall be the first directors. Advise the company regarding the appointment of first directors who shall manage the affairs of the company.

- (a) All the subscribers to the Memorandum shall be deemed to be the first directors.
- (b) The two private limited companies being subscribers to the Memorandum shall decide as to who shall be the first directors.
- (c) All the individual subscribers to the Memorandum shall be deemed to be the first directors.
- (d) As the company requires minimum three directors, the eight individual subscribers shall choose two from among themselves and one shall be chosen by the two private limited companies from among themselves.

13. Mr. Ingenious, registered as an Intermediary, fails to enter into an agreement with his client and hence penalised by SEBI under the SEBI Act. Advise Mr. Ingenious as to what remedies are available to him against the order of SEBI.

- (a) He may be given extension on the basis of the reasonable ground for not entering into an agreement with his client
- (b) he shall be liable to a penalty for not entering into an agreement with his client which is required under this Act.
- (c) he shall be liable for imprisonment for not entering into an agreement with his client

which is required under this Act.

- (d) Both (b) & (c)
14. Which of the contracts in derivative are not legal and is invalid:
- (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.
15. SEBI ordered Delhi Stock Exchange (DSE), to produce their books of accounts and audited financial statements for the period 1st April 2016 to 31st March 2018 within 30 days of the receipt of the communication by the stock exchange. The communication was received by the company on 30th April 2018 and no documents were furnished to SEBI in reply to the notice till 15th May 2018. State the consequences of not supplying the said documents to SEBI:
- (a) Period of submission of said documents may be condoned on reasonable grounds
 - (b) Show cause notice may be served why DSE not be penalized for non-submitting of the documents within the time limit.
 - (c) DSE shall punishable with a fine only
 - (d) DSE shall be punishable with fine and imprisonment both
16. A group of creditors of X Limited makes a complaint to the Registrar of Companies. They asserted that the management of the company is indulged in destruction and falsification of the accounting records of the company. The complainants request the Registrar to take an immediate steps to stop the management to tamper with the records. The complaint was received in the morning on 1st January 2019 and the ROC entered the premises within half an hour for the search. The course of action that can be taken by Registrar are:
- (a) Registrar may enter and search the place where such books or papers are kept and seize them
 - (b) Registrar may enter and search the place where such books or papers are kept and can seize only after obtaining an order from the special court
 - (c) Registrar may enter and search the place where such books or papers are kept only on the order of the special court
 - (d) Registrar may enter and search the place where such books or papers are kept and give an opportunity to the company to represent why such documents may not be seized.

17. 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 leave filed before Supreme Court
18. When can a winding up order not be called a notice of discharge?
- (a) when the business of the company is continued
 - (b) when the business of the company is closed since 2 years.
 - (c) On the discretion of the management
 - (d) Till the appointment of a provisional liquidator
19. In case a Valuer becomes interested in any property, stock etc of the company, he may be appointed as Registered Valuer of the company after a cooling off period of:
- (a) 3 years
 - (b) 5 years
 - (c) 1 year
 - (d) He will never be appointed as Registered Valuer of the company
20. Any person who is aggrieved by the order of Appellate Tribunal may approach to the Supreme Court on any question of law within:-
- (a) 30 Days (b) 45 Days (c) 60 Days (d) 90 Days

DIVISION B: DESCRIPTIVE QUESTIONS (TOTAL 70 MARKS)

Instruction: Question No. 1 is compulsory. Out of remaining five questions, any four questions may be attempted.

1. (a) State the legal positions as to the valid appointment of the directors in the given situations in the light of the Companies Act, 2013-
- i. Shiksham Ltd. was formed for prompting the girls education with 15 directors in its Board. Due to expansion of its objective at large scale, the company increased the strength of its directors to 20 without passing SR.
 - ii. Mr. Kabir was appointed as an alternate director on behalf of Mr. Robert, as Mr. Robert goes abroad and comes back to India temporarily and leaves country again.
 - iii. PQR Ltd., who failed to file a financial statement in previous financial year 2017- 2018, appointed Mr. Khurana as a director in July 2018. **(6 Marks)**
- (b) The last three years' Balance Sheet of PTL Ltd., contains the following information and figures:

	As at 31.03.2016 Rs.	As at 31.03.2017 Rs.	As at 31.03.2018 Rs.
Paid up capital	50,00,000	50,00,000	75,00,000
General Reserve	40,00,000	42,50,000	50,00,000
Credit Balance in Profit & Loss Account	5,00,000	7,50,000	10,00,000
Debenture Redemption Reserve	15,00,000	20,00,000	25,00,000
Securities Premium	2,00,000	2,00,000	2,00,000
Secured Loans	10,00,000	15,00,000	30,00,000

On going through other records of the Company, the following is also determined:

Net Profit for the year (as calculated in accordance with the provisions of the Companies Act, 2013)	12,50,000	19,00,000	34,50,000
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In the ensuing Board Meeting scheduled to be held on 5th November, 2018, among other items of agenda, following items are also appearing:

- (i) To decide about borrowing from Financial institutions on long-term basis.
- (ii) To decide about contributions to be made to Charitable funds.

Based on above information, you are required to find out as per the provisions of the Companies Act, 2013, the amount upto which the Board can borrow from Financial institution and the amount upto which the Board of Directors can contribute to Charitable funds during the financial year 2018-19 without seeking the approval in general meeting.

(8 Marks)

2. (a) Mr. Shram, is an employee of the company ABC Limited and investigation is going on him under the provisions of Companies Act, 2013. The company wants to terminate the Mr. Shram on the ground of investigation proceeding against him. ABC Ltd. filed the application to tribunal for approval of termination. However, not received any reply from the tribunal within 30 days of filling an application. The company consider it as a deemed approval and terminated Mr. Shram. Examine the given situations in the light of the stated facts as per the Companies Act, 2013-
 - Is the contention of company being valid in law?
 - What is remedy available to Mr. Shram?
 - What is remedy available to Mr. Shram, if reply of Tribunal has been received within 30 days of application?

(8 Marks)

- (b) Mr. Sane, an Indian National desires to obtain Foreign Exchange for the following purposes :

- (i) Remittance of US Dollar 50,000 out of winnings on a lottery ticket.
 - (ii) US Dollar 1,00,000 for sending a cultural troupe on a tour of U.S.A.
- Advise him whether he can get Foreign Exchange and if so, under what conditions ?

(6 Marks)

3. (a)

- (i) AMC Ltd. was ordered to be wound up compulsorily by an order dated 10th March, 2019 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 15th October, 2018.

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

(4 Marks)

- (ii) 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 marked 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? Justify your answer with reference to the provisions of the Companies Act, 2013.

(4 Marks)

- (b) Mr. Ramesh was partner in the Firm, Rajkumar & sons. The said firm was established by Mr. Raj Kumar, who is director of the Subh Labh Pvt. Limited which is a one person company. Subh Labh PVT. LTD. have foreign income from the clientele being of outside India. Companies generation of foreign income was invested by the Mr. Rajkumar in its firm without being disclosed in its financial records. Mr. Ramesh was not aware of the such undisclosed flow of fund in the Firm. Give the following answer considering the given facts-

- (i) Liability of Mr. Ramesh being a partner of a firm, involved in use of income of Subh Labh Pvt. Ltd. obtained from their foreign clientele.
- (ii) Liability of Mr. Rajkumar being a director of the Subh Labh Pvt. Ltd.

(6 Marks)

4. (a) Mr. Z (Member of SEBI) due to his severe accident was in financial debt availed for his treatment. He was deranged and was in mental stress. This effected on the

performance of his duties in a responsible manner. A group of complainants have alleged that Mr. Z is not normal in his behaviour and rendering of his services in office may be detrimental to the public interest and so should be removed from his office. Advise in the given situation, the tenability of maintenance of complaint against Mr. Z. **(8 Marks)**

- (b) A foreign co., Srikripa Ltd. established by few Indians in Singapore. Being a strong believer of Sai, the management of the company used to donate a huge amount to the Sai trust, in Mumbai, India. Enumerate in the given situation whether the donation so made by Srikripa Ltd. is a foreign contribution. Is the acceptance of such donation by the Sai trust is valid. **(6 Marks)**

5. (a) (I) DEJY as Company Limited incorporated in Singapore desires to establish a place of business at Mumbai. You being a practising Chartered Accountant have been appointed by the company as a liaison officer, for compliance of legal formalities on behalf of the company. Examining the provisions of the Companies Act, 2013, state the documents you are required to furnish on behalf of the company, on the establishment of a place of business at Mumbai. **(4 Marks)**

- (II) Mr. Truth, a director of Horizan Private Limited, is duly authorized by the Board of directors to prepare and file returns, report or other documents to the Registrar of Companies on behalf of the company. Though he filed all the required documents to Registrar in time, however, subsequently it was found that the filed documents were false and inaccurate in respect to material particulars (knowing it to be false) submitted to the Registrar. State the penal provision under the Companies Act, 2013? **(4 Marks)**

- (b) Mr. IP was proposed to be appointed as a resolution professional for the insolvency resolution process initiated against BMR Ltd. Mr. R, a relative of director of BMR Ltd. is a partner in the insolvency professional entity in which Mr. IP is partner. In the light of the given facts, examine the nature of the proposal of the appointment of Mr. IP for the conduct of the CIRP as per the Insolvency and Bankruptcy Code, 2016. **(6 Marks)**

6. (a) Mr. Ram, a Managing Director of MJV Ltd., was appointed on 1st April, 2015. One of the terms of appointment was that in the absence of adequacy of profits or if the company had no profits in a particular year, he will be paid remuneration in accordance with Schedule V. For the financial year ended 31st March, 2017, the company suffered heavy losses. The company was not in a position to pay any remuneration but he was paid Rs. 50 lacs for the year, as paid to other directors. The effective capital of the company is Rs.100 crores.

In addition, the company also appointed Mr. Bharat, a director, for professional services rendered as software engineer. It was agreed to pay suitable additional remuneration to Mr. Bharat whenever his services are utilized.

Referring to the provisions of Companies Act, 2013, as contained in Schedule V, examine the validity of the payment of remuneration to Mr. Ram, and Mr. Bharat an additional remuneration for rendering his services. **(8 Marks)**

- (b) (i) Mr. Minor of 16 years, 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. You being a legal expert, advise as to how he can be released on bail. **(3 Marks)**
- (ii) Mr. Ram, an operational creditor filed an application for corporate insolvency resolution process. He does not proposed for appointment of an interim resolution professional in the application. State the provisions given by the Code in the given situation. State the period of IRP holding the said office.

(3 Marks)