

SECTION –A

**MCQ nos. 1-10 are of 2 marks each and from 11- 20 are of 1 marks each**

1. Mr. Ram gave two of his friends' cash amount of Rs. two lakh each for their business purposes. Later at the time of return, he asked both of them, in lieu of the same, to buy his product via credit card and online transfers in installments through next couple of months' time for which he issued bills to adjust the amount in his account books.  
Does this payment system through credit card and online transfer mode are covered under Money Laundering Act?
  - (a) No, because payment are made through credit cards & being an online transfers, it's a genuine transaction.
  - (b) Yes, money laundering transactions done via credit card and online payments comes under the Prevention of Money Laundering Act
  - (c) No, it is not money laundering as none of Mr. Ram friends are benefiting from this transaction.
  - (d) No, because the transactions are not done with shell companies.
2. Mr. A. Mr. B and Mr. C are partners in XYZ partnership firm. The firm made an agreement in writing to refer a dispute between them in business to an arbitrator. In spite of this agreement Mr. B files a suit against Mr. A and Mr. C relating to the dispute in a court. Examine on the admission of the suit filed by Mr. B in the court in the light of the Arbitration and Conciliation Act, 1996.
  - (a) Yes it can be admitted by the court, as the said court has jurisdiction over the matter and it overpowers arbitration agreement
  - (b) Yes it can be admitted by the court, only in the case of challenge to the arbitral award in appeal
  - (c) Yes, it can be admitted by the court, if Mr. A and Mr. C mutually agrees.
  - (d) No it cannot be admitted by the court, as the jurisdiction of court is ousted because of existence of a valid arbitration agreement
3. Mr. Q, a Director of PQR Limited proceeding on a foreign tour for six months, appointed Mr. Y as an alternate director to act for him during his absence. The articles of the company provide for appointment of alternate directors. Mr. Q claims that he has a right to appoint alternate director. Examine the validity of Mr. Q claim.
  - (a) Claim by Mr. Q is valid as the Articles provide for appointment of alternate directors
  - (b) Claim by Mr. Q is not valid as the authority to appoint alternate director has been vested in the board of directors only and that too subject to empowerment by the Articles
  - (c) Mr. Y cannot be appointed as alternate director as Mr. Q proceeds on a foreign tour for six months only

(d) None of the above

4. 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 28<sup>th</sup> 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 27<sup>th</sup> August 2019
  - (b) Latest by 28<sup>th</sup> August 2019
  - (c) Latest by 29<sup>th</sup> August 2019
  - (d) Latest by 31<sup>st</sup> August 2019
5. AB, a listed Company was constituted in 2012. It has 8 directors Mr. Neeraj, Mr. Kapil, Mr. Ram, Mr. Shyam, Mr. Atul, Mr. Bakshi, Mr. Raheem and Mr. Das. Out of these directors Mr. Ram, Mr. Shyam, Mr. Atul and Mr, Neeraj has a good financial knowledge. An audit committee constituted by the company included Mr. Kapil, Mr. Das, Mr. Atul and Mr. Raheem as its chairpersons. After the commencement of the Companies Act, 2013, it was required for every audit committee of a company existing before the commencement of this Act, shall be reconstituted within one year of such commencement. Find out the correct statement, in the light of the given situation?
- (a) The committee needs to reconstitute as the majority members are not experienced in the field of Finance
  - (b) The committee needs to reconstitute as two third of its members are not experienced in the field of Finance
  - (c) The committee needs to reconstitute as 50 percent of its members are not experienced in the field of Finance
  - (d) The committee needs to reconstitute as majority of board members are not included in it.
6. Mr. Nagarjuna decided to resign from MGT Private Limited due to preoccupation. He sent his resignation letter dated 12<sup>th</sup> June, 2017 to the Company stating that he will resign w.e.f. 15<sup>th</sup> June, 2017. Due to non receipt of any communication from the Company he dropped a mail on 17<sup>th</sup> June, 2017, to confirm whether Company has received his letter. Finally, company received his letter on 25<sup>th</sup> June, 2017. In this case, from which date his resignation will be effective?
- (a) 12<sup>th</sup> June, 2017
  - (b) 15<sup>th</sup> June, 2017
  - (c) 17<sup>th</sup> June, 2017
  - (d) 25<sup>th</sup> June, 2017

7. Jupiter Shopping Mall Limited was incorporated on 3<sup>rd</sup> December, 2016. As on 31<sup>st</sup> 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 16<sup>th</sup> 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.
8. Mr. Ram had resided in India during the Financial Year 2017-2018 for less than 183 days. He again came to India on 1st May, 2018 for higher studies and business and stayed upto 15th July, 2019. State the correct answer as to the residential status of Mr. Ram in the light of the given fact as per the Foreign Exchange Management Act, 1999.
- (1) Mr. Ram can be considered as 'Person resident in India' during the financial year 2018-2019
  - (2) Mr. Ram cannot be considered as 'Person resident in India' during the financial year 2018-2019
  - (3) Mr. Ram can be considered as 'Person resident in India' during the financial year 2019-2020
- (a) Both the statement (1) & (3) are correct
  - (b) Both the statement (2) & (3) are correct
  - (c) Only statement (1) is correct
  - (d) Only statement (2) is correct
9. Beauti Fashion Garments Limited has three independent directors besides eight others of its own. Due to the urgency of transacting certain important business, a Board Meeting was called by giving a shorter notice than the legally required. However, none of the independent directors was present at the Meeting to deliberate upon the motion related to that business. Despite absence of all the independent directors, a board resolution was passed for operationalizing the business by the directors personally present at that Meeting who were much more than the required quorum. Advise, whether the resolution passed at the Board Meeting called at a shorter notice was valid.
- (a) The resolution so passed is valid, for it was passed at the Board Meeting where the required quorum was present.
  - (b) To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by all the three

independent directors.

- (c) To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by at least two independent directors.
- (d) To be valid the resolution so passed needs to be circulated to all the directors and further, it is required to be ratified by at least one independent director.

10. ABC, a Private Ltd., with 10 Board of directors was served notice of the board Meeting, 7 days prior to said meeting on their postal addresses. Mr. M is hospitalised due to some severe illness. Mr. Y is going to London before the Board meeting. Mr. X and Mr. B went to Australia for some company business. Mr. A is busy with his daughter's marriage and unable to attend the meeting. Mr. E's mother is hospitalised so he is busy taking care of his mother but he assures to attend the meeting via video conferencing. Mr. D and Mr. P were scheduled to arrive for the meeting at 2 pm on the same day; however the flight got delayed by 8 hours. Mr. G and Mr. H are in the town and available for the scheduled board meeting. Could the Board meeting be held?

- (a) The meeting can be held in the evening and Director D & Director P can join later on
- (b) The meeting cannot be held because of the quorum is incomplete
- (c) The quorum is complete and the directors can proceed with the meeting
- (d) Meeting is postponed.

11. Mr. Satya, file a petition for default of non –payment of the debt against Mr. X. The amount in default claimed by petitioner was Rs. 30 lakh. Mr. X (Respondent) pleaded before the adjudicating authority that the amount of claim was not belonging to the applicant/petitioner. Mr. Satya, asserted that he himself with his son owns Rs. 26 Lakh to the respondent. Though nowhere in the petition and the supportive documents, he admitted that he himself with his Son owns Rs. 26 Lakh to the respondent. Considering the above facts in the light of the Insolvency and Bankruptcy Code, state the action that will be taken by the Adjudicating Authority-

- (a) NCLT will admit the application of Mr. Satya, as he jointly with his son owned the debt to the Mr. X, so he is a valid petitioner.
- (b) NCLT will admit the application filed by Mr. Satya on behalf of his son.
- (c) NCLT will reject the application considering that no default has occurred against Mr. Satya, and his stand as a financial creditor is not proved in the petition.
- (d) NCLT will dismiss the application on the ground of non- existence of dispute against Mr. Satya

12. 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.
13. Mr. Narayan Shastri was appointed as an Additional Director of XYZ Limited in July, 2015. Immediately after his appointment in July, 2015, on behalf of the Company he entered into an agreement with NY Private Limited for supplies of raw material. Later he was regularized as a Director in ensuing annual general meeting. In 2016 he signed Contract with Laxmi vendors. At the end of year, in December 2016, management came to know that his appointment was not valid as he was disqualified to act as a Director of any Company. He signed one more agreement in January 2017 with Saraswati vendors. In such scenario, what will be the status of contract/agreements he signed on behalf of XYZ Limited?
- a) All agreement/ contracts will become invalid;
  - b) All agreement/ contracts will be valid;
  - c) All agreement/ contracts before December 2016 will be valid;
  - d) All agreement/ contracts before December 2016 will be invalid;
14. Lock worth Safety Gears Private Limited pays remuneration to its Directors on yearly basis. Company has a Whole Time Director on Board. Currently they appointed Mr. X as a Managing Director of the Company. Now Company has to keep in mind that overall remuneration to the Directors including managing director, whole time director and manager shall not exceed maximum cap limit mentioned under the act. If there is more than one managing director/whole time director/ manager, how much maximum remuneration allowed in a financial year
- a) 5% of net profits;
  - b) 10% of net profits;
  - c) 11% of net profits;
  - d) 15% of net profits;

15. X Ltd. amalgamated with Y Ltd. The transferee company decided to dispose of the books and papers of the X Ltd. in order to come up with maintenance of revised book and papers under the name of the transferee company to bring all the financial details of the amalgamated company also in the records. State the correct statement as to decision of the transferee company on the disposal of the Books and papers of the X Ltd.
- (a) Decision of Transferee Company is invalid, as books and papers of the amalgamated company shall be maintained for atleast three years.
  - (b) Decision of Transferee Company is invalid, as books and papers of amalgamated company shall be maintained for at least eight years.
  - (c) Decision of Transferee Company will be valid only on the sanction of the prior permission of the Central Government.
  - (d) Decision of Transferee Company will be valid only after seeking prior permission of the requisite number of the creditors/shareholders of the amalgamated company.
16. Sunila Interior Decorators and Furnishers Limited which has not accessed the primary market so far, is required to appoint whole-time Key Managerial Personnel (KMPs) in view of the fact that it has surpassed the threshold limit which necessitates such appointment. Out of the three whole-time KMPs which it is obligated to keep on roll, it has already appointed a Managing Director (MD) and a Company Secretary. From the given options, choose the third KMP which needs to be appointed by the company under the given circumstances.
- (a) Chief Executive Officer (CEO)
  - (b) Chief Financial Officer (CFO)
  - (c) Whole-time Director (WTD)
  - (d) Chief Manager (CM)
17. Sona Sweets Private Limited was incorporated on 5<sup>th</sup> 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 15<sup>th</sup> November, 2018.
  - (b) Latest by 20<sup>th</sup> November, 2018.
  - (c) Latest by 5<sup>th</sup> December, 2018.
  - (d) Latest by 20<sup>th</sup> December, 2018.
18. 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
19. How many times Corporate Insolvency Resolution Process period can be extended?
- (a) shall not be granted more than once
  - (b) shall be granted more than once
  - (c) shall be granted more than twice on the reasonable cause
  - (c) cannot be granted at all
20. The turnover of XYZ Ltd. as on the last date of latest audited financial statements is 400 crore rupees. An Intermittent vacancy of the women director arises on 15th June, 2018 in the company. The immediate Board meeting was held on 14th October, 2018. The vacancy of the women director shall be filled up by-----:
- (a) Appointment of women director is not mandatory
  - (b) 14th August, 2018
  - (c) 14th September, 2018
  - (d) 14th October, 2018

#### SECTION –B

***Question no. 1 is compulsory.***

***Attempt any four questions out of the remaining Five questions***

#### QUESTION NO.1

- A. Decide the liability of the person for commission of the act during the course of inspection, inquiry or investigation under the Companies Act, 2013:
- (i) A person who is required to make statement during the course of investigation pending against its company, is a party to the manipulation of documents related to the transfer of securities and naming of holders in the register of members by the company.
  - (ii) An employee of the company publicized among his social networking of sound financial position of his organization in order to incite them to purchase the shares of its company. In actuality, the company was running in loss.

**(6 MARKS)**

- B. (i) Clarks Limited, has made default in filing financial statements and annual returns for a continuous period of 4 financial years ending on 31<sup>st</sup> March, 2019. The Registrar of Companies having jurisdiction approached the Central Government to accord sanction to present a petition to Tribunal (NCLT) for the winding up of the company as per the above ground under Section 272 of the Companies Act, 2013.

Examine the validity of the RoC move, explaining the relevant provisions of the Companies Act, 2013. State the time limit for passing an order by the Tribunal under Section 273 of the Companies Act, 2013 ?

(ii) IJK Limited was wound up with effect from 15<sup>th</sup> March 2018 by an order of the Court. Mr. A, who ceased to be a member of the company from 1<sup>st</sup> June 2017, has received a notice from the liquidator that he should deposit a sum of Rs. 5000 as his contribution towards the liability on the shares previously held by him. In this context explain whether Mr. A can be called as a contributory, whether he can be made liable and whether there is any limitation on his liability.

**(8 MARKS)**

### **QUESTION NO.2**

- A. Dragon Copper Limited was facing acute financial difficulty as operations were continuously disrupted due to (a) non-availability of raw material (b) successive drought in its marketing areas and loss of demand and (c) frequent breakdown due to non-replacement of old plant and machinery. On the verge of liquidation, the Management proposes one last arrangement between creditors and the company, whereby the creditors have to forego 50% of their dues to the company. This has evoked strong protest from some of the creditors who may block the arrangement.

Examine the arrangement in the light of the Companies Act, 2013 and advise the course of action/procedure to be adopted by the company to implement the same.

**(8 MARKS)**

- B. Referring to the provisions of the Securities Contracts (Regulation) Act, 1956 state how a recognized stock exchange may delist the securities and how an appeal may be filed by an aggrieved investor against the decision of stock exchange for delisting of securities.

**(6 MARKS)**

### **QUESTION NO.3**

- A. Mr. Single, a director of XYZ Ltd. goes Singapore, for a period of 6 months. Board appoints Mr. Replacement, in his place as an alternate director. Mr. Replacement was also holding directorship in XYZ Ltd. Identify the nature of appointment of Mr. Replacement in XYZ Ltd as an alternate director. **(4 MARKS)**
- B. Draft a Specimen Board Resolution passed in the meeting of the Board of Directors of a recently incorporated BLM Limited for obtaining Goods and Service Tax (GST) Registration in the GST System Portal. **(4 MARKS)**
- C. Mr. Zubin (Member of SEBI) was adjudged as an insolvent by the Adjudicating authority. As of that, a group of complainants have alleged that Mr. Zubin while rendering of his services in office may be biased in the performance of his duties. Working in such a state of position by him, 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. Zubin. **(6 MARKS)**



#### QUESTION NO.4

- A. DEJY 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. **(8 MARKS)**
- B. A foreign company, Max Ltd. was established by few Indians in Singapore. The management of the company used to donate a huge amount to the religious trust, in Mumbai, India. Enumerate in the given situation in the light of the Foreign Contribution and Regulation Act, 2010 whether the donation so made by Max Ltd. is a foreign contribution? Is the acceptance of such donation by the Religious trust is valid? **(6 MARKS)**

#### QUESTION NO.5

- A. 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. Advise explaining the relevant provisions of the Prevention of Money Laundering Act, 2002. **(6 MARKS)**
- B. Mr. Doubtful was appointed as Managing Director of Carefree Industries Ltd. for a period of five years with effect from 1.4.2013 on a salary of Rs. 12 lakhs per annum with other perquisites. The Board of directors of the company on coming to know of certain questionable transactions, terminated the services of the Managing Director from 1.3.2016. Mr. Doubtful termed his removal as illegal and claimed compensation from the company. Meanwhile the company paid a sum of Rs. 5 lakhs on ad hoc basis to Mr. Doubtful pending settlement of his dues. Discuss whether:
- (i) The company is bound to pay compensation to Mr. Doubtful and, if so, how much.
  - (ii) The company can recover the amount of Rs. 5 lakhs paid on the ground that Mr. Doubtful is not entitled to any compensation, because he is guilty of corrupt practice.
- (4 MARKS)**
- C. Creative India Limited owes a sum of Rs. 2,80,000 to S, who assigns this debt to his two creditors, Mr. R – to the extent of Rs. 1,40,000 and Mr. M - to the extent of Rs. 1,40,000. Mr. M makes a demand for his money from the company by giving a legal notice. The company could not meet Mr. M's demand or otherwise satisfy him till the expiry of four weeks from the date of notice. Mr. M, therefore, moves to NCLT with an application for initiation of Insolvency and Bankruptcy Code, 2016, decide whether an application filed by Mr. M can be accepted by NCLT. **(4 MARKS)**

## QUESTION NO.6

- A. Broadway Infrastructure Limited entered into a contract with Royal forgings, in which wife of Mr. Patrick, a director of the company is a partner. The contract is for supply of certain components by the firm for a period of three years with effect from 1<sup>st</sup> September, 2018 on credit basis. Explain the requirements under the Companies Act, 2013, which should have been complied with by Broadway Infrastructure Limited before entering into contract with Royal forgings.

What would be your answer in case Royal forgings is a private Limited company in which wife of Mr. Patrick is holding shares? **(6 MARKS)**

- B. Mr. KMP is director of XLS Ltd. He intends to construct a residential building for his own use. The cost of construction is estimated at Rs. 1.50 Crores, which Mr. KMP proposes to finance partly from his own sources to the tune of Rs. 60 lacs and the balance Rs. 90 lacs from housing loan to be obtained from a housing finance company. For the purpose of obtaining the loan, he has approached the housing finance company which has in principle agreed to grant the loan, but has put a condition. The condition put by the housing finance company is that the Company XLS Ltd. of which Mr. KMP is a director should provide the guarantee for repayment of the loan and interest as per the terms of the proposed agreement for granting the loan to Mr. KMP. You are required to advise Mr. KMP on the matter with reference to the provisions of the Companies Act, 2013. **(4 MARKS)**

- C. Info-tech Overtrading Ltd. was ordered to be wound up compulsory by an order dated 10th 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 15th October, 2016.

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

**(4 MARKS)**