



Time Allowed: 3 Hours

Maximum Marks-100 Marks

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

Instructions: All questions are compulsory.

Questions nos. 1-10 are of 2 marks each and from 11- 20 are of 1 marks each)

1. Peter a citizen and resident of India, in the year 2011, got a job in a MNC in Germany. He planned to shift. Due to travelling and shifting, studies of his daughter Lisa was effected a lot, so he decided to admit her into Mayo College at Ajmer for her further studies. On 23rd March 2017, Peter, along with his wife and daughter reached India from Germany. On 22nd April 2017, Lisa got admission in the college and since then she is living in India only. Peter and his wife returned Germany on 1st May 2017. Peter did not visited India during the financial year 2017-18, however his wife was in India from 2nd December 2017 to 2nd January 2018. During the financial year 2018-19, Peter was in India for 185 days due to his deployment and Lisa's ill health. From the following who will be treated as person resident in India for the financial year ended on 2018-19 —
 - (a) Lisa
 - (b) Peter
 - (c) Peter's wife
 - (d) Lisa and Peter's wife
2. Rahul, Son of Mr. Manish was going to USA under cultural exchange programme of his college. For meeting Rahul's expenses in USA, Mr. Manish purchased 5000 USD from an authorized person on 15th February 2018. Rahul came back to India on 15th March 2018. At the time of his return to India he was having 1850 unspent USD with him. From the following which option is the best suited for the above situation –
 - (a) Unspent foreign exchange shall be surrendered to the authorized person within 180 days from the date of his return to India.
 - (b) Unspent foreign exchange shall be surrendered to the authorized person within 180 days from the date of purchase of foreign exchange.
 - (c) Unspent foreign exchange shall be surrendered to the authorized person within 90 days from the date of his return to India.
 - (d) Unspent foreign exchange not exceeding 2000 USD may be retained by a person resident in India.
3. Ram and Shyam, two brothers, are professionally qualified Chartered Accountants. They are engaged in working as recovery agents for different types of loans and advances given by

banks to different customers. They were also involved in arrangement of short terms funds for their client's. Their business was doing well and they were making a good amount of money. While dealing with banks they came to know about Asset Reconstruction Companies (ARC'S). Both the brothers wanted to expand their business, so they decided to register themselves as an ARC. From the following tick the option; which is irrelevant in respect of their ARC business—

- (a) The net owned fund of their ARC should not be less than One hundred lacs rupees.
 - (b) The net owned fund of their ARC should not be less than One hundred crore rupees
 - (c) After registering as an ARC they will no longer be eligible to continue their business of arranging short term funds for their clients.
 - (d) They will be required to raise funds only from qualified buyers.
4. Mr. Jigar is a director of PQR Ltd., which had accepted deposits from public. The Financial position of PQR Ltd. declined which resulted in failure to repay the deposits. It became due for payment on 10th April, 2017 and such repayment has not been made till 5th May, 2018. Another company JKL Ltd. wants to appoint the said Mr. Jigar as its director at its annual general meeting to be held on 6th August, 2018. State the correct statement as to the appointment of Mr. Jigar as a director of JKL Ltd.
- (a) Mr. Jigar can be appointed in JKL Ltd. as it is other than the defaulted company
 - (b) Mr. Jigar cannot be appointed at all in JKL Ltd. or any other company.
 - (c) Mr. Jigar will not be eligible to be appointed as a director of JKL Ltd. on the scheduled AGM but may be after expiry of five years from the date of default.
 - (d) Mr. Jigar will not be appointed as a director of JKL Ltd. before 6 months from the date of default.
5. Diksha, a professional architect, had been approached by Newage Builders Limited – a company formed by her distant relatives but with whom she has good rapports – to accept the directorship in the company. However, she could not immediately agree to take the post of director, for she did not possess Director Identification Number (DIN). Accordingly, she applied for the DIN but her application was found to be incomplete and she received an e-mail on 3rd January, 2019 which directed her to rectify the defects by resubmitting the application. Advise Diksha regarding the latest date by which she must resubmit the application after fully rectifying it.
- (a) Latest by 10th January, 2019.
 - (b) Latest by 16th January, 2019.
 - (c) Latest by 18th January, 2019
 - (d) Latest by 23rd January, 2019.

6. B' north Motors and Spares Limited, a listed company, has 4500 small shareholders but till date there is no director who can represent them. Accordingly, some of such shareholders have approached the company for appointment of their director on the Board. By choosing the correct option, advise as to minimum how many small shareholders must group together so that they succeed in their objective.
- (a) Minimum one thousand small shareholders must group together for getting appointed their director on the Board.
 - (b) Minimum nine hundred small shareholders must group together for getting appointed their director on the Board.
 - (c) Minimum four hundred and fifty small shareholders must group together for getting appointed their director on the Board.
 - (d) Minimum two hundred and twenty-five small shareholders must group together for getting appointed their director on the Board.
7. Rati holds 2,500 equity shares of Rs. 10 each (Rs. 5 paid up) in Uranus Glass Limited which is listed on National Stock Exchange as well as Bombay Stock Exchange. In the same company her mother Rachna holds 2,000 equity shares on which Rs. 7 have been paid up. Her brother Ruchir has also been allotted 3,000 equity shares by the Uranus but till date, similar to Rati, he has paid only Rs. 5 as application and allotment money. All the three claim to be small shareholders and want to participate in the process of appointing small shareholders' directors. Advise them whether they could be categorized as small shareholders.
- (a) Only Rati is small shareholder and therefore, she can participate in the process of appointing small shareholders' directors.
 - (b) Only Rachna is small shareholder and therefore, she can participate in the process of appointing small shareholders' directors.
 - (c) Only Ruchir is small shareholder and therefore, he can participate in the process of appointing small shareholders' directors.
 - (d) All the three are small shareholders and therefore, they can participate in the process of appointing small shareholders' directors.
8. Ruby Diamonds Limited is required to establish 'Vigil Mechanism' though it is neither a listed company nor a company which has accepted deposits from the public. Name the third criterion because of which it is necessitated that the company needs to create 'Vigil Mechanism'
- (a) As per the last audited statements, the subscribed capital of the company is in excess of Rs. 50 crores.
 - (b) As per the last audited statements, the paid up capital of the company is in excess of

Rs. 50 crores

- (c) As per the last audited statements, the turnover of the company is in excess of Rs. 50 crores
- (d) None of the above answer
9. Mr. Raman is a managing director of SLR Ltd. He was proposed to be appointed as director in the same company. Mr. Raman got better opportunity and joined the other company "Alternate Ltd.". He left the office of managing director of SLR Limited. State the correct legal position as to holding of offices of Mr. Raman in the companies-
- (a) he will hold directorship both in SLR Ltd and Alternate Ltd.
- (b) He cannot hold office in Alternate Ltd. being employed as managing director in SLR Ltd.
- (c) He will validly hold all the designated offices in both SLR and Alternative Ltd.
- (d) He can hold directorship only in Alternate Ltd.
10. Mr. X, director of BRT Ltd. entered into an arrangement with his friend and acquired asset on the name of the BRT Ltd. Prior approval for such arrangement was required by a resolution of the company in general meeting. The notice for approval of the resolution by the company included the particulars of the arrangement along with the value of the assets duly calculated by a registered valuer. Later the Board of company discovered the loss arising out of incorrect statement in the report made the valuer. State the liability of the valuer in the given situation-
- (a) valuer can claim immunity stating that company is not bound to accept his opinion being an expert.
- (b) the valuer shall be punishable with fine only for the incorrect statement given in the report
- (c) valuer is liable to be convicted for the incorrect statement given in the report made with an intent to defraud the company or its members .
- (d) valuer cannot be held liable for damages to the company as the company have seek the prior approval of company in general meeting.
11. Under the IBC, The resolution plan shall be approved by the Committee of Creditors by a vote of not less than-----percent of voting share of the financial creditors.
- (a) 51%
- (b) 66%
- (c) 75%
- (d) 95%

18. Reserve Bank of India may check the condition that the asset reconstruction company has not incurred any loss in the _____ preceding financial years.
- (a) 1 (b) 2 (c) 3 (d) 8
19. On the basis of material in possession with the Director, Mr. Q was under remand evidencing that he is in possession of proceeds of crime falling under the offence said to be committed in PMLA. Director may order for provisional attachment of the property of Mr. Q for a period—————
- (a) Within 90 days from the date of the order
(b) Exceeding 180 days from the date of the order
(c) Within 180 days from the date of the order
(d) Not exceeding 280 days from the date of the order
20. Mr. Rufftuff was appointed as a Managing Director in the government company, Constant Limited. He was of 70 years with good experience in the field of finance. He was appointed for 6 years .State the correct statement as to term of appointment of Mr. Rufftuff in the said company:
- (a) He cannot be appointed at all
(b) He can be appointed by passing special resolution for the period not exceeding 5 years
(c) Central government may appoint on application of Board to him for the period of 5 years
(d) He can be appointed by passing special resolution, or where no such special resolution is passed, appointed by the Central Government on an application made by the Board, for the period exceeding 5 years.

Division B (70 Marks)

Question No. 1 is compulsory

Out of remaining five questions attempt any four

1. (a) On the ground of the conviction for an offence dealing with related party transaction, Mr. Gap was disqualified to hold the directorship in XYZ Ltd. His vacancy was filled up by Mr. Samarth by the Board as a director on 3rd April, 2018 which was subsequently approved by the members in the immediate next general meeting. Unfortunately Mr. Samarth expired on 15th May, 2018 after working about 40 days as a director. The Board now wishes to fill up the said vacancy by appointing Mr. Able in the forthcoming meeting of the Board. Advise the Board on the validity of the following appointments as per the provisions under the Companies Act, 2013.
- (i) Holding of Mr. Samarth in place of Mr. Gap

- (ii) Appointment of Mr. Able in place of Mr. Samarth **(6 Marks)**
- (b) The International Technologies Limited, a listed company, being managed by a Managing Director proposes to pay the following managerial remuneration:
- (i) Commission at the rate of five percent of the net profits to its Managing Director, Mr. Kunal.
- (ii) The directors other than the Managing Director are proposed to be paid monthly remuneration of Rs.50,000 and also commission at the rate of one percent of net profits of the company subject to the condition that overall remuneration payable to ordinary directors including monthly remuneration payable to each of them shall not exceed two percent of the net profits of the company. The commission is to be distributed equally among all the directors.
- (iii) The company also proposes to pay suitable additional remuneration to Mr. Bhim, a director, for professional services rendered as legal counsel, whenever such services are utilized.

You are required to examine with reference to the provisions of the Companies Act, 2013 the validity of the above proposals. **(8 Marks)**

2. (a) Mansi Ltd. with the issued and paid up capital of Rs. 8 crores consisting of 8,00,000 equity shares of Rs. 100 each, has 600 members. A petition was submitted before the Tribunal signed by 65 members holding 20,000 equity shares of the company for the purpose of relief against oppression and mismanagement by the majority shareholders. Examining the below situations in the light of the provisions of the Companies Act, 2013:
- (i) Whether the petition filed by the signed members is maintainable.
- (ii) If subsequently 40 members, who had signed the petition, withdrew their consent. The impact on the maintainability of the above petition. **(8 Marks)**
- (b) Mr. Sugam resided in India during the Financial Year 2016-17. He left India on 15th July, 2017 for Australia for pursuing higher studies in Biotechnology for 2 years. What would be his residential status under the Foreign Exchange Management Act, 1999 during the Financial Years 2017-18?
- Mr. Sugam requires every year USD 25,000 towards tuition fees and USD 30,000 for incidental and stay expenses for studying abroad. Is it possible for Mr. Sugam to get the required Foreign Exchange and, if so, under what conditions? **(6 Marks)**
3. (a) Examine the given situations in the light of the Companies Act, 2013 as to the legal position of the existence of the companies incorporated outside India:

- (i) Status of XYZ Ltd., a Company incorporated in London, U.K., which has a share transfer office at Mumbai.
- (ii) RST Ltd. is a company registered in Thailand. It has no place of business established in India, yet doing online business through telemarketing in India.

(8 Marks)

- (b) Raghu, an officer in the Power Board, was assigned with the task of inspection of the file with the requisite documents of the applicants who have applied for the new connections. Mr. Rajiv Shah was one among the applicants who applied for the power connection for his new flat, as per the required usage with all the supportive documents. Raghu, conveyed Mr. Rajiv Shah, that his file has been rejected due to discrepancies in the compliances. Indirectly he also communicated that, if required, he may clear his file and put into process. Mr. Rajiv Shah gave him cash Rs. 2 lacs to clear his file.

Analyse, in the light of the above situation, the liability of Raghu and Mr. Rajiv Shah in the commission of an offence as per the Prevention of Money Laundering Act, 2002.

(6 Marks)

4. (a)

- (i) Mr. Kumar 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. Examine the liability of Mr. P in the given situation in the light of the Securities and Exchange Board of India (SEBI) Act, 1992.

(4 Marks)

- (ii) SEBI has asked Jaipur Stock Exchange to furnish 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. Can the stock exchange be penalised for this inaction?

(4 Marks)

- (b) In 2017, 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.

What will happen if the agreement does not have any clause relating to arbitration? Disputes arose between them concerning quality of material supplied in 2018. Examine the given situation in the light of the Arbitration & Conciliation Act, 1996.

(6 Marks)

5. (a) Skyline Ltd. was ordered to be wound up compulsory on a petition filed on 10th February, 2018 before Tribunal. The official liquidator who has taken control for the assets and other records of the company has noticed that the Managing Director of the company has transferred certain properties belonging to the company to one of its creditor "Vansh (Pvt.) Ltd", in which his son was interested. This was causing huge monetary loss to the company. The sale took place on 15th September, 2017.

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

(ii) Determine the rights and liabilities of fraudulently preferred persons by mortgage of property to him to secure the company's debt. **(8 Marks)**

- (b) Rose Garden Ltd. was incurring continuous losses and its financial position went bad to worse. Black Stone (Private) Ltd., a trade creditor, issued notice under Section 271 of the Companies Act, 2013 for winding up of Rose Garden Ltd. on the ground that it was unable to pay its debts. After some time, Black Stone (Private) Ltd. being an operational creditor filed a petition before the Adjudicating Authority to initiate insolvency process under the Insolvency and Bankruptcy Code, 2016. Demand Notice and copy of invoice were not served to Rose Garden. Ltd. since a notice was earlier issued for winding up. All other formalities were complied with. The Adjudicating Authority initiated Insolvency Resolution Process by admitting the application and appointed Resolution Professional. After complying required formalities, the Adjudicating Authority issued orders for moratorium and other relief within the stipulated time. Being aggrieved by the order of Adjudicating Authority, Rose Garden Ltd. (Corporate debtor) filed an appeal before NCLAT under the Insolvency and Bankruptcy Code, 2016. Determine will the Company succeed in its appeal?

(6 Marks)

6. (a) MNC Ltd., a company, whose paid up capital was Rs. 4.00 Crores, has issued right shares in the ratio of 1:1. The said company is listed with Mumbai Stock Exchange. Whether the company is required to appoint any Audit Committee and if yes, draft a suitable Board Resolution to appoint an Audit committee covering the aspects as provided in the Companies Act, 2013. **(8 Marks)**

(b)

- (i) What are the possible actions which can be taken against persons / properties

involved in Money Laundering?

(3 Marks)

- (ii) Discuss the process of appointment of resolution professional by the Committee of creditors under the IBC, 2016.

(3 Marks)