



CA FINAL NOV'19
SUBJECT- ECONOMIC LAWS
Test Code – FNJ 7294
(Date :)

(Marks -100)

Attempt any **two** out of **three** case study based questions.

Each Case Study carries 50 Marks.

CASE STUDY - 1

Gupta's were a famous business class family living in Delhi. Mr. Gupta was involved in diversified businesses like property, shares, money lending, hotels etc. He had three children, one daughter and two sons. His daughter Aarushi was the eldest one and after completing her graduation from Lady Shri Ram College for Women went to London to pursue her M.B.A. After completion of her course she came back to Delhi and got engaged to Deep. Deep was a Pune based Civil Engineer involved in construction business. Mr. Gupta's elder son Aayush was doing his graduation from Shri Ram College of Commerce and after his graduation he was planning to go to US for his masters degree. Mr. Gupta's youngest son Aaditya was studying in class XII and wanted to become a Chartered Accountant. Mrs. Gupta was a religious lady and a perfect home maker. Although she was a home maker yet she had a complete knowledge of their family business and was also a director in some of Mr. Gupta's companies.

Aarushi's wedding was fixed for April 17; 2017. As her wedding was approaching, whole Gupta family was busy in preparing for that. In the month of January 2017 they all went to U.S.A. for shopping and had a family vacation for 15 days. They came back to India on 1st February 2017. At the time of going abroad, Mr. Gupta availed the foreign currency exchange facility for US\$ 50000 for meeting all the expenses of foreign tour. In India the most expensive banquet hall was booked as the wedding venue. Shopping of jewellery and clothes was also in full swing. Payment for both jewellery and clothes were made mostly in cash. During these preparations one of the jeweler from whom some jewellery was purchased in cash was raided by the Income Tax Department over cash sale of Gold and jewellery and deposition of high amounts of cash in banks in different accounts during the period of demonetization.

During this raid information/details pertaining to Gupta family's cash purchase also revealed. This information worked as evidence against Gupta's as the Department was already keeping an eye on Mr. Gupta. Mr. Gupta too had done cash purchases of gold and jewellery during the period of demonetization and was also involved in deposition of cash in bank during that period. Apart from that the Department was also having a tip about Mr. Gupta's some other business transactions.

After that jeweler, a raid was also conducted at Mr. Gupta's house on 23rd March. As they were preparing for Aarushi's marriage a lot of cash and jewellery was lying in the house. Besides cash in Indian currency around 10000 US \$ were also found. Cash amounting to Rs. 2750000/- , jewellery worth Rs. 3 crores, property papers of nearly 10 properties consisting of plots, flats and some fixed deposit receipts were seized. A diary consisting of many details of Mr. Gupta's various cash transaction was also found.

Due to this raid all the plans of Aarushi's marriage spoiled and marriage was postponed. Mrs. Gupta who was a diabetic and high blood pressure patient couldn't bear this entire incident and got a paralytic attack. She was rushed to the hospital and doctors suggested that she should be taken to U.S.A. for better and fast treatment. Mr. Gupta agreed upon that and asked his younger brother Sunil, who was settled in U.S.A. to make all the necessary arrangements. Mrs. Gupta and Aarushi went to America for her treatment. In April 2017 Mr. Gupta arranged for money and again got US \$ 100000 exchanged for her wife's treatment in USA and remitted the amount to his brother.

In May 2017 Aayush got admission in a management school in US and for the purpose Mr. Gupta remitted 20000 US \$ as his admission fee to the institute. By the end of May 2017(On 27th May) Mrs. Gupta and Aarushi came back to India and a sum of US\$ 7000 was lying with them out of the amount remitted for her treatment. In August 2017 Aayush went to USA for pursuing his studies. Mr. Gupta gave him 2000 US \$(out of 7000 US\$ unspent and brought back to India by Mrs. Gupta) for his petty expenses. Mr. Gupta opened a foreign currency account with a bank in USA for making remittances to Aayush to meet his different expenses there under Reserve bank of India's Liberised Remittance Scheme and further a sum of US \$ 50000 was deposited in the same.

Life was coming back to normal. Mrs. Gupta was feeling better now and Aarushi started going to Mr. Gupta's office to help him in his business. Mr. Gupta had asked Deep to look for a land upon which he wanted to construct a small residential tower with all the modern amenities and facilities. Deep contacted some property dealers of Pune for the land. One of the dealers told him about a land situated in nearby areas of Pune. He visited the land and liked it very much. He contacted Mr. Gupta and asked him to visit the land. Mr. Gupta along with Aarushi visited the land and they too liked it.

After having a meeting with the land owner deal of the land was finalized for Rs. 1.5 crore. Mr. Gupta decided to pay Rs. One crore through cheque and balance in cash. To arrange for the said transaction of Rs. 1.5 crore Mr. Gupta decided to sell one of his inherited properties. In 2014 through his mother's will he got a plot and a small house in Noida's prime location. Mr. Gupta sold the plot for Rs. 1.80 crore. For this deal he took Rs. 70 lacs in cash and balance through cheque. The cheque amount was utilized to pay for the Pune land through cheque and cash was utilized for cash payment for the land. A brokerage of Rs. 5 lacs was paid to the property dealer of Pune and Rs. 3 lacs in cash was paid to Noida's property dealer who helped him in getting the buyer and balance cash he gave to Deep to meet out some other expenses.

Since it was intended that the said land will be used for building a residential tower consisting of 12 units and the area of land was more than 500 square meters a registration under The Real Estate (Regulation and Development) Act, 2016 was necessary. Deep and Aayushi were given the full charge of the land and construction upon it. On 1st July 2017, an online application was submitted to MAHA RERA for project registration along with all the necessary documents. The project was named as DEVALAYA and Mr. Gupta and Deep were named as the Promoters.

On 14th July the project got its registration and after that the marketing of the project started. Since the project was equipped with all the modern amenities and Deep's name was attached to it, buyers took a great interest in the project and all the 12 units were sold out within few months of publication of the advertisement.

The construction work started on a promised date i.e. 1st August 2017 and it was promised that by 31st December 2017, 80% of construction work will be completed. All the formalities related to agreement of sale with prospective buyers were duly fulfilled. The selling price of each flat was fixed at Rs. One crore and a legitimate signing amount was received from the prospective buyers.

Project completion period was 06 months with a grace period of one month. Buyers were required to pay the amounts as per the stages of completion of the project. As promised by the promoters by 31st December project was 80% complete and all the buyers except one Mr. Bhatia, paid the amount dues as per schedule. Flats were ready for possession by 15th February 2018. All the buyers paid the full amount towards their flats, but Mr. Bhatia for one or other reason did not pay more than 60% i.e. 60 lacs towards his flat.

The promoters of the Devalaya got completion certificate and occupancy certificate in due time and handed over the possession to the buyers along with all the necessary documents related to the title and ownership of the flats; except Mr. Bhatia, as he had not made full payment towards his flat, despite sending him reminders for payment. When Mr. Bhatia came to know about the possession of the flats he contacted Deep and demanded for possession. Deep asked Mr. Bhatia to pay the balance amount together with interest for delay period to get the possession. Mr. Bhatia rejected Deep's demand of paying the interest saying that he is ready to pay the balance amount but not the interest as he is legally not bound to do so. Deep tried to convince him to pay the interest but he continuously refused so after due discussion with Mr. Gupta, Deep handed over the possession to Mr. Bhatia also when he released the full and final payment towards the flat purchased by him.

On the other hand in Delhi the raid which was conducted upon Mr. Gupta's house and cash, jewellery, US dollars etc. seized, made Mr. Gupta answerable to the Income tax Department. Diary found at Mr. Gupta's house revealed many cash transactions of Mr. Gupta. It also had mention of cash deposits of Rs. 40 lacs during the period of demonetization in about 30 accounts of different people, which included some of his servants, their spouse and children and some office staff. All these accounts were opened under Pradhanmantri Jan Dhan Yojna and had a very few transactions before such deposits. The officials also recovered pass books of the same. Mr. Gupta could not offer any satisfactory reply for holding pass books of their aids.

As officials had found some property papers also, upon scrutiny of the papers it was found that he had purchased three plots and three flats for each of his three children to secure their future. Yet the amount of Rs. 30 lacs each for plot and Rs. 80 lacs each for flats as shown in Registry papers was not justifiable considering the locations of the said properties. The fair market value of those plots and flats were approx. 55 lacs and 1.2 lacs each respectively. Apart from this he had purchased two plots amounting to Rs. 30 lacs in the name of one of his female servant. Although he couldn't explain source of funds for any of the plots purchased.

Upon asking about cash recovery and cash purchases of jewellery and clothes he could not give any answer. Although he was having bill for each and every purchase yet all the payments were made in cash and he could not prove the veracity or legitimate source of cash.

On the basis of information about their bank lockers from the diary, lockers were opened and many fixed deposit receipts, jewellery and cash was recovered from there. Jewellery found from the locker had some markings on them; for which he clarified that he used to lend money on the mortgage of jewellery and those marks were related to that lending. A detail of amount landed was also recovered from his home.

For 10000 US \$ found at his home he said that they had returned from a foreign tour recently and he was thinking to get them exchanged from Authorised Dealer but could not get time to do so as was busy in wedding preparations. However he produced a bill of purchase of foreign currency from an Authorised dealer.

I. Required (MCQ of 2 marks each , Total of 20 Marks)

Select the most appropriate answer from the options given for each question:

- 1 How much foreign currency can be held by a resident in India after returning from a business trip abroad?
(a) 2,000 US \$ (b) 5,000 US \$
(c) 10,000 US \$ (d) None of the Above
- 2 How much foreign exchange in the form of coins can be held by a resident individual in India?
(a) 2,000 US \$ (b) 5,000 US \$
(c) None of the above (d) Without any limit
- 3 In the given case how much more foreign currency can be exchanged by Mr. Gupta without taking prior permission/approval from Reserve Bank of India?
(a) 30,000 US\$ (b) 80,000 US\$
(c) There is no such limit (d) He has exhausted his limit
4. Suppose in the given case if any real estate project was under construction/on going on the date of commencement of RERA (for which occupancy /completion certificate was not received) by which date that project should have get its RERA registration?
(a) By 1st August 2016
(b) By 29th July 2017
(c) By 1st May 2017
(d) By 29th July 2016
5. In the given case Mr. Gupta can be booked under ---
(a) The Real Estate (Regulation & Development) Act, 2016
(b) The Foreign Exchange Management Act, 1999
(c) Prohibition Of Benami Property Transaction Act, 1988
(d) All of above
- 6 .In the given case Mr. Gupta can be prosecuted under Prohibition of Benami Property Transaction Act, 1988. What can be the quantum of fine in case of plots purchased by him and seized during the raid?
(a) Rs. 5,62,500/- (b) Rs.56,25,000/-
(c) Rs. 2,25,00,000/- (d) Rs.22,50,000/-
7. Which sentence is true about Mr. Bhatia being an allottee-
(a) Mr. Bhatia will have to share the registration charges, municipal taxes, water and electricity charges, maintenance charges ground rent charges etc.

- (b) Mr. Bhatia will have to pay outstanding amount together with interest, at such rates as may be prescribed.
 - (c) After paying all the dues, he will have to take the possession of the flat within 2 months from the receipt of the occupancy certificate.
 - (d) All of above
8. With reference to the RERA ; which of the following sentence/s are correct?
- (a) The appropriate Government shall, within a period of one year from the date of coming into force of this Act, establish an Authority
 - (b) The appropriate Government of two or more states or Union territories can not establish one single Authority, even if it deems fit
 - (c) The appropriate Government may not establish more than one Authority in a state or Union territory, even if it deems fit
 - (d) The appropriate Government shall establish authority after 1year from the date of enforcement of the Act.
9. Disputes related to real estate projects covered by the vicinity of RERA can be heard in which of the following hierarchy—
- (a) RERA Authority →Appellate Tribunal →High Court
 - (b) RERA Authority →Central Advisory Council →Appellate Tribunal
 - (c) Central Advisory Council →RERA Authority →Appellate Tribunal →High Court
 - (d) RERA Authority →Central Advisory Council →Appellate Tribunal →High Court
10. Cash was found by the Income Tax Authorities at the time of raid conducted at Mr. Gupta's house. Under which Act this cash can be seized/ retained by the department?
- (a) Prevention of Money laundering Act ,2002
 - (b) Prohibition of Benami Property Transaction Act,1988
 - (c) Foreign Exchange Management Act,,1999
 - (d) Income Tax Act,1961

II. Descriptive Questions (30 Marks)

Q1. In the given case Mr. Gupta and Deep started a housing project in Pune City. Suppose that you are a Real Estate Regulatory Authority and you are the one who examines applications received for registration of the real estate projects. Before granting any registration--

- (A) Which key factor will you be required to check or on what basis you will judge any application?
- (B) What are the circumstances under which—
 - (1) Promoter/s applies for the registration of their project under RERA.
 - (2) Under which circumstances they are not bound to apply for registration

(10 Marks)

Q2. A raid was conducted at Mr. Gupta's residence in relation to cash purchase of jewellery.

- (A) Under which Act; he can be questioned? What can be the line of action against him?
- (B) During the raid some documents were found and seized by the authorities. Supposing you are an authority who is examining the case under the respective Act. Examine in the given situations your power regarding seizing of those documents and papers.

(10 Marks)

Q3. In India, a person can involve himself in foreign currency transactions, whether on account of capital or current accounts; but within the limits prescribed by the Reserve Bank of India. Can such person carry out these transactions on his own or he will require some channel to deal in foreign currency .What are different provisions related to such channel. In whose control/direction does this channel work?

(10 Marks)

CASE STUDY - 2

Mrs. Shakuntala Bisht was a dynamic woman entrepreneur running her factory of manufacturing designer candles and other items made of wax as a proprietary concern in Dehradun (Uttarakhand) titled as M/s. Bisht Designer Candles since 2003. She had appointed a number of dealers pan India for selling her designer products.

She was residing in a bungalow on Subhash Road in Dehradun along with her family. Her husband Mr. O. P. Bisht was joint-secretary in Uttarakhand Sachivalaya. Her son Varun had done his B.E. (Bachelor of Engineering) from IIT, Kharagpur and thereafter MBA from IIM, Kolkata in the year 2013. Her daughter Latika was pursuing B.Sc. (Hons.) in Physics from DIT University, Dehradun.

Varun, being a brilliant student, secured a job in Accenture through Campus placement. He attended a three months' residential training programme and joined as Assistant Manager (Operations) in Pune branch of the company. He took a one BHK flat on rent at Hinjewadi locality, purchased some furniture and other daily household items and got himself settled in the new atmosphere. He was happy and content as the package offered to him was very lucrative.

Mrs. Bisht had high aspirations and was desirous of expanding her business further. Therefore, in the year 2013, she thought of exporting her products to various countries crossing the borders of India. After discussing with her family members, she decided to convert her proprietary concern into a private limited company. Accordingly, she got registered her company under the title Bisht Designer Candles Pvt. Ltd. in which she and her daughter were directors while all of the four family members were shareholders. Thereafter, she completed various formalities required for exporting her product which, *inter-alia*, included obtaining a ten digit importer-exporter code (IEC) number from Directorate General of Foreign Trade (DGFT).

In the year 2015, she sent her first export consignment of designer candles to a foreign buyer in Berlin, Germany. The order amounted to € 20800 and the importer was required to make payment in three months after shipment. As per the terms and conditions a Letter of Credit (L/C) was opened by the Deutsche Bank on behalf of the importer. Before shipping goods, Mrs. Bisht had to fill requisite export declaration form since the consignment did not fall in exempted category as mentioned in Regulation 4 of the FEM (Export of Goods and Services), Regulations, 2015. After shipment of goods, she submitted the documentary bill of exchange drawn under L/C to Syndicate Bank, Dehradun and got it discounted under her sanctioned bills discounting limit. On the due date Syndicate Bank received the export payment and squared off her liability.

Subsequently, she explored candle market in the USA and came in contact with M/s. Williams' Art Gallery in Boston which had a five storey departmental store. In this store, one of the floors was meant only for designer candles and other items made of wax. After due negotiations with the CEO Mr. Williams, she managed to get an advance of

50,000 USD being 50% of the total export value. It was well within her knowledge that in case an advance was received against export to a foreign buyer, the shipment of goods was to be made within one year of receipt of advance and the export documents were required to be routed through the same authorised dealer which received the advance on her behalf. She shipped the goods much before one year and also got payment well within the statutory period of nine months from the date of export.

On the successful settlement of her first export consignment to M/s. Williams' Art Gallery of Boston, she took steps to complete another export order from the same party for USD 1,00,500. However, this time no advance payment was made by the importer and on the basis of his firm order, she dispatched the consignment of designer candles. After shipment of goods, she submitted the documentary B/E to Syndicate Bank, Dehradun for discounting. As per the agreement, the importer was to make payment on the completion of five months from the receipt of consignment at his godown. However, by the time five months were over, the importer could make payment of only 40% of the total export value.

Being in need of funds, she started raising and collecting funds from various sources. In one of the cases she had given an unsecured loan of Rs. 5 lacs to a private limited company in which a distant relative of her husband was a director. However, when she demanded her loan back from the company, it was transpired that the company was under liquidation process before the National Company Law Tribunal under Insolvency and Bankruptcy Code, 2016.

Varun was doing his job at Pune to the complete satisfaction of his superiors. In the next three years' time after joining Accenture, Varun could save a lot of money as he was a man of few needs. One day, a casual talk with the local grocer Ajay Gupta gave him an idea to buy a flat in a housing society. Ajay gave him the phone number of a known property dealer, Mr. Rajnikant. Thereafter, a meeting was fixed in the office of Mr. Rajnikant where he noticed a Certificate of Registration hanging on the wall of his office. On enquiry, he was told that now it was mandatory for the property agents to get themselves registered under Real Estate (Regulation and Development) Act, 2016. After seeing the certificate Varun could conclude that he was dealing with a genuine person. After due negotiations, a ground floor 2BHK apartment was finalised in Vayudoot Apartments at a cost of Rs. 62.35 lacs. He himself arranged Rs. 30 lacs out of his savings; obtained a housing loan of Rs. 20 lacs from Axis Bank while the remaining amount of Rs. 12.35 lacs was given by his father out of his personal savings. The title deeds got registered in his name after making payment of stamp duty and other statutory dues. On an auspicious day Varun shifted to his new flat.

About after a month of shifting to his own flat, Varun's boss called him and informed that recognizing his hard work and devotion towards the company he was being transferred to Boston, USA on promotion as Manager (Operations). He was beaming with happiness and thanked his boss from the bottom of his heart. He was supposed to join within next one month.

He went back to Dehradun, completed various formalities including obtaining of visa, packed his belongings and bade goodbye to his family. On the advice of his father he leased out his flat on rent to a reputed private company and then flew to Boston and joined his job. Over there, he was provided with a furnished apartment by the company

in the suburbs of Boston. As daily commuting was a bit difficult, he purchased a second-hand SUV. Slowly and gradually he settled in his new home, new office and new country.

Here in Dehradun, Mrs. Bisht was pursuing vigorously to obtain export payment from M/s. Williams' Art Gallery because the statutory period of nine months was over long back and the remaining payment was yet to be received. In the meantime, the authorities at Syndicate Bank also started pressurizing Mrs. Bisht to get the foreign exchange realised at the earliest since the statutory period of nine months was already over. They opined that in cases of default the Reserve Bank of India may also issue appropriate directions for the purpose of securing the payment if the goods were sold in USA or if they were still unsold to get them re-imported into India within the specified period. Though the Reserve Bank had not so far issued any directions but according to her bankers, omission on the part of RBI to give directions did not absolve her from the consequences of committing the contravention. Therefore, she was duty bound to realise the export payment as early as possible.

Besides taking various steps, she also persuaded her son Varun who was already in Boston to follow the matter vigorously and advised him to meet Mr. Williams personally and settle the case. A meeting was fixed and during conversation, it was transpired that though Mr. Williams had sold whole of the consignment, the purchaser was yet to make payment because of some mismanagement. However, on the vigorous persuasion of Varun, Mr. Williams exerted pressure on the local purchasers and within next one month, remaining payment along with interest was realised and repatriated to India.

Varun had a school friend Raman Verma in India who had done MBA from Symbiosis, Pune after his graduation from Dehradun and had joined sales team of LIC at Shimla. From time to time after joining Accenture in Boston, Varun was persuading him to visit Boston and nearby areas along with his wife Vaishnavi Verma. At last, Raman and his wife agreed for the foreign visit and both of them obtained visa.

Raman approached Canara Bank, Shimla for purchase of USD 12,000 for a private visit to the USA. The bank without much formalities gave him the required amount in foreign currency since it was well within USD 2,50,000, *i.e.* an amount which could be remitted by a resident individual in a financial year under Liberalised Remittance Scheme (LRS). Moreover, the foreign currency was not required to be remitted for any prohibited current account transaction [mentioned in Schedule I to the FEM (Current Account Transactions) Rules, 2000] like participation in lottery schemes or lottery like schemes existing under different names like money circulation scheme or remittances for the purpose of securing prize money/awards, etc. He was asked to submit a simple letter containing the basic information, *viz.*, his name, address and that of beneficiary (i.e. self), SB account number, amount to be remitted and the purpose of remittance along with a cheque of equivalent amount in rupees. In no time, both of them reached the USA.

Varun received Raman and his wife with open heart at the Logan International Airport, Boston and all of them drove to his residence. The next ten days were full of fun and frolic. They visited a number of famous sites which included John F. Kennedy Presidential Museum & Library, Boston Public Library which was opened in 1852 as the first free publicly-supported municipal library in America, Museum of Fine Arts having world's most comprehensive art collections, Boston Public Garden famous for its Swan Boats and having over 600 varieties of trees, Old North Church & Historic Site where the two famous signal lanterns were hung launching the American Revolution, New England Holocaust Memorial where its six glass towers represented the six million Jews who perished in the holocaust, Bunker Hill Monument, etc. In between, they had an overnight stay at New York as well.

Varun helped them in purchasing some nice dresses, chocolates, perfumes, cosmetic items and also some souvenirs for their relatives and friends in India. They enjoyed their trip to USA to the fullest and flew back to India with nice memories.

Raman still had with him unspent amount of USD 3500. On enquiry with his bankers regarding surrender of this amount he was informed that he could surrender to the bank any unspent foreign exchange within a period of 180 days from the date of his return to India. Even if he approached the bank after this period, the bank would not refuse to purchase unspent foreign exchange merely because the prescribed period of 180 days had expired. He was further informed that he was permitted to retain with him foreign currency notes up to USD 2000 and foreign coins without any ceiling beyond 180 days and he could utilize this amount for his subsequent visit abroad.

Varun wanted to be inform regarding sale of his flat in Pune if he was to settle down in the USA permanently since his family at Dehradun was not that much inclined to keep the flat. He once again approached Mr. Rajnikant and enquired whether he, as NRI, could sell his flat. Mr. Rajnikant after obtaining necessary information from one of his lawyer friends, informed him that he was permitted to sell his flat in India to a person resident in India. Further, he could also sell the flat (since it was not an agricultural or plantation property or farm house) to a person resident outside India who is an Indian citizen or to a person of Indian origin resident outside India. Such permission was available under Regulation 3 of FEM (Acquisition and Transfer of Immovable Property in India), Regulations, 2000.

As regards purchase of immovable property at Boston, Varun was informed that FEMA did not restrict such acquisition by a non-resident Indian and he had to follow local laws in this respect. However, if his family members in India remitted to him funds under the Liberalised Remittance Scheme (LRS) for purchasing immovable property outside India, then the said property should be in the name of all the members who made the remittances. Even as per Section 6(4) of the FEMA, if he becomes a person resident in India in future, he would be allowed to hold, own or transfer the immovable property situated outside India because such property was acquired by him when he was resident outside India.

I. (MCQ of 2 marks each , Total of 20 Marks)

Select the most appropriate answer from the options given for each question:

1. Which of the following remittance would require prior approval of the Reserve Bank of India?
 - (a) Donation exceeding 0.5% of foreign exchange earning during the previous three financial years or USD 40,00,000, whichever is less for contribution to funds promoted by educational institutes,
 - (b) Commission per transaction to agents abroad for sale of commercial plots in India of USD 20,000 or 4% of the inward remittance whichever is more,
 - (c) Remittance exceeding USD 10,00,000 per project for other consultancy services procured from outside India.
 - (d) Remittance of 4% of investment brought into India or USD 90,000 whichever is higher, by an entity in India by way of reimbursement of pre-incorporation expenses.
2. Mr. O. P. Bisht's name does not appear in the registration papers relating to Pune apartment purchased by Varun though he contributed Rs. 12.35 lacs towards the cost of the apartment.
 - (a) It is a benami transaction to the extent of Rs. 12.35 lacs.
 - (b) It is wholly a benami transaction.
 - (c) It is not a benami transaction
 - (d) None of the above
3. Export of the following goods/software would require furnishing of the declaration under FEMA, 1999?
 - (a) Goods imported free of cost on re-export basis
 - (b) Publicity material supplied free of payment
 - (c) By way of gift of goods accompanied by a declaration by the exporter that they are of six lakh rupees in value
 - (d) Unaccompanied personal effects of travellers
4. An exporter receiving advance payment against exports from the foreign buyer is required to make the shipment of the goods within of receiving advance payment, if export agreement does not mention anything to the contrary regarding time period:
 - (a) 6 months
 - (b) 9 months
 - (c) One year
 - (d) One and a half years
5. An Indian citizen resident outside India is permitted to transfer his agricultural property in India to:
 - (a) any person resident in India
 - (b) any person resident outside India if he is a citizen of India or a person of Indian origin.
 - (c) Neither (a) nor (b)
 - (d) both (a) and (b)
6. Foreign exchange purchased from an authorised dealer by a resident individual, if remains unspent, needs to be surrendered to the authorised dealer within of purchase or date of his return to India:

(a) 60 days	(b) 90 days
(c) 120 days	(d) 180 days

7. In case of goods valuing up to Rs. 5,00,000 as declared by the exporter and sent by way of gift to an importer in a foreign country:
 - a. an export declaration need to be furnished
 - b. an export declaration need not be furnished
 - c. furnishing of export declaration depends upon the discretion of the authorised dealer who handles export documents
 - d. furnishing of export declaration depends upon the discretion of the Custom authorities
8. The term 'Moratorium' in the Insolvency and Bankruptcy Code, means-
 - (a) A temporary prohibition on an activity by the competent authority.
 - (b) A period declared by the NCLT, during which no action can be taken against the Company or the assets of the Company.
 - (c) Suspension order of the Board on the debtor's operations.
 - (d) Order issued by the NCLT prohibiting an action against the creditor.
9. Is it possible for a non-resident Indian to acquire immovable property outside India:
 - (a) No, it is not possible
 - (b) Yes, it is possible
 - (c) Yes, it is possible but subject to the permission of RBI
 - (d) None of the above
10. As per the Insolvency and Bankruptcy Code, 2016, an Interim Resolution professional approved by the committee of Creditors:
 - (a) Can never be replaced until the conclusion of the resolution process
 - (b) Has a fixed term of 180 days
 - (c) Can be replaced with 75% voting in favour of the decision and approval of the Board
 - (d) Can be replaced with 75% voting in favour of the decision.

II. Descriptive Questions

1. Analyse the following situations under the Foreign Exchange Management Act, 1999:
 - (i) Forex Dealers Ltd. is an Authorised Person within the meaning of Foreign Exchange Management Act, 1999. Reserve Bank of India issued certain directions to the said Authorised Person to file certain returns, which it failed to file. You are required to state the penal provisions to which the said Authorised Person has exposed itself.
 - (ii) Mr. Shekhar resided for a period of 150 days in India during the Financial year 2016-2017 and thereafter went abroad. He came back to India on 1st April, 2017 as an employee of a business organization. What would be his residential status during the financial year 2017-2018?
 - (iii) '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? **(10 Marks)**
2. Examine with reference to the provisions of the Foreign Exchange Management Act, 1999 whether there are any restrictions in respect of the following:-
 - (i) Drawal of Foreign Exchange for payments due for depreciation of direct investment in the ordinary course of business.

- (ii) A person, who is resident of U.S.A. for several years, is planning to return to India permanently. Can he continue to hold the investment made by him in the securities issued by the companies in U.S.A.?
- (iii) A person resident outside India proposes to invest in the shares of an Indian company engaged in construction of farm houses.
- (iv) A person, who is resident of Canada, is planning to acquire an immovable property in Mumbai. **(10 Marks)**

3. Analyze the following situations under the Real Estate (Regulation and Development) Act, 2016:

- (i) Mr. Ram booked a 4 BHK flat under the Gateways project. The project is under supervision of Mr. Pankaj. Mr. Pankaj without telling the allottees reduced the number of rooms from 4 to 3 himself. Whether this is allowed under the Act and what remedies does the Allottees have.
- (ii) Mr. Vivaan booked a 4 BHK flat under the Flower Valley project for a total cost of Rs. 2 Crore. The project is under supervision of Mr. Shyam. Mr. Shyam put a condition to pay Rs. 50 Lakhs as an application fee before entering into a written agreement for sale with Mr. Vivaan. Decide whether the contention of Mr. Shyam is valid? **(10 Marks)**

CASE STUDY - 3

Mr. Mukesh Kumar, a wealthy merchant, having inherited his business from his forefathers, ran a reputed jewellery shop titled as M/s. Kumarsons Jewarat in Dariba Kalan at old Delhi. He had two daughters Reena and Ritika who were married and happily settled. He also had three sons. Customers from far and near came to his shop to purchase gold ornaments, gold coins and other items made of gold and silver. He then thought of expanding his business and thereby purchased a shop on ground floor in up-scale South Extension area of South Delhi. The payment of Rs. 3.20 crore was made by cheque and title deeds of the property were registered in his name after making payment of appropriate stamp duty.

The eldest son Dheeraj Kumar managed the jewellery shop in old Delhi while the second son Prashant Kumar helped him in new shop opened at South Extension. The youngest son Ronit Kumar was undergoing a two-year jewellery designing course from Manchester Metropolitan University, UK.

Mr. Mukesh Kumar was desirous of purchasing a residential property in New Friends Colony, a high-end area of South Delhi. For this purpose, he engaged a property dealer and within a month was able to finalise a house on ground floor. It was registered in his name and payment towards purchase consideration, stamp duty etc. to the extent of Rs. 7.20 crore was made by cheque. After purchasing the property he felt content and happy that he was the owner of a property which was situated in a prime area of Delhi. He spent some funds in renovating the bungalow, furnished it properly and thereafter gave it on lease to a nationalized bank for the purpose of Guest House where bank's officials visiting Delhi could be accommodated.

Time flew by. Encouraged by the loyalty of the customers he entered into diamond jewellery business also at his South Extension shop. He entrusted this section independently to his second son Prashant Kumar.

During the course of the years, he accumulated lots of funds which he wanted to invest safely with a view to earn higher returns. He, therefore, consulted his close friend Mr. Roopesh Dutt who was a practicing lawyer. He advised him to purchase properties in UP or Rajasthan because investment in properties was a safe bet and over a period of time it would give higher returns also. Mr. Dutt also told Mr. Mukesh regarding existence of the Benami Transactions (Prohibition) Act, 1988 which was recently renamed as the Prohibition of Benami Property Transactions Act, 1988 (PBPT Act). The re-naming of the Act was done by enacting the Benami Transactions (Prohibition) Amendment Act, 2016 with effect from 1st November, 2016. He also apprised him of that benami transaction provisions were attracted to any property, shares, debentures, fixed deposits and bank accounts if they were held by one person for another who actually paid for the transaction. Anyway, he purchased a plot in Greater Noida for Rs. 65 lacs in the name of his wife Mrs. Rama Devi by paying lesser amount of stamp duty as a relaxation was given to the women. His wife was a homely lady with a religious bent of mind. Her time was spent in running the house and looking after the needs of her family. In her spare time she used to read religious books.

His youngest son Ronit, who also did a part time job in the hospitality sector besides studying for his jewellery designing course in the UK used to remit his savings into his NRE Account maintained in India. As Mr. Mukesh Kumar was always enterprising in nature, he was contemplating to use those funds also for investment in property. Ronit was also agreeable to this proposition. They searched for a suitable property in Dwarka area of Delhi. As luck would have it, their neighbour Mr. Narain had a society flat in Dwarka which he wanted to sell. Mr. Mukesh Kumar came to know of this fact and arranged a visit to the flat along with his two sons. It was an east-facing flat and they liked the location. By this time Ronit had also come to India for a short duration. The matter was discussed at length and all agreed to pay Rs. one crore and ten lacs to Mr. Narain being the amount demanded by him. To fund Rs. 1.10 crore, Ronit contributed Rs. 10 lacs from his NRE account while his elder brothers Dheeraj and Prashant agreed to pay Rs. 20 lacs each. Dheeraj arranged funds by taking pre-mature payment of his two fixed deposits kept in the bank while Prashant sold his quoted shares in NSE. They managed to procure a cheque of Rs. 30 lacs from somewhere while remaining Rs. 30 lacs were paid in cash by Mr. Mukesh Kumar. The property got registered for Rs. 80 lacs jointly in the names of all the three brothers and accordingly stamp duty was paid.

Mr. Mukesh Kumar still had lot of spare funds for investments but such funds were not shown as his income from business while filing the income tax returns from time to time. He had a trusted cook by the name Rampal in his family who would follow the instructions of his master tooth and nail without judging the consequences of following such instructions. Mr. Mukesh Kumar was keen to purchase another property in Rajasthan with a view to rent it out to some wealthy person. His close friend Mr. Vinay Seth informed about availability of a commercial property in Jaipur. After negotiations with the owner, he purchased the same for Rs.

52.45 lacs in the name of Rampal who could barely sign without knowing the import of signing the documents. Mr. Mukesh Kumar was of the opinion that he would get the property transferred in his name from Rampal after some time. Within no time the property was let out to an influential person at a handsome rent.

I. (MCQ of 2 marks each , Total of 20 Marks)

Select the most appropriate answer from the options given for each question:

1. Mr. Ram, a NRI, purchased a flat for Rs. 30, 00, 000 and paid 20,00,000 in by account payee cheque of his own account and rest in cash. The registry was done at a value of Rs. 20,00,000 which was paid by cheque. State the correct statement in the light of the given facts:
 - (a) Said transaction is benami transaction due to Registry made on partial price of the property.
 - (b) Due to partial payment of cash, the said transaction is benami transaction.
 - (c) Mr. Ram paid the consideration and owned the property in his name , so it is not a benami transaction.
 - (d) Both (a) & (b)
2. Benami Property is -
 - (a) any property which is not the subject matter of a benami transaction.
 - (b) any property which is the subject matter of a benami transaction and also includes the proceeds from such property.
 - (c) any property which is not the subject matter of a benami transaction and also does not include the proceeds from such property.
 - (d) None of the above
3. A person who finances the deal in respect of benami property:
 - (a) is not the beneficial owner of the property
 - (b) is the beneficial owner of the property
 - (c) is not the possessor of the property
 - (d) None of the above
4. How much of the property purchased in Dwarka could be considered as Benami Property:
 - (a) Rs. 30 lacs
 - (b) Rs.60 lacs
 - (c) Rs. 80 lacs
 - (d) Rs. 1.10 crore
5. Benamidar is -
 - (a) a fictitious person who does not make payment
 - (b) a person in whose name the benami property is transferred or held but he does not make payment
 - (c) a person who lends his name but does not make any payment.
 - (d) All of the above
6. Beneficial Owner is -
 - (a) a person, whether his identity is known or not, for whose benefit the benami property is held by a benamidar.
 - (b) a person, who is benamidar and holds the property.
 - (c) Both (a) and (b)
 - (d) person who is valid legal holder of the property.

- 7 Under which Act, Ronit is maintaining his NRE account-
- Prevention of Money Laundering Act, 2002
 - Real Estate (Regulation and Development) Act, 2016
 - Foreign Exchange Management Act, 1999
 - Prohibition of Benami Property Transactions Act, 1988
- 8 Why does a person enter into a Benami transaction?
- To avoid statutory dues
 - To avoid payment to creditors
 - To defeat the provisions of any law.
 - All of the above
- 9 According to Section 53 of the Act who shall be punishable in the case where Mr. Mukesh Kumar purchased property in the name of his cook Rampal:
- Rampal
 - Mukesh Kumar
 - Vinay Seth
 - Both (a) and (b)
- 10 Can Mukesh Kumar get the property purchased in name of his cook Rampal, re-transferred in his name:
- Yes, he can.
 - No, he cannot.
 - Yes, he can if Rampal agrees
 - None of the above

Descriptive Questions (10 marks each)

- Q.1** (a) Can the property purchased by Mr. Mukesh Kumar in the name of his wife Mrs. Rama Devi be considered as 'Benami Property'? Justify. **(6 Marks)**
- (b) Whether the property purchased in the name of Rampal by Mr. Mukesh Kumar can be considered as 'Benami Property'. State with reasons. **(4 Marks)**

- Q.2** Identify beneficial owner and benamidar in all the above property transactions taken place in this case study. **(10 Marks)**

S. No.	Property Transaction at
1.	South Extension
2.	New Friends Colony
3.	Greater NOIDA
4.	Dwarka
5.	Jaipur

Q 3 Mr. Raj entered into a purchasing of a property in the name of his wife. This transaction was made in consultation with his legal counsel. He suggested him various ways of nonpayment of statutory dues levied on the transaction. Examine the following given legal situations –

Who shall be liable in the above transaction?

Punishment to levied

What formality shall be required for the sanction of the punishment? **(10 Marks)**