

TOPIC : FULL

SECTION – A

1. Mr. B, director of XRL Company from 2006. He got his DIN allotted to him on May 6, 2017. By what date he should have intimated his DIN to XRL Company?
  - (a) Before May 20, 2017
  - (b) Before June 6, 2017
  - (c) Before July 6, 2017
  - (d) Before August 6, 2017
2. From the following information in respect of company ABC Ltd. Compute the amount the company is required to spend on account of Corporate Social Responsibility for the Financial Year 2017-2018:

Financial Year	Net Profit (In Cr.)
2014-15	30
2015-16	22
2016-17	27

- (a) 26 Crore
  - (b) 52 Lacs
  - (c) 55 Lacs
  - (d) 26 Lacs
3. In compliance to the Companies Act, 2013, at least one woman director shall be on Board of such class or classes of companies as may be prescribed. Ms. Riya is keen to hold the office of woman director in a company. She has selected some companies in which there is a vacancy for the woman director. Advice Ms. Riya in selecting the companies which are mandatorily required to appoint a woman director:
    - (a) PQR Limited which is a unlisted company and having paid up share capital of 150 crore rupees as per the last date of latest audited financial statements.
    - (b) ABC Limited which is a listed company and having a turnover of 150 crore rupees as per the last date of latest audited financial statements.
    - (c) XYZ Limited which is a unlisted company and having a turnover of 350 crore rupees as per the last date of latest audited financial statements.
    - (d) All of the above

4. 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 1<sup>st</sup> 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:
- Registrar may enter and search the place where such books or papers are kept and seize them
  - 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
  - Registrar may enter and search the place where such books or papers are kept only on the order of the special court
  - 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.
5. According to the Companies Act, 2013, the draft minutes of a Board meeting held through audio visual means shall be circulated among all the directors within Of the meeting
- 10 days
  - 15 days
  - 30 days
  - One month
6. A Ltd, appointed Mr. A & Mr. B as directors of the Company, by passing of single resolution for election of these two. Later on it came in the notice of the Company that there might be some confusion regarding the compliance of the applicable provisions. State the correct statement in the light of the Companies Act, 2013 as to the an appointment and to the validity of acts of said appointed directors ?
- Void Appointment & acts of the directors are void ab-inito.
  - Void Appointment & acts of the directors are valid until defect in the appointment is shown to the Company.
  - Valid Appointment & so acts are also valid.
  - Appointment is valid subject to ratification by shareholder in general meeting.
7. 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?
- Cannot move an application
  - it may file an application before the Tribunal
  - it may file an application before the Parliament
  - it may be through special leave filed before Supreme Court

8. When can a winding up order not be called a notice of discharge?
- when the business of the company is continued
  - when the business of the company is closed since 2 years.
  - On the discretion of the management
  - Till the appointment of a provisional liquidator
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-
- Mr. P will not be liable as he communicated about unpublished price sensitive information on the request of Mr. X
  - Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X in the ordinary cause of business
  - 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.
  - 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. 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
- Yes, they are right
  - No, the Code provides powers to the IRP to access all information from various parties
  - Partly right, they can do so only after consent of the directors
  - Mr A is not right in even asking for this information
11. XYZ Limited is an unlisted company engaged in manufacturing of fabrics. The turnover of the company as on the last date of latest audited financial statements is Rs. 100 Crore. The company is having 7 directors in its Audit Committee. Advice the company by choosing the correct option for the company regarding requirement of appointment of independent director and minimum number of independent directors if required?
- The appointment of independent directors is mandatorily required under XYZ Limited and the minimum number of independent directors is two.
  - The appointment of independent directors is mandatorily required under XYZ Limited and the minimum number of independent directors is three.
  - The appointment of independent directors is mandatorily required under XYZ Limited and the minimum number of independent directors is four.
  - The appointment of independent directors is not mandatorily required under XYZ Limited.

12. Nanny Marcons Private Limited was incorporated on 9<sup>th</sup> 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.

13. Find out the correct statement?

- a) Resolution by circulation shall be deemed to have been duly passed by the board or the committee member when such resolution is passed by one third of the total majority of the member present and voting on the resolution
- b) Resolution by circulation shall be deemed to have been passed by the board or the committee, when such resolution have been circulated in draft with the necessary paper, to all the directors or member of committee and has been approved by majority ,who are entitled to vote on the resolution
- c) Resolution by circulation shall be deemed to have been passed by the board or the committee, when such resolution have been circulated in draft together with the necessary paper, to all the directors or member of committee and has been approved by two third of the majority of director who are entitled to vote on the resolution
- d) Resolution by circulation shall be deemed to have been passed by the board or the committee, when such resolution circulated in draft with the necessary paper, to all the directors or member and has been approved by two third of the majority of members who are entitled to vote on the resolution

14. Srishakti Homecare Limited, incorporated on 30<sup>th</sup> 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.

15. ABP Ltd. is a Company having paid up Capital of INR 100,000,000. It needs to appoint key managerial personnel. It can use combination of:

- i) Chief Executive officer, Company Secretary and Manager
- ii) Chief Executive officer, Company Secretary and Chief Financial officer
- iii) Managing Director, Company Secretary and Manager
- iv) Managing Director, Company Secretary and Chief Executive officer

Which options are available for the Company?

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

16. 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)

17. AB Institute is authorised by Central government to maintain the databank of preceding Directors. The institute has prepared list of 32 independent directors who can be appointed by the companies. Infoline Company wants to appoint 3 Directors on the basis of this data. The Company decided to appoint the Independent Director on May 9, 2017. The next general meeting is on May 18, 2017. What is the process of appointment for the director?

- a) The appointment of the independent director shall be approved at the Board meeting of the company before May 18, 2017
- b) The appointment of the independent director shall be approved by the company in general meeting
- c) The appointment of the independent director shall be approved by the company before general meeting by May 17, 2017
- d) The appointment of the independent director shall be approved by the company within 3 months of his appointment.

18. A financial creditor , FC through an assignment agreement, assigned here the debt to the X trust. X trust filed the petition for initiation of corporate Insolvency resolution process (CIRP) against Corporate debtor , CD. State the correct statement with respect to the competency of the X trust in the filing of the petition in the above situation-

- a) X Trust is not a competent applicant as per section 6 of the IBC, 2016
- b) X Trust is being authorized by the FC to file an application
- c) X Trust in the capacity of financial creditor can file a valid petition.
- d) None of the above

19. 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 at least hundred members is not complied with.

20. Rameshwaram Pvt. Ltd. Company was incorporated on January 12, 2018. The company needs to pass a resolution for the purchase of raw material. The copy of the resolution along with all the necessary documents were circulated to all the directors. The company has 10 directors Mr. Ram, Mr. Kamal, Mr. Raj, Mr. Firoz, Mrs. Nupur, Mr. Bharat, Mr. Vinod, Mrs. Rekha, Mr. Kapoor and Mr. Jeevan. Mr. Raj and Mr. Ram were abroad at the time of passing the resolution. Mr. Ram, Mr. Raj, Mrs. Nupur and Mr. Kamal took objection before the chairman against the passing of the resolution and want to discuss it further in the meeting. Find out the correct statement?

- a) Since the resolution is passed by majority of the members there is no need for further discussion on it as it was duly circulated to all the directors.
- b) Mr. Ram and Mr. Raj cannot raise any objection as they were out of India while passing the resolution.
- c) The objection is sustainable as it is made by one third of the members of the board and the meeting is held for further discussion
- d) The objection is sustainable as it is made by two third of the members of the board and the meeting is held for further discussion

## SECTION – B

**QUESTION NO.1 is compulsory and attempt any four out of five questions.**

### QUESTION 1

- (a) Two (2) out of Ten (10) directors on the board of XYZ Limited have retired by rotation at an Annual General Meeting. These two (2) vacancies or place of retiring directors is not filled up and the meeting has also not expressly resolved 'not to fill the vacancy'. Since the AGM could not complete its business, it is adjourned to a later date. Neither place of retiring directors could be filled up at this adjourned meeting nor did the meeting expressly resolve 'not to fill the vacancy'.

Analyze & apply relevant provisions of the Companies Act, 2013 and decide:

- (i) Whether in such a situation the retiring directors shall be deemed to have been reappointed at the adjourned meeting?
- (ii) What will be your answer in case at the adjourned meeting, the resolutions for reappointment of these directors were lost?
- (iii) Whether such directors can continue in case the directors do not call the Annual General Meeting?

**(8 Marks)**

- (b) M/s Tristar Ltd. (an unlisted public limited company) with the annual turnover of Rs. 700 crores entered into a contract of purchasing of raw material from M/s. PTC Pvt. Ltd. during the year 2018. M/s Tristar Ltd. appointed Mr. Sudhir, a Director of the Company, to act in this deal of transaction on behalf of the company. Mr. Sudhir is also one of the member of M/s PTC Pvt. Ltd. Mr. Sudhir settled the said transaction of purchase for Rs. 85 crores and entered into the contract. After a few transactions executed under the contract, the Board of M/s Tristar Ltd. finds degradation in the quality of the raw material supplied. Further, in a board meeting this contract was challenged considering it as a related party transaction and in contravention to section 188 (1) of the Companies Act, 2013 read with rules framed thereunder. During the period Mr. Sudhir was appointed as director in a newly incorporated company M/s Raaga Limited.

In the light of the given facts, examine the following situations as per the Companies Act, 2013.

- (i) What is the legal position of the contract entered between M/s Tristar Ltd. through its director Mr. Sudhir, and M/s. PTC Pvt. Ltd.?
- (ii) Is there any contravention of section 188 (1)? If yes, then state the liability of the wrongdoer.
- (iii) Comment upon the appointment of Mr. Sudhir as a Director in M/s Raaga Limited.

**(6 Marks)**

### QUESTION 2

- (a) (i) A group of shareholders consisting of 30 members decide to file a petition before the Tribunal for relief against oppression and mismanagement by the Board of Directors of M/s. Aravalli Manufacturing Company Limited having a paid up Share Capital of Rs. 1 crore. The company has a total of 500 members and the group of 30 members holds one-tenth of the total paid-up share capital accounting for one-fifteenth of the issued share capital. The grievance of the

group is that due to the mismanagement by the Board of Directors, the company is incurring losses and has not declared any dividend for the past five years. In the light of the provisions of the Companies Act, 2013, please advise the group of shareholders regarding the admission of the petition and the relief thereof.

**(4 Marks)**

- (ii) A meeting of members of ABC Limited was convened as per the orders of the Court to consider a scheme of compromise and arrangement. Notice of the meeting was sent to 1000 members holding in aggregate 500000 equity shares. The meeting was attended by 800 members holding 350000 shares. 450 members holding 240000 shares voted in favour of the scheme; 200 members holding 60000 shares voted against the scheme. The remaining 150 members abstained from voting. Explain with reference to the provisions of the Companies Act, 2013, whether the scheme is approved by the requisite majority.

**(4 Marks)**

- (b) Popular Limited defaulted in the repayment of term loan taken from a Bank against security created as a first charge on some of its assets. The bank issued notice pursuant to Section 13 of the SARFAESI Act, 2002 to the Company to discharge its liabilities within a period of 60 days from the date of the notice. The company failed to discharge its liabilities within the time limit specified.

Explain the measures to be taken by the Bank to enforce its security interest under the said Act.

**(6 Marks)**

### QUESTION 3

- (a) Info-tech Overtrading Ltd. was ordered to be compulsorily wound up by an order dated 10<sup>th</sup> March, 2019 by the Tribunal. The official liquidator who has taken control of the assets and other records of the company has noticed that :

- (i) One of the contributory whose calls are pending to be paid is about to leave India for evading payment of calls and;
- (ii) A person having books of accounts of the company in his possession may abscond to avoid examination of books of accounts in respect of the affairs of the company.

Apprehending such possibilities, Tribunal detained such contributory for next 6 months disallowing him to leave India as well as arrest & seized books of accounts from the person which may possibly abscond to avoid examination of the affairs of the company.

Referring to the provisions of Companies Act, 2013, answer the following in current scenario :

- (i) What is the validity of Tribunal's order for detention of contributory disallowing him to leave India?
- (ii) Is it correct from Tribunal's part to arrest and seize books of accounts from the person planning to abscond to avoid examination of books of accounts in respect of the affairs of the company?

**(8 Marks)**

- (b) (i) Mr. Dawood Moosa, a known smuggler was caught in transfer of funds illegally exporting narcotic drugs from India to some countries in Africa. State the maximum punishment that can be awarded to him under Prevention of Money Laundering Act, 2002.

**(2 Marks)**



- (ii) Mr. Robert has been arrested for a cognizable and non-bailable offence under Part- A of the schedule punishable for a term of imprisonment for more than three years under the Prevention of Money Laundering Act, 2002. He seeks your advice as to how can he be released on bail. Advise him. **(4 Marks)**

#### **QUESTION 4**

- (a) Mr. Daksh, an Indian National desires to obtain foreign exchange for the following purposes:

- (i) Payment to be made for securing health insurance from a company abroad.
- (ii) Payment of commission on exports under Rupee State Credit Route.

Advise whether he can get foreign exchange and if so, under what condition?

**(4 Marks)**

- (b) After giving a reasonable opportunity of being heard, Central Government cancelled the certification of registration of Toastea Ltd, a company registered under FCRA on the ground of public interest 2.5 years have passed since such cancellation. Company has submitted its written declaration not to involve in such activity again and request to restore the registration. Advise Toastea Ltd. on its eligibility for re-registration or grant of prior permission. Also state the circumstance under which Government can cancel the certificate of registration granted to a person under the Foreign Contribution (Regulation) Act, 2010.

**(6 Marks)**

- (c) On 1st day of April, 2018, Almond Food Processors limited, a company engaged in food processor manufacturing unit entered into a joint venture agreement with Ronnie and Coleman Company Limited, the largest manufacturer of Food processors. Both the companies are registered under the Companies Act, 2013. Agreement carries the term that all disputes shall be arbitrated in Delhi. In the light of the Arbitration and Conciliation Act, 1996, discuss:

- (i) The type of arbitration agreement made between them.
- (ii) Examine what will happen if the agreement does not have any clause relating to arbitration where disputes arose between them concerning quality of material supplied in 2019.

**(4 Marks)**

#### **QUESTION 5**

- (a) Gulmohar Ltd. is a company registered in India for last 5 years. Since last 2 financial years, it has not been carrying on any business or operations and has not filed financial statements and annual returns saying that it has not made any significant accounting transaction during the last two financial years. Considering the current situation, Directors of the Company is contemplating to apply to Registrar of Companies to obtain status of dormant or inactive company. Advise them on :

- (i) Whether Gulmohar Ltd. is eligible to apply to Registrar of Companies to obtain dormant status for the company?
- (ii) Will your answer be different if Gulmohar Ltd is continuing payment of fees to Registrar of Companies and payment of rentals for its office and accounting records for last two financial years?

- (iii) Is special resolution in general meeting a pre-requisite to make an application to Registrar of Companies for obtaining the status of dormant company?
- (iv) What will be your answer if it is found after making an application of dormant company to Registrar of Companies that an investigation is pending against the company which was ordered 6 months ago? **(8 Marks)**

- (b) The following particulars relate to M/s. Star House (P) Limited which has gone into Corporate Insolvency Resolution Process (CIRP):

S. No.	Particulars	Amount in Rupees
1.	Amount realized from the sale of liquidation of Assets	7,00,000
2.	Secured Creditors who has relinquished the security	2,50,000
3.	Unsecured Financial Creditors.	2,00,000
4.	Income Tax Payable within a period of two years preceding the liquidation commencement date.	25,000
5.	Cess Payable to State Government within a period of one year preceding the liquidation commencement date.	10,000
6.	Fees payable to resolution professional.	37,500
7.	Expenses incurred by the resolution professional in running the business of M/s. Star House (P) Limited on going concern.	17,500
8.	Workmen salary payable for a period of thirty months preceding the liquidation commencement date. The workmen salary is equal per month.	1,50,000
9.	Equity Shareholders.	5,00,000

State the priority order in which the liquidator shall distribute the proceeds under the Insolvency & Bankruptcy Code, 2016. **(6 Marks)**

#### QUESTION 6

- (a) M/s Bright Motors (P) Limited at the Annual General Meeting (AGM) held on 30.09.2016 appointed Mr. Anmol as a Non-Executive Director on the board of the company for a period of three years. On 2<sup>nd</sup> October, 2017 Mr. Anmol suffered a severe heart failure and expired. The board of directors of the company on 16<sup>th</sup> October, 2017 appointed Mr. Prateek to fill the casual vacancy so created. The appointment of Mr. Prateek was made for a term of three years by the board. Subsequently at the AGM held on 29-09-2018 Mr. Prateek's appointment was not proposed or approved as the board was of the view that it is not required. But the CFO of the company is of the opinion that the board of directors have contravened the provisions of the Companies Act, 2013 in respect of non-approval of the appointment of Mr. Prateek and his office tenure. Decide. **(4 Marks)**

(b) Mr. Dhruv is a Director of M/s. LT Limited and XT Limited respectively. M/s. LT Limited did not file its financial statements for the year ended 31<sup>st</sup> March, 2016, 2017 & 2018 respectively with the Registrar of Companies (ROC) as mandated under the Companies Act, 2013. M/s. LT Limited also did not pay interest on loans taken from a public financial institution from 1<sup>st</sup> April, 2017 and also failed to repay matured deposits taken from public on due dates from 1<sup>st</sup> April, 2017 onwards.

Answer the legality of the following in the light of the relevant provision of the Companies Act, 2013 :

(i) Whether Mr. Dhruv is disqualified under Companies Act, 2013 and if so, whether he can continue as a Director in M/s LT Limited? Further can he also seek reappointment when he retires by rotation at the AGM of M/s. XT limited scheduled to be held in September, 2019?

(ii) Mr. Dhruv is proposed to be appointed as an Additional Director of M/s. MN Limited in June 2019. Is he eligible to be appointed as an Additional Director in M/s. MN Limited? Decide. **(6 Marks)**

(c) 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. **(4 Marks)**