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SUBJECT- LAW

Test Code – CIM 8370

BRANCH - () (Date :)

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ANSWER-1

- A. As per section 124 of the Companies Act, 2013, where a dividend has been declared by a company but has not been paid/claimed to/by shareholder within 30 days from the date of the declaration, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid/unclaimed to the Unpaid Dividend Account.

The company shall, within a period of 90 days of making any transfer of an amount, prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and place it on the web-site of the company, if any, and also on any other web-site approved by the Central Government for this purpose, in such form, manner and other particulars as may be prescribed.

Accordingly, in the given situation, RST Ltd. failed to give statement of Unpaid/unclaimed dividend and so liable for the said noncompliance of section 124 of the Companies Act, 2013. Any person claiming to be entitled to any money transferred under section 124(1) to the Unpaid Dividend Account of the company may apply to the company for payment of the money claimed. Since RST Ltd. failed to comply with the requirements of this section as to the preparing of a statement of unpaid dividend, so shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than one lakh rupees but which may extend to 5 lakh rupees.

(5 MARKS)

- B. Section 83 of the Companies Act, 2013 provides powers to the registrar to make entries with respect to the satisfaction and release of charges where no intimation has been received by him from the company.

- a. The Registrar may, on evidence being given to his satisfaction with respect to any registered charge-
 - i. that the debt for which the charge was given has been paid or satisfied in whole or in part; or
 - ii. that part of the property or undertaking charged has been released from the charge or

has ceased to form part of the company's property or undertaking,

- enter in the register of charges a memorandum of satisfaction in whole or in part, or of the fact that part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking, as the case may be, despite the fact that no intimation has been received by him from the company.

- b. The Registrar shall inform the affected parties within thirty days of making the entry in the register of charges kept under section 81(1).

According to the *Companies (Registration of Charges) Rules, 2014* with respect to the satisfaction of charge-

- (1) A company shall within a period of thirty days from the date of the payment or satisfaction in full of any charge registered, give intimation of the same to the Registrar along with the fee.
- (2) **Where the Registrar enters a memorandum of satisfaction of charge** in full in pursuance of section 82 or 83, he shall **issue a certificate of registration of satisfaction of charge**.

(5 MARKS)

ANSWER-2

A. Section 109 of the Companies Act, 2013 provides for the demand of poll before or on the declaration of the result of the voting on any resolution on show of hands. Accordingly law says that:-

Order of demand for poll by the chairman of meeting: Before or on the declaration of the result of the voting on any resolution on show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion, and shall be ordered to be taken by him on a demand made in that behalf:-

- (a) In the case a company having a share capital, by the members present in person or by proxy, where allowed, and having **not less than one-tenth of the total voting power or holding shares on which an aggregate sum of not less than five lakh rupees** or such higher amount as may be prescribed has been paid-up; and
- (b) in the case of any other company, by any **member or members present in person or by proxy, where allowed, and having not less than one tenth of the total voting power**.

Withdrawal of the demand: The demand for a poll may be withdrawn at any time by the persons who made the demand.

Hence, on the basis on the above provisions of the Companies Act, 2013:

- (i) The **chairman cannot reject the demand for poll as poll can be demanded by the members present in person or by proxy subject to provision in the articles of company**.
- (ii) The **chairman cannot reject the request of the members for withdrawing the demand of the Poll**.

(5 MARKS)

B. Section 135 read with *Companies (Corporate Social Responsibility Policy) Rules, 2014* of the Companies Act, 2013 deals with the provisions related to the Corporate Social Responsibility.

As per the given facts, following are the answers in the given situations-

- a. **Amount that Company has to spend towards CSR:** According to section 135 of the Companies Act, 2013, the Board of every company shall ensure that the company spends, in every financial year, **at least two per cent of the average net profits of the company made during the three immediately preceding financial years**, in pursuance of its CSR Policy.

Accordingly, net profits of Tirupati Ltd. for three immediately preceding financial years is 150 crores (30+70+50) and 2% of the average net profits of the company made during these three immediately preceding financial years will constitute 1 crore, can be spent towards CSR in financial year 2017-2018.

b. Composition of CSR Committee: The CSR Committee shall be **consisting of 3 or more directors, out of which at least one director shall be an independent director.**

- i. an unlisted public company or a private company covered under section 135(1) which is not required to appoint an independent director, shall have its CSR Committee without such director;
- ii. a private company having only two directors on its Board shall constitute its CSR Committee with two such directors;

(5 MARKS)

ANSWER-3

A. The **following class of companies shall file their financial statement in XBRL** (extensible Business Reporting Language) mode and by using the XBRL taxonomy:

- (i) all **companies listed with any stock exchange(s) in India and their Indian subsidiaries;**
or
- (ii) all **companies having paid up capital of rupees 5 crores or above;**
- (iii) all **companies having turnover of rupees 100 crores or above;** or
- (iv) all **companies which were covered under the Companies** (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011.

However, Banking Companies, Insurance Companies, Power Companies and Non- Banking Financial Companies (NBFCs) and housing finance companies need not file financial statements under this rule. ABC Ltd is required to file its financial statement in XBRL mode.

(5 MARKS)

B. **According to section 100 of the Companies Act, 2013, the Board may, whenever it deems fit, call an extraordinary general meeting of the company.**

Provided that an extraordinary general meeting of the company, other than of the wholly owned subsidiary of a company incorporated outside India, shall be held at a place within India.

In the light of the above provisions:

- a. The Board of Directors can call the EGM in India.
- b. The Board of Directors cannot call the EGM of Primal Limited outside India as it is a company incorporated in India.

(5 MARKS)

ANSWER-4

A. **Section 127 of the Companies Act, 2013 lays down the penalty for non - payment of dividend within the prescribed time period.** Under section 127 where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within 30days from the date of declaration to any shareholder entitled to the payment of the dividend:

- (a) every director of the company shall, if he is knowingly a party to the default, be punishable with imprisonment which may extend to two years and with fine which shall not be less than one thousand rupees for every day during which such default continues; and
- (b) the **company** shall be liable to pay **simple interest at the rate of eighteen per cent per annum** during the period for which such default continues.

Therefore, **in the given case Mr Rajan will not succeed in his claim for 20% interest** as the limit under section 127 is 18% per annum.

(4 MARKS)

B. **Inspection of Books of Accounts of the Company (Section 128 of the Companies Act, 2013)—**

Mr. Bhagvath has no right to carry out an inspection of the books of accounts of the company despite the fact that he holds 76% of the equity shares of M/s Renowned Company Ltd. According to sections 128(3) and 206 of the Companies Act, 2013, **following persons have the right to carry out the inspection of the books of accounts of the company.**

- (i) **Directors of the Company** [Section 128(3) of the Companies Act, 2013]
- (ii) **Registrar of Companies** [Section 206 of the Companies Act, 2013]
- (iii) **Such officer of Government as may be authorised by the Central Government** in this behalf (Section 206 of the Companies Act, 2013).
- (iv) **Such officers of SEBI as may be authorised by SEBI** [Section 206 read with Section 24 of the Companies Act, 2013].

Since Mr. Bhagvath does not fall in any of above mentioned categories, he is not eligible to carry out the inspection.

[Note : According to Regulation 89(ii) of the Table F of the Schedule I of the Companies Act, 2013, a member shall have right of inspecting any account or book or document of the company only if conferred by law or authorized by the Board or by the company in general meeting].

(6 MARKS)

ANSWER-5

(10*1 = 10 MARKS)

1. B
2. D
3. C
4. D

- 5. B
- 6. A
- 7. C
- 8. D
- 9. D
- 10. C