

Roll No.

MAY 2011

Total No. of Questions – 7

Total No. of Printed Pages – 7

Time Allowed – 3 Hours

Maximum Marks – 100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate has not opted for Hindi medium, his answers in Hindi will not be valued.

Question No. 1 is compulsory.

Attempt any **five** questions from the remaining **six** questions.

Marks

1. (a) The agenda for the meeting of the Board of Directors of M/s. Brilliant Enterprises Ltd. held on 20-3-2011 for adopting the annual accounts for the year ended 31-12-2010 included an item relating to payment of dividend. At the meeting it became apparent that the profits made during the year ended 31-12-2010 were inadequate to declare dividend. The Board was keen to maintain the rate of 20% dividend on the equity shares as declared in the previous years so as to maintain the image of the company. The company has some accumulated profits earned in previous years, which were transferred to reserves. Advise the company as to how it should go about to achieve the objective to pay dividend at the rate of 20% on the equity shares. **5**

- (b) Evershine Ltd., whose financial year ended on 31st March, 2010 held its annual general meeting on 30th September, 2010. The meeting transacted all other businesses except the accounts as they were not ready and adjourned the meeting to 20th December, 2010 for consideration of accounts. The Registrar of Companies issued show cause notice for violation of section 210 of the Companies Act, 1956. Advise. 5
- (c) M/s. Ganesham & Company is a member of recognized stock exchange. Nova Crafts Export Limited desires that shares of the company may be bought and sold by M/s. Ganesham & Company on their own as well as on behalf of the investors. 5
- Advise M/s. Ganesham & Company whether they can do so under the provisions of the Securities Contracts (Regulation) Act, 1956.
- (d) XYZ Ltd. was registered in the year 2005 under Companies Act, 1956. There are allegations that the three directors who manage the affairs of the company are siphoning the funds of the company. The company has not declared any dividends on the ground that company is incurring losses. Mr. A, who controls 51% of the share capital of the company sends a notice to the management that he will inspect the books of account to verify the allegations. Examine the right of Mr. A to carry out the inspection. State the persons who have the right to carry out the inspection under the Companies Act, 1956. 5

2. (a) The Balance Sheet of International Operators Ltd. as at 31-03-2011 disclose the following position : 8

		₹ (in crores)
Share Capital	—	100
Reserves & Surplus	—	300
Secured Loans	—	150
Unsecured Loans	—	100
Current Liabilities	—	70

Mr. X, the Managing Director of the company approaches the Royal Bank for a secured loan of ₹ 600 crores to finance the new projects to be taken up shortly.

The Bank seeks your advice whether it can grant the loan of ₹ 600 crores on the application of Mr. X. Advise the Royal Bank having regard to the provisions of the Companies Act, 1956.

- (b) Define “contributory” in a winding up. Explain the liabilities of contributories as present and past members. 8

3. (a) The members of both Sugam Synthetix Limited and Gaurav Textiles Limited approved the scheme of amalgamation by overwhelming majority. A reputed firm of Chartered Accountants fixed the exchange ratio. The scheme of amalgamation was submitted, as per procedure, for the sanction of the Court. During pendency of the matter a small group of members of one of the merging companies objected to the amalgamation on the ground that the exchange ratio was unfair. 8

Decide whether the said objection is likely to be sustained. Would your answer be different if similar objection was raised by the Central Government ?

(b) Point out the circumstances where under the following powers may be exercised by the Securities and Exchange Board of India : 8

- (i) Prohibiting a company from issuing or publishing any document or advertisement soliciting money from public for the issue of securities.
- (ii) Pass cease and desist order in relation to any listed company.

What remedies are available to the companies against such orders under the Securities and Exchange Board of India Act, 1992 ?

4. (a) The Central Government acquired a Banking Company. The scheme of acquisition, apart from other matters, provided for the quantum of compensation payable to the shareholders of acquired bank. Some shareholders are not satisfied with the amount of compensation fixed under the scheme of acquisition. 8

Is there any remedy available to the shareholders under the provisions of the Banking Regulation Act, 1949 ?

(b) X Ltd. was registered in the year 2005 under the Companies Act, 1956. The management of the company decides to make donation to a recognized political party. Advise the management about the restrictions and the extent upto which such donation can be made under the said Act. Will it make any difference if X Ltd. was registered in the year 2009 ? 8

5. (a) Explain what is meant by (i) Compoundable Offences and (ii) Non-Compoundable Offences. State the authorities who can compound the said offences. Indicate whether the following offences are compoundable or non-compoundable : 8
- (i) Failure to hold the annual general meeting of the company.
 - (ii) Failure to file copies of annual accounts with the Registrar of Companies.
 - (iii) Acceptance of deposits in excess of the prescribed limits and
 - (iv) Non-distribution of dividend to the members within the prescribed time.
- (b) Explain when a Public Limited Company is necessarily required to appoint a Managing Director under the Companies Act, 1956. Draft a Board resolution for the appointment of Mr. Intelligent as the Managing Director of Smart Limited on a salary of ₹ 5 Lakhs per month along with other usual perquisites. 8
6. (a) The Registrar of Companies, Mumbai filed a petition in the Bombay High Court for compulsory winding up of 'Constant Overtrading Ltd.' on the ground that a perusal of the Balance Sheet of the company as at 31-03-2009 revealed that its liabilities far exceeded the assets and consequently the company is unable to pay its debts. Examine with reference to the provisions of the Companies Act, 1956, the various factors the High Court will take into account before the company is ordered to be wound up compulsorily and whether there is any justification in the present case for the Court to order winding up of the company. 8

- (b) Annual general meeting of Hero Ltd. has been scheduled in compliance with the requirements of the Companies Act, 1956. In this connection, it has some directors who are rotational and out of which some have been appointed long back, some have been appointed on the same day. 8

Decide in this connection,

- (i) Which of the directors shall be retiring by rotation and be eligible for re-election ?
- (ii) In case two directors were appointed on the same day, how would you decide their retirement by rotation ?
- (iii) In case the meeting could not decide how the vacancies caused by retirement to be dealt with, what shall be consequences ?
- (iv) What will be your answer, assuming that the matter could not be decided even at the adjourned meeting ?

7. Attempt any **four** :

- (a) During the financial year 2010-11 Mr. Bhattacharyya resided in India for a period of 180 days and thereafter went abroad. On 1st April, 2011 Mr. Bhattacharyya came back to India as an employee of a business organization. Decide the residential status of Mr. Bhattacharyya during the financial year 2010-11 under the provisions of the Foreign Exchange Management Act, 1999. 4
- (b) What are the provisions in the Insurance Act, 1938 regarding nomination by Life Insurance Policy holder ? Whether a minor can be a nominee in a Life Insurance Policy ? 4

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- (c) The Competition Commission of India has received a complaint that M/s. ABC company has been abusing its dominant position in the food processing industry. Explain briefly the factors that will be considered by the Commission to ascertain whether M/s. ABC company enjoys a dominant position in the industry. 4
- (d) "Associate words should be understood in common sense manner." 4
Explain the statement in the light of rules of interpretation of statutes.
- (e) RST Ltd. is a securitization and reconstruction company under SRFAESI Act, 2002. The certificate of registration granted to it was cancelled. State the authority which can cancel the registration and the right of RST Ltd. against such cancellation. 4