

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 7

Time Allowed – 3 Hours

MAY 2012

Maximum Marks – 100

ZIP

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) Mr. DRT is a director of PCS Ltd. The said company is having sufficient liquid funds and Mr. DRT is in dire need of funds. In order to mitigate the hardship of Mr. DRT the board of directors of PCS Ltd. wants to lend ₹ 5 lakhs to him and ₹ 2 lakhs to his wife. State whether such loans can be given and if so under what conditions. What would be your answer if the company PCS LTD would have been PCS Private Ltd. 4

- (b) M/s KMP Ltd, having a paid up share capital of ₹ 50 lakhs, appointed Mr. BPK as its sole selling agent for a period of 5 years effective from 1st January 2009. The company paid the following remuneration to BPK. 5

Year	Amount of remuneration
2009	₹ 4,41,000/-
2010	₹ 6,32,000/-
2011	₹ 7,45,000/-

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P.T.O.

On and from 1st January 2012, the sole selling agency was terminated by the company. State briefly the approvals that are required to be taken by the company for giving effect to the appointment of Mr. BPK. Also calculate the amount of compensation payable by the company to Mr. BPK under the provisions of the Companies Act 1956.

- (c) The Board of Directors of M/s RPP Ltd. in a meeting held on 30th April 2012 declared an interim dividend payable on the paid up equity share capital of the company. In the board meeting scheduled for 15th May 2012, the board wants to revoke the said declaration. State with reference to the provisions of the Companies Act, 1956 whether the board of directors can do so. 5
- (d) DVJ Ltd, a company incorporated under the Companies Act, 1956 applies to Bombay Stock Exchange for listing of its shares. The Stock Exchange refuses to grant listing without assigning any reasons for refusal. Company seeks your advice on the options available to it against the Stock Exchange and wants to move the Court. Examining the provisions of the Securities Contracts (Regulation) Act, 1956, advise the company. 6
2. (a) Win Ltd. is a company incorporated 15 years ago and during the last three consecutive financial years it earned profits, as determined under Sections 349 and 350 of the Companies Act, 1956, of ₹ 5.00 lakhs, 8.00 lakhs and 11.00 lakhs. In order to augment its business prospects, it wants to make donations to political parties. State with reference to the provisions of the Companies Act, 1956 whether the company can make such donations and if yes to what extent. Also state which type of donation, subscription, payment, expenditure is regarded as contribution for political purpose. 8

- (b) In the course of administration of the affairs of a limited company, Chairman of the Board of directors came across a matter which required the approval by way of a board resolution. In the prevailing circumstances, it is not possible to convene and hold a Board meeting. The chairman approaches you to advise him of the way and the relevant procedure to obtain such approval without holding the Board meeting. Advise the chairman, taking into account the relevant provisions of the Companies Act, 1956. 8
3. (a) 60% shares of Indo-French Ltd. are held by the French group and balance by the Indian group. As per Articles of Association of the company, both groups had equal managerial powers. The relationship between the two groups soured and the operations of the company reached a deadlock. The Indian group approached the Company Law Board (CLB) for action against the French group for oppression as stated in Section 397 of the Companies Act, 1956. Based on the abovesaid facts, decide the following issues. 8
- (i) Whether the contention of oppression against the French group by the Indian group is tenable ?
- (ii) What are the powers of CLB in this regard ?
- (b) The management of ABC Ltd. a listed company is contemplating to issue bonus shares in the ratio of 1 : 1. Explain briefly the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 to be followed by the management in this regard. Examine whether a bonus issue when announced can be withdrawn. 8

4. (a) Amar Textiles Ltd. is a company engaged in the manufacture of fabrics. The company has investments in shares of other bodies corporate including 70% shares in Amar Cotton Company Ltd. and it has also advanced loans to other bodies corporate. The aggregate of all the investments made and loans granted by Amar Textiles Ltd. exceeds 60% of its paid up share capital and free reserves and also exceeds 100% of its free reserves. In course of its business requirements, Amar Textiles Ltd. has obtained a term loan from Industrial Development Bank of India which is still subsisting. Now the company wants to increase its holding from 70% to 80% of the equity share capital in Amar Cotton Company Ltd. by purchase of additional 10% shares from other existing shareholders. State the legal requirements to be complied with by Amar Textiles Ltd. under the provisions of the Companies Act, 1956 to give effect to the above proposal. 8
- (b) The Reserve Bank of India issued certain directives to a Banking Company. The company does not care to act as per the directives. This fact comes to the notice of the officials of the Government of India. The officials, therefore desire to exercise the Central Government's powers to acquire the said Banking Company. Examining the provisions of the Banking Regulation Act, 1949, state the manner, if any, such powers can be exercised. Also, state the matters that may be incorporated in the scheme of acquisition. 8

5. (a) Big Ben Ltd., a reputed public company, had advanced a sum of ₹ 20 lakhs to one of its directors Mr T on certain terms and conditions and fixing the time limit for repayment thereof. Now Mr T has approached the company with a request to extend the time limit for repayment of outstanding balance loan amounting to ₹ 10 lakhs by another six months. Answer the following having regard to the provisions of the Companies Act, 1956. 8
- (i) Who is authorized to grant the extension as requested by Mr T ?
- (ii) Draft an appropriate notice for the meeting where such extension may be granted.
- (b) Explain briefly the provisions of the Companies Act, 1956 regarding constitution of "Audit Committee". MNC Ltd. constituted an audit committee as required by the said Act. The committee in its report dated 30th April 2012 has pointed out various irregularities in the financial transactions entered into by the company. The management of the company does not agree with the contents of the audit committee report. Explain the action that can be taken in this regard. 8
6. (a) DAJ Ltd. engaged in the construction work issued to public certain shares. The money received was used for the construction purposes. Since the company is not in a position to pay any dividend for a long time because of the longer gestation period, the Board of Directors of the company wants to pay interest out of capital to its shareholders. Advise the Board about the conditions to be complied with as required under the provisions of the Companies Act, 1956. 8

- (b) DEJYAS Company Limited incorporated in Singapore, desires to establish a place of business at Mumbai. You being a practising Chartered Accountant has been appointed by the company as a liaison officer, for compliance of legal formalities on behalf of the company. Examining the provisions of the Companies Act, 1956, state the documents you are required to furnish on behalf of the company, on the establishment of a place of business at Mumbai. 8

7. Attempt any **four** :

- (a) BCD Exporters, New Delhi are engaged in export business and are required to realise and repatriate to India the foreign exchange arising out of export of goods by them. Advise BCD Exporters about the various exemptions from realizations and repatriation of foreign exchange as per Foreign Exchange Management Act 1999. 4
- (b) Hon'ble Justice Mr HCJ, a retired High Court Judge, attained the age of 61 years on 31st December 2011. The Central government appointed him as the chairperson of the Competition Commission of India with effect from 1st January 2012. State, with reference to the provisions of the Competition Act, 2002, the term for which he may be appointed as chairperson of the Competition Commission of India. Whether he can be reappointed as such and till when he can remain as chairperson of the Competition Commission of India ? 4
- (c) Explain the term "Offence of Money Laundering" within the meaning of the Prevention of Money Laundering Act, 2002. State the punishment for the offence of money laundering. 4

- (d) With reference to the provisions of Insurance Act, 1938 as amended by Insurance Regulatory and Development Authority Act, 1999, state the norms in respect of paid up equity capital for carrying out the business of an insurer. Also state the items that are excluded in determining the amount of paid up equity capital of an insurer under the said Acts. 4
- (e) Explain the principles of "Grammatical Interpretation" and "Logical Interpretation" of a Statute. What are the duties of a court in this regard ? 4