

FINAL
GROUP-I PAPER-4
CORPORATE AND
ALLIED LAWS

MAY 2013

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 7

Time Allowed – 3 Hours

Maximum Marks – 100

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Answers to the 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. Ramanujam, one of the Directors in Debari Food Processing Limited was not satisfied with the performance of the company in financial matters. He requested Mr. Anandaraja, a Chartered Accountant, to inspect the books of accounts of the company on his behalf. Decide, under the provisions of the Companies Act, 1956 whether the said company can refuse to allow Mr. Anandaraja to inspect the books of accounts ? **4**

- (b) The issued, subscribed and paid-up capital of Supreme Chemicals Limited is ₹ 2 crore consisting of 20,00,000 equity shares of ₹ 10 each. The said company has 800 members. For the purpose of relief against oppression and mismanagement, a petition was submitted before the appropriate authority duly signed by 90 members holding 1,00,000 equity shares of the said company. Subsequently, 30 members, who signed the petition, withdrew their consent. Decide, under the provisions of the Companies Act, 1956 whether the said petition is maintainable ? **5**

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P.T.O.

- (c) Mr. Gopalasunderam, a Director in Fatehnagar Textiles Limited, took a loan from the company without obtaining the approval of the Central Government. Examine, under the provisions of the Companies Act, 1956 whether it is possible for him to avoid prosecution by applying to the Central Government for approval or by refunding the loan taken by him from the company. **5**
- (d) The Securities and Exchange Board of India received serious complaints against Mr. Satyanarayan, a member of Mavli Stock Exchange. State as to what powers can be exercised by the Securities and Exchange Board of India to make enquiries and to take action in this matter, under the provisions of the Securities Contracts (Regulation) Act, 1956 ? **6**
2. (a) Hi-tech Engineering Limited engaged in the business of engineering construction and cement manufacturing, decided to concentrate on its core business of engineering construction and hive off (demerge) its cement business in favour of Premier Cement Limited. State the steps to be taken by Hi-tech Engineering Limited to give effect to the proposed demerger under the provisions of the Companies Act, 1956. **8**
- (b) State the legal requirements to be complied with by a public company in respect of a Board Meeting. **8**
- Examine with reference to the provisions of the Companies Act, 1956 whether notice of a Board Meeting is required to be sent to the following persons :
- (i) Alternative Director ;
 - (ii) An interested Director ;
 - (iii) A Director who has expressed his inability to attend a particular Board Meeting ;
 - (iv) A Director who has gone abroad.

3. (a) The statutory auditors of Ghosunda Refinery Limited, did not verify the correctness of the particulars furnished in the Board's Report in respect of certain employees under Clause (2A) of Section 217 of the Companies Act, 1956. State the particulars which are required to be furnished under Clause (2A) of Section 217 of the said Act and also explain the legal position relating to verification of these particulars by the auditors of the said Company. **8**
- (b) Modern Chemicals Limited, a listed company, propose to make a preferential issue of equity shares to the promoters of the Company. You are required to answer the following with reference to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 :- **8**
- (i) What are the conditions to be complied with by the Company to give effect to the proposed preferential issue ?
- (ii) What is the price at which the proposed issue can be made ?
- (iii) What is the lock-in period in respect of shares allotted on preferential basis to promoters ?
4. (a) Mr. Kishore is a Director of AB Limited and PQ Limited. AB Limited was regular in filing the Annual Returns but did not file annual accounts for the years ended 31st March, 2009, 2010 and 2011. AB Limited did not pay interest on loans taken from a public financial institution from 1st April, 2011 and also failed to repay matured deposits taken from public on due dates from 1st April, 2012 onwards. **8**

Answer the following in the light of relevant provisions of the Companies Act, 1956 :-

- (i) Whether Mr. Kishore is disqualified under Section 274 (1) (g) of the Companies Act, 1956 and if so, whether he can continue as a Director in AB Limited and also seeks reappointment when he retires by rotation at the Annual General Meeting of PQ Limited to be held in September, 2013 ?
- (ii) Mr. Kishore is proposed to be appointed as Additional Director of XY Limited in June, 2013. Is he eligible to be appointed as Additional Director in XY Limited ?
- (b) Morbani Woods Limited decide to appoint Mr. Wahid as its Managing Director for a period of 5 years with effect from 1st May, 2013. Mr. Wahid fulfils all the conditions as specified in Part I and Part II of Schedule XIII of the Companies Act, 1956. 8

The terms of appointment are as under :

- (i) Salary ₹ 1 lakh per month ;
- (ii) Commission, as may be decided by the Board of Directors of the company ;
- (iii) Perquisites :
- Free Housing,
 - Medical reimbursement upto ₹ 10,000 per month,
 - Leave Travel concession for the family,
 - Club membership fee,
 - Personal Accident Insurance ₹ 10 lakh,
 - Gratuity, and
 - Provident Fund as per Company's policy.

You, being the Secretary of the said Company, are required to draft a resolution to give effect to the above, assuming that Mr. Wahid is already the Managing Director in a public limited company.

5. (a) What is meant by "misfeasance" ? Who can initiate misfeasance proceedings and is there any time limit for initiating such proceedings ? Examine the extent to which the legal representatives of a deceased Director, against whom misfeasance proceedings were initiated, can be held liable under the provisions of the Companies Act, 1956. 8
- (b) The Board of Directors of a newly incorporated Banking Company is required to file the accounts and Balance sheet. Advise the Board of Directors about the law relating to preparation, signing and filing of accounts and Balance sheet under the provisions of the Banking Regulation Act, 1949. Also state the applicability of the provisions of the Companies Act, 1956 in this regard. 8
6. (a) Southern India Sugar Producer Company Limited, having paid-up capital of ₹ 5 lakh and free reserves of ₹ 3 lakh, propose to make the following loans and investments : 8
- (i) Loan of ₹ 2 lakh to Mr. Ram, a member of the Company, for a period of one year and a loan of ₹ 1 lakh to Mr. Shekhar, a Director of the Company for a period of six months ;
- (ii) Investment of ₹ 3 lakh in the equity shares of XYZ Marketing Limited.
- State the restrictions, if any, in this regard and also the legal requirements to be complied with by the Company under the provisions of the Companies Act, 1956.

- (b) Examine in the light of the provisions of the Companies Act, 1956 whether the following companies can be considered as "Foreign Companies" :- 8

- (i) A company incorporated outside India having a share registration office at New Delhi;
- (ii) A company incorporated outside India having shareholders who are all Indian citizens ;
- (iii) A company incorporated in India but all the shares are held by foreigners.

Also examine whether the above companies can issue Indian Depository Receipts under the provisions of the Companies Act, 1956 ?

7. Attempt any four :

- (a) Mr. Kishore resided in India during the Financial Year 2009-2010 for less than 182 days. He came to India on 1st April, 2010 for business. He closed down his business on 30th April, 2011 and left India on 30th June, 2011 for the purpose of employment outside India. Decide the residential status of Mr. Kishore during the Financial Years 2010-2011 and 2011-2012 under the provisions of the Foreign Exchange Management Act, 1999. 4
- (b) Bombay Textiles Limited and Gujarat Textiles Limited marketing their products in India propose to be amalgamated. The enterprise created as a result of the said amalgamation will have assets of value of ₹ 300 crore and turnover of ₹ 1000 crore. Examine whether the proposed amalgamation attracts the provisions of the Competition Act, 2002 ? 4

- (c) "Money Laundering" does not mean just siphoning of fund. **4**

Comment on this statement explaining the significance and aim of the Prevention of Money Laundering Act, 2002.

- (d) Explain briefly the concept of "Securitisation" under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. **4**

- (e) Section 294 (2) of the Companies Act, 1956 provides that "the Board shall not appoint a Sole Selling Agent for any area except subject to the condition that the appointment shall cease to be valid if it is not approved by the company in the First General Meeting held after the date on which the appointment is made." **4**

Examine whether the procedure under the above provision is mandatory or directory ?

State also the distinction between a mandatory provision and a directory provision.