

Paper 13 – Corporate Laws and Compliance

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Full Marks: 100

Time allowed: 3 hours

Section – A

1. Answer all questions.

(a) Multiple Choice Questions

[20 Marks]

- (i) When the liability of the members of a company is limited by its memorandum of association to the amount (if any) unpaid on the shares held by them, it is known as a _____
- (a) company limited by shares
 - (b) company limited by guarantee
 - (c) Unlimited Company
 - (d) None of the above
- (ii) _____ means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company.
- (a) Director
 - (b) Manager
 - (c) Managing Director
 - (d) Promoter
- (iii) Any remuneration for services rendered by any such director in other capacity shall not be so included if
- (a) the services rendered are of a professional nature
 - (b) it is with approval of the Nomination and Remuneration Committee
 - (c) it is with approval of the Board of Directors
 - (d) None of the above
- (iv) _____ means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year [Sec 2 (91)].
- (a) Profits
 - (b) Net sales
 - (c) Turnover
 - (d) Net profit
- (v) National Voluntary Guidelines, 2011 have been articulated in the form of _____ Principles with the Core Elements to actualize each of the principles.
- (a) 9
 - (b) 10
 - (c) 12

- (d) 15
- (vi) When only a part of the shares is transferred, the company issues a ticket for the balance of shares not transferred. Such a ticket is known as
- (a) Issue Ticket
 - (b) Balance ticket
 - (c) Balance Certificate
 - (d) Issue Certificate
- (vii) Authorized Bank' means a bank including _____ (other than an authorized dealer) authorized by the Reserve Bank to maintain an account of a person resident outside India.
- (a) a Public Sector bank
 - (b) a Private Sector bank
 - (c) a co-operative bank
 - (d) a Non – Banking Financial Institution
- (viii) A _____ includes an agreement or arrangement in writing for transfer of assets, or funds, goods or services, from or to the corporate debtor.
- (a) Transaction
 - (b) Transfer
 - (c) Liquidation
 - (d) None of the above
- (ix) Guidance on implementation of principles and core elements states that the action _____ should focus on building strong relationships and engaging with stakeholders on a consistent and continuous basis is crucial.
- (a) leadership
 - (b) integration
 - (c) engagement
 - (d) reporting
- (x) _____, the maximum amount which can be invested by foreign investors in an entity, unless provided otherwise, is composite and includes all types of foreign investments, direct and indirect, regardless of whether the said investments have been made under different Schedules of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations.
- (a) Investment cap
 - (b) Sectoral cap
 - (c) FDI cap
 - (d) Reparation cap

Section – B

Answer any 5 questions:

[16×5 = 80]

2. (a) Powers of Tribunal to assess damages against delinquent directors. Discuss citing a few case laws.
- (b) A producer company was incorporated on 1st September, 2009. At present the paid-up Share Capital of the company is ₹10 lakhs consisting of 1,00,000 Equity Shares of ₹10 each fully paid-up held by 200 individuals and 20 producers institutions. You are required to answer the following with reference to the provisions of the Companies Act, 1956:
- (i) What is the time limit for holding the First Annual General Meeting and the subsequent Annual General Meetings?
- (ii) What is the Quorum for the Annual General Meeting?
- (iii) State the manner in which the voting rights of the members are determined.
- (iv) Is it possible to remove a member? **[8+8 = 16]**
3. (a) State the provisions and the applicability of 'resolutions and agreements to be filed' as per Section 117 of Companies Act, 2013.
- (b) The Board of directors of Best Ltd. are contributing every year to a charitable organization a sum of ₹60,000. In a particular year, the company suffered losses and the directors are contemplating to contribute the said amount in spite of the losses. In this connection, state whether the directors can do so? **[9+7 = 16]**
4. (a) Mr. Rishab an Indian citizen holds 25% of the paid up capital of International Fashions Limited, a company which was incorporated in America with a paid up capital of 10 million Dollars. India Fashions Limited a company registered in India holds 30% of the paid up capital of International Fashions Limited. International Fashions Limited has recently established a share transfer office at New Delhi. The Company seeks your advise as to what formalities it should observe as a foreign company under the Companies Act, 2013.
- (b) What are the duties of the inspector as enumerated in Sec 223 of the Companies Act, 2013 in relation to his report. **[10+6 = 16]**
5. (a) Roy Infrastructure Limited, a listed company wishes to issue equity shares on preferential basis pursuant to a scheme approved under Corporate Debt Restructuring framework specified by Reserve Bank of India to various persons

selected by the Board of directors of the company. Following information relevant to the preferential issue is available:

- (i) Total number of equity shares to be issued: 30 lakhs equity shares of ₹ 10 each out of which 10 lakh equity shares will be allotted on 30th June as fully paid up and balance 20 lakh equity shares shall be allotted on the same date but paid up to ₹5 each and balance ₹ 5 shall be called upon at a later date and shall be paid up on 30th November, 2017.
- (ii) Out of the proposed allottees some persons are holding their shares in physical form and not in dematerialized form and some persons had sold their entire shareholding in January 2017.
- (iii) The meeting of general body of shareholders for approving the preferential issue was held on 15th December 2016.

Based on the above information you are required to answer the following queries with reference to the SEBI (ICDR) Regulations:

- (i) What would be the lock-in period for the shares allotted on preferential basis?
- (ii) Who are the persons not entitled for allotment of shares on preferential basis?

- (b) Diamonds International Ltd. who is a foreign trade creditor having its office in Chicago wanted to file a petition under the Insolvency and Bankruptcy Code, 2016 on default of the debtor in India. It moved a petition u/s 9 of the Code seeking commencement of insolvency process. The foreign company was not having any office or bank account in India. Because of this, it could not submit a "Certificate from a financial institution" as required under the Code. Whether the petition is permissible under the Insolvency and Bankruptcy Code, 2016? Decide.?
- [10+6 = 16]**

6. (a) A Ltd. and B Ltd. both dealing in chemicals and fertilizers have entered into an agreement to jointly promote the sale of their products. A complaint has been received by the Competition Commission of India (CCI) stating that the agreement between the two is anti-competitive and against the interests of others in the trade. Examine with reference to the provisions of the Competition Act, 2002, what are factors of CCI will take into account to determine whether the agreement in question will have any appreciable adverse effect on competition in the market.

- (b) Referring to the obligations of banking companies under the Prevention of Money Laundering Act, 2002, specify the period upto which a bank has to maintain records relating to the current account of a charitable organization.

- (c) State the "Insurable Interest" — based on the Insurance Act, 1938. **[4+6+6 = 16]**

7. (a) Corporate Social Responsibility (CSR) is also called Corporate Citizenship or Corporate Responsibility? — Discuss

- (b) 'The typical organizational structure of PSUs makes it difficult for the implementation of Corporate Governance practices as applicable to other publicly- listed private enterprise.' In the above context, list the difficulties encountered in Governance.

[8+8 = 16]

8. Write a note on: (Any Four)

[4 × 4 = 16]

- (i) Actuarial Valuation/ Report (Section 13 of Insurance Act, 1938)
- (ii) Lock - in of Specified Securities held by promoters.
- (iii) STR (Suspicious Transaction Reports)
- (iv) Government to Business (G2B) initiatives.
- (v) Information Utilities under, Insolvency and Bankruptcy Code, 2016