

MOCK TEST PAPER 1
FINAL (OLD) COURSE: GROUP – I
PAPER – 4: CORPORATE AND ALLIED LAWS

Time Allowed – 3 Hours

Maximum Marks – 100

DIVISION A: MULTIPLE CHOICE QUESTIONS (TOTAL OF 30 MARKS)

Instructions: All questions are compulsory.

(Questions nos. 1-10 are of 2 marks each and from 11- 20 are of 1 marks each)

1. Three directors, namely Samiksha, Santosh and Samita intimated Pluto Plastic & Mechanical Toys Limited about their participation in the Board Meetings through video conferencing at the appropriate time of the year. However, after attending the first Board Meeting held in the Financial Year 2019-20 by means of video conferencing, Santosh wants to participate in the next Meeting to be held at a future date in person. Is it possible for him to do so when consent given for participation in meetings through video conferencing remains valid for full one year.
 - (a) No, Santosh cannot attend future Board Meetings in person even if the company is intimated of such intention sufficiently in advance.
 - (b) Yes, Santosh can attend future Board Meetings in person if he intimates the company of his intention sufficiently in advance.
 - (c) Yes, Santosh can attend future Board Meetings in person only if all the remaining directors consent to such request.
 - (d) Yes, Santosh can attend future Board Meetings in person but at least seventy five percent of the remaining directors (rounded off to next higher figure in case of a fraction) consent to such request.
2. Rachna, Riddhi, Ruby and Rakhi are directors in Zippona Tours and Travellers Private Limited whose equity shares are partly paid-up. The company required the shareholders to make payment of Rs. 3 per share (F.V. Rs. 10 per share) being the final call in respect of shares held by them latest by 30th June, 2019. As director, Ruby held individually 2,00,000 shares and also at the same time held jointly 1,00,000 shares along with her brother Rajesh whose name appeared first in the Register of Members. In respect of 2,00,000 shares held individually by her, Ruby duly made the payment before the last date; however, in respect of joint shareholding of 1,00,000 shares, Rajesh was unable to make payment even though six months also expired from the last day i.e. 30th June, 2019. Advise whether Ruby incurs any disqualification regarding her directorship in the company.
 - (a) Since Rajesh's name appears first in the Register of Members, he is primarily responsible for making payment and therefore Ruby incurs no disqualification regarding her directorship in the company for non-payment of required amount in respect of joint shareholding; moreover, she has already discharged her liability in respect of shares individually held by her.
 - (b) In case of joint shareholding, if Ruby earlier made payment of Rs. 7 per share from her personal bank account then she is also liable to pay Rs. 3 per share before the expiry of six months from the last date of payment i.e. 30th June, 2019; otherwise she is disqualified to be a director in the company irrespective of discharging her liability in respect shares individually is held by her.
 - (c) In case of joint shareholding, Ruby as director is equally liable to get the payment made similar to her individual shareholding before the expiry of six months from the last date of payment i.e. 30th June, 2019; otherwise she is disqualified to be a director in the company.
 - (d) In case of joint shareholding, Ruby as director is liable to get the payment made in respect of 50% of the joint holding and if that is done before the expiry of six months from the last date of payment

- i.e. 30th June, 2019, she incurs no disqualification regarding her directorship in the company irrespective of whether the remaining 50% is received by the company or not.
3. Kumar Ltd. filed a complaint to conduct an inquiry against the past employees who were in whole time employment of the company for the entering into an arrangement of business of vested interest. Registrar was of the opinion that further information was necessaited to disclose the state of affairs that existed in the company. A notice was served to the company to furnish such information. Examine in the light of the given situation, the correct statement of the following as to the conduct of enquiry in the said matter-
- (a) No enquiry can be conducted on said business arrangement because past employees are no more part of the Kumar Ltd.
 - (b) Enquiry can be conducted by seeking an information by serving notice to the Kumar Ltd and all the officers.
 - (c) Enquiry can be conducted by seeking required information from the past employees (officers who were earlier in employment of the company) and they are bound to furnish information and explanation to the best of their knowledge.
 - (b) No enquiry can be conducted as central government is authorised to look into the matter.
4. ABC & Co., Chartered Accountants, is a partnership firm, who is auditor of one of the listed company Z Ltd. for the financial year 2018-19. Mr. B is engaging partner of that audit with a team of 15 members. While doing audit of the financial statement of the company, two members of the team, who are Chartered Accountant, passed the information to their friends and relatives that this year company's profit is increasing by 25% as compared to last audited financial year, before this information came in to public domain through the company. They made profit from this information by purchase at low price and after financial statements came in public domain and share prices raised, they sold shares at enhanced price. Please state whether it is a case of insider trading. If yes, then how much penalty for this act, under SEBI Act, 1992.
- (a) No, it is not insider trading, because that these persons are not restricted to use the information to benefit themselves.
 - (b) No, it is not insider trading, because it is not price sensitive information.
 - (c) Yes, it is insider trading and penalty u/s 15G would be minimum Rs. 10 lacs which may extend upto Rs. 25 cr. or 3 times of profit derived, whichever is higher.
 - (d) Yes, it is insider trading and penalty u/s 12A would be Rs. 25 cr. or 3 times of profit derived , whichever is lower.
5. In case of a contravention of the resolution plan, an application for liquidation can be made by
- (a) Only the original applicant
 - (b) Only by the corporate debtor
 - (c) By any person other than the corporate debtor whose rights have been prejudicially affected
 - (d) By the financial creditors only
6. Infra Ltd. was winded up by an order of Tribunal dated 10th March, 2019 by the Tribunal. The appointed official liquidator of the company noticed that the MD of the Infra Ltd. had sold certain properties belonging to the company to a Supra Pvt. Ltd. in which his brother was interested on 15th October, 2018. This caused loss to the Infra Ltd. to the extent of INR 60 lakhs. Examine the course of action, the official liquidator can take in this matter.
- (1) The official liquidator can recover the sale of assets of the company as per the Section 328 of the Companies Act, 2013

- (2) The transaction made will be regarded as invalid and restore the position of the company.
- (3) This transaction made will be regarded as valid as being made under ordinary course of its business.
- (a) Only statement (1) is correct
- (b) Only statement (2) is correct
- (c) Only statement (3) is correct
- (d) Statements (1) & (2) are correct
7. Mr. K, a Manager of XYZ Ltd. retired on 12th May 2019. On examination of the final accounts of the company for the year ended on 31st March 2019, the Registrar of Companies found some serious irregularities in writing off of the huge amounts of bad debts and no satisfactory explanation was provided for the same from the company. In such a situation the Registrar of Companies wants some explanation from the company and Mr. K. Can the ROC seek explanation from Mr. K? Advice –
- (a) No, Mr. K can't be called upon, as he does not hold the position in any office any more.
- (b) Mr. K can be called upon within a period of one year from the date of completion of his service.
- (c) Mr. K can be called upon for necessary explanation within a period of 180 days from the date of leaving his office through a written notice served upon him.
- (d) Mr. K can be called upon by the Registrar through a written notice served on him without any time period limit.
8. State the required majority in the case where a company wants to file an application to the registrar for removal of name of the company from the register of companies for its failure to commence its business within one year of its incorporation-
- (a) Required consent of fifty one per cent members holding shares in the company
- (b) Required consent of ninety per cent members holding shares in the company
- (c) Required consent of seventy-five per cent members present in the meeting approving for filing of an application for removal of names
- (d) Required consent of seventy-five per cent members in terms of paid-up share capital
9. Vision Ltd., a foreign Company incorporated in Singapore, appointed Mr. X as a representative in India for the management of place of business in India. Due to unsatisfactory services of Mr. X, Vision Ltd. replaced him and appointed Mr. Y. Vision Ltd. is required to comply with which of the following requirement-
- (a) Vision Ltd. shall file return to the Registrar of Company in India, within 30 days of the appointment of Mr. Y
- (b) Vision Ltd. being a foreign company does not require in Singapore, to give any such intimation of replacement/ change made for management of place of business in India
- (c) Vision Ltd. shall intimate of such alteration at the place where its registered within 15 days from such alteration.
- (d) Vision Ltd. shall file return to the Registrar, within 1 month of such alteration as to appointment of Mr. Y.
10. Where a valuer has been convicted, he shall be liable to _____
- (a) Refund of the remuneration received
- (b) Pay damages to the company and to any person bearing loss by incorrect or misleading statements of particulars made in his report

- (c) Both (a) & (b)
 - (d) Only refund of remuneration to the company and no payment of damages to the company and to any person
11. NCLT shall appoint an interim resolution professional within how many days from the insolvency commencement date:
- (a) 7 days
 - (b) 10 days
 - (c) 14 days
 - (d) 30 days
12. Save as otherwise provided in Insolvency and Bankruptcy Code, 2016, all the decisions of the committee of the creditors shall be taken by a vote of not less than ----- of voting share of the financial creditors.
- (a) 51%
 - (b) 66%
 - (c) 75%
 - (d) 90%
13. One Person Company shall file a copy of the duly adopted financial statements to the Registrar in:
- (a) 30 days of the date of meeting in which it was adopted
 - (b) 90 days of the date of meeting in which it was adopted
 - (c) 90 days from the closure of the financial statement
 - (d) 180 days from the closure of the financial statement
14. As per the audited financial statements of immediately preceding Financial Year, the paid-up capital of Aastha Metal Products Limited was Rs. seventy-five crores (much below the threshold limit) which did not require appointing a woman director. However, the turnover during the same period was Rs. 334 crores i.e. above the threshold limit which required appointing a woman director. Advise the company whether to bring on the Board a woman director or not.
- (a) The company is not required to appoint a woman director since only one of the parameters have crossed the threshold limit.
 - (b) The company is required to appoint a woman director since any one parameter out of the two exceeding the threshold limit shall necessitate such appointment.
 - (c) The requirement of appointing a woman director arises only when paid up capital exceeds the threshold limit and therefore, the company is not required to appoint a woman director.
 - (d) In a situation where one parameter is below and the other is above the threshold limit, the company, as per its discretion, may or may not appoint a woman director.
15. A highly reputed construction company of Mumbai, decided to launch an ultra modern residential project in Goa especially for non-resident HN1 Indians. For the purpose, it appointed 4 agents worldwide to look for prospective buyers for 12 exclusive flats. The terms of their appointment clearly mentioned that they themselves will be responsible for inward remittance on the flats booked by them. As the project was one of its kind, so it got overwhelming response and all the flats got booked. However only 2/3 of the price of each flat could be remitted into India through proper channel during the financial year ended on 31st March 2019. Price per flat was USD 1500000 inclusive of all. From the following how much maximum commission can be given to each agent, without any intervention of any authority. Each agent booked 3 flats.

- (a) 75000 USD
 - (b) 150000 USD
 - (c) 225000 USD
 - (d) 300000 USD
16. Mr. X took multiple loans for the same home from three different banks. The total amount is greatly in excess of the actual value of the property, which is 2 crores. Out of this amount he invested 50 lakh in shell companies abroad. He bought one property in his son name at Jaipur worth 30 lakh out of which he took loan of 10 lakh. Mr. X gifted a diamond set to his wife worth 10 lakh. Mr. A manager of Mr. X knew about all the transaction. He bought one house in London for 1 Crore via Mr. Z a hawala broker. Mr. X gave his driver M, 10 lakh to keep it in safe place. Who all are liable in this transaction?
- (a) Mr. X and Mr. Z
 - (b) Mr. X, his wife and son, Mr. Z and Mr. A
 - (c) Mr. X, Mr. Z, Mr. A and Mr. M
 - (d) Mr. X, Mr. Z and Mr. M
17. Every asset reconstruction company shall make an application for registration to
- (a) The Reserve Bank in prescribed format.
 - (b) The Central Government
 - (c) SEBI
 - (d) A & B both.
18. Reserve Bank of India may check the condition that the asset reconstruction company has not incurred any loss in the _____ preceding financial years.
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 8
19. Under what circumstances the meeting of the creditors may be dispensed by the NCLT?
- (a) if 70% of the creditors in value agree and confirm to the scheme by way of affidavit
 - (b) if 80% of the creditors in value agree and confirm to the scheme by way of affidavit
 - (c) if 90% of the creditors in value agree and confirm to the scheme by way of affidavit
 - (d) None of the above
20. Astistav Private Limited is a company with ten shareholders. A member holding less than one-tenth of the share capital of the company apply to the Tribunal for relief against oppression and mismanagement? State whether a member have a right to apply to the tribunal in above situation:
- (a) A single Member cannot apply to the Tribunal for relief against oppression and mismanagement
 - (b) A member cannot apply as he is holding less than one-tenth of the share capital of the company
 - (c) A member can apply being one-tenth of the total number of members.
 - (d) A member cannot apply as the requirement of atleast hundred members is not complied with.

Descriptive Questions (70 Marks)

Question No. 1 is compulsory

Out of remaining five questions attempt any four

1. (a) Eternal Ltd., a wholly owned Government Company consisting of 10 directors in its Board with the subsidiary company, Evergreen Ltd., having 9 directors in its board. Referring to the provisions of the Companies Act, 2013, examine the following situations:
- (i) Number of directors liable to retire by rotation in Eternal Ltd. at an Annual General Meeting.
 - (ii) Number of directors liable to retire in Evergreen Ltd.
 - (iii) What will be the legal situation in case Eternal Ltd. is a listed Government Company? **(6 Marks)**
- (b) Shining star limited, a listed company, deals in sole business of trading of Aluminum foils and sheets. Due to economic slowdown and less domestic consumption company was running into the losses. Mr. Chander, an eminent professional with vast experience in cost management, was appointed on the Board of company as Whole Time Director. He enjoyed his 75th birthday on the same date of his appointment i.e. 18th July, 2019.

Following are the relevant extracts from latest audited financial statements;

- 1. Authorised Share capital is INR 390 crores, out of which paid up share capital is INR 215 crores; company was in process of FPO, hence had balance of INR 15 crores in share application money account.
- 2. Balance of reserve and surplus is INRs 170 crores, out of which INR 150 crores is general reserve and INRs 20 crores is revaluation reserve.
- 3. Outstanding amount for long term loans is INR 200 crores
- 4. Company had investment of INR 40 crores at book value; due to economic slowdown same is not liquid investment.
- 5. Accumulated losses were of INRs 10 crores.

In the light of the stated facts, evaluate the given situations in terms of the relevant provisions of the Companies Act, 2013-

- (i) As to the validity of appointment of Mr. Chander, as managerial person in office of Whole Time Director in Shining Star Limited.
 - (ii) Compute the Effective capital of Shining Star Limited for payment of managerial remuneration.
 - (iii) Since Shining Star was running in loss, state the maximum amount of remuneration to be paid on yearly basis to each managerial person. **(8 Marks)**
2. (a) The members of company with no paid up share capital, filed a complaint against change in the management of the company due to which it was likely that the affairs of the company will be conducted in a manner that it will be prejudicial to the interest of its 25 members. Total number of members of company were 100. On inquiry and investigation of the complaint, having reasonable ground to believe that the transfer or disposal of assets of the company may be against the interests of its shareholders. The Tribunal passed an order that such transfer or disposal of assets shall not be made during the period of one year of such order.

Evaluate on the basis of the given facts, the following situations according to the Companies Act, 2013:
Eligibility of the members to file a complaint.

Where if the management dispose of the certain assets in contravention to the order of the Tribunal.

(8 Marks)

- (b) (i) Mr. Vivaan is having 400 shares of Travel Everywhere Limited and the current price of these shares in the market is Rs. 100. Vivaan's goal is to sell these shares in 6 months time. However, he is worried that the price of these shares could fall considerably by then. At the same time, Vivaan doesn't want to sell off these shares today, as he conjectured that the share price might appreciate in the near future. Determine how should Mr. Vivaan protect his security and reduce the risk of loss on the share price under the Securities Contract (Regulation) Act, 1956? **(3 Marks)**
- (ii) Mr. Raman, an investor is not satisfied with the dealings of his stock broker who is registered with Delhi Stock Exchange. Mr. Raman approaches you to guide him regarding the avenues available to him for making a complaint against the stock broker under Securities and Exchange Board of India Act, 1992 and also the grounds on which such complaint can be made. You are required to briefly explain the answer to his queries. **(3 Marks)**
3. (a) Eminence Ltd. after passing special resolution filed an application to the registrar for removal of the name of company from the register of companies. On the complaint of certain members, Registrar came to know that already an application is pending before the Tribunal for the sanctioning of a compromise or arrangement proposal. The application was filed by the Eminence Ltd. two months before the filing of this application to the Registrar.

Determine the given situations in the lights of the given facts as per the Companies Act, 2013:

- (i) Legality of filing an application by Eminence Ltd. before the registrar.
- (ii) Consequences if Eminence Ltd. files an application in the above given situation.
- (iii) In case registrar notifies eminence Ltd as dissolved under section 248 in compliances to the required provisions, what remedy will be available to the aggrieved party? **(8 Marks)**
- (b) (i) Toy Ltd. is a Japanese company having several business units all over the world. It has a robotic unit with its head quarter in Mumbai and has a branch in Singapore. Headquarter at Mumbai controls the branch of robotic unit. Determine the residential status of robotic unit in Mumbai and that of the Singapore branch in terms of the FEMA, 1999? **(3 Marks)**
- (ii) Examine with reference to the relevant provisions of the Competition Act, 2002 the following:
- (a) Whether a Government Department supplying water for irrigation to the Agriculturists after levying charges for water supplied (and not a water tax) can be considered as an 'Enterprise'.
- (b) Whether a person purchasing goods not for personal use, but for resale can be considered as a 'consumer.' **(3 Marks)**
4. (a) X Ltd. was intending to initiate voluntarily liquidation proceedings. A declaration was made with an affidavit of the some of the directors of the X Ltd. verifying full inquiry of the affairs of the company. They declared that the company will be able to pay its debts in full from the proceeds of assets to be sold in the voluntary liquidation.

Analyse the given situations, comment whether X Ltd can initiate voluntary liquidation proceeding in compliance with the conditions given in the Insolvency and Bankruptcy Code, 2016. What are the required documents to be accompanied with the declaration?

Also, state the consequences, where if the articles fixed the period of duration for which company may be continued and that period expires. **(5 Marks)**

(b) Wisdom Ltd. commits a default against the debt taken from the financial creditor, Mr. F. He initiated the corporate insolvency resolution process against the Wisdom Ltd. as the company defaulted in the payment of financial debt of Rs. 2 lakh. In the mean time, Mr. X, another financial creditor, thereof files an application for initiating corporate insolvency resolution process with the Adjudicating Authority. Examine with reference to the validity as to the filing of an application by Mr. X for initiation of corporate insolvency resolution process? **(3 Marks)**

(c) (i) Apex Limited failed to repay the amount borrowed from the bankers, ACE Bank Limited, which is holding a charge on all the assets of the company. The Bank took over management of the company in accordance with the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 by appointing four persons as directors. The company is managed by a Managing Director, Mr. X. Referring to the provisions of the said Act, examine whether Mr. X is entitled to compensation for loss of office and also explain the effect of such takeover on certain rights of the shareholders of the company. **(3 Marks)**

(ii) 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.

Is there any remedy available to the shareholders under the provisions of the Banking Regulation Act, 1949? **(3 Marks)**

5. (a) (i) Excel Ltd. committed an offence under the Companies Act, 2013. The offence falls within the jurisdiction of a special court of Bundi district in which the registered office of Excel Ltd was situated. However, in that Bundi district, there were two special courts one in X place and other in Y place. Identify the jurisdiction of the special court for trial of an offence committed by Excel Ltd. **(3 Marks)**

(ii) As per provisions of the Companies Act, 2013, what is the status of XYZ Ltd., a Company incorporated in London, U.K., which has a share transfer office at Mumbai? **(2 Marks)**

(iii) ABC Ltd., a foreign company having its Indian principal place of business at Kolkata, West Bengal is required to deliver various documents to Registrar of Companies under the provisions of the Companies Act, 2013. Advise ABC Ltd. as to submission of desired documents to ROC. **(3 Marks)**

(b) (i) The Adjudicating Authority appointed under the Prevention of Money Laundering Act, 2002 issued an order attaching certain properties of XYZ Limited alleged to be involved in money laundering for a specified period. The company aggrieved by the order of the Adjudicating Authority seeks your advice about the remedy that is available under the Act. Analyse and apply the relevant provisions of the Prevention of Money Laundering Act, 2002 in relation to the above given situation. **(3 Marks)**

- (ii) Sohan Lal, a farmer, was found involved in embezzlement of opium cultivated by him. State the nature of the act of Sohan Lal in the light of the Prevention of Money Laundering Act, 2002. **(3 Marks)**
6. (a) (i) YZ Ltd. is a manufacturing company and has proposed a dividend @ 10% for the year 2018-19 out of the current year profits. The company has earned a profit of Rs. 910 crores during 2018-19. YZ Ltd. does not intend to transfer any amount to the general reserves of the company out of current year profit. Is YZ Ltd. allowed to do so? Comment.
- (ii) Karan was holding 5000 equity shares of Rs. 100 each of Future Ltd. A final call of Rs. 10 per share was not paid by Karan. Future Ltd. declared dividend of 10%. Examine with reference to relevant provisions of the Companies Act, 2013, the amount of dividend Karan should receive. **(4 Marks)**
- (b) Examine the following situations in the light of the Companies Act, 2013:
- (i) Mr. Ayush, a Chartered Accountant, has been appointed as an auditor of X Ltd. in the Annual General Meeting of the company held in September 2018, in which he accepted the assignment. Subsequently, in January 2019 he joined B, as a partner in the consultancy firm of Mr. B. Mr. B is also working as a Finance Executive of X Ltd.
- (ii) "Mr. Abhi", a practicing Chartered Accountant, is holding securities of Abhiman Ltd. having face value of Rs. 1000/-. Whether Mr. Abhi is qualified for appointment as an Auditor of Abhiman Ltd.? **(4 Marks)**
- (c) (i) Referring to the provisions of the Foreign Exchange Management Act, 1999, state the kind of approval required for the following transactions:
- (A) M requires U.S. \$ 5,000 for remittance towards hire charges of transponders.
- (B) P requires U.S. \$ 2,000 for payment related to call back services of telephones. **(3 Marks)**
- (ii) Explain the usefulness of following terms in interpreting / construing a statute:
- (A) Preamble
- (B) Use of Foreign Decisions. **(3 Marks)**