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Question Paper	
Corporate & Economic Laws	Duration: 75
Details: Test – 3	Marks: 40

Instructions:

- All the questions are compulsory
- Properly mention test number and page number on your answer sheet, Try to upload sheets in arranged manner.
- In case of multiple choice questions, mention option number only Working notes are compulsory wherever required in support of your solution
- Do not copy any solution from any material. Attempt as much as you know to fairly judge your performance.

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Q-1. (i) Mr. Ganesh has been appointed as the investigating Authority by Securities and Exchange Board of India to investigate the affairs of a listed company on the reasoning that the transactions in securities are being dealt in a manner detrimental to the investors.

The Investigating Officer has taken over charge and the custody of books and documents after due approval of the Magistrate. He is unable to complete the investigation within 180 days. The Board of Directors of the company filed an application with SEBI to return the books and documents. Discuss the validity of the request of the Board of Directors of the company.

During the investigation, one of the directors of the company had refused to answer the question and produce the books and documents. What is the punishment that can be imposed on him under the provisions of the SEBI Act, 1992?

(ii) What do you understand by the term “Cease and desist proceedings”? Can such proceedings be initiated against any listed public company for the violation of insider trading?

(6 Marks)

Q-2. Unicorn Rubber Sheets Limited was incorporated and registered in the United Kingdom. M/s Artha Rubber Sheets Manufacturing and Trading Limited is an Indian Company incorporated and registered under the provisions of the Companies Act, 2013. A scheme of compromise between the above two companies provided for an amalgamation of the English Company with the Indian company. The CFO of the Indian Company is of the opinion that the companies being amalgamated must be companies registered in India and therefore an amalgamation with a company registered outside India is not possible. Explaining the relevant provisions of the Companies Act, 2013, examine the correctness or otherwise of the following with reference to a scheme of amalgamation of Companies:

(i) Whether the contention of the CFO is correct that the companies being amalgamated must be companies registered in India?

(ii)What is the majority required for approving the scheme of amalgamation in a meeting of members of a company called as per the directions of the Tribunal? Is the scheme required to be approved by the preference shareholders?

(5 marks)

Q-3. As at 01.04.2019, the composition of Board of Directors of M/s. Apex Ltd, an unlisted, Company comprised of 7 directors as under:

S.NO	Name	Designation
01	Mr. X	Executive Chairman (Executive and Non-Independent)
02	Mr. Y	Managing Director and CEO (Executive and Non-Independent)
03	Mrs. Z	Woman Director (Non-Independent)
04	Mr. A	Independent
05	Mr. B	Independent
06	Mr. C	Independent
07	Mr. D	Independent

As at 01.04.2019, the constitution of the Audit Committee comprised of the following Directors:

Name	Designation
Mr. Y	Chairman

Mr. X	Member
Mrs. Z	Member
Mr. Y	Member

The majority of the members of the Audit Committee have the ability to read and understand the financial statements but none of them have accounting or related financial management expertise. During January, 2020, the company went for an Initial Public Issue (IPO) and got its shares listed on a recognized Stock Exchange. Referring to SEBI (Listed Obligations and Disclosure Requirements), Regulations, 2015:

- (i) State, how a qualified and an independent Audit Committee should be constituted?
- (ii) Whether the present constitution of the Audit Committee is in order and whether it can continue post listing of its securities in the Stock Exchange?

(5 Marks)

Q-4. Arctic Refrigerators Limited has got 5000 shareholders. Some of the members have decided to file an application under Section 241 of the Companies Act, 2013, for oppression and mismanagement. Discuss the qualification of members who have the right to apply to the tribunal.

Due to the fresh issue of shares, the shareholding of the members who filed the petition gets reduced to below required % of the paid up share capital. The main contention in the petition is challenging the validity of the issue. Is the petition maintainable? Mr. Dina, one of the directors also, wants to file an application for oppression and mismanagement. Can he do so?

(5 marks)

Q-5. Genuine Spares and Accessories Limited has got a good reputation in the market and has loyal customers. Due to the local competition and from unbranded spares, its turnover has gone down over the years and it had ended in red with a loss of Rs. 2.00 crore for the year ended 31.3.2020 and the same trend is expected to continue for the year ended 31.3.2021. It has got a large amount of unpaid trade creditors of Rs. 1,25,00,000 and unpaid dividends for the year ended 31.3.2016 - Rs. 1,50,000 and 31.3.2017 - Rs. 80,000.

Even during the difficult periods of business environment, the company continued the business. One of the directors has suggested in the meeting of the Board of Directors that the company can compromise or make arrangements with creditors. Mr. Magesh is the Chief Accounts Officer of the company for the last two decades. He has been entrusted with the task of finding out the possibility of making compromise with the creditors.

Enumerate the formalities to be observed by the company with regard to (i) filing of compromise application and (ii) disclosures to be made in the application by the company.

(5 marks)

Q-6. The profits of XYZ Limited for the financial year 2017-2018 fell considerably due to recession. The Board of directors of the company, therefore, bonafide did not recommend any dividend for the year. At the Annual General Meeting of the company, a group of members objected to the Board's decision and wanted the Board to make recommendation for dividend. On refusal by the Board, the members, who feel oppressed by the Board's decision to skip the dividend, move to the Tribunal and complain against the Board on the ground of oppression and mismanagement.

Examining the provisions of the Companies Act, 2013, decide:

(1) Whether the Members contention shall be tenable?

(2) Whether the act of Board of Directors not to recommend any dividend shall amount to oppression and mismanagement?

(4 marks)

Q-7 MCQ

1. ABHI Limited is a wholly owned subsidiary co. of ETERNAL Limited. ETERNAL Ltd., makes an application for merger of Holding and Subsidiary Companies under the section 232. The Cs of the ETERNAL Ltd., states that co. cannot apply for merger under section 232 of the said Act In fact said that the company shall have to apply for merger as per section 233 i.e. Fast Track Merger. State the correct statement in terms of the validity of the difference in the opinion of the CS-

- (a) Opinion of the Company Secretary of the ETERNAL Ltd. is valid holding that merger shall be as per section 233.
- (b) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as merger shall be possible only as per section 232.
- (c) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 are of the optional nature.
- (d) Opinion of the Company Secretary of the ETERNAL Ltd. is invalid as the provisions given for fast track merger in the section 233 can be made between only small companies.

2. Ram who was holding 500 shares of Delta Ltd. having issued share capital of 5,00,000 comprises of 50,000 share of Rs. 10 each. Ram came to know that some material changes has been taken place in company which is prejudicial in interest of members and also towards company. He wants to make application to tribunal under section 241 of the Companies Act,

2013. Due to death of Ram, petition is filled by his legal heir to tribunal who was in the position minority. Choose the correct option whether the petition filled is in accordance of provision of the Companies Act, 2013.

(a) No, as Ram was not eligible under section 244 of the Companies Act, 2013 to make application to tribunal nor legal heir being minority can make application.

(b) Yes, since Ram was eligible under section 244 of the Companies Act, 2013 to make application to tribunal.

(c) No, as Ram was eligible to make application, his legal heir who is minority cannot apply to tribunal under section 241 of the Companies Act, 2013.

(d) No, as Ram was not eligible under section 244 of the Companies Act, 2013 to make application to tribunal, but for any case legal heir being minority can make application to tribunal.

3. 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 FS of the company, 2 members of the team, who are CA's, passed the information to their friends and relatives that this year company's profit is increasing by 25% as compared to last audited FY, before this info came in to public domain through the company. They made profit from this by purchase at low price and after FS came in public domain & share prices raised, they sold shares at enhanced price. State if its a case of insider trading. If yes, then how much penalty for this act?

(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.

(2×3 = 6 Marks)

4. A Ltd., a listed company, wants to revise the rate of interest of its existing 12% bond by 1% i.e. 13% bond from 14th August 2019, the said proposal is to be laid before board meeting to be held on 14th July 2019. Upto which of the following date, A Ltd. has to intimate to stock exchange as per regulation 29 of SEBI (LODR), 2015:

- (a) 3rd July 2019
- (b) 3rd August 2019
- (c) 5th July 2019
- (d) 5th August 2019

5. An application for claiming relief from oppression or mismanagement can be made to the Tribunal by the members on the ground that a material changes in the management or control of the company and that by reason of such changes, it is likely that the affairs of the company will be conducted in manner prejudicial to its interest or its members or

- (a) Is likely to take place; creditors
- (b) Has taken place; any class of members
- (c) Is likely to take place; any class of members;

(d) Has taken place; creditors

6. Court passes the order to Pento Laboroties Ltd. for conducting meeting of the member for considering the scheme of compromise and arrangement. Company sent notice of meting to all of its 1000 members holding total 30 lakh shares. On the date of meeting only 580 members holding 18 lakh shares attend the meeting and 400 members holding 14 lakh voted in favour of the scheme of compromise and arrangement and remaining voted against the scheme. With reference to the provision of Companies Act, 2013, state whether scheme get proper required approval of members or not.

(a) Yes scheme of compromise and arrangement get proper approval of 3/4th of value of members or class or members.

(b) No, scheme of compromise and arrangement didn't get proper approval of 3/4th of value of members or class or members.

(c) Yes scheme of compromise and arrangement get proper approval of 50% of value of members or class or members.

(d) No, scheme of compromise and arrangement didn't get proper approval of 50% of value of members or class or members.

7. Suppose SEBI has constituted its board as per requirements of section 4 of SEBI Act, 1992 with 3 whole time members under Section 4(1)(d) of the SEBI Act,1992, but one of them resigned and to refill his post, it took 1 month. Examine acts done in between the vacancy period, as per SEBI Act, 1992.

(a) All acts become void ab-initio as per section 8 of the SEBI Act, 1992.

(b) Only financial acts are void ab-initio as per section 8 of the SEBI Act, 1992.

(c) All acts are valid as per section 8 of the SEBI Act, 1992.

(d) All acts should be rectified after composition of proper board as per section 8 of the SEBI Act, 1992.

(1×4 = 4 Marks)

