

CATestSeries.org (Since 2015)

CA Final | CA Inter | CA IPCC | CA Foundation Online Test Series

Question Paper	
Corporate & Economic Laws	Duration: 180
Details: Full Test – 1	Marks : 100

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.

<u>Legal</u>: Material provided by catestseries.org is subject to copyright. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher. For permission requests, write to the publisher, addressed "Attention: Permissions Coordinator," at **exam@catestseries.org**. If any person caught of copyright infringement, strong legal action will be taken. For more details check legal terms on the website: catestseries.org

Division A: Multiple Choice Questions

Instructions: All questions are compulsory.

(30 Marks)

Q 1- Case study based MCQs:-

Integrated Case Scenario 1 (2 Marks each)

Simran Software Solutions Ltd. is a subsidiary of Hardik Tech India Limited. Simran Software Solutions Ltd. is a listed company where as Hardik Tech India Ltd. is an unlisted public company. Simran Software Solutions Ltd. has a paid up share capital of Rs. 100 crore while Hardik Tech India Ltd., has a paid up share capital of Rs. 150 crore.

An application is made to the tribunal for the amalgamation of the subsidiary (transferor) company into its holding (transferee) company. The scheme of arrangement has been proposed for the amalgamation of the both the companies.

Application to the tribunal for amalgamation was submitted in form no. NCLT-1, along with following documents:

- (a) A notice of admission in Form No. NCLT-2
- hieving Excellence Together
- (b) An affidavit in form no. NCLT-6
- (c) A copy of Scheme of M&A (Merger & Amalgamation)
- (d) A disclosure of all the material facts relating to the company.
- (e) It was also disclosed to the Tribunal in the application, that each class of members or creditors has been identified for the purposes of approval of the scheme.

A meeting was called in pursuance of the order of the tribunal. The notice of such meeting was sent to all the creditors or class of creditors and to all the members or class of members and the debenture holders of the company, individually, at the addresses registered with the company accompanied by a statement disclosing the details of the scheme of amalgamation, a copy of valuation report and explaining the effect of such arrangement on creditors, Key Managerial personnel, promoters, the debenture holders and Directors of the company.

Mr. Manjit is a Managing Director of Simran Software Solutions Ltd. whereas is Mr. Ram is a Whole Time Director of the said company. Due to amalgamation of Simran Software Solutions limited into Hardik Tech India Limited, Mr. Manjit lost his job. Mr. Ram was to be appointed as Director in Hardik Tech India Limited but he was not happy with such amalgamation and as a result he resigned from his office. Mr. Manjit was appointed for five years as a Managing Director of the company on 21st April, 2019, Mr. Ram Was appointed Whole Time Director on 4thMay, 2018. So due to loss of job,the company decided to compensate both Mr. Manjit as well as Mr. Ram. At the meeting, the company decided to pay, both of them the average compensation in proportion to their last three years remuneration.

5% shareholders of Simran Software Solutions Ltd. decided to opt out of the company. They were not satisfied with the scheme of amalgamation of Simran Software Solutions Ltd. with Hardik Tech India Ltd. So, according to value of their shares, the tribunal ordered to pay them, according to the pre-determined price formula based on the valuation of shares

Simran Software Solutions Ltd. submitted to the tribunal details about pending legal case against one of the Directors of the company, Mr. Mohan. Company has sued Mr. Mohan and has suspended him from the Directorship of the company. Mr. Mohan at present is being prosecuted for an offence under section 447 and section 452, respectively, of the Companies Act, 2013. Mr. Mohan has caused a loss of Rs 20 lakh to the company through various bogus transactions due to which the company registered a case against Mr. Mohan and the case is still pending with the tribunal. The transferor company has communicated the same to the transferee company.

The Tribunal, after satisfying itself that the procedure specified in the Act has been followed, sanctioned the scheme of amalgamation. It was decided that 22nd January, 2021, shall be the

effective date for amalgamation. The completion process will take one year from the effective date. The tribunal ordered the transferee company to transfer the whole of the undertaking, property and its liabilities to the transferor company, till the aforementioned date, as determined by the parties.

It was also held by the tribunal that when the transferor company gets dissolved, the fees, if any, paid by the transferor company on its authorized capital shall be set-off against any fees payable by the transferee company on its authorized capital, subsequent to the amalgamation. Both the companies, in relation to such order shall submit a certified copy of the order as prescribed, with the Registrar for registration within thirty days of the receipt of certified copy of the order.

Multiple Choice Questions:

- **1.** The tribunal decided that Simran Software Solutions Ltd should pay its 5% dissenting shareholders based on the predetermined formula on the valuation of shares. According to the provisions of the Companies Act, 2013, what is the basic criteria which should be considered while deciding the valuation of the shares?
- (a) The valuation of the shares should not be less than the market price of the shares.
- (b) The valuation of the shares should not be less than what has been specified by the Security and Exchange Board of India.
- (c) The valuation of the shares, in any case, should not be less than that of the value of shares of Hardik Tech India Limited.
- (d) The market price of the share on the day of amalgamation of the Companies will be taken into consideration.

- **2.** What will be the consequences of amalgamation of Simran Software Solutions Ltd (listed company) into Hardik tech India Ltd(unlisted company)?
- (a) Amalgamation of a listed company into an unlisted company would itself convert the transferor company into a listed company.
- (b) Amalgamation of listed company into an unlisted company, does not by itself, convert the transferor company into a listed company.
- (c) Irrespective of the status of the company, whenever amalgamation is done between a listed and unlisted company, it becomes a listed company.
- (d) According to the provisions of the Act, in case of amalgamation of a listed subsidiary company into an unlisted holding company, then subsidiary company has to become an unlisted company, after buy-back of shares from public.
- **3.** According to the provisions of this Companies Act, 2013, what is the legal obligation imposed on the company which it has to follow until the completion of the scheme?
- (a) To file a statement in a prescribed form, with the registrar, certified by auditors of the companies, that the scheme is complied as per the tribunal directions
- (b) To file a statement in a prescribed form, with the registrar, certified by Chartered Accountant/ Cost Accountant/ Company Secretary, that the scheme is complied as per the tribunal directions.
- (c) The annual financial statements along with a statement in a prescribed form with the registrar, certified by Chartered Accountant/ Cost Accountant/Company Secretary, that the scheme is complied as per the tribunal directions.

- (d) To file a statement along with the report of Board of Directors in a prescribed form with the registrar, certified by Chartered Accountant/ Cost Accountant that the scheme is complied as per the tribunal directions
- **4.** According to the provisions of the Companies Act, 2013, do you think that Mr. Manjit and Mr. Mohan, both are eligible for receiving the compensation for the loss of their respective jobs?
- (a) Only Mr. Ram is eligible, as he was a Whole Time Director of the company.
- (b) Only Mr. Manjit is eligible is for compensation by the company.
- (c) Both Mr. Manjit and Mr. Ram are eligible for compensation by the company.
- (d) Neither Mr. Ram nor Mr. Manjit are eligible for compensation by the Company.
- **5.** Mr. Mohan was suspended as a Director of Simran Software Solution Ltd. for the alleged fraud under the Companies Act, 2013. How will the ongoing amalgamation of the companies, impact the pending legal proceedings against Mr. Mohan?
- I. The case will be continued as before, between Mr. Mohan and Transferor Company
- II. The case will be continued as before, against Mr. Mohan, but not with Transferor Company but with Transferee Company, after amalgamation.
- III. As Mr. Mohan was a Director in transferor company, so by the time the case is not finally decided, the process of amalgamation cannot be completed.
- IV. The ongoing prosecution of Mr. Mohan would not affect the amalgamation of the companies.

- (a) I & III
- (b) II & III
- (c) II & IV
- (d)I & IV

Integrated Case Scenario 2 (2 Marks each)

Energy Food and Beverages Limited (EFBL), having its Registered Office at Bhikaji Cama Place, New Delhi, is a reputed manufacturer and exporter of different kinds of energy food, drinks and beverages. The market base of its products in India is much wider in comparison to so many other competitors. It is exploring more and more export markets all over the world.

The Board of Directors of EFBL comprises following Directors

Fundamental Directors	Independent Directors
Mr. Praveen Kumar, MD	Mrs. Hruta Varad
Ms. Ananya Vibor	Mrs. Vartika Soni
Mr. Jay Doshi	Mr. Shashi Vidur
Ms. Geetika Devi	Mr. Aniruddha
Mr. Amol Udit	
Mr. Abhimanyu	
Mr. Fernandis	
Mr. Robert	

Mr. Anil Kumar, well versed in legal and regulatory matters, is the Company Secretary of the company. The information relating to foreign exchange earnings of EFBL in the previous four financial years is as under are:

Financial Year	Foreign Exchange Earnings (in USD)
2016-17	2,400,000
2017-18	2,500,000
2018-19	3,600,000
2019-20	4,000,000

With a view to enhance the production of beverages, EFBL imported a machinery costing Rs. 60,00,000 from a reputed manufacturer of Singapore. In accordance with the terms of payment, EFBL was required to repay the cost of machinery in five equal monthly installments which the company did satisfactorily. The machinery was delivered and thereafter, installed at the new factory site at Noida, UP. The company is proposing to incur an amount of USD 7,500 on advertisement in foreign print media for the purpose of promotion of its beverages business globally. The company is also planning to donate USD 200,000 to a technical institution established in Chicago at USA for conducting advanced research in the field of beverages. Mr. Jay Doshi along with his family had gone to Bhutan on a private visit. While returning to India, he brought with him Reserve Bank of India notes amounting to Rs. 75,000 in denomination of Rs. 100. Ms. Geetika Devi often Visits her son Swapnil who is settled in Michigan, USA. She came back to India from Michigan on July 02, 2018 spent some time with her younger sonKartik and her mother in New Delhi and left India again on September 05, 2018. She came back to India on November 30, 2018 but left for Michigan With her mother on December, 04, 2018 to get her medically treated. After her mother recovered from the ailment she was suffering, Ms. Geetika Devi came back to India on April 25, 2019 and remained with her family in New Delhi till date.

Multiple Choice Questions:

- **1.** From the case scenario, it is evident that EFBL imported a machinery costing Rs. 60,00,000 from a reputed manufacturer of Singapore and repaid the cost of imported machinery in five equal monthly installments. From the following options, choose the one which will apply in the given circumstances:
- (a) Import of machinery is a 'Capital Account Transaction' since the imported machinery is a fixed asset and shall be used for a long period by EFBL.
- (b) Import of machinery is a 'Current Account Transaction' since machinery shall be used in the production of saleable items like beverages, etc. by EFBL
- (c) Import of machinery is a 'Current Account Transaction' since a short term credit facility in the ordinary course of business was availed by EFBL.
- (d) Import of machinery is a 'Capital Account Transaction' since a long term credit facility was availed by EFBL and the payment was made in more than three months.
- 2. According to the case scenario, Mr. Jay Doshi while returning to India, brought with him Reserve Bank of India notes amounting to Rs. 75,000 in denomination of Rs. 100. Which one of the following options is applicable in the given circumstances.
- (a) Mr. Jay Doshi is permitted to bring into India from Bhutan, Reserve Bank of India notes amounting to Rs. 75,000 in denomination of Rs. 100.
- (b) Mr. Jay Doshi is not permitted to bring into India from Bhutan, Reserve Bank of India notes exceeding Rs. 25,000 in denomination of Rs. 100.
- (c) Mr. Jay Doshi is permitted to bring into India from Bhutan, Reserve Bank of India notes of any amount without Limit but only in denomination of Rs. 500.

- (d) Mr. Jay Doshi is not permitted to bring into India from Bhutan, Reserve Bank of India notes exceeding Rs. 10,000 in denomination of Rs. 100.
- **3.** It is noticed from the case scenario that Ms. Geetika Devi, one of the Directors of EFBL, remained in India and also outside India on various dates. Which of the following options correctly determines her residential status in terms of the relevant provisions of the Foreign Exchange Management Act, 1999:
- (a) Ms. Geetika Devi is a PROI for FY 2019-20 and a PRI for the FY 2020-21.
- (b) Ms. Geetika Devi is a PROI for the FY 2019-20 and also for the FY 2020-21
- (c) Ms. Geetika Devi is a PRI for the FY 2019-20 and also for the FY 2020-21.
- (d) Ms. Geetika Devi is a PRI for FY 2019-20 and a PROI for the FY 2020-21
- **4.** Suppose EFBL is a Public Sector Undertaking and it desires to spend USD 7,500 for advertisement in foreign print media so that it may promote its beverages business globally. In such a situation, which one of the following options is applicable?
- (a) EFBL is permitted to spend USD 7,500 for advt in foreign print media relating to the stated purpose but only with the prior approval of the RBI
- (b) EFBL is permitted to spend USD 7,500 for advertisement in foreign print media relating to the stated purpose without seeking any approval
- (c) EFBL is permitted to spend USD 7,500 for advertisement in foreign print media relating to the stated purpose with the prior approval of the Ministry of Finance, Department of Economic Affairs.

- (d) EFBL is permitted to spend USD 7,500 for advertisement in foreign print media relating to the stated purpose with the prior approval of the Central Government through Regional Director.
- **5.** From the case scenario, it is evident that EFBL is planning to donate USD 200,000 to a technical institution established in Chicago at USA for conducting advanced research in the field of beverages. From the following options, choose the one which is applicable in the given situation:
- (a) EFBL, not being a Government Company, is not permitted to donate any amount outside India.
- (b) EFBL is not permitted to donate more than USD 50,000 in a financial year even after seeking approval of the Reserve Bank of India.
- (c) EFBL is permitted to donate USD 200,000 but only with the prior approval of the Reserve Bank of India.
- (d) EFBL is not permitted to donate more than USD 75,000 in a financial year even after seeking approval of the Reserve Bank of India.

Achieving Excellence Together

General MCQs (1 mark each)

- **1.** 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 un-satisfactory 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 co. in Singapore does not require 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
- **2.** Any person aggrieved by any decision or order of the Company Law Board made before notified date may file an appeal to the High Court within _____ days from the date of communication of the decision or order of the Company Law Board to him on any question of law arising out of such order:

(a)30

(b) 45

(c) 60

(d) 90

Achieving Excellence Together

3. The Registrar of Companies (RoC), Mumbai has moved an application under section 272 of the Companies Act, 2013 to the Tribunal for winding up of the Yoddha Company Limited. The application has been pending before the Tribunal. The Tribunal considering the best interest of the parties to the application, has referred the matter of the proceeding pendingbefore it to the Mediation and Conciliation Panel formed under section 422 of the Companies Act, 2013. You are required to state whether Tribunal can refer the proceeding pending before it to the Mediation and Conciliation Panel considering the provisions of the Companies Act, 2013.

- (a) The Tribunal can Suo moto refer any matter pertaining to such proceedings to the Mediation and Conciliation Panel.
- (b) The Tribunal cannot Suo moto refer any matter pertaining to such proceedings to the Mediation and Conciliation Panel as only Central Government has the authority do so.
- (c) The Tribunal cannot Suo moto refer any matter pertaining to such proceedings to the Mediation and Conciliation Panel without the consent of the parties to the proceeding before it.
- (d) The Tribunal can Suo moto refer any matter pertaining to such proceedings to the Mediation and Conciliation Panel only after obtaining prior approval from the Central Government in this regard.
- **4.** Specified Members of a company shall have the right to file application foroppression and mis-management with the Tribunal:

A company having a share capital, not less than _____ hundred members of the company or not less than _____ of the total number of its members, Whichever is less, or any member or members holding not less than _____ of the issued share capital of the company,

Achieving Excellence Together

- (a)1; 4/10th;1/10th
- (b) 1;2/10th;9/10th
- (c) 1;1/10th; 1/10th
- (d) 1; 9/10th;1/10th

- **5.** Mr. Sharma who was a Key Managerial Personal (Manager) of XYZ Ltd. retired on 12th May 2018. An examination of the final accounts of the company for the year ended on 31st March 2018, the ROC 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 ROC wants some explanation from the company and Mr. Sharma. Can the ROC seek explanation from Mr. Sharma? Advice-
- (a) No, Mr. Sharma can't be called upon, as he does not hold the position in the company any more.
- (b) Mr. Sharma can be called upon within a period of one year from the date of completion of his service.
- (c) Mr. Sharma 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. Sharma can be called upon by the Registrar through a written notice served on him without any time period limit.
- 6. ABC and Co, the tax consultants of X Limited for which an interim resolution professional Mr A, has been appointed under the Corporate Insolvency resolution process has refused to furnish information to Mr A on the grounds of client confidentiality. Are they right?
- (a) Yes, they are right
- (b) No, the Code provides powers to the IRP to access all information from various parties
- (c) Partly right, they can do so only after consent of the directors
- (d) Mr A is not right in even asking for this information

- **7.** Mr. A. Mr. B and Mr. C are partners in XYZ partnership firm. The firm made an agreement in writing to refer a dispute between then in business to an arbitrator. Inspite of this agreement Mr. B files a suit against Mr. A and Mr. C relating to the dispute in a court. Examine on the admission of the suit files by Mr. B in the court in the light of the Arbitration and Conciliation Act, 1996.
- (a) Yes it can be admitted by the court, as the said court has jurisdiction over the matter and it overpowers arbitration agreement
- (b) Yes it can be admitted by the court, only in the case of challenge to the arbitral award in appeal.
- (c) Yes, it can be admitted by the court, if Mr. A and Mr. C mutually agrees.
- (d) No it cannot be admitted by the court, as the jurisdiction of court is ousted because of existence of a valid arbitration agreement.
- **8.**Mr. Ram gave two of his friends' cash amount of two lakh each in case of dire necessity for their business purposes. Later at the time of return, he asked both of them, in lieu of the same, to buy his product via credit card and online transfers in installments through next couple of months' time for which he issued bills to adjust the amount in his account books.

Does this payment system through credit card and online transfer mode are covered under money laundering act?

- (a) No, payment are made through credit cards & online transfer hence all the transaction are genuine.
- (b) Yes, money laundering transaction done via credit card and online payments comes under the Prevention of Money Laundering Act

- (c) No, it is not money laundering as none of Mr. Ram friends are benefitting from the transaction.
- (d) No, because the transactions are not done with shell companies.
- **9.** Go Dairy Company Limited, a public company incorporated under the Companies Act, 2013 is into the business of selling dairy products through online mode. Mr. Dhaval is holding the position of the Whole Time Director in the Company. During the financial year ended March 2020, the office of Mr. Dhaval got vacated on attracting disqualifications under section 164 of the Companies Act, 2013. You are required to advise how shall the board of Directors fill the vacancy of Mr. Dhaval considering the provisions?
- (a) The vacancy shall be filled by the Board at a meeting of the Board within a period of three months from the date of such vacancy.
- (b) The vacancy shall be filled by the Board at a meeting of the Board within a period of six months from the date of such vacancy.
- (c) The vacancy shall be filled by the Board at a meeting of the Board within a period of two months from the date of such vacancy.
- (d) The vacancy shall be filled by the Board at a meeting of the Board within a period of one month from the date of such vacancy.
- **10.** Blue Rose Agri-Products Limited, which is inter-alia listed on National Stock Exchange, has called an extra-ordinary general meeting (EGM) of the shareholders on 29th January, 2019 at its Head Office in New Delhi to seek approval in respect of certain matters. It so happened that the company received a notice on 25th January, 2019 from the requisite number of small shareholders who proposed appointment of Shivank as their director butit refused to entertain

the notice as the same was served quite late. Advise the latest date by which the small shareholders must have given the notice for the appointment of Shivank so that it was not refused by the company.

- (a) The notice should have been served latest by 24th January, 2019.
- (b) The notice should have been served latest by 15th January, 2019.
- (c) The notice should have been served latest by 22nd January, 2019.
- (d) The notice should have been served latest by 19th January, 2019.

Division B: Descriptive Questions

Question No. 1 is compulsory. Out of remaining five questions attempt any four.

(70 Marks)

Q-1 (A) 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 18.07.2019

Following relevant extracts from latest audited financial statements (as on 31 March 2019), were;

- 1. Authorized Share capital is INR 390 crores, out of which paid up share capital was 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 was INRs 170 crores, out of which INRs 150 crores was general reserve and INRs 20 crores was on accounts of revaluation reserve.

- 3. Outstanding amount for long term loans was INRs 200 crores
- 4. Company had investment of INRs 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.
- (ii) Since Shining Star was running in loss, state the maximum amount of remuneration to be paid on yearly basis to each managerial person

(6 Marks)

(B) Mr. Ram have been appointed as a director in X Ltd. due to his holding of an office as Managing Director (MD) in its holding company, ABC Limited. In due course of time, Mr. Ram was offered by HXL Limited to join the company as managerial personnel on very good package. He was offered the said position on the term that he has to resign from the ABC Ltd. Mr. Ram served a notice in writing to the company by mail and through post to his registered office on 1.02.2018. His notice of resignation specified the date 15.02 2018 as the last date in the ABC Ltd. However, due to pressure of HXL Ltd., he joined the company on 13.02.2018.

Analyse, Integrate and apply in terms of the Companies Act, 2013, the legal position of Mr. Ram in the given situations-

- (i) Holding of directorship of Mr. Ram in X Ltd. after ceasing to hold office as MD in ABC Ltd,
- (ii) Joining of HXL Ltd on 13. 02.2018.

(4 Marks)

- **(C)** Referring to the provisions of the Companies Act, 2013, examine the validity of the following appointment of Directors:
- (i) Brown Limited, having a turnover of Rs. 60 crore in the financial year 2016-17 appoints Ms. Rose as the women director on 1st March 2017. Ms. Rose already holds directorship in twelve companies including ten public companies. She is whole time Cost Accountant in practice.
- (ii) Ms. Jasmine holds directorship in eight public companies including managing directorship in two companies and directorship in six companies. In addition, she also holds alternate directorship in three companies and independent directorship in three subsidiary companies of Brown Limited.

(4 Marks)

Q-2 (A) Sigor Limited was in the process of liquidation. It had some correspondence with its auditor, which was in the company's letter head. The auditor observed that the letter head was not in compliance with Section 344, as it did not mention the fact that the company was being wound up. He immediately called up one of the directors and advised him about the provision of Section 344 and the consequences of non-compliance.

State, the provisions and consequences regarding which the auditor would have advised.

(4 Marks)

(B) The shareholders of SKM Limited are not satisfied with the performance of the company. Some of the activities carried on by the company are not in the interest of the company and its members. The total number of shareholders as per the Register of Members as on 31.3.2019 was 2,000 and 450 members holding 16% of the paid up value of the shares have made an application jointly to the Central Government to appoint an Inspector to carry Out the investigation and find out the true picture. With reference to the provisions of the Companies Act, 2013, mention whether the application will be accepted? Elaborate. After the filing of the application about 100 members holding about 7% of the paid up capital had withdrawn. Decide whether the application is maintainable or not.

(4 Marks)

(C) Mr. T. Raghava has secured admission in a reputed and recognized university in Germany, for the study of higher and technical education, outside India. After arrival in Germany, he has gone ill and wants medical treatment facility in a reputed German hospital. He desires to apply to the Government of India for availing the additional remittance beyond the limit approved for foreign currency exchange facility. He has already enjoyed the permitted facility of foreign exchange for studies abroad, for the said financial year. Decide the following as to the facts given in the question as per the provisions of the Foreign Exchange Management Act, 1999:

Achieving Excellence Together (3 Marks)

(D) ABC Limited is a Startup recognized by the Central Government. The company is intending to raise External Commercial Borrowing under automatic route of US \$ 5 million for 2 years in the form of partially convertible preference shares.

You are required to advise the company on the Maturity, Forms and Amount of External Commercial Borrowing permitted as per guidelines contained in the master circular issued by Reserve Bank of India.

(3 Marks)

Q-3 (A) Honest Limited by a special resolution passed a motion of removal of name of the

company from Register of Companies due to failure of its commencement of its business from

one year of its incorporation. The company filed an application to the registrar for removing the

name of company from Register of Companies. One of the member of the company filed a

complaint to the Registrar that company had filed a fraudulent application for removal of its

name to deceive the creditors and to defraud the other persons.

Discuss in the light of the above situations the consequences of filing of fraudulent application

for removal of name of the company as per the Companies Act, 2013.

(4 Marks)

(B) Kids Toys Limited, a company incorporated in Japan, has established its branch office in

Mumbai for business to be conducted in India. The structure of paid-up share capital of Kids

Toys Limited as at 31.03.2020 is as below:

Preference share capital held by Jiyalal, an Indian citizen: 10%

Equity share capital held by Ramlal, an Indian citizen: 20%

Equity share capital held by Smart Toys Limited,

Indian National Company: 20%

You are being a Chartered Accountant is requested to explain with reference to the provisions

of the Companies Act, 2013whether Kids Toys Limited shall be deemed to be a Foreign

Company or an Indian Company for the business carried on by it in India and for such business

will it be required to comply with the relevant provisions of the Companies Act 2013 as if it is an Indian Company.

(4 Marks)

(C) Mr. Ramesh Kulkarni conducts private tuition classes from his residence. It was alleged by the Enforcement Directorate that Mr. Kulkarni has under reported his income and collected income in tax and used the proceeds to purchase a house property in Marol, Mumbai. The ED officers through written orders provisionally attached the properties on suspicion of it being derived from the proceeds of crime. Comment on the validity of the provisional attachment on the order issued by the ED officers:

(3 Marks)

(D) Rajan had filed an appeal before the Appellate Tribunal regarding unlawful attachment of one of his properties. The Bench, which was handling the appeal, consisted of 2 members, and both the members were divided in their opinion, on the decision. The matter was referred to a third member of the Appellate Tribunal who gave his opinion. Between the three, the majority decision was that the attachment of Rajan's property was lawful and enforceable. Rajan contended that when the Bench was divided in its opinion, the matter should be decided by the Chairman, with his casting vote and not by any other member of the Appellate Tribunal, and so the decision was not tenable.

State with the reasons whether Rajan's contention is right, under the provisions of Section 38 of the Prevention of Money Laundering Act, 2002.

(3 Marks)

- **Q-4 (A)** The Board of SEBI is managed by its members. The Chairman Mr. A aged 65, has just completed his three year term of office and his office has become vacant. The Union Government is of the opinion that Mr. A is a person with specialized knowledge in the areas of law, finance, economics and appoints him as Chairman for another period of 3 years.
- (i) Discuss the validity of the above appointment under Section 5 of SEBI Act, 1992.
- (ii) The Board of SEBI at its meeting, passed a resolution altering the bye laws of one of the member stock exchange. The stock exchange refused to accept the alteration on the ground that the appointment of one of the directors in the board wasdefective. Explain whether the contention of the stock the Board, was defective exchange is right.

(4 Marks)

- **(B)** Grow Well Limited, a public company (Not a Section 8 Company) has recently been listed. The promoters of the company are individuals only. It has 12 directors in its Board. The company approached you seeking your advice regarding the following as per the circumstances stated below.
- (i) What should be the optimum combination of executive and non-executive directors?
- (ii) What should be the minimum number of independent directors in case the chairperson of the board of directors is a non-executive director?
- (iii) What should be the minimum number of independent directors in case the company does not have a regular non-executive chairperson?
- (iv) What should be the minimum number of independent directors in case where the regular non-executive chairperson is a promoter of Grow Well Limited or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors?

Referring to the relevant regulation of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, advice the company on the above matters.

(4 Marks)

- **(C)** An Association registered under The Foreign Contribution (Regulation) Act, 2010 (the Act) received donation from a club registered in Singapore. The Association proposes:
- (i) To transfer 10% of the donation to "Home for Aged Society", an unregistered person and 15% to "Welfare Club" a registered person under the Act,
- (ii) To invest portion of the donation in Chits promising high returns.

In the light of provisions of the Foreign Contribution (Regulation) Act, 2010 decide whether the Association can carry out the above prop0sals and if so state the procedures to be followed under the said Act?

(3 Marks)

(D) ABC Pvt. Ltd. is a construction company. Mr. Builder is a Chief Engineer of the ABC Pvt. Ltd. A common arbitration agreement was framed by ABC Pvt. Ltd. in case of disputes if arises under any contract. According to the term of an agreement, any question, claim, right, matter, thing, whatsoever, in any way arising out of or relating to the contract designs, drawings, specifications estimates, instructions, or orders, or those conditions or failure to execute the same whether arising during the progress of the work, or after the completion, termination or abandonment thereof, the dispute shall, in the first place, be referred to the Chief Engineer who has jurisdiction over the work specified in the contract. The Chief Engineer shall within a period of ninety days from the date of dispute bought into notice, give written notice of his

decision to the contractor. Chief Engineer's decision shall be final. Examine on the validity of such arbitration agreement.

(3 Marks)

Q-5 (A) Info-tech Overtrading Ltd. was ordered to be compulsory wound up by an order dated 10th March, 2019 by the Tribunal. The official liquidator who has taken control of the assets and other records of the company has noticed that:

(i) One of the contributory whose calls are pending to be paid is about to leave India for evading payment of calls and;

(ii) A person having books of accounts of the company his possession may abscond to avoid examination of books of accounts in respect of the affairs of the company.

Apprehending such possibilities, Tribunal detained such contributory for next 6 month disallowing him to leave India as well as arrest & seized books of accounts from the person which may possibly abscond to avoid examination of the affairs of the company.

Referring to the provisions of Companies Act, 2013, answer the following in current scenario

- (i) What is the validity of Tribunal's order for detention of contributory disallowing him to leave India?
- (ii) Is it correct from Tribunal's part to arrest and seize books of accounts from the person planning to abscond to avoid examination of books of accounts in respect of the affairs of the company?

(4 Marks)

(B) A group of depositors in M/s. Bright Limited, a listed company, appointed M Fair, an advocate as a representative to file an application in the National Company Law Tribunal (NCLT) on the behalf of the depositors to bring a Class Action suit against the management of the company as they are of the opinion that the management and conduct of affairs of the company are being conducted in a manner which is prejudicial to the interest of the depositors being oppressive.

Examine in the given situation, whether the appointment of Mr. Fair is valid as regards to the filling of the application before the Tribunal in the light to the provisions of the Companies Act, 2013?

(4 Marks)

- (C) Aggrieved by an order of Hon'ble NCLT, dated 3rd April, 2018, passed without the consent of parties, Solan Minerals Limited decided to file an appeal before Hon'ble NCLAT. The order was received by the company on 4th April, 2018. The employees and officers went on a strike for a period of 10 days from 22nd May, 2018 demanding higher bonus and pay. In view of this, the management of the company was forced to a grinding halt during the strike period. Thereafter, the appeal was filed on 6th June, 2018 before the Hon'ble NCLAT and the company prayed for condonation of delay. Referring to and analyzing the applicable provisions of the Companies Act, 2013, decide the following:
- (i) Whether the proposed appeal would be admitted by the Hon'ble NCLAT.
- (ii) What is the maximum period allowed by the NCLAT for condonation of delay?

(6 Marks)

Q-6 (A) M/s DreamWorks Limited (an unlisted company) without any public deposits as per the audited financial statements of the company as at March, 31st 2018 gives you the following information:

Paid up Share Capital	Rs. 20 crores
Gross Turnover	Rs. 500 crores
Bank Borrowings	Rs. 40 crores (from a National Bank)
Other Borrowings	Rs.40 crores (from a Public Financial Institution)

Mr. Gupta, a Chartered Accountant employed in the finance and audit department of the company wants to form a Vigil Mechanism for directors and employees of the company. (1) Advise whether it is mandatory for M/s DreamWorks Limited to formulate a Vigil Mechanism under the provisions of the Companies Act, 2013 and rules framed there under. (2) Are there any penalties that could be imposed on the company for not formulating the Vigil Mechanism?

OR

Following is data relating to Prince Company Limited:

Authorized Capital (Equity Shares) hieving Exce	llence Together Rs. 100 crores
Paid-up Share Capital	Rs. 40 crores
General Reserves	Rs. 20 crores
Debenture Redemption Reserve	Rs. 10crores
Provision for Taxation	Rs. 5 crores
Securities premium	Rs. 2 crores

Loan (Long Term)	Rs. 10 crores;
Short Term Creditors	Rs. 3 crores

Board of Directors of the company by a resolution passed at its meeting decided to borrow an additional sum of Rs. 90 crores from the company Bankers. You being the company's financial advisor, advise the Board of Directors the procedure to be followed as required under the Companies Act 2013

(4 Marks)

- **(B)** Royal Limited is a company listed at Madras Stock Exchange, incorporated on 1 January, 2015. The Board of Directors of the company decides to appoint in its Board 'Women Director' and the 'Resident Director.
- (i) Explaining the provisions of the Companies Act, 2013, state whether it is mandatory for the company to appoint such directors in its Board.
- (ii) What would be your answer in case the company is a non-listed company and the Board of Directors decided not to have the Women Director in the company's Board, , assuming no limits are attracted.
- (iii) What shall be your answer in case the company in question is not listed at any of the Exchanges assuming the paid-up share capital of the company is Rs. 50 crore and the turnover of the company is Rs. 200 crore. Decide whether the company is mandatorily required to appoint the woman director.

(4 Marks)

(C) Mr. JJ was found guilty by the authorities under Section 13 of the Prevention of Money Laundering Act, 2002 and monetary penalty was levied on Mr. JJ. But Mr. JJ could not pay the penalty amount. What is the mechanism to recover the fine or monetary. Penalty imposed on any person by the authorities under Section 13 or Section 63 of the Prevention of Money Laundering Act, 2002?

(3 Marks)

(D) The financial creditor, Mr. Raman, was an investor and a debenture holder of Optionally Convertible Debenture Bond (OPDB) payable on maturity, was issued by the M/s Asset Ltd. (corporate debtor). The zero interest OCD bonds amounted to 2 crore matured in 2016. The liability to redeem the debentures on maturity along with a redemption premium lay on the debtor, which was not made. Mr. Raman filed the Corporate Insolvency resolution process before the NCLT.

Advise in the light of the given facts, the following situations:

- (i) State whether Mr. Raman is eligible for filing of application for initiation of CIRP?
- (ii) Do the redemption of debenture payable on the maturity date amounts to debt?

Achieving Excellence Together

(3 Marks)