

**CA - FINAL**  
**GROUP I – PAPER 4**  
**CORPORATE & ECONOMIC LAWS**  
**May 2020 (Series 4)**

Batch : All

Date :02.04.2020

Time Allowed: - 3 Hours

Maximum Marks: 100

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**Division A is Compulsory**  
**In Division B, Question No. 1 is compulsory.**  
**Attempt any four questions from the rest.**

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**DIVISION A**

Q. (01 - 20) Carry 1Marks Each

Total 30 Marks

Q. (21 - 25) Carry 2 Marks Each

**Integrated Case Scenario/Multiple Choice Questions**

**A**

Mr. Mania is the Managing Director of S Limited (and nowhere else), which is a subsidiary of H Limited. Seeing the success of S Limited, the directors of H Limited (which is a listed company) decided and approached Mr. Mania to act as the Managing Director of H Limited. Mr. Mania agreed with the directors of H Limited subject to a condition that he will continue to act as the Managing Director of S Limited also. In this direction, the directors of H Limited propose to appoint him by means of a resolution (containing the terms and conditions of appointment excluding remuneration) by circulation.

**1. Referring to the relevant provisions of the Companies Act, 2013, decide whether the decision of appointing and the proposed mode of appointment of Mr. Mania as the Managing Director of H Limited is valid.**

- (a) the decision of appointing Mr. Mania by H Ltd., holding the office in its subsidiary company S Ltd., is valid.
- (b) the decision of appointing Mr. Mania by H Ltd., holding the office in its subsidiary company S Ltd., is not valid.
- (c) the decision of appointing Mr. Mania by H Ltd., holding the office in its subsidiary company S Ltd., is valid if prior approval of Central Government is obtained.
- (d) the decision of appointing Mr. Mania by H Ltd., holding the office in its subsidiary company S Ltd., is valid. But the proposed mode i.e, passing resolution by circulation of his appointment as the MD of H Ltd. is not valid, because as per the section it can be made by means of a resolution of the Board at its meeting.

**2. Will your answer differ in case S Limited is not a subsidiary of H Limited?**

- (a) the answer will not remain same as to appointment of Mr. Mania.
- (b) the answer will not remain same as to appointment of Mr. Mania because prior approval of Central Government is not obtained.
- (c) the answer will remain same as to appointment of Mr. Mania
- (d) None of the above

**B**

Mr. Atul was appointed as the Insolvency Resolution Professional for XYZ Ltd. An application to replace the Insolvency resolution professional was filed before the Adjudicating Authority by some Financial Creditors. The financial Creditors propose to appoint Mr. K as the insolvency professional instead of Mr. Atul.

**3. Referring to the relevant provisions of the Insolvency and Bankruptcy Code 2016, decide whether Mr. Atul can be replaced?**

- (a) Mr. Atul cannot be replaced by the COC comprising of financial creditors of corporate debtors
- (b) Mr. Atul can be replaced by the COC comprising of financial creditors of corporate debtors at a meeting, by a vote of sixty-six per cent of voting shares
- (c) Mr. Atul can be replaced by the COC comprising of financial creditors of corporate debtors subject to the prior approval of Regional Director
- (d) Mr. Atul can be replaced by the COC comprising of financial creditors of corporate debtors subject to the prior approval of Company Liquidator

**4. State to whom committee of creditors shall forward the name of the insolvency professional proposed by them ?**

- (a) to the Resolution professional
- (b) to the IBBI
- (c) to the Tribunal
- (d) to the Adjudicating Authority

**C ABC Ltd., a foreign company having its Indian principal place of business at Kolkata, West Bengal to conduct the business online as to data interchange and other digital supply transactions is required to deliver various documents to Registrar of Companies under the provisions of the Companies Act, 2013. Examine the provisions of the Companies Act, 2013 in relation to the following :**

**5. State where the said company should deliver such documents.**

- (a) Registrar having jurisdiction over West Bengal
- (b) Registrar having jurisdiction over New Delhi
- (c) Any Registrar of India
- (d) Registrar of the foreign country where its registered office is situated

**6. State the relevant Form under which such documents are to be delivered.**

- (a) Form FC-1
- (b) Form FC-2
- (c) Form MSC-1
- (d) Form MSC-2

**7. State the penalty for non delivery of documents within time on ABC Ltd.**

- (a) ABC Ltd. punishable with fine upto ₹ 3,00,000 + additional fine upto ₹ 50,000 in case of continuing offence.
- (b) ABC Ltd. punishable with fine extending upto ₹ 25,000 + additional fine upto ₹ 50,000 in case of continuing offence.
- (c) ABC Ltd. punishable with fine extending upto ₹ 5,00,000 + additional fine upto ₹ 50,000 in case of continuing offence.
- (d) ABC Ltd. punishable with fine levied ₹ 1,00,000 to ₹ 3,00,000 + additional fine upto ₹ 50,000 in case of continuing offence

- 08. Under normal circumstances, a company is not permitted to make investment through more than ----- layer(s) of investment companies.**  
 (a) One (b) Two  
 (c) Three (d) Four
- 09. When Director SFIO may initiate investigation of the affairs of a company -----.**  
 (a) on receipt of a report of the Registrar or inspector under section 208  
 (b) on intimation of a special resolution passed by a company that its affairs are required to be investigated  
 (c) in the public interest  
 (d) on order of the Central Government
- 10. Where a company has been dissolved, the Tribunal may at any time within ..... of the date of the dissolution, on application by the Company Liquidator of the company or by any other person who appears to the Tribunal to be interested, make an order, upon such terms as the Tribunal thinks fit, declaring the dissolution to be void**  
 (a) 1 Year (b) 2 Years  
 (c) 10 Years (d) 15 Years
- 11. Any person who is aggrieved by the order of Appellate Tribunal may approach to the Supreme Court on any question of law within:-**  
 (a) 15 Days (b) 30 Days  
 (c) 45 Days (d) 60 days
- 12. Under the ECB framework all eligible borrowers can raise ECB up to .....per financial year under the automatic route :**  
 (a) USD 750 Million (b) USD 1500 Million  
 (c) USD 2000 Million (d) USD 2500 Million
- 13. Aakaar Solar Energy Private Limited was allowed the status of a 'dormant company' after a certificate to this effect was issued on 1<sup>st</sup> July 2018 by the Registrar of Companies, Delhi and Haryana. Mention the latest date after which the Registrar is empowered to initiate the process of striking off the name of the company if Aakaar Solar Energy continues to remain as a dormant company.**  
 (a) After 30<sup>th</sup> June, 2023.  
 (b) After 30<sup>th</sup> June, 2019.  
 (c) After 30<sup>th</sup> June, 2020.  
 (d) After 30<sup>th</sup> June, 2021.
- 14. For how much capital restructuring, the listed entity shall submit a statement showing holding of securities and shareholding pattern with the stock exchange:**  
 (a) resulting in a change exceeding 1% of the total paid-up share capital  
 (b) resulting in a change exceeding 2% of the total paid-up share capital  
 (c) resulting in a change exceeding 2.5% of the total paid-up share capital  
 (d) resulting in a change exceeding 2% of the total issued share capital

15. Any money paid into the Company Liquidation Dividend and Undistributed Assets Account in pursuance of section 352, which remains unclaimed thereafter for a period of ....., shall be transferred to the general revenue account of the Central Government
- |              |              |
|--------------|--------------|
| (a) 2 Years  | (b) 5 Years  |
| (c) 10 Years | (d) 15 Years |
16. 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.
17. How many times Corporate Insolvency Resolution Process period can be extended?
- (a) shall not be granted more than once  
 (b) shall be granted more than once  
 (c) shall be granted more than twice on the reasonable cause  
 (d) cannot be granted at all
18. Mr. Z was appointed as representative of ABC Company for a corporate programme organized in USA. During the said period in USA, he was diagnosed with the severe kidney disease, so decided to have a kidney transplant done in USA. State the maximum amount that can be drawn by Mr. Z as foreign exchange for the medical treatment abroad.
- (a) USD 1,25,000  
 (b) USD 2,25,000  
 (c) USD 2,50,000  
 (d) As estimated by a medical institute offering treatment
19. Reserve Bank of India may check the condition at the time of registration of asset reconstruction company that the asset reconstruction company has not incurred any loss in the \_\_\_\_\_ preceding financial years.
- |       |       |
|-------|-------|
| (a) 1 | (b) 2 |
| (c) 3 | (d) 8 |
20. 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

21. Which of the following courts shall be deemed to be a special court for the prevailing of the provisions of the Code of Criminal Procedure to the proceedings before a Special Court -
- (1) Court of Session
  - (2) Metropolitan Magistrate
  - (3) Judicial Magistrate of the First Class
  - (4) Judicial Magistrate of the Second Class
- Choose the correct options-
- |               |               |
|---------------|---------------|
| (a) 1, 2 & 4  | (b) 2, 3 & 4  |
| (c) 1, 2, & 3 | (d) 1, 3, & 4 |
22. P Ltd. was holding 35% of the paid up equity capital of X Stock Exchange. The company appoints M Ltd. as its proxy who is not a member of the X Stock Exchange, to attend and vote at the meeting of the stock exchange. State the correct statement as to the appointment of M Ltd. as a proxy for P Ltd. and on the voting rights of P Ltd. in the X Stock Exchange:
- (a) X Stock Exchange can restrict the appointment of M Ltd., as proxy, and voting rights of P Ltd. in the Stock Exchange.
  - (b) Central Government can restrict appointment of proxies and voting rights of P Ltd. in the X Stock Exchange.
  - (c) Both (a) & (b)
  - (d) X Stock Exchange can also restrict the voting rights of P Ltd. if rules of the exchange so provides. Otherwise can restrict the voting rights of P Ltd. & appointment of proxies through amendment in rules.
23. Mr. Komal and Mr. Rajesh, entered into arbitration agreement for the disputes that arise, if any in their business transactions. Due to certain fault on the part of Mr. Rajesh, the dispute came before the arbitration for settlement. In the meantime, Mr. Komal dies. Mr. Rajesh shed of their liabilities on the plea that arbitration agreement has come to end with the death of the other party. Decide the affirmative statement in the given situation-
- (a) Arbitration agreement get terminated due to death of the party.
  - (b) It shall be remain enforceable by or against the legal representatives of the deceased.
  - (c) Since it is a private law between the parties, it will be terminated with the death of the party.
  - (d) Both (a) & (c)
24. 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.

- 25 **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.

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- 1A.** The effective capital of Goldsmith Ornaments Limited at the end of the financial year ending 31<sup>st</sup> March, 2019 is ₹ 4.5 Crores and it has been increased to ₹ 5.5 Crores on 30<sup>th</sup> June, 2019 by way of rights issue of equity shares. The company proposes to appoint Mr. Edward and Mr. Robinson as whole time directors for a period of three years with effect from 1<sup>st</sup> November, 2019. The company proposes to pay a consolidated salary of 2,00,000 per month to each of them. **5**
- Advise the company explaining the relevant provisions, whether it can pay the proposed salary and also on the steps to be taken to comply with the requirements of Section 197 read with Schedule V of the Companies Act, 2013 with regard to the proposed appointment of Mr. Edward and Mr. Robinson as whole time directors.
- B.** Upon complaints been received by SEBI, regarding the listed securities of Blue Rock Limited at the Guwahati Stock Exchange, SEBI has passed an order to delist the securities of the company from the said stock exchange. Blue Rock Limited is aggrieved by the order of the SEBI. Advise the company on the further step that the company can take against the order of SEBI to delist the securities. **4**
- C.** 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**
- D.** Creative India Limited owes a sum of ₹ 2,80,000 to S, who assigns this debt to his two creditors, Mr. R-to the extent of ₹ 1,40,000 and Mr. M- to the extent of ₹ 1,40,000. Mr. M makes a demand for his money from the company by giving a legal notice. The company could not meet Mr. M's demand or otherwise satisfy him till the expiry of four weeks from the date of notice. Mr. M, therefore, moves to NCLT with an application for initiation of Insolvency and Bankruptcy Code, 2016, decide whether an application filed by Mr. M can be accepted by NCLT. **2**
- 2A** Wonderland Ltd. convened a meeting of the Board of Directors on 1<sup>st</sup> September, 2019 to approve the financial statements of the Company as on 31<sup>st</sup> March, 2019. The Board has strength of 5 directors and the quorum as per Articles of Association is 3 directors physically present. While 3 directors participated in the meeting physically, the fourth and the fifth directors participated through video conferencing. Examine the validity of the approval of financial statements in the above said Board meeting. **4**
- B** What are the possible actions which can be taken against persons / properties involved in Money Laundering? **2**

- C** Coal Limited failed to repay the amount borrowed from the bankers, AU 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. **6**
- D** Blue Berry Ltd. is a Company incorporated outside India. 50% of its preference share capital and 20% of its equity share capital are held by Companies incorporated in India. It issued prospectus inviting subscriptions in India for its shares but did not state the Country in which it is incorporated. Examine in the light of the provisions of the Companies Act, 2013 whether the issue of prospectus by the Company is valid. **2**
- 3A** Mr. X is appointed as a liquidator for PQR Ltd. Referring the provisions of the Companies Act, 2013 advise him about the period within which he is required to apply to the Tribunal for setting up a winding up committee and discuss the constitution and functions of the winding up committee. **4**
- B** Rose Garden Limited filed its financial statements for the year ending 31<sup>st</sup> March, 2019 with Registrar of Companies, Chennai which disclosed that the liabilities amounted to ₹ 3.87 crores as against the assets of ₹ 1.37 crores. On the basis of the scrutiny of the financial statements, the Registrar filed an application for Corporate Insolvency Resolution Process under Insolvency & Bankruptcy Code, 2016 against the company that the company is unable to pay its debts on the ground that the value of liabilities far exceeded the value of assets. Examine whether the company has any case to defend against the application filed by the Registrar. **4**
- C** Members of Sarat Solutions Ltd. are concerned about the performance of the company as they suspect gross negligence and mismanagement of the affairs of the company that may be detrimental to the interests of the company and therefore filed an application to the Central Government to appoint an inspector to carry on the investigation. Mr. X, who was appointed as inspector, is of the view that to find out the true picture it is necessary to investigate into the affairs of M/s. Hemant Softech Solutions Ltd., which is a subsidiary of Sarat Solutions Ltd. Referring to and analysing the provisions of the Companies Act, 2013 decide, whether the inspector has powers to investigate into the affairs of M/s Hemant Softech Solutions Ltd. **3**
- D** Buina Limited has discontinued its business since 2015 and has not been filing annual returns. The Registrar of companies issued a notice for striking off the company. Since no reply was received within the time specified in the notice, the name of the company was struck off from the register of companies. There were tax arrears and a notice was sent to the company by the tax recovery officer. The Directors contended that since the company's name has been struck off, the company does not exist and not liable to pay the tax. Referring to and analysing the relevant provisions of the Companies Act, 2013 examine the validity of the Company's claim. **3**



- 4A** In a scheme of reconstruction by a multinational company listed in India, the company wanted the minority shareholders to get out of the company by selling their shares back to the promoters at a price determined by the promoters. The minority shareholders were not given a choice whether they wanted to tender their shares or not. In the meeting, there were six non-promoter shareholders who voted against the scheme, but Chairman declared that the motion was carried with an overwhelming majority of more than 90% shareholding. However, minority shareholders contended that they had a right to reject the offer. Will they succeed? **4**
- B** The Adjudicating Authority appointed under the Prevention of Money Laundering Act, 2002 issued an order attaching certain properties of SVG Limited, alleging 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 Act in relation to the above situation and advise. **4**
- C** In public interest, HEM Stock Exchange Limited was issued an order by the Stock Exchange Board of India to produce certain information and explanation relating to its operation in writing. The management of the stock exchange were reluctant to part with such information with SEBI and approached you to seek your advice in the following matters: **4**
- (a) Duty of HEM Stock Exchange Limited to furnish periodic returns to SEBI;
  - (b) Power of SEBI to ask for the information asked as stated above, over and above the periodic returns;
  - (c) Period for which the Stock Exchange is required to maintain the books of accounts which may be inspected by SEBI.
  - (d) Duty of the Stock Exchange and the persons dealing with the stock exchange with regard to the information sought for by SEBI.
- Advise them referring to the relevant provisions of the Securities Contracts (Regulation) Act, 1956.
- D** 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 reference to FEMA, 1999? **2**
- 5A** Aggrieved by an order of Hon'ble NCLT, dated 3<sup>rd</sup> 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 4<sup>th</sup> April, 2018. The employees and officers went on a strike for a period of 10 days from 22<sup>nd</sup> 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 6<sup>th</sup> June, 2018 before the Hon'ble NCLAT and the company prayed for condonation of delay. Referring to and analysing the applicable provisions of the Companies Act, 2013, decide the following: **4**
- (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?

- B** Ms. Rajkumari launch her boutique. She contacted with M/s Shyamlal merchants for supply of dress materials. The communication between the parties were over email. There was a term of service between the parties containing that “any disputes regarding quality or delivery shall be submitted to arbitration conducted under the guidance of Indian Clothes Manufacturers Association. Please place your order if the above terms and conditions are agreeable to you.” Ms. Rajkumari placed an order. Comment on the validity of the such arbitration agreement according to the Arbitration and Conciliation Act, 1996. **3**
- C** B Ltd. is a listed Company and it has been served with a notice for appointment of a small shareholders' director. Referring to the provisions of the Companies Act, 2013, examine the following: **3**
- (i) The tenure of small shareholders' director and whether he can be re-appointed as such, after expiry of his tenure?
  - (ii) Whether he can be appointed as an officer of the Company on expiry of his tenure as small shareholders' director.
- D** Mr. Indian received foreign contribution of amount 1.10 lakh from his relative residing abroad. Examine whether foreign remittances received by Mr. Indian to be treated as foreign contribution as per the FCRA, 2010. **4**
- 6A** Akri Nidhi Limited proposes: **4**
- (i) To reappoint Mr. X, a Director who has completed a term of 10 consecutive year as a Director of the Nidhi.
  - (ii) To pay dividend at the rate of 45%.
- Examine and analyse the validity of the above proposals with reference to Nidhi Rules 2014 formulated under Companies Act, 2013.
- B** Vogue Limited has an Authorised Capital of 250 lakhs and paid up capital of 200 lakhs. The free reserves are there to the tune of 150 Lakhs. The company has advanced a loan of ₹ 160 Lakhs to other companies as on 30<sup>th</sup> November, 2018. Now the company proposes to advance an interest free loan of ₹ 60 Lakhs to its wholly owned subsidiary Fashion Limited. Discuss the validity of the proposed transaction with reference to the restrictions imposed by the applicable provisions of the Companies Act, 2013 and relevant Rules made thereunder. **5**
- C** M/s DJ Limited, a listed company, as per the audited financial statements as at March 31, 2018 is having issued and paid-up equity share capital comprising of ₹ 10 Lakhs shares of ₹ 10 each and issued and paid-up preference share capital of ₹ 5 Lakhs shares of ₹ 10 each respectively. The members of the company after complying with the provisions of Section 169 of the Companies Act, 2013 removed one Mr. Satish from the directorship of the company on 1<sup>st</sup> August 2018 before the completion of his term of office. Mr. Satish is also one of the members of the company holding 110000 fully paid- up equity shares. Mr. Satish has alleged oppression on his removal and has moved the jurisdictional Honourable National Company Law Tribunal (NCLT) under Section 241 read with Section 244 of the Companies Act, 2013. The Board of Directors of the company is of the opinion that the application is not maintainable as per the provisions of Section 244 of the Companies Act, 2013. Decide. **5**
- Also, state if any other recourse that is available with Mr. Satish under the provisions of the Companies Act, 2013.

**OR**

Considering the regulatory provisions of the Companies Act, 2013 and the rules thereof regarding the appointment of independent directors on a company's Board, state whether Z Limited, a listed public company is required to appoint Independent Directors. Also state whether appointment of Independent Director is required in the following cases:

- (i) The public company has a paid up share capital of ₹ 10 crores
- (ii) What shall be your answer in case the company's paid up share capital is only ₹ 2 crores.
- (iii) Whether a person who holds the position of a Key Managerial Personnel in the same company can be appointed as an Independent Director?
- (iv) In relation to mandatory women directors as required under the Companies Act, 2013 should such directors also be Independent Directors?