

**DBX2**

FINAL

GROUP-I PAPER-4  
CORPORATE AND  
ALLIED LAWS

NOV 2019

Final old  
Paper 4 07/11/19

Marks 85

Roll No. ....

Total No. of Questions – 6

Total No. of Printed Pages – 12

Maximum Marks – 70

**GENERAL INSTRUCTIONS TO CANDIDATES**

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

**PART – II**

**70 marks**

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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**PART – II**

1. (a) The paid up share capital of RST Limited and its free reserves as on 31<sup>st</sup> March, 2019 are ₹ 10 Crores and ₹ 50 Crores respectively. The company made a loss of ₹ 40 lakhs after providing for depreciation for the year ended 31<sup>st</sup> March, 2019 and as a result, the company was not in a position to declare any dividend for the said year out of profits. However, the Board of Directors of the company announced the declaration of dividend of 20% on the equity shares payable out of free reserves. The average dividend declared by the company in the last three years is 25%. Referring to the provisions of the Companies Act, 2013, examine the validity of declaration of dividend. 5

- (b) 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.

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- (c) 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**

2. (a) 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**

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- (b) The majority of shareholders of Voyage Travellers Limited passed a special resolution to alter its Articles of Association and give the directors a power to transfer the shares of any shareholder who compete with the company's business. Mr. KPS, who is a shareholder of Voyage Travellers Limited also carried on a competing business, challenged the validity of the alteration. Decide based on the Rule of Majority, whether the contention of Mr. KPS is valid case of oppression against minority. **4**
- (c) VAO Stock Exchange Limited, a recognised stock exchange is involved in trading of shares of Diamond Limited. The SEBI on receiving a complaint from a group of investors enquired and found that trading of shares of Diamond Limited is being conducted in a manner detrimental to the interest of the general investors. In order to curb the same, the SEBI wants to issue some directions to VAO Stock Exchange Limited. Referring to the provisions of the Securities Contract (Regulations) Act, 1956, discuss whether the SEBI has power to issue such directions. Can such directions be given to an individual who made some profit in any transaction in contravention of any provision of the Securities Contracts (Regulation) Act, 1956, or regulations made there under ? **6**

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3. (a) 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) Transtar Limited, a company incorporated in Thailand, has a place of business through an agent in Bangalore. The agent transacts the business on behalf of the company through electronic mode. As regards Transtar Limited, answer the following : **4**
- (i) Whether Transtar Limited shall be called a foreign company within the meaning of the Companies Act, 2013 ?
- (ii) What are the regulatory requirements under the Companies Act, 2013 to be complied with by a company which has established its place of business in India with respect to delivery of documents etc. to Registrar ?
- (c) (i) ABC Limited hired the services of Mr. Taylor, a technician from Germany for the installation of a machinery. The company paid USD 40,000 for the services rendered by Mr. Taylor. Examine under the Foreign Exchange Management Act, 1999, whether payment of remuneration to foreign technician Mr. Taylor is a permissible transaction under the provisions of the said Act. **3**

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- (ii) JRF Rubber Limited and Roland Tyres Limited marketing their products in India propose to be amalgamated. The enterprise created as a result of the said amalgamation will have assets of value of ₹ 950 crores and a turnover of ₹ 4,000 crores. Examine whether the proposed amalgamation attracts the provisions of the Competition Act, 2002. **3**
4. (a) 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**

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- (b) Venus Limited owes a sum of ₹ 12,00,000 to Mr. Khan, who assigns this debt to his two creditors viz., Mr. Joseph – to an extent of ₹ 4,00,000 and Mr. Pratap to an extent of ₹ 8,00,000. Mr. Pratap makes a demand for his money from the company by giving a legal notice. The company could not meet Mr. Pratap's demand or otherwise satisfy him till the expiry of four weeks from the date of notice. Mr. Pratap, therefore, moves to NCLT with an application for initiation of insolvency of the company. Referring to the provisions of the Insolvency and Bankruptcy Code 2016, decide whether Mr. Pratap's application can be accepted by the NCLT. **4**

- (c) (i) Real Insurance Company Limited, a newly established insurance company started the business of health insurance. It decided to get itself registered with the paid up equity capital of ₹ 99 crore excluding the preliminary expenses incurred during formation and registration. Examine in the light of the Insurance Act, 1938, whether it can be registered and can conduct the insurance business. **3**

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(ii) Zebra Limited failed to repay the amount borrowed from Genuine Bank, which is holding a charge on all the assets of the Company. Now, the Bank wants to acquire the Financial Assets of Zebra Limited. Is the Bank bound to give notice of acquisition of financial assets to the obligor ? State the Provisions in this regard with reference to the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act. 2002. **3**

5. (a) Fine Electric Scooter Pvt. Ltd. incorporated in November, 2016 has not commenced or carried on any business since its inception. Promoters of the Company being two subscribers have decided to dissolve the Company and get the name of the Company strike off from the Registrar of Companies under the Fast Track Exit Mode. The promoters' Directors seek your advice for dissolving the Company. Advise. **4**

(b) "The e-forms are required to be authenticated by the authorised signatories using digital signatures." With reference to e-filing of documents with the Registrar of Companies, identify the users of digital signature who are required to obtain Digital Signature Certificate (DSC) and name the e-forms required to be filed for the following : **4**

- (i) Particulars for satisfaction of charge.
- (ii) For filing Profit and Loss Account and other documents with the Registrar.

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- (c) The Adjudicating Authority appointed under the Prevention of Money Laundering Act, 2002, issued an order attaching certain properties of Green Resorts Limited alleged to be involved in money laundering for a specified period. Referring to the provisions of Prevention of Money Laundering Act, 2002, advise the Company about the remedy that is available under the Act. Also state further relief available to the company to recover the attached property in case it failed in the first instance. **6**
6. (a) Super Speciality Hospital Limited has a paid up share capital of ₹ 10 crores and annual turnover of ₹ 90 crores. There are 5 directors in its board. Two doctors Mr. ZA and Mr. AZ are appointed as independent directors. Mr. ZA was appointed for a period of 5 years on 1<sup>st</sup> August, 2015 while Mr. AZ was originally appointed for 3 years on 1<sup>st</sup> August, 2014 and was subsequently reappointed for 5 years on 1<sup>st</sup> August, 2017. Now, in August, 2019, the Company wants to remove both the independent directors. Referring to the relevant provisions of Companies Act, 2013, decide whether the company can do so. **4**

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ASP Limited, a listed company secured residential accommodation for the use of its Managing Director by entering into a lease arrangement with the landlord. As per the terms of the agreement, ASP Limited deposited a sum of ₹ 10,00,000 as rental advance with landlord. Referring to the provisions of the Companies Act, 2013, decide whether the said deposit amount be considered as a loan given to the Managing Director.

- (b) Space X is a Company incorporated in Japan, having a place of business in Mumbai for the conduct of its business. For the year ended March, 2019 Space X filed their financial statements with the ROC in compliance with Sec 381 of the Companies Act, 2013 and declared a turnover of ₹ 1,200 Crore and net profit of ₹ 49 Crore. Advise the Company on the applicability of the provisions relating to Corporate Social Responsibility and the compliance, if any, required.

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- (c) (i) Cure Pharma Limited and Diagnosis Pharma Limited are dealing in medicines related to cardiac Related diseases. They entered into an agreement to jointly produce, supply and distribution of their products. Competition Commission of India (CCI) has received a complaint that agreement is anti-competitive and against the interests of persons dealing in the trade. What factors CCI will take into account to determine whether this agreement has any appreciable adverse effect on competition in the market ?  
Examine. 3
- (ii) 'The meaning of a word is to be judged by the company it keeps'. 3  
Explain the concept of 'Noscitor A Sociis'.
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