

Company Law

264

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

NOTE : 1. Answer SIX questions including Question No.1 which is compulsory.
2. All references to sections relate to the Companies Act, 1956 unless stated otherwise.

1. Comment on **any four** of the following :

- (i) The name of every company must end with the word "Limited".
- (ii) Every employee of a company shall be eligible to participate in Employee Stock Option Scheme (ESOS).
- (iii) Winding-up is only a process while dissolution puts an end to the existence of a company.
- (iv) Dividend can be paid out of capital only if the articles of association of a company authorises such payment.
- (v) Adoption of accounts is an important business to be transacted only at general meetings.

(5 marks each)

2. (a) Write the most appropriate answer from the given options in respect of the following :

- (i) Reserve Bank of India is a —
 - (a) Statutory company
 - (b) Chartered company
 - (c) Private company
 - (d) Section 25 company.
- (ii) Who among the following can be appointed as an Inspector under section 235 or 237 —
 - (a) Firm
 - (b) Body corporate
 - (c) Association
 - (d) Individuals.

- (iii) Find the odd one out of the following types of transfer of shares —
- (a) Transmission of shares
 - (b) Transfer of shares by operation of law
 - (c) Involuntary assignment of shares
 - (d) Voluntary transfer of shares.
- (iv) The first annual general meeting of a producer company should be held within a period of —
- (a) 90 days from the date of incorporation of the company
 - (b) 180 days from the date of incorporation of the company
 - (c) 9 months from the date of incorporation of the company
 - (d) 18 months from the date of incorporation of the company.
- (v) A member can complain of oppression under section 397 only in his capacity as —
- (a) A member
 - (b) A director
 - (c) A creditor
 - (d) None of the above.
- (vi) As per section 230, auditor's report should be read at the —
- (a) Annual general meeting
 - (b) Extra-ordinary general meeting
 - (c) General meeting
 - (d) Board meeting.
- (vii) Secretarial Standard–5 issued by the Institute of Company Secretaries of India deals with —
- (a) Minutes
 - (b) Transmission of shares and debentures
 - (c) Dividend
 - (d) Registers and records.

: 3 :

- (viii) 'Small shareholder' under company law means a shareholder holding shares of —
- (a) Nominal value of ` 20,000 or less
 - (b) Paid-up value of ` 20,000 or less
 - (c) Nominal value of ` 50,000 or less
 - (d) Paid-up value of ` 50,000 or less.

(1 mark each)

- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) Under section 4, if a company holds more than half in _____ value of another company's equity share capital, the relationship of holding company and subsidiary subsists between the two.
 - (ii) _____ is represented by the excess of current assets over current liabilities.
 - (iii) A company desirous of commencing business of banking in India should have an initial minimum paid-up capital of _____ .
 - (iv) As regards companies registered in India, the filing fees payable to the Registrar of Companies varies with _____ of the company.
 - (v) The relationship of sole selling agent and the appointing company is governed by the provisions of _____ .
 - (vi) National co-operative societies are multi-State co-operative societies which have been listed in the _____ of the Multi-State Co-operative Societies Act, 2002.
 - (vii) Criminal liability of an auditor may extend to imprisonment for a period of _____ and/or fine at the discretion of the court.
 - (viii) Every _____ shall be liable to all penalties imposed on the limited liability partnership for any contravention of the provisions of the Limited Liability Partnership Act, 2008.

(1 mark each)

3. (a) A person other than retiring director is also eligible for appointment as director. Examine. (4 marks)
- (b) As Frasil Ltd. was not functioning since 2004, its Board of directors decided not to prepare annual accounts from 2008 and also did not call the annual general meetings. Discuss the validity of the action of the Board of directors. (4 marks)
- (c) An auditor of a company signed the balance sheet, profit and loss account and schedules/notes and furnished the auditors report on the same date on which the reports were signed by the directors on behalf of the Board. One of the directors raised objection stating that the audit can not be completed and certified in a day. Do you agree with the director and if not, why ? (4 marks)
- (d) State the matters which cannot be decided through resolution by circulation. (4 marks)
4. (a) Explain the manner in which calls on shares should be made by a company. (4 marks)
- (b) Can the Registrar of Companies seize the books and documents of a company ? Explain. (4 marks)
- (c) What are the benefits of the depository system of stock holding ? (4 marks)
- (d) Whether equity shares already issued can be converted into redeemable preference shares ? Discuss. (4 marks)
5. Distinguish between *any four* of the following :
- (i) 'Postponement of meeting' and 'adjournment of meeting'.
 - (ii) 'Beneficial owners under depository mode' and 'registered owners under depository mode'.
 - (iii) 'Letter of allotment' and 'letter of renunciation'.
 - (iv) 'Brokerage' and 'underwriting commission'.
 - (v) 'Reserve capital' and 'capital reserve'.

(4 marks each)

: 5 :

6. (a) State, with reasons in brief, whether the following statements are true or false :
- (i) Outsiders are bound to know the constitution of the company and not the indoor management.
 - (ii) As per the guidelines of SEBI, under the Employee Stock Option Scheme, 1999, an 'employee' means any employee whether permanent, temporary, regular or casual.
 - (iii) Date of prospectus, unless the contrary is proved, shall be taken as the date of publication of the prospectus.
 - (iv) Shares issued to the employees under Employee Stock Purchase Scheme (ESPS) at the same price as in public issue shall be locked-in for a minimum period of one year from the date of allotment.
 - (v) Company Secretary of a section 25 company should have membership of the Institute of Company Secretaries of India.
 - (vi) Dividend has to be distributed within 21 days of its declaration under section 207.
 - (vii) Any member of a company has the right to inspect the minutes book of the directors' meetings.
 - (viii) Winding-up of a company means dissolution of the company.

(1 mark each)

- (b) (i) Section 81 ensures pre-emptive rights of shareholders. Discuss.

(4 marks)

- (ii) Articles of association of a company provide that a director appointed must obtain qualification shares within a period of 2 months from the date of appointment failing which it will be regarded as if he has vacated his office. Anurag, not a shareholder, was appointed as director on 1st April, 2011. Since he failed to acquire qualification shares within the period of 2 months' time, the Board of directors decided to extend the condition by one more month. Comment.

(4 marks)

7. Write notes on *any four* of the following :

- (i) Minimum subscription in case of rights issue
- (ii) Voting by show of hands
- (iii) Class meetings
- (iv) Duty of statutory auditor to report on disqualification of directors
- (v) Doctrine of *Cypres*.

(4 marks each)

8. (a) Star Gen Ltd. held a meeting of its Board of directors on 31st October, 2010 at its registered office. Though the company has 12 directors on its Board, only 5 directors were present at the commencement of the meeting. Thereafter, even while the meeting was in progress, 2 more directors left the meeting and the remaining directors carried on the proceedings of the meeting. Discuss the validity of decisions, if any, taken by the remaining 3 directors.

(4 marks)

(b) 1,000 Shares of Astro Ltd. are registered in the names of three persons P, Q and R jointly. Interestingly, the articles of the company provide that the survivors shall be the only person to be recognised by the company as having any title to the shares of the company. Unfortunately, P and Q died in an air crash. In these circumstances, R, being the survivor claims to be the full owner of the said 1,000 shares. However, the legal heirs of P and Q are also making counter claims. Who will succeed ? Explain.

(4 marks)

(c) A, B and C are joint holders of shares in Clearhead Ltd. The joint holders now ask the company for altering or rearranging the serial order of their names in the register of members of the company. In reply, the company intends to ask the joint holders to execute a transfer deed for transposition of names in the register of members. Advise the company on the course of action.

(4 marks)

: 7 :

- (d) Mohan applied for 4,000 shares in a company but no allotment was made to him. Subsequently, 4,000 shares were transferred to him without his request and his name was entered in the register of members. Mohan stood by and allowed his name to remain in the register of members. Subsequently, the company went into liquidation and he was held liable as a contributory. Now, Mohan wants to apply to the court for rectification of the register of members. Can he do so ? Explain.

(4 marks)

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