

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8 Total number of printed pages : 6

- 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. State, with reasons in brief, whether the following statements are correct or incorrect. Attempt *any eight* :
 - (i) As a private company, by virtue of becoming a subsidiary of a public company, gains the legal status of a public company, it is necessary that such a private company has to amend its articles of association to remove the basic features of a private company as given in section 3(1)(iii).
 - (ii) It is not always necessary that a company must hold majority of the nominal value of equity share capital of another company to make the latter company its subsidiary.
 - (iii) The Central Government's powers under the Companies Act, 1956 go beyond the role of a mere regulator, but stretch to become the ultimate dispute resolution authority for a company.
 - (iv) An order for conducting investigation of a company having one lakh equity shares (issued and paid-up) cannot be made by the Company Law Board on the application of just 750 members of that company.

- (v) It is incumbent on the statutory auditor of a company to fully incorporate the report of the branch auditor of that company when the accounts of the branch have been audited by another auditor.
- (vi) In a situation where the winding-up order for a company has been made by the court and the liquidator has been appointed, it is still permissible to propose a scheme of compromise under section 391.
- (vii) The Board of directors of a company can apply to the court for winding-up without obtaining members' approval.
- (viii) 'One person company' can be registered as a company under the Companies Act, 1956.
- (ix) The term 'insider' in the context of 'insider trading' means a person who is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company. The expression 'person' appearing above is restricted to natural person and juridical person like a company, but excludes firm and other association of persons.
- (x) When the Company Law Board is seized of a petition between the parties involving oppression and mismanagement, the winding-up proceedings in respect of the company concerned can be entertained by the court and continued.

(2½ marks each)

2. Comment on *any four* of the following :
- (i) Every bench of Company Law Board is a court.
 - (ii) The powers of the court under section 237(a)(ii) are uncontrolled and the court can direct an investigation whenever it is suspected that all is not well with the company.
 - (iii) Confirmation of court is necessary in all cases where there is an actual reduction of capital.
 - (iv) Employment contracts cease to be operative on appointment of receiver.
 - (v) The trend of concentration of ownership of shares in the hands of institutional investors is harmful for small investors.

(4 marks each)

3. (a) Sampada Ltd. has earned a profit of Rs.1.40 crore for the year ended 31st March, 2006 before providing for depreciation which amounted to Rs.1.50 crore resulting in a net loss of Rs.10 lakh. For the year ended on 31st March, 2007, the company has earned a net profit of Rs.1 crore after providing for depreciation for the current year. Is the net profit of Rs.1 crore for the year 2006-07 available entirely for dividend purposes assuming no other loss or unabsorbed depreciation exists ?

(4 marks)

- (b) Rajat invested Rs.20,000 by placing a deposit with Hum-Tum Ltd. but the company has failed to repay the principal and interest on due date. Advise Rajat.

(4 marks)

(c) To what extent can the Board of directors and the members in general meeting authorise buy-back of shares in a company which has paid-up equity capital of Rs.2.5 crore, paid-up preference capital of Rs.1 crore and free reserves of Rs.7.5 crore ?

(4 marks)

(d) Good Luck Ltd. of which you are the Secretary, wishes to take up a line of business covered under 'other objects' in the memorandum of association. What steps would you take for achieving this ?

(4 marks)

4. (a) State the provisions in Schedule I, Table-A of the Companies Act, 1956 (Regulations for Management of a Company Limited by Shares) as regards capitalisation of profits and common seal.

(8 marks)

(b) Secretarial Standard-2 has been issued by the Institute of Company Secretaries of India (ICSI) to integrate, consolidate, harmonise and standardise all the diverse secretarial practices so as to ensure that uniform practices are followed by companies in regard to convening and holding of general meetings of companies. Briefly state the salient features of the Secretarial Standard-2.

(8 marks)

5. Due to recession in its area of operations, financial health of Fragile Pvt. Ltd. does not find sufficient favour with the bankers while the company urgently needs funds for modernisation and must raise capital by private placement

of non-cumulative convertible preference shares at a discount. Advise. Also draft the facts of the case for inclusion into the petition on appropriately valid assumptions.

(16 marks)

6. (a) Recently, the Companies Act, 1956 has been amended so as to facilitate filing of returns, annual accounts, prospectus, *etc.*, by electronic mode. Give broad features of the provisions introduced in the Companies Act, 1956 in this regard.

(8 marks)

- (b) What is given in common instruction kit under MCA-21 ?

(8 marks)

7. (a) The court has sanctioned the scheme of amalgamation of IM Ltd. with VR Ltd. Prepare a note on the steps required thereafter.

(8 marks)

- (b) Only a person interested can make representation to the Registrar of Companies and not any stranger. Discuss the powers of the Registrar to act in the matter of investigation into affairs of a company, with reference to relevant provisions of the Companies Act, 1956 and decided case law.

(8 marks)

8. (a) In the books of Halchal Ltd., a company under liquidation, there appeared a debt due from a debtor, recovery of which was claimed before the court; but other than the entry in books of account, no other supporting evidence was available. Discuss.

(4 marks)

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- (b) Briefly state how the U.K. White Paper, 2005 envisages to reform the role of directors.

(4 marks)

- (c) Is the court order sanctioning amalgamation leads to transfer of assets for the purpose of payment of stamp duty ?

(4 marks)

- (d) Set-out some ideas which can be used for evaluation of individual directors.

(4 marks)

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