

*Roll No.* .....

*Time allowed : 3 hours*

*Maximum marks : 100*

*Total number of questions : 6*

*Total number of printed pages : 12*

*NOTE : 1. Answer ALL Questions.*

*2. ALL references to sections relate to the Companies Act, 2013 unless stated otherwise.*

## **PART—I**

1. (a) Explain the exceptions, if any, to the Majority Rule in Foss v. Harbottle case law. (5 marks)
- (b) Comment on the following :
- (i) Credit rating at the time of accepting Deposit by a company is mandatory.
  - (ii) No company can invite Deposit without entering into a contract for deposit insurance.
  - (iii) Creation of security for repayment of Deposit is not mandatory for all companies while accepting Deposit.
  - (iv) Trustees for Depositors can be removed by a simple majority.
  - (v) Only remedy for Depositors in case of default in repayment of Deposit by the company is to file a suit.
- (5 marks)

: 2 :

- (c) Shortwalkers Limited was a listed company operating fitness centres all over India. In their Meeting on 1st April, 2022 the Board of directors of the company approved purchase of gym equipment for ₹ 75 crore from Fitness Solutions (Private) Limited a company managed by Anita, wife of Sunil, the CFO of Shortwalkers Limited. The annual turnover of Shortwalkers Limited for the last financial year is ₹ 500 crore. The entire shareholding of Fitness Solutions (Private) Limited was held by Anita and two other directors.

In his report to the shareholders of Shortwalkers Limited, the auditor of the company made adverse remarks on the transaction stating that the approval of the Audit Committee and special resolution were not obtained before approving the deal.

The Board, in their report to the shareholders remarked that the purchase transaction was at arm's length price and Sunil, was not a related party and approval of audit committee and the shareholders was not necessary.

Referring to provisions of Companies Act, 2013, examine the submissions of the Board.

(5 marks)

- (d) State the provisions of the Companies Act, 2013 for the issue of bonus shares by a listed company :

(i) Can a company declare bonus shares in lieu of dividend ?

(ii) Is bonus shares same as stock dividend ?

(5 marks)

: 3 :

*Attempt all parts of either Q. No. 2 or Q. No. 2A*

2. (a) Amar, Akash and Ashish were the owners of a coffee estate in Munnar. They registered a new company called Mandoli Coffee Estate Private Limited and transferred their coffee estate to the newly formed company.

They claimed exemption from paying Registration charges and Stamp duty on the ground that since they were the only shareholders of the company, the transaction was nothing but transfer by them from one name to themselves in another name. Referring to the provisions of Companies Act, 2013, is their claim tenable ?

(3 marks)

- (b) The Board of Customerlast Limited, an unlisted public company is exploring ways to increase its paid-up share capital from ₹ 125 crore to ₹ 150 crore. The CFO of the company suggested that instead of offering shares to all existing shareholders as a rights issue the company can issue further shares by private placement to four identified Qualified Institutional Buyers and the top 250 existing shareholders by receiving cash without offering shares to other shareholders.

The company secretary of the company objects to the manner of raising further capital, i.e. the offerings to the select shareholders as well as receiving cash.

Referring to the provisions of Companies Act, 2013 decide.

(3 marks)

: 4 :

- (c) Harsh is a promoter director of Himmat Pvt. Ltd. He borrowed some funds from his friend for a certain purpose but the same is lying idle at present. Thus, he plans to give loan to the company for working capital needs. Harsh has approached you, a Practising Company Secretary, for suggestion, if there is any situation where such loan will not constitute Deposit. Advise Harsh with reference to the provisions of the Companies Act, 2013.  
(3 marks)
- (d) Magnificent Ltd. has filed various e-forms with Registrar of Companies due to various events in the Company. With reference to e-filing of forms, State for which services/ eforms, process for **refund of fee** is not applicable.  
(3 marks)
- (e) Stunning Commodities Ltd. gave notice seeking information from Ujjwal (not a member of the Company) whom the company has reasonable cause to believe to be having knowledge of the identity of a significant beneficial owner (SBO) of the company. It is observed that information given by Ujjwal is not satisfactory. You are General Manager (Secretarial) of the Company. The CEO of the Company asks you for further action to be taken by the company on this, if any. Please advise.  
(3 marks)

**OR (Alternate question to Q. No. 2)**

- 2A. (i) The legislative authority for enacting corporate laws and securities laws in India is distinctly different from the authority for enactment of corporate laws and securities laws in USA. Explain.  
(3 marks)

: 5 :

- (ii) Mr. Raj who is a resident of Bengaluru, sent a Transfer Deed for registration of transfer of shares, to the company at the address of its registered office in Delhi. He did not receive the share certificates even after the expiry of six months from the date of dispatch of transfer deed. He lodged a criminal complaint in the court at Bengaluru. Decide under the provisions of the Companies Act, 2013, whether the court at Bengaluru is competent to take action in the said matter ?  
(3 marks)
- (iii) Write short note on Capital Redemption Reserve Account.  
(3 marks)
- (iv) As a Company Secretary, advise your client whether the following matters can be transacted by getting a resolution passed through postal ballots :
- (a) Issue of shares with differential voting rights
  - (b) Sale of the whole of the undertaking of the Company
  - (c) Buy-back of own shares by the Company.
- (3 marks)
- (v) The Board of directors of ZED Ltd. (Listed Company) is actively considering a proposal to buy back its shares. Naveen has recently joined the Board as an Additional Director. You are the senior partner of a firm of Company Secretaries and Naveen has sought your views, if there is any requirement for filing Declaration of Solvency by the company with any regulatory authority and particulars thereof. Also, what would be the time gap between two buy-backs. Advise Naveen in the light of the provisions of the Companies Act, 2013.  
(3 marks)

3. (a) You are a Speaker on Corporate Laws at a Seminar. One person from the audience has sought your opinion on the following matters :
- (i) Can an Insolvent be a member in a company ?
  - (ii) Can a Receiver be a member in a company ?
  - (iii) How does an investor avail services of a Depository in case of pledge of shares ?
- (1+2+2=5 marks)
- (b) A newly appointed auditor of a listed company came across the evidence of under-invoicing of exports, round tripping of funds through tax heavens and fraudulent siphoning of funds amounting to ten million USD. Explain the further course of action by the auditor. Also explain what is fraud ?
- (5 marks)
- (c) With reference to the provisions of Singapore Companies Act, explain when a Private Company need not hold annual general meeting ? What is the due date of holding the annual general meeting of listed public company ?
- (3+2=5 marks)

#### PART—II

4. (a) Rakesh Agarwal is a Non-Executive & Non-Independent director of Happy Travels Limited, an unlisted company. The paid-up share capital of the company is ₹ 120 crore. The company has availed a term loan of ₹ 65 crore. The Board of directors, in their meeting passed a resolution to grant a housing loan of rupees one crore to Rakesh for purchase of an apartment in Navi Mumbai at concessional interest rate. The company has implemented a housing loan for its permanent employees at concessional interest rates. The Secretarial Auditor has objected to the loan granted to Rakesh in his Secretarial Audit report.
- Is the claim of Secretarial Auditor correct ?
- Will your answer differ if the company is a private limited company ?
- (5 marks)

: 7 :

(b) Draft minutes of 19th meeting of the Board of directors of Zwiggy Foods Ltd held on 28th January, 2022 were circulated on 5th February, 2022. In this backdrop, answer the following :

(i) Sonali, an independent director, who attended the meeting communicated her comments on 15th February, 2022. Do you think her comments can be considered ?

(ii) Sujata, a small shareholder director, communicated her comments on 10th February, 2022 but she was absent in the meeting without obtaining leave of absence. Can her comments be taken on record ?

(5 marks)

(c) The Board of directors of ABC Limited met thrice in the year 2021 and 4th meeting though called but could not be held for want of quorum. Examine with reference to the relevant provisions of the Companies Act 2013, whether any provision of the Act has been contravened ?

(5 marks)

(d) The CFO of a well-known public company (one among top 20 listed companies) suggested to the Board of directors to constitute a Risk Management Committee with only the CFO and General Manager (HR) as its members.

The Company Secretary of the company, however insisted that he should not only be included in the Risk Management Committee but should also be made the chairman of the committee as he is well versed in corporate laws.

Referring to the provisions of Companies Act, 2013 and the Relevant Rules, examine the proposal.

(5 marks)

*Attempt all parts of either Q. No. 5 or Q. No. 5A*

5. (a) Zero Motors Limited, a listed company has three manufacturing divisions :

- (i) Cycle Division
- (ii) Motorcycle Division
- (iii) Electric Scooter Division.

<b>The following information is given :</b>	<b>(Rupees in crore)</b>
Equity share capital :	300
Preference share capital :	120
General Reserve :	500
Revaluation Reserve :	200
Profit and Loss A/c (CR) :	300
Long term loan :	480
Short term loan :	620
Gross revenue in last FY :	2010
Investment in Cycle division :	40
Turnover of Cycle division	450

The Board of directors of the company have decided by unanimous resolution the following in their meeting held on 31st May, 2023 :

- (i) To obtain a further long term loan of Rupees 300 crore from financial institution.
- (ii) To invest in trust securities the compensation received as a result of divestment of Cycle Division.

Referring to the provisions of Companies Act, 2013, decide if the board resolution is sufficient for the above proposals.

(4 marks)



(b) Prapti Hotels Ltd. want to appoint Susmita as an independent director from 1st January, 2022. It came to the knowledge of Vice President (Commercial) of the company that Susmita stayed at their hotel at Ooty for three days from 1st June to 3rd June, 2021 at room rent of ₹ 2,500 per day and thus had entered into a transaction with the company. The Hotel charged same room rent from other members of the general public during that time. Advise the Vice President (Commercial), if Susmita can be appointed as an independent director of the company from 1st January, 2022.

(4 marks)

(c) With respect to E-Voting, explain the following :

- (a) E-Voting
- (b) Agency
- (c) Cut-off date
- (d) Cyber security

(4 marks)

(d) Mercury Limited is incorporated in USA and having its registered office in Los Angeles. Board of directors of Mercury Limited taken a decision to merge Mercury Limited with Mars Limited, a company incorporated in India having its registered office in New Delhi. Referring to the provisions of the Companies Act 2013, advise the Board of directors of Mercury Limited for Merger.

(4 marks)

: 10 :

- (e) The Board Meeting followed by the Annual General Meeting of a large listed company has just concluded and the Chairman is reluctant to call an Extra Ordinary General meeting or a Board Meeting any time soon.

The Chairman of the company sought your advice on appointing Paritosh who has just retired as CMD from a large commercial bank as an independent director on the Board of the company for the period of seven years.

Advice.

(4 marks)

**OR (Alternate question to Q. No. 5)**

- 5A. (i) The Chief Financial Officer of a listed company be appointed as its Compliance Officer. Comment.

(4 marks)

- (ii) Following particulars are extracted from the financial statements of Surat Gold and Diamonds limited for the year ended 31st March, 2023 :

(Unit in Rupees)

Salaries and perquisites paid to managing director ₹ 1,50,000 and whole time director ₹ 1,20,000. Provision for bonus ₹ 1,00,000 and gratuity ₹ 1,00,000 (included the bonus ₹ 10,000 and gratuity ₹ 12,000 for the above directors)

Provision for doubtful debts ₹ 60,000

Profit on sale of forfeited shares ₹ 10,000

Short term capital gains ₹ 2,60,000

Contribution to approved charitable trust ₹ 1,00,000.

: 11 :

Provision for income tax ₹ 4,80,000 and surcharges ₹ 1,20,000

Net Profit for the FY 2022-23 ₹ 32,00,000

Aggregate amount of accumulated losses of previous years ₹ 2,50,000

The board of directors consisted of a managing director, a whole time director and three other non-executive directors.

You are required to calculate the net profit for computing managerial remuneration and the maximum managerial remuneration payable to the above said five directors.

State your assumptions.

(4 marks)

- (iii) Jyoti Prasad obtained two (2) Director Identification Number (DINs) by mistake in 2016 and 2019. He used his second DIN to become director in two private limited and three public limited companies. Later, on realisation, he applied to Registrar of Companies for deactivation of his first DIN. The Registrar rejected the application. Examining relevant legal provisions, discuss.

(4 marks)

- (iv) Lazybones, director of Global Travels Limited, an unlisted public company was removed from the Office of Director u/s 169 of Companies Act, 2013 after following due process of Notice and the principles of Natural Justice.

The board of directors sought your opinion on filling up the vacancy caused by removal of director. Advise.

(4 marks)

- (v) The following information is given :

(Rupees in Crores)

Name	Status	Paid-up Share Capital	Annual Turnover	Borrowings
Sky Limited	Listed	9	96	48
Earth Limited	Unlisted	19	420	45
Water (Private) Ltd.	Subsidiary of Earth Limited	4	112	27

- (i) Which companies are required to constitute Nomination and Remuneration Committee (NRC) ?
- (ii) Can the Chariman of the company also chair the NRC ?
- (iii) What is the minimum number of executive directors and independent directors on NRC ?
- (iv) What is the quorum and number of meetings of NRC in a financial year ?
- (4 marks)

### PART—III

6. (a) (i) Write a note on UDIN and eCSin.
- (ii) Highlight the risk involved in the functioning of a mega professional firm.
- (5 marks)
- (b) CS Manish, a Company Secretary in practice is an expert in Goods and Service Tax. On being approached by a reputed University at Mumbai, Manish took up teaching assignment of indirect tax laws at University from 11 A.M. to 3 P.M. on every Tuesday and 2 P.M. to 5 P.M. on every Friday. Remuneration was contracted to be fixed for the assignment. The University was recognised by the Council of ICSI for imparting teaching. Has Manish committed professional misconduct in terms of provisions of the Company Secretaries Act, 1980 ?
- (5 marks)