

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 8

NOTE : Answer ALL Questions.

PART-I

1. Zion Ltd., is one of the listed leading companies in the pharmaceutical sector. Meta Ltd. acquired 75% Equity shares of Zion Ltd. five years ago and is being retained by Meta Ltd. till date. The shareholding pattern of Meta Ltd. includes the following :
- The Government of Punjab and Government of Haryana each hold 18% of the paid-up share capital. The Government of Rajasthan's share is 15.5%.
- During the course of audit for the financial year 2019-20, the Auditors made the following observations :
- (i) The company was not maintaining proper records with respect to the fixed assets. The value of fixed assets of the company amounts to approx. ₹ 1.50 crore.
 - (ii) The physical verification of the assets was not carried out at regular intervals. The last physical verification was conducted on 31st July 2018. On 29th June 2020, Mr. Sam, the Auditor of Zion Ltd., resigned from his post, citing medical reasons. However, he had forgotten to inform about his resignation to the concerned authorities. Casual vacancy so created was filled up with the appointment of RMT & Co. Chartered Accountants as statutory, auditors of Zion Ltd.

: 2 :

As far as RMT & Co. Chartered Accountants are concerned, Mr. R, who is one of the partners of the firm had borrowed a sum of ₹ 3.00 lakh from Meta Ltd. He had also purchased goods worth ₹ 1.89 lakh from the company. Both the sum borrowed and the cost of the goods bought are not yet paid by Mr. R does not sign the financials of Zion Ltd. In the above circumstances :

- (a) Whether the process of resignation by the Auditor was correct ? Explain the provisions under the Companies Act 2013 with regard to resignation and communication by the Auditor. Who and by what time the resignation has to be informed ?
- (b) Whether the appointment of Mr. R as the Auditor is a valid one ?
- (c) What should the auditor do for reporting of the fraud ?
- (d) Discuss the role of Audit Committee in such situation.

(5 marks each)

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

2. (a) Discuss the institutional mechanism for prevention of insider trading under the relevant Insider Trading laws in India.

(5 marks)
- (b) For greater accountability and effectiveness performance, review of the board and individual director is essential. What is the scope of evaluation of director's performance ?

(5 marks)

: 3 :

- (c) National Infrastructure Ltd., a Government Company appointed Z, a senior retired IAS officer on its Board as an Independent director. The retired IAS officer wants to know the qualifications of an independent director and also wishes to know any code of professional conduct with reference to the provisions of the Companies Act, 2013. State the same.

(5 marks)

OR (Alternate question to Q. No. 2)

- 2A. (i) Mr. A is appointed as an Actuary in PQR Ltd. under IRDA (Appointed Actuary) Regulations, 2000. Mr. A, the appointed actuary shall provide professional advice or certification to the Board of Directors of PQR Ltd. on certain items. Discuss role of Appointed Actuaries and indicate such items on which Actuary may provide professional advice or certification to the Board of Directors.

(5 marks)

- (ii) “The corporate governance framework should protect and facilitate exercise of shareholders’ rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redressal for any violation of their rights.” Explain the provisions of the Companies Act, 2013 to protect the interests of minority shareholders.

(5 marks)

(iii) X Ltd., the holding company of B Ltd. (having 51% of its shareholding in B Ltd.), wants to appoint A as Chief Finance Officer over there. A is related to one of the Directors of the holding company. Will it be considered a related party transaction under the provisions of the Companies Act, 2013 ? If so, what is the procedure to be followed by the Board of X Ltd. ? Would your answer differ, assuming it is an associate company or wholly owned subsidiary company ?

(5 marks)

3. (a) What are the methods by which IRDA exercises control over significant ownership ?
- (b) What are the Classes of Companies and bodies corporate governed by the National Financial Reporting Authority (NFRA) ?
- (c) What are the provisions under Sarbanes-Oxley Act 2002 for protection of Whistle Blowers ?
- (d) What are the committees required to be constituted by Non-Banking Financial Companies ?
- (e) You have been appointed as a Company Secretary for a Company formed a month ago. As the secretary, you are required to list out the items of business for the agenda for first meeting of Board of the Company.

(3 marks each)

: 5 :

PART-II

4. A Chocolate Company since inception in 1990 has been largely responsible for satisfying the country's demand for Chocolates and Sugar Confectionery. The plant has various lines producing a wide range of confectionery like Éclairs, Toffees, Fudges, Caramels, Hard Boiled Candy and Enrobed Chocolates. These products are available in attractive packaging and premium Gift Boxes making them ideal for gifting as well as for own consumption. Most of the packaging in the Gift Pack segment has been carefully selected to ensure its enduring utility, thereby giving our valued customers an added benefit. The confectionery is produced by experienced personnel under stringent quality control and hygiene standards. State-of-the-art manufacturing facilities ensure products of international quality. The company in its relentless pursuit of quality obtained relevant Certification in April, 2004.

The Company, through its uncompromising stand on quality and competitive pricing, has successfully penetrated countries all over the Gulf, the African continent, Asia, Australia, New Zealand, Canada, South Africa, USA and the UK.

The principal business processes involved are :

- Procurement of raw materials and consumables, Production and Quality Control.
- Distribution and marketing, Inventory Management, Pricing and cost control.
- Feedback from consumers and redressal systems, Publicity and promotional activities, Investor relations.
- Recruitment and HR, Finance & Administration.
- Corporate communications and public relations, Legal and secretarial matters.

- Maintenance of equipment and other assets, Capital expenditure for equipment and other purposes.
- IT systems and telecommunications, Transportation and Logistics.

Today, manufacturing sector companies like chocolate manufacturing operates in increasingly complex, competitive and global markets. The ability to manage risks across geographies, products, assets, customer segments and functional departments is of paramount importance. The inability to manage these risks can cause irreparable damages.

Chocolate company will always face the likelihood of being impacted by uncertain or adverse future events. These uncertainties will have an impact on a company's ability to generate capital and shareholders returns. The company Board expects that management will not only look at where the company may be exposed to risk, but also how these risks can be managed to influence favorable business outcomes.

Considering the above, answer the following questions :

- (a) What are the fundamental principles to be considered by company to develop an appropriate Risk Policy Framework for the Company ?
- (b) What are the various risks, the company is exposed to ?
- (c) Discuss some approaches for risk impact assessment.
- (d) What do you understand by Liquidity Risk ? What are the techniques to control liquidity risk ?

(5 marks each)

: 7 :

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

5. (a) “Financial Reports are one of the important documents detailing the performance of a company but still many other significant aspects are left out.” Critically analyse the statement.
- (b) Discuss the various forms of capital and what are the guidelines given by SEBI towards improving disclosure standards ?
- (c) “A number of controls falling under operational controls can also be administrative controls.” Explain.
- (d) “Risks are mitigated by implementing internal controls as appropriate to the business environment. These type of controls must be integrated in the IT solution implemented at the Bank’s branches.” Indicate five examples of Internal Control in a branch of Bank as well as five IT related controls in Bank.

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

- 5A. (i) As a Company Secretary of a growing multinational deeply rooted with the belief of Triple Bottom Line (TBL) approach, specify the areas where and how the company can focus.

(5 marks)

- (ii) What are the new norms under Rule 7 of the Companies (Amendment) Act, 2020 introduced for carrying forward and setting off excess CSR expenditure ?
(5 marks)
- (iii) What do you understand by corporate sustainability ? What is SDG India Index ?
(5 marks)
- (iv) “Certain Universal Standards forms part of Global Reporting Initiative (GRI) Standards.”
Discuss the statement mentioning its internal and external benefits.
(5 marks)

PART-IV

6. (a) What is Communication on Progress ? How does it help to incorporate transparency and accountability amongst participants ? Answer the questions with reference to UN Global Compact transparency and accountability policy.
- (b) A newly established car manufacturing company sold 1000 cars of new variant; but subsequently it was found that the product has a major defect, which can be fatal in certain cases. If the company calls back its products it will face huge losses which may lead to its closure. Advise the company to bail out of this situation.
(5 marks each)

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