

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 8

NOTE : 1. Answer **ALL** Questions.

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

1. (a) Sun Ltd made the following offers during the financial year 2017-18 on private placement basis :

- (i) 10,00,000 equity shares of ₹ 10 each at an issue price of ₹ 25 each, to 230 persons, which included 25 Qualified Institutional Bidders;
- (ii) Under the above equity issue, 10,000 shares offered to Ram, were allotted to Shyam, his brother in whose favor, Ram had renounced the offer;
- (iii) 2,00,000 equity shares of ₹ 10 each to 50 employees of the Company under ESOP scheme;
- (iv) 5,00,000 preference shares of ₹ 100 each at par, to 150 persons.

Do you find any violation of private placement provisions by the Company ? Will your answer be different if Sun Ltd was a housing finance company registered with the National Housing Bank under National Housing Bank Act 1987 ?

(5 marks)

(b) Draft a resolution to be passed by the Board of Directors of a Company for the removal of the auditor of the Company covering also the incidental matters.

(5 marks)

(c) Divya, a director in 3 companies, finds that she has three DIN obtained on different occasions by mistake. DIN 1 is mapped to X Ltd while DIN 2 is mapped to Y Ltd and DIN 3 to Z Ltd. Has she contravened any provision of the Act and if so, what is the remedy ?

(5 marks)

: 2 :

- (d) Target Ltd convened a meeting of the Board of Directors on 1st September 2018 to approve the financial statements of the Company as on 31st March 2018. 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. Do you see any violation on the part of the Company ?

(5 marks)

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

2. (a) X Ltd, an unlisted public company, with the following :

Paid-up share capital	₹ 25 Crore
Reserves & Surplus	₹ 40 Crore
Annual turnover	₹ 300 Crore

wants to accept deposits from its members and the public. Advise the company on the compliance required.

(4 marks)

- (b) Infra Ltd came out with an IPO of equity shares in April 2018. The prospectus issued for the purpose explained that the purpose of the IPO was to fund a 1000 MW mega solar power project and substantiated the position by citing the contract they have won from Solar Power Corporation with a tariff rate of ₹ 4.00 per kWhr. Prashant subscribed to the IPO for 50,000 equity shares at ₹ 10 each, which was duly allotted by the company. Subsequently in July 2018, the Company came out with an update that the tariff rate in the above contract has been slashed down to ₹ 3.00 per kWhr. Prashant is of the view that the company will lose money with such a low tariff and would not like to continue his investment in the company. The said equity share was trading at ₹ 7.00 in the market. Is there any remedy available to Prashant ? Advise.

(4 marks)

: 3 :

- (c) Liberty Ltd, an unlisted company, registered in the state of Maharashtra with 20 shareholders wants to organize the annual general meeting of the company for the financial year 2017-18 as under :
- (i) The meeting shall be held on 17th September 2018 which happens to be Raksha Bandhan, a day declared as holiday by Maharashtra Government.
- (ii) The venue for the meeting shall be Ootacamund, a hill resort in Tamil Nadu.
- Advise the Company on the feasibility of the above.

(4 marks)

- (d) Peak Ltd, a listed company, proposes to issue Non-Convertible Debentures for an amount of ₹ 500 Crores to the public, incorporating call and put options only to the retail investors. Enumerate the conditions to be complied for the purpose.

(4 marks)

OR (Alternate question to Q. No. 2)

- 2A. (i) Comment if the following transactions entered into by A Ltd attract compliance with provisions relating to acceptance of deposit.
- (a) A sum of ₹ 5 lakh paid by Gautam towards subscription to equity shares on 1st April 2018 was adjusted towards sales invoices for goods supplied to him on 31st August 2018.
- (b) Ashwin, a director of the Company, arranged for ₹ 10 lakh to meet an emergency requirement, by taking a personal loan from State Bank of India.
- (c) Bharat, a customer who has bought a machinery from the Company has paid a sum of ₹ 5 lakh towards life-time warranty for the machinery.
- (d) A sum of ₹ 1 lakh collected from every employee in April 2018 towards contribution to a Housing Society which will be formed in January 2019.

(4 marks)

: 4 :

- (ii) Smart Ltd, a listed company, has a paid-up share capital of ₹ 50 crore divided into 50 Lakh equity shares of ₹ 100 each, carrying a voting right of one vote per share. The Company needs infusion of funds but the promoters of the Company do not prefer dilution of control. Hence it is proposed to issue further equity shares carrying a voting right of one vote for every 10 equity shares. Advise the Board of Directors on the eligibility conditions to be complied.

(4 marks)

- (iii) Healthy Ltd provides the following information for the financial year ended 2017-18 :

- Paid-up share capital – ₹ 50 Crore
- Profit after tax – ₹ 10 Crore
- The investments have been valued at fair market value which resulted in a gain of ₹ 2 Crore.
- The fixed assets of the Company have been revalued during the year resulting in a gain of ₹ 1 Crore.
- Average dividends declared during the previous three years – 12%.

Calculate the available surplus for the purpose of dividend and the maximum percentage of dividend that can be declared by the company, assuming a 100% payout.

Further, during the current financial year 2018-19, the Company has made a loss in the first two quarters and the company wants to declare an interim dividend of 15% for the financial year 2018-19. Is this feasible ?

(4 marks)

- (iv) X Ltd is a wholly owned subsidiary of Y Ltd. As on 31st March 2018, X Ltd owns 60% of equity in A Ltd and 26% of equity in B Ltd. Y Ltd has totally 8 shareholders. Y Ltd files consolidated accounts of all subsidiaries in accordance with Schedule III of the Act and the relevant accounting standards. Advise the Board of Directors of X Ltd if they are required to consolidate the financial statements of A Ltd and B Ltd while presenting their financial statements mandatorily.

(4 marks)

: 5 :

Attempt all parts of either Q. No. 3 or Q. No. 3A

3. (a) A public company secured residential accommodation for the use of its Managing Director by entering into a leave and licence arrangement with the landlord. As per the terms of the agreement, the company deposited a sum of ₹ 5,00,000 as rental advance with landlord.
- Can it be considered as a loan given to the director ?
- Explain the relevant provisions.
- (b) Cautious Ltd, an unlisted company with 1200 shareholders proposes to extend loans and make investments in excess of the limits prescribed under Sec 186(3) of the Act. As part of the compliance requirements, the Company is required to pass a special resolution. Advise the Company if a polling by show of hands is adequate or a poll is required.
- (c) Fashion SpA is a Company incorporated in Italy, having a place of business in Mumbai for the conduct of its business. For the year ended March 2018, Fashion SpA filed their financial statements with the ROC in compliance with Sec 381 of the Act, which declared a turnover of ₹ 1,200 Crore and net profit of ₹ 49 Crore. Advise the Company on the applicability of CSR provisions and the compliance, if any, required.
- (d) Flex Ltd, a Company incorporated in 2001, has 8 shareholders with a net worth of ₹ 2 Crore. During the month of August 2018, Flex Ltd got a term loan of ₹ 10 Crore sanctioned by a scheduled bank which was immediately availed. On 1st January 2018, based on their request, the Company registered the transfer of the entire shares held by 5 shareholders in favor of Ram, another shareholder of the Company. Discuss the consequences.

(4 marks each)

OR (Alternate question to Q. No. 3)

3A. Write short notes on the following :

- (i) RUN
- (ii) Valuation by Registered Valuer
- (iii) Deposit insurance
- (iv) Credit rating.

(4 marks each)

4. (a) Star Ltd is a company incorporated in Tamil Nadu in which 26% of the equity is held by the Government of Tamil Nadu in the name of the Governor of the State. When the Company proposed to hold its annual general meeting for the year 2017-18, the Collector of the District of Vellore where the company is situated, insisted on receiving the notice of the AGM and wanted to attend the meeting. Examine the legality of the claim.

(4 marks)

(b) Noble Ltd has borrowed on various occasions from banks and institutions by securing its assets against the loans. Advise the company on the requirements of the Act relating to the register to be maintained by the Company for the charges filed.

(4 marks)

(c) Medium Ltd, an unlisted company with a net worth of ₹ 5 Crore and turnover of ₹ 50 Crore has 200 shareholders spread across the country. Out of this, 175 shareholders hold their shares in dematerialized format while the rest hold in physical format. The Company wants to circulate the financial statements for the year ended 31st March 2018 in the most efficient way. Advise.

(4 marks)

: 7 :

- (d) Super Pharma Inc, a company registered in USA has a place of business in India with manufacturing operations and is dealing in Cardiac Stents in addition to other medical equipment. The overall turnover of the company is ₹ 200 crore during the financial year 2017-18 while the turnover relating to Cardiac Stents was ₹ 40 Crore. It is to be noted that out of this, ₹ 25 Crore related to the Cardiac Stents manufactured in its Indian facility while the balance ₹ 15 Crore related to the Cardiac Stents imported from their parent in USA and traded in the Indian market.

Advise the company on the applicability of Cost Records and Audit to the Company during the financial year 2018-19. Will the position differ, if the export turnover of Cardiac Stents for the company was ₹ 32 Crore during the said period ?

(4 marks)

5. (a) Fortune Ltd proposes to draw a term loan of ₹ 20 Crore from Life Insurance Corporation. The Company owns a property comprising of land and buildings valued at ₹ 100 Crore. As per the sanction letters issued by the lender, a first charge on the above property is to be created in favor of LIC. Draft necessary resolution to give effect to the above charge creation.

(8 marks)

- (b) At the ensuing AGM of Quotient Ltd, Sriram wants to stand for directorship in the Company, even though he is not a retiring director of the company. His candidature is recommended by the Board of Directors. The Company is not required to constitute a Nomination and Remuneration Committee. Indicate the compliance required on the part of Sriram.

(4 marks)

- (c) Ram and Sam are the independent directors of Taurus Ltd. Ram was appointed for a period of 5 years on August 1, 2015 while Sam was originally appointed for 3 years on August 1, 2014 and was subsequently reappointed for 5 years on August 1, 2017. Now, in August 2018, the Company wants to remove both the independent directors. Is this feasible and if so, what is the procedure ?

(4 marks)

6. (a) Draft a resolution by shareholders of X Ltd to convert the company into a private company.
(8 marks)
- (b) The Board of Directors of Zebra Ltd wants to enter into certain supply and service agreements with some of their related parties and would like to understand the compliance requirement based on the threshold limits fixed by the Act. Prepare a comprehensive note in this regard.
(4 marks)
- (c) Narrate the procedure for the appointment of Secretarial Auditor of Little Ltd having a paid-up share capital of ₹ 60 Crore.
(4 marks)

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