

Roll No. ....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 7

NOTE : Answer ALL Questions.

**PART-I**

1. (a) P Pvt. Ltd. was incorporated under the Companies Act, 1956 on 3rd October, 2011. The Authorised Share Capital of the Company is ₹ 75 crores. The present paid-up Share Capital of the Company is ₹ 60 crore. The turnover of the company for financial year 2017-18 was ₹ 150 crores and because of good overseas marketability of the company's product, the turnover of the company for the year ended 31st March, 2019 increased to ₹ 210 crores.

The Secretarial Auditor of the company advised that the company should have internal audit in place, but the Managing Director of the company argued that since it is a private company, so it is not required.

Based on the facts in the above case, answer the following questions :

- (i) Whether internal audit is compulsory for the Private Limited ? (1 mark)
- (ii) In the above case if the company had been an Unlisted Public Limited and Turnover for year ended 31st March, 2019 would be ₹ 190 crore, what would have been your answer ? (2 marks)
- (iii) Can Company Secretary be appointed as Internal Auditor in an Unlisted Public Company where he is already appointed as Key Managerial Personnel ? (2 marks)

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- (b) M Pvt. Ltd. was registered in the year 2001 as a Private Limited Company and continuing with the same status. It is having a paid-up share capital of ₹ 65 crore as on 31st March, 2019. The present company's auditor, X, Chartered Accountant, (a Proprietor Firm) who was appointed as auditor of the company in the year 2014. The term of the said auditor is going to expire and company wants to re-appoint the same person, since he is having well acquaintance with the company's officials and its working.

Based on the above facts, answer the following questions :

- (i) Whether X can be reappointed as Statutory Auditor of the Company ? (1 mark)
- (ii) In the above case if, instead of the Individual Person as an auditor, the company would have appointed any Firm of Chartered Accountants, and now the tenure of the said firm is expiring, whether this firm is eligible for reappointment ? (2 marks)
- (iii) In the given case, if the paid-up capital of the company is ₹ 5 crore and having cash credit limit and term loan facility from a bank to the tune of ₹ 55 crore, what would have been your answer ? (2 marks)
- (c) RST Ltd. recently issued the Equity Shares on basis of right issue. Due to this, the paid-up capital of the Company has been increased from ₹ 7.5 crore to ₹ 15 crore. The Company Secretary in the Board Meeting put up the proposal for constitution of various committees including Audit Committee and Nomination & Remuneration Committee. All members of the Committee were proposed to be Independent Directors. In the scope of Nomination & Remuneration Committee, it was *inter-alia* added that

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the Committee shall also evaluate the performance of Chairman & Managing Director (CMD) of the company. The Directors present in the Board meeting strictly objected on the said proposal. CMD has also expressed dissent on the proposal.

In view of this, check the validity of the proposal of the Company Secretary.

(5 marks)

- (d) Under the Energy Department, Govt. of Tamil Nadu, three Companies as Government Company were incorporated as below :

A Ltd. for Generation of Electricity

B Ltd. for Transmission of Electricity

C Ltd. for Distribution of Electricity.

Further, three subsidiaries namely X Ltd., Y Ltd. and Z Ltd. were incorporated as wholly owned subsidiary companies of C Ltd. C Ltd. purchases the Power (Electricity) from A Ltd. and sale all Power to subsidiary Companies. Subsidiary Company through B Ltd. distributes the Power in the State.

Apart from that, C Ltd. also purchases cables from manufacturer and sells it to Subsidiary Companies with margin of 5% on sale price. In the power supply, C Ltd. also charge 0.05 paisa per unit as service charge from Subsidiary Companies.

During the Audit, Auditors raised the question that there are lot of related party transactions and directors and members are same in all the Companies. Further, Chairman is also common. Neither the Board nor the Members of the Company approved any transaction which comes under the definition of Related Party Transaction. The Company Secretary replied that the transactions are pre-approved by Energy Department, Govt. of Tamil Nadu but Auditor is dissatisfied with this reply.

In such situation, check the validity of the transactions between related parties.

(5 marks)

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

2. (a) In year 2017, the SEBI has constituted a Committee on Corporate Governance under the Chairmanship of Mr. Uday Kotak with the aim of improving standards of Corporate Governance of listed companies in India. List out the recommendations given by this Committee.
- (b) With what mission, International Corporate Governance Network (ICGN) was incorporated ? Describe the purpose of the ICGN.
- (c) To protect the interest of the Stakeholders, SEBI has taken various initiatives and Code of Fair Disclosure is one of the important step under Regulation 8 of SEBI (Prohibition of Insider Trading) Regulations, 2015. Prepare a note on Code of Fair Disclosure.

*(5 marks each)*

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

- 2A. (i) KLM Ltd. in its 64th Board meeting held on 30th June, 2019 has constituted Risk Management Committee with objective of mitigation of risk and recommendation of preventive measures comprising of two Independent Directors and one Whole Time Director. In the first Meeting of the Committee held on 6th July, 2019, Whole Time Director could not be present and sought the leave of absence. The Board proposal about the constitution was silent with respect to Chairman of the Committee and quorum of the Meeting of Committee. The remaining two members held the Meeting and the Seniormost Director present in the Meeting was selected as Chairman of the Committee. The Committee also approved the policy for Systematic Risk Management. Whether, the decision of the Committee is valid in light of the approved Secretarial Standards as issued by the ICSI ?

*(5 marks)*

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- (ii) The big investors, FIIs etc. engages the Proxy Advisory Firms to get the important information and recommendations which lead the protection of their interest and safeguard of their fund. Prepare a brief note on reasons for engaging the Proxy Advisory Firms.  
(5 marks)
- (iii) Compliance Management is the most important part of any business. Highlight the risk of non-compliances.  
(5 marks)
3. (a) Prepare a brief note on National Foundation for Corporate Governance (NFCG) and Board of Trustees of NFCG.
- (b) “Better Stakeholder engagement ensures Good Governance”. In light of this sentence, elaborate the role of stakeholders in governance.
- (c) Now the days, protection of the Investors’ wealth is big challenge before the Government. In insurance sector, under IRDA’s Regulation, various committees are mandatorily required to be constituted by the Companies. Highlight the name of the committees and describe the role of With Profit Committee.
- (d) Prepare a detailed note on ICSI Recommendations to strengthen Corporate Governance framework.
- (e) What are the material disclosures of which information should be disclosed to Stock Exchange within 24 hours of conclusion of the Board Meeting as per SEBI (LODR) Regulations, 2015 ?  
(3 marks each)

**PART-II**

4. (a) Liquidity and Solvency are altogether different. Do you agree ? Discuss the types of liquidity risk.  
(5 marks)

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- (b) Your company is running its corporate office in a rented business premises. The Landlord of the building has increased the rent of other companies and there are 80% chances of increase in the rent of the office occupied by your company within the next year. If this happens, it will cost your business an extra ₹ 5,00,000 over the next year. Calculate the risk value.  
(5 marks)
- (c) What is Systematic Risk and Unsystematic Risk ? Give examples.  
(5 marks)
- (d) Write the relevant provisions of the Companies Act, 2013 relating to the reporting of fraud.  
(5 marks)

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

5. (a) “Integrated reporting would build on the existing financial reporting model to present additional information about a company’s strategy, governance, and performance.”  
In light of above sentence, prepare a note on purpose of Integrated reporting and guiding principles for preparation of such report.
- (b) Compliance should be ethical and in spirit of good intention for compliance of laws. In view of this, describe the term ‘Compliance with Spirit of Law’.
- (c) Elucidate principles on Internal Control enunciated by Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (d) What are the major sections of Business Responsibility Report (BRR) ?  
(5 marks each)

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

- 5A.** (i) Prepare a brief note on National Guidelines on Responsible Business Conduct (NGRBC).
- (ii) “Corporate Compliance Management should broadly include compliance of various laws”. In view of this, what are the Commercial Laws and Fiscal Laws, which should be complied with by every organization ?
- (iii) “Compliance Management plays the significant role to comply with a steady stream of complex regulations”. What can be added to the significance of the Corporate Compliance Management ?
- (iv) Why the Information System is the most essential component of Internal Control ?
- (5 marks each)

**PART-IV**

- 6.** (a) Describe the following terms :
- (i) “Foreign Public Official” as per ICSI Anti-Bribery Code
- (ii) “Disciplinary Mechanism” under ICSI Anti-Bribery Code
- (iii) “Ethical Dilemma”
- (iv) “Indian Ethos”
- (v) “Environment, Social, Governance (ESG) Index”.
- (b) Define the term “Sustainable Development”. What are the fundamental principles of Sustainable Development ?

(5 marks each)

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