

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 — A**

*Attempt all parts of either Q. No. 1 or Q. No. 1A*

1. (a) A company has a share capital of 5,00,000 equity shares of ₹ 10 each, ₹ 6 paid up per share. It has a balance in the Reserve Fund Account amounting to ₹ 50,00,000. The company has decided to pay bonus to shareholders. Answer the following :
- (i) As a company secretary suggest the Board of directors, the check list for issuing the bonus issue.
- (ii) Can the company issue bonus shares on the basis of information given above ?
- (4+1=5 marks)
- (b) Y, while conducting secretarial audit of ABC Ltd. has found that one of the employees of the company is diverting the funds of the company to buy goods for this own benefit thereby committing the fraud amounting to ₹ 80 lakh. What course of action Y as a company secretary should take in this regard ?
- (5 marks)
- (c) XYZ Ltd. a company wants to shift its registered office from Chennai, Tamil Nadu (ROC, Chennai) to Coimbatore, Tamil Nadu (ROC, Coimbatore) since the company is facing operational difficulties due to the current location of the registered office. As a company secretary, advise the Board of directors about the requirements the company need to fulfil as per the Companies (Incorporation) Rules, 2014.
- (5 marks)

: 2 :

- (d) Benjamin, a foreign investor wants to make investment in India. He is not familiar with the Foreign Direct Investment (FDI) Scheme of India. As a company secretary, advise Benjamin, whether he can invest in following activities or not :
- For constructing farm houses in Mumbai.
  - For construction of residential township in Noida (UP).
  - He wants you to prepare the check list if he wants to make investment in publishing of newspaper and periodicals dealing with news and current affairs. Prepare it.
- (2+1+2=5 marks)
- (e) (i) A company secretary qualifies its report because a company is not maintaining register of proxies. Is he right in doing so ?
- (ii) What will he check in the Register of proxies as a company secretary ?
- (2+3=5 marks)

**OR (Alternate Question to Q. No. 1)**

- 1A. (i) Following data was presented by a company ZZ Ltd. covered for the provisions of the Corporate Social Responsibility (CSR) under section 135 of the Company Act, 2013 :

(₹ in lakh)

Financial Year	Profit before tax	Income Tax under Income Tax Act 1961	Net Profit after tax
2015-16	240	75	165
2016-17	400	100	300
2017-18	650	250	400
2018-19	750	160	590

Calculate the total expenses which ZZ Ltd. is required to spend on CSR activities citing the relevant provisions as per the Companies Act, 2013 for the financial year 2018-19.

(5 marks)

: 3 :

- (ii) Sen holds 8% shares in Z Ltd. B Ltd. holds 5% shares in Z Ltd. Sen holds 60% shares in B Ltd. Whether Sen will be considered as significant beneficiary owner under the Companies Act, 2013 ?

(5 marks)

- (iii) ABC Technologies Pvt Ltd. is a private company with authorised capital of ₹ 19,00,00,000 divided into 1,90,00,000 of equity shares of ₹ 10 each. The issued, subscribed and paid up share capital of the company is ₹ 8,00,00,000 divided into 80,00,000 of equity shares of ₹ 10 each. The company could not appoint its full time Company Secretary as required under the provisions of the Companies Act, 2013 although the company has been making regular efforts to identify and appoint suitable candidate for the position. However, no professional Company Secretary was interested in joining the company, since it was a private limited company, the scope of work available was minimal which did not create any interest for potential Company Secretaries to work in the company.

Will it amount to non-compliance under provisions of the Companies Act, 2013 ?  
If so, what are the consequences, the company will face under the Companies Act, 2013 ?

(5 marks)

- (iv) Y Ltd. was incorporated in 2012. Earlier, you as a Company Secretary has informed the Board of directors that there is non-compliance in filing ACTIVE form. The Board is now seeking your advice regarding consequences on the company of non-filing it. Give your advise.

(5 marks)

- (v) Lira India Pvt. Ltd. is a subsidiary of Lira Inc. USA. During the financial year 2018-19, the holding company on behalf of its subsidiary i.e. Lira India Pvt Ltd. had paid directly to the Income tax department through online banking a sum of ₹ 1.5 crore towards a tax demand. Lira India Pvt Ltd. in its financials for the year ended on 31<sup>st</sup> March 2019 stated that amount due to holding company as ₹ 1.5 crore under current liabilities. Answer the following :

- (a) As a company secretary, comment how such financial assistance received by Lira India Pvt Ltd. will be viewed by Reserve Bank of India (RBI) authorities under Foreign Exchange Management Act (FEMA), 1999.
- (b) Indicate a check list for issue of Foreign Currency Convertible Bonds (FCCBS).

(3+2=5 marks)

**PART — B**

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

2. (a) N Ltd. is an unlisted public company incorporated in India. It issued ₹ 1 crore Partially Convertible Debenture (PCD) with a face value of ₹ 100 each. Against the above issue, out of the face value of ₹ 100; ₹ 50 will be converted into one equity share after 5 years and remaining ₹ 50 will be redeemed equally in two financial years i.e. financial year 2019-20 and the financial year 2020-21 on 30<sup>th</sup> March every year. Citing the relevant provisions of the Companies Act, 2013 :
- (i) Calculate the amount of investment the company is required to make for the financial year 2019-20; and
- (ii) Calculate the amount of Debenture Redemption Reserve as on 1<sup>st</sup> April, 2020.  
(3+1+1=5 marks)
- (b) (i) XYZ Ltd. a public unlisted company engaged in business of transportation, is having three layers of subsidiary as on 31<sup>st</sup> March, 2016. The company secretary advises the Board of directors to reduce the layers of subsidiaries to two only. Is he right in advising so ? What course of action should the company take in this regard ?
- (ii) What will be the consequences which any company may face for non-fulfilling the provisions under the Companies (Restriction on number of layers) Rules, 2017 ?  
(4+1=5 marks)
- (c) Define unpublished price sensitive information and examine whether the following information will be treated as unpublished price sensitive information as per provisions under the Securities Exchange Board of India (SEBI) (Prohibition of Insider Trading) Regulations, 2015.
- (i) The CEO of the company dies in a plane crash.
- (ii) The company is in negotiation with a foreign company to sell its stake in ABC Ltd.
- (iii) The company is intended to declare bonus to its shareholder.  
(2+1+1+1=5 marks)

: 5 :

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

- 2A.** (i) MCA-21 offers the facility to view documents and also search and other facilities of public documents online.
- (a) Explain the procedure for viewing such documents filed by the company with Registrar of Companies.
- (b) Can we view documents relating to charges on MCA website ?

(4+1=5 marks)

- (ii) XX Pvt. Ltd. has entered into an agreement with one of the most reputed car manufacturers of the country. The terms and conditions of an agreement are as follow :
- (a) Car manufacturer has restricted XX Pvt. Ltd. from acting as dealers of competing brands without their prior consent.
- (b) Car manufacturer has fixed the maximum retail price of the cars (which included the pre-fixed margin of the dealers) and the maximum discount which could be offered by the dealers through its Discount Control Mechanism (DCM).
- (c) Car manufacturer mandated its dealers to purchase engine oil only from its two designated vendors, at the price indicated by car manufacturer in its circular. In case of non-compliance by the dealer, car manufacturer put the condition to terminate the dealership agreement.

Examine whether this agreement is valid under the Competition Act, 2002 in respect of clauses mentioned above.

(5 marks)

- (iii) How an escrow amount is calculated under Regulation 17 of the Securities Exchange Board of India (SEBI) (Substantial Acquisition of Shares and Takeovers) (SAST) Regulations, 2011. List out the payment modes of escrow account also.

(3+2=5 marks)

3. (a) Comment upon each of the following citing relevant provisions of the Companies Act, 2013 :
- (i) Shanoo is a whole-time Director of a listed entity and got invitation to join the Board of another four listed entities as an Independent Director.
  - (ii) Shanoo is an independent Director on the Board of X Ltd. X Ltd. had some unfair trade practices unintentionally. Such incidents were discussed at the Board meeting of X Ltd. where Shanoo was present. Subsequently, Government probed the matter and imposed a penalty of ₹ 2 crore on X Ltd. The Board of X Ltd. decided to recover that penalty amount from all the Directors of the company. Shanoo defended his position saying that he is only an Independent Director of the company and is not involved in day to day affairs of the company and hence will not pay his share of penalty.
  - (iii) As a fall out cited above, Shanoo resigned from the company on 15<sup>th</sup> June 2019. Board accepted the resignation and appointed another person as an Independent Director in place of Shanoo on 18<sup>th</sup> September 2019.
- (2+3+3=8 marks)
- (b) Smith is a Swiss national and also the Managing Director (MD) of Front India Ltd. The said company had obtained loan from consortium of banks to a tune of ₹ 12,000 crore. There are about 9 banks involved in providing the loan. Loan was granted in November 2014. The company was regular at its payment of interest and loan instalment as per agreed terms and conditions of loan agreement till November 2017. However due to downfall of business, the company could not pay its interest and loan instalment since November 2017. There were also reports that the company is irregular at its salary payments to its employees since December 2018 and the MD is absconding as he fled out of India and settled in Switzerland. The banks have decided to approach the court to declare the company as 'willful defaulter'. The company has sufficient assets to meet its obligations to the banks. The Board is divided on the opinion on the claims made by the consortium of banks and is contemplating to defend the case in the court in not declaring the company as a 'willful defaulter'. As a Company Secretary in Practice, examine the above situation and advise the consortium of banks whether they will succeed in their claim before the Court of Law.

(7 marks)

: 7 :

4. (a) What undertaking should Information Receiving Party make while entering the Non-disclosure Agreement with an organisation where it is ought to conduct due diligence ?  
(5 marks)
- (b) Explain the procedure for investigation of Combinations' under Combination Regulations of the Competition Law. Give an illustrative check list on Regulation of Combinations also.  
(2+3=5 marks)
- (c) (i) It is important to conduct "Legal Health Check" of a corporate organisation during certain corporate transactions. Name some of these occasions.  
(ii) Is company secretary, a competent professional for carrying-out legal health check of an organisation ?  
(3+2=5 marks)
5. (a) Write short notes on the following :
- (i) Cartels;
  - (ii) Significance of Corporate Compliance Management; and
  - (iii) Check list for Security Offered on the Term Loan.  
(3 marks each)
- (b) Distinguish between the following :
- (i) Foreign Currency Convertible Bonds (FCCBs) and Global Depository Receipts (GDR); and
  - (ii) Form F-6 and Form 6-K as prescribed under Securities and Exchange Commission (SEC).  
(3 marks each)

6. (a) Your company is engaged in the business of sugar manufacturing. You have been instructed by the government to conduct environmental due diligence since the government has apprehensions that your company is causing damage to the environment. What process will you undertake while conducting environmental due diligence ?  
(5 marks)
- (b) (i) Mehra is appointed as the compliance officer of the company. He found box ticking practices are adapted by the organisation. Under which category will this practice fall ?  
(ii) Write other two categories of compliance in this regard ?  
(2+3=5 marks)
- (c) Gopi Ltd. proposes to come out with a public issue of ₹ 1,200 crore comprising of equity shares of ₹ 900 crore and convertible debentures of ₹ 300 crore. Advise the company as a Company Secretary in Practice as to what should be minimum offer to the public in terms of Rule 19 of the Securities Contracts (Regulations) Rules, 1957 citing the relevant provision(s). Also advise what should be minimum offer to the public in case the issue size is ₹ 5,000 crore comprising only of equity shares.  
(5 marks)