

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 11

NOTE : 1. *Answer ALL Questions.*

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

PART—I

1. Comment on the following :

- (a) Reduction of share capital and Diminution of share capital mean the same.
- (b) Annual Return is a significant document in relation to the company.
- (c) An encumbrance may be created by a charge, pledge or a mortgage.
- (d) In the United Kingdom, the name of the company may be entered in its register of members as a member in certain cases.

(5 marks each)

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

2. (a) Sumeet, Puneet and Manmeet were subscribers to the Memorandum of Association of a private company for 500 shares, 300 shares and 200 shares respectively. After incorporation, Sumeet and Puneet bought the shares, they had subscribed for, from the company whereas Manmeet bought 200 shares from Sumeet. Will Manmeet be liable to the company for the shares, he has not bought from the company ?

(3 marks)

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- (b) The following summarized information is available in respect of a company for the year ended 31st March, 2019 :

	₹ lakh
Equity Share Capital 10,000 equity shares of the face value of ₹ 100 each	10
Free Reserves	2
Revaluation Reserve	1
Profit and Loss Account (Dr.)	0.35
Net loss for the year 2018-19	0.25

The company has paid dividends to the equity shareholders @ 8%, 10% and 12% during the immediately preceding three financial years. Advise the Board of directors the maximum amount they can pay this year by way of dividends.

(3 marks)

- (c) Arup entered into a transaction with Brilliant Merchandise Ltd. for a contract worth ₹ 51 lakh. The Articles of Association of the company stipulate that a contract above ₹ 25 lakh should be approved by a meeting of the Board of directors. Anjaan, Deputy General Manager (Commercial) produces a forged document which shows a resolution approving the contract having been passed in a Board Meeting. Later, the forgery is discovered. Arup pleads that his contract with the company is protected by the Doctrine of Indoor Management. Will Arup succeed ?

(3 marks)

- (d) KBC Ltd. filed Form PAS-3 with the Registrar of Companies (ROC), Mumbai as required under the Companies Act, 2013 with late fees as it was not filed within the due date. The ROC on examining the e-form, found it necessary to call for further

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information. He gave a notice to the company directing it to furnish the required information within the prescribed time. The company furnished only a part of the required information. Discuss the consequences of the action in such circumstances under the provisions of the Companies Act, 2013.

(3 marks)

- (e) P Realtors Ltd., A Construction Ltd. and five other individuals have incorporated XYZ Builders Ltd. to construct a commercial complex. P Realtors Ltd. and A Construction Ltd. have executed an agreement according to which none of these companies can sell their shares in the new company before completion of construction of the commercial complex. Due to financial crunch, P Realtors decides to sell its shares in XYZ Builders Ltd. to PQR Builders Ltd. Can A Construction Ltd. restrain the transfer of shares before completion of construction of the commercial complex ?

(3 marks)

OR (Alternate question to Q. No. 2)

- 2A. (i) An application has been made by a shareholder of a company to the National Company Law Tribunal (NCLT) that the company which has been just incorporated has supplied incorrect information in the documents filed for incorporation. Examine what action can be taken by the NCLT if the contention of the shareholder is proved to be true ?

(3 marks)

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- (ii) DEF Traders Ltd. is incorporated as a small company. State with reference to the relevant legal provisions whether it is required to set up a Corporate Social Responsibility Committee ?

(3 marks)

- (iii) HIJ Engineers Ltd. has a paid-up capital of ₹ 20 lakh, Free Reserves of ₹ 3 lakh and Securities Premium of ₹ 2 lakh. It has granted a loan of ₹ 14 lakh to KLM Traders Ltd. The Board of Directors is proposing the following transactions without securing approval of the members :

- (I) Sanctioning a loan of ₹ 2 lakh to KLM Cement Ltd. and
(II) Sanctioning a loan of ₹ 3 lakh to an employee of the company.

Can the Board of Directors sanction the aforesaid loans ?

(3 marks)

- (iv) The following information as per latest balance sheet figures as on 31st March, 2019 is made available to you :

	₹ crore
Paid-up Share Capital	150
Free Reserves	50
Securities Premium Account	20
Capital Redemption Reserve	10

The company has not accepted any deposits as of now. The Board of Directors want to know what is the maximum amount it can accept by way of deposits from (i) members and (ii) the public.

Advise them.

(3 marks)

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- (v) Sunita sold her flat to NOP Televisions Ltd. on 1st April, 2016. The company appointed Prakash (a registered valuer and also husband of Sunita) on 1st May, 2019 to determine the value of the flat purchased from Sunita. Can Prakash validly undertake this assignment ? Would your answer differ if the appointment had been made on 1st March, 2019 ?

(3 marks)

3. (a) In the course of business of the company, RST Logistics Ltd. received ₹ 2 lakh on 31st March, 2015 as advance towards consideration for providing future services in the form of warranty as per their agreement with Apurva. The period for providing such services in terms of common business practice is 3 years. The amount is still lying as advance and while auditing the books of accounts for the year ended 31st March, 2019, the statutory auditor had commented about contravention of the provisions of the Companies Act, 2013 in its preliminary findings to the Vice-President (Finance). Advise the Vice-President (Finance) if the comments of the auditor are justified in terms of provisions of the Companies Act, 2013.

(5 marks)

- (b) Manish, a shareholder of a company has not claimed his dividends from the company for the last 10 years due to different reasons. He wants to know whether he will be able to recover the dividends declared by the company for all these years. Explain to him, the relevant legal provisions.

(5 marks)

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- (c) Every company is required to get pre-scrutiny and pre-certification of e-forms by a practising professional before filing with the Registrar of Companies (ROC). Is this true ? Explain the relevant legal provisions.

(5 marks)

PART—II

4. (a) Examine the validity of the following statements :

(i) 'Every listed public company must have an independent woman director.'

(ii) 'Every listed public company must have a small shareholders' director.'

(5 marks)

- (b) A meeting of the Board of Directors was convened to approve the annual financial statements of the company. The company has a total of 9 directors out of which 4 directors were attending the meeting through video-conferencing while the Chairman and 4 other directors were personally present. Five directors (including the Chairman and those attending the meeting through video-conferencing) gave their assent to approve the financial statements while three directors personally present dissented. Can the Chairman consider the financial statements as approved ? Explain with reasons.

(5 marks)

- (c) RST Communications Ltd. has a total paid-up share capital of ₹ 6 crore consisting of 6 lakh shares of ₹ 100 each. Its annual general meeting had been scheduled for 15th September, 2019. On 25th August, 2019, two of its members jointly holding 5500 fully paid shares sent a notice to the company intimating their intention to move a resolution in the forthcoming Annual General Meeting for removing a director before the expiry of his term and appointing another person as a director in place of the

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director so removed. Is the company required to act on this notice ? Explain with reference to the relevant legal provisions.

(5 marks)

- (d) The Annual General Meeting (AGM) of a company is scheduled to be held on 22nd August, 2019 at 2 p.m. Taking into account the relevant legal provisions contained in the Companies Act, 2013 indicate the latest time for posting notices of the meeting to the members to ensure legal compliance.

(5 marks)

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

5. (a) Rajeev and his wife Surekha are the only two directors of Rajsur Pvt. Ltd. Rajeev went abroad for two months. Before going abroad, he registered a general power of attorney in favour of his son Ranbeer, aged 21 years, to execute all documents on his behalf as an individual as well as director of Rajsur Pvt. Ltd. Ranbeer signed a contract on behalf of Rajsur Pvt. Ltd. by exercising his power of attorney. Is this contract binding upon the company ?

(4 marks)

- (b) Ratan is a member of Adarsh Club Ltd., a company formed for promoting sports and not for profit. For the ensuing extraordinary general meeting to be held on 5th November, 2019, he appointed his daughter Prema (not a member of the company) as proxy to attend the meeting as he would be out of station on that date. Accordingly, Prema deposited the proxy with the club on 2nd November, 2019. The club rejected the proxy instrument. Is the action of the club valid ?

(4 marks)

- (c) In a Board of Directors meeting of a private company held on 15th November, 2019 all the directors present, unanimously decided that the next meeting of the Board of Directors would be held on 29th November, 2019 at the registered office of the company. As a Company Secretary do you think a notice of the meeting of the Board of Directors need be sent to ensure legal compliance ?

(4 marks)

- (d) Owing to the resignation of Prashant, Managing Director of Beauty Herbals Ltd. on 15th October, 2019, the company appointed one of its Senior Deputy General Manager Kristina Kelly, aged 26 years and a Canadian citizen as its Managing Director with effect from 1st November, 2019 at a meeting of the Board of Directors held on 31st October, 2019. Kristina Kelly came to India for the first time for the purpose of taking up employment in India on 1st January, 2018. She got appointed in the Company on 1st April, 2018. From 1st December, 2018 she was sent for a training program for 6 months and she returned to India on 1st June, 2019. Advise the management of the company whether her appointment by the Board of Directors is valid and if any further compliances are required to validate her appointment.

(4 marks)

- (e) What do you understand by the term 'secured computer system' in the context of virtual board meetings ?

Can all matters required to be approved by meeting of Board of Directors be approved by video conferencing ?

(4 marks)

OR (Alternate question to Q. No. 5)

5A. (i) Dhanvantri is the Chairman of the Risk Management Committee of Advanced Solutions Ltd. A meeting of this Committee of Directors has been scheduled to be held on 5th December, 2019 at 3.00 p.m. At 3.10 p.m. though the requisite quorum is present, Dhanvantri is not present. Can the meeting be still held or requires to be adjourned ? Answer with reference to the relevant provisions.

(4 marks)

(ii) The Chairman of the Board of Directors of Jagruti Printers Ltd. has sent a draft of Resolution along with necessary papers to all the ten directors of the company to get it passed through a resolution by circulation. The last date for signifying the assent or dissent is 20th November, 2019. On 15th November, 2019, six directors communicated their assent while on 17th November, 2019 the remaining 4 directors requested that the resolution must be decided at a meeting. Referring to the relevant provisions of the Companies Act, 2013, decide whether the resolution can be deemed to have been passed or requires to be decided at a Board of Directors meeting ?

(4 marks)

(iii) Kailash, a director of a company has sent in his resignation notice stating that he is resigning from the office of director with effect from 10th December, 2019. The notice was received by the company on 15th December, 2019. State the effective date of resignation of Kailash and the date up to which the company is required to intimate the Registrar of Companies (ROC). Is Kailash required to intimate his resignation to the ROC mandatorily ?

(4 marks)

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- (iv) 25 members of a company holding 11% of total paid up equity share capital made a requisition on 5th December, 2019 to the Board of Directors to convene an Extra Ordinary General Meeting (EGM). State the date by which the Board of Directors is required to proceed and the date by which the EGM should be held. What could the requisitionists do if the Board of Directors fail to act on the requisition ?

(4 marks)

- (v) Amit is having directorship of the following companies :

Nature of companies	Number of companies
Public companies (including 2 dormant companies)	8
Private companies (including 2 subsidiaries of public companies)	10
Alternate director (in a private company)	1
Section 8 company	1

Indicate how many more directorships Amit can undertake in public or private companies.

(4 marks)

PART—III

6. (a) Kavita, a practicing company secretary, posted a request on whatsapp group of practicing company secretaries for providing secretarial audit in any company. She also made a similar request on whatsapp to her college friends. Has she committed professional misconduct ?

(5 marks)

(b) Piyush a practicing company secretary is planning to establish a multi-disciplinary Professional firm to provide secretarial, financial and medico-legal services. For this purpose, he has invited the following persons for forming the multidisciplinary firm :

- (i) Atul, a practicing Chartered Accountant
- (ii) Dr. Mukesh, a practicing physician
- (iii) Pramod, an advocate enrolled on Bar Council of Kerala
- (iv) Pratap, a medical insurance agent
- (v) Shyam a member of the Institute of Actuaries of India

Can Piyush constitute a multi-disciplinary firm with these persons ? Is there any upper limit as to the number of partners who can constitute such a firm ?

(5 marks)

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