

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 6

NOTE : 1. Answer ALL Questions.

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

PART-I

1. (a) The parties intending to file a notice with the Competition Commission prior to filing of the notice to a proposed combination in terms of Regulation 5 of Combinations Regulations are encouraged to approach the Commission for pre-filing consultations. Outline the procedure to be followed along with details to be submitted to the Commission in this respect.
- (b) 'Divestiture is normally used to mobilize resources for core business or businesses of the company by realizing value of non-core business assets'. Explain the statement with reasons for Divestitures. Also state one example.
- (c) Mega Motors Ltd., a car manufacturing Company proposes to takeover AXL Automotives, a component manufacturer. As a professional expert, come out with the objects Mega Motors Ltd. may have conceived to attain by this takeover.
- (d) Can any acquirer proceed to voluntarily delist the company post acquisition ? If your answer is affirmative, state the Rules and Regulations applicable to such action along with main steps involved therein. If not, state the relevant provisions.

(5 marks each)

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

2. (a) Max Ltd. proposes to takeover Mini Ltd. The Share capital of Max Ltd. and Mini Ltd. comprises of 15,000 and 10,000 equity shares of ₹ 10 each and 5000 and 4000 10% preference shares of ₹ 100 each respectively.

The purchase consideration to be discharged is as under :

- (1) Equity shareholders of Mini Ltd. will be given 50 equity shares of ₹ 10 each of Max Ltd. fully paid up in exchange for every 5 shares held in Mini Ltd.
- (2) Issue of 10% preference shares of ₹ 100 each in the ratio of 4 preference shares of Max Ltd. for every 5 preference shares held in Mini Ltd.

In addition to share capital stated above, Max Ltd has 12% debentures of ₹ 100 each amounting to ₹ 5,00,000 and Mini Ltd has 13% debentures of 100 each amounting to ₹ 4,00,000. It was agreed to issue 12% debentures of ₹ 100 each of Max Ltd. worth ₹ 5,00,000 to the debentureholders of Mini Ltd.

Compute Purchase consideration and capital after takeover. Also comment upon treatment of debentureholders of Mini Limited during the above takeover.

- (b) When does goodwill arise on amalgamation ? Comment on its amortization. How will you estimate the useful life of the goodwill ? Differentiate goodwill and capital reserve as per AS-14.
- (c) In order to assess the nitty-gritty of the transactions of the takeover and to opt for or opt out of the takeover deal, due diligence is carried out. As a practicing company secretary, what various aspects would you consider while carrying out due diligence with regard to Management ?

(5 marks each)

: 3 :

OR (Alternate question to Q. No. 2)

2A. (i) From the following information related to Tanu Ltd, find out :

- (a) EBITA
 (b) PAT
 (c) Super profit

| | (₹ in Lakh) |
|---|-------------|
| Net tangible assets | 300.00 |
| Operational Revenue | 560.00 |
| Employment Cost (including onetime payment of ₹ 20.00 lakh, not likely to occur in future) | 110.00 |
| Managerial Remunerations (to be increased by ₹ 10.00 lakh from next year) | 40.00 |
| Cost of goods sold | 230.00 |
| Finance charges | 80.00 |
| Depreciation/Amortization | 30.00 |

Tax provision is to be made @ 25%.

Expected rate of return on assets is to be assumed @ 20%.

(5 marks)

- (ii) Briefly explain the provisions regarding accounting treatment in the books of the transferee company on amalgamation where Indian Accounting Standard 103 (*Business Combinations of Entities under Common Control*) is applicable.

(5 marks)

: 4 :

(iii) From the details given below, find out the Value of Santosh Ltd. an unlisted company :

| | |
|---|---------------|
| No. of shares issued and paid up of ₹ 10 each | 5,00,000 |
| Current Dividend | ₹ 5 per share |
| Annual Dividend growth rate | 10% |

Assume that this growth rate will be maintained in future also. The values for similar listed company are as under :

| | |
|-----------------------------|-----------------|
| Share price | ₹ 120 per share |
| Current Dividend | ₹ 20 per share |
| Annual Dividend Growth rate | 10% |

(5 marks)

3. (a) What is deemed dividend under Sec 2(22)(e) of the Income Tax Act, 1961 ? Discuss its taxability.
- (b) When indirect acquisition is treated as direct acquisition as per SEBI (SAST) Regulations, 2011 ?
- (c) Under what circumstances, the Competition Commission may inquire into the appreciable adverse effect caused or likely to be caused on competition in India ?
- (d) List out the various approaches in practice to find out value of shares of each entity post demerger.
- (e) Discuss Split-ups and Split-offs in corporate restructuring.

(3 marks each)

PART-II

4. (a) “The Insolvency and Bankruptcy Code, 2016 is one of the biggest economic reforms which provides a uniform and comprehensive insolvency legislation”. Enumerate applicability of the Code as per Insolvency and Bankruptcy Code (Amendment) Act, 2018. What is the existing limit to initiate an insolvency process for corporate debtors ?

(5 marks)

: 5 :

(b) PL Enterprise, an Operational Creditor to XYZ Ltd., a corporate debtor is in the process of making an application to NCLT for initiating the insolvency resolution process. Advise PL enterprise about the enclosures to such an application.

(5 marks)

(c) From the following details, determine the order of priority payment out of the realization of liquidation estate assets :

- (i) Financial debts owed to unsecured creditors;
- (ii) Wages and any unpaid dues owed to employees other than workmen for 24 months preceding the liquidation commencement date,
- (iii) Liquidator's remuneration,
- (iv) Debts owed to a secured creditor who has relinquished the security,
- (v) Preference shareholders.

(5 marks)

(d) "A resolution plan shall provide for the measures, as may be necessary for insolvency resolution of a corporate debtor for maximization of values of its assets." Discuss the measures provided in Regulation 37 of the IBBI (*Insolvency Resolution Process for Corporate Persons*) Regulation, 2016.

(5 marks)

5. (a) Who are disentitled to make an application to initiate corporate insolvency resolution process under IBC, 2016 ?
- (b) Discuss the jurisdiction of Debt Recovery Tribunal as per section 179 (2) of the IBC, 2016.
- (c) The Tribunal has the powers to remove the provisional liquidator or the Company Liquidator. Mention the grounds where the Tribunal may exercise its powers in this regard.
- (d) What do you mean by 'Excluded Debt' ?
- (e) Describe the general duties of a debtor under Fresh Start Process.

(3 marks each)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (a) An Asset Reconstruction Company is subject to audit and inspection by Reserve Bank of India (RBI). Elucidate the powers of RBI in this regard under SARFAESI Act, 2002.
- (b) You, acting as a Resolution Professional received a Resolution Plan. How will you satisfy yourself that the plan is in order for submission to the Committee of Creditors ?
- (c) Describe the whole gamut of reliefs that may be granted upon recognition of a foreign proceedings whether main or non-main.

(5 marks each)

OR (Alternate question to Q. No. 6)

- 6A. (i) As a liquidator of a Corporate Debtor, how will you gather information for the purpose of admission & proof of claims and identification of the liquidation estate assets.
- (ii) A liquidator is entitled to receive remuneration at 2% on the assets realized, 3% on the amount distributed to Preferential Creditors and 4% on the payment made to Unsecured Creditors. The assets were realized for ₹ 18,50,000 against which payments were made as follows :

| | Amount in ₹ |
|---------------------------------------|-------------|
| Liquidation Expenses | 18,000 |
| Secured Creditors | 7,50,000 |
| Preferential Creditors | 82,000 |
| The amount due to Unsecured Creditors | 12,00,000 |

You are asked to calculate the total remuneration payable to the Liquidator.

- (iii) Explain the provisions related to presentation of Annual Status Report by Liquidator during completion of liquidation.

(5 marks each)