

*Roll No. ....*

*Time allowed : 3 hours*

*Maximum marks : 100*

*Total number of questions : 6*

*Total number of printed pages : 10*

*NOTE : Answer ALL Questions.*

**PART-I**

1. Singh & Associates LLP, a firm of practicing chartered accountants, being statutory auditors of Decent Industries Ltd., a listed entity since last 4 years. The auditors have proposed for hefty increase in their audit fees which the company is not in a position to accept. They expressed their inability to continue as statutory auditors and submitted their resignation to the company addressed to the BOD on 6<sup>th</sup> August, 2021. The next board meeting of the company was scheduled to be held on 9<sup>th</sup> August, 2021 to consider its quarterly results. The company secretary of the company informed the stock exchanges about said resignation without bringing to the knowledge of the audit committee as well as the Board. The chairman of the audit committee took a strong objection and pointed out a serious lapse on the part of the company. He suggested the ways to avoid such a lapse without any non-compliance. The company secretary placed the proposal before the Audit Committee & Board of Directors for appointment of New Auditors in casual vacancy arisen due to resignation of current Auditors (Outgoing).
- (a) What are the issues involved in terms of SEBI(LODR) regulations, 2015 ?
- (b) What steps could have been taken to avoid such a lapse ?
- (c) Whether Audit Committee and the Board should take cognizance of the resignation when it is already intimated to the SEs before such meetings ?
- (d) Whether the authority, powers and structure of Audit Committee and the Board are undermined ?

*(5 marks each)*

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

2. (a) ABC Pvt. Ltd. is a Company having 175 shareholders and eight directors on its Board. The said Company has voluntarily proposed to adopt “Green initiative in Corporate Governance” that allows paperless compliance by companies for legal validity of compliances under the Companies Act, 2013 through electronic mode. A Board Meeting was convened on July 14, 2022 to discuss amongst other subjects, *inter alia*, to consider and take on record the following businesses of the agenda :
- (i) To adopt ‘Green Initiative’ in corporate governance especially for disseminating communication and annual reports to the shareholders.
  - (ii) To approve the unaudited financial statements of the company for the first quarter ended 30-06-2022.
  - (iii) To enter into certain contracts with a Company whereby one of the director is interested.

In the said Board Meeting, two directors attended the meeting physically, one interested director attended through video conferencing after disclosing his interest and the rest six directors expressed their inability to attend the meeting and hence sought leave of absence.

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In the light of the above inputs, answer the following under the provisions of the Companies Act, 2013 :

- (i) What shall be the quorum for the said Board Meeting ? Can the Board Meeting validly transact the businesses of the agenda ?
- (ii) Maintenance of attendance register of Board Meetings and meetings of Committee, wherein directors could attend the meeting either physically or through electronic mode ?

(5 marks)

- (b) XYZ Ltd., is a profit making, dividend paying, export oriented, Public Company engaged in manufacturing of food processors. As per the latest Audited Financial Statements for the year ended 31-03-2022, the following is the summary of financial highlights :

(₹ in crore)

Paid up Equity Share Capital	410.00
Free Reserves and Surplus	103.00
Current Liabilities	112.75
Tangible Fixed Assets	1,500.00
Turnover	1,250.00
Outstanding Secured Loans	65.00
Net Profit	6.75

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On 10-10-2022, the Company constituted a CSR Committee comprising of the following

Director :

Name and Designation in the Board	Status in the CSR Committee
Mr. X, Executive Chairman	Chairman
Mr. Y, Non-Executive, Non-Independent	Member
Mrs. Z, Non-Executive, Non-Independent Women Director	Member

At the time of its constitution, the Company had 6 directors on its Board including two Independent Directors. With reference to the above and in the light of the provisions of the Companies Act, 2013, answer the following :

- (i) Is the CSR Committee validly constituted ? If not, state how the CSR Committee should be constituted.
- (ii) What is the role of Independent Directors as enumerated in Part II of Schedule IV of the Companies Act, 2013 ?

(5 marks)

- (c) M/s X & Company, a firm of practicing company secretaries is appointed as a Lead Manager (LM) to the issue of ABC Limited. State the disclosures which X & Company is required to make in the draft offer document and offer document.

(5 marks)

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

- 2A.** (i) Omega Private Limited Company (OPLC) is a professionally managed Company ensuring good corporate governance, integrity and transparency in all its dealings. The Company is engaged in developing customised software package for automobile manufacturers. It has a paid-up share capital of ₹ 55 crore and borrowings from Banks and Financial Institutions to the tune of ₹ 56 crore as at 31<sup>st</sup> March, 2022. Mr. Ropher, an American Citizen, a qualified Certified Public Accountant (CPA) honoured in Australia and a Member of ICAI, holding Certificate of Practice was appointed as the Statutory Auditor of OPLC at the Annual General Meeting (AGM) of the Company convened on 18-11-2017 for a period of five consecutive years. Since his term of office is getting expired on completion of five years, the Company is proposing to re-appoint Mr. Ropher for a second term of five consecutive years at the AGM to be convened on 29-09-2022 considering his excellent audit work and professional knowledge. With reference to the provisions of the Companies Act, 2013, answer the following :
- (i) Is the re-appointment of Mr. Ropher for a second term of five years valid in Law ?
- (ii) Will your answer differ, if a different firm of auditors have been appointed as the Statutory Auditors in the year 2017 and whether the firm is eligible for re-appointment for a second term of five years, if Mr. Ropher is appointed as a partner in the audit firm in the year 2022 ?

(5 marks)

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- (ii) EXCEL Finance Ltd. a listed entity, along with other companies, has promoted a company called ACTIVE Trading Ltd.

Following is the composition of Board of ACTIVE Trading Ltd. a listed company as on 31<sup>st</sup> March, 2022 :

Mr. A – Non-Executive Chairman

Mr. B – Managing Director

Mr. C – Executive Director

Mr. D – Nominee Director (Standard Lease Finance Ltd.)

Ms. E – Independent Director

Mr. Z, an Independent Director, has resigned w.e.f. 28<sup>th</sup> Feb., 2022.

Mr. A, Chairman of the company is also an independent director of EXCEL Finance Ltd., a listed Company. Examine the composition of the Board of ACTIVE Trading Ltd. and advise for due compliance with various regulatory provisions.

(5 marks)

- (iii) Reserve Bank of India (RBI) has taken a vital step by introducing the post of Chief Risk Officer (CRO) in Non-Banking Financial Companies (NBFCs). Explain the essentials which NBFCs shall strictly adhere at the time of appointment of CRO.

(5 marks)

3. (a) Mention disclosures to be made by a listed company with respect to Demat Suspense Account.

(3 marks)

- (b) Explain the role of the lead independent director to enhance Board Effectiveness.

(3 marks)

- (c) Explain the procedure of passing of Resolution by Circulation.

(3 marks)

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(d) “The Independent Directors of the company shall hold at least one meeting in a financial year without the attendance of non-independent director and member of management.” Discuss the statement and also mention the agenda items to be taken upon such a meeting as per the relevant provisions of SEBI (LODR), Regulations, 2015.

(3 marks)

(e) Mention any six of ‘Clarkson Principles of Stakeholders Management’.

(3 marks)

#### PART-II

4. (a) “Risk Identification should involve continuous implementation as new phases, experiences, and viewpoints are introduced.” Explain the essentials to risk identification that guarantee maximum results.
- (b) Explain the steps involved in managing strategic risks which must be integrated within the strategic planning.
- (c) “Responsibilities and accountabilities of the person handling risks need to be identified and assigned.” Explain the ways of handling the different types of risk existing in the business.
- (d) ISO 31000 (International Standards for Risk Management) helps in the success of an organization. Explain.

(5 marks each)

**PART-III**

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

5. (a) What is Risk Based Internal Audit (RBIA) ? Explain its significances in the effective risk management of the banks.
- (b) Discuss the guiding principles of International Integrated Reporting Council (IIRC) which underpin the preparation of an Integrated report, specifying the contents of report and how information is to be presented.
- (c) Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance, set goals, and manage change more effectively, but many organizations find it difficult to prepare sustainability. Explain the challenges which may be considered in the mainstreaming sustainability reporting.
- (d) Write a note on Entity's Risk Assessment Process.

*(5 marks each)*

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

- 5A. (i) Internal control is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. In this reference explain the control activities, that may relevant to an audit, which may be categorized as policies and procedures.

*(5 marks)*



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- (ii) Internal Control System is a topical issue following global fraudulent financial reporting and accounting scandals in both developed and developing countries. A proactive preventive approach to the problem required a critical evaluation of existing internal control structures in organizations to determine their capacity to ensure that the organizational activities are carried out in accordance with established goals, policies and procedures. Explain the prevention measures which can be taken into consideration to prevent improprieties in an organization.

(5 marks)

- (iii) “A sustainability report is the key platform for communicating sustainability performance and impacts.” Explain the benefits of sustainability reporting for an organization.

(5 marks)

- (iv) “Non-financial reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable and inclusive development of a company.” Critically analyze.

(5 marks)

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## PART-IV

6. (a) Discuss the process to declare a person as a Fugitive Economic Offender, indicating provisions relating to application, attachment, notice, proceedings and declaration, confiscation appeal etc. as mentioned in Fugitive Economic Offender Act, 2018.
- (b) What is Net Zero ? Why is it relevant in the industry ? Why should companies care about it ?

*(5 marks each)*

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