

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 5

**NOTE :** Answer SIX questions including Question No.1 which is compulsory.

1. (a) State, with reasons in brief, whether the following statements are correct or incorrect :
    - (i) The issuer and merchant banker need not ensure that the security created to secure the debt securities is adequate to ensure 100% asset cover for the debt securities.
    - (ii) A private placement is an issue of shares or convertible securities by a company to a select group of persons under section 81 of the Companies Act, 1956 which is neither a rights issue nor a public issue.
    - (iii) A 'takeover bid' is an offer addressed to each shareholder of a company, whose shares are not closely held, to buy his shares in the company at the offered price within the stipulated period of time.
    - (iv) As per clause 49 of the listing agreement in respect of good corporate governance, a director shall not be member in more than 20 committees or act as chairman of more than 10 committees across all companies in which he is a director.
    - (v) A company can deliver the share certificate at any time after receiving the application for registration of transfer as per the Companies Act, 1956.

(2 marks each)
  - (b) Critically examine and comment on the following :
    - (i) All preferential issues by the listed companies should be approved by the shareholders' resolution in the meeting of shareholders.
    - (ii) A depository participant is the agent of the investor in the depository system providing the link between the company and investor through the depository.

(5 marks each)
2. (a) Choose the most appropriate answer from the given options in respect of the following :
    - (i) Public issue is not governed by the –
      - (a) Companies Act, 1956
      - (b) Foreign Exchange Management Act, 1999
      - (c) Payment of Bonus Act, 1965
      - (d) Securities Contracts (Regulation) Act, 1956.

- (ii) In case of underwriting of rights issue, if minimum subscription is not received, the entire subscription should be refunded within –
- (a) 45 days
  - (b) 60 days
  - (c) 42 days
  - (d) 30 days.
- (iii) A down stream merger occurs when –
- (a) There is a merger of parent company into its subsidiary company
  - (b) There is a merger of subsidiary company into its parent company
  - (c) There is a merger of a healthy company with a financially weak company
  - (d) There is a merger of a subsidiary company into its parent company where the parent company owns substantially all of the shares of the subsidiary company.
- (iv) 'Overseas Custodian Bank' means a banking company which is established in a country –
- (a) Inside India
  - (b) Outside India
  - (c) Inside as well as outside India
  - (d) Either inside or outside India.
- (v) If a company or any other person contravenes any provision of the rules for which no punishment is provided under the Companies (Issue of Indian Depository Receipts) Rules, 2004, the company and every officer in default shall be punishable with fine which may extend to –
- (a) Equal the amount of IDR issue
  - (b) Twice the amount of IDR issue
  - (c) Thrice the amount of IDR issue
  - (d) Four times the amount of IDR issue.
- (vi) Payment of foreign technology collaboration by Indian companies under the FEMA regulations are allowed under automatic route subject to the limitation of the lump sum payments not exceeding –
- (a) US \$5 million
  - (b) US \$10 million
  - (c) US \$2 million
  - (d) US \$3 million.

(1 mark each)

- (b) Write a note on 'intellectual property due diligence'.  
*(4 marks)*
- (c) Distinguish between the following :
- (i) 'Due diligence' and 'audit'.
  - (ii) 'American depository receipts (ADRs)' and 'global depository receipts (GDRs)'.
- (3 marks each)*
3. (a) As a Practising Company Secretary, you have been asked to carry out the due diligence of XYZ Ltd. for a possible acquisition of the controlling interest from the owners of the said company. Explain briefly the possible hurdles that may occur while carrying out the due diligence and the steps needed to overcome such hurdles.  
*(6 marks)*
- (b) Anshul Power Generation Ltd. is contemplating setting-up an audit committee as part of good corporate governance. As a Company Secretary of the company, advise the company on the constitution, composition, quorum and the role of audit committee.  
*(6 marks)*
- (c) Explain the following terms used in due diligence report –
- (i) Deal breakers
  - (ii) Deal diluters.
- (2 marks each)*
4. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) Shares issued under an Employee Stock Purchase Scheme (ESPS) are subject to lock-in for a minimum period of \_\_\_\_\_ year from the date of allotment.
  - (ii) The credit rating is required to be obtained from at least \_\_\_\_\_ registered credit rating agencies under the SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.
  - (iii) A public limited company is required to appoint the Company Secretary to act as compliance officer under clause \_\_\_\_\_ of the listing agreement.
  - (iv) As per clause 49 of listing agreement, at least \_\_\_\_\_ of the Board should include independent directors where chairman of the Board is a non-executive director.
  - (v) An American Depository Receipt (ADR) is a \_\_\_\_\_ denominated form of equity ownership in the form of depository receipts in a non-US company.
  - (vi) Pre-issue paid-up capital and free reserves of the issuing company should be at least \_\_\_\_\_ under the Companies (Issue of Indian Depository Receipts) Rules, 2004 for the issue of IDRs.

*(1 mark each)*

- (b) As a Practising Company Secretary, you have been appointed as secretarial auditor of Lilly Ltd. Explain briefly how you would undertake the process of secretarial audit.
- (10 marks)*
5. (a) Sanjay is a Practising Company Secretary and has been engaged as internal auditor of the operations of depository participants. Do you feel it is mandatory on the part of the depository participants to appoint an internal auditor? What should be the contents of the internal audit report?
- (8 marks)*
- (b) As a Practising Company Secretary, you have been assigned to work out preliminary considerations for setting-up a joint venture. State the preliminary considerations to be taken care of in this regard.
- (4 marks)*
- (c) A depository participant is required to enter into two important agreements in the course of trading in dematerialised securities. Explain.
- (4 marks)*
6. (a) Anmol Milk Products Ltd. is planning to expand its operation by financing Rs.75 crore through a term loan from the IDBI Bank Ltd. The company has applied for a term loan and the assets of the company will be mortgaged to the lending bank as security.
- The bank has approached you, being a Practising Company Secretary, to furnish a certificate in respect of necessary powers of the company and its directors to enter into an agreement. State the general points to be kept in mind for furnishing such a certificate.
- (6 marks)*
- (b) Enumerate the points to be checked by a Secretarial Auditor in respect of the Air (Prevention and Control of Pollution) Act, 1981.
- (6 marks)*
- (c) Describe the role of a Company Secretary in Practice in securities management and compliances under the SEBI Act, 1992 and its regulations.
- (4 marks)*
7. (a) Write short notes on **any two** of the following :
- (i) Takeover defences
  - (ii) Appraisal of register of members/debentureholders
  - (iii) Risks on trading in debt securities.
- (4 marks each)*

- (b) Distinguish between **any two** of the following:
- (i) 'Dematerialisation' and 'rematerialisation'.
  - (ii) 'Financial collaboration' and 'technical collaboration'.
  - (iii) 'Depository' and 'depository participant'.

(4 marks each)

8. Critically examine and comment on **any four** of the following :

- (i) A key step in any due diligence exercise is to develop an understanding of the purpose for the transaction.
- (ii) In case of preferential issue of shares by listed companies, valuation is to be done by an independent qualified valuer.
- (iii) Under the Employee Stock Option Scheme, the companies have freedom to determine the exercise price.
- (iv) A conglomerate merger involves coming together of two companies in different industries.
- (v) Securities held in a depository account can be pledged or hypothecated against a loan, credit or guarantee availed of by the beneficial owner of such securities.

(4 marks each)

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