

Company Law

264

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 4

NOTE : 1. Answer SIX questions including Question No.1 which is compulsory.
2. All references to sections relate to the Companies Act, 1956 unless stated otherwise.

1. Comment on **any four** of the following :

- (i) It is not obligatory for every company to preserve its books of account.
- (ii) A shareholder who holds 99% of the share capital of a company can be held liable for the acts of the company.
- (iii) The court of law will not interfere with the internal management of companies acting within their powers.
- (iv) It is always mandatory for an unlimited company to have share capital.
- (v) A person may inspect and obtain copies of the profit and loss account of any private company.

(5 marks each)

2. (a) The Board of directors of Grow More Ltd., a public company, has duly delegated its power to approve the annual accounts of the company for the year 2011-12 to a committee of directors. The said committee considered the annual accounts and approved the same before the accounts were handed over to the statutory auditor of the company. Will you accept such approval of annual accounts ?

(5 marks)

(b) Ajay Ltd. borrowed ₹100 crore from Prem, without the authority conferred on it by the articles of association. Later, the money borrowed by Ajay Ltd. was used by its Board of directors to pay off lawful debts of the company. In this scenario, Prem, the lender seeks your advice for recovery of his money. Advise him.

(5 marks)

(c) Write the most appropriate answer from the given options in respect of the following :

- (i) Which of the following is not classified as shareholders' meeting —
 - (a) Statutory meeting
 - (b) Extraordinary general meeting
 - (c) Annual general meeting
 - (d) None of the above.
- (ii) Who among the following can be a member of a company in India —
 - (a) Partnership firm
 - (b) Minor child
 - (c) Pawnee
 - (d) Foreigner.

- (iii) Section 433 lays down the grounds on which a company may be wound-up –
 - (a) Compulsory winding-up
 - (b) Members' voluntary winding-up
 - (c) Creditors' voluntary winding-up
 - (d) By the court.
- (iv) The Central Government has been empowered to conduct investigation into the affairs of the company —
 - (a) On the report of Registrar of Companies
 - (b) On the application of members
 - (c) On passing of the special resolution or order of the court
 - (d) All of the above.
- (v) For ensuring that the affairs of the company have not been conducted in a prejudicial manner in a scheme of compromise and arrangement, the court is bound to seek a report from —
 - (a) Board of directors
 - (b) Shareholders
 - (c) Central Government
 - (d) None of the above.
- (vi) A company doing the principal business of acquiring, holding and dealing in shares and securities is called —
 - (a) Finance company
 - (b) Banking company
 - (c) Investment company
 - (d) None of the above.

(1 mark each)

3. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) The burden of proof in a suit by an allottee that he has been misled by the misstatement in the prospectus lies on the _____.
 - (ii) A public company can be converted into a private company only with the approval of _____.
 - (iii) A _____ number is allotted at the time of registration of the charge by a company.
 - (iv) An expelled member of a multi-State co-operative society shall not be eligible for re-admission as a member for a period of _____ from the date of such expulsion.
 - (v) _____ is an agent of depository and is registered as such under the Securities and Exchange Board of India Act, 1992 to render depository services.
 - (vi) If the articles of association of a company provide for share qualification, each director must obtain the said qualification shares within _____ after his appointment as director.

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- (vii) A Company Secretary in practice shall be entitled to issue and/or sign compliance certificate and/or annual return for not more than 80 companies in aggregate in a _____ year.
- (viii) The person appointed to audit the accounts of the branch office of a company shall submit his report to _____.

(1 mark each)

(b) State, with reasons in brief, whether the following statements are true or false :

- (i) All companies in India either issue a prospectus or file a statement in lieu of prospectus.
- (ii) Company law in India has been modelled on the US law.
- (iii) The memorandum of association contains the rules and regulations relating to the internal management of a company.
- (iv) The promoters of a company are not only agents but also trustees for the company promoted.
- (v) The change of name of a company may affect the rights and obligations of the company.
- (vi) A company can ratify a pre-incorporation contract.
- (vii) A charge created always requires registration under the Transfer of Property Act, 1882.
- (viii) Every company in India shall have at least three directors on its Board of directors.

(1 mark each)

4. (a) “Outsiders are bound to know the external position of a company, but not bound to know its indoor management.” Discuss.

(8 marks)

(b) Absolute Power Ltd. desires to commence a business specifically mentioned in its objects clause in the memorandum of association under ‘other objects’. Enumerate action to be taken by the directors before commencing the new business under ‘other objects’.

(8 marks)

5. (a) “In addition to authentication of e-forms by authorised signatories using digital signatures, some e-forms are required to be pre-certified.” Discuss identifying the e-forms which require pre-certification.

(4 marks)

(b) Write a short note on ‘appointment of cost auditor’.

(4 marks)

(c) What do you mean by ‘striking off the name of company’ under section 560 ?

(4 marks)

- (d) Two or more Hindu joint families decided to form partnership and carry out a non-banking business. Total number of major members in the partnership is 25 and 4 are minors. Does it contravene provisions of the section 11 ? Explain. (4 marks)
6. (a) Enumerate the circumstances under which the Central Government can order special audit. (5 marks)
- (b) “Approval of the government is not always required under section 269 for appointment of a whole-time director by a company having a paid-up share capital of ₹ 5 crore.” Discuss. (5 marks)
- (c) State the provisions of the Companies Act, 1956 relating to loans to directors. (6 marks)
7. Distinguish between *any four* of the following :
- (i) ‘Statutory books’ and ‘statistical books’.
- (ii) ‘Limited liability partnership (LLP)’ and ‘partnership’.
- (iii) ‘Motion’ and ‘resolution’.
- (iv) ‘Capital reserve’ and ‘reserve capital’.
- (v) ‘Special resolution’ and ‘resolution requiring special notice’.
- (4 marks each)
8. (a) The Board of directors of Nav Avtar Ltd. passed a resolution for issue of rights shares. However, certain shareholders of the company raised an objection as to whether the company needed additional capital. Discuss the validity of the counter-move taken by the shareholders and resolution passed by the Board. (4 marks)
- (b) The Board of directors of Zest Ltd. appoints Pavan as a director under section 260 by passing a resolution by circulation. The appointee now seeks your advice about the tenure of his appointment. Advise him. (4 marks)
- (c) Yash, a member of Omar Ltd., appoints Jolly to attend a general meeting of the company. At the meeting, voting takes place by show of hands. However, Jolly does not know whether he (as a proxy) can vote by show of hands at the meeting. Advise. (4 marks)
- (d) The Board of directors of Aakash Ltd., a listed company, at its meeting held on 1st April, 2011 announced a proposal for issue of bonus shares to all equity shareholders of the company at 1:1 ratio. On 1st May, 2011, the directors at another meeting passed a resolution to reverse the proposal of bonus issue announced on 1st April, 2011. Discuss the validity of the proposal and the reversal. (4 marks)