GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

DECEMBER 2022

MODULE 2

THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)
ICSI House, 22, Institutional Area, Lodi Road, New Delhi 110 003
Phones : 41504444, 45341000; *Fax* : 011-24626727
E-mail : info@icsi.edu; *Website* : www.icsi.edu

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CS Examinations	Applicability of Amendments to Laws
December Session	upto 31 May of that Calender year
June Session	upto 30 November of previous Calender Year

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MODULE 2

EXECUTIVE PROGRAMME EXAMINATION

DECEMBER 2022

CORPORATE & MANAGEMENT ACCOUNTING

Time allowed : 3 hours *Maximum marks : 100*

Total number of Questions : 100

PART I

1. Accounting .... of a business entity.

   (A) measures past performance

   (B) depicts current financial position

   (C) helps in forecasting future performance

   (D) all of the above

2. Which of the following statements is correct in relation to Trade Discount ?

   (A) Recorded in the books of accounts

   (B) Calculated on invoice price

   (C) Encourage prompt payment

   (D) All of the above

3. Journal Proper contains .... that cannot be entered in any other subsidiary book.

   (A) Cash transactions

   (B) Cash and Credit transactions

   (C) Contra transactions

   (D) Rectification entries

4. For disclosure requirement, list of shareholders holding .... of shares as on the balance sheet date should be given.

   (A) 5% and above

   (B) More than 5%

   (C) 10% and above

   (D) More than 10%

5. A limited company issued 10,000 equity shares of ₹100 each, payable ₹25 on application, ₹25 on allotment, ₹25 on first call and ₹25 on final call. One shareholder to whom 800 shares were allotted failed to pay the final call money. First call was made three months after the allotment and the final call was made three months after the first call. The company received calls-in-arrears on 800

shares 3 months after the final call became due. If the company adopts Table F of Schedule I, the maximum interest payable on calls-in-arrears is :

(A) ₹500

(B) ₹600

(C) ₹1,000

(D) ₹1,200

6. A company invited applications for 50,000 shares of ₹10 each at a premium of ₹2 per share, payable as ₹3 on application, ₹5 on allotment (including premium) and the balance on call. Applications for 80,000 shares were received, of which applications for 5,000 shares were rejected and the money was returned. Allotment was made pro-rata to the remaining applicants and the excess application money being used towards the allotment. R, to whom 200 shares were allotted failed to pay the amount due on allotment and call. If his shares were forfeited and reissued at the rate of ₹11 per share, then the amount transferred to capital reserve account would be :

(A) ₹300

(B) ₹600

(C) ₹900

(D) ₹200

7. The minimum time interval between two successive buy-back offers is .... from the closure of the preceding offer of buy-back.

(A) 6 months

(B) 12 months

(C) 18 months

(D) 24 months

8. A company cannot issue bonus shares to its members :

(A) In lieu of dividend

(B) When shares are partly paid-up

(C) When it is not authorized by its articles

(D) All of the above

9. A company can issue shares under Employees Stock Option Scheme (ESOS) to the permanent employees of :

(A) Its own

(B) Its subsidiary company

(C) Its holding company

(D) All of the above

10. RR Ltd. has a paid-up equity share capital of ₹50 Crores in the year 2022-23. During the year, the company wants to issue sweat equity shares to its employees. Previously, if the company has not issued any such shares, to what extent the company can issue such shares during this year ?

(A) ₹5 Crores

(B) ₹7.5 Crores

(C) ₹10 Crores

(D) ₹12.5 Crores

11. The acronym XBRL stands for :

(A) Expandable Business Research Language

(B) Expandable Business Reporting Language

(C) Extensible Business Review Language

(D) Extensible Business Reporting Language

12. G Ltd. wants to issue Redeemable Preference Shares to mobilize funds to carry out an airport development project. In this case, what should be the maximum redemption period ?

(A) 20 years

(B) 25 years

(C) 30 years

(D) No time limit for redemption

13. PK Ltd. issued 20,000 equity shares of ₹25 each for public subscription. The issue was underwritten by P, Q and R as 25%, 30% and 25% respectively. The company received 13,000 applications, of which marked applications of P, Q and R were respectively 4,000, 3,000 and 4,000. In this case, the net liability of P, Q and R respectively is :

(A) 1,000 : 3,000 : 1,000

(B) 500 : 2,400 : 500

(C) 1,400 : 1,680 : 1,400

(D) 1,750 : 2,100 : 1,750

14. Appointment of Debenture Trustee is a precondition to give invitation for subscribing of debentures to public when the invitation is given to :

(A) Any no. of persons

(B) More than 500 persons

(C) More than 1,000 persons

(D) More than 2,000 persons

15. The amount remaining invested or deposited in the specified securities shall not, at any time, fall below .... of the amount of debentures maturing during the year ending on 31st March of every year.

    (A) 10%

    (B) 15%

    (C) 20%

    (D) 25%

16. SS Ltd. purchased ₹15,000, 8% own debentures of ₹1,000 each on 30th September at ₹960 cum-interest. If interest is payable on 30th June and 31st December, the amount debited to Own Debentures Account at the time of purchase would be :

    (A) ₹14,100

    (B) ₹14,400

    (C) ₹14,700

    (D) ₹15,000

17. A company planned to buy-back its own shares for a consideration of ₹200 crores. For this, as per the SEBI Regulations 2018, the escrow amount that should be payable is :

    (A) ₹200 crores

    (B) ₹50 crores

    (C) ₹35 crores

    (D) ₹25 crores

18. A company can issue debentures :

    (A) With voting rights at par with shareholders

    (B) With limited voting rights for specified items only

    (C) Without any voting rights only

    (D) With voting rights to Debenture Trustees only

19. In case of Companies other than listed companies, ... has the right to determine the exercise price under the Employees Stock Option Scheme (ESOS).

    (A) The Company

    (B) The Securities and Exchange Board of India

    (C) The Central Government

    (D) The Employees of the Company

20. The voting power, in respect of shares with differential rights, of a company shall not exceed .... of total voting power including voting power in respect of equity shares with differential rights issued at any point of time.

(A) 24%

(B) 49%

(C) 74%

(D) 50%

21. According to Ind ASI, the basis for presentation of general purpose financial statements is to ensure :

(A) Comparability

(B) Consistency

(C) Accuracy

(D) All of the above

22. Cash Flow Statement, as a part of financial statements, helps in assessing the .... of an enterprise.

(A) Liquidity

(B) Solvency

(C) Efficiency in Cash Management

(D) All of the above

23. Consider the following information :

	(in Crore ₹)
Paid-up share capital	30
Long-term loan repayable after 3 years	10
Accumulated losses	7
Share application money	0.5
Preliminary expenses	0.8
Reserves (including a revaluation reserve of ₹1 crore)	6

From the above particulars, the effective capital for the purpose of managerial remuneration is :

(A) ₹36.2 crores

(B) ₹37.2 crores

(C) ₹38 crores

(D) ₹46 crores

24. T Ltd. provided the following information from its records as on 31-03-2022.

    Total Turnover ₹870 crores

    Gross Profit ₹11 crores

    Net Profit ₹4.7 crores

    Paid-up share capital ₹400 crores

    Total value of assets ₹1,250 crores

    Total value of liabilities ₹300 crores

    The company is liable to constitute a CSR Committee in 2022-23 as per the criteria of :

    (A) Net Worth

    (B) Turnover

    (C) Net Profit

    (D) T Ltd. is not liable to constitute CSR committee

25. The Director or an employee of a company, who .... with related party against the provisions of Section 188 of The Companies Act, 2013 shall be liable for a penalty.

    (A) Entered into a contract

    (B) Authorized a contract

    (C) Authorized an arrangement

    (D) Any of the above

26. Sitting fee to directors for attending Board or Committee meeting shall be decided by :

    (A) The General Body of the Company

    (B) The Board of Directors of the Company

    (C) The Articles of Association of the Company

    (D) The Central Government

27. If a company spends any amount as CSR expenditure in a year in excess of the requirement provided u/s 135(5), the said excess amount shall be set-off against the requirement to spend u/s 135(5) up to immediately succeeding .... financial year(s).

    (A) One

    (B) Three

    (C) Five

    (D) No time limit

28. A holding company can hold shares of subsidiary, but a subsidiary cannot hold shares of its holding company. This restriction does not apply to :

    (A) Foreign subsidiary company

    (B) Investment company

    (C) Subsidiary company holding shares as trustee

    (D) Government company

29. S Ltd. has a capital of ₹4,00,000 in shares of 100 each, out of which H Ltd. purchased three-fourths of the shares at ₹4,80,000. The profit of S Ltd. at the time of purchase of shares by H Ltd. was ₹1,20,000. If S Ltd. decided to make a bonus issue out of pre-acquisition profits, of one share for every five shares held, the cost of control after the issue of bonus shares would be :

    (A) ₹1,80,000

    (B) ₹1,50,000

    (C) ₹1,20,000

    (D) ₹90,000

30. Unrealized profit included in stock of goods sold by holding company to subsidiary or subsidiary company to holding company should be .... while preparing consolidated financial statements.

    (A) Deducted from stock in consolidated balance sheet only.

    (B) Deducted from P&L Account balance in consolidated balance sheet only.

    (C) Deducted from stock as well as P&L Account balance in consolidated balance sheet.

    (D) Shown separately on assets side of the consolidated balance sheet.

31. The share capital of H Ltd. and S Ltd., constituted in shares of ₹10 each, was respectively ₹5,00,000 and ₹1,00,000 as on 31st March, 2022. S Ltd., had a credit balance of ₹30,000 in reserves on that date when H Ltd. acquired 8,000 shares of S Ltd. for ₹1,40,000. S Ltd. decided to make a bonus issue out of post-acquisition profits, of two shares of ₹10 each, fully paid, for every five shares held. In this case, the value of minority interest would be :

    (A) ₹20,000

    (B) ₹26,000

    (C) ₹28,000

    (D) ₹34,000

32. The fundamental accounting assumption(s) to be followed to avoid specific disclosure of accounting policies in financial statements include :

    (A) Going Concern

(B) Consistency

(C) Accrual

(D) All of the above

33. The most important traditional performance measure for shareholder value creation is :

(A) Earnings per share

(B) Shareholder value added

(C) Economic value added

(D) Market value added

34. In case of Government Company, the Comptroller and Auditor General of India, within _________ from the date of receipt of audit report, has the right to conduct a supplement audit.

(A) 21 days

(B) 30 days

(C) 45 days

(D) 60 days

35. Which of the following is the newly added reporting clause in Companies (Auditor's Report) Order 2020 ?

(A) Reporting on managerial remuneration

(B) Reporting on cash losses

(C) Reporting on transaction with related parties

(D) Reporting on statutory dues

36. As provided by the Companies Act, 2013, under corporate governance, out of the total number of directors, at least two of them should be independent directors in case of :

(A) Unlisted public companies having turnover of ₹100 crores or more

(B) Unlisted public companies having paid up capital of ₹10 crores or more

(C) Unlisted public companies with aggregate outstanding loans, debentures and deposits exceeding ₹50 crores

(D) All of the above

37. Compliance Report on Corporate Governance in Annexure II format shall be given :

(A) On quarterly basis

(B) On half yearly basis

(C) At the end of each financial year

(D) On monthly basis

38. According to value added concept, gross value added is distributed to :

(A) Shareholders

(B) Employees

(C) Government

(D) All of the above

39. EC Ltd., has an Economic Value addition of ₹40,000 as on 31st March, 2022. During the year, its net operating profit before tax is ₹72,00,000 and Weighted Average Cost of Capital is 12.5%. If the assessable tax rate of the company is 30%, the amount of capital employed would be :

(A) ₹4,00,00,000

(B) ₹3,76,00,000

(C) ₹3,32,00,000

(D) ₹2,67,46,000

40. Which of the following is a corrective measure to increase the Economic Value Added of a business concern ?

(A) Introduction of higher cost debt instead of lower cost equity

(B) Increase Asset Turnover Ratio

(C) Generate more revenue using more capital

(D) All of the above

41. .... method of valuation integrates profit and loss account, balance sheet and cash flow statement of a business entity.

(A) Shareholder Value Added

(B) Market Value Added

(C) Economic Value Added

(D) All of the above

42. Usage of Shareholder Value Added as a performance measure is advisable to :

(A) Privately held companies

(B) Publicly held companies

(C) Government owned companies

(D) Both privately and publicly held companies

43. Cash equivalents are investments :

(A) Having significant risk of change in value

(B) Held for meeting long-term cash commitments

(C) Readily convertible into known amount of cash

(D) All of the above

44. The net income reported in the income statement of the year was ₹1,75,000 and depreciation on fixed assets for the year was ₹40,000. The balances of current assets and current liabilities are as follows:

Items	Opening Balance (₹)	Closing Balance (₹)
Inventories	2,00,000	1,80,000
Debtors	1,90,000	2,20,000
Cash	1,60,000	1,40,000
Prepaid Expenses	20,000	15,000
Accounts Payable	1,00,000	85,000

The cash flow from operating activities would be :

(A) ₹2,00,000

(B) ₹1,95,000

(C) ₹2,10,000

(D) ₹2,25,000

45. From the following information, find out the cash flow from Investing activities.

Furniture in the beginning of the year (net) ₹3,50,000

Furniture at the end of the year (net) ₹4,10,000

Furniture having book value of ₹25,000 was sold for ₹18,000

Depreciation charged on furniture during the year was ₹30,000

(A) ₹60,000

(B) ₹90,000

(C) ₹97,000

(D) ₹1,45,000

46. M Ltd. provides the following details :

Items	2020 (₹)	2021 (₹)
Share Capital	8,00,000	12,00,000
12% Debentures	4,00,000	3,00,000
Share premium	60,000	1,00,000
Int. on debentures paid	—	48,000
Dividend received	—	30,000

Cash flow from financing activities would be :

(A) ₹3,22,000

(B) ₹4,70,000

(C) ₹3,70,000

(D) ₹2,92,000

47. In the following situations, when there will be a flow of fund for the purpose of Fund Flow Statement ?

(A) If both the accounts involved are current accounts

(B) If both the account involved are non-current accounts

(C) If one account involved is a current account and other one is a non-current account

(D) All of the above

48. You are given with the following information :

Items	2020 (₹)	2021 (₹)
Building	50,000	66,000
Stock	80,000	90,000
Debtors	1,20,000	1,15,000
Cash	30,000	47,000
Total	2,80,000	3,18,000
Share Capital	2,00,000	2,50,000
Retained Earnings	10,000	23,000
Creditors	70,000	45,000
Total	2,80,000	3,18,000

The net change in working capital is :

(A) Net increase ₹ 47,000

(B) Net decrease ₹ 47,000

(C) Net decrease ₹ 52,000

(D) Net increase ₹ 52,000

49. The balance in Plant & Machinery account at the beginning of the accounting year was ₹ 1,80,000 and at the end was ₹ 2,60,000. During the year, an old machinery which had cost of ₹ 12,000 (accumulated depreciation thereon

₹ 9,000) was sold for ₹ 8,000. The net/overall flow of fund from plant & machinery, if the current year depreciation was ₹22,000, is :

(A) Outflow ₹ 97,000

(B) Outflow ₹ 1,05,000

(C) Inflow ₹ 97,000

(D) Outflow ₹ 1,10,000

50. In India, accounting standards are issued by :

(A) Institute of Chartered Accountants of India

(B) Insurance and Regulatory Development Authority of India

(C) Reserve Bank of India

(D) All of the above

51. When a very small proportion of the activities of an enterprise is considered to be commercial, industrial or business in nature then the Accounting Standards would apply to :

(A) All of its activities

(B) None of its activities

(C) Commercial, industrial or business activities only

(D) Non-commercial, non-industrial or nonbusiness activities only

52. AS 3 shall not apply to small and medium company (SMC) if it is a :

(A) One Person Company

(B) Dormant Company

(C) Small Company

(D) All of the above

53. When there is a conflict between the provisions of any applicable Act and the Accounting Standard, then :

(A) The provisions of the Act shall prevail

(B) The provision of the Accounting Standards shall prevail

(C) The provisions of the Act or Accounting Standard shall prevail, as opted by the company

(D) The provisions of the Act or Accounting Standard shall prevail, as decided by the Registrar of companies.

54. As per the provisions of AS 02, inventories should be valued at :

(A) The cost price

(B) The net realizable value

(C) Cost price or net realizable value whichever is less

(D) Cost price or net realizable value whichever is more

55. The provisions of AS 19 related with leases are not applicable in accounting relating to :

(A) Lease agreements to explore for or use natural resources

(B) Lease agreements to use lands

(C) Lease agreements for patents and copy-rights

(D) All of the above

56. The strategic objective of .... is strengthening Public Financial Management globally.

(A) International Public Sector Accounting Standards Board

(B) International Financial Reporting Standards Foundation

(C) Financial Reporting Council

(D) Financial Accounting Standards Board

57. Scheduled commercial banks excluding regional rural banks, are required to apply Indian Accounting Standards (Ind ASs) for preparing their financial statements for the period ending beginning on or after :

(A) 1 April, 2016

(B) 1 April, 2017

(C) 1 April, 2018

(D) 1 April, 2019

58. Ind AS 27 prescribes the accounting and disclosure requirements for investments in .... when an entity prepares separate financial statements.

(A) Subsidiaries

(B) Joint Ventures

(C) Associates

(D) All of the above

59. .... prohibits presentation of any item as extraordinary item in the statement of profit and loss or in the notes.

(A) AS 01

(B) Ind AS 01

(C) Ind AS 101

(D) Ind AS 41

60. Ind AS 33 requires presentation of basic and diluted Earnings Per Share from :

(A) Continuing operations only

(B) Discontinued operations only

(C) Both continuing and discontinued operations

(D) Extraordinary operations

PART II

61. Match List-I with List-II

List-I

(a) Staff Services

(b) Current Market Price

(c) Make or buy decisions

(d) Conveniently identifiable

List-II

(i) Replacement Cost

(ii) Direct Cost

(iii) Managed Cost

(iv) Out of Pocket Cost

	(a)	(b)	(c)	(d)
(A)	(i)	(iii)	(ii)	(iv)
(B)	(iii)	(i)	(iv)	(ii)
(C)	(ii)	(iv)	(i)	(iii)
(D)	(iv)	(ii)	(iii)	(i)

62. Which of the following techniques of material control analyses items of material based on their criticality to production ?

(A) Inventory Issue System

(B) Material Turnover Ratios

(C) ABC Analysis

(D) VED Analysis

63. Time recording is necessary in case of :

(A) Direct workers

(B) Indirect workers

(C) Workers paid on piece-basis

(D) All of the above

64. The need for classifying overheads into fixed and variable is essential to :

(A) Fix selling price

(B) Determine method of absorption of overheads

(C) Prepare flexible budget

(D) All of the above

65. If cost of production is ₹ 1,87,500; opening stock of finished goods is ₹ 72,800; closing stock of finished goods is ₹ 44,000; sales return is ₹ 12,500 and purchase return is ₹ 8,000; the value of cost of goods sold is :

(A) ₹ 1,58,700

(B) ₹ 1,95,800

(C) ₹ 2,03,800

(D) ₹ 2,16,300

66. A company specified in item (A) of Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 shall get its current year cost records audited when the overall annual turnover of the company from all its products and services during the immediately preceding financial year is:

(A) ₹ 25 crores or more

(B) ₹ 35 crores or more

(C) ₹ 50 crores or more

(D) ₹ 100 crores or more

67. Which of the following is not applicable to forecast?

(A) Has limited scope

(B) A tool for control

(C) Displays policy and programme to be followed

(D) All of the above

68. The difference between fixed and variable cost has a special significance while preparing:

(A) Cash budget

(B) Key-factor budget

(C) Flexible budget

(D) Master budget

69. The budget which is very useful to identify alternative methods for utilization of scarce resources in effective attainment of selected benefits is :

(A) Performance Budget

(B) Zero-based Budget

(C) Basic Budget

(D) Fixed Budget

70. The following details are given for March 2022 :

Budgeted production 200 units.

Actual production 250 units.

Budgeted working days 24

Actual days worked 27

Standard time per unit 1.2 hours

Actual hours worked 194

The calendar ratio is :

(A) 88.89%

(B) 125%

(C) 112.5%

(D) 154.6%

71. Which of the following techniques for analyzing financial statements shows the nature and rate of movement of various financial items ?

(A) Common-size Statement

(B) Trend Analysis

(C) Fund Flow Analysis

(D) All of the above

72. Interest cover ratio is an example of :

(A) Profitability ratios

(B) Activity ratios

(C) Market-Test ratios

(D) Solvency ratios

73. Cash sales ₹ 1,50,000

Cost of goods sold ₹ 7,00,000

Debtors turnover ratio 2.5 times

Gross profit ₹ 2,00,000

If closing debtors are ₹ 80,000 more than the opening debtors, the average debtors would be :

(A) ₹ 2,80,000

(B) ₹ 3,00,000

(C) ₹ 3,60,000

(D) ₹ 4,40,000

74. The following information is given :

Cost of goods sold ₹ 7,20,000

Sales returns ₹ 20,000

Capital employed ₹ 2,80,000

Gross profit ratio 25% on cost

Working capital ₹ 60,000

Fixed assets turnover ratio is :

(A) 3.4 times

(B) 4 times

(C) 5.2 times

(D) 6 times

75. If current ratio is 2.5, Acid test ratio is 1.2 and net working capital is ₹ 1,80,000, the value of liquid assets would be :

(A) ₹ 1,44,000

(B) ₹ 1,24,000

(C) ₹ 1,20,000

(D) ₹ 1,38,462

76. From the following information find out the return on capital employed : Net profit after tax ₹ 2,40,000 (Tax Rate 40%)

10% Convertible debentures ₹ 5,15,000

Fixed assets at cost price ₹ 11,20,000

Accumulated depreciation till date ₹ 1,80,000

Working capital ₹ 3,50,000

(A) 18.6%

(B) 22.6%

(C) 31%

(D) 35%

77. The following information is provided :

Net profit after tax ₹ 80,000

Tax Rate 30%

11% Preference share capital (10 each) ₹ 5,00,000

Equity share capital (₹ 100 each) ₹ 4,00,000

Working capital ₹ 1,00,000

The earnings per share is :

(A) 1.48

(B) 4.60

(C) 6.25

(D) 20

78. Middle level management needs :

(A) More frequent reports

(B) More detailed reports

(C) Summarized reports

(D) More frequent and more detailed reports

79. In marginal costing, ... are valued at marginal cost.

(A) Stock of work-in-progress

(B) Stock of finished goods

(C) Product transferred from one process to another process

(D) All of the above

80. If a firm has low margin of safety, this can be improved by :

(A) Converting fixed costs into variable costs

(B) Converting variable costs into fixed costs

(C) Increasing Break-even level

(D) All of the above

81. The following information is given :

Fixed expenses ₹ 1,75,000

Variable cost per unit ₹ 10

Selling price per unit ₹ 16

What should be the selling price per unit to reduce the break-even point to 25,000 units ?

(A) ₹ 15

(B) ₹ 17

(C) ₹ 20

(D) ₹ 24

82. K Ltd. has fixed expenses of ₹ 1,00,000, sales of ₹ 3,60,000 and profit of ₹ 80,000 during the first half of a year. In the next half year, if the company suffers a loss of ₹ 40,000, then the expected sales would be, when the selling price and fixed cost remain the same :

(A) ₹ 1,20,000

(B) ₹ 1,15,000

(C) ₹ 1,80,000

(D) ₹ 2,00,000

83. The P/V ratio and margin of safety of E Ltd. are respectively 40% and 30%. If the sales volume is ₹ 40,00,000, the profit would be :

(A) ₹ 6,00,000

(B) ₹ 5,20,000

(C) ₹ 4,80,000

(D) ₹ 4,00,000

84. AK Ltd. produces a component B by using a machine working to full capacity. One unit of B takes 5 hours to produce and has a selling price of ₹ 50 and variable cost of ₹ 25. Another component C required to produce product D could be made by using the same machine in 2 hours p.u. at a marginal cost of ₹ 5 per unit. If one of the suppliers is ready to supply the component C, what should be the unit price beneficial to AK Ltd. ?

(A) Less than ₹ 15 p.u.

(B) Less than ₹ 18 p.u.

(C) Less than ₹ 20 p.u.

(D) Less than ₹ 25 p.u.

85. The following information relates to production and sale of product R in April and May 2022 :

Items	April (₹)	May (₹)
Sales	40,000	70,000
Profit/Loss	(3,500)	5,500

Find out the Break-even sales in rupees.

(A) ₹51,667

(B) ₹57,667

(C) ₹63,333

(D) ₹80,000

86. The following are obtained from the records of a company :

Sales (4,000 units @ ₹ 25 p.u.) ₹1,00,000

Variable cost ₹72,000

Fixed cost ₹16,000

Find the additional units to be sold to earn the same amount of profit if the selling price is reduced to ₹22.

(A) 7,000 units

(B) 5,400 units

(C) 3,000 units

(D) 2,800 units

87. If a company has a P/V ratio of 40%, by what percentage sales must be increased to offset 10% reduction in selling price ?

(A) 4%

(B) 30%

(C) 33.33%

(D) 25%

88. In absorption costing, all of the manufacturing costs are absorbed by the total no. of units :

(A) Produced

(B) Sold

(C) Produced/sold whichever is higher

(D) Produced/sold whichever is lower

89. Transfer price covers transactions between :

(A) Related parties

(B) Associates

(C) Holding company and subsidiary company

(D) All of the above

90. In Activity Based Costing (ABC), as many costs of production as possible are accounted as :

(A) Direct costs

(B) Indirect costs

(C) Fixed costs

(D) Period costs

91. In Activity Based Costing (ABC), ... is a factor that causes a change in the cost of an activity.

(A) Cost object

(B) Cost driver

(C) Cost pool

(D) Cost unit

92. In general, among all the measures of value of a business, the value under this measure is most likely to be least ?

(A) Economic value

(B) Market value

(C) Going-concern value

(D) Liquidation value

93. The equity shares of a company are currently selling at ₹80 per share and the company is expected to pay a dividend of ₹5 per share. If the rate of return is calculated as 16%, what is the growth rate ?

(A) 8.0%

(B) 9.75%

(C) 10.5%

(D) 12.75%

94. When an entity presents both, consolidated financial statements and separate financial statements as per Ind AS; the disclosures required under Ind AS 33 shall be given in :

(A) Consolidated financial statements only

(B) Separate financial statements only

(C) Both consolidated and separated financial statements

(D) Any of the above

95. Fair value as per Ind AS 113 is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants on the:

(A) Balance sheet date

(B) Measurement date

(C) Dividend declared date

(D) Earliest of the above three dates

96. The value of a share under yield basis is calculated by finding out the capitalization factor. For the computation of the capitalization factor, ... is used as a base.

(A) Normal Rate of Return

(B) Average Rate of Return

(C) Standard Rate of Return

(D) Expected Rate of Return

97. The total value of assets and liabilities of a firm are respectively as ₹24,00,000 and ₹10,00,000 and its average profit is ₹3,50,000. If the value of goodwill of the firm is calculated as ₹11,00,000, the normal rate of return considered for the calculation is :

(A) 12%

(B) 14%

(C) 16

(D) 15.5%

98. G Ltd. has initiated a share-based payment arrangement with its employees. Accordingly, an employee who remains in service for at least five years from the grant date can exercise the option at any time after the end of five years but before the end of 12th year from the grant date. In this case, the vesting period of the option is :

(A) 5 years

(B) 7 years

(C) 12 years

(D) As opted by the employee

99. Which of the following is not a disclosure required under Ind AS 102 in share based payment arrangement ?

(A) Market share price of exercised options

(B) Valuation method used

(C) Settlement method used

(D) Average share price of exercised options

100. From the following, find out the expected rate of return when the security is correctly priced :

Expected rate on market portfolio 16%

Risk free rate of return 7%

Beta factor of the security 1.2

(A) 24.4%

(B) 26.2%

(C) 15.4%

(D) 17.8%

ANSWER KEY

COST AND MANAGEMENT ACCOUNTING - SELECT SERIES

Q.no.	Ans	Q.no.	Ans	Q.no.	Ans
PART I		34	D	67	D
1	D	35	B	68	C
2	B	36	D	69	B
3	D	37	C	70	C
4	B	38	D	71	B
5	A	39	A	72	D
6	C	40	B	73	B
7	B	41	A	74	B
8	D	42	B	75	A
9	D	43	C	76	D
10	B	44	B	77	C
11	D	45	C	78	D
12	C	46	D	79	D
13	A	47	C	80	A
14	B	48	A	81	B
15	B	49	A	82	A
16	A	50	A/B/C/D	83	C
17	C	51	A	84	A
18	C	52	D	85	A
19	A	53	A	86	C
20	C	54	C	87	C
21	A	55	D	88	A
22	D	56	A	89	D
23	B	57	C	90	A
24	A	58	D	91	B
25	D	59	B	92	D
26	B	60	C	93	B
27	B	**PART II**		94	C
28	C	61	B	95	B
29	D	62	D	96	A
30	C	63	D	97	B
31	D	64	D	98	A
32	D	65	D	99	A
33	A	66	C	100	D

Notes

Q.No. 50 In India, the expert accounting body to issue accounting standards is ICAI. Therefore, correct option is A. However, The other agencies/regulatory bodies may also prescribe the accounting standard issued by ICAI to be followed. For eg: Central Govt. prescribes accounting standards for companies under Companies Act, 2013, Similarly IRDA and RBI also prescribes accounting standard to be followed by insurance / banking companies. Accordingly, Option B / C / D may also be considered as correct.

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SECURITIES LAWS & CAPITAL MARKETS

Time allowed : 3 hours Maximum marks : 100

NOTE : *Answer **ALL** Questions.*

PART I

Question 1

(a) Fortune Mutual Fund launched a special scheme, the details of which are given below :

NAV	*₹ 14 per unit*
Redemption price	*₹13.50 per unit*
Offer Price	*₹14.75 per unit*

You are required to compute :

(i) Back End Load

(ii) Front End Load.

(5 marks)

(b) Pritam Ltd. is in the list of top 100 listed companies; of which financial year closes on 31st March, 2022. The company had its Annual General Meeting on September 10, 2022 and provided e-voting facility to its shareholders.

(i) Whether the action of the Pritam Ltd. is tenable ?

(ii) What is the requirement of proceedings of Annual General Meeting ?

(iii) Can Pritam Ltd. provide the remote e-voting facility to its shareholders as per the Act ?

(iv) What is the time period for submitting the required details to stock exchange?

(5 marks)

(c) Dr. Grace, aged 78 years, was appointed as non-executive director of PQR Ltd (listed company) by passing an ordinary resolution. Examine the validity of appointment of Dr. Grace as a director of PQR Ltd. (5 marks)

(d) The Board of directors of Vijay Ltd., a listed entity proposes to issue sweat equity shares to Ganesh, an employee belonging to the promoter's group. Ganesh also participated in the Shareholders' resolution for allotment of sweat equity shares. By referring the relevant SEBI Regulations, answer the followings :

(i) Can Ganesh participate in the resolution (Give reason) ?

(ii) Briefly explain the provisions for issuing of sweat equity shares under SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

(iii) *When these regulations are exempted from enforcement in special cases ?*
(5 marks)

Answer 1(a)

(i) Computation of Back End Load (BEL)

Let the Back end load be x

NAV=Re demption price * [1+BEL]

14=13.50 * (1+x)

14=13.50 +13.50x

13.50x = 0.50

x = 0.50/13.5 = 3.70%

(ii) Computation of Front End Load (FEL)

Let the Front end load be x

NAV=Public offer price * (1-FEL)

14 = 14.75 * (1-x)

14 = 14.75 - 14.75x

14.75x = 0.75

x = 0.75/14.75 = 5.08%

Answer 1(b)

Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 provides that the listed entity shall provide the facility of remote e-voting facility to its shareholders, in respect of all shareholders' resolutions and shall submit to the stock exchange, within two working days of conclusion of its General Meeting, details regarding the voting results in the format specified by the SEBI.

Further provided that, the top 100 listed entities by market capitalization, determined as on March 31st of every financial year, shall hold their annual general meetings within a period of five months from the date of closing of the financial year and shall provide one-way live webcast of the proceedings of the annual general meetings.

Thus, in view of the above:

(i) The action of the Pritam Ltd. is not tenable. Pritam Ltd. shall hold its AGM within five months from the date of closing of financial year i.e. by 31st August, 2022.

(ii) The top 100 listed entities shall provide one-way live webcast of the proceedings of the annual general meetings.

(iii) Yes, Pritam Ltd. shall provide the facility of remote e-voting to its shareholders mandatorily. The e-voting facility to be provided to shareholders shall be provided in compliance with the conditions specified under the Companies (Management and Administration) Rules, 2014, or amendments made thereto.

(iv) The time for submitting to stock exchange is within 2 working days of conclusion of its General Meeting, details regarding the voting results in the format specified by the SEBI.

Answer 1(c)

As per Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, no listed entity shall appoint a person or continue the directorship of any person as a non- executive director who has attained the age of 75 years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

Thus, in the given case, the appointment of Dr. Grace as non-executive director of PQR Ltd. is not valid as special resolution is not passed.

Answer 1(d)

(i) As per Regulation 32 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, the issue of sweat equity shares to employees who belong to promoter or promoter group shall be approved by way of a resolution passed by a simple majority of the shareholders in general meeting and the promoters/promoter group shall not participate in such resolution.

Hence in the given case, Ganesh being an employee belonging to the promoter's group, cannot participate in the resolution.

(ii) A company whose equity shares are listed on a recognised stock exchange may issue sweat equity shares in accordance with Section 54 of the Companies Act, 2013 and the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 to its employees for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called. A company shall not issue sweat equity shares for more than fifteen percent of the existing paid up equity share capital in a year. However, the issuance of sweat equity shares in the company shall not exceed twenty five percent of the paid up equity share capital of the company at any time.

For the purposes of passing a special resolution under clause (a) of sub-section (1) of section 54 of the Companies Act, 2013, the explanatory statement to be annexed to the notice for the general meeting pursuant to section 102 of the Companies Act, 2013 shall contain disclosures as specified in the Schedule – II of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. Each issue of sweat equity shares shall be voted by a separate resolution. The resolution for issue of sweat equity shares shall be valid for a period of not more than twelve months from the date of passing of the resolution.

(iii) As per Regulation 42 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, SEBI may, exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation relating to testing new products, processes, services, business models, etc. in live environment of regulatory sandbox in the securities markets.

Any exemption granted by the SEBI as mentioned above shall be subject to the applicant satisfying such conditions as may be specified by the SEBI including conditions to be complied with on a continuous basis.

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

Question 2

(a) What are the amended allocation criterion in the non-institutional investors category, if an issue is made through book-building process ?

(b) Is there any mechanism for monitoring of use of proceeds raised through public issue ? Explain briefly.

(c) ABC Ltd. is a SEBI registered Collective Investment Management company. It has launched a Collective Investment scheme viz. "Har Ghar Sapna" and collected money for acquiring land and construction of houses. Due to sudden downfall of real estate market, only 15 investors with a total subscription of ₹15 crore applied in the scheme. Whether the company can run the scheme ? Give answer with reference to the amended SEBI Regulations.

(d) "Complaints against certain companies cannot be dealt through SCORES, despite the complaint may be against a listed entity". Explain briefly.

(e) Nikunj, an IT professional from reputed engineering college, was appointed as an Independent director of a listed company. Due to some health issues, he resigned from the company eight months back. Now, the company desires to appoint him as an executive director on the Board. Examine the validity of the proposed appointment.

(4 marks each)

OR (Alternate question to Q. No. 2)

Question 2A

(i) A listed company has appointed Mihir as a director on the Board. The general meeting of the company has already been held prior to his appointment. What approval is required to regularise the appointment ? What will be your answer, if the earlier appointment of Mihir as director on the Board was rejected by the shareholders ? (4 marks)

(ii) ABC Ltd. is a public company listed on stock exchange. The company declared a dividend in the Annual General Meeting held on 1st May, 2020. However, the dividend was distributed on 5th June, 2020. One of the shareholders Jyeti made a complaint on SCORES platform on 5th June, 2022. Answer the followings :

(a) Whether the action of ABC Ltd. is as per the Companies Act, 2013 ?

(b) Can Jyeti make a complaint to SCORES ?

(c) What happens if investor fails to lodge complaint on SCORES within stipulated period ? (4 marks)

(iii) With reference to the SEBI (Delisting of Equity Shares) Regulations, 2021,

state the requirement for appointment of Peer Reviewer Company Secretary to carry out due diligence. *(4 marks)*

(iv) Due to rapid surge of Initial Public Offers in the primary market, the participation of retail investors in the market has also increased substantially. To tap this opportunity, XYZ Ltd. is planning to start the depository services. Narrate in brief, the eligibility conditions for rendering of depository services.
(4 marks)

(v) What is competing offer ? What is the timeliness in case of competing offer ?
(4 marks)

Answer 2(a)

Allocation in the net offer [Regulation 32(3A) and 129 (3A) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018]

In an issue made through book building process, the allocation in the non-institutional investors' category shall be as follows:

(a) one third of the portion available to non-institutional investors shall be reserved for applicants with application size of more than two lakh rupees and up to ten lakh rupees;

(b) two third of the portion available to non-institutional investors shall be reserved for applicants with application size of more than ten lakh rupees.

Provided that the unsubscribed portion in either of the sub-categories specified in clauses (a) or (b), may be allocated to applicants in the other sub-category of non-institutional investors.

Answer 2(b)

According to the Regulation 41 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, if the issue size, excluding the size of offer for sale by selling shareholders, exceeds one hundred crore rupees, the issuer shall make arrangements for the use of proceeds of the issue to be monitored by a credit rating agency registered with the SEBI. Provided that nothing contained in this clause shall apply to an issue of specified securities made by a bank or public financial institution or an insurance company.

The monitoring agency shall submit its report to the issuer in the format specified in Schedule XI on a quarterly basis, till hundred per cent of the proceeds of the issue have been utilised.

The board of directors and the management of the issuer shall provide their comments on the findings of the monitoring agency as specified in Schedule XI.

The issuer shall, within forty-five days from the end of each quarter, publicly disseminate the report of the monitoring agency by uploading the same on its website as well as submitting the same to the stock exchange(s) on which its equity shares are listed.

Answer 2(c)

Regulation 24(6) of the SEBI (Collective Investment Schemes) Regulations, 1999 requires that each collective investment scheme shall immediately after the closure of the subscription list comply with the following conditions, namely,-

(a) Minimum subscription amount of rupees twenty crore;

(b) Minimum twenty investors; and

(c) No person shall hold more than twenty-five percent of the assets under management of scheme.

If the collective scheme fails to comply with the above provisions, Collective Investment Management Company shall be liable to refund the application money to the applicant.

In the instant case, the minimum number of investors are only 15 and total subscription is Rs. 15 crore, hence ABC Ltd. should refund the application money to all the applicants.

Answer 2(d)

Complaints against the following companies cannot be dealt through SCORES even though the complaint may be against a listed entity/ SEBI registered intermediary:-

1. Complaints against the companies which are unlisted/delisted, placed on the Dissemination Board of Stock Exchange.
2. Complaints against a sick company or a company where a moratorium order is passed in winding up / insolvency proceedings, companies under liquidation.
3. Complaints against the companies where the name of company is struck off from Registrar of Companies (RoC) or a Vanishing Company as per the list published by the Ministry of Corporate Affairs (MCA), suspended companies.
4. Complaints that are sub-judice i.e. relating to cases which are under consideration by court of law, quasi-judicial proceedings etc.
5. Complaints against companies, falling under the purview of other regulatory bodies viz. The Reserve Bank of India (RBI), The Insurance Regulatory and Development Authority of India (IRDAI), the Pension Funds Regulatory and Development Authority (PFRDA), Competition Commission of India (CCI), etc., or under the purview of other ministries viz., MCA, etc.

Answer 2(e)

Regulation 25(11) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 provides that Independent Director, who resigns from a listed entity, shall not be appointed as an Executive / Whole Time Director on the board of the listed entity, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director.

In view of the above, Nikunj is not eligible for appointment as an executive director on the Board for next four months as only eight months have been elapsed after his resignation.

Answer 2A(i)

Regulation 17(1C) of the SEBI (Listing Obligations and Disclosure Requirements)

Regulations, 2015 provides that the listed entity shall ensure that approval of shareholders for appointment of a person on the Board of Directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

In view of above and since the general meeting of listed company has already been held prior to appointment of Mr. Mihir, the company is required to hold the general meeting within three months to regularise the appointment of Mr. Mihir.

Regulation 17(1C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 further provides that if the appointment or a re-appointment of a person, including as a managing director or a whole-time director or a manager, who was earlier rejected by the shareholders at a general meeting, shall be done only with the prior approval of the shareholders. Further, the statement referred to under sub-section (1) of section 102 of the Companies Act, 2013, annexed to the notice to the shareholders, for considering the appointment or re-appointment of such a person earlier rejected by the shareholders shall contain a detailed explanation and justification by the Nomination and Remuneration Committee and the Board of directors for recommending such a person for appointment or re-appointment.

In case the earlier appointment of Mr. Mihir as a director on the Board was rejected by the shareholders, the appointment of Mr. Mihir requires prior approval of shareholders complying with the above-mentioned Regulation.

Answer 2A(ii)

(a) ABC Limited's action is not as per the Companies Act, 2013. The provisions of the Companies Act, 2013 requires distribution of dividend to shareholder within 30 days from the date of declaration of dividend.

(b) Yes, Jyeti can make complaint to SCORES as the complaints arising out of issues that are covered under the SEBI Act, Securities Contract Regulation Act, Depositories Act and rules and regulation made there under and relevant provisions of Companies Act, 2013, are under the purview of the SEBI. SCORES is an online platform designed to help investors to lodge their complaints, pertaining to securities market, online with SEBI against listed companies and SEBI registered intermediaries. All complaints received by SEBI against listed companies and SEBI registered intermediaries are dealt through SCORES.

(c) In case investor fails to lodge a complaint within the stipulated time of three years, he may directly take up the complaint with the entity concerned or may approach appropriate court of law.

Answer 2A(iii)

Regulation 10 of the SEBI (Delisting of Equity Shares) Regulations, 2021 provides that the Board of Directors of the company, before considering the proposal of delisting, shall appoint a Peer Review Company Secretary and provide the following information to such Company Secretary for carrying out due-diligence:

(a) the details of buying, selling and dealing in the equity shares of the company by the acquirer or its related entities during the period of two years prior to the date of board meeting held to consider the proposal for delisting, including the details of the top 25 shareholders, for the said period;

(b) the details of off-market transactions of all the shareholders mentioned in clause (a) for a period of two years;

(c) any additional information if the Company Secretary is of the opinion that the information provided under clauses (a) and (b) is not sufficient for providing the certification.

After obtaining the information from the Board of Directors of the company, the Company Secretary shall carry out the due-diligence and submit a report to the Board of Directors of the company certifying that the buying, selling and dealing in the equity shares of the company carried out by the acquirer or its related entities and the top 25 shareholders is in compliance with the applicable provisions of securities laws.

Answer 2A(iv)

In order to start the depository services, XYZ Ltd. is required to comply with the following requirements. Any company or other institution to be eligible to provide depository services must:

- has a net worth of not less than ? 100 crore;
- be formed and registered as a Company under the Companies Act, 2013;
- be registered with SEBI as a depository under the SEBI Act, 1992;
- has framed bye-laws with the previous approval of SEBI;
- has one or more participants to render depository services on its behalf;
- has adequate systems and safeguards to prevent manipulation of records and transactions to the satisfaction of SEBI;
- complies with Depositories Act, 1996 and SEBI (Depositories and Participants) Regulations, 2018;
- meet eligibility criteria in terms of constitution, network etc.

Answer 2A(v)

Regulation 20(1) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 provides that upon a public announcement of an open offer for acquiring shares of a target company being made, any person, other than the acquirer who has made such public announcement, shall be entitled to make a public announcement of an open offer within fifteen working days of the date of the detailed public statement made by the acquirer who has made the first public announcement.

However, the open offer made under this sub-regulation (1) shall be for such number of shares which, when taken together with shares held by such acquirer along with persons acting in concert with him, shall be at least equal to the holding of the acquirer who has made the first public announcement, including the number of share proposed to be acquired by him under the offer and any underlying agreement for the sale of shares of the target company pursuant to which the open offer is made.

Every open offer made under sub-regulation (1) and the open offer first made shall be regarded as competing offers for purposes of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Timeliness in case of competing offer

The schedule of activities and the tendering period for all competing offers shall be carried out with identical timelines and the last date for tendering shares in acceptance of the every competing offer shall stand revised to the last date for tendering shares in acceptance of the competing offer last made.

Question 3

(a) Recently the SEBI has mandated the formation of Audit Committee for Asset Management Company (AMCs) of mutual funds. Briefly explain the Role and Composition of Audit Committee.

(b) Ankur traded in shares of Sitez Ltd., a listed company. The trading plan was approved by compliance officer on May 19, 2022. Ankur comes to know on July 20, 2022 that this transaction involve unpublished price sensitive information.

(i) What will be the impact on the transactions of Ankur ?

(ii) What conditions are attached to the trading plan ?

(c) "Mobile applications provide convenience to the investors for lodging their complaints on SEBI Complaints Redress System." Comment on the statement.

(5 marks each)

Answer 3(a)

Role of Audit Committee of Asset Management Companies (AMCs)

The Audit Committee of the AMC shall be responsible for oversight of financial reporting process, audit process, company's system of internal controls, compliance to laws and regulations and other related process, with specific reference to operation of its Mutual Fund business.

Composition of Audit Committee of Asset Management Companies (AMCs)

(1) The Audit Committee of AMC shall have minimum 3 directors as members.

(2) At least two-third members of the Audit Committee shall be independent directors of AMC. If two-third of the total strength results into fraction, then higher number after rounding up shall be considered.

(3) The members of the Audit Committee will be appointed by the Board of Directors of AMC.

(4) All members of Audit Committee shall be persons with ability to read and understand the financial statement and at least one member shall have experience and background in finance and accounts.

(5) The Chairperson of the Committee shall be an independent director, with adequate experience in the areas of finance and financial services.

Answer 3(b)

(i) As per Regulation 5 of the SEBI (Prohibition of Insider Trading) Regulations, 2015, an insider shall be entitled to formulate a trading plan in advance and present it to the compliance officer for approval and public disclosure pursuant to which trades may be carried out on his behalf in accordance with such plan. Such trading plan shall not entail commencement of trading on behalf of the insider earlier than six months from the public disclosure of the plan.

In the instant case, Ankur traded in shares of Sitez Ltd. as per trading plan approved on May 19, 2022 by compliance officer. Since, in the given case, Ankur comes to know on July 20, 2022 that this transaction involve unpublished price sensitive information, therefore, such transaction (within six months from public disclosure of the plan) is an insider trading transaction.

(ii) Conditions attached to trading plan are as follows:

- Trading Plan shall entail trading for a period of not less than 12 months.
- Overlapping of trading plans not permitted.
- Trading plan to specify the value of trades/number of securities to be traded and dates etc.
- Trading plan shall not entail trading of securities for market abuse.
- Trading plan not to entail trading for a reasonable period around to declaration of financial results.
- Compliance officer to review, approve and notify the trading plan to stock exchanges.
- Trading plan once approved shall not be revoked.
- Commencement of trading not earlier than 6 months from the public disclosure of the plan.
- Unpublished Price Sensitive Information (UPSI) not in possession from formulation of plan to implementation.

Answer 3(c)

In its efforts to improve the ease of doing business, SEBI dated March 5, 2020, launched a Mobile Application for the convenience of investors to lodge their grievances in SEBI Complaints Redress System (SCORES).

SCORES mobile app will make it easier for investors to lodge their grievances with SEBI, as they can now access SCORES at their convenience of a smart phone. The Mobile App will encourage investors to lodge their complaints on SCORES rather than sending letters to SEBI in physical mode.

This is another effort of SEBI in improving digitalization in securities market. The App has all the features of SCORES which is presently available electronically where investors have to lodge their complaints by using internet medium. After mandatory registration on the App, for each grievance lodged, investors will get an acknowledgement via SMS and e-mail on their registered mobile numbers and e-mail ID respectively.

Investor can not only file their grievance but also track the status on their complaint redressal. Investor can also key in reminders for their pending grievances. Tools like FAQs on SCORES for better understanding of the complaint handling process can also be accessed. Connectivity to the SEBI Toll Free Helpline number has been provided from the App for any clarifications/help that investors may require.

SCORES is a platform designed to help investors to lodge their complaints online with SEBI, pertaining to securities market, against listed companies, SEBI registered intermediaries and SEBI recognized Market Infrastructure Institutions. As per SEBI norms, entities against which complaints are lodged are required to file an Action Taken Report with SEBI within thirty days. of receipt of complaints. The Mobile App 'SEBI SCORES is available on both iOS and android platforms.

Question 4

(a) Joshi Ltd. is a listed entity entered into a transaction with related party, namely Hosh Ltd., for an amount of ₹59 crore and simultaneously made a payment of ₹10 crore for brand use. The turnover of Joshi Ltd. is ₹480 crore on standalone basis and after considering consolidation of subsidiary & associate is ₹610 crore. You, being a company secretary of the company, advise on the following:

(i) Whether the transaction is a related party transaction or not ?

(ii) Whether the payment made for brand uses is a related party transaction or not ?

(iii) When transactions with related party are material in above both the cases ?

(iv) What is omnibus approval of audit committee for all related party transactions?

(8 marks)

(b) Answer with reference to SEBI Regulations :

(i) ABC Ltd., a leading software development company is having outstanding paidup equity share capital of ₹20 crore as on 31st March, 2021. On 20th April, 2021, it has issued sweat equity shares of ₹2 crore to the eligible employees. To control the high attrition rate, it is planning to allot further sweat equity shares of ₹2 crore during the year. Is it permissible under the law ?

(ii) Can a company allot sweat equity shares to an employee working outside India, who has been deputed outside India for last three years ?

(iii) Himanshu, a non-executive director, approached the company for allotment of sweat equity shares. Whether he is eligible ?

(iv) Whether the company is free to fix the price of sweat equity shares ?

(7 marks)

Answer 4(a)

(i) Joshi Limited, a listed entity entered into transaction with related party, namely Hosh Ltd. for an amount of Rs. 59 crore is a related party transaction.

(ii) Yes, the payment made for brand uses is a related party transaction.

(iii) As per Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a transaction with a related party shall be considered material, if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crore or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during the year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

In the given case, Joshi Ltd. has a consolidated turnover of Rs. 610 Crore and therefore, threshold for materiality would be Rs. 61 crore for a transaction with related party and threshold for materiality for a transaction with related party with respect to brand use or royalty would be Rs. 30.5 crore.

In the given case, Joshi Ltd. has entered into a transaction with related party, Hosh Ltd. for an amount of Rs. 59 crore i.e. within the limit of Rs. 61 crore. Therefore, in case Joshi Limited has not entered into any other financial transaction with Hosh Ltd. during financial year which crosses the overall limit of Rs. 61 Crore including the existing Rs. 59 Crore transaction then it is not material related party transaction.

In the given case, Joshi Limited has made payment of Rs. 10 crore for brand use i.e. within the limit of Rs. 30.5 crore. Therefore, in case Joshi Ltd. has not entered into any other financial transaction with Hosh Ltd. during financial year which crosses the overall limit of Rs. 30.5 Cr including the existing Rs. 10 Cr transaction then it is not material related party transaction.

(iv) Omnibus Approval means a consolidated approval given by the Committee in respect of transactions which are repetitive in nature. As per Regulation 23 (3) of SEBI (Listing Obligations and Disclosure Requirements) 2015, the Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions-

(a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(c) the omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;

(ii) the indicative base price/content contracted price and the formula for variation in the price if any; and

(iii) such other conditions as the audit committee may deem fit.

However, where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

(e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Answer 4(b)

(i) As per Regulation 31 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, a company shall not issue sweat equity shares for more than fifteen percent of the existing paid up equity share capital in a year. However, the issuance of sweat equity shares in the company shall not exceed twenty five percent of the paid up equity share capital of the company at any time.

In the given case, ABC Ltd has already issued 10% of sweat equity shares of Rs. 2 crore (Rs. 20 crore *10%=Rs. 2 crore). Now, the company cannot issue further 10% sweat equity shares as in a year 15% of paid up equity share capital is allowed for sweat equity shares.

(ii) As per Regulation 29 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, the term 'employee' means,

(i) an employee of the company working in India or abroad; or

(ii) a director of the company whether a whole time director or not.

As the employee working outside India is also eligible for allotment of sweat equity shares, hence company can allot the same to the employee's working outside India, who has been deputed outside India for last three years.

(iii) The director of the company whether a whole time director or not, is eligible for sweat equity shares. Himanshu, who is a non-executive director is also eligible for allotment of sweat equity shares.

(iv) As per Regulation 33 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, the price of sweat equity shares shall be determined in accordance with the pricing requirements stipulated for a preferential issue to a person other than a qualified institutional buyer under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. Therefore, the Company is not free to fix the price of sweat equity shares.

PART II

Question 5

(a) *Tarun purchases the following European Call options of TCS. He also purchases the following European put option of ACC. What decision he would take on expiry if TCS closes at ₹ 835 and ACC closes at ₹ 565, spot prices? Ignore premium paid.*

(i) *TCS 830 Call*

(ii) *ACC 510 Put*

(iii) *TCS 840 Call*

(iv) *ACC 520 Put.*

(b) *Who are Anchor Investors ? How is allocation made to Anchor Investors ?*

(c) *The certificate granted by the SEBI to an intermediary is subject to certain conditions. Elaborate the conditions and state the period of validity of certificate.*

(5 marks each)

Answer 5(a)

Tarun has purchased European option. Therefore, he can exercise them only on expiration date.

(i) He would exercise a call option only if the stock price (S=835) is greater than the strike price (X). Call option are right to buy the underlying. Therefore, he would exercise TCS 830 call (835>830). By doing this he makes a gain of Rs. 5.

(ii) He would exercise a put option only if the stock price (S=565) is less than the strike price (X). Put options are right to sell the underlying. Therefore, he would not exercise ACC 510 Put (565 >510). This is because he can sell stocks at a higher rate of Rs. 565 in the market rather than exercising the put at lower rate.

(iii) He would not exercise TCS 840 call (835<840). This is because he can buy stocks cheaper at Rs. 835 in the market rather than exercising at Rs. 840.

(iv) He would exercise a put option only if the stock price (S=565) is less than the strike price (X). Put options are right to sell the underlying. Therefore, he would not exercise ACC 520 Put (since 565>520). This is because he can sell stocks at a higher rate of Rs. 565 in the market rather than exercising the put at lower rate.

Answer 5(b)

Anchor investor means a Qualified Institutional Buyer (QIB) who makes an application for a value of at least 10 crore rupees in a public issue on the main board made through the book building process or makes an application for a value of atleast Rs. 2 crore for an public issue on the Small and Medium Enterprises (SME) exchange made in accordance with Chapter IX of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Allocation to anchor investors shall be on a discretionary basis and subject to the following:

(I) In case of public issue on the main board, through the book building process:

(i) Maximum of 2 such investors shall be permitted for allocation up to Rs. 10 crore.

(ii) Minimum of 2 and maximum of 15 such investors shall be permitted for allocation above Rs.10 crore and upto Rs. 250 crore, subject to minimum allotment of Rs. 5 crore per such investor.

(iii) In case of allocation above Rs.250 crore; a minimum of 5 such investors and a maximum of 15 such investors for allocation upto Rs.250 crore and an additional 10 such investors for every additional Rs.250 crore or part thereof, shall be permitted, subject to a minimum allotment of Rs. 5 crore per such investor.

(II) In case of public issue on the SME exchange, through the book building process:

(i) Maximum of 2 such investors shall be permitted for allocation up to Rs. 2 crore;

(ii) Minimum of 2 and maximum of 15 such investors shall be permitted for allocation above Rs. 2 crore and up to Rs. 25 crore, subject to minimum allotment of Rs. 1 crore per such investor;

(iii) In case of allocation above Rs. 25 crore; a minimum of 5 such investors and a maximum of 15 such investors for allocation up to Rs. 25 crore and an additional 10 such investors for every additional Rs. 25 crore or part thereof, shall be permitted, subject to a minimum allotment of Rs. 1 crore per such investor.

Upto 60% of the portion available for allocation to qualified institutional buyers shall be available to anchor investor(s) for allocation/ allotment ("anchor investor portion") and one-third of the anchor investor portion shall be reserved for domestic mutual funds.

Answer 5(c)

Conditions of Certificate : Any certificate granted by the SEBI to an intermediary has to be subject to the following conditions that:

- where the intermediary proposes to change its status or constitution, it has to obtain prior approval of the SEBI for continuing to act as an intermediary after such change in status or constitution;
- it has to pay the applicable fees in accordance with the relevant regulations;
- it has to abide by the provisions of the securities laws and the directions, guidelines and circulars as may be issued there under;
- it has to continuously comply with the requirements of Regulation 4;
- it has to meet the eligibility criteria and other requirements specified in these regulations and the relevant regulations.

The SEBI may impose other conditions as it may deem fit in the interest of investors or orderly development of the securities market or for regulation of the working of the intermediary and the intermediary has to comply with such conditions.

Period of validity of certificate

The certificate granted to an intermediary has to be permanent unless surrendered by the intermediary or suspended or cancelled in accordance with the SEBI (Intermediaries) Regulations, 2008.

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

Question 6

Write short notes on the following :

(a) Benefits of REITs

(b) Steps to calculate SENSEX

(c) Types of Private Equity

(d) Atal Pension Yojana

(e) Accredited Investor and Large Value Accredited Investor

(3 marks each)

OR (Alternate question to Q. No. 6)

Question 6A

(i) Define Alternative Investment Fund (AIF). Name the entities which are not to be considered as AIF.

(ii) Define special situation fund. How investment in special situation fund is made as per SEBI (AIF) Regulations, 2012 as amended ?

(iii) Who is a custodian ? State the obligations & responsibilities and net worth requirement for custodians. *(5 marks each)*

Answer 6(a)

Benefits of REITs include:

1. *Less Capital Intensive* : Direct investment in real estate property is very capital intensive. But each shares of REITs will be comparatively more affordable (it will not require large capital outflows).
2. *Suitable for small Investors* : Investing through REITs will eliminate dealing with builders, thereby avoiding potential exposure to big builders.
3. *Transparency* : REITs stocks are listed in stock market, hence details will be available on public domain.
4. *Assured Dividends* : REITs generates income in form of dividend. REITs dividend payment is relatively assured as most of their income is in the form of rental (lease) income.

5. *Tax Free* : Dividend earned by the investors of REIT will be tax free.
6. *Fast Capital Appreciation* : Capital appreciation can be phenomenal.
7. *Easy to buy* : Investment in REITS easier than investment in Real Estate properties.

Answer 6(b)

Steps to calculate Sensex

- The market capitalization is taken into account. This is done by multiplying all the shares issued by the company with the price of its stock.
- BSE determines a Free-Float factor that is a multiple of the market capitalization of the company. This helps in determining the Free-Float market capitalization based on the details submitted by the company.
- Ratio and Proportion are used based on the base index of 100. This helps to determine the Sensex.

Answer 6(c)

Types of Private Equity

Private equity investments can be divided into the following categories:

1. *Leveraged Buyout (LBO)* : This refers to a strategy of making equity investments as part of a transaction in which a company, business unit or business assets is acquired from the current shareholders typically with the use of financial leverage. The companies involved in these type of transactions that are typically more mature and generate operating cash flows.
2. *Venture Capital* : It is a broad sub-category of private equity that refers to equity investments made, typically in less mature companies, for the launch, early development, or expansion of a business.
3. *Growth Capital* : This refers to equity investments, mostly minority investments, in the companies that are looking for capital to expand or restructure operations, enter new markets or finance a major acquisition without a change of control of the business.

Answer 6(d)

Atal Pension Yojana (APY) : Government of India (GoI) is concerned about the old age income security of the working poor and is focused on encouraging and enabling them to save for their retirement. To address the longevity risks among the workers in unorganized sector and to encourage the workers in unorganized sector to voluntarily save for their retirement, the Government of India (GoI) has announced a new scheme called Atal Pension Yojana (APY) in 2015-16 budget. The APY is focused on all citizens in the unorganized sector. The scheme is administered by the Pension Fund Regulatory and Development Authority (PFRDA) through NPS architecture. Under the APY, there is guaranteed minimum monthly pension for the subscribers ranging between Rs. 1000 and Rs. 5000 per month. The benefit of minimum pension would be guaranteed by the GoI.

Answer 6(e)

Accredited Investor & Large Value Accredited Investor

As per SEBI (Alternative Investment Funds) Regulations, 2012, "Accredited investor" means any person who is granted a certificate of accreditation by an accreditation agency and who –

(i) in case of an individual, Hindu Undivided Family, family trust or sole proprietorship has:

(A) annual income of at least two crore rupees; or

(B) net worth of at least seven crore fifty lakh rupees, out of which not less than three crores seventy-five lakh rupees is in the form of financial assets; or

(C) annual income of at least one crore rupees and minimum net worth of five crore rupees, out of which not less than two crore fifty lakh rupees is in the form of financial assets.

(ii) in case of a body corporate, has net worth of at least fifty crore rupees;

(iii) in case of a trust other than family trust, has net worth of at least fifty crore rupees;

(iv) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation.

"Large value fund for accredited investors" means an Alternative Investment Fund or scheme of an Alternative Investment Fund in which each investor (other than the Manager, Sponsor, employees or directors of the Alternative Investment Fund or employees or directors of the Manager) is an accredited investor and invests not less than seventy crore rupees.

Or (Alternate Answer)

As per SEBI (Portfolio Managers) Regulations, 2020, "Accredited Investor" means any person who fulfils the eligibility criteria as specified by the SEBI and is granted a certificate of accreditation by an accreditation agency.

"Large value accredited investor" means an accredited investor who has entered into an agreement with the portfolio manager for a minimum investment amount of ten crore rupees.

Answer 6A(i)

Alternative Investment Funds (AIFs) refers to any privately pooled investment fund, (whether from Indian or foreign sources), in the form of a trust or a company or a body corporate or a Limited Liability Partnership (LLP) which are not presently covered by any Regulation of SEBI governing fund management (like, Regulations governing Mutual Fund or Collective Investment Scheme) nor coming under the direct regulation of any other sectoral regulators in India- IRDA, PFRDA, RBI. Hence, in India, AIFs are private funds which are otherwise not coming under the jurisdiction of any regulatory agency in India.

Alternative Investment Funds (AIFs) are defined in Regulation 2(1)(b) of the SEBI

(Alternative Investment Funds) Regulations, 2012. According to SEBI (Alternative Investment Funds) Regulations, 2012, “Alternative Investment Fund” means any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which,-

(i) is a privately pooled investment vehicle which collects funds from investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors; and

(ii) is not covered under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999 or any other regulations of the Board to regulate fund management activities.

The following shall not be considered as an Alternative Investment Fund for the purpose of SEBI (Alternative Investment Funds) Regulations, 2012; -

i. Family trusts set up for the benefit of relatives' as defined under Companies Act, 2013.

ii. ESOP Trusts set up under the SEBI (Shares Based Employee Benefits) Regulations or as permitted under Companies Act, 2013.

iii. Employee welfare trusts or gratuity trusts set up for the benefit of employees.

iv. Holding companies within the meaning of Section 2(46) of the Companies Act, 2013.

v. Other special purpose vehicles not established by fund managers, including securitization trusts, regulated under a specific regulatory framework.

vi. Funds managed by securitisation company or reconstruction company which is registered with the Reserve Bank of India under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

vii. Any such pool of funds which is directly regulated by any other regulator in India.

Answer 6A(ii)

As per SEBI (Alternative Investment Funds) Regulations, 2012, "Special situation fund" means a Category 1 Alternative Investment Fund that invests in special situation assets in accordance with its investment objectives and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016.

Investment in special situation funds

(1) Each scheme of a special situation fund shall have a corpus as may be specified by the SEBI.

(2) The special situation fund shall accept from an investor, an investment of such value as may be specified by the SEBI.

(3) The special situation fund shall not accept investments from any other Alternative Investment Fund other than a special situation fund.

Answer 6A(iii)

Custodian is a person who carries on or proposes to carry on the business of providing custodial services to the client. The custodian keeps the custody of the securities of the client. The custodian also provide incidental services such as maintaining the accounts of securities of the client, collecting the benefits of the rights accruing to the client in respect of securities.

Every custodian should have adequate facilities, sufficient capital and financial strength to manage the custodial services. The SEBI (Custodian) Regulations, 1996 prescribe the obligations and responsibilities of the custodians.

Obligations and Responsibilities:

- Every custodian shall abide by the Code of Conduct.
- Where a custodian is carrying on any activity besides that of acting as custodian then the activities relating to his business as custodian shall be separate and segregated from all other activities.
- Every custodian shall have adequate mechanisms for the purposes of reviewing, monitoring and evaluating the custodian's controls, systems, procedures and safeguards.
- No custodian shall assign or delegate its functions as a custodian to any other person unless such person is a custodian.
- Every custodian shall open a separate custody account for each client, in the name of the client whose securities are in its custody and the assets of one client shall not be mixed with those of another client.
- Every custodian shall enter into an agreement with each client on whose behalf it is acting as custodian.
- Every custodian shall have adequate internal controls to prevent any manipulation of records and documents including audits for securities, goods and rights or entitlements arising from the securities and goods held by it on behalf of its client.
- Every custodian shall maintain the records and documents.
- Every custodian shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Acts, rules and regulations, notifications, guidelines, instructions, etc., issued by the SEBI or the Central Government and for redressal of investors' grievances.
- Where any information is called for by the SEBI, it shall be the duly of the custodian to furnish such information within such reasonable period as the SEBI may specify.

Net worth requirements : Minimum of Rs. 50 crores.

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ECONOMIC, BUSINESS AND COMMERCIAL LAWS

Time allowed : 3 hours Maximum marks : 100

NOTE : *Answer **ALL** Questions.*

PART- I

Question 1

(a) "The Reserve Bank of India acts as the banker to the Governments". Elaborate.

(b) Elucidate the provisions regarding the management of foreign contribution of person whose certificate has been cancelled or surrendered.

(c) "Section 3(1) of the Foreign Contribution (Regulation) Act (FCRA), 2010 deals with prohibition to receive foreign contribution". Discuss.

(d) What documents are to be submitted by a person resident in India for transfer of shares, to a person resident outside India by way of gift.

(5 marks each)

Answer 1(a)

Reserve Bank acts as banker to the Central Government and all the State Governments in India. As a banker to the Government, the Reserve Bank receives and pays money on behalf of the various Government departments. The Reserve Bank also undertakes to float loans and manage them on behalf of the Governments. It also provides Ways and Means Advances a short-term interest bearing advance to the Governments, to meet the temporary mismatches in their receipts and payments. Besides, it arranges for investments of surplus cash balances of the Governments as a portfolio manager. The Reserve Bank also acts as advisor to Government, whenever called upon to do so, on monetary and banking related matters. The banking functions for the governments are carried out by the Public Accounts Departments at the offices/ branches of the Reserve Bank, while management of public debt including floatation of new loans is done at Public Debt Office at offices/branches of the Reserve Bank and by the Internal Debt Management Department at the Central Office. So it can be asked that the Reserve Bank of India acts, as the banker to the Government

Answer 1(b)

Section 15(1) of the Foreign Contribution (Regulation) Act, 2010 provides that the foreign contribution and assets created out of the foreign contribution in the custody of every person whose certificate has been cancelled under section 14 or surrendered under section 14A shall vest in such authority as may be prescribed.

The authority referred to in section 15 (1) above may, if it considers necessary and in public interest, manage the activities of the person referred to in that sub-section for such period and in such manner, as the Central Government may direct and such authority may utilise the foreign contribution or dispose of the assets created out of it in case adequate funds are not available for running such activity.

The authority referred to in section 15(1) shall return the foreign contribution and the assets vested upon it under that sub-section to the person referred to in the said sub-section if such person is subsequently registered under this Act.

Answer 1(c)

As per Section 3(1) of the Foreign Contribution (Regulation) Act, 2010, the following are prohibited to receive foreign contribution:

- Candidate for election;
- Correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper;
- Public Servant, Judge, Government servant or employee of any corporation or any other body controlled or owned by the Government;
- Member of any legislature;
- Political party or office bearer thereof;
- Organization of a political nature as may be specified under sub-section (1) of Section 5 by the Central Government;
- Association or company engaged in the production or broadcast of audio news or audio visual news or current affairs programmes through any electronic mode, or any other electronic form as defined in clause (r) of sub-section (1) of Section 2 of the Information Technology Act, 2000 or any other mode of mass communication;
- Correspondent or columnist, cartoonist, editor, owner of the association or company referred to in above point;
- Individuals or associations who have been prohibited from receiving foreign contribution.

Answer 1(d)

Following documents to be submitted by a person resident in India for transfer of shares to a person resident outside India by way of gift:

i. Name and address of the transferor (donor) and the transferee (donee).

ii. Relationship between the transferor and the transferee.

iii. Reasons for making the gift.

iv. In case of Government dated securities and treasury bills and bonds, a certificate issued by a Chartered Accountant on the market value of such security.

v. In case of units of domestic mutual funds and units of Money Market Mutual Funds, a certificate from the issuer on the Net Asset Value of such security.

vi. In case of shares and convertible debentures, a certificate from a Chartered Accountant on the value of such securities according to the guidelines issued by Securities & Exchange Board of India or as per any internationally accepted pricing methodology on arm's length basis for listed companies and unlisted companies, respectively.

vii. Certificate from the concerned Indian company certifying that the proposed transfer of shares/convertible debentures by way of gift from resident to the non-resident shall not breach the applicable sectoral cap/ FDI limit in the company and that the proposed number of shares/convertible debentures to be held by the non-resident transferee shall not exceed 5 per cent of the paid up capital of the company.

viii. An undertaking from the resident transferor that the value of security to be transferred together with any security already transferred by the transferor, as gift, to any person residing outside India does not exceed the rupee equivalent of USD 50,000 during a financial year.

ix. A declaration from the donee accepting partly paid shares or warrants that donee is aware of the liability as regards calls in arrear and consequences thereof.

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

Question 2

(a) What do you understand by foreign hospitality ? List the categories of persons who require prior approval from the Ministry of Home Affairs before accepting Foreign Hospitality ? (4 marks)

(b) Foreign Trade Policy envisages, "Export should not merely be a function of marketable surplus but should also reflect an enhancement of economic capacity and development''. Explain the statement. (4 marks)

(c) Under what circumstances certificate of registration of non-banking financial institutions in India can be cancelled by Reserve Bank of India (RBI) under RBI Act, 1934 ? (4 marks)

(d) How the approval committee is constituted under the Special Economic Zone Act, 2005 ? (4 marks)

(e) Elaborate the objectives of Foreign Trade Policy (FTP) (2015-2020) of India. (4 marks)

OR (Alternate question to Q. No. 2)

Question 2A

(i) Discuss the powers of the Reserve Bank of India (RBI) in respect of 'Group Companies', under the RBI Act, 1934.

(ii) Discuss adjudication of confiscation and procedure thereof, under the Foreign Contribution (Regulation) Act, 2010.

(iii) Discuss Overall Scheme of Foreign Exchange Management Act, 1999.

(iv) Describe the conditions which do not require fresh approval of the Government for bringing in further foreign investment in a business entity, under Foreign Direct Investment (FDI) in India.

(v) What are the provisions relating to Acquisition/Sale of Foreign Securities by Resident Individual in India.

(4 marks each)

Answer 2(a)

According to the Foreign Contribution (Regulation) Act, 2010, Foreign Hospitality means any offer, not being a purely casual one, made in cash or kind by a foreign source for providing a person with the costs of travel to any foreign country or territory or with free board, lodging transport or medical treatment.

The following categories of persons require prior approval from the Ministry of Home Affairs before accepting Foreign Hospitality:

- Members of a Legislature
- Office bearers of political parties
- Judges
- Government servants, Public Servants
- Employees of any corporation or any other body owned or controlled by the Government.

Answer 2(b)

Export should not merely be a function of marketable surplus but should also reflect an enhancement of economic capacity and development. It envisages:

- Employment creation in both manufacturing and services sectors through the generation of foreign trade opportunities
- Zero defect products with a focus on quality and standards
- A stable agricultural trade policy encouraging the import of raw material where required and export of processed products
- A focus on higher value addition and technology infusion
- Investment in agriculture overseas to produce raw material for the Indian industry
- Lower tariffs on Inputs and raw materials
- Development of trade infrastructure and provision of production and export incentives.

Answer 2(c)

The Reserve Bank of India may cancel a certificate of registration granted to a non-banking financial company under Section 45-IA of the Reserve Bank of India Act, 1934, if such company—

(i) ceases to carry on the business of a non-banking financial institution in India; or

(ii) has failed to comply with any condition subject to which the certificate of registration had been issued to it; or

(iii) at any time fails to fulfil any of the conditions such as adequate capital structure and earning prospects; public interest, monetary stability, and economic growth etc. or

(iv) fails to comply with any direction issued by the Reserve Bank of India under the provisions of Chapter III B of RBI Act ; or fails to maintain accounts in accordance with the requirements of any law or any direction or order issued by the Reserve Bank of India under the provisions of Chapter III B of RBI Act ; or fails to submit or offer for inspection of its books of account and other relevant documents when so demanded by an inspecting authority of the Reserve Bank of India ; or has been prohibited from accepting deposit by an order made by the Reserve Bank of India under the provisions of Chapter III B of RBI Act and such order has been in force for a period of not less than three months.

Answer 2(d)

Section 13 of the Special Economic Zones Act, 2005 empowers the Central Government to constitute by notification, a Committee for every Special Economic Zone, to be called the Approval Committee to exercise the powers and perform the functions as specified. In the case of existing Special Economic Zones, the Approval Committee is required to be constituted within six months from the date of commencement of the Act and in case of other Special Economic Zones established after the commencement of the Act within six months from the date of establishment of such Special Economic Zone. This section also contains provisions relating to composition of meetings and its quorum and requires all orders and decisions and instructions of the Approval Committee to be authenticated by the signature of the Chairperson or any other Member as may be authorised by the Approval Committee.

Answer 2(e)

India's Foreign Trade Policy (FTP) has, conventionally, been formulated for five years at a time and reviewed annually. The focus of the FTP has been to provide a framework of rules and procedures for exports and imports and a set of incentives for promoting exports. The FTP for 2015-2020 seeks to achieve the following main objectives:

- To provide a stable and sustainable policy environment for foreign trade in merchandise and services
- To link rules, procedures and incentives for exports and imports with other initiatives such as "Make in India", "Digital India" and "Skills India" to create an "Export Promotion Mission" for India
- To promote the diversification of India's export basket by helping various sectors of the Indian economy to gain global competitiveness with a view to promoting exports
- To create an architecture for India's global trade engagement with a view to expanding its markets and better integrating with major regions, thereby increasing the demand for India's products and contributing to the government's flagship "Make in India" initiative
- To provide a mechanism for regular appraisal in order to rationalise imports and reduce the trade imbalance.

Answer 2A(i)

Section 45NAA of the Reserve Bank of India Act, 1934 provides that the Reserve Bank may, at any time, direct a non-banking financial company to annex to its financial statements or furnish separately, within such time and at such intervals as may be specified by the Bank, such statements and information relating to the business or affairs of any group company of the non-banking financial company as the Bank may consider necessary or expedient to obtain for the purposes of RBI Act. Notwithstanding anything to the contrary contained in the Companies Act, 2013, the Reserve Bank may, at any time, cause an inspection or audit to be made of any group company of a non-banking financial company and its books of account.

Answer 2A(ii)

Section 28 of the Foreign Contribution (Regulation) Act, 2010 provides that any article or currency or security which is seized under section 25 shall be liable to confiscation if such article or currency or security has been adjudged under section 29 to have been received or obtained in contravention of the Act.

Adjudication of Confiscation

According to Section 29(1) of the of the Foreign Contribution (Regulation) Act, 2010, any confiscation referred to in section 28 may be adjudged—

(a) without limit, by the Court of Session within the local limits of whose jurisdiction the seizure was made; and

(b) subject to such limits as may be prescribed, by such officer, not below the rank of an Assistant Sessions Judge, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Section 29(2) of the Foreign Contribution (Regulation) Act, 2010 provides that when an adjudication under sub-section (1) above is concluded by the Court of Session or Assistant Sessions Judge, as the case may be, the Sessions Judge or Assistant Sessions Judge may make such order as he thinks fit for the disposal by confiscation or delivery of seized article or currency or security, as the case may be, to any person claiming to be entitled to possession thereof or otherwise, or which has been used for the commission of any offence under this Act.

Procedure for Confiscation

Section 30 provides that order of adjudication of confiscation shall not be made unless a reasonable opportunity of making a representation against such confiscation has been given to the person from whom any article or currency or security has been seized.

Answer 2A (iii)

Foreign Exchange Management Act, 1999 (FEMA) makes provisions for dealings in foreign exchange. Broadly, all Current Account Transactions are free. However, Central Government can impose reasonable restrictions by issuing rules (Section 3 FEMA).Capital Account Transactions are permitted to the extent specified by RBI by issuing Regulations. (Section 6 of FEMA)

FEMA envisages that RBI shall have a controlling role in management of foreign exchange. Since RBI cannot directly handle foreign exchange transactions, it authorizes “Authorised Persons” to deal in foreign exchange. RBI has been empowered to issue directions to such “Authorised Persons” under Section 11.

FEMA also makes provisions for enforcement, penalties, adjudication and appeal. The FEMA contains only basic legal framework. The practical aspects are covered in Rules made by Central Government and Regulations made by RBI.

FDI Policy announced by Department for Promotion of Industry & Internal Trade, Ministry of Commerce and Industry is directly relevant to understanding the provisions of FEMA. Instructions/Guidelines etc. of Ministry of Finance and Securities and Exchange Board of India (SEBI) become relevant when (ECB) /ADR/GDR and capital market is involved.

Answer 2A (iv)

Companies may not require fresh approval of the Government for bringing in additional foreign investment into the same entity, in the following cases:

- Entities, the activities of which had earlier required the prior approval of the Government and which had, accordingly, earlier obtained the prior approval of the Government for their initial foreign investment but subsequently such activities/ sectors have been placed under automatic route;

- Entities, the activities of which had sectoral caps earlier and which had, accordingly, earlier obtained the prior approval of the Government for their initial foreign investment but subsequently such caps were removed/ increased and the activities placed under the automatic route; provided that such additional investment along with the initial/original investment does not exceed the sectoral caps;

- Additional foreign investment into the same entity where the prior approval of the Government had been obtained earlier for the initial/original foreign investment due to requirements of Press Note 18 of 1998 or Press Note 1 of 2005 and the prior approval of the Government under the FDI policy is not required for any other reason/purpose; and

- Additional foreign investment up to cumulative amount of Rs 5000 crore into the same entity within an approved foreign equity percentage/or into a wholly owned subsidiary.

Answer 2A(v)

Resident individuals can acquire/sell foreign securities without prior approval in the following cases:

i. As a gift from a person resident outside India;

ii. By way of ESOPs issued by a company incorporated outside India under Cashless Employees Stock Option Scheme which does not involve any remittance from India;

iii. By way of ESOPs issued to an employee or a director of Indian office or branch of a foreign company or of a subsidiary in India of a foreign company or of an Indian company irrespective of the percentage of the direct or indirect equity stake in the Indian company;

iv. As inheritance from a person whether resident in or outside India;

v. By purchase of foreign securities out of funds held in the Resident Foreign Currency Account maintained in accordance with the Foreign Exchange Management (Foreign Currency Account) Regulations, 2000; and

vi. By way of bonus/rights shares on the foreign securities already held by them.

PART II

Question 3

(a) Define the terms ''tie-in agreement'' and ''exclusive supply agreement'' under the Competition Act, 2002.

(b) Why do we need competition in the Market ?

(c) What are the conditions that are conducive to cartelization ?

(d) Discuss 'Competition Law and Policy' under the Competition Act, 2002.

(e) Define 'Refusal to deal' under Competition Act, 2002.

(3 marks each)

Answer 3(a)

For the purpose of Section 3(4) of the Competition Act, 2002 provides explanation to (a) tie-in arrangement; (b) exclusive supply agreement.

(a) "Tie-in Arrangement" includes any agreement requiring a purchaser of goods, as a condition of such purchase, to purchase some other goods.

(b) "Exclusive Supply Agreement" includes any agreement restricting in any manner the purchaser in the course of his trade from acquiring or otherwise dealing in any goods other than those of the seller or any other person.

Answer 3(b)

Competition is now universally acknowledged as the best means of ensuring that Consumers have access to the broadest range of services at the most competitive prices. Producers will have maximum incentive to innovate, reduce their costs and meet consumer demand. Competition thus promotes allocative and productive efficiency. But all this requires healthy market conditions and governments across the globe are increasingly trying to remove market imperfections through appropriate regulations to promote competition.

Answer 3 (c)

Some of the conditions that are conducive to cartelization are:

- high concentration - few competitors

- high entry and exit barriers
- homogeneity of the products (similar products)
- similar production costs
- excess capacity
- high dependence of the consumers on the product
- history of collusion

Answer 3(d)

The World Bank and OECD in its Report- A Framework for the Design and Implementation of Competition Law and Policy pointed out that a dynamic and competitive environment, underpinned by sound competition law and policy, is an essential characteristic of a successful market economy. Effective enforcement of competition law and active competition advocacy can also be powerful catalysts for successful economic restructuring. This in turn fosters flexibility and mobility of resources, which in the current global business environment are critical elements for the competitiveness of firms and industries across nations. Although the field of competition law and policy is evolving rapidly and includes many different viewpoints on specific issues, recognition is growing that effective competition law is important in shaping business culture and that its proper implementation needs to allow for the education of business people, government officials, the judiciary, and the interested public.

The basic purpose of Competition Policy and law is to preserve and promote competition as a means of ensuring efficient allocation of resources in an economy. Competition policy typically has two elements: one is a set of policies that enhance competition in local and national markets. The second element is legislation designed to prevent anti- competitive business practices with minimal Government intervention, i.e., a competition law. Competition law by itself cannot produce or ensure competition in the market unless this is facilitated by appropriate Government policies. On the other hand, Government policies without a law to enforce such policies and prevent competition malpractices would also be incomplete.

Answer 3(e)

For the purpose of Section 3(4) of the Competition Act, 2002 provides explanation to (d) refusal to deal.

"Refusal to deal" includes any agreement, which restricts, or is likely to restrict, by any method the persons or classes of persons to whom goods are sold or from whom goods are bought.

Question 4

(a) *Discuss briefly, the establishment, composition and term of office of chairperson and other members of Competition Commission of India.*

(b) *State the factors, which are taken into account by the Competition Commission to determine whether the combination would have the effect of or is likely to have a appreciable adverse effect on competition in the relevant market ?*

(5 marks each)

Answer 4(a)

Establishment of Competition Commission of India

The Central Government under Section 7 has been empowered to establish a Commission to be called “Competition Commission of India” by issue of a Notification. The Commission is a body corporate having perpetual succession and a common seal. The Commission has power to acquire, hold movable or immovable property and to enter into contract in its name and by the said name, sue or be sued.

The Head Office of the Commission shall be at such place as the Central Government may decide from time to time. Vide Notification: SO 1198 (E) dated 14th Oct., 2003, the Central Government established the Competition Commission of India having its Head Office at New Delhi. The Commission has also been authorized to establish its office at other places in India. Thus, the law provides for setting up of CCI’s office sat places other than that of its Headquarter.

Composition of Competition Commission of India

The composition of the Commission as spelled out under Section 8 of the Act, consists of a Chairperson and not less than two and not more than six other Members. The Chairperson and the Members are to be appointed by the Central Government. Regarding the qualifications of the Chairman and other Members, Section 8(2) provides that they shall be person of ability, integrity and standing and who has special knowledge of and such professional experience of not less than fifteen years in international trade, economics, business, commerce, law, finance, accountancy, management, industry, public affairs or competition matters including competition law and policy which in the opinion of the Central Government, may be useful to the Commission. The Chairperson and other Members are to be appointed on whole time basis.

Term of office of chairperson & other member of Competition Commission of India

The Act stipulates that the Chairperson and every other Member shall hold office as such for a term of five years from the date on which he enters upon his office and shall be eligible for reappointment. However, the Chairperson other Members shall not hold office as such after he has attained the age of sixty-five years.

Answer 4(b)

The competition Commission shall have due regard to all or any of the factors for the purposes of determining whether the combination would have the effect of or is likely to have an appreciable adverse effect on competition in the relevant market, namely-

1. actual and potential level of competition through imports in the market
2. extent of barriers to entry into the market;
3. level of combination in the market;
4. degree of countervailing power in the market;
5. likelihood that the combination would result in the parties to the combination being able to significantly and sustainably increase prices or profit margins;
6. extent of effective competition likely to sustain in a market;
7. extent to which substitutes are available or are likely to be available in the market

8. market share, in the relevant market, of the persons or enterprise in a combination, individually and as a combination;
9. likelihood that the combination would result in the removal of a vigorous and effective competitor or competitors in the market;
10. nature and extent of vertical integration in the market
11. possibility of a failing business;
12. nature and extent of innovation;
13. relative advantage, by way of the contribution to the economic development, by any combination having or likely to have appreciable adverse effect on competition;
14. whether the benefits of the combination outweigh the adverse impact of the combination, if any.

PART III

Question 5

(a) Srajan, a minor fraudulently overstates his age and takes delivery of a motor car after executing a promissory note in favour of the trader for its price. Give your suggestion to trader for remedy in this situation. (4 marks)

(b) 'A' and 'B' buys 100 bales of cotton, which they agree to sell for their Joint Account with a term that each party sharing profits and bearing losses equally. In the above Case 'A' and 'B' constitute a partnership or not ? Give reasons. (4 marks)

(c) Ramesh purchased a tractor from Mahi Limited for tilling the land but he used it during idle time for transportation of agricultural produce on hire. Some defects were developed in the engine of the tractor. He complained to Mahi Limited, but all in vain. Then he filed a suit in Consumer Dispute Redressal Forum for damages caused by the defects. Mahi Limited pleaded that Ramesh is not a 'consumer' within the definition of section 2(1) (d) of the Consumer Protection Act, 1986, as he is using the tractor for commercial purposes.

Whether Ramesh will succeed in his case ? Refer to relevant provisions of Law in support of your answer with reference to case laws, if any ? (4 marks)

(d) 'A' was going out of station so he kept his goods with 'B'. Later on 'B' without consent of 'A' mixed his goods with A's goods and the mixture cannot be separated. In the light of above case suggest what is remedy available for 'A'. (4 marks)

(e) What is crossing of a cheque ? (4 marks)

Answer 5(a)

According to the Indian Contract Act no person is competent to enter into a contract who is not of the age of majority, It was finally laid down by the Privy Council in the leading case of *Mohori Bibi v/s Dharmodas Ghose, (1903) 30 Cal, 539*, that a minor has no capacity to contract and minor's contract Is absolutely void.

In this case Srajan cannot be compelled to pay the amount to promissory note, but the Court on equitable grounds may order to Mr. Srajan to return the car to the trader, if it is still with the minor. Mr. Srajan.

Answer 5(b)

To constitute a partnership, the parties must have agreed to carry on a business and to share profits in common. "Profits" mean the excess of returns over advances, the excess of what is obtained over the cost of obtaining it. Sharing of profits also involves sharing of losses.

It follows that the sharing of profits is an essential ingredient of partnership and there would be no partnership where only one of the partners is entitled to the whole of the profits of the business. But it is open to the partners to agree to share the profits in any way they like. They may agree to share the profits either in specific proportions or in specific sums.

In the present case 'A' and 'B' buy 100 bales of Cotton, which they sell for their joint account. Both 'A' and 'B' sharing profits and bearing losses equally. It is essential element of Partnership so 'A' & 'B' are partners and they constitute a partnership.

Answer 5(c)

In the case of *Bhupendra Jang Bahadur Guna vs. Regional Manager and Others (II 1995 CPJ 139),* the National Commission held that a tractor purchased primarily to till the land of the purchaser and let out on hire during the idle time to till the lands of others would not amount to commercial use

According to the Consumer Protection Act, consumer means any person who— (i) buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment, when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose; or (ii) hires or avails of any service for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such service other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first mentioned person, but does not include a person who avails of such service for any commercial purpose.

It may be noted that "commercial purpose" does not include use by a person of goods bought and used by him exclusively for the purpose of earning his livelihood, by means of self-employment.

Yes, In the light of the above facts and circumstances, Ramesh, will succeed in his own case. He is still a Consumer within the definition of the Consumer Protection Act.

Answer 5(d)

Bailee must keep the goods bailed to him separate from his own goods (Sections 155-157) of Indian Contract Act.

If the bailee without the consent of the bailor, mixes the goods of the bailor with his own goods, the bailor and the bailee shall have an interest, in production to their respective shares, in the mixture thus produced If the bailee without the consent of the bailor, mixes the goods of the bailor with his own goods, and the goods can be separated or divided, the property in the goods remains in the parties respectively; but the bailee is bound to bear the expenses of separation, and for any damages arising from the mixture. Bailee must keep the goods bailed to him separate from his own goods (Sections 155-157 of Indian Contract Act).

If the bailee without the consent of the bailor mixes, the goods of the bailor with his own goods, in such a manner that it is impossible to separate the goods bailed from the other goods and deliver them back, the bailor is entitled to be compensated by the bailee for the loss of goods.

In the present case 'B' (Bailee) mixes the goods of 'A' (bailor), with his own goods, without the consent of 'A' (bailor) and goods cannot be separated so 'A' (bailor) is entitled to be compensated by 'B' (bailee) for the loss of goods.

Answer 5(e)

A cheque is either "open" or "crossed". An open cheque can be presented by the payee to the paying banker and is paid over the counter. A crossed cheque cannot be paid across the counter but must be collected through a banker.

A crossing is a direction to the paying banker to pay the money generally to a banker or to a particular banker and not to pay otherwise. The object of crossing is to secure payment to a banker so that it could be traced to the person receiving the amount of the cheque. Crossing is a direction to the paying banker that the cheque should be paid only to a banker or a specified banker. To restrain negotiability, additon of words "Not Negotiable" or "Account Payee Only" is necessary. A crossed bearer cheque can be negotiated by delivery and crossed order cheque by endorsement and delivery. Crossing affords security and protection to the holder of the cheque.

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

Question 6

(a) *Discuss 'Culpable Mental State' under the Essential Commodities Act, 1955.*

(b) *Under what circumstances perpetual injunction can be granted under the Specific Relief Act, 1963 ?*

(c) *"Every non-standard weights and measures used in the course of trade is liable to be forfeited". Examine.*

(d) *Elaborate the concept of 'Appropriate Government' as stated in section 2(g) of the Real Estate (Regulation and Development) Act, 2016.*

(e) *State the provisions regarding prohibition and punishment for 'Benami Transactions' given under the Benami Transactions (Prohibition) Act, 1988.*

(3 marks each)

OR (Alternate question to Q. No. 6)

Question 6A

Distinguish between the following :

(i) Seizure and confiscation.

(ii) Temporary and perpetual injunctions.

(iii) Carpet area and common area.

(iv) Submortgage and puisne mortgage.

(v) Fraud and Innocent Misrepresentation.

(3 marks each)

Answer 6(a)

Section 10-C of the Essential Commodities Act, 1955 provides for a presumption of culpable mental state, which includes intention, motive, knowledge of a fact and fact or belief in or reason to believe a fact. It is now provided that in any prosecution for an offence under the Act which requires a culpable mental state on the part of the accused, the Court shall presume the existence of mental state. Of course, it is open to the accused to prove that he had no such mental state with respect of the act committed by him.

Answer 6(b)

According to Section 38 of the Specific Relief Act, 1963 a perpetual injunction may be granted to the plaintiff to prevent the breach of an obligation existing in his favour, whether expressly or by implication. When any such obligation arises from contract, the court shall be guided by the rules and provisions contained in Chapter II.

When the defendant invades or threatens to invade the plaintiff's right to, or enjoyment of, property, the court may grant a perpetual injunction in the following cases, namely:-

(a) where the defendant is trustee of the property for the plaintiff;

(b) where there exists no standard for ascertaining the actual damage caused, or likely to be caused, by the invasion;

(c) where the invasion is such that compensation in money would not afford adequate relief;

(d) where the injunction is necessary to prevent a multiplicity of judicial proceedings.

Answer 6(c)

Every non-standard or unverified weight or measure and every package used in the course of, or in relation to, any trade and commerce and seized under section 15 of the Legal Metrology Act, 2009, shall be liable to be forfeited, to the State Government. However, such unverified weight or measure shall not be forfeited to the State Government if the person from whom such weight or measure was seized gets the same verified and stamped within such time as may be prescribed. Every weight, measure or other goods seized under section 15 but not forfeited shall be disposed of by such authority and in such manner as may be prescribed.

Answer 6(d)

Section 2(g) of the Real Estate (Regulation and Development) Act defines 'appropriate Government' to mean as follows:

- for the Union territory without Legislature, the Central Government;
- for the Union territory of Puducherry, the Union territory Government;
- for the Union territory of Delhi, the Central Ministry of Urban Development;
- for the State, the State Government.

Answer 6(e)

As per Section 3 of the Benamni Transactions (Prohibition) Act, 1988 no person shall enter into any benami transaction. Whoever enters into any benami transaction shall be punishable with imprisonment for a term which may extend to three years or with fine or with both.

Where any person enters into any benami transaction on and after the date of commencement of the Benamni Transactions (Prohibition) Amendment Act, 2016, shall be punishable in accordance with the provisions contained in Chapter VII.

Chapter VII deals with offences and prosecution. It provides that if a person is found guilty of offence of benami transaction by the competent court, he shall be punishable with rigorous imprisonment for a term not less than one year but which may extend to 7 years and shall also be liable to fine which may extend to 25% of the fair market value of the property.

Answer 6A(i)

The distinction between confiscation and seizure, in the context of the Essential Commodities Act could be seen as that an essential commodity which has been seized, could be confiscated. Therefore, confiscation is an action posterior to the seizure of the essential commodity. A commodity that has not been seized cannot be confiscated. Seizure itself does not imply confiscation. The seizure should have been made by virtue of an order passed under Section 3 of the Act. Clause (j) of Section 3 of the Act empowers the Government to make an order for seizure of any essential commodity if an order made by the Central Government controlling production, supply, distribution etc. of essential commodities has been or is about to be contravened. Therefore, any contravention or intended contravention of an order passed by the Government under the Act may lead to seizure, and under the circumstances mentioned in Section 6A such seized commodity could be confiscated.

Answer 6A(ii)

Temporary injunctions are such as are to continue until a specific time, or until the further order of the court, and they may be granted at any stage of a suit, and are regulated by the Code of Civil Procedure, 1908.

A perpetual injunction can only be granted by the decree made at the hearing and upon the merits of the suit, the defendant is thereby perpetually enjoined from the assertion of a right, or from the commission of an act, which would be contrary to the rights of the plaintiff.

Answer 6A(iii)

"Carpet area" means the net usable floor area of an apartment, excluding the area covered by the external walls, areas under services shafts, exclusive balcony or verandah area and exclusive open terrace area, but incudes the area covered by the internal partition walls of the apartment.

"Common areas" means the entire land for the real estate projector where the project is developed in phases and registration under this Act is sought for a phase, the entire land for that phase; the stair cases, lifts, staircase and lift lobbies, fire escapes, and common entrances and exits of buildings the common basements, terraces, parks, play areas, open parking areas and common storage spaces; the premises for the lodging of persons employed for the management of the property including accommodation for watch and ward staffs or for the lodging of community service personnel; installations of central services such as electricity, gas, water and sanitation, air-conditioning and incinerating, system for water conservation and renewable energy; the water tanks, sumps, motors, fans, compressors, ducts and all apparatus connected with installations for common use; all community and commercial facilities as provided in the real estate project.

Answer 6A(iv)

Sub-mortgage : Where the mortgagee transfers by mortgage his interest in the mortgaged property, or creates a mortgage of a mortgage the transaction is known as a sub-mortgage. For example, where A mortgages his house to B for Rs. 10,000 and B mortgage his mortgagee right to C for Rs. 8,000. B creates a sub-mortgage.

Puisne mortgage : Where the mortgagor, having mortgaged his property, mortgages it to another person to secure another loan, the second mortgage is called a puisne mortgage. For example, where A mortgages his house worth Rs. one lakh to B for Rs.40,000 and mortgages the same house to C for a further sum of Rs.30,000, the mortgage to B is first mortgage and that to C the second or puisne mortgage. C is the puisne mortgagee, and can recover the debt subject to the right of B, the first mortgagee, to recover his debt of Rs.40,000 plus interest.

Answer 6A(v)

1. Fraud implies an intent to deceive, which is lacking if it is innocent misrepresentation.
2. In case of misrepresentation and fraudulent silence, the defendant can take a good plea that the plaintiff had the means of discovering the truth with ordinary diligence. This argument is not available if there is fraud. \
3. In misrepresentation the plaintiff can avoid or rescind the contract. However, in case of fraud, the plaintiff can claim damages as well.
4. If there is fraud, it may lead to prosecution for an offence of cheating under the Indian Penal Code.

***

FINANCIAL AND STRATEGIC MANAGEMENT

Time allowed : 3 hours *Maximum marks : 100*

PART I

1. Which of the following does not fall within the ambit of investment decisions ?

   (A) Inventory Management

   (B) Strategic Investment

   (C) Replacement Investment

   (D) None of the above

2. Which of the following is/are key factors that influence investment decisions of a firm ?

   (A) Capital Outlays and future earnings of the proposed project

   (B) Availability of Capital and considerations of Cost of Capital

   (C) A set of standards by which a project is selected for implementation and maximizing returns therefrom

   (D) All of the above

3. Which of the following scholar commented :

   "Cost of Capital is the rate of return the firm required from investment in order to increase the value of the firm in the market place" ?

   (A) Ezra Solomon

   (B) John J. Hampton

   (C) James C. Van Horne

   (D) I.M. Pandey

4. Though the cost of retained earnings is generally as equal to the cost of equity capital, it is not to be adjusted for :

   (A) Tax

   (B) Floatation cost

   (C) Under-pricing

   (D) All of the above

5. Which of the following statements is true ?

   (A) There is no restriction on a company to be an all debt company. Debt can be raised even without any equity base in the company

   (B) Debt can be raised by a company only on an adequate equity base which serves as a cushion for debt financing

   (C) The component of debt and equity mix in capital structure has been prescribed by the Companies Act, and it is mandatory for companies to adhere to it.

   (D) All the above are false.

6. Which of the following statements regarding liquidity ratios is true ?

   (A) Higher the current ratio of a firm is, greater is its ability to pay off its current liabilities.

   (B) Current ratio is a crude ratio and it does not take into account the differences amongst different categories of current assets.

   (C) To assess the quick liquidity position (liquidity ratio) of the firm, inventory is excluded from the calculation.

   (D) All the above are true

7. Which of the following is not a dimension of liquidity management of firms ?

   (A) Management of Cash and Marketable Securities

   (B) Credit Policy Decision

   (C) Management and Control of Inventories

   (D) Investment in Fixed Assets

8. Which of the following statements is false ?

   (A) There is an inverse relationship between Liquidity and Profitability and these two are competing goals for a finance manager

   (B) While the immediate survival of a firm depends on profitability, its long term survival depends on liquidity

   (C) Liquidity and Profitability both are important for a firm to survive

   (D) A firm should maintain a trade-off situation where it maintains its optimum liquidity for greater profitability, and the finance manager has to strike a balance between two conflicting objectives.

9. The total capital invested in Firm A is ₹500 Crore, including 40% of borrowed funds. The total capital invested in Firm B is ₹500 Crore, including 20% of borrowed funds. There are no preference shares in both the firms. If the rate of operating earnings (EBIT) for both the firms is l8%, applicable income tax rate is 30% and rate of interest is l2% p.a., which of the follwing statements is true in the light of this information ?

   (A) Return on Equity of firm A will be higher as compared to that of firm B

(B) Return on Equity of firm B will be higher as compared to that of firm A

(C) Both the firms are indifferent in terms of rate of return on equity

(D) None of the above

10. Which of the following statements is False ?

(A) A Finance Manager can take the financial decisions of the firm by considering the return dimension only

(B) Usually, as the return from an investment increases, the risk associated with it also increases, and in his attempt to increase the return, the finance manager will also have to undertake greater degree of risk

(C) At the time of taking financial decisions, the finance manager tries to achieve proper balance between consideration of risk and return to maximize the market value of the firm

(D) All the above are true

11. Economic Order Quantity of a product is 3000 units. Its cost per unit is ₹1.50 and ordering cost is ₹ 18 per order. If the carrying cost per annum is 20% per annum for average inventory value, annual consumption in units is :

(A) 50000 units

(B) 60000 units

(C) 75000 units

(D) 90000 units

12. Which of the following is not an example of Systematic Risk ?

(A) Changes in Laws/Regulations

(B) Natural Disasters

(C) Entry of a new competitor in market

(D) Volatility in Currency Value

13. The total amount of shareholders' equity of a company is ₹1,50,00,000. It owns 20000 preference shares of ₹ 100 each and 5,00,000 equity shares of ₹ 20 each. The current market price of equity shares is ₹ 35 each and that of preference shares is ₹ 110. The Aggregate of "Market Value Added" of the company is :

(A) ₹ 25,00,000

(B) ₹ 47,00,000

(C) ₹ 20,00,000

(D) ₹ 27,00,000

14. A wants to invest ₹ 10,000 for a period of 3 years. The rate of return on amount to be invested is 10% p.a. compounded annually. By how much amount the

return will differ approximately, if the rate of return been 10% p.a. compounded quarterly ?

(A) ₹130

(B) ₹140

(C) ₹150

(D) ₹160

15. What is the future value of an annuity amount of ₹2,000 payable at the beginning of each of the next 5 years, if the rate of return is 10% p.a. ?

(A) ₹13,410 approx.

(B) ₹11,230 approx.

(C) ₹12,210 approx.

(D) ₹11,110 approx

16. A company has invested ₹7,00,000 in a project, ₹5,00,000 initially and remaining at the end of first year. It also invested ₹2,00,000 in working capital at the end of 2nd year, which released back by the end of project life of 5 years. The scrap value realized from project at the end was ₹1,50,000. The project generated Cash inflows of ₹2,00,000 p.a. through years 1 to 5. If the required rate of return is 12% p.a., the approx. NPV of the project is :

(A) ₹81,500

(B) ₹83,809

(C) ₹44,217

(D) The project has a negative NPV

17. Pay-back Period method of capital budgeting is not suitable in which of the following circumstances ?

(A) Where the firm is more interested in quick recovery of funds than profitability

(B) Where the expected returns from the projects are highly uncertain

(C) Under conditions of political and economic pressures

(D) None of the above

18. A project has an outlay of ₹14,100 in the beginning. It generated annual cash flows of ₹4,500 during its useful life of 4 years. The Internal Rate of return of the project will be between :

(A) 11% and 10%

(B) 12% and 13%

(C) 11% and 12%

(D) 13% and 14%

19. The capital outlay on a project was ₹75,000. Assuming that it generated NPV of ₹765 at discount rate of 12% and NPV of ₹ (1162) at discount rate of 13%, its IRR will be :

    (A) 12.4%

    (B) 12.55%

    (C) 12.61%

    (D) Cannot be determined

20. A capital structure that has small component of equity capital, reasonable level of retained earnings and an ever increasing component of debt is termed as :

    (A) Vertical Capital Structure

    (B) Inverted Pyramid Shaped Capital Structure

    (C) Horizontal Capital Structure

    (D) Pyramid Shaped Capital Structure

21. Which of the following statements is false ?

    (A) Financial structure refers to all the components of finance in an organization. It consists of all assets, all liabilities and capital of the firm

    (B) The manner in which an organization's assets are financed is referred to as its financial structure. It consists of all the long-term and short-term sources of capital

    (C) The entire left hand side of balance sheet including all the liabilities and equity is referred to as financial structure of the company

    (D) All the above are true

22. Which of the following statements is true ?

    (A) Optimal capital structure means a particular arrangement of various components of the capital which is in tune with long-term objectives of the firm

    (B) Optimal capital structure means a particular arrangement of various components of the capital which is in tune with short-term objectives of the firm

    (C) Optimal capital structure means a particular arrangement of various components of the capital which is in tune with both, long-term and shortterm objectives of the firm

    (D) Optimal capital structure has nothing to do with objectives of the firm, and it is series of capital budgeting decisions that adheres the firm's objectives

23. The capital structure of a company consists of 9% ₹8,00,000 bank loan. It also has 50000 equity shares of ₹10 each. The company is expecting EBIT of ?

2,00,000 per annum. If the cost of equity capital of the company is 10%, what is the overall cost of capital of the firm on the basis of Net Income Approach ?

(A) 9.52%

(B) 9.62%

(C) 9.72%

(D) 9.82%

24. The EBIT of a firm is ₹1,25,000. It consist of 8% Bank loan of ₹5 Lakh, 10% Preference share capital of ₹2 Lakh and 30000 Equity shares of ₹10 each. If applicable income tax rate is 30%, Earning per share will be (₹) :

(A) 1.25

(B) 1.32

(C) 1.98

(D) 1.56

25. When an investor wishes to magnify the impact of change in sales into a relatively larger change in earning per share, it shall use :

(A) Operating Leverage only

(B) Financial Leverage only

(C) Both Operating and Financial Leverage

(D) Leverage won't help

26. A firm's fixed operating cost is ₹40,000. Its degree of operating leverage is 3. If its contribution is 20% of sales, the amount of variable cost will be (₹) :

(A) 60,000

(B) 3,00,000

(C) 2,40,000

(D) 2,60,000

27. Which of the following statements is false ?

(A) Indifference point is the point of sales at which different sets of debt ratios results in same earning per share

(B) Indifference point is that level of EBIT below which the benefits of financial leverage with respect to EPS exists

(C) Indifference point is that level of EBIT beyond which the benefits of financial leverage with respect to EPS extinguishes

(D) All of the above

28. A firm is considering investment in a project that requires ₹50 Lakhs. Either the firm can invest the entire amount through equity shares of ₹100 each (option A), or it can arrange 10% Bank Loan of ₹30 Lakhs and invest remaining amount equity shares of ₹100 each (option B). Assume a tax rate of 30%. The indifference point of these two options will be :

(A) ₹3,50,000

(B) ₹5,00,000

(C) ₹6,00,000

(D) None of the above

29. Which of the following statements is false ?

(A) As the financial leverage increases, the firm is required to sell more of its products/services in order to break even

(B) Higher financial leverage increases the risk to lenders due to increased probability of bankruptcy

(C) Increase in financial leverage increases the risk to stockholders because higher leverage will cause greater volatility in earnings and greater volatility in stock prices

(D) None of the above

30. Which of the following is false in respect to Non-convertible debentures ?

(A) These are debt instruments carrying a fix rate of interest

(B) These instruments have a maturity period of 5-9 years

(C) There is a dilution of ownership when a company issue these securities

(D) If interest is accumulated on them, it is to be paid by company by liquidation of its assets

31. A company issued 1000 10% debentures of ₹100 each at par and spent 3% on account of floatation cost and commission to brokers. These debentures are redeemable at 5% premium at the end of 5 years. If the company falls in 30% tax bracket, the effective cost of debentures is :

(A) 10%

(B) 7.35%

(C) 8.04%

(D) 10.5%

32. A company issued 20,000 9% preference shares of ₹100 each at 5% discount. Floatation cost amounted 2% of the face value of shares. These are redeemable after 7 years at par. Applicable income tax rate is 30%. Cost of preference shares is :

(A) 10.36%

(B) 9.56%

(C) 9.97%

(D) 10.3%

33. A company has 20,000 equity shares of ₹200 each and its current earnings for equity shareholders is ₹3,60,000. The growth rate expected in EPS is 7%. The current market price of company's shares is ₹240 each. The approximate cost of equity capital of the company on the basis of Earnings-price Ratio approach is :

(A) 15%

(B) 12%

(C) 8%

(D) 9%

34. A company has 1,00,000 outstanding equity shares of ₹100 each with current market price of ₹124, 50000 9% preference shares of ₹50 each with market price of ₹47.5 each and floatation cost of 3%. It also has 20000 8% debentures of ₹100 each, selling for ₹106 each presently. If the specific costs of equity shares, preference shares and debentures are 13.5%, 10% and 7.5% respectively, the WACC (%) of the company using book value weights is :

(A) 12.06

(B) 13.31

(C) 11.78

(D) 13.81

35. A company has equity share capital of ₹50 Lakhs with specific cost of 13%, preference share capital of ₹30 Lakhs with specific cost of 11% and Bank Loan of ₹20 Lakhs with specific cost of 8% in its existing capital structure. The company is planning to raise additional ₹50 Lakh through equity that is expected to cost 12%. If this amount is raised, the approx. marginal cost of capital will be :

(A) 0.23%

(B) 0.32%

(C) 0.19%

(D) 1.11%

36. The capital structure of a company consists of 12,000 equity shares of ₹100 each and 10% Bank Loan of ₹10 Lakhs. Its P/V ratio is 40% and annual fixed cost excluding interest is ₹1,50,000. If the applicable income tax rate is 40% and EPS is ₹20, what were the sales of company ?

(A) ₹16,00,000

(B) ₹16,25,000

(C) ₹16,50,000

(D) ₹16,75,000

37. Which of the following is not a constituent of primary feasibility study conducted during primary stage evaluation of a project ?

(A) Market Feasibility

(B) Technical Feasibility

(C) Social Feasibility

(D) Financial Feasibility

38. Which of the following statements is not true in respect to a project plan ?

(A) A Project plan is the basis of all the efforts of the management in association with the project

(B) A Project plan is a document that is not expected to change over time

(C) A Project plan defines the objectives of the project, approach to be adopted, and the commitments being assumed

(D) All the above are true

39. When it is determined that the project is not on track, project re-planning is considered. This is part and parcel of :

(A) Project Start-up stage

(B) Project Execution stage

(C) Project Planning stage

(D) Project Close-out stage

40. Which of the following is not a principle on which bank lending must necessarily be based ?

(A) Safety

(B) Liquidity

(C) Profitability

(D) Risk Neutralization

41. Which of the following effects is not calculated in course of Social Cost-Benefit Analysis of a project ?

(A) Direct or Primary effects

(B) Indirect or Secondary effects

(C) Internal effects

(D) External effects

42. Which of the following is an important ingredient of project appraisal under normal conditions ?

(A) Accuracy of methods and measurements planned to be adopted is well adhered to

(B) Objectivity of the proposal is highlighted so as to keep off from the bias and prejudices

(C) Ensure the reliability of the data and projected statements

(D) All of the above

43. Which of the following is not a category of private equity ?

(A) Leveraged Buyout

(B) Management Buyout

(C) Venture Capital

(D) Growth Capital

44. Which of the following is not a pre-requisite condition to become a SEZ unit ?

(A) The unit must be engaged in exports of goods and services from April 1, 2005 onwards

(B) The unit must be formed by splitting up or reconstruction of existing business

(C) The unit must not be formed by transferring a previously owned plant and machinery to the SEZ unit

(D) All the above are pre-requisite conditions

45. Which of the following forms of dividend is not prevalent in India ?

(A) Property Dividend

(B) Stock Dividend

(C) Bond Dividend

(D) Cash Dividend

46. Which of the following theories of dividend is set on the premise of irrelevance of dividend in firm's valuation ?

(A) Walter's Model

(B) Gordon's Model

(C) M.M. Approach

(D) All the above advocates relevance of dividend in firm's valuation

47. Consider the following information : Rate of Return on Investment of a firm is 15%. Cost of Equity Capital is 12%. Earnings Per Share is ` 5 and Dividend Per

Share is ₹3. The market value of the firm's share as per Walter's model will be (₹) :

(A) 40.83

(B) 50.28

(C) 45.83

(D) 42.85

48. The amount of working capital that is utilized at the time of contingencies is termed as :

(A) Reserve Margin Working Capital

(B) Irregular Working Capital

(C) Temporary Working Capital

(D) None of the above

49. Which of the following statements is false ?

(A) Assuming a constant level of fixed assets, a higher Current Assets to Fixed Assets Ratio indicates a conservative current asset policy

(B) A conservative current asset policy implies lower liquidity and higher risk

(C) A firm needs to strike off a balance between fixed assets and current assets so as to assure optimum liquidity and profitability

(D) All the above are true

50. Which of the following statements is false in respect of Working Capital Leverage?

(A) It refers to the impact of level of working capital on company's profitability

(B) It reflects the sensitivity of the return on capital employed in reference to the changes in level of current assets

(C) It expresses the relation of efficiency of working capital management with profitability of the firm

(D) All the above are correct

51. The per unit total cost of a company's product is ₹60 including Raw Materials ₹ 30, Direct Labour ₹7.5 and Overheads of ₹22.5. The company is planning to produce 4,00,000 units in the ensuing year. If the inventory policy of the company envisages that raw materials stock averages two months consumption, work-in-process investment averages half a month's production and finished goods inventory averages one month consumption, the average investment in inventory of the firm for the ensuing year will be :

(A) ₹30,00,000

(B) ₹25,00,000

(C) ₹45,00,000

(D) ₹50,00,000

52. The current assets of a firm include Inventory of ₹124 Lakh, Receivables (including bills with bankers) of ₹80 Lakhs and Cash and Bank Balance of ₹4 Lakhs. Its total current liabilities are ₹140 Lakhs including bank borrowings of ₹60 Lakhs. What is the additional amount that the firm can borrow from bank for working capital in the light of method II of Tandon Committee ?

(A) ₹21.60 Lakh

(B) ₹32 Lakh

(C) ₹38.40 Lakh

(D) None of the above

53. A firm is currently selling its goods on 30 days credit. It is selling 4 Lakh units @ ₹12.5 each. Variable cost is ` 10 per unit and average cost is ₹11.5 per unit. The firm is planning to double the credit period. It will increase the sales by 20% and bad debts by ₹20,000. If the pre-tax required rate of return of the company is 20%, what will be the impact on company's profit if the policy is changed ? Assume a 365 days' year.

(A) Profit will increase by ₹98,000 approx.

(B) Profit will increase by ₹78,000 approx.

(C) Profit will increase by ₹70,000 approx.

(D) Profit will decrease by ₹70,000 approx.

54. Which of the following is not an example of transactional motive of holding cash?

(A) Purchase of Raw Materials and Components

(B) Payment of Salaries and Wages

(C) Purchase of Fixed Assets

(D) None of the above

55. Assume risk free rate of return and expected return on market portfolio to be 10% and 15% respectively. If the standard deviatiaon of an asset is 2.8%, market standard deviation is 2.3% and co-relation coefficient of a portfolio with market is 0.8, the expected rate of return on the portfolio will be :

(A) 14.85%

(B) 15.87%

(C) 16.63%

(D) 17.83%

56. A company is contemplating investment in a project requiring ? 72 Lakh. For the

same, two options are available. Option I is 100% equity option where equity shares of face value ₹100 each will be issued at 20% premium. Option II encompasses taking a bank loan of ₹50 Lakhs and raising remaining amount through equity shares at par. If the loan can be raised at 10% per annum, and applicable income tax rate is 30%, the approximate indifference point will be :

(A) ₹7,98,474

(B) ₹6,98,450

(C) ₹7,89,474

(D) ₹6,89,450

57. X invested ₹21,000 in shares of a company five years back. During this tenure, he received dividend of ₹2,100 and ₹1,800 during 1st and 4th year. The current market value of his investment is ₹40,100. The total investment return of X is :

(A) 18.57%

(B) 3.71%

(C) 109.52%

(D) 90.95%

58. An investor bought a share for ₹50. The company paid a dividend of ₹3 for the current period. Long-term growth rate is expected to be 12% and expected rate of return is 15%. The current market price of share on the basis of fundamental valuation approach will be :

(A) ₹45

(B) ₹86

(C) ₹112

(D) ₹101

59. Who proposed the Portfolio Theory originally ?

(A) Eliot Wave

(B) Kenneth Fisher

(C) Harry Markowitz

(D) Neil Woodford

60. An investment in a mutual fund has generated a return of 15% with a standard deviation of 5. The risk free rate of return in the market is 8% and standard deviation to security index is 12. What is the Sharpe Ratio for the fund ?

(A) 1.4%

(B) 3.2%

(C) 1.6%

(D) 1.78%

PART II

61. Which of the followng is not a principle of Scientific Management theory propounded by F.W. Taylor ?

    (A) Each task should be studied to determine the most efficient way to do the task

    (B) There should be complete harmony between workers and management towards each other

    (C) Team work should be emphasized

    (D) Managers should spend time training employees and planning for future needs

62. Bureaucratic theory of Management was propounded by :

    (A) Max Weber

    (B) Douglas McGregor

    (C) Ludwig

    (D) George R. Terry

63. Which of the following leadership styles is rarely effective ?

    (A) Strategic Leadership

    (B) Autocratic Leadership

    (C) Laissez Faire Leadership

    (D) Transactional Leadership

64. ''Just as navigator continually takes reading to ensure whether he is relative to planned action, so should a business continually take reading to assure himself that his enterprise is on right course.'' These words of Donnell are in respect of:

    (A) Strategic Planning

    (B) Controlling

    (C) Directing

    (D) Motivation

65. ''Building passion and commitment towards a common goal'' is basic activity under which key strategic leadership roles ?

    (A) Mobilizer

    (B) Talent Advocate

    (C) Captivator

    (D) Change Driver

66. Which of the following is not a phase in strategic management process ?
    (A) Strategy Scanning
    (B) Strategy Formulation
    (C) Strategy Implementation
    (D) Strategy Evaluation
67. Organizations should not only keep a close watch on their rivals, but should also go beyond the boundaries of their competitors and make an assessment of other factors impacting the business environment. This viewpoint is reflected in:
    (A) Portor’s Model
    (B) Strategic Planning Cycle
    (C) TOWS approach
    (D) Six Sigma
68. Buyers exert poor bargaining power in which of the following conditions ?
    (A) When they buy in high volumes
    (B) When they control many access points to the final consumers
    (C) When there are plenty of buyers in market
    (D) When they threaten to backward integration
69. Rivalry among competitors is poor when :
    (A) Exit barriers are high
    (B) Products can be easily substituted
    (C) Customer Loyalty is low
    (D) None of the above
70. Which of the following is false in relation to ‘‘Pizza Hut’’ as seen from Porter’s five force model perspective ?
    (A) Competitive Rivalry is very high
    (B) Threat of Substitutes is low
    (C) Power of Suppliers is low
    (D) All the above are true
71. The evolution of the concept of Business Policy can be traced with :
    (A) American Assembly of Collegiate Schools of Business
    (B) Gordon and Howell Report
    (C) Harvard Business School
    (D) Carnegie Foundation

72. Which of the following is correct sequence of components/stages of Strategic Management Framework ?

(A) Business Assessment–Strategy Formulation–Translate Strategy to Action–Test, Learn Adapt

(B) Strategy Formulation–Translate Strategy to Action–Test, Learn, Adapt–Business Assessment

(C) Strategy Formulation–Translate Strategy to Action–Business Assessment–Test, Learn, Adapt

(D) Business Assessment–Test, Learn, Adapt–Strategy Formulation–Translate Strategy to Action

73. Which of the following may not be a purpose of Vision statement of the organization?

(A) Serving as foundation of broader strategic plan

(B) Motivating existing employees and attracting potential employees

(C) Identifying the goal of operations

(D) Facilitating creation of core competencies

74. Which of the following is false in respect of mission statement of an organization?

(A) It defines the basic reason for the existence of the organization

(B) It reflects the corporate philosophy, identity, character and image of an organization

(C) It communicates primarly to the people who make up the organization, giving them an understanding of the organization's intended direction

(D) It serves the purpose of stating what the organization wishes to achieve in long-run

75. Which of the following is not a generally acceptable principle for developing a mission statement ?

(A) Make it memorable

(B) Make it unique to organization

(C) Make it realistic

(D) Make it as descriptive as possible

76. "To accelarate the world's transition to sustainable energy" is the mission statement of which of the following organizations ?

(A) Tata Power

(B) Tesla

(C) Syska

(D) Tata Motors

77. Which of the following is not a level of an organization's strategies ?

(A) Economy-level strategies

(B) Corporate Strategies

(C) Business Strategies

(D) Functional Strategies

78. Which of the following statements is false ?

(A) Corporate Strategy is the essence of strategic planning process of an organization and it determines its growth objectives

(B) Business Level Strategy is applicable in those organizations which have different businesses and each business is treated as a Strategic Business Unit

(C) Though it deals with different subject matter, corporate strategy is sum total of business strategies of the organization

(D) All the above are true

79. Which of the following is not a step in efficient organizing ?

(A) Identification of

(B) Delegating the authority

(C) Departmentally organizing the activities

(D) Classifying the Authority

80. Which of the following is not true regarding Business Strategy and Corporate Strategy ?

(A) Business Strategy is a strategy designed by business managers to improvise the overall performance of the organization, whereas Corporate Strategy is the strategy that describes the business type and ultimate goal of the organization

(B) Business Strategy is framed by middle level management, whereas Corporate Strategy is formulated by top level management

(C) The nature of business strategy is deterministic and legislative, whereas Corporate Strategy is executive and governing in nature

(D) All the above are true

81. Strategic gap develops as a result of difference in :

(A) Deliberate Strategy and Inadvertent Strategy

(B) Strategy Planning and Strategy Implementation

(C) Strategic Planning and Strategic Policy

(D) Corporate Strategy and Functional Strategy

82. Which of the following is false in respect of a firm that is Market Nicher ?

    (A) The firm holds a considerable market share in the industry

    (B) The objective of the firm is a build strong ties with the existing customer base and develop strong loyalty with them

    (C) Tactical responses of such firm include improving product/service offering, leverage cross-selling opportunities, offer value for money, etc

    (D) All of the above are true

83. Which of the following is not a component of Talent Life-cycle ?

    (A) Engage

    (B) Deploy

    (C) Lead

    (D) Refrain

84. Which of the following is not a production strategy under 'competitive priorities' category of production strategies ?

    (A) Product Mix

    (B) Flexible Response

    (C) Service

    (D) Eco-friendly products

85. .... is the set of guiding principles, driving forces and ingrained attitudes that help to coordinate goals, plans and policies between partners across a given supply chain.

    (A) Logistic Strategy

    (B) Supply-chain Strategy

    (C) Customer Service Strategy

    (D) None of the above

86. Situation Analysis is conducted :

    (A) At the beginning of any program/project after developing a strategy

    (B) At the beginning of any program/project before developing a strategy

    (C) At the end of the program after implementing a strategy

    (D) None of the above

87. The origin of SWOT analysis is supposed to be rooted in the concept of :

    (A) Force Field Analysis of K Levin

    (B) Interactive Course in Management of Harvard Business School

(C) Gordon and Howell Report

(D) Five Force Model of Michel Porter

88. Which of the following is false in respect of various strategies of TOWS analysis?

(A) Strengths of the firm are used to maximise opportunities

(B) Strengths of the firm are used to minimise threats

(C) Weaknesses of the firm are overcome by using strengths

(D) Weaknesses of the firm are overcome by using opportunities

89. Which of the following is not a criticism of BCG Matrix ?

(A) The market share of the matrix does not guarantee profitability

(B) Both axes have been assigned the same value

(C) The matrix does not show what the competition is doing

(D) The matrix may not simplify the assessments of facts at all

90. Which of the following is not a perspective of Balance Score Card ?

(A) Financial Perspective

(B) Business Process Perspective

(C) Competitors Perspective

(D) Customers Perspective

91. Which of the following is not an important benefit of McKinsey's 7S framework ?

(A) It is a diagnostic tool for understanding the organizations which are noneffective

(B) It helps to guide the organization change

(C) It combines rational elements with emotional elements

(D) None of the above

92. "Strict Financial Control" is an advantage of which of the following organizational structures ?

(A) Line and Staff

(B) Divisional

(C) Functional

(D) Matrix

93. Under which strategic control technique, a system is designed to check that whether or not the assumptions set during strategy formulation and implementation process are valid ?

(A) Strategic Momentum Control

(B) Strategic Leap Control

(C) Special Alert Control

(D) Premise Control

94. Which of the following may not be a strategy for managing change in organization?

(A) Education and Communication 2

(B) Participation

(C) Retrenchment

(D) Training and Psychological Counselling

95. Which of the following is not an example of "Support Processes" from the perspective of Business Process Reengineering ?

(A) Information Technology

(B) Order Fulfilment Process

(C) Financial Systems

(D) Human Resource Systems

96. The correct sequence of steps of Business Process Reengineering is :

(A) Identify-Define-Study-FormulateImplement

(B) Define-Identify-Study-FormulateImplement

(C) Identify-Define-Study-ImplementFormulate

(D) Define-Identify-Study-ImplementFormulate

97. Which of the following is not an approach of Benchmarking ?

(A) Internal Benchmarking

(B) External Benchmarking

(C) Divisional Benchmarking

(D) Functional Benchmarking

98. Which of the following is not a component of Benchmarking Wheel ?

(A) Plan

(B) Collect

(C) Implement

(D) Analyze

99. Which of the following is not a principle of Total Quality Management ?

(A) Management Commitment

(B) Suppliers Empowerment

(C) Fact Based Decision Making

(D) Continuous Improvement

100. For a manufacturing company to be considered industry 4.0, it must not possess the feature of :

(A) Interoperability

(B) Information Transparency

(C) Centralized Decision-making

(D) Technical Assistance

ANSWER KEY

FINANCIAL AND STRATEGIC MANAGEMENT - SELECT SERIES

PART I		**Qno**	**Ans**	**Qno**	**Ans**
Qno	**Ans**	34	A	67	A
1	D	35	C	68	C
2	D	36	B	69	D
3	B	37	C	70	B
4	D	38	B	71	C
5	B	39	B	72	A
6	D	40	D	73	C
7	D	41	C	74	D
8	B	42	D	75	D
9	A	43	B	76	B
10	A	44	B	77	A
11	C	45	A	78	*
12	C	46	C	79	B
13	B	47	C	80	C
14	B	48	A	81	A
15	C	49	B	82	A
16	**A**	50	D	83	D
17	D	51	*	84	B
18	A	52	D	85	A
19	A	53	B	86	B
20	B	54	D	87	A
21	*	55	A	88	C
22	C	56	*	89	D
23	B	57	C	90	C
24	B	58	C	91	D
25	C	59	C	92	B
26	C	60	A	93	D
27	D	**PART II**		94	C
28	B	61	C	95	B
29	D	62	A	96	B
30	C	63	B	97	C
31	*	64	B	98	C
32	A	65	C	99	B
33	C	66	A	100	C

*The options for these question are incorrect as some information in these question are either missing or incomplete. Hence candidates may be awarded marks whether they attempted these questions or not.