

MOCK TEST PAPER
FINAL (OLD) COURSE: GROUP –I
PAPER – 4: CORPORATE AND ALLIED LAWS

Question No.1 is compulsory.
Attempt any five questions from the remaining six Questions.

Time Allowed – 3 Hours

Maximum Marks – 100

1. (a) The members of company with no paid up share capital, filed a complaint against change in the management of the company due to which it was likely that the affairs of the company will be conducted in a manner that it will be prejudicial to the interest of its 25 members. Total number of members of company were 100. On inquiry and investigation on the complaint, having a reasonable ground to believe that the transfer or disposal of assets of the company may be against to the interests of its shareholders. The Tribunal passed an order that such transfer or disposal of assets shall not be made during one year of such order.

Evaluate on the basis of the given facts, the following situations according to the Companies Act, 2013:

- (i) Eligibility of the members to file a complaint.
- (ii) Where if the management dispose of the certain assets in contravention to the order of the Tribunal. **(5 Marks)**
- (b) Urja Pvt Limited, a recently emerged company for conducting business of providing solar panels, held 3 board meetings till 31st October, 2017 during the year 2017. The next board meeting was due to be held on 27th December, 2017 but for want of quorum the meeting could not be held. A group of shareholders complained that the Company has violated the provisions of section 173 of the Companies Act, 2013 in not holding the required number of board meetings, and section 137 for default in filing of its financial statement. Company contended that they fall under the purview of section 173(5) of the Companies Act, 2013. State as to the validity of the contention of Urja Pvt Limited in the given above situations. **(5 Marks)**
- (c) Mr. Moral, a member of SEBI was engaged in conducting of inquiries and Audit of various stock exchanges. A group of complainants suspected that Mr. Moral, have taken bribe in the conduct of inquiries and Audit of stock exchanges, therefore, he should be removed from his office. Examine with reference to the SEBI Act the rationality of the complainants on removal of Mr. Moral. **(5 Marks)**
- (d) XYZ Limited is an unlisted public company having a paid-up capital of twenty crore rupees as on 31st March, 2017 and a turnover of one hundred fifty crore rupees during the year ended 31st March, 2017. The total number of directors is thirteen.

State the following answers:

- (i) Minimum number of directors appointed as Independent Director in XYZ Limited.
- (ii) What will be the consequences where XYZ Ltd. ceases to fulfill any of the required conditions with respect to appointment of Independent directors for three continuous years?
- (iii) If suppose XYZ Ltd. (Unlisted public company) is a dormant company, what shall be the law related to the appointment of Independent director? **(5 Marks)**
2. (a) Eminence Ltd. after passing special resolution filed an application to the registrar for removal of the name of company from the register of companies. On the complaint of certain members, Registrar came to know that already an application is pending before the Tribunal for the sanctioning of a compromise or arrangement proposal. The application was filed by the Eminence Ltd. two months before the filing of this application to the Registrar.

Determine the given situations in the lights of the given facts as per the Companies Act, 2013:

- (i) Legality of filing an application by Eminence Ltd. before the registrar.
- (ii) Consequences if Eminence Ltd. files an application in the above given situation.
- (iii) In case registrar notifies eminence Ltd as dissolved under section 248 in compliances to the required provisions, what remedy will be available to the aggrieved party? **(8 Marks)**

- (b) Mr. Ram have been appointed as a director in X Ltd. due to his holding of an office as Managing Director(MD) in its holding company, ABC Limited. In due course of time, Mr. Ram was offered by HXL Limited to join the company as a managerial personnel on very good package. He was offered the said position on the term that he has to resign from the ABC Ltd. Mr. Ram served a notice in writing to the company by mail and through post to his registered office on 1.02.2018. His notice of resignation specified the date 15.02 2018 as the last date in the ABC Ltd. However, due to pressure of HXL Ltd., he joined the company on 13.02.2018.

Analyse, Integrate and apply in terms of the Companies Act, 2013, the legal position of Mr. Ram in the given situations-

- (i) Holding of directorship of Mr. Ram in X Ltd. after ceasing to hold office as MD in ABC Ltd.
- (ii) Joining of HXL Ltd on 13. 02.2018. **(8 Marks)**

3. (a) Central Government on receipt of a report of the Registrar, assigned SFIO to investigate into the affairs of the XYZ, a government company. On the basis of the material in his possession, it was found that Mr. Saheb, Managing director of the company, was guilty for conduct of its business for unlawful purpose. SFIO arrested the Managing director of the Company. Determine as to the validity of the conduct of the act of the SFIO on the arrest of Mr. Saheb, in connection with the investigation in the light of the Companies Act, 2013. **(8 Marks)**

- (b) Skyline Ltd. was ordered to be wound up compulsory on a petition filed on 10th February, 2018 before Tribunal. The official liquidator who has taken control for the assets and other records of the company has noticed that the Managing Director of the company has transferred certain properties belonging to the company to one of its creditor "Vansh (Pvt.) Ltd", in which his son was interested. This was causing huge monetary loss to the company. The sale took place on 15th September, 2017.

- (i) Examine what action the official liquidator can take in this matter having regard to the provisions of the Companies Act, 2013.
- (ii) Determine the rights and liabilities of fraudulently preferred persons by mortgage of charge of property to him to secure the company's debt. **(8 Marks)**

4. (a) (i) DJA Company Limited, incorporated under the provisions of the Companies Act, 2013, has two subsidiaries – AJD Limited and AMR Limited. All the three companies have prepared their financial statements for the year ended 31st March, 2017. Examining the provisions of the Companies Act, 2013, answer the following:

- (1) In what manner the subsidiaries – AJD Limited and AMR Limited shall prepare their Balance Sheet and Profit & Loss Account?
- (2) What would be your answer in case the DJA Limited – the holding company, is not required to prepare consolidated financial statements under the Indian Accounting Standards?
- (3) What shall be your answer in case one of the subsidiary company's financial statements do not comply with the Accounting Standards?
- (4) To what extent is the Central Government empowered to exempt a company from preparing the financial statements in compliance with the Indian Accounting Standards?

(8 Marks)

- (b) Ramakrishna Ltd. and Jai Ram Ltd. went into a merger arrangement. State the provisions related to the registration of offer involving transfer of shares as per the Companies Act, 2013. **(8 Marks)**
5. (a) (i) Samridhi Pvt. Ltd. is declared as defaulter against Shubham cooperative Bank Ltd. for financial debt of ₹ 10 cr. against the business transactions. State in the given situation whether the Shubham cooperative Bank can initiate the insolvency resolution process against Samridhi Pvt. Ltd. under the provisions of the Insolvency & Bankruptcy Code. **(4 Marks)**
- (ii) X, a newly established insurance company started the business of insurance. It decided to get itself registered with the paid up equity capital of ₹ 150 crore excluding the preliminary expenses incurred during formation and registration. Examine in the light of the Insurance Act, 1938, whether X can be registered and conduct the insurance business. **(4 Marks)**
- (b) NCLAT was constituted by the Central Government consisting of a chairperson along with the Judicial and Technical members for hearing appeals against the orders of the Tribunal. Later it was discovered that chairperson is a judge of a high court. Aggrieved parties to a case, challenged the sanctity of the order of the respective case and said that it is invalid. Examine in the light of the given situations the validity of the act or proceedings conducted by the NCLAT. **(4 Marks)**
- (c) X, a foreign company, with a place of business in India, ceases to carry on business in India. State the legal position of such foreign company under the Companies Act, 2013. **(4 Marks)**
6. (a) (i) A person Mr. X, was rendering valuation services to a Real Estate company, before the commencement of the provisions related to the registered valuers and its respective rules. State in the light of the Companies Act, 2013, whether Mr. X can continue to provide valuation service to Real Estate company, without certificate of registration after enforcement of the said provisions? **(4 Marks)**
- (ii) Examine with reference to the relevant provisions of the Competition Act, 2002 the following:
Whether a Government Department supplying water for irrigation to the Agriculturists after levying charges for water supplied (and not a water tax) can be considered as an 'Enterprise'. **(4 Marks)**
- (b) Mr. Naman was a resolution professional for the Corporate Insolvency Resolution process initiated against the corporate debtor, PQR Pvt. Ltd. However, attempt to resolve the insolvency of PQR Pvt. Ltd. failed. An order for liquidation of PQR Pvt. Ltd., was passed by the NCLT. Mr. Naman acted as liquidator. The resolution plan submitted by Mr. Naman was rejected for failure to meet the requirements. Board recommended for the replacement of Mr. Naman.
What steps may be taken for the appointment of another liquidator under the Insolvency and Bankruptcy Code. What are the other aspects related to the charge of fees for the conduct of liquidation proceeding. **(8 Marks)**
7. Attempt any **four**:
- (a) Mr. Xing Yang a citizen of Nepal, has a ancestral residential property in India. He transferred the said property to one of his known relative residing in India on lease for 10 Years. State in the given situation the legal position on the transfer of the said property by Mr. Xing Yang. **(4 Marks)**
- (b) Long Lasting Ltd. applied to the Tribunal for the approval of proposed merger scheme. State the process to be complied with for the approval of the proposed merger scheme drawn by the directors of the Long Lasting Ltd. **(4 Marks)**

- (c) What order shall be passed by the NCLT if Resolution plan submitted by Resolution professional to the NCLT after the expiry of the insolvency resolution process. **(4 Marks)**
- (d) Briefly explain the meaning and application of the rule of "Harmonious Construction" in the interpretation of statutes. **(4 Marks)**
- (e) Raghu, a clerical staff in the Power Board, was assigned with the task of inspection of the file with the requisite documents of the applicants who have applied for the new connections. Mr. Rajiv Shah, for his new flat, applied for the power connection as per the required usage with all the supportive documents. Raghu, conveyed Mr. Rajiv Shah, that his file has been rejected due to discrepancies in the compliances. Indirectly he communicated that, if required, he may clear his file and put into process. Mr. Rajiv Shah give him cash amount of ₹ 2 lacs to clear his file. State in the light of the above situation, the liability of Raghu and Mr. Rajiv Shah in the commission of an offence as per the Prevention of Money Laundering Act, 2002. **(4 Marks)**