

Test Series: February, 2014

**MOCK TEST PAPER 1**

**FINAL 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) Ashish Ltd. in its First General Meeting appointed six Directors whose period of office is liable to be determined by rotation. Briefly explain the procedure and rules regarding retirement of these directors. Will it make any difference, if Ashish Ltd. does not carry on business for Profit ? (5 Marks)  
(b) The Board of directors of M/s Ripple Ltd. in a meeting held on 30<sup>th</sup> April 2014 declared an interim dividend payable on the paid up equity share capital of the company. In the board meeting scheduled for 15<sup>th</sup> May 2014, the board wants to revoke the said declaration. State with reference to the provisions of the Companies Act, 1956 whether the board of directors can do so. (5 Marks)  
(c) Ashfaq Ltd, a member of a recognised stock exchange proposes to buy and sell shares of a particular company on behalf of investors as well as on their own account. They seek your advice as to restrictions, if any, under Securities Contracts (Regulation) Act, 1956 for dealing in securities on their own account. Advise. (5 Marks)  
(d) Mr. Anant, a Director of ABC Limited proceeding on a long foreign tour, appointed Mr. Zoyeb as an alternate director to act for him during his absence. The articles of the company provide for appointment of alternate directors. Mr. Anant claims that he has a right to appoint alternate director. (5 Marks)
2. (a) The shareholders and creditors of Wish Limited, in the meeting convened for approval of a scheme of reconstruction of the company, passed resolutions. The scheme of reconstruction provided for the following:
  - (i) Sale of vacant land and appropriation of proceeds for payment of outstanding wages, tax dues and repayment of loan.
  - (ii) Unsecured creditors to forgo 40% of their claims against the company and receive debentures for the balance amount.A few share holders and creditors raised objections against the said arrangements. Advise the directors about the steps to be taken to give effect to the proposed scheme under the Companies Act, 1956. (8 Marks)  
(b) A group of shareholders has approached you for advice regarding the affairs of

Impression Ltd. According to them, the management of the company is not carrying out its functions in accordance with the prudent commercial practice and if the affairs of the company are allowed to run in future in the same manner, the company's solvency would be in danger. They want that a Special Audit be conducted to find out the actual nature of the transactions.

- (i) You are required to state with reference to the provisions of the Companies Act, 1956, as to when a special audit can be directed and by whom ?
- (ii) Draft an application to be submitted to the appropriate authority in this respect.

*(8 Marks)*

3. (a) A meeting of the Board of Neelgagan Ltd. was held on a public holiday. However due to lack of quorum, the proceedings of the meeting could not be held and therefore the Chairman of the meeting decided with the consent of the majority that the Board meeting be adjourned to next Monday. However, the date fixed for the adjourned meeting happened to be a 'public holiday'. Advise and draw your analogy with reference to the provisions of the Companies Act, 1956, whether the adjourned meeting of the Board can be held on a day which is a public holiday. *(8 Marks)*

- (b) Advise the Board of Director of Spectra Papers Ltd. regarding validity and extent of their powers, under the provisions of the Companies Act, 1956 in relation to the following matters:

- (i) Buy-back of the shares of the Company, for the first time, upto 10% of the paid up equity share capital without passing a special resolution.
- (ii) Delegation of Power to the Managing Director of the company to invest surplus funds of the company in the shares of some companies. *(8 Marks)*

4. (a) It is apprehended by the Directors of a Public Company that they are likely to be prosecuted for an offence under the Companies Act, 1956 which is not compoundable. Explain the provisions of the Companies Act, 1956 under which the Directors can seek relief from the liability for offence. What will be the position in case prosecution has already been launched ? *(8 Marks)*

- (b) Omile Ltd. was a supplier of Raw Materials to Amar Ltd., which could not make payment to Omile Ltd. owing to huge losses and financial constraints. Ultimately, Amar Ltd, went into liquidation and Official Liquidator was appointed. Omile Ltd. filed a suit for recovery of its dues. The Court awarded a decree in favour of Omile Ltd. Armed with the Court's decree, Omile Ltd. approached the Official Liquidator to pay the amount to it in preference over dues of the workmen. The workmen protested the demand of Omile Ltd. and contended that their dues rank pari passu with the Secured Creditors and will override all other claims of other creditors even where a decree has been passed.

You are required to ascertain the validity of the argument of the workmen in the light

of the provisions of the Companies Act, 1956 and the decide cases on the subject.

(8 Marks)

5. (a) The profits of MJR Company Limited for the financial year 2009-2010 fell considerably due to recession. The Board of directors of the company, therefore, bonafide did not recommend any dividend for the year. At the Annual General Meeting of the company, a group of shareholders/members objected to the Board's decision and wanted the Board to make recommendation for dividend.

On refusal by the Board, the members, who feel oppressed by the Board's decision to skip the dividend, move to the Company Law Board/ and complain against the Board on the ground of oppression and mismanagement.

Examining the provisions of the Companies Act, 1956, decide:

- (1) Whether the members' contention shall be tenable?  
(2) Whether the act of Board of Directors not to recommend any dividend shall amount to oppression and mismanagement? .

(8 Marks)

- (b) SEBI received complaints from some investors alleging that Vishal Ltd. and some brokers are indulging in price manipulation in the shares of Vishal Ltd. Explain the powers that can be exercised by SEBI under the Securities and Exchange Board of India Act, 1992 in case the allegations are found to be correct.

(8 Marks)

6. (a) Explain briefly the procedure relating to enforcement of security interest under SARFAESI Act, 2002.

(8 Marks)

- (b) Annual general meeting of Emblem Ltd. has been scheduled in compliance with the requirements of the Companies Act, 1956. In this connection, it has some directors who are rotational and out of which some have been appointed long back, some have been appointed on the same day.

Decide in this connection:

- (i) Which of the directors shall be retiring by rotation and be eligible for re-election?  
(ii) In case two directors were appointed on the same day, how would you decide their retirement by rotation?  
(iii) In case the meeting could not decide how the vacancies caused by retirement to be dealt with, what shall be consequences ?  
(iv) What will be your answer, assuming that the matter could not be decided even at the adjourned meeting?

(8 Marks)

7. Attempt any **four**:

- (a) Mrs. Shipra an Indian national desires to obtain Foreign Exchange on current account transactions for the following purposes:

- (i) Payment of commission on exports made towards equity investment in wholly

owned subsidiary abroad of an Indian Company.

- (ii) Remittance of hiring charges of transponder. (4 Marks)
- (b) The Central Government has formed an opinion that Mr. Crux (a member of the Competition Commission of India) has acquired such financial interest that it may affect prejudicially his functions as a member of the Competition Commission and it wants to remove him from his office. You are required to state with reference to the provisions of the Competition Act, 2002, whether the Central Government can do so and if yes, how? (4 Marks)
- (c) The existing Inter-state Cooperative Society seeks your advice regarding the papers to be submitted to the Registrar of Companies for its registration as a Producer Company under the provisions of the Companies Act, 1956. You are required to prepare a list of such papers. (4 Marks)
- (d) Explain the rule of 'beneficial construction' while interpreting the statutes quoting an example.. (4 Marks)
- (e) How the trials under PMLA are conducted in special courts? Is the offence under PMLA are bailable? (4 Marks)