

Roll No.

Total No. of Printed Pages – 8

Total No. of Questions – 6

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet given on the Cover Page of descriptive answer book only. Answers to questions in Part II are to be written on the same descriptive type answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the Cover Page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs and (b) the answer book in respect of descriptive type answer book with OMR Cover Page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

(2)

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PART – II

1. (a) DMD Limited is an unlisted Public Limited company having paid up share capital of ₹ 60 crores during the preceding financial year 2019-20. The turnover of the company was ₹ 240 crores for the same period. Referring to the provisions of the Companies Act, 2013, answer the following : 4
- (i) Is it mandatory for DMD Limited to appoint an Internal Auditor for the financial year 2020-21 ?
- (ii) What are the qualifications of the Internal Auditor ? One of the directors of the company suggested that Arun, being an employee of the company, can be appointed as Internal Auditor to comply with the statutory requirements. State whether the director's suggestion is valid or not ?
- (b) In the Annual General Meeting of shareholders of Quality Steel Industries Limited, held on 30.06.2020, a dividend at the rate of 20% payable on the paid up equity share capital of the company as on 31.03.2020 was approved by the shareholders. The dividend warrants were posted to all the equity shareholders before the due date. The company had received a notice from one shareholder Jayant, holding 1,000 equity shares of ₹ 100 each, that he had not received the dividend warrant till 30.09.2020 and to pay the dividend immediately along with interest at the rate of 24% p.a. for the default period. The company seeks your advice to reply to the shareholder as per the provisions of the Companies Act, 2013. Decide : 4
- (i) Whether the shareholder will succeed and
- (ii) the Director's liability in this regard.

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- (c) A and B were appointed as first directors on 04.04.2019 in Sun Glass Ltd. Thereafter, C, D and E were appointed as directors on 06.07.2019 and F, G and H were also appointed as directors on 07.08.2019 in the company. In the Annual General Meeting (AGM) of the company held after the above appointments, A and B were proposed to be retired by rotation and re-appointed as directors. 6

At the AGM, resolution for A's retirement and re-appointment was passed. However, before the resolution for 'B' could be taken up for consideration, the meeting was adjourned. In the adjourned meeting also, the said resolution could not be taken up and the meeting was ended without passing the resolution for B's retirement and re-appointment.

In the light of above and with reference to the relevant provisions of the Companies Act, 2013, answer the following :

- (i) Whether proposals for retirement by rotation and re-appointment of A and B only were sufficient ?
- (ii) What will be the status of B as a director in the company ?

2. (a) During the course of investigation under Section 217 of the Companies Act, 2013 it is revealed that the M/s K Fishers Ltd. has taken loans worth ₹ 100 crores from the consortium of Banks in India and failed to repay them as per the terms of the loan agreement. Further, Manish, the Managing Director of the Company, who is a UK National has moved to London and is not responding to the inquiries by the Investigating Officer. 4

You are required to advise one of the Banks who lent more than 62 crores, on the steps to be taken to collect evidence as well as to recover the money lent by the Bank to the Company as per the relevant provisions of the Companies Act, 2013.

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- (b) RX Limited, a listed entity was into real-estate business. Over a period in an attempt to diversify its operations it borrowed heavily from banks and financial institutions. The Company appointed a Merchant Banking firm, to provide strategic inputs for its business operations. On the recommendation of the firm, the Company created complex group structures and business models. Due to financial mismanagement and lack of strategic operations, the Company started making losses and over a period was not able to repay the loans it had taken. The Company also failed to repay the deposits it had raised from public. Gradually, the market capitalization of the Company eroded and now it has been reduced to a penny stock. The shareholders are evaluating the option of filing a case against the Company, the Merchant Banking firm and also Rating Agency which were involved with the Company during such period. 4

Evaluate whether the shareholders and depositors will be successful in filing a suit in these circumstances referring to the provisions of the Companies Act, 2013.

- (c) Ganesh (Member of SEBI) was adjudged as an insolvent by the Adjudicating authority. In view of above, a group of complainants have alleged that Ganesh while rendering of his services in office may be biased in the performance of his duties. Working in such a state of position, may be detrimental to the public interest and so should be removed from his office. Advise in the given situation, the tenability of maintenance of complaint against Ganesh. 6

3. (a) Naman was the Managing Director of ME India Private Limited. During his tenure, he sold few properties of the Company and cleared all the registered mortgages. He also diverted Company's funds of ₹ 50 Lakhs to his bank account and diverted another ₹ 10 Lakhs to pay off and discharge the housing loan on his daughter's property. Later, winding up proceedings were initiated against the Company. 4

Can the Liquidator of the Company commence proceedings against Naman and his daughter in these circumstances ?

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- (b) Bharat Defence Equipments Limited is a Government company in which the Central Government (Government of India), Ministry of Defence, holds 60% of the paid-up share capital. Apart from the Central Government another two State Governments are holding the remaining 40% of the paid-up share capital (each State Government is holding 20% of the paid-up share capital). As per the provisions of Sec. 394 of the Companies Act, 2013, the Central Government decides to place the annual report. Discuss the procedure for laying the annual reports by the Central Government and the State Governments. 4

IDE Limited is a subsidiary of Bharat Defence Equipments Limited. Examine with reference to the Companies Act, 2013, whether IDE Limited can be considered as Government Company ?

- (c) MZ Limited, a listed public company having a turnover ₹ 1,000 Crores earned a foreign exchange ₹ 225 crores during last financial year. MZ Limited wishes to create a chair in a reputed university in U.S. This chair is for the department of computer science. The company wishes to obtain your advice as regard to the following with reference to the FEMA, 1999 : 6
- (i) Is such "chair" creation permissible ?
- (ii) What is the maximum amount that can be donated for such chair ?
- (iii) Any formalities to be complied with ?

4. (a) The Corporate Insolvency Resolution Process (CIRP) against A Ltd. was initiated on application by its financial Creditors but the process was not completed within the time limit prescribed in terms of Section 12(1) of the Insolvency and Bankruptcy Code, 2016. Before completion of CIRP timeline, Committee of Creditors in its meeting voted at 70 per cent voting share in favour of a proposal to seek extension for a period of 60 days. Can the Resolution Professional file application seeking extension of CIRP on the basis of voting results so obtained ? 4

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- (b) Model Bank Ltd. acquired 10 per cent convertible debentures in PQR Ltd. In terms of the issue in the year 2012, these debentures were converted into the equity shares in PQR Ltd. Consequent to conversion Model Bank Ltd. became the owner of 5 per cent equity holding in PQR Ltd. Further Model Bank Ltd. provided a loan of ₹ 10 Crore to PQR Ltd. that became due in the year 2019. PQR Ltd. became defaulter in repayment of loans not only of Model Bank Ltd. but also to some other Banks. On the application by ICID Bank, the Adjudicating Authority initiated Corporate Insolvency Resolution Process (CIRP) and appointed an Interim Resolution Professional (IRP). The Committee of Creditors constituted by IRP include Model Bank Ltd. ICID Bank objected on the ground that Model Bank Ltd. is a related party that should not have any right of representation, participation or voting. Examine the validity of ICID Bank's objection in the light the Insolvency and Bankruptcy Code, 2016. 4
- (c) Joy, one of the Directors of AG Insurance Company Limited had taken some life insurance policies from the company. He, now, wants to avail a temporary loan from the company. The company refused to grant such loan on the ground that there is a prohibition in this regard. Joy approached you now, about the matter. Advise him with reference to the Insurance Laws Amendment Act, 2015 as well as Section 185 of the Companies Act, 2013, whether such loan can be obtained by him. 3
- (d) ABC Bank of India, a nationalized bank, acquired on 31.01.2014 a building, fully occupied by various tenants, from Shyam, the owner of the building in discharge of a term loan advanced to Shyam, who had mortgaged the said building as security with the said Bank and failed to repay the loan. The bank wants to keep the building permanently with it and earn the rent from tenants. 3
- Explain with reference to the provisions of the Banking Regulation Act, 1949 whether the said bank can do so ?

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5. (a) Flora and Fauna Herbal Awareness Development Company Limited is a Public Limited company incorporated in July, 2018 and one of the main objects of the company is to promote a new line of life saving products to improve the health conditions of the village people at a lower cost. However it is a new project and requires the environmental clearance from the National Green Tribunal and the local administration. The company had not filed any financial statements and annual returns during the last two financial years. The company is not having any significant accounting transactions and business activities at present. Explain the term "Significant Accounting Transaction". The Board of Directors decides to obtain the status of a Dormant Company from the Registrar of Companies. Advise the company regarding the procedure to be followed in this regard. 4
- (b) Vijay, an Indian citizen holds 25% of the paid up capital of Seven Star Limited, a company which was incorporated in Singapore with a paid up share capital of 10 million Singapore Dollars. WPS Limited a company registered in India holds 30% of the paid up share capital of Seven Star Limited. Seven Star Limited has recently established a share transfer office at New Delhi. Examine whether the said company is a Indian Company or foreign company and also the Company seeks your advice as to what formalities it should observe under the Companies Act, 2013 ? 4
- (c) Raghu was found to be guilty of offence of money-laundering by being involved in an activity connected with proceeds of crime. Adjudicating Authority as per findings confirmed the attachment of the property and ordered for the investigation. The investigation was initiated by the Adjudicating authority on 01.02.2020. The attachment of the property of Raghu was continued till 31.01.2021. Decide the validity of the attachment period with reference to the provisions of the Prevention of Money Laundering Act, 2002. 6
6. (a) Kamal is making an arrangement to acquire some stock-in-trade from BL Limited for consideration of some furniture lying with him. He is a Director of JS Limited, which is the holding company of BL Limited. Advise him on the basis of provisions of the Companies Act, 2013. What will be the position of the arrangement if there is a contravention of the applicable provisions of the Companies Act, 2013 ? 4

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VS Lenders Limited, convened a Board Meeting on 25.10.2021. One of the items of the agenda is to approve the grant of loan of ₹ 20 crores to RMS Industries Limited, for expansion of its business activities. At the Board Meeting of VS Lenders Ltd., out of the total of six Directors of the lending company, five directors were present and except one director, the remaining four directors approved the grant of loan of ₹ 20 crores to RMS Industries Limited. RMS Industries Limited has also taken loans from a public financial institution and received deposits from the public. Examine the loan proposal with reference to the provisions of the Companies Act, 2013.

- (b) Referring to the provisions of the Companies Act, 2013, examine the following : 4
- (i) CBA Limited, a listed company has constituted an audit committee consisting of five members out of whom two are independent directors. Subsequently, the company increased the composition of audit committee to six members with three independent directors. Is the composition valid ?
- (ii) Pawan was appointed as a small shareholder's director of CBA Limited, which is in the business of Oil refining. Subsequently, A Limited and B Limited have also appointed him as small shareholder's director. Is the appointment valid ?
- (c) JV Ltd. is in the process of taking over TM Ltd. The turnover of TM Ltd. as per latest financial statements is ₹ 800 Crores and assets value is ₹ 280 Crores. There are no material changes in the value of assets and projected turnover for the current financial year. The Board of Directors seek your opinion for obtaining approvals in terms of the Competition Act, 2002. 3
- (d) Explain very briefly the significance of conjunctive and disjunctive words "or" "and" in the matter of interpretation of statutes. 3

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