

**MOCK TEST PAPER – 2**  
**FINAL (NEW) COURSE GROUP I**  
**PAPER 4: CORPORATE AND ECONOMIC LAWS**

**Question no. 1 is compulsory.**

*Attempt any **four** questions out of the remaining **Five** questions*

**Maximum Marks-100 Marks**

**Time Allowed: 3 Hours**

**QUESTIONS**

1. (a) Srajan Ltd., a company incorporated in July 2015. The Board of Directors of Srajan Ltd., proposed to donate Rs. 2,00,000 to a school established exclusively for the benefit of the employees of the company. Besides, also proposed to donate Rs.1 lac to a political party during the financial year ending March 31, 2018. The net profit during the financial year 2017 -2018, was Rs.35,00,000.

Evaluate the given below situations in the light of the stated facts under the relevant provisions of the Companies Act, 2013-

- (i) Whether the proposed political donation made by the Srajan Ltd., are within the powers of the Board of Directors of the company
- (ii) Whether the contribution by Srajan Ltd. to school established for the benefit of an employee is charitable contribution. **(8 Marks)**
- (b) Mr. X files a complaint against Mr. P, Chief Executive Officer of the Company before SEBI. After enquiry SEBI finds that Mr. P. Mehta, on the basis of unpublished price sensitive information, has indulged in the trading of the securities of that company. Explain, on the basis of the said finding, what action SEBI can take against Mr. P. Mehta under the Securities and Exchange Board of India Act, 1992. **(6 Marks)**
- (c) (i) The Adjudicating Authority appointed under the Prevention of Money Laundering Act, 2002, issued an order attaching certain properties of XYZ Limited alleged to be involved in money laundering for a specified period. The company aggrieved by the order of the Adjudicating Authority seeks your advice about the remedy that is available under the Act. Apply the relevant provisions of the Prevention of Money Laundering Act, 2002 in relation to above given situation. **(4 Marks)**
- (ii) Mr. Criminal (a minor) was arrested for a cognizable and non-bailable offence punishable for a term of imprisonment for more than three years under the Prevention of Money Laundering Act, 2002. He seeks your advise as to how can he be released on bail. Advise him. **(2 Marks)**
2. (a) ABC Limited was amalgamated and merged in XYZ Limited. Some workers of ABC Limited refuse to join as workers of XYZ Limited and claim compensation for premature termination of service. XYZ Limited resists the claim on the ground that their services are transferred to XYZ Limited by the order of amalgamation and merger and, therefore, the workers must join service of XYZ Limited and cannot claim any compensation. According to the provisions of the Companies Act, 2013, examine whether the workers' contention is correct. **(7 Marks)**
- (b) Origin paper Ltd. has been incurring business losses for past couple of years. The company therefore, passes a special resolution for voluntary winding up. Meanwhile, complaints were made to the tribunal and to the Central Government about foul play of the directors of the company, which adversely affected the interests of shareholders of the company as well as public.
- In this situation advise whether investigation may be initiated against the company under the provision of the Companies Act, 2013. Further state whether application can be made to Tribunal

for Relief in the above affairs of the company once the investigation is initiated against the company. **(5 Marks)**

- (c) What are the powers of the Central Government under the Companies Act, 2013 regarding Appeal against acquittal? **(2 Marks)**
- (d) Mr. Peter, a Member of the Legislature in India, visited Sydney, Australia to attend World Trade Conference as a representative of Government of India after obtaining due permission of the Central Government as per the provisions of Foreign Contributors (Regulation) Act, 2010. His expenditure on foreign travel was borne by Bret Lee Limited, a foreign company. While attending the conference, Mr. Peter suddenly encountered chest pain and he was immediately admitted in the nearby hospital for medical care and treatment. The medical expenses of Rs. 2,00,000/- was borne by Bret Lee Limited. Mr. Peter seeks your advice about the procedure to be followed in the above situation under the provisions of Foreign Contribution (Regulation) Act, 2010. Please advise suitably. **(6 Marks)**
3. (a) The Registrar, after inspection of the book of accounts of the PQR Ltd., submitted its report with further recommendation of investigation into the affairs of the company. Explain the law as to the recommendation for further investigation by the registrar. **(3 Marks)**
- (b) JKL Research Development Limited is a registered Company. The company has a unique business idea emerging from research and development in a new area. However, it is a future project and the company has no significant accounting transactions and business activities at present. The company desires to obtain the status of a 'Dormant Company'. Advise the company regarding the provisions of the Companies Act, 2013 in this regard and the procedure to be followed in this regard. **(8 Marks)**
- (c) SEBI has asked Jaipur Stock Exchange to furnish their books of accounts and audited financial statements for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2018 within 30 days of the receipt of the communication by the stock exchange. The communication was received by the company on 30<sup>th</sup> April 2018 and no documents were furnished to SEBI in reply to the notice till 15<sup>th</sup> May 2018. Can the stock exchange be penalised for this inaction? **(3 Marks)**
- (d) Mr. Rohan, an Indian Resident individual desires to obtain Foreign Exchange for the following purposes:
- (A) US\$ 1,20,000 for studies abroad on the basis of estimates given by the foreign university.  
(B) Gift Remittance amounting US\$ 10,000.
- Advise him whether he can get Foreign Exchange and if so, under what condition(s)? **(6 Marks)**
4. (a) XYZ, Ltd. with the turnover of Rs. 500 crore entered into a contract of purchasing of raw material from a private company. XYZ Ltd. appointed Mr. Khurana, a director of the company, to act in this deal of transaction. Mr. Khurana is also a member of that private company. He settled the said transaction into 60 crore and entered into the contract. After few transactions made under the contract, XYZ Ltd. finds degradation in the quality of the product supplied. In the Board Meeting, this contract was challenged considering it as a related party transaction and in contravention to section 188(1). During this period, Mr. Khurana was appointed as a director in newly setup, PQR Ltd.
- In the light of the given facts, examine the following situations as per the Companies Act, 2013.
- (i) What is the legal position of the contract entered between XYZ Ltd through Mr. Khurana, and the private company?
- (ii) Is there any contravention of section 188 (1)? if yes, then the liability of the wrong doer.
- (iii) Comment upon the appointment of Mr. Khurana as a director in PQR Ltd. **(8 Marks)**

- (b) Mr. R, an investor is not satisfied with the dealings of his stock broker who is registered with Chennai Stock Exchange. Mr. R approaches you to guide him regarding the avenues available to him for making a complaint against the stock broker under Securities and Exchange Board of India Act, 1992 and also the grounds on which such complaint can be made. You are required to briefly explain the answer to his queries. **(6 Marks)**
- (c) RST Ltd. is a securitization and reconstruction company under SARFAESI Act, 2002. The certificate of registration granted to it was cancelled. State the authority which can cancel the registration and the right of RST Ltd. against such cancellation. **(3 Marks)**
- (d) Explain in the light of the Insolvency and Bankruptcy Code, 2016, time limit for completion of the Corporate Insolvency Resolution Process? **(3 Marks)**
5. (a) Best Limited, with a paid up capital of Rs. 400 crore proposes to pay the following remuneration :
- (i) Commission @ 5% of net profit to Mr. X, Managing Director;
- (ii) Directors under than Mr. X are proposed to be paid monthly remuneration of Rs. 60,000/- and also commission @ 1% of net profit of the Company, subject to the condition that overall remuneration payable to each of them shall not exceed 2% of net profit of the Company. The commission is to be distributed equally amongst all the Directors.
- (iii) The Company also proposes to pay suitable additional remuneration to Mr. Careful, a Director for professional services rendered as Lawyer whenever such services are utilized. **(8 Marks)**
- (b) (i) Ideal Producer Co. Ltd. was incorporated on 1<sup>st</sup> April, 2009. Its paid up capital of Rs. 10 Lakh consists of 1 lakh equity shares of Rs. 10 each held by 100 individuals. There are 6 directors on its Board. Referring to the provisions of the Companies Act, 1956, answer the following:
- (a) What is the quorum for the Annual General Meeting?
- (b) What is the quorum for the Board Meeting? **(4 Marks)**
- (ii) LED Bulb Ltd., has made default in filing financial statements and annual returns for a continuous period of 4 financial years ending on 31<sup>st</sup> March, 2018. The Registrar of Companies having jurisdiction approached the Central Government to accord sanction to present a petition to Tribunal (NCLT) for the winding up of the company on the above ground under Section 272 of the Companies Act, 2013
- Examine the validity of the RoC move, explaining the relevant provisions of the Companies Act, 2013. State the time limit for passing an order by the Tribunal under Section 273 of the Companies Act, 2013? **(2 Marks)**
- (c) The following particulars relate to Big Rammy (Private) Ltd. which has gone into Corporate Insolvency Resolution Plan (CIRP):

Sr. No.	Particulars	Amount in Rs.
1	Amount realized from the sale of liquidation of assets	14,00,000
2	Secured creditor who has relinquished the security	5,00,000
3	Unsecured financial creditors	4,00,000
4	Income-tax payable within a period of 2 years preceding the liquidation commencement date	50,000
5	Cess payable to state government within a period of one year preceding the liquidation commencement date	20,000
6	Fees payable to resolution professional	75,000

7	Expenses incurred by the resolution professional in running the business of the Big Rammy (Private) Ltd. on going concern	25,000
8	Workmen salary payable for a period of thirty months preceding the liquidation commencement date. The workmen salary is equal per month	3,00,000
9	Equity shareholders	10,00,000

State the priority order in which the liquidator shall distribute the proceeds under the Insolvency and Bankruptcy Code 2016. **(6 Marks)**

6. (a) Examine with reference to the provisions of the Companies Act, 2013 whether notice of a Board Meeting is required to be sent to the following persons:

(a) An interested Direct

(b) A director who has gone abroad less than 3 months. **(4 Marks)**

- (b) It is apprehended by the Directors of a Public Company that they are likely to be prosecuted for an offence under the Companies Act, 2013 which is not compoundable. Explain the provisions of the Companies Act, 2013 under which the Directors can seek relief from the liability for offence.

**(2 Marks)**

- (c) Mr. PRTJ was appointed as a member of the National Company Law Appellate Tribunal. During the month of April, 2018, he was adjudged as an insolvent by a competent authority. The Central Government after consultation with the Chief Justice of India removed Mr. PRTJ from the membership of the National Company Law Appellate Tribunal. Being aggrieved by the decision of the Central Government, Mr. PRTJ approached you to confirm himself whether the decision of the Central Government was appropriate since, he was not given a reasonable opportunity of being heard as a matter of principle of natural justice. Advise him.

Also state the circumstances in which the Central Government after consultation with the Chief Justice of India can remove any person from the office of President, Chairperson or any Member of the National Company Law Appellate Tribunal.

Your answer should refer to the relevant provisions of the Companies Act, 2013. **(8 Marks)**

- (d) Explain the meaning of the term "Current Account Transaction" and the right of a citizen to obtain Foreign Exchange under the Foreign Exchange Management Act, 1999. **(3 Marks)**

- (e) Differentiate between Litigation and arbitration. **(3 Marks)**