

MOCKTEST PAPER 1
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*

Time Allowed: 3 Hours

Maximum Marks-100 Marks

DIVISION A: MULTIPLE CHOICE QUESTIONS (TOTAL OF 30 MARKS)

Instructions: All questions are compulsory.

Questions nos. 1-11 are of 2 marks each and from 12- 19 are of 1 marks each)

1. Three directors, namely Samiksha, Santosh and Samta intimated Pluto Plastic & Mechanical Toys Limited about their participation in the Board Meetings through video conferencing at the appropriate time of the year. However, after attending the first Board Meeting held in the Financial Year 2019-20 by means of video conferencing, Santosh wants to participate in the next Meeting to be held at a future date in person. Is it possible for him to do so when consent given for participation in meetings through video conferencing remains valid for full one year.
 - (a) No, Santosh cannot attend future Board Meetings in person even if the company is intimated of such intention sufficiently in advance.
 - (b) Yes, Santosh can attend future Board Meetings in person if he intimates the company of his intention sufficiently in advance.
 - (c) Yes, Santosh can attend future Board Meetings in person only if all the remaining directors consent to such request.
 - (d) Yes, Santosh can attend future Board Meetings in person but at least seventy five percent of the remaining directors (rounded off to next higher figure in case of a fraction) consent to such request.

2. A highly reputed construction company of Mumbai, decided to launch an ultra modern residential project in Goa especially for non-resident HNI Indians. For the purpose it appointed 4 agents worldwide to look for prospective buyers for 12 exclusive flats. The terms of their appointment clearly mentioned that they themselves will be responsible for inward remittance on the flats booked by them. As the project was one of its kind, so it got overwhelming response and all the flats got booked. However only 2/3 of the price of each flat could be remitted into India through proper channel during the financial year ended on 31st March 2019. Price of per flat was USD 1500000 inclusive of all. From the following how much maximum commission can be given to each agent, without any intervention of any authority. Each agent booked 3 flats.
 - (a) 75000 USD
 - (b) 150000 USD
 - (c) 225000 USD
 - (d) 300000USD

3. Mr. X took multiple loans for the same home from three different banks. The total amount is greatly in excess of the actual value of the property, which is 2 crores. Out of this amount, he invested 50 lakh in shell companies abroad. He bought one property in his son name at Jaipur worth 30 lakh out of which he took loan of 10 lakh. Mr. X gifted a diamond set to his wife worth 10 lakh. Mr. X bought one house in London for 1 Crore via Mr. Z a hawala broker. Mr. X gave his driver M, 10 lakh to keep it in safe place. Mr. A, a financial manager of Mr. X knew about all the transactions. Who all are liable in these chain of transactions?
- (a) Mr. X and Mr. Z
 - (b) Mr. X, his wife and son, Mr. Z and Mr. A
 - (c) Mr. X, Mr. Z, Mr. A and Mr. M
 - (d) Mr. X, Mr. Z and Mr. M
4. All the three directors of Cygnus Wires Limited generally remain out of India for developing connections and securing business opportunities on behalf of the company. However, the company must strictly follow the legal requirement that at least one of its directors must stay for the specified statutory period in India. To reckon as 'resident director' for the financial year 2018-19, advise the company as to which period spent in India by Jennifer shall count towards statutory period.
- (a) Period spent in India during the previous financial year 2017-18.
 - (b) Total of fifty percent each of the period spent in India during the financial year 2016-17 and 2017-18.
 - (c) Period spent in India during the financial year 2018-19.
 - (d) Total of fifty percent each of the period spent in India during the financial year 2017-18 and 2018-19.
5. Kumar Ltd. filed a complaint to conduct an inquiry against the past directors who were in whole time employment of the company for the entering into an arrangement of business of vested interest. Registrar was of the opinion that further information were necessitated to disclose the state of affairs that existed in the company. A notice was served to the company to furnish such information. Examine in the light of the given situation, the correct statement of the following as to the conduct of enquiry in the said matter-
- (a) No enquiry can be conducted on said business arrangement because past directors are no more part of the Kumar Ltd.
 - (b) Enquiry can be conducted by seeking an information by serving notice to the Kumar Ltd and all the officers.
 - (c) Enquiry can be conducted by seeking required information from the past directors (officers who were earlier in employment of the company) and they are bound to furnish information and explanation to the best of their knowledge.
 - (d) No enquiry can be conducted as central government is authorised to look into the matter.
6. Rachna, Ridhdhi, Ruby and Rakhi are directors in Zippona Tours and Travellers Private Limited whose equity shares are partly paid-up. The company required the shareholders to make payment of Rs. 3 per share (FV Rs. 10 per share) being the final call in respect of shares held by them latest by 30th June, 2018. As director, Ruby held individually 2,00,000 shares and also at the same time held jointly 1,00,000 shares along with her brother Rajesh whose name appeared first in the Register of Members. In respect

of 2,00,000 shares held individually by her, Ruby duly made the payment before the last date; however, in respect of joint shareholding of 1,00,000 shares, Rajesh was unable to make payment even though six months also expired from the last day i.e. 30th June, 2018. Advise whether Ruby incurs any disqualification regarding her directorship in the company.

- (a) Since Rajesh's name appears first in the Register of Members, he is primarily responsible for making payment and therefore Ruby incurs no disqualification regarding her directorship in the company for non-payment of required amount in respect of joint shareholding; moreover, she has already discharged her liability in respect of shares individually held by her.
 - (b) In case of joint shareholding, if Ruby earlier made payment of Rs. 7 per share from her personal bank account then she is also liable to pay Rs. 3 per share before the expiry of six months from the last date of payment i.e. 30th June, 2018; otherwise she is disqualified to be a director in the company irrespective of discharging her liability in respect shares individually is held by her.
 - (c) In case of joint shareholding, Ruby as director is equally liable to get the payment made similar to her individual shareholding before the expiry of six months from the last date of payment i.e. 30th June, 2018; otherwise she is disqualified to be a director in the company.
 - (d) In case of joint shareholding, Ruby as director is liable to get the payment made in respect of 50% of the joint holding and if that is done before the expiry of six months from the last date of payment i.e. 30th June, 2018, she incurs no disqualification regarding her directorship in the company irrespective of whether the remaining 50% is received by the company or not.
7. Infra Ltd. was wound up by an order of Tribunal dated 10th March, 2019 by the Tribunal. The appointed official liquidator of the company noticed that the MD of the Infra Ltd. had sold certain properties belonging to the company to a Supra Pvt. Ltd. in which his brother was interested on 15th October, 2018. This caused loss to the Infra Ltd. to the extent of INR 60 lakhs. Examine the course of action, the official liquidator can take in this matter.
- (1) The official liquidator can recover the sale of assets of the company as per the Section 328 of the Companies Act, 2013
 - (2) The transaction made will be regarded as invalid and restore the position of the company.
 - (3) This transaction made will be regarded as valid as being made under ordinary course of its business.
- (a) Only statement (1) is correct
 - (b) Only statement (2) is correct
 - (c) Only statement (3) is correct
 - (d) Statements (1) & (2) are correct
8. Mr. K, a Manager of XYZ Ltd. retired on 12th May 2019. On examination of the final accounts of the company for the year ended on 31st March 2019, the Registrar of Companies found some serious irregularities in writing off of the huge amounts of bad debts and no satisfactory explanation was provided for the same from the company. In such a situation the Registrar of Companies wants some explanation from the company and Mr. K. Can the ROC seek explanation from Mr. K? Advice –
- (a) No, Mr. K can't be called upon, as he does not hold the position or any office in the company any more.
 - (b) Mr. K can be called upon within a period of one year from the date of completion of his service.

- (c) Mr. K can be called upon for necessary explanation within a period of 180 days from the date of leaving his office through a written notice served upon him.
- (d) Mr. K can be called upon by the Registrar through a written notice served on him without any time period limit.
9. Vision Ltd., a foreign Company incorporated in Singapore, appointed Mr. X as a representative in India for the management of place of business in India. Due to un-satisfactory services of Mr. X, Vision Ltd. replaced him and appointed Mr. Y. Vision Ltd. is required to comply with which of the following requirement-
- (a) Vision Ltd. shall file return to the Registrar of Company in India, within 30 days of the appointment of Mr. Y
- (b) Vision Ltd. being a foreign co. in singapore does not require to give any such intimation of replacement/ change made for management of place of business in India
- (c) Vision Ltd. shall intimate of such alteration at the place where its registered within 15 days from such alteration.
- (d) Vision Ltd. shall file return to the Registrar, within 1 month of such alteration as to appointment of Mr. Y
10. Alpha Industries Limited, a Listed Entity with good market image adhered the required corporate governance practices. The Company maintained its Website, in compliance to the provisions of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The Company having one material subsidiary company named as Beta Industries Limited. One of the Board Members of the Beta Industries Limited is also Board Member of Alpha industries Limited. Being a consultant of the company, advise time period within which Alpha industries Limited shall submit quarterly and year-to-date standalone financial results to the stock exchange –
- (a) Within 45 days of end of each quarter
- (b) Within 45 days of end of each month
- (c) Within 45 days of end of each quarter, other than the last quarter.
- (d) Within 45 days of end of half year.
11. SEBI ordered DSE, to produce their books of accounts and audited financial statements for the period 1st April 2016 to 31st March 2018 within 30 days of the receipt of the communication by the stock exchange. The communication was received by the company on 30th April 2018 and no documents were furnished to SEBI in reply to the notice till 15th May 2018. State the consequences of not supplying the said documents to SEBI:
- (a) Period of submission of said documents may be condoned on reasonable grounds.
- (b) Show cause notice may be served why DSE not be penalized for not submitting of the documents within the time limit.
- (c) DSE shall be punishable with a fine.
- (d) DSE shall be punishable with fine and imprisonment.
12. NCLT shall appoint an interim resolution professional within how many days from the insolvency commencement date:
- (a) 7 days

- (b) 10 days
 - (c) 14 days
 - (d) 30 days
13. Save as otherwise provided in Insolvency and Bankruptcy Code, 2016, all the decisions of the committee of the creditors shall be taken by a vote of not less than----- of voting share of the financial creditors.
- (a) 51%
 - (b) 66%
 - (c) 75%
 - (d) 90%
14. State the required majority in the case where a company wants to file an application to the registrar for removal of names of the company from the register of companies for its failure to commence its business within one year of its incorporation-
- (a) Required consent of fifty one per cent members holding shares in the company
 - (b) Required consent of ninety per cent members holding shares in the company
 - (c) Required consent of seventy-five per cent members present in the meeting approving for filing of an application for removal of names
 - (d) Required consent of seventy-five per cent members in terms of paid-up share capital
15. Adjudicating authority received a complaint against Mr. R for being involved in activities connected to the proceeds of crime due to his unlawful association. On the basis of available evidence, Adjudicating authority called Mr. R to give details of his sources of income, earning or assets etc. The notice period of summoning to Mr. R will be –
- (a) not less than fifteen days
 - (b) less than thirty days
 - (c) not less than thirty days
 - (d) sixty
16. What is the main purpose of the Arbitration and Conciliation Act, 1996?
- (a) to consolidate and amend the law relating to domestic arbitration, international commercial arbitration and enforcement of foreign arbitral awards as also to define the law relating to conciliation and for matters connected therewith or incidental thereto.
 - (b) to cover enforcement of domestic arbitration
 - (c) to cover international commercial arbitration
 - (d) to cover enforcement of foreign arbitral awards
17. Every asset reconstruction company shall make an application for registration to
- (a) The Reserve Bank in prescribed format.
 - (b) The Central Government

- (c) SEBI
 - (d) A & B both.
18. In case of a contravention of the resolution plan, an application for liquidation can be made by
- (a) Only the original applicant
 - (b) Only by the corporate debtor
 - (c) By any person other than the corporate debtor whose rights have been prejudicially affected
 - (d) By the financial creditors only
19. Where a valuer has been convicted, he shall be liable to_____
- (a) Refund of the remuneration received
 - (b) Pay damages to the company and to any person bearing loss by incorrect or misleading statements of particulars made in his report
 - (c) Both (a) & (b)
 - (d) Only refund of remuneration to the company and no payment of damages to the company and to any person

Descriptive Questions (70 Marks)

Question No. 1 is compulsory

Out of remaining five questions attempt any four

1. (a) Eternal Ltd., a wholly owned government company consisting of 10 directors in its Board with the subsidiary company, Evergreen Ltd., having 9 directors in its board. Referring to the provisions of the Companies Act, 2013, examine the following situations:
- (i) Number of directors liable to retire by rotation in Eternal Ltd. at an AGM.
 - (ii) Number of directors liable to retire in Evergreen Ltd.
 - (iii) What will be the legal situation in case Eternal Ltd. is a listed Government Company?

(6 Marks)

- (b) Shining star limited, a listed company, deals in sole business of trading of Aluminum foils and sheets. Due to economic slowdown and less domestic consumption company was running into the losses. Mr Chander, an eminent professional with vast experience in cost management, was appointed on the Board of company as whole time director. He enjoyed his 75th birthday on the same date of his appointment i.e 18.07.2019.

Following relevant extracts from latest audited financial statements (as on 31 March 2019), were;

1. Authorised Share capital is INRs 390 crores, out of which paid up share capital was INRs 215 crores; company was in process of FPO, hence had balance of INRs 15 crores in share application money account.
2. Balance of reserve and surplus was INRs 170 crores, out of which INRs 150 crores was general reserve and INRs 20 crores was on accounts of revaluation reserve.
3. Outstanding amount for long term loans was INRs 200 crores

4. Company had investment of INRs 40 crores at book value; due to economic slowdown same is not liquid investment
5. Accumulated losses were of INRs 10 crores.

In the light of the stated facts, evaluate the given situations in terms of the relevant provisions of the Companies Act, 2013-

- (i) As to the validity of appointment of Mr. Chander, as managerial person in office of whole time director in Shining Star Limited.
- (ii) Compute the Effective capital of Shining Star Limited for payment of managerial remuneration.
- (iii) Since Shining Star was running in loss, state the maximum amount of remuneration to be paid on yearly basis to each managerial person. **(8 Marks)**

2. (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 of the complaint, having a reasonable ground to believe that the transfer or disposal of assets of the company may be against the interests of its shareholders. The Tribunal passed an order that such transfer or disposal of assets shall not be made during the period of 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. **(8 Marks)**

- (b) Examine the given situations in the light of the respective laws:

- (i) Toy Ltd. is a Japanese company having several business units all over the world. It has a robotic unit with its head quarter in Mumbai and has a branch in Singapore. Headquarter at Mumbai controls the branch of robotic unit. Determine the residential status of robotic unit in Mumbai and that of the Singapore branch in reference to FEMA, 1999?
- (ii) Apex Limited failed to repay the amount borrowed from the bankers, ACE Bank Limited, which is holding a charge on all the assets of the company. The Bank took over management of the company in accordance with the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 by appointing four persons as directors. The company is managed by a Managing Director, Mr. X. Referring to the provisions of the said Act, examine whether Mr. X is entitled to compensation for loss of office.

(3 + 3 = 6 Marks)

3. (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) (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. Analyse and apply the relevant provisions of the Prevention of Money Laundering Act, 2002 in relation to the above given situation. **(3 Marks)**
- (ii) Sohan Lal, a farmer, was found involved in embezzlement of opium cultivated by him. State the nature of the act committed by Sohan Lal in the light of the Prevention of Money Laundering Act, 2002. **(3 Marks)**
4. (a) (i) PQR Ltd., is a listed entity with its subsidiary, Twig Ltd. State the Corporate Governance requirements with respect to the subsidiary of Listed Entity as per the SEBI (LODR) Regulations, 2015. **(4 Marks)**
- (ii) Mr. Vijay is having 400 shares of Travel Everywhere Limited and the current price of these shares in the market is Rs. 100. Vijay's goal is to sell these shares in 6 months' time. However, he is worried that the price of these shares could fall considerably, by then. At the same time, Vijay doesn't want to sell off these shares today, as he conjectured that the share price might appreciate in the near future. Determine how should Mr. Vijay protect his security and reduce the risk of loss on the share price under the Securities Contract (Regulation) Act, 1956? **(4 Marks)**
- (b) Answer the following given situations:-
- (i) Mr. Indian received foreign contribution of amount 1.10 lakh from his relative residing abroad. Examine whether foreign remittances received by Mr. Indian to be treated as foreign contribution as per the FCRA, 2010. **(3 Marks)**
- (ii) Ms. Rajkumari launch her boutique. She contacted with M/s Shyamlal merchants for supply of dress materials. The communication between the parties were over email. There was a term of service between the parties containing that "any disputes regarding quality or delivery shall be submitted to arbitration conducted under the guidance of Indian Clothes Manufacturers Association. Please place your order if the above terms and conditions are agreeable to you." Ms. Rajkumari placed an order. Comment on the validity of the such arbitration agreement according to the Arbitration and Conciliation Act, 1996. **(3 Marks)**
5. (a) Determine the legal positions in the given situations:
- (i) Excel Ltd. committed an offence under the Companies Act, 2013. The offences falls within the jurisdiction of a special court of Bundi district in which the registered office of Excel Ltd was situated. However in that Bundi district, there were two special courts one in X place and other in Y place. Identify the jurisdiction of the special court for trial of an offences committed by Excel Ltd. **(3 Marks)**

- (ii) As per provisions of the Companies Act, 2013, what is the status of XYZ Ltd., a Company incorporated in London, U.K., which has a share transfer office at Mumbai? **(2 Marks)**
- (iii) ABC Ltd., a foreign company having its Indian principal place of business at Kolkata, West Bengal is required to deliver various documents to Registrar of Companies under the provisions of the Companies Act, 2013. Advise, ABC Ltd. as to submission of desired documents to ROC. **(3 Marks)**
- (b) X Ltd. was intending to initiate voluntarily liquidation proceedings. A declaration was made on affidavit of the some of the directors of the X Ltd. verifying full inquiry of the affairs of the company. They declared that the company will be able to pay its debts in full from the proceeds of assets to be sold in the voluntary liquidation.

Analyse the given situation and comment whether X Ltd can initiate voluntary liquidation proceeding in compliance with the conditions given in the Insolvency and Bankruptcy Code, 2016. What are the required documents to be accompanied with the declaration?

Also, state the consequences, where if the articles fixed the period of duration for which company may be continued and that period expires. **(6 Marks)**

6. (a) One of the Objects Clauses of the Memorandum of Association of Info Company Limited conferred upon the company power to sell its undertaking to another company with identical objects. Company's Articles also conferred upon the directors whereby power was conferred upon them to sell or otherwise deal with the property of the company. At an Extraordinary General Meeting of the company, members passed an ordinary resolution for the sale of its assets on certain terms and authorized the directors to carry out the sale. Directors refused to comply with the wishes of the members where upon it was contended on behalf of the members that they were the principals and directors being their agents, were bound to give effect to their (members') decisions.

Examining the provisions of the Companies Act, 2013, answer the following:

Whether the contention of members against the non-compliance of members' decision by the directors is tenable?

Whether it is possible for the members usurp the powers which by the Articles are vested in the directors by passing a resolution in the general meeting? **(8 Marks)**

- (b) (i) Wisdom Ltd. commits a default against the debt taken from the financial creditor, Mr. F. He initiated the corporate insolvency resolution process against the Wisdom Ltd. as the company defaulted in the payment of financial debt of Rs. 2 lakh. In the mean time, Mr. X, another financial creditor, thereof files an application for initiating corporate insolvency resolution process with the Adjudicating Authority. Examine with reference to the validity as to the filing of an application by Mr. X for initiation of corporate insolvency resolution process? **(3 Marks)**
- (ii) What are the possible actions which can be taken against persons / properties involved in Money Laundering? **(3 Marks)**