

SWAPNIL PATNI'S CLASSES

CA Final Corporate Law - Test No. 1

Total Marks: 50

Total Time: 1 ½ Hrs

Chapters Covered: 1, 2, 3, 4, 5, 11

Solve any 5

Q 1)(a) Referring to the provisions of the Companies Act, 2013, examine the validity of the following: **(5 Marks)**

(i) The Board of Directors of ABC Limited proposes to declare dividend at the rate of 20% to the equity shareholders, despite the fact that the company has defaulted in repayment of public deposits accepted before the commencement of this Act.

(ii) WL Limited is facing loss in business during the current financial year 2015-16. In the immediate preceding three financial years, the company had declared dividend at the rate of 8%, 10% and 12% respectively. To maintain the goodwill of the company, the Board of Directors has decided to declare 12% interim dividend for the current financial year. Examine the applicable provisions of the Companies Act, 2013 and state whether the Board of Directors can do so?

(b) The Executive Committee of an Inter-state Co-operative society decides to convert the society into a 'Producer Company' under the provisions of the Companies Act, 1956. You being a practicing Chartered Accountant are approached by the society for advice. Advise the society on the following matters:

(i) The steps to be taken for conversion of the society into a 'Producer Company'.

(ii) Manner in which voting rights of members of Producer company after conversion may be exercised. **(5 Marks)**

Q 2) (a) Explaining the provisions of the Companies Act, 2013, answer the following:

(i) Manner in which the companies are required to present the financial statements.

(ii) What kinds of companies are exempted from the preparation of the above statements in terms of nature and the contents?

(iii) State the consequences and the penalties in case the company does not comply with the accounting standards? **(6 Marks)**

(b) A Managing Director was removed during the tenure of office and certain compensation was paid to him. It was later on found that during the tenure of his office that he was guilty of corrupt practices and the company felt that no compensation should have paid to him and therefore wants to recover the compensation so paid to him. Can the company succeed? **(4 Marks)**

Q 3) (a) Examine with reference to the relevant provisions of the Companies Act, 2013, the validity/legality of the following:

A meeting of the Board of directors of OPQ Co. Ltd. due to be held on 30.9.2014 did not take place for want of quorum. As a result, the Company did not hold any Board meeting for the quarter ended 30.9.2014 and there is a complaint that the Company has violated the provisions of the Act in this regard. **(4 Marks)**

Test No. 1

(b) Mr. D, one of a Director in PQR Limited was not satisfied with the performance of its subsidiary company in financial matters. He authorised Mr. F, a financial expert, to inspect the books of accounts of the company on his behalf. Decide, under the provisions of the Companies Act, 2013 whether the said company can refuse to allow Mr. F to inspect the books of accounts of its subsidiary company? **(4 Marks)**

(c) Mr. Stubborn is a director of Doubtful Industries Ltd. He along with other two directors has been running the Company for the past twenty years without declaring any dividends or giving any benefit to the shareholders. Frustrated by this, some shareholders are desirous of giving notice to pass a resolution with the support of other shareholders for his removal as a director in the Annual General Meeting of the Company to be held in the month of December of 2014. State the procedure to be followed for the removal of Mr. Stubborn as a director. **(4 Marks)**

Q 4)(a) NKM Producer Company passed a resolution at its general meeting on 30th April 2013 to reconvert the producer company into inter-state co-operative society under the provisions of the Companies Act, 1956. Advise the Company, as a professional, regarding the method to be followed for re-conversion of Producer Company to inter-state co-operative society under the above Act. **(6 Marks)**

(b) Advise M/s Super Specialities Ltd. in respect of the following proposals under consideration of its Board of directors:

- (i) Appointment of Managing Director who is more than 70 years of age;
- (ii) Payment of commission of 4% of the net profits per annum to the directors of the company;
- (iii) Payment of remuneration of ₹ 40,000 per month to the whole time director of the company running in loss and having an effective capital of ₹ 95.00 lacs. **(4 Marks)**

Q 5) (a) Explain the concept of 'CSR' (Corporate Social Responsibility) as introduced by the Companies Act, 2013. Examining the provisions of the Act, answer the following:

- (i) Which companies are required to constitute CSR Committee?
- (ii) Which companies are excluded from the requirements of the provisions of the Act in relation to CSR committee?
- (iii) What is the minimum contribution the companies are required to make towards CSR? **(6 Marks)**

(b) Explaining the meaning of the term 'Insider Trading' and 'Price Sensitive Information', state the manner in which the Companies Act, 2013 prohibits the above. **(4 Marks)**

Q 6) (a) Annual general meeting of Hero Ltd. has been scheduled in compliance with the requirements of the Companies Act, 2013. 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?

Test No. 1

(iii) In case the meeting could not decide how the vacancies caused by retirement to be dealt with, what shall be consequences? **(6 Marks)**

(b) One-fourth of the subscribed capital of AMC Limited was held by the Government of Rajasthan. Mr. Neeraj a qualified Chartered Accountant was appointed as an auditor of the Company at the Annual General Meeting held on 30th April, 2014 by an ordinary resolution. Mr. Sanjay, a shareholder of the Company objects to the manner of appointment of Mr. Neeraj on the ground of violation of the Companies Act 2013. Decide, whether the objection of Mr. Sanjay is tenable? Also examine the consequences of the above appointment under the said Act. **(4 Marks)**

