

MOCK TEST PAPER 1
FINAL COURSE GROUP I
PAPER 4: CORPORATE AND ECONOMIC LAWS

Time Allowed: 3 Hours

Maximum Marks-100 Marks

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

Instructions: All questions are compulsory.

Case scenario 1 (10 Marks)

Chirag Air-conditioners Ltd. is producing quality air-conditioners. It has 10 lakh shareholders having face value of ₹ 10/- each. The company had called first call of ₹ 5/- per share in January 2019. Now, in December 2020, it demanded the second and final call of ₹ 5/-. Out of 10 lakh shareholders, 15% shareholders did not paid the second and final call.

The company demanded the second and final call from the shareholders to meet out its cost of project for establishing second unit in Industrial Area, Jaipur. The land was already allotted by the RIICO to the company and the capital was raised in order to import the machinery from Germany. However, the company, instead of importing the machinery, utilised the money so raised, in purchasing the land near by Jaipur, to develop it as a Resort, for the use of promoters of the company. This news was widely published in the Economic Times, Business Standard and Business Line.

Some of the shareholders of the company sought opinion from a professional, what to do, where the company's affairs are being conducted in a manner prejudicial to the public interest.

Based on the above scenario, answer the following questions:

1. The members of the Chirag Air-conditioners Ltd., wanted to make a complaint that the affairs of the company are being conducted in a manner prejudicial to the public interest. It may:
 - (a) Bring the matter in the knowledge of the Audit Committee of Board of the Company
 - (b) Bring the matter in the knowledge of the Investor's Grievances Committee of the Company
 - (c) Apply to the Tribunal
 - (d) Cannot make complaint, as act of the company was made with intent to benefit the shareholders and the company itself.
2. The Central Government, after taking cognizance of the news published in the business newspapers, is of the opinion that the affairs of the company are being conducted in a manner prejudicial to the public interest, it may:
 - (a) Inform the Registrar
 - (b) Apply to the Tribunal
 - (c) Dismiss the Board of Directors of the company
 - (d) Ask the SEBI to banned the company from raising any further issue of capital
3. Which members are eligible to apply to the Tribunal under section 241:
 - (a) All the members of the company
 - (b) Only the members who have full amount due on the shares
 - (c) The Tribunal have the powers to waive the condition of fully paid shares

- (d) The members who have fully paid the shares can apply to the Tribunal, however the Tribunal have powers to waive such requirements as mentioned in sub-section (1) and (2) of section 241.
- 4. How many members are required to apply to the Tribunal:
 - (a) One hundred members only
 - (b) Not less than one hundred members only
 - (c) Not less than one-tenth of the total number of its members
 - (d) Not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less.
- 5. How many members may apply to the Tribunal, in case the company is not having any share capital:
 - (a) All the members of the company
 - (b) One-fifth of the total number of members of the company
 - (c) Not less than one-fifth of the total number of members of the company
 - (d) Not less than one-tenth of the total number of members of the company

Case scenario 2 (8 Marks)

Sitting over the fence, Shelly opted to face dynamism of consumer preferences, razor-cut competition and changing Government policies to fulfill her inherent passion for exotic make-up brands by launching a beauty product company in Bombay (now Mumbai), supported by her advocate father Bhimsen, elder brother Ashutosh and younger brother Soumit as well as ten close friends, way back in 1984 under the then Companies Act, 1956, much before the air of liberalisation, privatisation and globalisation touched the soil of our country.

The company, Beauty Products Limited with an Authorised Capital of ₹ 30,00,000 divided into 3,00,000 shares of ₹ 10 each (paid-up capital ₹ 25,00,000) and under the brand 'Angelic' began manufacturing cosmetic products like Nail-enamel, Foundation Cream, Compact, Mascara, Eye-pencil, etc. Its products had an international touch and captured the Indian market at a time when the elite class was splurging on imported cosmetics.

This unlisted company, under the strong and able leadership of Shelly, Ashutosh and Soumit, had not only observed a growth trend in terms of its turnover and profitability but had also earned name and fame in the hearts of consumers as well as cosmetic industry. Ashutosh directed the company in the capacity as Managing Director up to the satisfaction of all.

In 2015, Beauty Products Limited felt the need, decided and raised its Authorised Capital to ₹ 20,00,00,000. Through private placements from time to time, it pumped in more capital and its paid-up capital reached to a level of ₹ 19,50,00,000 as on 31st March, 2021. At this juncture, its turnover was ₹ 850 crore.

The secretarial audit of Beauty Products Limited was started in the year 2018 as the company had crossed the threshold limit relating to turnover as per the audited financial statements as on 31st March, 2017. M/s Keshav and Kaustubh & Associates, a firm of practicing company secretaries, was engaged to carry out the secretarial audit.

In the beginning of the current financial year, the total strength of directors of Beauty Products Limited had reached eleven which included two independent directors. Some of the directors of the company were desirous of appointing Mr. Soumit as Managing Director of the company in place of Mr. Ashutosh, who wanted to leave the office of Managing Director due to intense family pressure. It is to be noted that Mr. Soumit was also holding the office of Managing Director in Glow and Glow Cosmetics Limited which was run by his father-in-law along with his relatives. For the appointment of Mr. Soumit as Managing Director of Beauty Products Limited, a Board Meeting was convened by giving a specific notice of such meeting and of the resolution to

be moved thereat, to all the directors then in India. At the Board Meeting, five out of nine directors present in the meeting consented to Mr. Soumit becoming as Managing Director.

By now, Beauty Products Limited had over 150 products catering to every kind of consumer. Included in its diverse portfolio were moisturisers, aloe-vera gels, lip balms, deodorants and a variety of nail-paints to meet the demand of teenagers.

After some time, keeping in view the future expansion, Beauty Products Limited wanted to appoint Mr. Amba Prasad, 74 years of age, as a Whole-time director with the approval of the Board. He had sharp business acumen and wide experience by working at a very senior position in Rich Bank Limited from where he superannuated 14 years back. At a Board Meeting, the proposal to appoint Mr. Amba Prasad as Whole-Time Director was approved with full majority of eight directors attending the Meeting. No further action was taken in this regard.

Based on the given facts, answer the following questions:

6. As per the case scenario, some of the directors of Beauty Products Limited were desirous of appointing Mr. Soumit as Managing Director of the company, who was also acting as Managing Director in Glow and Glow Limited. At the Board Meeting convened in this respect, five out of nine directors present in the meeting consented to his becoming as Managing Director. Considering the applicable provisions, choose the correct alternative from those given below as to whether or not Mr. Soumit was appointed as Managing Director of Beauty Products Limited?
 - (a) Since more than half directors (i.e. five out of nine directors) attending the Board Meeting consented to Mr. Soumit becoming the Managing Director, he must have been appointed as the Managing Director of Beauty Products Limited.
 - (b) Since minimum two-third directors (i.e. six out of nine directors) attending the Board Meeting must consent to Mr. Soumit becoming the Managing Director, he could not have been appointed as the Managing Director of Beauty Products Limited.
 - (c) Since minimum three-fourth directors (i.e. seven out of nine directors) attending the Board Meeting must consent to Mr. Soumit becoming the Managing Director, he could not have been appointed as the Managing Director of Beauty Products Limited.
 - (d) Since all the directors attending the Board Meeting must consent to Mr. Soumit becoming the Managing Director, he could not have been appointed as the Managing Director of Beauty Products Limited.
7. It is evident from the case scenario that the proposal to appoint Mr. Amba Prasad, aged 74 years, as Whole-time Director was approved by the Board of Directors of Beauty Products Limited. Select the correct alternative from the following options that indicates the validity or invalidity of appointment of Mr. Amba Prasad as a Whole-Time Director of the company after approval of proposal by the Board:
 - (a) In view of the fact that Mr. Amba Prasad has crossed the age of 70 years, his appointment as a Whole-Time Director would be considered as valid only when an ordinary resolution is passed and thereafter, sanction of National Company Law Tribunal is sought.
 - (b) Even if Mr. Amba Prasad has crossed the age of 70 years, his appointment as a Whole-time Director would be considered as valid since it was approved by all the eight directors who attended the Board Meeting.
 - (c) In view of the fact that Mr. Amba Prasad has crossed the age of 70 years¹, his appointment as a Whole-time Director would not be considered as valid since it was not approved by all the eleven directors.
 - (d) In view of the fact that Mr. Amba Prasad has crossed the age of 70 years, his appointment as a Whole-time Director would be considered as valid only when a special resolution is passed and if

no such special resolution is passed, but the votes cast in favour of motion exceed the votes, if any, cast against the motion and the Central Government approves such appointment.

8. Suppose Mr. Amba Prasad, after due formalities, is appointed as Whole-Time Director of Beauty Products Limited, then what would be the maximum term for which he can be so appointed:
 - (a) The appointment of Mr. Amba Prasad as Whole-Time Director of Beauty Products Limited would be for a maximum term of three years.
 - (b) The appointment of Mr. Amba Prasad as Whole-Time Director of Beauty Products Limited would be for a maximum term of five years.
 - (c) The appointment of Mr. Amba Prasad as Whole-Time Director of Beauty Products Limited would be for a maximum term of seven years.
 - (d) The appointment of Mr. Amba Prasad as Whole-Time Director of Beauty Products Limited would be for a maximum term of ten years.
9. The case scenario mentions that in the year 2018, secretarial audit of Beauty Products Limited was started as the company had crossed the threshold limit relating to turnover. At that time, what could be the threshold limit relating to turnover which necessitated starting of secretarial audit:
 - (a) At the time starting secretarial audit in the year 2018, the turnover of Beauty Products Limited must have been ₹ 300 crore or more.
 - (b) At the time starting secretarial audit in the year 2018, the turnover of Beauty Products Limited must have been ₹ 250 crore or more.
 - (c) At the time starting secretarial audit in the year 2018, the turnover of Beauty Products Limited must have been ₹ 150 crore or more.
 - (d) At the time starting secretarial audit in the year 2018, the turnover of Beauty Products Limited must have been ₹ 100 crore or more.

Independent Multiple Choice Questions (12 Marks)

10. In order to make Robotics Toys Private Limited as its subsidiary, Golden Rays Robots Limited raised its investment in Robotics Toys from 40% to 60% of its paid-up capital. From the options given below, choose the one which correctly indicates as to when the Robotics Toys shall be considered as the undertaking of Golden Rays Robots Limited.
 - (a) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 10% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 10% of the total income of Golden Rays during the previous Financial Year
 - (b) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 20% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 20% of the total income of Golden Rays during the previous Financial Year
 - (c) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 25% of its 'net worth' calculated as per the audited balance sheet of the preceding year or the Robotics Toys must have contributed in generation of 25% of the total income of Golden Rays during the previous Financial Year.
 - (d) In order that Robotics Toys is considered as one of its undertaking, Golden Rays is required to invest more than 30% of its 'net worth' calculated as per the audited balance sheet of the preceding

year or the Robotics Toys must have contributed in generation of 30% of the total income of Golden Rays during the previous Financial Year. **(2 Marks)**

11. Modern Books Publishers plc., a company incorporated in United Kingdom (UK) has a wholly owned subsidiary by the name Beta Periodicals Limited whose Registered Office is situated at Mumbai and which is engaged in publishing scientific, technical and specialty magazines, periodicals and journals. Beta Periodicals Limited considers itself to be a foreign company since it is a wholly owned subsidiary of Modern Books Publishers plc. which is a foreign company. From the four options given below, you are required choose the one which appropriately indicates whether Beta Periodicals Limited can be considered as a foreign company:
- (a) Beta Periodicals Limited cannot be considered as a foreign company even if it is a wholly owned subsidiary of Modern Books Publishers plc. which is a foreign company.
 - (b) Beta Periodicals Limited shall be considered as a foreign company since it is a wholly owned subsidiary of Modern Books Publishers plc. which is a foreign company.
 - (c) Beta Periodicals Limited can be granted the status as a foreign company, if its holding company Modern Books Publishers plc. makes an application to the Regional Director having jurisdiction over New Delhi for considering its wholly owned subsidiary Beta Periodicals Limited a foreign company.
 - (d) Beta Periodicals Limited can be granted the status as a foreign company, if its holding company Modern Books Publishers plc. makes an application to the New Delhi Bench of National Company Law Tribunal for considering its wholly owned subsidiary Beta Periodicals Limited a foreign company. **(2 Marks)**
12. The Central Government may, for the purpose of providing speedy trial of offences punishable under the Companies Act, 2013 with imprisonment of two years or more offences under this Act, by notification, establish or designate:
- (a) not more than one special court in that jurisdiction where offence took place.
 - (b) At least 2 special courts court in that jurisdiction where offence took place
 - (c) as many Special Courts as may be necessary
 - (d) District and Session court in that jurisdiction where offence took place **(1 Mark)**
13. Which amongst the following transactions, is not the current account transaction:
- (a) payments due in connection with short-term banking and credit facilities in the ordinary course of business.
 - (b) payments due on loans.
 - (c) remittances for living expenses of parents residing abroad
 - (d) expenses in connection with foreign travel of spouse and children **(1 Mark)**
14. The term "contracting State" defined under the PMLA, 2002 means :
- (a) any state in India in respect of which arrangements have been made by the state Governments;
 - (b) any country in respect of which arrangements have been made by the Governments of such country;
 - (c) any country or place outside India in respect of which arrangements have been made by the Central Government with the Government of such country through a treaty or otherwise;

- (d) Any state in India in respect of which arrangements have been made by the Government of any country outside India through a treaty or otherwise. **(1 Mark)**
15. The Central Government, after making inquiry, finds that the holder of the grant of certificate to accept foreign contribution, has violated the terms and conditions of the certificate. Therefore, by an order, cancelled the certificate. What shall be the cooling period for obtaining of a grant of certificate again?
- (a) Two years from the date of cancellation of such certificate.
- (b) Three years from the date of cancellation of such certificate.
- (c) Five years from the date of cancellation of such certificate
- (d) Once cancelled cannot be applied again. **(1 Mark)**
16. Mr. Ram and Rahim entered into a contract for a conduct of business and came with an arbitration agreement in case of dispute, if any, in the contract. Said documents were duly executed with proper signature. Identify the correct statement with respect to execution of arbitration agreement referred in such contract:
- (a) Signature is only required when the arbitration agreement is contained in a contract. However, no signature is required if the arbitration agreement is contained in correspondence or exchange of pleadings.
- (b) No signature is required at all as the arbitration agreement is forming the part of main contract.
- (c) Signature is required throughout correspondence or during exchange of pleadings under the arbitration agreement.
- (d) Signature is every time required in an arbitration agreement though forming a part of a main contract. **(1 Mark)**
17. The PPIRP may be made in respect of a corporate debtor, who commits a default subject to the condition that the majority of the directors of the corporate debtor have made a declaration, stating *inter alia*, that the corporate debtor shall file an application for initiating pre-packaged insolvency resolution process within a definite time period of:
- (a) not exceeding 60 days
- (b) not exceeding 90 days
- (c) not exceeding 120 days
- (d) not exceeding 150 days **(1 Mark)**
18. B. Real Estate Developers Limited was demerged to B. Reality Constructions and Developers Limited and B. Real Estate Developers Limited. Choose the correct option from those given below as to what type of demerger is this:
- (a) Total demerger.
- (b) Partial demerger.
- (c) Internal reconstruction.
- (d) Demerger in the 'nature of purchase'. **(1 Mark)**
19. Rhea Marketing and Consultants Limited, incorporated under the Companies Act, 2013, had made political contributions amounting to ₹ 1,00,000 to a political party registered under section 29A of the Representation of the People Act, 1951. The statutory auditor of the company, while reviewing the donations made to the said political party, found that no proper board resolution authorizing the donation was made. Since there is contravention of the applicable provisions, it is imperative that the Directors

of Rhea Marketing and Consultants Limited would liable to be punished with imprisonment upto six months and with fine up to five times the amount of contribution so made. You are required to choose the correct option which indicates the category under which offence committed by the Directors of the company will fall considering the applicable provisions of the Companies Act, 2013:

- (a) Compoundable offence.
- (b) Non-compoundable offence.
- (c) Compoundable and cognizable offence.
- (d) Non-compoundable and non-cognizable offence.

(1 Mark)

DIVISION B: DESCRIPTIVE QUESTIONS (70 Marks)

Question no. 1 is compulsory. Attempt any **four** questions out of the remaining **Five** questions.

1. (a) Rise Tech Limited (RTL) and Sun Software Limited (SSL) are wholly-owned subsidiaries of Neelambar HiTech Software Programmes Limited (NHSPL). The paid-up capital of NHSPL is ₹ 100 crore and its general reserves are to the extent of ₹ 45 crore. RTL raised a loan of ₹ 88 crore for which NHSPL stood as guarantor, guaranteeing that the loan shall be repaid as per the stipulated terms and conditions. However, for offering the said guarantee, NHSPL did not pass a resolution in the general meeting seeking the consent of the shareholders. Rachna, one of the directors of NHSPL considered, offering of guarantee without passing any resolution as a violation of the Companies Act, 2013. Analyse with in the given scenario, with reasons whether Rachna's contention is valid. **(8 Marks)**

- (b) A conscientious and meticulous person, Anuj Sharma is MBA (Finance) from Indian Institute of Foreign Trade (IIFT), New Delhi. Currently, he is holding directorships in four companies, namely Sigma Software Limited (SSL), Singha Medical Instruments Limited (SMIL), Vishwa Stationers (Pvt.) Limited (VSPL) and Simla Locomotives Limited (SLL). Of the four, he is unable to maintain good relations with the other five directors of Singha Medical Instruments Limited. As is his nature, he is performing his duties as Director (Operations) with utmost integrity and honesty but the atmosphere in the top-rung of this company is not so healthy and co-operative. The other five directors were not even hesitant of making personal gains at the cost of the company. Sensing this unhealthy atmosphere, Anuj is contemplating to quit directorship and the company; and therefore, he revealed his plans to the other parallel directors who, as was very natural, objected his intention to resign. The directors were quite unhappy with his decision since they wanted to attain their selfish desires through Anuj by making him scapegoat. Anuj sent his resignation notice dated 16th July, 2021 through registered post which was received by the company on 18th July, 2021. The other five directors did not accept his resignation citing that the Registrar of Companies (RoC) was not informed in advance regarding submission of resignation and therefore, Anuj shall have to continue with his directorship till the next Annual General Meeting (AGM).

- (i) Analyse the contention of the directors of SMIL regarding non-acceptance of resignation of Anuj Sharma keeping in view the applicable provisions of the Companies Act, 2013.
- (ii) Had SMIL been a private company, what would have happened to the resignation of Anuj Sharma keeping in view his indispensability, as was perceived by the other directors, in the company? **(6 Marks)**

2. (a) Few preference shareholders of Lebtuk Ltd. had filed an application with the Tribunal (NCLT) for relief against oppression and mismanagement.

The Tribunal observed that the Articles of Lebtuk Ltd. provided undue powers to the Board of Directors and accordingly, ordered for alteration of the Articles of the company so as to restrict the powers of Board to a certain extent. The company filed the certified copy of such order with the

Registrar on 5th November, 2021 and amended its Articles as per the order on 22nd November, 2021.

Afterwards, Mr. Ramesh Puri, CEO of Lebtuk Ltd. proposed a change to be made by the company in the Articles which appeared to be inconsistent with the order of Tribunal.

In the context of aforesaid scenario, please answer to the following questions:-

- (i) What effect such amendment in Articles would be considered to have, and by what date, such order of Tribunal needs to be registered by the Registrar?
 - (ii) Whether Lebtuk Ltd. can amend its Articles to incorporate the change proposed by Mr. Ramesh and what could be the consequences for the same? **(8 Marks)**
- (b) Nature Limited is a Micro Enterprise under section 7 of the MSME Development Act, 2006 which has filed an application for initiating Pre-package Insolvency Resolution Process (PPIRP) under Section 54C of the Insolvency Bankruptcy Code, 2016. You have been appointed as the Resolution Professional to conduct the PPIRP. Nature Limited has prepared a Base Resolution Plan (BRP) which was presented to the Committee of Creditors (CoC). The CoC evaluated the BRP and realised that the plan impairs the claims owed to few operational creditors. In the capacity of Resolution Professional, advise the CoC on whether it is mandatory for them to approve the BRP and if not, the process in which they can invite alternative resolution plans. **(6 Marks)**
3. (a) WNDS Ltd. appointed Mr. Rajil Veta, a CA, as its registered valuer for carrying on valuation of an immovable property as per the provisions of the Companies Act, 2013. The valuation was made by Mr. Rajil on 3rd May, 2021, for which he was paid a remuneration of ₹ 88,000 by WNDS Ltd.

It was later found that Mr. Rajil was levied penalty under the Income Tax Act, 1961, by the Commissioner (Appeals) for furnishing incorrect information in one valuation report issued by him to one another company, as a registered valuer, for which he had filed an appeal with the Appellate Tribunal (ITAT) and the ITAT had confirmed the said penalty levied by the Commissioner (Appeals) and passed its order on 24th September, 2017.

In the context of aforesaid case-scenario, examine the given situation:-

- (i) Mr. Rajil by accepting appointment as a registered valuer of WNDS Ltd., can be considered to have contravened the law.
 - (ii) What could be the consequences for the same? **(8 Marks)**
- (b) Mr. Ashok, a citizen of India, has been working in a company in Chicago, USA, since last 8 years and had been settled there with his family.

However, the said company opened its branch in India last year and Mr. Ashok has been deputed there for a duration of 26 months from 25th April, 2020.

He remitted an amount of \$ 2,80,000 on 20th December, 2021 to his family in USA. The details of salary earned by him from 25th April, 2020 to 30th November, 2021 are as follows:-

Particulars	\$*
Gross Salary	3,50,000
Contribution to Provident Fund	1 40,000
TDS as per Income Tax Act, 1961	40,000

* Amount is converted to USD from INR.

You being an expert in Foreign Exchange Matters, kindly advise on the below issues:-

- (i) How much excess amount, if any, has been remitted by Mr. Ashok to his family in USA?

- (ii) Whether the company in USA in which Mr. Ashok was deputed, can be treated as MNC under FCRA, 2010? **(6 Marks)**

4. (a) The Central Government initiated a case against Mr. Sujay Bishoi, Managing Director of BSK Ltd. for causing damage to the interest of the financial industry by mismanaging the funds and referred the case to the Tribunal where the Tribunal passed an order on 20th June, 2021, holding that Mr. Sujay was not fit and proper person to hold such office.

Mr. Sujay vacated his office as on 21st June, 2021 and he demanded compensation, as per the contract with the company, for early termination. On 23rd January, 2025, Mr. Sujay was appointed as a non-executive director in one other company.

In the light of the given facts, advise in the given legal situations :-

- (i) Whether Mr. Sujay was entitled for such compensation?
- (ii) Whether Mr. Sujay was entitled to be appointed as a non-executive director in such other company? **(8 Marks)**
- (b) (i) Jewar Ltd., a diamond manufacturing company, is undergoing Corporate Insolvency Resolution Process (CIRP). The CIRP had initiated on 1st January 2020. Mr. Shubh was acting as the Interim Resolution Professional who was later appointed as Resolution Professional by the Committee of Creditor. Mr. Shubh has been working hard since Day 1 to get a resolution plan approved before the last day of the CIRP. However, due to external factors, as on 31st May, 2021, he realized that he is unable to decide as to which resolution plan can be taken to the committee of creditors for approval and also that he will need another 3 months to get a resolution plan approved. You are his partner in an Insolvency Professional Entity. Advise as to the factors that need to be considered before taking the resolution plan to the committee of creditors. **(3 Marks)**
- (ii) Mr. Ram with malafide intention, to take revenge with his rival competitor, gives false information as regards to conduct of his business in illegal manner. So search warrant was issued by the concerned authority against him. Examine the legal position of Mr. Ram with respect to the act committed by him in the given situation in the light of Prevention of Money Laundering Act, 2002: **(3 Marks)**
5. (a) XYZ Ltd. is an investment company whose principal business is an acquisition of shares and debentures of other companies. The following figures were derived from the books of XYZ Ltd.:

Assets:	
Investment in shares and debenture	₹ 95 Lakh
Other Assets	₹105 Lakh
Total	₹ 200 Lakh
Income:	
Income from investment business	₹12 Lakh
Other Income	₹18 Lakh
Total	₹30 Lakh

- (i) Whether the company is an investment company as per section 186 and eligible to claim exemption given thereunder? **1**
- (ii) The Board of Directors of XYZ Ltd is considering the proposal for making the investment in ABC Ltd. The company has 5 directors on Board and in the Board Meeting 4 directors were present, three of them gave the consent to the proposal and one director abstained from voting. Comment on the same. **(8 Marks)**

- (b) Mr. 'Bemaan' purchased a flat out of the proceeds obtained by illegal transactions of business. The flat was attached by the Director of Enforcement Directorate after complying with the procedures under Section 5 of the Prevention of Money Laundering Act, 2002. Mr. 'Bemaan' got a stay from the High Court for any proceedings under the said Act. The stay was subsequently vacated.

State the relevant provisions of the PMLA, 2002 for computing the period of provisional attachment including extension, if any.

Whether Mr. 'Beta', son of Mr. "Bemaan" can occupy the flat during the period of provisional attachment? **(6 Marks)**

6. (a) XYZ Company Ltd. entered into an agreement with PQR Company Ltd. for the supply of terrain tyres to PQR Company Ltd for a period of 5 years. The agreement had referred to the terms and conditions contained in the Indian Tyre Manufacturing Association for sale and purchase of manufacturing tyres. Clause 14 of the terms provided that if any dispute arises between the parties, the same shall be mutually decided by the parties or shall be referred for arbitration if the parties so determine. You are required to state whether the parties under the agreement will be able to refer the dispute, if any, to the arbitration considering the given scenario and the provisions of the Arbitration and Conciliation Act, 1996. **(6 Marks)**

- (b) Ava is holding the post of directorship in 8 listed entities as on January 2019. She received an offer of directorship from another listed entity in April 2020. Ava is holding the position of Whole Time Director in a listed entity. Besides this, she is also getting offer of independent directorship in some 6 listed entities. In one of the listed entities, Ava asked for allotment of the stock option.

Ava, as an independent director has to devote much time in reading and understanding the agency items put forwarded to her before the Board meeting. She expects to be rewarded with suitable compensation for the same. Ava is a Chartered Accountant. In one of the listed entities, she was offered to hold the position of chairperson in the meeting of the audit committee.

Based on the information and profile of Ava, answer the following questions as per the requirement of SEBI (LODR) Regulations, 2015:

- (i) Whether Ava can join the 9th listed entity as a director with effect from April, 2020?
- (ii) Ava is holding the position of WTD in a listed entity. In how many more companies she can be an independent director?
- (iii) Whether Ava can be Chairperson in Audit Committee of Boards in a listed entity? **(8 Marks)**