

**MOCK TEST 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*

**Maximum Marks: 100 Marks**

**Time Allowed: 3 Hours**

**QUESTIONS**

1. (a) XYZ, Public 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 deed.
  - (iii) Comment upon the appointment of Mr. Khurana as a director in PQR Ltd. **(8 Marks)**
- (b) Mr. G applied to be appointed as a member in the place of his brother Mr. Kumar, who was financial analyst (who met with an accident) in Bombay stock exchange. Governing body of the Stock exchange finds him to be eligible as member, considering him a close relative of Mr. Kumar. Rather experience and knowledge of Mr. G was not in alliance with the required skill for the conduct of business in securities.

Determine the following issues in the above given situation with the reference to the provisions of the SCRA, 1956-

- (i) Validity as to the appointment of the Mr. G in the Stock exchange.
  - (ii) Where the working of the governing body of the stock exchange is unethical. The Central Government served a written notice for the supersession of the governing body. **(6 Marks)**
- (c) (i) Ali was assigned by Mr. X to deliver counterfeit currency-notes to one of his close friends to Hongkong for which hefty commission was fixed by the Mr. X. Advise, whether the said act can be considered as money laundering. Who shall be liable for the commission of the money Laundering? **(4 Marks)**
- (ii) Ms. Farida with an intent to deceive the public, personated herself as a public servant and misused his position and gained monetary benefits. She was arrested for the said cognizable and non-bailable offence for a term of Imprisonment for 2 years and with fine. Discuss in the light of the Prevention of Money Laundering Act, 2002, liability of Ms. Farida in the said situation **(2 Marks)**
2. (a) Mr. B. Dutt is the Managing Director of Food Plaza Restaurants Private Limited (FPRPL). FPRPL was incorporated in furtherance of a Joint Venture Agreement ("JVA") between Mr. B. Dutt and Jack India Pvt. Limited (JIPL) in 2017, both having 50% of equal share in the said company. FPRPL

was to be governed by the terms and conditions set out in its Memorandum of Association and its Articles of Association.

During the course, JIPL held the Board meeting, without giving prior notice of such meeting to Mr. B. Dutt, took decision to remove Mr. B Dutt with an allegation of mismanagement of fund in FPRPL. JIPL pressurised him to sell his shares at Rs. 5 crore, against Rs. 15 crore which is the fair market price of Mr. B. Dutt shares.

Advise whether Mr. B. Dutt has right to claim any relief and would he succeed in obtaining relief from Tribunal on the ground of oppression by JIPL? **(7 Marks)**

- (b) XYZ Ltd. proposed for amalgamation with the PQR Ltd. The issued and paid up capital of XYZ Ltd. is Rs. 5 crore consisting of 5,00,000 equity shares of Rs. 100 each. The said company has 500 members. It was believed by certain members of the company that the proposed Scheme of amalgamation resulting into the transfer and disposal of funds and assets of the company to the transferee, will be effecting their interest. So, 80 members holding 10,000 equity shares of the company decided to file an application for relief before the Tribunal.

Examine the given situation in the light of the Companies Act, 2013-

- (i) Whether the said petition will be maintainable.
- (ii) In case where it appears to the Tribunal, that such proposal is likely to effect the interest of the members, remedy available to the aggrieved members. **(5 Marks)**
- (c) Describe the Power of special court on trial of an offence where it appears to the Special Court that the nature of the case is such that the sentence of imprisonment for a term exceeding one year may have to be passed. **(2 Marks)**
- (d) ABC Pvt. Ltd. is a construction company. Mr. Builder is a Chief Engineer of the ABC Pvt. Ltd. A common arbitration agreement was framed by ABC Pvt. Ltd. in case of disputes if arises under any contract. According to the term of an agreement, any question, claim, right, matter, thing, whatsoever, in any way arising out of or relating to the contract designs, drawings, specifications estimates, instructions, or orders, or those conditions or failure to execute the same whether arising during the progress of the work, or after the completion, termination or abandonment thereof, the dispute shall, in the first place, be referred to the Chief Engineer who has jurisdiction over the work specified in the contract. The Chief Engineer shall within a period of ninety days from the date of dispute brought into notice, give written notice of his decision to the contractor. Chief Engineer's decision shall be final. Examine on the validity of such arbitration agreement. **(6 Marks)**
3. (a) How the compromise or arrangement scheme is adopted by the companies entering into any contract under the companies Act, 2013? **(3 Marks)**
- (b) Rudraksh Ltd. related to manufacturing of tyres works, was incorporated in January 2017. Due to certain cause, it failed to commence its business for 1 year. In April, 2018, Rudraksh Ltd. filed a application to the tribunal for the merger of the company with the Shri Narayan Ltd.
- In between, in August 2018, Rudraksh Ltd. after extinguishing all its liabilities in compliance, filed an application to the Registrar for the removal of its name from the register of companies.
- Shri Narayan Ltd, came to know of the fact of their filing of an application for removal of names. It took the plea that section 248 w.r.t. filing of application for removal of names shall not be applicable on the Rudraksh Ltd., due to pendency of an application of a proposed merger scheme.
- Determine as per the given facts, whether the objection made by the Shri Narayan Ltd. against the filing of an application for removal of name by Rudraksh Ltd. is tenable. **(8 Marks)**

- (c) List the common obligations of listed entities assigned under the SEBI (LODR) Regulations, 2015. **(3 Marks)**
- (d) (i) One of the directors, of the Abhiman Ltd. is a person of India origin with US citizenship. He wants to acquire a commercial premises in India and then lease it to the company (Abhiman Ltd.). Is this permissible under FEMA? Will your answer be different if that director is a US citizen of non-Indian origin? **(4 Marks)**
- (ii) Aman limited has issued listed bonds five years ago, which is due to be redeemed in the current year worth 50 crore. Market analyst feels that the projected cash flows and profitability seems inadequate to repay the bond value. The single largest bond holder Deep Ltd. holds bonds worth 20 crore, and wants to explore its options under SARFAESI law, in case Aman limited fails to repay the debt. Please advise whether Deep Ltd. can have any remedy under the SARFAESI Act. **(2 Marks)**
4. (a) Mr. Xavier, a Director of Mac Ltd., was appointed on 1<sup>st</sup> April, 2017. One of the terms of appointment was that if the company had no profits in a particular year, he will be paid remuneration in accordance with Schedule V. For the financial year ended 31<sup>st</sup> March, 2018, the company suffered heavy losses. The company was not in a position to pay any remuneration but he was paid Rs. 60 lacs for the year, as paid to other directors. The effective capital of the company is Rs.100 crores.
- Besides, Mr. Young was appointed as Managing Director in the Company. He was appointed for the term of 5 years with effect from 1.4.2014 on a salary of Rs. 12 lakh per annum. The Board of Directors of the company on coming to know of certain questionable transactions, terminated the services of the Mr. Young from 1.3.2018. Mr. Young termed his removal as illegal and claimed compensation from the company.
- Integrating the given facts in terms of the relevant provisions of the Companies Act, 2013, Examine the following situations:
- (i) Validity of the payment of remuneration to Mr. Xavier.
- (ii) Compensation paid, if any, to Mr. Young. **(8 Marks)**
- (b) Param Ltd. is holding 35% of the paid up equity capital of Bombay Stock Exchange. The company appoints Veer Ltd. as its proxy who is not a member of the Bombay Stock Exchange, to attend and vote at the meeting of the stock exchange.
- Advise, in the given situation whether the Bombay Stock Exchange can restrict the appointment of Veer Ltd. as proxy for Param Ltd. and further restrict, the voting rights of Param Ltd. in the Bombay Stock Exchange. **(6 Marks)**
- (c) Top Limited failed to repay the amount borrowed from the bankers, XYZ Bank, which is holding a charge on all the assets of the company. XYZ Bank took over control of the company in compliance to the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 by appointing five persons as directors. The company is managed by a Managing Director, Mr. MD.
- Examine in the light of the SARFAESI Act, whether Mr. MD is entitled to compensation for loss of office. **(3 Marks)**
- (d) Discuss the Principles on the basis of which the Insolvency Professional Agency (IPA) is enrolled and regulate insolvency professionals as its members in accordance with the I & B Code, 2016. **(3 Marks)**

5. (a) ABC Ltd. is a listed company having 50,00,000 equity shares of Rs. 100 each as its paid up capital. Of the total shareholders of the company there are 20000 shareholders who are holding shares of nominal value of not more than Rs. 20000 each. A group of shareholders who had applied for these shares at the time of issue of such shares by the company by issuing prospectus and been allotted these shares, wants to appoint a small shareholder's director to safeguard their interest and to get a proper representation in the company. A total number of 1500 such small shareholders decided to propose Mr. X as their candidate for this post.

In the light of the Companies Act, 2013 on the basis of the facts provided, determine the following situations—

- (1) What procedure should be followed by group of shareholders to have Mr. X, a small shareholder director in the Board of Directors of the company?
  - (2) What are the provisions related to his (Mr. X) status as an independent director and what exceptions are available to him in relation to his appointment as a director? **(8 Marks)**
- (b) "Fresh fruits co-operative society" was working as a Inter-State Co-Operative Society. The society was having it's presence in Maharashtra, Himachal Pradesh, Uttar Pradesh, Uttarakhand, Gujarat, Rajasthan and Jammu and Kashmir. The main functions of the society included growing, grading, pooling, collecting, marketing, selling, preserving, canning, brewing, packaging etc. of fruits and cashews grown by it's members. Since it was interstate co-operative society it had offices in every state of it's operation. But with the growth of the business of the co-operative society, the functioning and legal formalities related to it's operation and working were becoming complicated day by day .

So the Directors of the Co-Operative society came up with the idea of converting the Co-Operative society into a Producer Company so that the working of the society can be smoothened. What procedure should be followed by the officers and directors of the society so that this inter state co-operative society can be converted into a producer company as per the provisions of the Companies Act, 1956. **(6 Marks)**

- (c) Mr. Ramlal, an Insolvency professional was appointed as a resolution professional for a corporate insolvency process initiated against the corporate debtor, Monotech Ltd. Mr. Ramlal is a partner of consulting firm M/s supervision and company which is entity recognized under the IBBI. It was discovered that M/s supervision and company had a transaction with the Monotech Ltd. amounting to 11% of its gross turnover in the last financial year 2017-2018.

Analyse the given situation as per the Insolvency and Bankruptcy Code, 2016, and advise on the validity of appointment of Mr. Ramlal as resolution professional against Monotech Ltd.

What if, the creditor of the Monotech Ltd. opines that the resolution professional appointed is required to be replaced. **(6 Marks)**

6. (a) Mr. Single, a director of XYZ Ltd. goes Singapore, for a period of 6 months. Board appoints Mr. Replacement, in his place as an alternate director. Mr. Replacement was also holding directorship in XYZ Ltd. Identify the nature of appointment of Mr. Replacement in XYZ Ltd as an alternate director. **(4 Marks)**
- (b) X Inc, a foreign company, registered in UK and carrying on Trading Activity, with Principal Place of Business in Chennai. Since the company did not obtain registration or make arrangement to file Return, registrar having jurisdiction, intends to serve show cause notice on the Foreign Company. As Standing Counsel for the department, advise the registrar on valid service of notice. **(2 Marks)**

- (c) A petitioner presented an application before the tribunal in July, 2017 and order was passed and made available to parties in September, 2017. Aggrieved party filed an appeal before NCLAT in November, 2017. The appeal was pending before NCLAT for 6 months.

Examine in the light of the Companies Act, 2013, the following issues –

- (i) Whether the filling of an appeal before the NCLAT is in order.
  - (ii) Time period latest by which the NCLAT should dispose off the said appeal **(8 Marks)**
- (d) Mr. Manthan, is deputed to India by his company to develop a software programme for a period of 3 years from 1<sup>st</sup> January, 2016. He is paid salary to his Indian bank account. On 1st May, 2018 he wants to remit his entire salaries ended till 30<sup>th</sup> April, 2018 to his home country USA. State in the light of relevant provision, the way the remittance of the salary may be done as per the Foreign Exchange of Management Act, 1999. **(3 Marks)**
- (e) List the restrictions marked for the grant of the registration and grant of prior permission for acceptance of foreign contribution according to FCRA, 2010. **(3 Marks)**