

Examination of Articled Clerks

Paper II

Corporate Law

WEDNESDAY 13TH MAY 2015

TIME 3 HOURS (1-00PM TO 4-00PM)

(Total Marks -100)

1. Write a short note not exceeding about 75 words on any four of the following:- 20

1. The paid up share capital of company A is Rs 6,00,000, consisting of 1000 equity shares of Rs 100 each and 5000 preference shares of Rs 100 each. Company B holds 3,000 preference shares and 250 equity shares of the company A. Company C holds 750 equity shares and 2,000 preference shares of the company A. Whether company A can be said to be a subsidiary of company B or of company C ?
2. Scope of secretarial audit under section 204 of the Companies Act 2013.
3. Nomination and remuneration committee.
4. Meeting of independent directors.
5. Key Managerial Personnel.

2. Answer the following with brief reasons:- 10

1. XYZ Limited is a company having a turnover exceeding rupees one thousand crores. During last few years it has made profit/loss as under:

No.	Financial Year	Amount of profit/(Loss)
1	2010-2011	7,50,00,000
2	2011-2012	6,90,00,000
3	2012-2013	4,80,00,000
4	2013-2014	(6,75,00,000)
5	2014-2015	1,50,00,000

During the Financial Year 2015-2016 XYZ Limited is expected to make profits exceeding Rs. 10 Crores as it has got a very lucrative contract. What is the minimum amount which XYZ Limited is required to spend in the Financial Year 2015-16 in pursuance of its Corporate Social Responsibility Policy?

2. Mr X, a technocrat had promoted the company ABC Limited which is listed on Bombay Stock Exchange and has an annual turnover exceeding Rs. 250 crores during last five years. He was the promoter and managing director of ABC Limited till 2001 when he sold his entire shareholding in ABC Limited and ceased to be its promoter but continued as the managing director. He ceased to be the managing director on 1st December 2009, Thereafter he did not have any kind of pecuniary relationship with ABC Limited. Neither he nor any of his relatives hold any shares in ABC Limited. None of the present promoters or directors is related to Mr X. However, Mr X's son was a supplier of certain goods to ABC Limited till three years ago. In the opinion of the board of directors of ABC Limited Mr X is a man of integrity and possesses relevant expertise and experience which can prove to be very useful to ABC Limited. The board of directors want to appoint Mr X as an independent director of ABC Limited. ABC Limited has approached you seeking your views about the steps to be taken for appointing Mr X as an independent director. Please advise ABC Limited.

3 Please write true or false against any **TEN** of the following statements, with reasons **NOT exceeding** three lines:- 20

1. A live-in partner is a "relative" within the meaning of the term used in the Companies Act 2013.
2. A subsidiary company in relation to another company means a company in which the said other company holds at least one-half of the total share capital, including the preference share capital.
3. A shareholder having a grievance against the secretary of the company has a right to inspect the minutes of the meeting of the Stakeholders' Relationship Committee of the board of directors, constituted, inter alia, for the purpose of resolving the grievances of shareholders of the company.
4. The policy formulated by the Nomination and Remuneration Committee under section 178(3) is confidential in nature.
5. A person not having the ability to read and understand the financial statement cannot be appointed a member of the Audit Committee.

6. The board of directors of a private company can make contribution of any amount to any political party without any limit.
 7. The term "relative" includes a deceased daughter's husband who has remarried.
 8. Postal ballot includes voting through any electronic mode.
 9. A one person company can have three directors.
 10. A resolution for appointment of an internal auditor can be passed by the board of directors by circulation.
 11. A member of a private company has a right to inspect the contract of service between such private company and its managing director.
 12. Recommendations made by the Nomination and Remuneration Committee are binding on the board of directors.
- 4 Please write ten bullet points on any two of the following : 20
1. Constitution of the board of directors of a public listed company.
 2. Voluntary winding up of a private company.
 3. Procedure for the formation of a company having the object of promoting art.

Open Book Section

- 1 Please write five bullet points on any three of the following:- 9
1. Delisting of securities
 2. Open offer process under the Takeover Regulations
 3. Spot delivery contracts
 4. Contracts in derivatives
- 2 Please write true or false in respect of any five of the following statements, with reasons **NOT exceeding two lines:-** 10
1. Every person, who holds shares entitling him to exercise 40 % of the voting rights in a target company, has to disclose his shareholding as of 1st January of every calendar year in such target company in such form as may be prescribed. **F**
 2. In a hostile take-over, the board of directors of the target company owes no duty to the acquirer to assist /help the acquirer in verification of shares tendered in acceptance of open offer. **F**

3. During the offer period, the board of directors of the target company can sell of the material assets of the target company after obtaining approval of shareholders by a special resolution passed at a general meeting of the company. **F**
4. The provisions of SEBI Takeover Regulations relating to open offer do not apply to a bonus issue. **T**
5. In a buy-back through the stock exchange, the public announcement must disclose, inter alia, the low market price of the securities of the company proposed to be bought back, during the preceding three years. **T**
6. The provisions of the SEBI Buy-back of Securities Regulations are not applicable to buy-back of preference shares in accordance with the terms of its issue. **T**
7. The provisions of SEBI Takeover Regulations relating to open offer do not apply to acquisition of shares by invocation of pledge by an individual who may have advanced a loan to the promoters. **F**

- 3 XYZ Limited is a listed public company controlled by three brothers A,B and C and their relatives. Under a family settlement amongst A,B and C and their respective families, it has been agreed that B and C (and their family members) will transfer their shares held in XYZ Limited to A (and/or his family members) in consideration of A agreeing to transfer certain other properties to B and C (and/or their family members). Please advise A as to the legal compliances required for giving effect to this part of the family settlement. 11
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