

Company Law

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

NOTE : 1. Answer SIX questions including Question No.1 which is compulsory.
2. All references to sections relate to the Companies Act, 1956 unless stated otherwise.

1. Comment on **any four** of the following :

- (i) Every company intending to invite deposits from public under section 58A must issue an advertisement which shall be signed by all the directors of the company.
- (ii) Doctrine of constructive notice seeks to protect the company against the outsiders.
- (iii) Board meetings of the company to be held at the registered office of the company during the working hours on a day that is not a public holiday.
- (iv) Dividend can be paid out of capital if the articles of association authorise such payment.
- (v) Director Identification Number (DIN) is not mandatory for directors of foreign company having branch offices in India.

(5 marks each)

2. (a) Write the most appropriate answer from the given options in respect of the following :

- (i) The privilege of doing business under the corporate form of organisation is —
 - (a) Limited liability for business debt
 - (b) Unlimited liability for business debt
 - (c) No liability for business debt
 - (d) None of the above.

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- (ii) The question of provisional contract does not arise as the company commences business immediately on its incorporation in case of —
- (a) A public company
 - (b) A private company
 - (c) Both (a) and (b)
 - (d) None of the above.
- (iii) The money paid by the subscribers must be returned forthwith, if the minimum subscription is not raised within —
- (a) 30 Days after the issue of the prospectus
 - (b) 60 Days after the issue of the prospectus
 - (c) 120 Days after the issue of the prospectus
 - (d) 180 Days after the issue of the prospectus.
- (iv) In the absence of a valid nomination, on the death of a sole owner of shares, the rights and liabilities go in favour of the —
- (a) Company
 - (b) Government
 - (c) Registrar of Companies
 - (d) Legal heirs.
- (v) Appointment of an alternate director is the prerogative of the —
- (a) Board of directors
 - (b) Shareholders
 - (c) Government
 - (d) None of the above.

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- (vi) Section 226 containing provisions about qualifications and disqualifications of auditors is applicable to —
- (a) Public companies
 - (b) Private companies
 - (c) Section 25 companies
 - (d) All companies.
- (vii) According to section 294, no company shall appoint a sole selling agent for any area for a term exceeding —
- (a) 2 Years
 - (b) 3 Years
 - (c) 5 Years
 - (d) None of the above.
- (viii) Which of the following court is empowered to supervise the implementation of the scheme of compromise and arrangement under section 392 —
- (a) Supreme Court
 - (b) High Court
 - (c) Sessions Court
 - (d) None of the above.

(1 mark each)

- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) A company being a legal entity must have a _____ of its own to establish its separate identity.
 - (ii) _____ means a prospectus issued by any financial institution or bank for one or more issues of securities or class of securities specified in the prospectus.
 - (iii) Where a company borrows without the authority conferred on it by its articles or beyond the amount set-out in the articles, it is an _____ borrowing.

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- (iv) A _____ is a security given for securing loans or debentures by way of a mortgage on the assets of the company.
- (v) The Depositories Act, 1996 specifies that all _____ held in a depository are fungible.
- (vi) A director can act for _____ months without possessing the qualification shares.
- (vii) For any public deposit matured and claimed but remaining unpaid, the company should pay a penal interest of _____ per annum for overdue period.
- (viii) _____ means the profits which the law allows the company to distribute by way of dividend.

(1 mark each)

3. Write notes on *any four* of the following :

- (i) Conclusive evidence
- (ii) True and fair view
- (iii) Digital signature
- (iv) Essentials of a mortgage
- (v) Divisible profits
- (vi) Independent director.

(4 marks each)

4. (a) Define 'oppression and mismanagement'. What are the powers of the Government of India to prevent oppression and mismanagement ?

(8 marks)

(b) What are the objects of Multi-State Cooperative Society ?

(8 marks)

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5. (a) The managing director of a public limited company applied for purchasing a company's flat. The price of the flat is ₹40 lakh. The managing director suggested that he may be allowed to pay ₹20 lakh and the balance of ₹20 lakh may be recovered from his salary in 40 installments. Accounts department observed that it will tantamount to providing house building advance to the managing director which is not covered by the rules of the company. Being the Company Secretary of the company, you have been asked by the Board of directors to examine and submit a note stating the rules in this regard and action to be taken for considering the request.

(8 marks)

- (b) Can an insurance company commence business immediately after getting registered under the Companies Act, 1956 and obtaining certificate of commencement of business ? If not, what are the formalities required to be fulfilled before commencing business ?

(8 marks)

6. (a) Well-done Ltd. wants to make a first call of ₹30 on equity share of nominal value of ₹100 each on 16th October, 2011. Can it do so ? Further, if the company proposes to make second call on 7th November, 2011, will it be permitted to do so ?

(4 marks)

- (b) The chairman and managing director of Progressive Ltd. resigned on 6th May, 2009 as such, but the company filed Form No.32 with the Registrar of Companies stating the date of resignation as 15th March, 2010. The company issued various cheques to its investors in repayment of their deposits after 6th May, 2009 which were bounced. The investors filed a complaint against the former chairman and managing director. The articles of association of the company provided that the resignation would be effective from the date it was tendered. Will the chairman and managing director be liable in the instant case ?

(4 marks)

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- (c) A registered office was shifted from one State to another. A labour litigation was pending before the court. So, the employees objected to transfer. Whether the objection of the employees is sustainable ?

(4 marks)

- (d) Accounting year of Devdatta Ltd. ends on 30th June, 2009. It is required to hold an annual general meeting by 31st December, 2009. Due to some reason, the annual general meeting could not be held in December, 2009. On an application, the Registrar of Companies granted permission to hold the meeting in February, 2010. The annual general meeting was duly held in February, 2010.

Has the company complied with the requirements of holding annual general meeting every year ? Will it amount to contravention of the provisions of section 166 ?

(4 marks)

7. State, with reasons in brief, whether the following statements are true or false :

- (i) An incorporated company never dies except when it is wound-up as per law.
- (ii) An auditor of a government company is appointed by the Central Government on the advice of Comptroller and Auditor General of India.
- (iii) A company has a statutory right to alter its articles of association.
- (iv) A public company can be converted into a private company without the approval of the Central Government.
- (v) A company may create a mortgage or a charge, including a floating charge, on any of its book-debts.
- (vi) The power to make calls is exercised by the shareholders in their meetings by means of a resolution.
- (vii) Shares of a company can be a subject matter of a valid pledge.
- (viii) The Companies Act, 1956 lays down certain qualifications for a person to be appointed as a director of a company.

(2 marks each)

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8. (a) “The objective of introduction of secretarial standards by the ICSI is to integrate, harmonise and standardise the diverse practices for good governance.” Explain.
(6 marks)
- (b) Who may petition for winding-up of a company ? What are the procedures for winding-up of unregistered company ?
(6 marks)
- (c) Discuss the term ‘profit and loss account’ of a company. What are the matters to be disclosed in the profit and loss account ?
(4 marks)

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