

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 7

Total number of printed pages : 6

**P A R T – A**

(Answer ANY TWO questions from this part.)

1. (a) Choose the most appropriate answer from the given options in respect of the following :
- (i) Approval from the Ministry of Corporate Affairs is required for –
    - (a) Declaring a company as defunct
    - (b) Rectification of name of the company
    - (c) Exemption on extension of time for repayment of deposits
    - (d) Allotment of shares to a minor.
  - (ii) Shifting of registered office of a company out of the jurisdiction of one Registrar of Companies to another but within the same State requires approval –
    - (a) By Board resolution
    - (b) By special resolution of members of the company
    - (c) By confirmation order issued by Regional Director
    - (d) By the Company Law Board.
  - (iii) When an arrangement has been proposed for the purpose of re-construction of a company, the scheme should be approved by –
    - (a) Holders of three-fourths in value of the shares concerned
    - (b) Holders of nine-tenths in value of the shares concerned
    - (c) Holders of two-thirds in value of the shares concerned
    - (d) None of the above.
  - (iv) When a company creates any charge on its assets requiring registration as per section 125 of the Companies Act, 1956, it should file the particulars of charge with the Registrar of Companies in the –
    - (a) E-form No.8
    - (b) E-form No.10
    - (c) E-form No.21
    - (d) E-form No.23AA.

(1 mark each)

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(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) In the case of misconduct by members of the Institute of Company Secretaries of India covered in both the First Schedule and the Second Schedule, the disciplinary committee may impose fine upto Rs. \_\_\_\_\_.
- (ii) After payment of fees, a document can be viewed by the user only for a total period of \_\_\_\_ hour(s) after the viewer has started viewing the first document of the company.
- (iii) Application to the Central Government for modification in the matters to be stated in the company's balance sheet or profit and loss account shall be made in Form \_\_\_\_\_.
- (iv) In case of inadequacy of profits and where remuneration proposed by the company exceeds Rs.4 lakh per month or Rs.48 lakh per year, such remuneration will be approved by the Central Government for a period not exceeding \_\_\_\_\_ year(s) at a time.

(1 mark each)

(c) Section 295 is an important provision in the Companies Act, 1956 to prevent unlawful diversion of funds with heavy penalties for its violation. However, there are instances where section 295 is not applicable. Mention five such instances.

(6 marks)

(d) State the circumstances under which no offence shall be deemed to have been committed for failure to distribute dividends within thirty days under section 207 of the Companies Act, 1956.

(6 marks)

2. (a) State, with reasons in brief, whether the following statements are correct or incorrect :

- (i) A member of the Institute of Company Secretaries of India having atleast 10 years working experience as a Secretary in Whole-time Practice is eligible to be appointed as a Technical Member of the Company Law Board.
- (ii) Appearance or participation in professional capacity in the AIR/TV or other forums where a reasonable amount of biographical material may be given without in any way referring to the member as specialist in any branch of work would fall under 'professional misconduct'.
- (iii) In case of public issue by a listed company, it is not necessary to disclose the issue price or price band in the draft prospectus filed with SEBI.
- (iv) Issue of shares under Employees' Stock Option Scheme to persons registered outside India is not permissible.
- (v) The scope of MCA-21 project does not cover offices of Official Liquidators and Company Law Board.

(2 marks each)

- (b) A statutory corporation purchased a large number of shares of various industrial undertakings, prices of some of which are quoted in the stock market while others were unquoted. A question has been raised as to whether fair prices were paid or not. State the usual basis for the valuation of shares.  
(6 marks)
- (c) The Board increased the remuneration of its Executive Director and the same was approved in the extra-ordinary general meeting. Indicate the form required to be filed with the Registrar of Companies and prepare a check-list for the same.  
(4 marks)
3. (a) Brave Heart Ltd. borrowed Rs.100 lakh from Delight Bank Ltd. against fixed assets of the company for which the charge was already created. The company has now repaid the loan amount in full. Indicate the e-form required to be filed by the company with the Registrar of Companies and prepare a check-list for the same.  
(6 marks)
- (b) For preventing fraudulent and unfair trade practices, SEBI has framed several regulations. Explain briefly the regulations framed in respect of the following :
- (i) Prohibition against the market manipulation.
  - (ii) Prohibition of misleading statements to induce sale or purchase of securities.
  - (iii) Prohibition of unfair trade practices relating to securities.
- (3 marks each)
- (c) Examine whether a director working in a company vacates his office because of the subsequent disqualification under section 274(1) (g) of the Companies Act, 1956.  
(5 marks)

**P A R T – B**

*(Answer Question No.7 which is compulsory and any two of the rest from this part.)*

4. (a) Mention the matters to be included in auditors' report under the Companies (Auditor's Report) Order, 2003 in the following cases :
- (i) Overdue amount is more than Rs.1 lakh.
  - (ii) Funds raised on short-term basis have been used for long-term investment and *vice versa*.
  - (iii) A listed company and/or other company having a paid-up capital and reserves exceeding Rs.50 lakh at the commencement of the financial year concerned, or having an average turnover exceeding Rs.5 crore for a period of three consecutive financial years immediately preceding the financial year concerned.

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(iv) A company has accepted deposits from the public but the provisions of sections 58A and 58AA have not been complied with.

(1 mark each)

(b) "Cost audit is an audit of efficiency, of minute details of expenditure, while work is in progress and not a post-mortem examination." Discuss the statement with reference to authoritative definition.

(6 marks)

(c) Distinguish between --

(i) 'Efficiency audit' and 'propriety audit'; and

(ii) 'Internal audit' and 'statutory audit'.

(3 marks each)

(d) Name the appropriate type of audit applicable for the approval of the following functions :

(i) To probe the balancing between authority and responsibility.

(ii) Strengthen the factors for continuity and growth of business.

(iii) Long-term and short-term strategies of a department have been evolved and are efficiently used.

(iv) To find out whether there has been any misuse of business funds.

(1 mark each)

5. (a) "Inter-firm comparison is a tool for the management to improve overall performance." Elaborate.

(4 marks)

(b) "Internal control systems should be commensurate with the size, nature and complexities of the business." Explain.

(8 marks)

(c) Vivek, Managing director of Bright Ltd., feels that adequate information is provided to the shareholders through duly audited financial statements and the performances of all the managers is continuously reviewed by him and as such the so called 'management audit' is redundant and waste of money. As the Company Secretary of Bright Ltd., advise Vivek suitably highlighting the objectives of management audit and the elements in management function covered.

(8 marks)

6. (a) State, with reasons in brief, whether the following statements are correct or incorrect :

(i) Management auditor does not have to comment on the management's decision itself but has to act as an aid to the management.

(ii) One of the main objectives of cost audit is curbing profiteering in case of scarce goods.

- (iii) Internal control can provide a reasonable but not absolute assurance that the objectives are achieved.
- (iv) The essential feature of operational audit is scrutiny and review of internal controls and to check and ensure that any deficiencies found are corrected.
- (v) The scope and objective of internal audit is not to provide for a channel of communicating new ideas to the top management.

(2 marks each)

- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) Propriety audit involves in finding out whether the assets have been properly used and \_\_\_\_\_ against misuse.
- (ii) Internal audit is an aid to the business control and is not a \_\_\_\_\_ for management.
- (iii) Operational audit is a newer and more important phase of internal audit technique with audit \_\_\_\_\_.
- (iv) Cost Accounting Standard-1 issued by the Institute of Cost and Works Accountants of India deals with \_\_\_\_\_.

(1 mark each)

- (c) "Ratio analysis is an effective tool for establishing a useful relationship between the related but scattered data into meaningful and orderly patterns." Critically examine.

(6 marks)

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

- (i) The test that could not only verify the functionality but also the control structure is –
  - (a) System testing
  - (b) Pilot testing
  - (c) Unit testing
  - (d) Regression testing.
- (ii) The first task of Information System (IS) Auditors is to assess the risk of –
  - (a) Cascading of errors in integrated systems, the output of one sub-system goes as input to another and so on
  - (b) Identify key control points
  - (c) Identify control weaknesses
  - (d) Verifying veracity of computer files.

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(iii) The general objective of information system audit is –

- (a) Automation of internal auditing activities
- (b) Observation 'on location' of work environment
- (c) Organisational structure, flow chart and file inter-relation
- (d) Organisational hierarchy and segregation of duties.

(1 mark each)

(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) An efficient information system uses \_\_\_\_\_ resources to achieve its objectives.
- (ii) With the increasing use of \_\_\_\_\_ systems, the complexity of systems and risk of errors, sabotage and fraud have increased manifold.
- (iii) The significance of systems audit is sharply highlighted by the way businesses are \_\_\_\_\_.

(1 mark each)

(c) Explain the following terms in connection with systems audit :

- (i) Repudiation
- (ii) Spoofing
- (iii) Pseudo code
- (iv) Kiting.

(2 mark each)

(d) Write short notes on **any two** of the following :

- (i) Fire walls
- (ii) Programing
- (iii) Debugging a program.

(3 marks each)

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