aglasem.com

FOR CS EXECUTIVE EXAM PREPARATION

CS Executive 2024 Question Paper · Company Law and Practice

EXAM	YEAR	TYPE	SUBJECT
CS Executive	2024	Question Paper	Company Law and Practice

DATE

June 2024

NEW SYLLABUS

522

Roll No. .....

Time allowed : 3 hours ***Maximum marks : 100***

Total number of questions : 6 ***Total number of printed pages : 15***

NOTE : *Answer* ***ALL*** *Questions.*

Case Study

Manoranjan, a young Journalist and MBA with flair for writing started a small net-based business of content writing in the year 2011 by the name–Nirbheek Contents. Initially, his business focused on website copywriting and business blog writing. Riding the wave of sourcing work from India by western countries, his business grew quite rapidly.

Having taken the business to the highest level his focus shifted from writing contents himself to have a team to write content. He personally monitored them to ensure quality. In the year 2016, he formed a media company namely (MTR) Ltd. in Delhi and had a team of fifty persons who were working with him on regular basis.

With the initiative of Manoranjan being very ambitious and positive about his business MTR Ltd. expanded the business by entering into the business of printing books, journals, exporting printed material to the foreign clients etc. After few years the Board decided for demerging its both business where MTR Limited (MTR or ‘‘Demerged Company’’) shall remain engaged in media business and a new company i.e., ATR Limited (ATR or ‘‘Resulting Company’’) which was formed will engage in the printing business.

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

The Board of Directors of MTR & ATR approved the scheme of arrangement in their respective meetings. Accordingly, the complete printing business, as a going concern of the demerged entity, was required to be transferred including its assets and liabilities which belong to the printing business of the demerged company to the resulting company. However, the immovable properties were excluded from the deal.

A meeting of members of MTR Limited was convened under the order of the Hon'ble NCLT to consider a scheme of compromise and arrangement. Notice of the meeting was sent in the prescribed manner to all the 1200 members holding in the aggregate 1,00,00,000 shares. The meeting was attended by 900 members holding 60,00,000 shares. 420 members holding 44,00,000 shares voted in favor of thc scheme. 360 members holding 12,00,000 shares voted against the scheme. The remaining members abstained from voting.

A group of creditors of MTR Limited was against the ongoing scheme of arrangement and they made a complaint to the concerned Registrar of Companies (the Registrar) alleging that the management of the company has indulged in destruction and falsification of the accounting records of the company and proposed scheme is not in the interest of the unsecured creditors.

The registered office of ATR Ltd. is presently situated in the premises of MTR Ltd. However, in order to have a separate registered office for corporate business ATR Ltd. hired the premises in the same city where its registered office will be shifted after complying with the legal formalities.

XYZ Limited, an associate company of MTR Limited, has a paid-up capital of ₹ 460 lakhs and accumulated free reserves of ₹ 740 lakhs. Loss for the year ending 31st march, 2023 is ₹ 74 lakhs.

522

Dividend was declared at the following rates during the three years immediately preceding to the year 2022-23 :

Year 1 10%

Year 2 12%

Year 3 14%

Based on the above information and referring to the provisions of the Companies Act, 2013 answer the following :

1. (*a*) Examine, whether the scheme of compromise and arrangement is approved by the requisite majority of members.

(*3 marks*)

(*b*) A group of creditors of MTR Limited, not satisfied with the scheme being approved in a fraudulent manner, made a complaint to the Registrar of Companies (the Registrar) and the Registrar, immediately on receiving the complaint, attempted during the business hours at 11 a.m. on 25th September, 2023 to enter the premises of the company for seizure of the record but the company opposed to it on the contention that the Registrar has no power to enter the premises and seize the record without the order of the special court. Decide, whether the contention of the company is valid.

(*3 marks*)

(*c*) What is the maximum rate at which the dividend can be declared by XYZ Limited ?

(*3 marks*)

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

(*d*) What is the amount available for declaration of the dividend subject to fulfillment of other conditions in case XYZ Limited declares the dividend ?

(*3 marks*)

(*e*) Referring to the provisions of the Companies Act, 2013 explain the managing director of ATR Ltd. the formalities to be completed before and after shifting of the registered office clarifying whether the approval of members of the company through a special resolution is required for it.

(*3 marks*)

2. (*a*) P Limited (the company) is a wholly owned subsidiary of Q Limited. The company P Limited wants to make an application for the merger Holding and Subsidiary companies under Section 232 read with Section 230 of the Companies Act, 2013. The Company Secretary of Q Limited is of the opinion that the company cannot apply for merger as per Section 232 of the Act and it shall be mandatory for the company to apply for merger as per Section 233 of the Act i.e., Fast Track Merger. Is the contention of the Company Secretary tenable as per the Act ?

(*3 marks*)

(*b*) XYZ Limited, a listed company was incorporated on 1st August, 2020 with the objective of dairy business. Demand for dairy products was high in the area due to that the sales are remarkable, and business was outstanding. Hence, the Board of Directors in its meeting approved the proposal to set up a new unit in West Bengal and also resolved to raise the funds by issuing shares of the company to the public. The company intends to raise share capital by issuing equity shares in different stages over a certain

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

period of time according to the construction works of the new unit. However, the company does not wish to issue prospectus each and every time of issue of shares. What can be the way out for the company to follow to avoid repeated issuance of prospectus ? Advise, in light of the provisions of the Companies Act, 2013.

(*3 marks*)

(*c*) Sunrise Online Coaching Limited (the company) is registered in Singapore. It has no place of business established in India, however, it is conducting online educational courses and providing online tutorials and coaching for various courses by charging fee for Indian students who have joined the courses online from India. The registered office is situated at Singapore and having its main server for online coaching outside India. State the status of the company under the provisions of the Companies Act, 2013.

(*3 marks*)

(*d*) M/s. NRS Biochemicals Limited is planning to buy-back of its shares during the financial year 2023-24 but the company has defaulted in the payment of term loan and interest thereon to its bankers and not filed the annual return for the financial year 2022-23. The company seeks your advice as to how and when the company can buy-back its shares under these circumstances as per the provisions of the Companies Act, 2013.

(*3 marks*)

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

(*e*) Global Services Limited is planning to issue its equity shares through private placement to some of the persons residing outside India. There is a provision in the Articles of Association of the company for issuing equity shares to the foreigners through private placement. Board in its meeting approved the resolution allotting 10,000 shares to A and B who reside outside India. You are requested to elucidate the compliance requirement of the following referring to the provisions of the Companies Act, 2013 :

(*i*) Maintenance of foreign register of members ?

(*ii*) Option available, if any, to discontinue the maintenance of foreign register of members.

(*3 marks*)

3. (*a*) Referring to the provisions of the Companies Act read with the relevant Rules examine, whether the following amounts received by a company will be considered as deposits or not :

(*i*) Tiwari Exports Limited has raised ₹ 12,00,000 through issue of non-convertible debentures not constituting a charge on the assets of the company and listed on a recognized stock exchange as per the applicable regulations made by the Securities and Exchange Board of India.

(*ii*) National Refrigeration Ltd., a leading fridge manufacturer in North India, received ₹ 2 crore from Mr. Ankit for supply of 2000 fridge and made appropriation of such advance after expiry of 390 days from the date of acceptance of such advance.

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

(*iii*) Lalit ceased to be a director of ABC Pvt. Limited (the company) by resignation w.e.f. June 15, 2023 and the company received Rs. 50,00,000/- (Rupees Fifty lakh) from Priya (spouse of Lalit) on June, 10, 2023 and the amount was self-earned savings of Mr. Priya as per her declaration.

(*2+2+1=5 marks*)

(*b*) ABC Ltd. is engaged in the manufacture of ayurvedic medicines, sales are good. Over the years, it has built a good reputation in the market made the huge profits and its Balance Sheet as at 31st March, 2023 shows the following position :

Authorized Share Capital	(50,00,000 equity shares of face value of ₹ 10/- each) ₹ 5,00,00,000/-
Issued, subscribed and paid-up share capital	(10,00,000 equity shares of face value of ₹10/-each, fully paid-up) ₹ 1,00,00,000
Free Reserves	₹ 30,00,000
Securities Premium	₹ 10,00,000
Debenture Redemption Reserve	₹ 10,00,000

The Board of Directors proposes to declare a bonus issue of 1 share for every 2 shares held by the existing shareholders. The Board wants to know the sources, conditions of bonus issue and the maximum number of bonus shares that can be issued under the provisions of the Companies Act, 2013.

(*5 marks*)

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

(*c*) The Board of Directors of Green Stone Limited (the company) consists of total 8 executive directors and 2 non-executive directors. 4 executive directors in collusion with the auditor of the company manipulated the accounts of the company in their own interest. By knowing the conspiracy, the other directors decided to file an application before the Nation Company Law Tribunal (the Tribunal) to pass the order for the removal of the auditor. In view of the given facts and referring to the provisions of the Companies Act, 2013 advise the applicant directors :

(*i*) Whether the Tribunal is a competent authority to entertain the application of few directors for removal of auditor of the company ?

(*ii*) Will the auditor of Green Stone Limited be eligible to be appointed as an auditor of other company, if he is removed by the order of the Tribunal ?

(*3+2=5 marks*)

Attempt all parts of either Q. No. 4 or Q. No. 4A

4. (*a*) Investigation proceeding under the provisions of the Companies Act, 2013 is being carried out against XYZ Limited (the company). During the investigation, the Tribunal has a reasonable ground to believe that a removal, transfer or disposal of funds, assets or properties of the company is likely to take place in a manner that would be prejudicial to the interest of the company. In this connection, the Tribunal requested the company's legal advisers and the bankers respectively to disclose and furnish a copy of the relevant communication made by them to the company. But they refused to share any document or disclose any information relating to their clients under

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

investigation. Under the circumstances, the Tribunal wishes to pass an order to :

(*i*) Freeze the assets of the company.

(*ii*) Punish the company for the contravention, if any, of the order of the Tribunal.

(*iii*) Compel the legal advisers and the bankcrs to provide the required information.

In the light of the provisions of the Cornpanies Act, 2013 analyses, whether the Tribunal has the power to do so in respect of the above situations.

(*2+1+2=5 marks*)

(*b*) State, whether the following persons are eligible to be appointed as auditor of a company under the provisions of the Companies Act, 2013 :

(*i*) Directors of MNO Ltd. (the company) want to appoint Keshav, a fellow member of ICAI and practicing Chartered Accountant as an auditor of the company. Naveen, one of the partners of Keshav's CA firm, has given guarantee for ₹ 1.10 lakhs only in connection with indebtedness of any third person to a subsidiary of the company.

(*ii*) Directors of DEF Ltd. want to appoint Aryaman, a practicing Chartered Accountant as an auditor of the company. Aryaman is indebted to the company for ₹ 4,95,000.

(*iii*) Manju is working as purchase manager in RST Ltd. directors RST Ltd. want to appoint Vaibhav, husband of Manju as an auditor of the company.

(*2+2+1=5 marks*)

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

(*c*) Rockstar Limited (the company) is having its registered office at Hyderabad and also set-up an establishment in the Germany. It obtained a loan from the German bank creating a charge on the assets of the foreign establishment. The company received a notice from the Registrar of Companies (the Registrar) for not filing the particulars of charge created by the company on the property or assets situated outside India. The company wants to defend the notice on the ground that the company is not required to register the particulars of the charge created on the assets not located in India. Referring to the provisions of Companies Act, 2013 advise the company, whether the stand taken by the company is correct. Also, apprise the company of the provision regarding the timeline without extension, for registering the particulars of the charge and the effect of its non-registration.

(*5 marks*)

Or (Alternate Question to Q. No. 4)

4A. (*i*) Suresh has done his MBA from a reputed Institution of Management and wants to incorporate a private or public company to start e-commerce business in various daily need products. Explain him the distinctions between these two types of companies referring to the provisions of the Companies Act, 2013.

(*5 marks*)

(*ii*) The issued and paid-up share capital of DEF Limited (the company) is ₹ 20 crores consisting of 20,00,000 equity shares of ₹ 100 each. 'The said company has 2000 members. A petition was submitted before the Tribunal signed by 320 members holding

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

40,000 equity shares of the company for the purpose of relief against oppression and mismanagement by majority shareholders. Examining the provisions of the Company Act, 2013, decide, whether the said petition is maintainable or not. Also, explain the impact on the maintainability of the above petition, if subsequently 160 members, who had signed the petition, withdrew their consent.

(*5 marks*)

(*iii*) Explain the concept of ''Indoor Management" with exception of forgery and negligence as per the provisions of the Companies Act, 2013.

(*5 marks*)

PART-II

Case Study :

5. You are a company secretary of Bunny Ltd. a listed company and Bunny Ltd. has proposed in November, 2023 to make an investment of Rs. 80 lakhs in the equity shares of Hunny Investment (Pvt.) Ltd. the face value of which is Rs. 40 lakh. The financial data related to Bunny Ltd. and Hunny Investment (Pvt.) Ltd. as on 31st March, 2023 is furnished below :

	Particulars	**Bunny Ltd. (Rs. in Lakh)**	**Hunny Investment Pvt. Ltd. (Rs. in Lakh)**
I.	Authorized Capital	800	400
II.	Subscribed and paid-up capital		
	(*a*) Equity shares	240	300
	(*b*) Preference shares	20	—
III.	Capital Reserves	20	30
IV.	Free Reserves	20	—
V.	Borrowings from Public Financial Institution	40	—

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

(A) Bunny Ltd. (the company) furnished the following information related to it as on the date of proposed acquisition :

(1) No other body corporate has invested any money in its share capital.

(2) The company has granted guarantee to the tune of ₹ 100 lakh to a nationalized bank in connection with the loan granted to Richa Ltd.

(3) It has granted housing loan of ₹ 20 lakh to its employees, other than its managing director or whole-time director.

(B) Hunny Investment (Pvt.) Ltd. furnished the following other information related to it :

(1) The total assets as on 31st March, 2023 were ₹ 330 lakh including investment in shares & debentures of body corporate ₹ 200 lakh.

(2) The income derived from investment in shares and debentures was ₹ 30 Lakh out of the gross income of ₹ 100 Lakh.

Of the total shareholders of the company there are 20,000 shareholders who are holding shares of nominal value of not more than ₹ 20,000 each. A total number of 1500 such small shareholders have proposed Mr. X as their candidate to be the small shareholders' director.

Based on the above information and referring to the provisions of the Companies Act, 2013 and relevant notifications/circulars issued by the Ministry of Corporate Affairs (MCA) answer the following :

(*a*) Identify the authority and the mode of approval for the investment proposal of ₹ 80 lakh in the equity shares in the above scenario.

(*5 marks*)

(*b*) (*i*) Whether approval of the Public Financial Institution would be required for the investment proposal ?

(*ii*) Is there any exemption available to Bunny Ltd. in case Bunny Ltd. is a private company ?

(*3+2=5 marks*)

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

(*c*) Whether Hunny Investment Pvt. Ltd. is an investment company based on the data given above ?

(*5 marks*)

(*d*) Whether the group of 1500 small shareholders are entitled to propose the appointment of small shareholders' director ? Is it mandatory for the company to appoint such director, if a valid notice is received from the small shareholders ? Decide, the tenure of the small shareholders' director.

(*5 marks*)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (*a*) You are the CFO of XYZ Textiles Limited, a listed company in Tamil Nadu. Pursuant to the applicable provisions of the Companies Act, 2013 and taking into account the requirement of SEBI Regulations, draft a board resolution for appointment of a whole-time company secretary of the company.

(*5 marks*)

(*b*) Draft a specimen of notice of the Board Meeting considering the provisions of the Companies Act, 2013.

(*5 marks*)

(*c*) (*i*) Draft a sample Board resolution for the approval and adoption of a new CSR policy.

(*ii*) Draft a specimen Board resolution for approval of Board's Report.

(*3+2=5 marks*)

(*d*) Draft a Specimen of the minutes of Extra-Ordinary Meeting where Ankush was appointed as an independent director.

(*5 marks*)

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

Or (Alternate Question to Q. No. 6)

6A. (*i*) The Board of Directors of the company presents the following financial data extracted from the company's financial statements as at 31st March, 2024 :

Particulars	**₹ (Cr.)**
Authorised equity share capital	240
Paid-up equity share capital	40
Debenture redemption reserve	40
Securities Premium Account	80
Revaluation Reserve	80
Profit and Loss (Loss)	(40)

Due to losses in the financial year 2023-24, the Board of Directors is exploring the option to pay the remuneration to the managing director of the company, not more than the remuneration that law permits for which the managing director agreed. You being a company secretary advise the Board of Directors the maximum remuneration payable to the managing director in case of losses or inadequacy of profits to the company without seeking approval of any other authorities.

(*5 marks*)

(*ii*) Explain the compliance requirement for holding of annual general meeting (the AGM) of the company including the listed company and One Person Company as per the provisions of the Companies Act, 2013 and applicable Regulation of SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015.

(*5 marks*)

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

522

(*iii*) Rohit, a director of a company to know the provisions of the Companies Act, 2013 relating to inspection and extract of minutes of the Board meetings by the director, member and other persons and preservation period thereof. Explain.

(*5 marks*)

(*iv*) Sunil, a shareholder (holding 15% shares) of JJ Chemicals Limited (the company) and other shareholders have lost confidence in the managing director (MD) of the company who is a director not liable to retire by rotation and was re-appointed as managing director for 5 years w.e.f. 1st April, 2024 in the last annual general meeting of the company held in 2023.

Sunil wants to know from you the procedure/steps to be taken by him and the company in this behalf.

(*5 marks*)

———— o ————

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com