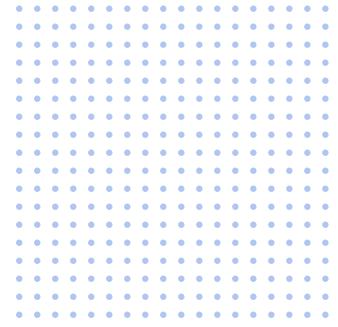




FOR CA FINAL EXAM PREPARATION

CA Final 2023 Question Paper · Paper 4 Corporate and Economic Laws (Old Scheme)

EXAM

CA Final

YEAR

2023

TYPE

Question Paper

SUBJECT

Paper 4 Corporate and Economic Laws (Old Scheme)

DATE

November 2023

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NOV 2023

Roll No.

Total No. of Questions – 6

Final New Syllabus
Paper - 4

Total No. of Printed Pages – 23 Corporate and Economic Laws Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

01/11/2023
05:05 PM

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. **Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.**

PART – II

70 Marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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PART – II

1. (a) The following are the abstracts from the latest audited financial statements of AB Limited, an unlisted non-government public company in respect of the financial year 2022-23. 6

Paid-up share capital	₹ 5.1 crore
Free Reserves	₹ 44.9 crore
Share Premium Reserve	₹ 4.9 crore
Turnover for Financial year 2022-23	₹ 50.5 crore

The Company is already having 5 directors and is planning to appoint 1 more non-independent director on its Board in the forthcoming Extra-ordinary General Meeting scheduled to be held on 15th November, 2023. Mr. X, an eligible person being interested for directorship in AB Limited, submitted a written notice under his hand along with a deposit of ₹ 1,00,000 signifying his candidature as a director, at the registered office of the Company on 30th October, 2023. Mr. M, a member of the Company also proposed and submitted a written notice signifying the candidature of Mr. Y for the same post on 31st October, 2023 without any deposit. Both Mr. X and Mr. Y are not retiring directors of the Company. AB Limited informed all the members about the notice received in respect of the candidature of both Mr. X and Mr. Y by email (as provided by them for communication) on 6th November, 2023. On the day of the meeting 49% votes were cast in favour of Mr. X and 51%

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of votes were cast in favour of Mr. Y. Consequently, Mr. Y was considered to be elected as the director. The Company Secretary objected to the selection of Mr. Y on the ground that the deposit amount was not sufficient to validate his candidature. Mr. M, the member who proposed Mr. Y, contended that there is an exemption to Mr. Y from depositing any amount since he was proposed by one of the members.

Referring to the applicable provisions of the Companies Act, 2013 and the rules made thereunder,

- (i) Advise the Company, whether the Company Secretary is correct or the contention of Mr. M is correct ?
- (ii) What will be your answer, if 65% of paid-up share capital of the company is held by the Central Government ?

- (b) Mr. A is one of the directors of XYZ(P) Ltd. He has been convicted by a court for an offence involving moral turpitude on 31st March, 2023 and sentenced to 7 months imprisonment. Mr. A filed an appeal on 30th April, 2023 against his conviction. On 30th June, 2023, the Court dismissed the appeal of Mr. A. On 6th July, 2023, Mr. A filed a further appeal which is pending. (It is assumed that the Court / Tribunal orders were received by Mr. A on the same day of judgment). Referring to the provisions of the Companies Act, 2013 answers the following : 4
- (i) Whether Mr. A can continue as a director of XYZ (P) Ltd ?
 - (ii) Whether Mr. A can be appointed as a director of D Ltd. in July 2023 ?

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- (c) Mr. Surya is currently serving as the Managing Director of Mata Capital Ltd. He has been the person instrumental in developing the company. Even after attaining 70 years, his continuance was felt beneficial to the company but when his appointment was put to vote, the votes polled in favour of his appointment was 60% whereas votes against his appointment were 40%. Analyse and state the compliance requirement, that is required to be met if the company feels that Mr. Surya should continue as a Managing Director (apply the provisions of the Companies Act, 2013). 4

2. (a) Mr. NUR and Mr. JOG, two major shareholders of KNG Limited (the Company) received complaints from some stakeholders of the Company alleging that some directors of the Company are involved in some serious fraudulent activities. Hence, they inspected the books of account and some other relevant documents of the Company and found the allegation to be genuine. They rushed to you and seek your advice for initiation of investigation through the Serious Fraud Investigation Office (SFIO), so that proper justice can be obtained for the Company and the other stakeholders. Referring to the relevant provisions of the Companies Act, 2013, advise them the scenarios in which such an investigation can be initiated. Also, advise them whether majority shareholders of the Company have any powers in this regard. 4

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- (b) Due to some recent sales and purchase of shares, the present shareholding pattern of Bright (P) Ltd is as follows : 4

Total issued and paid up equity shares	10,000
The shares held by Mr. Wright	8,000
Shares held by Mr. Steve	1,000
Shares held by Ms. Sara	200
Shares held by Mr. Shan (deceased)	70
Shares held by Mr. & Mrs. Smith	730

Mr. Steve enters into an understanding with Mr. Wright to help him acquire the remaining shares. Mr. Wright made an offer for buying the remaining shares from all other members at a price determined based on a valuation done by a registered valuer following the prescribed rules. Ms. Sara rejected the proposed offer; Mr. Shan's legal heirs had not made any application for the transmission of shares to their names. Mr. & Mrs. Smith negotiated for a higher price for transferring their holdings. The time specified by the company for the delivery by the company to deposit the shares held by the minority shareholders had expired.

Under these circumstances and referring to the relevant provisions of the Companies Act, 2013 answer the following :

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- (i) What will be the role of Bright (P) Ltd in this transaction ?
 - (ii) What will be the position of Ms. Sara who has rejected the offer after the expiry of the time specified by the company ?
 - (iii) What will be the situation of shares held in the name of a deceased shareholder ?
- (c) Mr. Rajesh a person Resident in India has already invested in some equity shares in LONDON Bells Limited, a company registered in the United Kingdom. He had purchased 1,000 equity shares in the Company. The same amount was invested in terms of the Rules and Regulations applicable during the time of investment. In July, 2023, the Company announced right issue of shares, i.e. 1 share for every 10 shares held as on 1st January, 2023 at the rate of £ 100 per share. Referring to the applicable provisions of the Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Overseas Investment) Rules, 2022 as regards to investment in the equity capital as right issue and bonus issue of a foreign entity, advise Mr. Rajesh whether he can renounce the equity shares issued by LONDON Bells Limited as a right issue in favour of a person resident outside India ?

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- (d) Hydra Reality and Software (P) Ltd. is making its first export of software and it is in the process of manufacturing a unique ceramic tile product for which there are no competitors and which will require 15 months before it makes physical exports. For the ceramic product, buyers are immediately willing to enter into an export contract with a provision for export after 15 months and also make an advance payment of USD 50,000 with interest cost at LIBOR plus 150 basis points. However, the management of the company desires to know whether it can receive the advance payment from the buyers. Advise, explaining the procedure to be followed involving advance payment as per the Foreign Exchange Management Act, 1999. 3

3. (a) (i) On an application made by SWG Limited, the Tribunal after thorough analysis passed an order for winding up of the Company on 10th August, 2023. While passing the winding up order, the Tribunal directed for formation of an advisory committee to advise the Company Liquidator and to report to the Tribunal on such matters as the Tribunal requires. The advisory committee was formed consisting 10 members including the Company Liquidator and a creditor Mr. MAN, who holds about 90% share in value of the total creditors of the Company. Mr. MAN was nominated as the Chairman of the Committee. Mr. PRADHAN, a member of the committee objected to the decision of nomination of Mr. MAN as the Chairman of the Committee. Referring to the applicable provisions of the Companies Act, 2013, advise whether the above objection raised by Mr. PRADHAN is valid and if so, what corrective actions should have been taken in this respect. 2

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- (ii) Fault Limited is being wound up and Mr. Kris claimed a loss of future commission of ₹ 50,000 that he might have earned, if Fault Ltd. did not go into liquidation. Ascertain, whether the claim of Mr. Kris can be admitted by the liquidator, referring to the provision of the Companies Act, 2013 ? 2
- (b) Alex Limited is a closely held, Public Limited Company. The Board of Directors (BOD) of the Company decided to undertake a valuation exercise of their shares, debentures, assets and the liabilities, net worth and goodwill of the Company as at 31.03.2023. In this connection, the Chairman of the Audit Committee (AC), Mr. Amrish, proposed to appoint an experienced Registered Valuer (RV) who meets all the eligibility conditions for registered valuers. Mr. Aravind, a member of the Audit Committee is of the opinion that only the BOD has the power to appoint a RV and not the AC. He also raised certain other doubts regarding the appointment of RV. In this regard, it was unanimously decided by the members of the AC and the BOD to approach you, being an expert, to resolve the following clarifications under the provisions of the Companies Act, 2013. Advise them suitably. 4

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- (i) Who shall appoint the Registered Valuer of the Company ?
 - (ii) What factors shall a Registered Valuer consider while conducting valuation of assets or liabilities of the Company ?
 - (iii) What will be the consequences, if the Registered Valuer contravenes the provision of the Act with an intention to defraud the Company or its members ?
- (c) Mr. Rajan was in possession of some huge cash obtained from the offence of money laundering. He bought a property with that money and transferred such property to Mr. Hitesh. Registration of the said property in the name of Mr. Hitesh was pending and the Adjudicating Authority under the Prevention of Money Laundering Act, 2002, after issuing a show cause notice to Mr. Rajan and considering his reply, passed an order for provisional attachment of the said property.

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During the trial of the said case by Special Court, Mr. Hitesh came to know of such attachment of the property bought by him from Mr. Rajan and he made immediately claim for such property with the Special Court. In his claim, he mentioned that he was not aware that the property which he bought was covered under “illicit earning” as per the provisions of the Prevention of Money Laundering Act, 2002, and he also stated that was totally unrelated to Mr. Rajan and had bought the said property at fair market value by making payment through account payee cheques. Further, he mentioned in his claim, that due to such provisional attachment of the property, he has suffered a business loss of rupees 15 lakhs.

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In the given context of facts, answer the following questions under the provisions of the Prevention of Money Laundering Act, 2002 :

- (i) Whether the Special Court can consider the claim of Mr. Hitesh and direct for restoration of property to him ?
- (ii) Whether Mr. Hitesh could have made such claim at an earlier stage of the proceedings in respect of such property ?
- (iii) What is the option available with Mr. Hitesh, if the Special Court rejects his claim ?

4. (a) On 15.01.2023, the Securities and Exchange Board of India (the Board) proposed to convene an urgent meeting of its members (meeting of the Board) for regulating the working of the depositories, participants, custodians of securities, foreign institutional investors and such other intermediaries. Due to certain unavoidable circumstances beyond control, Mr. Gopalakrishnan, the Chairman of the Board could not attend and preside over the meeting. Referring to the provisions of the Securities and Exchange Board of India Act, 1992 answer the following :

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- (i) Whether the scheduled meeting will be conducted or postponed for want of the Chairman ?
- (ii) How the questions that come before the meeting would be decided ?
- (iii) Under what circumstances a member of the Board cannot participate in the meeting ?
- (iv) In case of any defect in the constitution of the Board, will it invalidate any act or proceeding of the Board ?
- (b) The composition of the Audit Committee of Shree Balaji Limited, an unlisted Company, as on 31-03-2023 comprises of 9 directors including 5 Independent Directors. The majority of the members of the Audit Committee have the ability to read and understand the financial statements but none of them has Accounting or related Financial Management expertise. The Company listed its securities in a recognized Stock Exchange in the month of July, 2023. Referring to the regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 decide, whether the existing Audit Committee can continue after listing of its Securities ?

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- (c) Bharat Sevak Samaj, a NGO set up for the purpose of providing health facilities to the poor people of slum areas in rural India had applied to the Central Government for obtaining registration to avail foreign contribution from some organisations located in New Zealand. The application was rejected on some grounds. The Secretary of the NGO was called for hearing on the date of cancellation of the application and he was informed about the fact of rejection on the same day. A copy of the rejection letter was handed over by the Authorities and was signed by him as a mark of acknowledgement on that day, i.e. on 9th December, 2022. A copy of the said letter was also sent by registered post on the address of the NGO on 16th December, 2022, which was received by the NGO on 23rd December, 2022. After due analysis of the rejection letter, the NGO decided to apply to the Central Government for revision of the rejection order. In this regard, the Secretary of the NGO requested you to advice on some matters. He wanted to apply for revision on a plain paper referring to the earlier application (for registration) and send it by speed post to the concerned authorities without any attachment. Referring to the relevant provisions of the Foreign Contribution (Regulation) Act, 2010 and the applicable Rules made thereunder, advise him regarding the time period within which the application of revision is to be made and whether the application on plain paper and sending it by speed post is a valid mode ?

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- (d) A dispute arose between the management of Akar Automobile Ltd. and its Supplier. The dispute was relating to non-supply of quality goods within the stipulated time whereas the Supplier was not happy with the delayed payments. The management of the company sent an invitation to the Supplier to conciliate on the issues raised mutually which was accepted in writing by him. Examine the given situation and answer the following under the provisions of the Arbitration and Conciliation Act, 1996 : 3

- (i) When the conciliation proceeding shall be said to be commenced in the given case ?
- (ii) How the settlement agreement will be arrived at by the conciliator ?

5. (a) ODYSSY Overseas Limited is incorporated in Singapore and has recently opened three branches in India, namely Chennai, New Delhi and Mumbai. The liability of the members of the Company is limited. The Company has, so far, no plan to raise funds in India and therefore, no plan to issue prospectus in near future. The Company has conspicuously exhibited its name and the name of the country in which it is incorporated, i.e. 'Singapore' in bold and legible letters on the outside of all the above offices in the English characters. The same words have also been stated in all business letters, bill-heads, letter papers, notices and other official publications of the Company. The fact 4

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that the liability of the members of the Company is limited has also been stated in all the business letters, bill-heads, letter papers, notices and other official publications of the Company. The Company has recently appointed you as the legal advisor of the Company and you have visited all the three branches and have noticed the above relating to exhibition of its name etc. both outside its branches and in the documents maintained inside the branches. Referring to the applicable provisions of the Companies Act, 2013, advise the Company, whether it has to comply with any other formalities with regard to display of its name and other matters at the branches and in its letterheads etc. ?

- (b) Due to continuing contravention of some provisions of the Companies Act, 2013, for which no specific penalty has been provided in the Act, the Registrar exercising its powers, levied a penalty of ₹ 2,00,000 on SAD Limited. The Company moved to the Tribunal (the NCLT) against the order of the Registrar. During the pendency of the above case with the NCLT, the Registrar applied to the Tribunal to refer the matter pertaining to the proceedings to the Mediation and Conciliation Panel, (the Panel). The Tribunal thereupon appointed two experts from the Panel and referred the case to the Panel on 10th July, 2023. The Panel after hearing both the parties disposed of the matter on 18th October, 2023 and forwarded its recommendations to the Tribunal. The Company being aggrieved of the recommendations of the Panel, contended that the recommendation was not given within the prescribed time limit and therefore, the same cannot be accepted.

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Referring to the applicable provisions of the Companies Act, 2013, decide, whether the contention of the Company is tenable ?

Also advise the Company, whether and before which Authority, the recommendation of the Panel can be challenged in case the same was disposed on 9th August, 2023 ?

- (c) (i) Mr. Samuel D'Souza submitted his candidature for being a resolution applicant of Arch Chambers Ltd. in pursuance of an invitation made to prospective resolution applicants under section 25(2)(h) of the Insolvency and Bankruptcy Code, 2016 (IBC-2016), by Mr. Ashok Tailor, the resolution professional. 4

Mr. Samuel D'Souza is a spouse of sister of Mr. Vincent who is going to be involved in the management of Arch Chambers Ltd. as a director at the time of implementation of the resolution plan and Mr. Samuel D'Souza, being a person resident in India was also convicted under the provisions of Foreign Exchange Management Act, 1999, for an act specified under the Twelfth Schedule of the IBC, 2016, with imprisonment for 2.5 years and only 1 year & 3 months has expired from the date of his release of imprisonment, for not paying penalty arose due to bringing into India from Canada during his temporary visit, ₹ 2,00,00,000 worth Indian currency notes.

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In the light of the given facts, examine, whether Mr. Samuel D'Souza is eligible to be a resolution applicant referring to the provisions of the Insolvency and Bankruptcy Code, 2016 ?

- (ii) Members of the Committee of Creditors representing forty-nine percent of voting rights placed a proposal before the Resolution Professional for inclusion of a particular proposal relating to realization of some assets of the Company (Corporate Debtor). The Resolution professional is of the opinion that the proposal given by the above members will result in delay in the corporate insolvency process, and therefore, does not want to include the proposal for discussion in the forthcoming meeting of the Committee of Creditors. Referring to and analyzing the applicable provisions of the Insolvency and Bankruptcy Code, 2016 and the relevant Rules made thereunder, advise the Resolution Professional, whether it is mandatory for him to place the proposal so received before the Committee of Creditors in its forthcoming meeting ? 2

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6. (a) There are 16 employees working with BML Limited, which is a listed company. Over and above the employees, there are three directors and one Managing Director. During the financial year 2022-23, the Directors and the Managing Director have received the following amount towards remuneration in terms of the provisions of the Companies Act, 2013. 4

Mr. A (Director)	—	₹ 32,00,000
Mr. B (Director)	—	₹ 36,00,000
Mr. C (Managing Director)	—	₹ 45,00,000

The total amount of remuneration paid to sixteen employees during the financial year 2022-23 was as follows :

Employee No.	Annual Remuneration (₹)
1	12,00,000
2	15,00,000
3	18,00,000
4	10,00,000
5	18,00,000
6	13,50,000

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7	15,60,000
8	13,00,000
9	24,00,000
10	16,50,000
11	17,30,000
12	18,50,000
13	42,50,000
14	38,60,000
15	27,54,000
16	31,54,000

Being a listed company, BML Limited seeks your advice regarding the point of disclosure to be made in the Board's Report which is connected to the managerial remuneration and the median employee's remuneration.

Referring to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, calculate, from the information given above, the median employee's remuneration paid by the Company along with the required ratios to be disclosed in the Board's Report.

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XYZ Limited conducted a board meeting via video conferencing on 12th December, 2022, which was the last day of the 120 days interval allowed between two board meetings. The notice specified the venue of the board meeting as the registered office of the company in Chennai. While the company secretary and one director participated from the registered office in Chennai, the Chairman and a majority of its directors participated from a hotel resort in Shimla and completed the quorum. All the recordings of the proceedings of the board meeting were made at its registered office in Chennai. The first agenda of the said meeting was the immediate appointment of Mr. Jain as Director of XYZ Ltd. One of the directors Mr. Yash attended the meeting through audio conferencing.

Analyzing and referring to the relevant provisions of the Companies Act, 2013, relevant notifications/circulars and secretarial standards answer the following :

- (i) What is the venue of the board meeting and its validity ?
- (ii) Whether Mr. Yash, Director participating through audio conferencing is allowed to participate in the meeting and counted for quorum ?

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- (b) BIG Limited, a listed entity, has come under the purview of formation of Nomination and Remuneration Committee since it has listed its securities for the first time recently. It was not obliged to form such a committee since it was not fulfilling the required criteria earlier. The Company has the following Directors on its Board who are being considered to be included as members of the above committee, which shall consist of 4 members amongst them including the chairperson :

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Mr. A – The Managing Director

Mr. B – Non-Executive non-independent director

Mr. C – Executive non-independent director – (Also the Chairman of the Company)

Ms. D – Non-Executive non-independent director

Ms. E – Executive non-independent director

Ms. F – Non-Executive independent director

Mr. G – Non-Executive independent director

The Company seeks your advice regarding constitution of its Nomination and Remuneration Committee. The Company has given the following list of the proposed members, one of whom will chair the above committee.

Preference 1 – Mr. A

Preference 2 – Mr. C

Preference 3 – Ms. F

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The Company leaves up to you to choose the other three members of the committee, which may include the excluded members from the above preferential members.

Referring to the applicable provisions of the Companies Act, 2013 and keeping in mind the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, advise the Company.

(c) Mr. X an individual has started a small-time business dealing in scrap. 3

For this purpose, he opened a current account with ICBD Bank. On a particular day, a huge cash deposit was made and he then approached the branch for making foreign remittance to Mr. Y, located abroad, for the purchase of an imported expensive car at less than its stated value.

As a compliance officer of the bank (reporting entity), explain, what would be the enhanced due diligence before making the foreign remittance (under section 12AA of the Prevention of Money Laundering Act, 2002) ?

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(d) Lock Ltd. is the Corporate Debtor under Corporate Insolvency 3

Resolution Process. Two resolution plans have been proposed one by Key Ltd. and second by JL Ltd. Lock Ltd has a financial debt of ₹ 100 crores and it owes the following amounts to the members of the Committee of Creditors (CoC) as under :

1. FX Ltd. ₹ 30 crores
2. GHU Ltd. ₹ 25 crores
3. Key Ltd. ₹ 20 crores
4. QW Ltd ₹ 25 crores

The resolution professional presented both resolution plans to the CoC for its approval by a vote.

The voting results are as follows :

1. FX Ltd., GHU Ltd. and Key Ltd. voted in favour of resolution plan proposed by Key Ltd.
2. FX Ltd., GHU Ltd. and QW Ltd. voted in favour of resolution plan proposed by JL Ltd.

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Referring to the provisions of the Insolvency and Bankruptcy Code, 2016 state,

- (i) Whether the resolution applicant can attend and vote on the resolution plan ? and ;
 - (ii) Decide the resolution plan that can be considered as approved in this case.
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