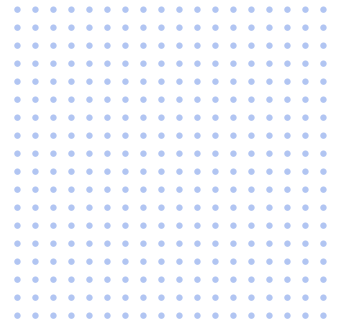




FOR CA FINAL EXAM PREPARATION

CA Final 2022 Question Paper · Paper 4 Corporate and Economic Laws

EXAM

CA Final

YEAR

2022

TYPE

Question Paper

SUBJECT

Paper 4 Corporate and Economic Laws

DATE

May 2022

Final New Syllabus

Paper - 4

NPT2

MAY 2022

Corporate and Economic Laws

Roll No.

Total No. of Printed Pages – 15

Total No. of Questions – 6

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

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 Questions in Part I are to be marked on the OMR answer sheet 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 type 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

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) Pharma Limited is a company listed with Bombay Stock Exchange. 4
The company is having 500 small shareholders. 50 shareholders have proposed to appoint Amar as a Director as their representative on the Board of Directors of the company. Amar is holding 1000 equity shares of ₹ 10 each in the said company. State, in the light of the provisions of the Companies Act, 2013, whether the proposal to appoint Amar as a Small Shareholders' Director can be adopted by the company. Also state, can the company appoint Small Shareholders' Director, if there is no such proposal moved by the small shareholders.
- (b) PCR Limited has appointed Mr. Vivek, a person resident in India, as a 6
Managing Director who has taken a charge of the post on 1st June, 2021. The remuneration package sanctioned to him is as below :

Sr. No.	Particulars	Rupees
1	Salary	60,00,000
2	Rent free accommodation	6,00,000
3	Children education allowance	3,00,000
4	Leave Travel Concession Package	3,00,000
5	Premium in respect of insurance taken for indemnification	5,00,000

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It has, further, been informed that –

- (a) Mr. Vivek has availed the Leave Travel Concession Package which will not be pro-rated for 2021-22.
- (b) Mr. Vivek is not proved guilty during the financial year 2021-22 with respect to the above insurance policy.
- (c) The company has not passed a special resolution for payment of remuneration in excess of the limit prescribed by schedule V to the Companies Act, 2013.
- (d) The company has incurred losses during the financial year 2020-21 and 2021-22.
- (e) The effective capital of the company as at 31st March, 2021 is in negative.

Based on the above details and referring to the provisions of the Companies Act, 2013, you are requested to analysis and answer the following :

- (i) Compute the amount that would constitute the yearly remuneration for Mr. Vivek.
 - (ii) Compute the excess remuneration paid to Mr. Vivek, if any, and discuss the prospects of recovery thereof.
- (c) Green Developers Limited proposes to acquire a land owned by its Director, Mr. Manoj at a fair market value of ₹ 10.00 Crores to execute a project of developing a commercial and residential complex on that land. In consideration, the company will allot certain flats of equivalent value to Mr. Manoj on completion of the project. Referring to the provisions of the Companies Act, 2013, advise the Board of Directors of the company whether Green Developers Limited can enter into the proposed arrangement and what will happen, if compliance requirement is contravened ?

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2. (a) STC Limited is a wholly owned subsidiary of HTC Limited. The 100% equity shares, fully paid-up, of STC Limited is held by HTC Limited including the shares held by 6 nominees of HTC Limited. In order to effectively utilise the resources, a proposal is under discussion in the board meeting of HTC Limited for merger of both the companies. The majority of the directors of HTC Limited opined in the board meeting that the merger has to be done through fast track mode as per the provisions of Section 233 of the Companies Act, 2013. However, the Company Secretary was of the view that the merger of both the companies cannot be done through fast track mode as they are public companies. Referring to the provisions of the Companies Act, 2013 – 4
- (i) Analyze the validity of merger of HTC Limited and STC Limited through fast track mode.
 - (ii) Examine, whether STC Limited can be merged with HTC Limited, if HTC Limited is a foreign company.
- (b) SOPS Limited is in the field of manufacturing of toys. The company has Authorised Share Capital of ₹ 50 Lakhs consisting of 40,000 equity shares of ₹ 100 each and 10,000 preference shares of ₹ 100 each. The company has issued 32,000 equity shares and 8,000 preference shares of which 24,000 equity shares and 6,000 preference shares are subscribed and fully paid-up. The company has 650 members holding equity shares and 200 members holding preference shares. A petition was submitted before the Tribunal signed by 90 4

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members holding 3,100 equity shares of the company alleging various acts of oppression and mismanagement on the part of the company.

During pendency of the petition, 10 petitioner-members holding 1,000 equity shares disassociated from the petition. Referring to the provisions of the Companies Act, 2013, answer the following :

- (i) Whether the petition will be admitted ?
 - (ii) Whether the petition will be maintainable after disassociation of the stated members ?
- (c) On 1st day of April, 2020, Alm Food Processors limited, a company engaged in food processor manufacturing unit, entered into a joint venture agreement with Ron and Col Limited, the largest manufacturer of Food processors. Both the companies are registered under the Companies Act, 2013. The joint venture agreement does not contain the term for referring the dispute relating to the quality of the goods supplied to the arbitration. In light of the Arbitration and Conciliation Act, 1996, examine, what will happen, if the parties later on agreed to refer the dispute to the arbitration concerning quality of goods supplied in 2021. 3
- (d) LMR Limited, a banking company has a “Record Preservation Policy” which inter alia states to maintain the documents evidencing identity of its clients and beneficial owners for a period of 5 years after the account has been closed. Evaluate, whether the “Record Preservation Policy” of the Company has fulfilled its obligation under the provisions of the Prevention of Money Laundering Act, 2002 ? 3

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3. (a) Green Rose Limited is regularly filing its annual financial statements with the Registrar of Companies (RoC). The Company is suffering losses continuously for the past 5 years. The annual financial statements disclosed that the liabilities are ten times of its assets as per the latest audited financial statements. Based on the financial position revealed by the financial statements filed with his office, the RoC came to the conclusion that the Company should be wound up in the public interest being unable to pay its debts. The RoC filed a petition before the Tribunal [NCLT] under Section 272 of the Companies Act, 2013 for winding up of the Company without obtaining previous approval therefor. Referring to the provisions of the Companies Act, 2013.
- (i) Enumerate the circumstances in which a company may be wound up by the Tribunal.
- (ii) Examine the validity of the petition filed by the RoC.
- (b) RFC Limited has been incorporated in Singapore and has a business place in Mumbai. The company has issued 5,00,000 shares of USD 100 each, consisting of 4,00,000 equity shares and 1,00,000 preference shares. The issued share capital is fully paid up except 5,000 preference shares where USD 50 per share is unpaid.
- RJW, an Indian citizen is holding 26,000 preference shares which include 1100 partly paid-up shares and Ronte Limited incorporated in New-Delhi (India) is holding 2,23,500 equity shares in RFC Limited.

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The Registrar of Companies issued notice under Section 379 of the Companies Act, 2013 addressed to the person whose name and address has been delivered to the Registrar by RFC Limited for compliance under the Companies Act, 2013 for foreign companies.

The above notice was Delivered at the address which was given by RFC Limited to the Registrar of Companies.

Answer the following, referring to the provisions of the Companies Act, 2013 :

- (i) Whether RFC Limited is a foreign company ?
 - (ii) Whether service of notice by the Registrar of companies is valid ?
- (c) TZ is a promoter director of Ind Exports Limited engaged in the export of software products to various countries in the world. ZZ, a customer in U.S. to whom the company exported certain products, failed to pay the amount due for these exports. Later, the company settled the amount for 50% with ZZ and the amount was transferred through hawala to India. The money so received was partly used by the company to part finance its office building in Mumbai and the balance of the money to part finance the residential flat in Delhi purchased by TC, a son of TZ. During the search in the premises of hawala businessman, some documentary evidences were captured by the search officer and based on which, the Adjudicating Authority appointed under the Prevention of Money Laundering Act, 2002 issued an order attaching the office of Ind Exports Limited and the flat of TC alleged to be involved in scheduled offence of money laundering.

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Based on the above scenario, answer the following as per the provisions of the Prevention of Money Laundering Act, 2002 (the Act) :

- (i) What is the scheduled offence ?
- (ii) 'Where an order for confiscation has been made, all the rights and title in such property shall vest in President of India'.

Examine the statement.

- (iii) Advise Ind Export Limited about the remedy available under the Act.

4. (a) ABC Limited mobilized the funds from the public towards development of plots under "Cash-down Payment Scheme". The said scheme, inter alia, stipulates the following terms & conditions. 4

- (i) The plot will be allotted to the customer after completion of 9 months from the date of agreement.
- (ii) No specific plot is mentioned at the time of entering into the agreement.
- (iii) The company has authority for developing and maintaining the plots.
- (iv) The amount mobilized under the scheme will be utilized for the purpose of the scheme.
- (v) The customers do not have day – to – day control over the development of plots.

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NPT2**Other information :**

(i) The scheme is registered with the Securities and Exchange Board of India [SEBI]

(ii) The Company had raised ₹ 100 Crores under the Scheme.

Referring to and analyzing the provisions of the Securities and Exchange Board of India Act, 1992, decide:

(i) Whether the “Cash-down Payment Scheme” operated by ABC Limited is a Collective Investment Scheme.

(ii) What will be your answer in case the scheme is not registered with SEBI ?

(b) ‘SEBI has powers to pass cease and desist order’. Examine the statement with reference to the provisions of the Securities and Exchange Board of India Act, 1992. 4

(c) Mr. MGJ, a person resident outside India, is contemplating to invest his foreign currency funds through equity contribution in an Indian company engaged in a huge township development project consisting commercial and residential complex in Bangalore (India). Examine, referring to the provisions of the Foreign Exchange Management Act, 1999, the feasibility of his proposal of investing funds in the said company. 3

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- (d) Upalayam Old Student Association was formed with the object of providing Coaching & Hostel facilities to the students studying in the government school. Mr. Murugan, an Indian Origin, acquired American citizenship and settled in USA. However, he is an overseas citizen of India cardholders. Mr. Murugan donated ₹ 10 Lakh to the said Association from his personal savings through the normal banking channel. Referring to the provisions of the Foreign Contribution (Regulation) Act, 2010, answer the following : 3
- (i) Whether the donation made by Mr. Murugan is a foreign contribution ?
- (ii) What will be your answer in case Mr. Murugan still holds Indian Citizenship ?

5. (a) The following balances are extracted from the last audited financial statement of Blow (Nidhi) Limited. 4

Particulars	Amount in ₹
Paid up Equity Share Capital	15,00,000
Paid up Preference Share Capital	5,00,000
Free Reserves	1,00,000
Tangible Assets	10,00,000
Intangible Assets	2,00,000

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Referring to the Nidhi Rules, 2014, as amended from time to time, formulated under the Companies Act, 2013 answer the following :

- (i) Compute the Net Owned Funds of Blow (Nidhi) Limited.
- (ii) Compute the Maximum amount of deposits that Blow (Nidhi) Limited can accept.

- (b) Anoor Sheep Private Limited, a small company, donated ₹ One Lakh to a Political Party in the month of May 2021. The Company has been in existence for less than three financial years and it has, thus, contravened the provisions of Section 182 of the Companies Act 2013.

4

Eventually, a fine of ₹ 5 Lakh, ignoring the legal status of the company, was imposed by the Adjudicating Officer (Registrar of Companies) on the Company. Anoor Sheep Private Limited approached the Registrar of Companies with a request to levy lesser penalties. Referring to the provisions of the Companies Act, 2013, answer the following :

- (i) Is it possible to levy lesser penalty ?
- (ii) If so, compute the quantum of the penalty that will be payable by the Company.

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(c) Argunt Infrastructure Project Private Limited [Corporate Debtor] is classified as a Small Enterprise under Sub-section (1) of Section 7 of the Micro, Small and Medium Enterprises Development 27 of 2006, Act, 2006. It owes ₹ 60 Lakh to its creditors. In view of Covid-19 Pandemic situation, the Corporate Debtor was not in a position to recover money from Sundry Debtors as per the payment schedule and it commits default in settling dues to the Sundry Creditors. The Corporate Debtor decided to go for Pre-packed Insolvency Resolution Process [PPIRP] under the provisions of the Insolvency and Bankruptcy Code, 2016 (IBC) and accordingly took the following steps to initiate PPIRP.

1. The Financial Creditors of the Corporate Debtor, not being its related parties, representing 66% in value of the financial debt due to them proposed Mr Pure, the Insolvency Professional, to be appointed as Resolution Professional to conduct PPIRP.
2. The Majority of the Board of Directors of the Corporate Debtor have made a declaration that the PPIRP is not being initiated to defraud any person and nothing more is contained in the declaration.
3. The Members of the Corporate Debtor passed an Ordinary Resolution approving the filing of an application for initiating PPIRP.

There were no further approvals obtained from the Financial Creditors / Board of Directors on any matters.

Referring to the provisions of the Insolvency and Bankruptcy Code 2016, advise on the following matters for filing an application before NCLT to initiate PPIRP.

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- (i) Whether the act of Financial Creditors proposing the name of the Mr. Pure as Resolution Professional is valid ?
- (ii) Whether the declaration made by the Board is in accordance with the Provisions of the IBC ?
- (iii) Whether the resolution passed by the members of the company is in line with the requirements of the IBC ?
- (iv) Are there any requirements to get the approval of the Financial Creditors/ Board of Directors on any other matters ? If so, state the relevant provisions of the IBC.

6. (a) A, B and C are independent directors of X Limited. A was appointed independent director for a period of 3 years, B was appointed for a period of 5 years and C was appointed for a second term of 5 years. The period / term of all the independent directors will be over on 30th September, 2022. X Limited is planning to consider reappointment of the above independent directors. You are requested to advice whether A, B and C can be reappointed as independent directors as per the provisions of the Companies Act, 2013 ?

4**OR**

Mr Jack, an young and energetics 24 years old American Citizen came to India in the month of January, 2021 for taking up employment. He has been hunting for the job and stayed in India. M/s NS Software Solutions Limited is a listed company engaged in developing customized software package for automobile manufacture. This company appointed Mr. Jack as its Managing Director at the Annual

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General Meeting held on 11th November, 2021, upon certain terms & conditions. Based on the above information, you are requested to validate the following referring to the provisions of the Companies Act, 2013 read with Schedule V of the Act,:

- (i) Eligibility of Mr. Jack for being appointed as a managing director.
 - (ii) Will your answer differ in case the company is located in Special Economic Zone. (SEZ)
- (b) ABC Limited put forth the following matters for your examination. 4
- The meeting of the Board of Directors of the company was convened on 15th July, 2021. While one Director attended the Board Meeting physically all other five Directors of the Company attended the meeting through Video conferencing / other Audio visual means and approved the Annual Financial Statements ending 31st March, 2021. Referring to the provisions of the Companies Act, 2013 you are requested to validate the followings :
- (i) Compliance requirement of quorum for the said meeting.
 - (ii) Approval of the Financial Statements for the year ending 31st March, 2021.
- (c) XYZ Private Limited is a Start-up recognised by the Central Government. The company is intending to raise External Commercial Borrowing under automatic route of USD 3 million for 3 years in the form of partially convertible preference shares for working capital from one of the shareholders. 3

You are requested to advice the company on the Maturity, Forms and Amount of External Commercial Borrowing permitted as per the provisions of the Foreign Exchange Management Act, 1999.

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- (d) Ram, the financial creditor, was an investor and a debenture holder of **3**
'Optionally Convertible Debenture Bond (OCDB)' payable on maturity with redemption premium, issued by Asset Limited (Corporate Debtor). The zero interest OCDB bonds amounted to ₹ 3 Crores was matured in 2016. The Corporate Debtor failed to discharge this liability on due date. Ram filed an application to initiate the Corporate Insolvency Resolution Process (CIRP) before the NCLT. Advise, in the light of the given facts, the following situations referring to the provisions of the Insolvency and Bankruptcy code, 2016:
- (i) Whether Ram is eligible for filing an application for initiation of CIRP ?
 - (ii) Whether the redemption of debenture bonds, payable on the maturity date, amounts to debt ?

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