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**PRESIDENCY
UNIVERSITY**

BENGALURU

School of Law

Mid - Term Examinations – November 2024

Semester: V

Date: 6-11-2024

Course Code: LAW2045

Time: 02:00pm – 03:30pm

Course Name: COMPANY LAW II

Max Marks: 50

Program: BAL/BBL/BCL

Weightage: 25%

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2 marks.

5Qx2M=10M

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| 1. | Outline the provision which allows the Board of Directors to call an Extraordinary General Meeting (EGM) when necessary. In a situation where the board refuses to call an EGM despite a legitimate request from shareholders, analyze the legal recourse available to the shareholders and the possible consequences for the board's actions. How does this provision protect shareholder rights? | 2 Marks | Remembering | CO2 |
| 2. | What are the legal implications if a director is found to have obtained or used a fraudulent DIN, and how does this affect the company's operations? | 2 Marks | Remembering | CO1 |
| 3. | How does the Companies Act, 2013, ensure a balance between a director's duty to the company and duty to shareholders? | 2 Marks | Remembering | CO1 |
| 4. | To what extent can a director's power be limited by the company's articles of association? | 2 Marks | Remembering | CO1 |
| 5. | What are the legal remedies available if a director is wrongfully removed from office, and how does this affect shareholder confidence? | 2 Marks | Remembering | CO1 |

Part B

Answer ALL Questions. Each question carries 10 marks.

4QX10M=40M

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| 6. | 6a | Company M has been accused of engaging in fraudulent financial practices, resulting in significant losses to shareholders. The company's independent directors claim that they were not involved in day-to-day operations and were unaware of the fraud. Under the Companies Act, 2013, analyze the extent of liability of the independent directors in this scenario. What are the conditions under which independent directors can be held liable for corporate misconduct, and how does the Act protect them | 4 Marks | Understanding | CO1 |
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from unwarranted liability?

6b Company N has recently faced financial challenges, and the board has proposed a significant increase in the remuneration of its independent directors as a retention strategy. Several shareholders have raised concerns about this decision, especially given the company's financial state. Under the Companies Act, 2013, evaluate the legal framework governing the remuneration of independent directors. What restrictions or guidelines must the company follow when determining their pay, and what are the potential consequences if the remuneration structure is found to be excessive or unjustified?

3 Marks Applying C01

6c Company O has proposed the appointment of Mr. X as an independent director during its next Annual General Meeting. However, shareholders have raised concerns that Mr. X has business dealings with a subsidiary of Company O, which could compromise his independence. Under the Companies Act, 2013, assess whether Mr. X meets the eligibility criteria to serve as an independent director. What are the legal standards for independence, and how can conflicts of interest affect his eligibility? What steps should the company take to ensure compliance with these criteria?

3 Marks Remembering C01

Or

7. 7a Director P of Company Z has been disqualified from holding office under Section 164(2) of the Companies Act, 2013, due to Company Z's failure to file financial statements and annual returns for the past three consecutive years. However, Director P continues to serve on the board of another company, Company X, without disclosing the disqualification. Under Section 164, analyze the legal consequences of Director P's continued directorship at Company X. What steps should Company X take upon discovering the disqualification, and what penalties might apply to both Director P and the company?

4 Marks Applying C01

7b Director Q of Company Y has been accused of prioritizing personal business interests over the company's welfare by diverting a lucrative contract to his own private firm. Shareholders have raised concerns, arguing that this act breaches Director Q's duties under Section 166 of the Companies Act, 2013. Analyze the duties imposed on directors by Section 166 and determine whether Director Q has violated these obligations. What legal actions can the shareholders take, and what are the potential consequences for Director Q if found guilty of breaching his fiduciary duties?

3 Marks Understanding C01

7c	Director R of Company X has been convicted of an offense involving moral turpitude and sentenced to six months in prison. Despite this, Director R continues to attend board meetings and make decisions on behalf of the company. Under Section 167 of the Companies Act, 2013, evaluate whether Director R is legally entitled to continue holding office. What are the legal consequences for Director R and Company X if the company allows him to remain in office despite the conviction, and what steps should the company take in this situation?	3 Marks	Remembering	C01
8.				
8a	Company A's audit committee has been accused of failing to detect significant financial irregularities in the company's recent financial statements. Under Section 177 of the Companies Act, 2013, what are the specific duties and responsibilities of the audit committee in such situations? How could the failure of the committee impact the company's governance and legal standing?"	4 Marks	Applying	C02
8b	Company C's nomination and remuneration committee has proposed a substantial pay increase for its executive directors, despite the company's recent financial downturn. As a shareholder, you are concerned about this decision. How can Section 178 of the Companies Act, 2013, help ensure that remuneration policies are fair and aligned with the company's performance? What steps can shareholders take to challenge this decision?"	3 Marks	Remembering	C02
8c	Company F has made a significant political contribution to a local party without disclosing the details in its financial statements. Analyze this situation under Section 182 of the Companies Act, 2013. What are the legal requirements regarding political contributions and what penalties might the company face for non-compliance with this provision?	3Marks	Understanding	C02
Or				
9.				
9a	Director A of Company X approved financial statements that significantly overstated the company's profits, leading to a surge in share prices. Later, it was revealed that the financial misreporting was intentional, resulting in substantial losses for shareholders. Under the Companies Act, 2013, analyze the personal liability of Director A in this situation. What legal actions can shareholders and regulators take against the director, and what defenses, if any, could Director A rely on to mitigate personal liability?	4 Marks	Applying	C01
9b	Company Y has been found guilty of violating environmental regulations by dumping hazardous waste in	3 Marks	Understanding	C01

a nearby water body, causing significant environmental damage. Director B, who was responsible for overseeing the company's operations, claims to have been unaware of these activities. Under the Companies Act, 2013, analyze the extent of Director B's criminal liability in this case. What factors will the court consider when determining the director's personal responsibility, and under what circumstances can Director B be held criminally liable despite their claim of ignorance?

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| 9c | Director C of Company Z entered into a contract with a supplier on behalf of the company. Later, it was discovered that Director C had exceeded their authority as defined by the company's Articles of Association. As a result, Company Z refuses to honor the contract, and the supplier suffers a significant financial loss. Under the Companies Act, 2013, analyze the liability of Director C towards the third-party supplier. Can the supplier seek compensation directly from the director, and under what circumstances might the director be held personally liable for actions taken beyond their authority? | 3 Marks | Remembering | CO1 |
| 10. 10a | Company D has missed the statutory deadline to hold its Annual General Meeting (AGM) as required under Section 96 of the Companies Act, 2013. As the company secretary, you are asked to advise the board on the legal consequences and the options available to rectify the situation. Applying the provisions of Section 96, what steps would you recommend ensuring compliance, and how should the company proceed to avoid further penalties? | 4 Marks | Applying | CO2 |
| 10b | Under Section 98, the NCLT can call a general meeting if it is impractical for a company to do so. Analyze how the NCLT's intervention in such cases can impact the company's internal decision-making process and governance. How does this provision strike a balance between judicial intervention and corporate autonomy? | 3 Marks | Understanding | CO2 |
| 10c | A listed company is planning to call an Extraordinary General Meeting (EGM) to approve a major merger. The notice is sent to shareholders via email, but several shareholders claim they did not receive it. Using the provisions of Section 101, analyze how the company should ensure proper delivery of meeting notices and the legal implications if some shareholders are not duly informed. | 3Marks | Remembering | CO2 |

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| 11. 11a | According to the provisions of the Companies Act, 2013, a | 4 Marks | Applying | CO1 |
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director is deemed to be reappointed at the Annual General Meeting (AGM) unless the company passes an ordinary resolution for his reappointment or the director is not qualified for reappointment. Analyze the implications of this deemed reappointment provision for both the company and the director. What measures should the company take to ensure compliance with the statutory requirements regarding the reappointment of directors?

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| 11b | Company X has been incorporated with its first directors named in the Articles of Association. However, due to unforeseen circumstances, one of the first directors is unable to fulfill their duties. Analyze the implications of this situation under the Companies Act, 2013. What steps should the company take to address the vacancy, and what are the potential legal consequences of failing to appoint a replacement? | 3 Marks | Remembering | C01 |
| 11c | Section 163 of the Companies Act, 2013 allows for the appointment of directors by the method of proportional representation in certain companies. Explain the rationale behind this method of appointment. How does it differ from the traditional voting method, and what advantages does it provide to minority shareholders in the context of corporate governance? | 3 Marks | Understanding | C01 |
| 12. | 12a | 3 Marks | Understanding | C01 |
| | 12b | 3 Marks | Remembering | C01 |
| | 12c | 4 Marks | Applying | C01 |

outlining your legal steps and duties, based on your obligations under the Companies Act, 2013, to ensure that your actions align with the fiduciary duty to the company and its shareholders

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| 13. | 13a | Director X, who is currently serving on the board of Company A, is also appointed as a director of Company B, which operates in the same industry and is a direct competitor. The board of Company A learns about this dual appointment and raises concerns regarding potential conflicts of interest under provision of the Companies Act, 2013, which restricts the number of directorships a person can hold. Analyze the implications of Section 165 in this scenario. What steps should Company A take to address the situation, and what are the potential consequences for Director X if they are found in violation of the provision? | 4 Marks | Understanding | C01 |
| | 13b | Company B appoints an alternate director under provisions of the Companies Act, 2013, for a director who will be out of the country for six months. After two months, the original director returns earlier than expected. Analyze which section applies in this situation, and explain what happens to the alternate director's position when the original director returns | 3 Marks | Applying | C01 |
| | 13c | A private company wants to appoint a nominee director under Section of the Companies Act, 2013, to represent the interests of a financial institution that has provided it with a significant loan. Evaluate how this appointment should be conducted and whether the company must modify its Articles of Association to accommodate such an appointment. | 3 Marks | Remembering | C01 |