



**PRESIDENCY UNIVERSITY
BENGALURU**

SCHOOL OF LAW

MID TERM EXAMINATIONS

Sem & AY: Odd Sem 2019-20

Date: 23.10.2019

Course Code: LAW 118

Time: 9.30 AM to 11.30 AM

Course Name: COMPANY LAW-I

Max Marks: 60

Program & Sem: BA./BBA/B.Com & V

Weightage: 30%

Instructions:

- (i) *All parts of the question paper are compulsory.*
- (ii) *Read the questions carefully and answer to the point. Don't panic by just looking at the length of the questions.*
- (iii) *All answers should be in accordance with the marks.*

Part A [Memory Recall Questions]

Answer all the Questions. Each Question carries five marks. (4Qx5M=20M)

1. A group of individuals A, B and C are looking to incorporate their Company called "Foodzo Pvt Ltd". Educate them regarding the required documents and procedure for incorporation of a company with relevant sections under the Companies Act, 2013.
(C.O.NO.1) [Knowledge]
2. A group of enthusiastic friends are planning to incorporate a company under the common seal of "Flow Cosmetics" which will be involved in the business of cosmetics. When they inquired about the process of incorporation they discovered that they are required to draft a Memorandum of Association. As an in house legal advisor explain to them the various clauses in an MOA.
(C.O.NO.1) [Knowledge]
3. Though a company has a distinct personality apart from its members, but in reality the business of the company is always carried on by, and for the benefit of few individuals". In the light of the statement discuss the concept of "**Separate Legal Entity**" with advantages and disadvantages of the application of this theory.
(C.O.NO.3) [Knowledge]
4. A company called "Carpe Diem Pvt Ltd." was planning to change its registered office from Rajankunte to Delhi as their projects in Delhi outnumber their projects in Bangalore. They have been told that the process to change their registered office within the state is easier and they are reconsidering their decision to change their office. They feel that they could move their office to south Bangalore and operate from there. Explain the process involved in both the scenarios.
(C.O.NO.1) [Knowledge]

Part B [Thought Provoking Questions]

Answer both the Questions. Each Question carries ten marks. (2QX10M=20M)

5. Foodzo Pvt Ltd, following your advice, has successfully incorporated as a company. However, post incorporation, it has the following dilemmas. Read the questions carefully and answer with the help of appropriate case laws and relevant provisions:

(C.O.NO.2) [Comprehension]

- A. Before incorporation of the company the prospective members had entered into a contract with a person that they will cater food in an event at a very close date. However, at the moment the company is not in position to fulfil its obligations under the contract. Is the company bound by the same? Explain with reasons.
- B. The Memorandum of Association says that the company shall “render all food related services”. The directors want to know if they can start a business beyond the object clause. Advice.

- C. Foodzo also wants to change its name to “Food Panda”. Is this change possible?

6. Suggest the **type of Company** which the following forms of business could be converted in to with appropriate reasoning. (C.O.NO.2) [Analysis]

- A. Magma Ltd.is the world's largest professional services firm with \$43.2 billion revenue and more than 263,000 employees. It provides financial advisory, tax consulting, risk management, and auditing services to clients. It was founded in 1845. It is the fourth largest private company in the India, according to leading Magazines. It is planning to grow even bigger by increasing its capital. It also wants to become a household name slowly.

- B. Amul is an Indian cooperative dairy, based at Anand in the state of Gujarat. Formed in 1956, it is a cooperative brand managed by a cooperative body, the Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF), which today is jointly owned by 3.6 million milk producers in Gujarat. Amul spurred India's White Revolution, which made the country the world's largest producer of milk and milk products. Amul wants to convert to a company.

- C. Mama Foods, founded in 1940 is a fast food Chain operated by Raju and Bushan in Partnership, in Bangalore, India. They rechristened their business as a Dosa stand, and later turned the Partnership into a franchise. Now, Mama is Bangalore’s largest restaurant chain by revenue. They are planning to convert to a company soon as they are planning to expand.

- D. A is an owner of a grocery store which is a Sole proprietorship. He wants to start many grocery stores across Bangalore. He wants to convert his business to a company. He does not want any shareholders other than himself in the company.

- E. Abhijit, Sneha and Devi have always been keen in preserving north Eastern culture. They have an organization wherein they collect different forms of art works and display them in galleries across the country. They want to incorporate a company for the same purpose.

Part C [Problem Solving Questions]

Answer both the Questions. Each Question carries ten marks. (2Qx10M=20M)

7. Read the following abstracts from articles of Association and MOA of company called "Starline Arline Ltd".

(C.O.NO.2) [Analysis]

Memorandum of Association:

Object:

"provide luxurious air travel"

Articles of Association:

1. To enter into agreements of lease, tenancy and mortgage, the deeds should have a signature of any three of the following five:
 - a. Company Secretary
 - b. Company Accountant
 - c. Chief Executive Officer
 - d. Chief Financial Officer
 - e. Managing Director
2. For every transfer of property there should be a special resolution passed by the shareholders.
3. Managing Director shall not be terminated before the end of one year unless and until he breaches his fiduciary duties or breaches the terms mentioned in his Non-Disclosure Agreements.
4. Directors should not be a part of the resolutions with respect to related party transactions.
5. The company will pay the shareholders dividends every year in form of further issue of shares in an event when the company makes of turnover of Five Hundred Crore Rupees.
NOTE: Related Party transactions means that the director should not be a part of the special resolution in case he can be personally benefitted from that transaction.

On basis of the aforesaid MOA and AOA discuss the validity of the following transactions and acts.

- A. A mortgage deed between XYZ Pvt Ltd. and Starline which has been signed by only the Company Secretary and Chief Executive Officer.
- B. An agreement of sale signed by the receptionist of the company for purchase of company property.
- C. A contract with an individual saying that Starline will cater food in an event.
- D. The termination of the Managing Director before completion of one year.
- E. The directors in a board meeting decide that dividends shall be paid in form of debentures and not further issue of shares.

8. Read the instances and answer the following questions:

(C.O.NO.2) [Analysis]

A. LEGAL SCENARIO:

Foreign Exchange Management Act provides Foreign Direct Investment (FDI, a subset of international factor movements, is characterized by controlling ownership of a business enterprise in one country by an entity based in another country) limits for various sectors in India. Under FEMA an insurance company

can accept a total FDI of 49%. However, it can accept only 5% investment from one single company.

FACTS:

Sanjanaa, is one of the most powerful businesswoman of USA. She is a proud owner of 5 companies. She plans to invest plans to invest 25% in Raimer (An Indian Insurance company). However, the rule under FEMA does not allow a single company to invest more than 5%. Thus, Sanjanaa invests 5% from each one of her companies.

Post this investment, the managing director of Raimer approaches you to know whether the investment made by Sanjanaa's various companies is valid. Answer her question with reasons and applicable case laws.

B. LEGAL SCENARIO:

There is a country called Wakanda whose laws and legal conditions are very similar to those of those of Indian Laws. In Wakanda there is a state called Asgard. In Asgard world's worst industrial disaster began when at an ultra-hazardous, under-designed and poorly maintained pesticides factory started releasing a large amount of water and contaminants mixed with over 40 tons of the highly reactive, volatile and toxic chemical methyl isocyanate (MIC). This leakage was cause due to the negligence of a company called Union Pesticides.

FACTS:

During the aforestated leakage uncountable people lost their lives. Union Pesticides was a subsidiary of a company called Union Carbides. In an attempt to restitute the victims Union pesticides went bankrupt. They had to close down all its branches.

An NGO worker in Asgard approaches you and wants to know if Union Carbide can be held liable for the act of Union Pesticides. Advice.



SCHOOL OF LAW

Semester: Odd Sem 2019-20

Course Code: LAW 118

Course Name:

Date: 23.10.2019

Time: 9:30AM

Max Marks: 60

Weightage: 30%

Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO (%age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type [Marks allotted] Bloom's Levels	Thought provoking type [Marks allotted] Bloom's Levels	Problem Solving type [Marks allotted]	Total Marks
			K	C	A	
1	3	1/Definition of Company	5			5
2	1	1/Incorporation of Company	5			5
3	1	2/ Memorandum of Association	5			5
4	2	2/ Memorandum of Association	5			5
5	2	1/ Types of Company		10		10
6	3	2/Pre in corporation Contracts		10		10
7	1	1/ Lifting of Corporate veil			10	10
8	3	2/ Articles of Association			10	10

	Total Marks		20	20	20	60
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K = Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines. [Name of faculty]

Reviewer's Comments:

Annexure- II: Format of Answer Scheme



SCHOOL OF LAW

SOLUTION

Date: 11.10.2019

Semester: V

Time:

Course Code: LAW 118

Max Marks: 60

Course Name:

Weightage: 30%

Part A

(4Q x 5M = 20Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	Separate legal entity, Case of Solomon v. Solomon, Critical analysis	Explanation: 2 Solomon v. Solomon: 3	5 mins
2	1. Form MOA, AOA 2. Register with ROC 3. ROC issues COI	1 mark each for each step	5 mins
3	State to State- Permission of CG is required, Passing of Special Resolution Within State: Permission of Regional Officer is required	2- Marks for State to State 3- for within State	5 mins

4.	1. Name Clause 2. Capital Clause 3. Object Clause 3. Liability Clause	1 Mark for each clause	5 mins
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Part B

(2Q x10 M = 20 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
5	1. Producer Company 2. Public Company 3. Private Company 4. OPC 5. Section 8 Company	2 Marks each for each point	7 mins
6	1. Company is not bound by pre incorporation contracts. 2. Doctrine of Ultra Vires 3. Not possible. Section 4(2)	1- 2 marks 2- 2 marks 3- 6 marks	8 mins

Part C

(2Q x 10M = 20Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
7	1. Lifting of Corporate veil- Failing of legislative intent 2. Lifting of corporate veil- grave injustice	5 marks each	10 mins
8	1. Not valid. Outside apparent authority 2. Doctrine of constructive notice 3. Ultra vires 4. Binding-outsider 5. Binding on insiders	2 marks each	10 mins



Roll No

**PRESIDENCY UNIVERSITY
BENGALURU**

SCHOOL OF LAW

END TERM FINAL EXAMINATION

Semester: Odd Semester: 2019 - 20

Course Code: LAW 118

Course Name: COMPANY LAW-I

Program & Sem: BA/B.Com/BBA LL.B., (Hons) & V

Date: 28 December 2019

Time: 1:00 PM to 4:00 PM

Max Marks: 80

Weightage: 40%

Instructions:

(i) Read the all questions carefully and answer accordingly.

Part A [Memory Recall Questions]

Answer all the Questions. Each Question carries 5 marks.

(5Qx5M=25M)

1. Abhijit is however concerned that many new shareholders will enter Jetter Motors Pvt Ltd. after the conversion of the company from private company to public company. Suggest to him a type of share where he will be able to retain the control over the company. Also explain the rules for issuance of such shares. (C.O.No.3) [Knowledge]
2. Swati and Abhijit decide that they want to raise capital from the public. To do the same they are required to issue a prospectus. Before they draft the same they want to be aware of the types of prospectus which find a place in the Company law. Explain with relevant section. (C.O.No.3) [Knowledge]
3. Apart from the raising of capital through public offer, both of them feel that the company should specifically send offers to some of their friends to buy shares in the company. Is there any provision in company law which enables the company to do so? If yes, explain the provision. (C.O.No.4) [Understanding]
4. Abhijit and Swati are involved in the manufacturing of cars. For carrying on the business they have incorporated a company called Jetter Motors Pvt. Ltd. Lately, they have felt that they would function better if they convert to a public company. Explain to them the difference between a private and a public company. (C.O.No.1) [Knowledge]
5. After receiving advice from you, Swati and Abhijit decide to go forward with the conversion to a public company. However, Swati wants to understand the ways in which a public company can raise its capital. Explain the ways to her with relevant provisions. (C.O.No.2) [Knowledge]

Part B [Thought Provoking Questions]

Answer all the Questions. Each Question carries ten marks.

(3Qx10M=30M)

6. Suggest a type of share that the following could buy with reasons and explain the characteristics of the share suggested.
 - a. Devi is looking for a constant source of income. She is not interested in voting rights in a company.
 - b. Amit wants to be a core member of a certain company and have control over every decision that happens in the company.
 - c. Minakshi is interested in high returns but she is not interested in voting rights.

(C.O.No.2) [Comprehension]

7. "A promoter conceives an idea for setting-up a particular business at a given place and performs various formalities required for starting a company. A promoter may be an individual, firm, association of persons or a company. The persons who assist the promoter in completing various legal formalities are professional people like Counsels, Solicitors, Accountants etc. and not promoters. The promoter is neither a trustee nor an agent of the company because there is no company yet in existence. The correct way to describe his legal position is that he stands in a fiduciary position towards the company about to be formed." Keeping in mind the above statement determine with reasons whether the following acts by promoter of a company are valid or not:
 - a. Sneha is the promoter of a public company called Disco Ltd. They decide to raise capital through a public offer for the purpose of expansion of business and are drafting a prospectus. Sneha bribes the expert to write that the company's expansion would result in significant increase of turnover.
 - b. Disco Ltd. is negotiating to buy a certain land for the purpose of establishing warehouses. The same land happens to be in personal interests of Sneha as she wants to start a nursery on the same land. While the company is still negotiating the deal Sneha buys the land in personal capacity.
 - c. Sneha has received a job offer from another leading company as a director with a higher pay. Sneha decided to leave Disco Ltd. for the job. However, she informs the directors and the shareholders that she will have to discontinue her tenure with Disco.

(C.O.No.1) [Comprehension]

8. Neha and Sandeep are the founders, directors and 10% shareholders of a public company called Roma Ltd. Roma is a company which runs a social media platform where woman can post pictures of themselves. It is a platform made exclusively for girls and is called "Sistagram". Facebook is trying to acquire Sistagram from a long time. Neither Neha nor Sandeep are interested in selling out their company. However Roma has close to 1900 shareholders and facebook has approached many shareholders and tried to buy their individual shares.

On basis of the above answer the following questions:

- a. Why do you think Neha and Sandeep are concerned with Facebook approaching individual shareholders?
- b. How do you think Neha and Sandeep can safeguard the company against Facebook. Explain with relevant provisions and SEBI guidelines.

(C.O.No.3) [Comprehension]

Part C [Problem Solving Questions]

Answer all the Questions. Each Question carries 12 ½ marks.

(2Q=25M)

9. Answer the following questions:

[13M]

- A. India has jumped to Rank 63 in terms of ease of doing business. In your opinion does the current Companies Act of 2013 promote ease of business?
- B. According to Section 24 of the Companies Act of 2013 SEBI is allowed to lay guidelines for regulating public offer and prospectus. What is the nexus between Company law and SEBI?
- C. State the various types of share capital which have been discussed in the Company law.
- D. Suggest any two reforms to the existing company law. (C.O.No.4) [Application]

10. The Articles of Association of JabaHut and Sons Ltd are involved in the business of Inter Planetary restricted goods trade say the following:

[12M]

- A. The company may issue shares to the existing shareholders in case there is a requirement for raising of more capital.
- B. The company will not issue any sweat equity shares.
- C. Every allotment letter by the company has to be signed by minimum two directors and authorized by a special resolution.
- D. Only equity shareholders who have purchased their share before 2004 will be allowed to vote on matters related to issue of further capital.
- E. The company will be allowed to issue the value of 50% of paid up capital and differential voting right shares.

On the basis of the above articles answer the following questions:

- i. What is further ~~issue of share capital~~? Explain with provisions and rules.
- ii. Is point number E of the Articles of Association Valid? Explain with reasons.
- iii. Ishita buys a share from JabaHut and receives an allotment letter signed by two directors. The company says that Special resolution was not passed as required by point number C of the Articles of Association and thus the company is not bound by the allotment letter. Do you agree?
- iv. 25% of the equity share holders of the company do not agree with point number D of the Articles of Association. What are their rights? (C.O.No.4) [Application]



SCHOOL OF LAW

END TERM FINAL EXAMINATION

Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO (% age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type	Thought provoking type	Problem Solving type	Total Marks
			[Marks allotted]	[Marks allotted]	[Marks allotted]	
			Bloom's Levels	Bloom's Levels	[Marks allotted]	
			K	C	A	
1	3	2	5			5
2	3	4	5			5
3	4	4	5			5
4	1	3	5			5
5	2	1	5			5
6	2	3		10		10
7	1	2		10		10
8	3	4		10		10
9	2	3			12.5	12.5
10	4	Miscellaneous			12.5	12.5
	Total Marks		25	30	25	25

K = Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines.

Faculty Signature:

Reviewer Comment:

Format of Answer Scheme



SCHOOL OF ENGINEERING

SOLUTION

Semester: Odd Sem. 2019-2020
Course Code: LAW118
Course Name: Company Law-I
Program & Sem: BA/B.Com, BBA LLB (Hons)

Date: 28.12.2019
Time: 3 HRS
Max Marks: 80
Weightage: 40%

Part A

(0Q x 0M = 0Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	1. Shares by differential voting rights 2. Rules related to such shares	1 4	6 mins
2	1. Red Herring prospectus 2. Abridged Prospectus 3. Shelf Prospectus	1 2 2	7 mins
3	Private placements. Section 42 and the 10 rules in relation to private placements. Any 5. QIB, Maximum limit, allotment of issuing letter etc.	2 2 1	7 mins
1	Definition of both the Companies Sections Differences	1 1 2	6 mins
2	1. Public Offer 2. Private Placement 3. Further issue of share Capital	1 1 2	6 mins

Part B

(0Q x 0M = 0 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
6	A. Preferential shares as discussed in Section 45 of the companies act B. Equity Shares C. DVRs	3 3 4	15 mins

7	A. Section 34 or 35 of The companies Act. Misrepresentation in the prospectus B. Breach of fiduciary diuty C. No breach	6 2 2	20 mins
8	A. Hostile takeover , holding and subsidiary companies. B. Buy back of shares and SEBI guidelines and Section 68 of the Companies Act	6 2 2	20 mins

Part C

(0Q x 0M = 0Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
9	A. Depends on the students' perspective B. SEBI is a regulating authority for the capital markets and the company has share capital which is a part of the capital market. C. Nominal Capital, Issued capital, called up capital, subscribed capital and paid up capital. D. Depends on the students' perspective E.	3.5 3 3 3	15 mins
10	1. Further issue of share capital means issue of shares to the existing shareholders of the company and not issue to new members. 2. Not avlid because it in breach of Rule 4 of Companies (Share Capital and Debenture rules of 2014 3. Doctrine of Indoor management 4. Approach NCLT	3.5 3 3 3	15 mins

