



PRESIDENCY UNIVERSITY,  
BENGALURU

SCHOOL OF LAW

MID TERM EXAMINATION

Odd Semester: 2018-19

Course Code: LAW 118

Course Name: Company Law - I

Branch & Sem: BBA/BA/B.Com., LL.B. & V Sem

Date: 26 October 2018

Time: 2 Hours

Max Marks: 60

Weightage: 30%

**Instructions:**

(i) *Calculator is allowed*

**Part A**

Answer **all** the Questions. **Each** question carries **two** marks.

(10x2=20)

1. Mr X, is a shareholder in a company named Sheraton Exports Ltd. He holds 1 lakh shares in the company worth 50 lakhs as per the closing price of the share on the Bombay Stock Exchange. Unfortunately, Mr X's son suffers an accident causing serious head injuries. An operation is advised for which the expenses would be 10 lakhs. Mr X makes a demand to Sheraton Exports Ltd to buy 20% of his shares so that he can pay for his son's operation as he has no ready cash available with him. Is such a demand capable of being entertained by a company?
2. Mr Y is the proprietor of a grocery business valued at 10 lakh rupees. He decides to incorporate a company to buy and take over his proprietorship business. The said company incorporated by Mr Y buys the business and pays Mr Y by issuing him 50,000 equity shares of the face value of 10 rupees each, debentures to the tune of 2,50,000 and a secured loan of Rs 2,50,000. The Company has 7 directors. Mr Y holds 95% of the shares while the remaining 5% shares are held by his close family members. In the course of running its business, the Company takes loans and it also suffers losses due to adverse market conditions. It goes into liquidation and there is nothing left to pay the unsecured creditors. These unsecured creditors sue Mr Y and pray to the court to hold Mr Y personally liable for the loans extended by them to the company. Decide the liability of Mr Y in company law.
3. Mr Z is a timber merchant and he has a stock of timber worth 20 lakh rupees in his godown. He incorporates a private company having two members he himself and his wife. Mr Z holds all the shares of the company except one which is held by his wife. He subsequently transfers all the timber in the name of the company as the company was incorporated for carrying on the business of timber trade. In order to safeguard the timber stock he takes a fire insurance policy on the timber in his own name. Unfortunately a fire destroys his stock of timber. He makes a claim for the insurance amount which is rejected by the insurance company. Is the insurance company right in rejecting the claim? If so, why?

4. Tech and Tronics Ltd is a company established for the purpose of carrying on business in the area of providing support services in the area of business software. In the course of its existence the company decides to open a hospital as a side business. Whether such an action of opening a side business permitted under company law?
5. Swiss Chocolates Pvt Ltd is a company which decides to come out with an IPO. It manages to become a public company without issuing a red herring prospectus. It is permissible for a private company to turn public without coming out with a prospectus?
6. A private company is like an incorporated partnership. Are the shares of a private company transferable? If so, how?
7. As per the Articles of ABC and Co Pvt Ltd any contract entered into by the company had to be signed by all 5 of its directors. The Managing Director of the company entered into a contract on behalf of the company with a third party. The company later refused to honor the contract. Is the action of the company permissible under company law?
8. A Company decides to change its name. It convenes a meeting of its shareholders and the new name is approved. Thereafter the old name is replaced with the new name in all the documents, advertisements, etc. Has the company complied with the procedure for the change of its name?
9. The prospectus of a company makes all the disclosures as per the norms of SEBI but it fails to mention the names and other details of its directors. Would such a non-disclosure be a mere irregularity or fatal to the validity of its prospectus?
10. A promoter of a company has entered into contracts to buy land before the company was incorporated. After the company came into existence he sold the said land to the company at an inflated price without disclosing the profits he had made. When the company discovers the said wrongdoing on the part of the promoter, it decides to sue him for the recovery of the money which the promoter had made as profits. Would the company be successful in such a suit?

### **Part B**

Answer **all** the Questions. **Each** question carries **ten** marks.

(2x10=20)

11. "A company in law is different from the people who create it." Analyse in the light of decided case laws.
12. For a public Company the law has mandated the requirement of a prospectus which is supposed to be an elaborate document vis-à-vis the details of the company. Why is a prospectus so essential for a public company and what are the main disclosures in it?

### Part C

Answer **all** the Questions. **Each** Question carries **ten** marks.

(2x10=20)

13. "Dealing with a company in any commercial capacity can never be compared with any commercial dealing with a proprietor or a partnership firm." In the light of the above statement discuss the doctrine of constructive notice.
14. Who is the promoter of a company? Analyse the role and liability of a promoter vis-à-vis the company





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**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF LAW**

**END TERM FINAL EXAMINATION**

**Odd Semester:** 2018-19

**Course Code:** LAW 118

**Course Name:** Company Law I

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

**Date:** 28 December 2018

**Time:** 3 Hours

**Max Marks:** 80

**Weightage:** 40%

**Instructions:**

(i) **Answer all the questions.**

**Part A**

Answer **all** the Questions. **Each** question carries **five** marks.

(4Qx5M=20)

1. The plaintiff company was incorporated under the name "The Society of Motor Manufacturers & Traders Ltd" in 1902. Later in 1924, the defendant company was incorporated under the name "Motor Manufacturers & Traders Mutual Insurance Ltd". The plaintiff company sued the defendant company for adopting an identical name on the ground that it was deceptive and prayed that the defendant be restrained from using this name. In this case the plaintiff company is a motor manufacturer and trading company whereas the defendant company is an insurance company. Decide whether the court should restrain the defendant company from using its name?

2. The managing agents of Fabulous & Co Ltd were given the power to borrow money for the purposes of the Company with the approval of the directors. The plaintiffs gave loan to the managing agents who had not obtained approval of the directors. Decide whether the Company will be bound by this loan?

3. "The memorandum defines the area beyond which the action of the Company cannot go, inside that area the shareholders may make such regulations for their own governance as they think fit." Explain.

4. Metallico & Co Ltd inserted an advertisement in a newspaper stating, "Some shares are still available for sale according to the terms of the prospectus of the company which can be obtained on application". Whether such an advertisement constituted a prospectus? Decide.

**Part B**

Answer **all** the Questions. **Each** question carries **ten** marks.

(4Qx10M=40)

5. The memorandum defines the limitations of the powers of the company.....it contains in it, both that which is affirmative and that which is negative. It states affirmatively the

ambit and extent of vitality and powers which by law are given to the corporation, and it states negatively, if it is necessary to state, that nothing shall be done beyond that ambit....." Explain in the light of the doctrine of ultra vires.

6. Define share capital. What is the difference between equity and preference shares?
7. Write a note on the major changes introduced in the Companies Act, 2013.
8. What is a debenture? What are the different types of debentures?

### **Part C**

Answer **both** the Questions. **Each** question carries **ten** marks.'

(2Qx10M=20)

9. In the light of the contents of a prospectus discuss its importance in raising capital. In order for a document to be a prospectus is it necessary for it to be issued to the public?
10. Explain the doctrine of constructive notice. Does it apply in the case of public as well as private companies?