



Roll No.

**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF LAW**

**MIDTERM EXAMINATION**

**Even Semester:** 2018-19

**Course Code:** LAW 119

**Course Name:** Company Law II

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

**Date:** 26 March 2019

**Time:** 2 Hours

**Max Marks:** 60

**Weightage:** 30%

**Instructions:**

- (i) *All questions are compulsory*
- (ii) *Answer part A questions in not more than 3 sentences.*
- (iii) *Give reasons in support of your answer wherever required*

**Part A**

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

(10Qx2M=20)

1. What do you understand by a resident director?
2. Can directors be regarded as trustees of individual shareholder?
3. Who can be appointed as a director of a Company?
4. Who are Key Managerial Personnel?
5. Can the shareholders of a company declare a dividend higher than that determined by the Board of directors?
6. What is the maximum number of companies in which a person can act as the director?
7. What do you understand by a special resolution?
8. What are the consequences of absence of quorum of a members meeting?
9. What is the basic principle relating to the payment of dividend?
10. State any two statutory grounds on which a person can be disqualified from being appointed as the director of the company.

**Part B**

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

(2Qx10M=20)

11. Explain the rule that was laid down in the case of Foss v. Harbottle. Are there any exceptions to the same?
12. A director stands in a fiduciary relationship to the company. Explain.

## Part C

Answer **all** the Questions. The question carries **twenty** marks. Marks of each sub-questions are indicated below. (1Qx20M=20)

13. Stardust Ltd is a public listed company (hereinafter referred to as "**Stardust**") incorporated on 2<sup>nd</sup> May, 2017 by Mrs. Dye, Mr. Dye, Goldie Private Limited ("**Goldie**") and Mr. Silver, who are also the subscribers to the Memorandum of Association ("**MoA**") of the Company. One of the objects of the Stardust is to undertake various types of construction activities. The Articles of Association ("**AoA**"), *inter alia*, provides that Stardust shall have a maximum of 12 directors.

Stardust held its first Annual General Meeting ("**AGM**") on 4<sup>th</sup> July, 2017, wherein all 12 directors were appointed.

Goldie is a company incorporated on 3<sup>rd</sup> June, 2015 and is engaged in the business of manufacturing and supply of cement. It has 3 directors viz. Mr. Gourd, Mr. Silver and his daughter Ms. Pippa.

Based on the aforesaid answer the following question giving reason in support of your answer:

- a. Who can be appointed as the first directors of the Stardust? Why? (3 marks)
- b. What should be the statutory requirements that Stardust must keep in mind while constituting its Board? (3 marks)
- c. Determine whether Stardust can validly enter into a contract with Goldie for the supply of cement? (5 marks)
- d. Decide if the Board of directors can hold the second AGM on 4<sup>th</sup> November, 2018? (3 marks)
- e. What committees would Stardust statutorily be required to constitute? (2 marks)
- f. Determine whether Ms. Pippa can be appointed as the independent director of Stardust? What shall be her role as such director and term of her office as such director? (4 marks)



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END TERM FINAL EXAMINATION

Even Semester: 2018-19

Course Code: LAW119

Course Name: Company Law II

Program & Sem: BA./BBA/B.Com.,L.L.B (Hons.) & VI Sem

Date: 21 May 2019

Time: 3 Hours

Max Marks: 80

Weightage: 40%

**Instructions:**

- (i) All questions are compulsory
- (ii) For Part A write the question no. followed by the right option.
- (iii) Answer Part B and Part C concisely

**Part A**

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

(10Qx2M=20M)

1. Select the most suitable option.

- i. The provisions with regard to voluntary winding up of companies have been omitted from the Companies Act, 2013 by the enactment of the which of the following statute:
  - a. The Sick Industrial Companies (Special Provisions) Act, 1985
  - b. The Insolvency & Bankruptcy Code, 2016
  - c. The Insolvency & Bankruptcy Code, 2015
  - d. The Companies (Second Amendment) Act, 2002
- ii. At a general meeting of a company, one of the matter to be put up for voting is "increase of the authorized share capital of the company" then this would be deemed to be:
  - a. Special business
  - b. Ordinary business
  - c. Depends on whether it requires special majority
  - d. None of the above
- iii. A proxy appointed by a member of a company must be
  - a. Natural person
  - b. Legal person
  - c. May be both a. & b.
  - d. None of above
- iv. Dividend may be paid from the following sources
  - a. Capital
  - b. Free reserves
  - c. Out of profit of the company for that year arrived at after providing for depreciation
  - d. Both b & c
  - e. Both a & c

- v. Which of the following authority has not been constituted under the Companies Act, 2013
- National Financial Reporting Authority
  - Serious Fraud Investigation Office
  - National Company Law Tribunal
  - Board of Industrial and Financial Reconstruction
- vi. Constitution of a corporate social responsibility committee by a company is:
- Mandatory for all companies
  - Is optional for all companies
  - Is mandatory only for certain companies meeting the prescribed threshold
  - Is mandatory only for public limited companies
- vii. Which of the following are eligible for appointment as an auditor of a company:
- A company
  - Director of the appointing company
  - Limited Liability partnership
  - All the above
- viii. A director's duty of exercising of independent judgment
- Prohibits him delegating essential functions of the office to others
  - Prohibits him from seeking professional advice from third parties
  - Both a. & b.
  - Neither a. & b.
- ix. Which of the following conditions need to be complied with for a person to be appointed as a director of a company
- The person must be a natural person
  - The person must be a legal / natural person
  - The person must not be subject to any disqualifications
  - Only b & c
  - Only a & c
- x. Which of the following amendment to the Companies Act, 1956 introduced the provisions with regard to the constitution of NCLT & NCLAT
- The Companies (Second amendment) Act, 2002
  - The Companies Amendment Act, 2000
  - NCLT & NCLAT were for the first time constituted under the Companies Act, 2013
  - None of the above

### Part B

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

(5Qx6M=30M)

Write short notes on the following:

- Differentiate between the terms compromise, arrangement, amalgamation & reconstruction.
- Corporate Social Responsibility
- Company Liquidator: Powers & Duties
- Extra-ordinary General Meetings
- Union of India v. R. Gandhi, Madras Bar Association

### Part C

Answer **both** the Questions. **Each** question carries **fifteen** marks.

(2Qx15M=30M)

7. Faxo Pvt. Ltd. is a private company incorporated under the Companies Act, 2013 in the year 2014, with the sole object of manufacturing a drug called "cellulition" ("hereinafter referred to as "the drug") which is used to treat tuberculosis. In the year 2015, the World Health Organization ("WHO") published a report stating that the side effects of the drug, which included drowsiness, extreme enthusiasm and addiction clearly outweighed its advantages. Moreover, there were alternate effective medication available to treat tuberculosis. Based on this Report and an independent study undertaken by the Indian Government, the Government banned the manufacture and sale of the Drug in public interest.

Based on the aforesaid, answer the following questions:

- Which is the most suitable ground on which an application for the compulsory winding of the Company can be filed? Give reasons in support of your answer. Also, state the Court before which such an application can be filed along with the persons who are entitled to make such an application. (3 marks)
  - What do you understand by winding-up of a company? Specify the different modes of winding-up of a Company? (3 marks)
  - Explain the various grounds on which a company may be compulsorily wound-up. (7 marks)
  - In case Faxo Pvt. Ltd. decides to opt for voluntary liquidation, such proceedings shall be governed by the provisions of which statute. (2 marks)
8. Mrs. Ria Modi is a duly qualified Chartered Accountant and is an employee of Caption Limited, a listed public Company. The company has resolved in the General Meeting to appoint Mrs. Ria Modi as the Auditor of the company for the purpose of undertaking the statutory audit in accordance with the provision of the Companies Act, 2013. Based on the aforementioned, answer the following question:
- Determine whether the appointment of Mrs. Ria Modi is in accordance with the Companies Act, 2013? Give reasons in support of your answer. (3 marks)
  - State the statutory term for which an Auditor is appointed. Also, state whether Mrs. Ria Modi, if duly appointed can be eligible for re-appointment? (4 marks)
  - Discuss the powers and duties of an Auditor of the Company. (8 marks)