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Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2019

Course: Company Law - I
Program: B. Tech ET LL.B IPR/ B Tech CSE LL.B CL
Course Code: CLCC – 3001

Semester: 5
Time: 03 hrs.
Max. Marks: 100

Instructions: All the questions are compulsory.

SECTION A

Q1	Short answer questions (<i>attempt in maximum four lines</i>)	Marks	CO
I	What do you mean by incorporation of a company?	2	CO1
II	What is understood by ‘Shelf prospectus’?	2	CO4
III	What is understood by corporate personality?	2	CO2
IV	What do you mean by a public company? Is it same as a government company?	2	CO2
V	What is an AGM?	2	CO2

SECTION B

Q 2	<p>Write short notes on: (Any one)</p> <p>a) Rationale behind having one third of the directors of a public company as independent directors</p> <p>b) Doctrine of Indoor Management seeks to mitigate the hardships of the doctrine of constructive notice. Explain.</p>	10	CO2 CO1
Q 3	<p>Answer the following: (Any one)</p> <p>a) “The full disclosure of the facts and circumstances relating to the formation of a company constitute the best safeguards against abuse of law by unscrupulous company promoters and managers. A good prospectus is one which will allow an intelligent judgment to be made on the viability of the project.” In the light of the above statement discuss the relevance of the various disclosures the law mandates in the prospectus of a company.</p> <p>b) Carrying the analogy of Constitutional Law a further it is often said that the members (shareholders) in the general meeting and the Board of Directors are the two organs of a company and are analogically similar to the council of ministers and the cabinet in a parliamentary form of government. Explain</p>	10	CO4 CO2 CO1

SECTION-C

Q 4	“It is observed in the corporate world that very few women are found in the upper hierarchy of the corporate ladder. One of the primary reason for the same in India appears to the patriarchial (male centric) nature of the Indian society.” In the light of the above statement write a note on how greater participation of women high up in the corporate ladder would positively contribute to the growth and development of companies and whether the new Companies Act of 2013 has introduced any provision to increase the number of women high up in the corporate ladder?	10	CO3
Q 5	“Debenture is a name applied to certain types of documents evidencing an indebtedness which is normally but not necessarily secured by a charge over property” Explain	10	CO4

SECTION-D

Q 6	<p>Mr. X was a proprietor of a sole proprietorship firm, Y Associates with the business of manufacturing dog food. He wanted to convert the same to a private limited company where he and his two sons will be the promoters and the first subscribers to the memorandum. X realized that in order for the proposed company to function smoothly, it needs bigger godowns and warehouses for the manufacture and storage of its products. He took three godowns on lease from Mr. Z on the condition that the premium/rent of such godowns shall be paid once the company is incorporated. However, the premises of the godowns were acquired by Y Associates before the same was converted to X Industries Pvt. Ltd. After X Industries Pvt. Ltd. was incorporated, there was a default in payment of premium/rent to Z for two consecutive months. It was later discovered by X that Mr. A, one of the directors appointed in X Industries Pvt. Ltd. misutilised the money that was to be paid towards such rent or premium for his personal use. Mr. Z thereafter filed a money suit against Mr. A in the district court. While the litigation was pending, X Industries Pvt. Ltd. wanted to convert itself to a public company and thereby invited subscription of 100000 shares from the public and thereby issued a red herring prospectus to that effect. The litigation was not disclosed to the shareholders and a total of 900 shares were subscribed by the public. One such shareholder, Mr. B unaware of the company’s pending litigation invested in 30 shares in the company. On being aware of the same, he filed a suit against X Industries Pvt. Ltd. For defrauding him.</p> <p>A) Discuss liabilities of Mr. X and X Industries Pvt. Ltd. for non-disclosure to B in the prospectus. What is a red herring prospectus?</p> <p>B) In the light of the above case discuss the personal liability of a wrongful director.</p>	15+15	CO2, CO4, CO3
Q 7	A) A Ltd is a duly incorporated public company under the Companies Act, 2013. It has total of 15 directors out of which all directors are male and two are	5*4=20	CO2, CO4

independent directors. Decide if the company is in compliance with the requirements of the Companies Act, 2013

- B) GTE Ltd.'s annual general meeting should have been held on 30th Sept., 2018. However, as the accounts for the year 2017-2018 were not ready, the AGM could not be held. In order to avoid legal action against himself and the company what are the compliances required to be met by the Company Secretary under the Company Law?
- C) DXC Ltd. wants to appoint Mr Z as Managing Director of the company for a period of three years with effect from 1st August, 2018. Mr Z has given a written statement to the company that he has paid rupees one thousand to the prescribed authorities for a conviction of an offence under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 on 30th June, 2018. State whether Mr Z can be appointed as Managing Director of the company under the Companies Act, 2013.
- D) DD Limited has decided to make investment in other companies for Rs. 50 lakhs, which is in excess of 60% of the company's paid-up share capital, free reserves and securities premium account. Company has 5 directors. Four directors were present in the Board meeting, three directors have given their consent but one director abstained from voting. The decision of the Board was noted in the minutes of Board meeting and decided to make such investment by passing of Board resolution with majority. Referring to the provisions of Companies Act, 2013, examine the validity of the Board's decision.