

December 06, 2001

**CORPORATE LAWS & SECRETARIAL PRACTICES**

**(MARKS 100)**

**PE-1 (PAPER-4)**

**(3 HOURS)**

Q.1 Write short notes on the following to reflect your understanding of the Company law provisions and principles:

- (a) Restriction on investment in associated company. (03)
- (b) Eligibility criteria for a Chairman of Board of Directors. (03)
- (c) Rights of shareholder holding 10% for carrying out an investigation into a Company's affairs. (05)
- (d) Rights of members holding 20% voting rights in case of mismanagement and oppression of minority shareholders (05)

Q.2(a) The following are the items for which a listed company is proposing to seek approval from the members at its second annual general meeting.

The items on agenda include approval of annual accounts for the year ended 31 December 2001, final dividend, capital expenditure upto Rs 100,000, appointment of chief financial officer, auditors, increase in authorized capital, and approval for investment in associated company.

- i) Which items the members need not approve? State the requisite approving authority? (05)
- ii) State how the above items should be categorized -- ordinary or special business. (03)
- iii) State two other important constituents of the notice to be sent to the shareholders. (02)

Q.3 Prepare a checklist of corporate secretarial events that give rise to filing of documents during the financial year of a public listed company which is also planning to amend its articles and memorandum. Also state the time frame within which these documents if any have to be filed. (08)

Q.4 At a company's Board of Directors meeting the Finance Director presented the financial position of the company for the half-year ended 30 June 2001. The equity was eroded by 2 times the paid up capital and the lenders were contemplating filing suit for recovery, as the company was unable to pay its debts. The Directors are thinking of a members' voluntary winding up. Discuss the viability of the option thought of by the Directors. (08)

Q.5 A Board of Directors of a multinational has to meet in February to approve the annual accounts for the year ended 31 December 2001. The expatriate directors representing 60% of the Board will not be able to attend due to travel restrictions. Assuming the meeting cannot be postponed, what alternatives are available? (04)

Q.6(a) For engaging in certain business activities e.g. leasing, credit rating, banking, before incorporation of the company certain specialized corporate formalities under the underlying respective statutes/rules for these businesses are required to be complied with.

Briefly explain the general nature of these pre-requisites for incorporation. Under which law would the Registrar issue the certificate of incorporation of such companies? (04)

- (b) Describe the manner and the business that an investment company can undertake under the Investment Companies and Investment Advisers Rules 1971? (05)

How would you compare an investment company with an investment bank as regards its business activities?

Which other institutions are similar in concept to investment companies? (05)

- (c) What are the requirements under issue of capital rules for issue of shares for consideration other than cash? (03)

Q.7(a) In the first meeting of Board of Directors of Messrs. Lee Sugar Ltd., Mr Gee proposed the name of Mr Dee for appointment as chief executive of the Company. Mr Aey opposed the proposal saying that Mr Dee is already a Chief Executive in Messrs. Hee Sugar (Private) Limited and, therefore, can not be appointed here as such. Comment on the statement of Mr Aey in the light of provisions of the Company Ordinance, 1984. (02)

- (b) A company having seven elected and two nominee directors wanted to appoint an employee of the Company, Mr Kay, as Chief Executive of the Company and is desirous to know the answer to the following before making the appointment:

- i. Status of Mr Kay if appointed as the chief executive, viz a viz other directors.
- ii. Minimum number of shares to be acquired by Mr Kay to become Chief Executive.
- iii. Tenure of office for which Mr Kay may be appointed as Chief Executive.
- iv. How Mr Kay may be removed?
- v. Will it be necessary to obtain members approval for the terms and conditions of Mr Kays' appointment? (06)

Q.8 List the contents of Directors' Report. Who should sign the Report? (05)

Q.9 May an employees' provident fund make investment in shares or other securities of the company. If so then in what type of company and in what securities and subject to what conditions such investment is allowed? (08)

Q.10(a) What businesses are prohibited for a leasing company? What should be the minimum lease period? (03)

- (b) What portion of a leasing company's funds should be invested in leasing business? What portion of overall lease portfolio may be exposed to a single group? (02)

Q.11 Can a company be voluntarily de-listed from the stock exchange(s). If so what is the procedure to be followed by the company for de-listing under the listing regulations of stock exchanges? (10)

Q.12(a) Briefly describe the foreign exchange regulations relating to rupee borrowing for capital expenditure purposes by foreign controlled companies. (03)

- (b) "Once a company enlists with the Central Depository System the individual shareholders will no longer continue to receive notices for general meetings". Comment on the above statement (03)

**(THE END)**