



**DHARMASHASTRA NATIONAL LAW UNIVERSITY,
JABALPUR (M.P.)**

END-SEMESTER EXAMINATION 2020

BA.LL.B. (Hons) – V Semester

Name of the Subject: Company Law

Time: 5:30 Hours

Maximum Marks: 60

- Note:** 1. *The question paper contains three parts.*
2. *All parts A, B and C are compulsory.*

PART-A

All Questions are Compulsory-

5 x 2 = 10

- Q.1. A company was in the need of finances. The Board of Directors of the company passed a resolution for undertaking a public issue. The prospectus was prepared for public issue. A day before the issue of prospectus, the assets were revalued by the company by standard valuers and revised values which were higher were quoted. This boosted the value of company's shares and the market price of shares increased. The directors of the company used this opportunity of higher valuation of shares and sold their shares. They received the market price for their shares which benefitted them. Few shareholders filed a petition for making directors accountable for this profit to the company. Whether the directors of the company can be held liable in the present case?
- Q.2. Write a short note on winding up of companies and explain the difference between winding up of a company and dissolution of the company.

PART-B

Answer any two Questions-

10 x 2 = 20

- Q.3. Fitzone Ltd. was a company incorporated under Companies Act, 2013. The Memorandum of Association of the company states in the object clause that the company is formed for the following objects:

" 1. To acquire, establish and maintain health care and slimming centers, gymnasiums, mini sports boutique including swimming pool and to provide the services relating to weight loosing and gaining programmes, modern

gadgetries and aerobics, yoga techniques for improving health, sauna, steam and jacuzzi baths for clients. "

The directors of the company passed a resolution in the board meeting to approve extending loans on interests to help persons establish gyms in different cities in India. The resolution was objected by the shareholders stating that it was ultra vires as the objects of the company did not allow the company to extend loans, however the directors contended that such an act was incidental to the main object. Decide the contentions and discuss the procedure to amend the Memorandum of Association and Articles of Association of a company.

- Q.4. M/s Puri Engineering Ltd. (hereinafter referred as PEL) has altogether 12 directors on Board. Four directors represent the Financial Institutions (FIs), which together hold more than 50 percent of the equity capital of the company. The Board of Directors took certain decisions which are opposed by the directors representing the FIs as they felt that the decisions were not in the interests of the company. The FIs, therefore, sought to remove the directors and served a requisition for convening an Extraordinary general meeting. The FIs refused to give any reason for the removal of the directors while requisitioning for the EGM. The company i.e. PEL, represented by its majority directors on Board, refused to convene the meeting on the ground that the requisition is not accompanied by a proper explanatory statement. Discuss applying appropriate provisions of Companies act, 2013 and the rules thereunder whether the said action of the majority directors of PEL is justified? Give reasons for your answer.
- Q.5. Six of seven signatures to a memorandum of a company were forged. The memorandum was duly presented, registered and a certificate of incorporation was issued. Subsequently the existence of the company was challenged on the ground that registration was avoid. Decide under the provisions of the Companies Act, 2013. <https://www.nluonline.com>
- Q.6. King Ltd. is a company into business of FMCG. The promoter of the company is also on the Board of Directors. A resolution was passed by the Board to approve a resolution for the purpose of financing a business which is into aviation business. The transaction was entered into with the aviation company. The aviation company ran into losses and the King Ltd. lost a substantial amount of capital. The shareholders approached the NCLT alleging that the promoter director is the real mind behind the company. You are the amicus curiae to the NCLT appointed to help them decide whether the corporate veil should be lifted in the present case or not. Comment.

PART-C

Answer any two Questions-

15 x 2 = 30

- Q.7. Burger King is a public company established in India for more than seven years. The Company has earned a considerable amount of name in the fast food business and wants to raise money from the public in order to get capital for the expansion of its business. It has approached you as a legal advisor to help it draft the prospectus and to help the company in listing on the National Stock exchange. You are required to advise the company on the entire process of raising money as well as tell them the mechanism for price discovery of their shares.
- Q.8. Parmanu Ltd is a company established under the Companies Act, 2013. The Company has been in business for almost two decades and is now unable to pay its liabilities. The creditors of the Company are dissatisfied with the company's performance since their dues are not being paid to them. The Company plans to restructure itself in order to satisfy the creditors and the shareholders. The directors of the company have come to you to help them formulate a scheme for the compromise arrangement. You are required to advise them on what type of restructuring should they opt for and the process to be undertaken for the same.
- Q.9. Hudson Limited has been incorporated on September 1, 2018 and has a paid-up equity capital of INR 70 lakhs at present. Mr. Jameson owns 600 fully paid up equity shares of nominal value INR 1000 each. He has sent a letter to the Board of Directors on October 1, 2019 asking them to show cause for not having held any general meeting so far and has alleged that the company is in violation of the Companies Act, 2013 as a result. In the same letter, he has also requested the Board to call for a meeting on his behalf. Having not received any response to the letter till October 19, Jameson himself issued notice to all the members that such a meeting would be held on November 1, 2019 to discuss inter alia some of the contracts that the company had recently entered and appointment of a director by the small shareholders. However, he did not send any explanatory statement along with the notice, a fact that was brought to his attention subsequently by Mary Jane, one of the members. On the date of the meeting, only three members including Jameson turned up for it out of the two hundred members to whom Jameson had sent the notice to. Jameson therefore adjourned the meeting to a date two weeks later. On that date, about fifty members turned up for the meeting. Jameson conducted the meeting as the convenor and the chairperson, appointed a director to represent the interests of the small shareholders and issued a direction to the Board to reimburse Jameson for the costs incurred in calling for the meeting. Subsequent to the meeting, May Parker, one of the members, raised an objection that she could not attend the meeting in person, nor was aware of the fact that she could send a proxy instead. Eddy Brock, another member owning equity shares worth INR 5 lakhs that he had inherited from his deceased father by

transmission, also alleged that he had not received the notice for the meeting because it had been sent to his father's old address instead. The Board has now received minutes of the meeting from Jameson along with directions to implement all the resolutions passed. Identify the anomalies/irregularities in this entire fact scenario with appropriate reasons and legal authority backing your argument.

Q.10. Mergers, amalgamations and arrangements are vital corporate transactions which completely overhaul the company and bring in structural changes to its working. The Companies Act, 2013 has laid down an elaborate procedure for bringing in such changes to the companies. The new law has laid down certain special provisions for the restructuring of certain companies. Critically comment on the provisions in the Companies Act, 2013 relating to Compromise, arrangements and amalgamations.

Note:- students must email their Scanned Answer Sheet on the email ID given below:

coesem-Vcompanylaw@mpdnl.u.ac.in
