BATCH : LI –9, LI-11

DATE: 25.09.2016 **MAXIMUM MARKS: 100** **TIMING: 3 Hours**

ACCOUNTS **M.S.**

Solution 1:

Receipts and Payments Account of Premium Sports Club
for the year ended 31st March, 2012

Receipts	₹	*Payments*	₹
To Cash at bank (opening)	8,300	By Salaries (W.N.6)	1,20,500
To Subscription (W.N.1)	4,27,000	By Rent (W.N.7)	2,22,000
To Entrance fee (W.N.2)	2,40,000	By Printing and stationary (W.N.8)	28,200
To Interest on 8% Government Bond (W.N.3)	6,000	By Postage and telephone	41,600
		By Membership fee (W.N.9)	12,800
To Sale of old Newspaper	11,600	By Electricity charges	38,500
To Sale of Sports Material (W.N.4)	22,480	By Garden upkeep	19,300
		By Payment to creditors for sports material (W.N.5)	71,200
		By Purchase of Fixed assets (W.N.10)	40,000
		By Repairs and Maintenance (W.N.11)	19,900
		By Misc. expenses	5,700
		By Fixed Deposit made	80,000
		By Cash at bank (closing) (bal.fig.)	15,680
	7,15,380		7,15,380

Balance Sheet of Premium Sports Club
as on 31st March, 2012

Liabilities	₹	₹	Assets	₹	₹
Capital fund:			Fixed Assets	2,40,000	
Opening balance (W.N.12)	4,09,300		*Add:* Additions (W.N.10)	40,000	
Add: Surplus	3,500	4,12,800		2,80,000	
Entrance fee		1,20,000	*Less:* Depreciation	(13,000)	2,67,000
Subscription received in advance		4,900	Fixed Deposit		80,000
			Investments in 8%		
Outstanding expenses:			Government Bonds		1,50,000
Salary	14,300		Stock of sports material		35,670
Rent	15,000	29,300	Subscription receivable		5,700

Creditors for purchase of sports material		4,200	Membership fee paid in advance		9,600
			Prepaid printing and stationary charges		1,550
			Outstanding interest on 8% Govt. Bond		6,000
			Cash at bank		15,680
		5,71,200			5,71,200

Working Notes:

1. Subscription received during the year

		₹
Subscription for the year ended 31st March, 2012		4,20,000
Less: Subscription receivable on 31.3.2012	5,700	
Less: Subscription received in advance on 1.4.2011	2,400	(8,100)
		4,11,900
Add: Subscription receivable on 1.4.2011	10,200	
Add: Subscription received in advance on 31.3.2012	4,900	15,100
		4,27,000

2. Entrance Fee received during the year

Entrance fee as per Income and Expenditure Account	₹ 1,20,000
Add: Capitalised entrance fee (50%)	₹ 1,20,000
	₹ 2,40,000

3. Interest on 8% Government Bond

	₹
Interest as per Income and Expenditure Account	12,000
Less: Outstanding interest for 2 quarters [12,000x (6/12)]	(6,000)
	6,000

4. Sales price of Sports Material sold

	₹
Stock of Sports Material on 1.4.2011	43,450
Add: Purchase of Sports Material during the year	72,000

	1,15,450
Less: Stock of Sports Material on 31.3.2012	(35,670)
Cost of Sports Material consumed in the club and for sale	79,780
Less: Sports material consumed in the club	(62,800)
Cost of Sports material sold	16,980

Sales Price of sports material sold = ₹ 16,980 + ₹ 5,500 = ₹ 22,480

5. Payment to creditors for Sports Material

	₹
Purchase of Sports Material	72,000
Less: Closing creditors for purchase of Sports Material on 31.3.2012	(4,200)
	67,800
Add: Opening creditors for purchase of Sports Material on 1.4.2011	3,400
	71,200

6. Salaries paid during the year

	₹
Salary as per Income and Expenditure Account	1,18,800
Less: Outstanding balance as on 31.3.2012	(14,300)
	1,04,500
Add: Outstanding balance as on 1.4.2011	16,000
	1,20,500

7. Rent paid during the year

	₹
Rent as per Income and Expenditure Account	2,16,000
Less: Outstanding balance as on 31.3.2012	(15,000)
	2,01,000
Add: Outstanding balance as on 1.4.2011	21,000
	2,22,000

8. Printing and Stationary paid during the year

	₹
Printing and stationary as per Income and Expenditure Account	28,000
Less: Prepaid balance as on 1.4.2011	(1,350)

	26,650
Add: Prepaid balance as on 31.3.2012	1,550
	28,200

9. Membership fee paid during the year

	₹
Membership fee as per Income and Expenditure Account	3,200
Add: Prepaid balance as on 31.3.2012 [(3,200/3) x 9]	9,600
	12,800

10. Fixed Asset purchased during the year

	₹
Depreciation during the year	13,000
Less: Depreciation on Opening balance of fixed asset (5% of 2,40,000)	(12,000)
Depreciation on new purchase of fixed asset during the year	1,000
Cost of asset purchased during the year $\left(1{,}000 \times \frac{12}{6} \times \frac{100}{5}\right)$	40,000

11. Repairs and Maintenance paid during the year

	₹
Repairs and Maintenance as per Income and Expenditure Account	18,700
Add: Outstanding balance as on 1.4.2011	1,200
	19,900

12. **Balance Sheet of Premium Sports Club as on 1st April, 2011**

Liabilities	₹	*Assets*	₹
Capital fund (Bal.fig.)	4,09,300	Fixed Assets	2,40,000
Subscription received in advance	2,400	Investments in 8% Government Bonds	1,50,000
Outstanding expenses:		Stock of sports material	43,450
Salary	16,000	Subscription receivable	10,200
Rent	21,000	Prepaid printing and stationary charges	1,350

Repairs and maintenance	1,200	Bank	8,300
Creditors for purchase of sports material	3,400		
	4,53,300		4,53,300

Note: It is assumed that Premium Sports Club has purchased all the sports equipment on credit basis only.

(16 Marks)

Solution 2:

(1) **Gross profit ratio**

	₹
Net profit in year 2011	1,20,000
Add: Insured standing charges	43,990
Gross profit	1,63,990

Ratio of gross profit $= \frac{1,63,990}{8,19,950} = 20\%$

(2) **Calculation of Short sales**

Indemnity period: 16.9.2012 to 15.12.12

Standard sales to be calculated on basis of corresponding period of year 2011

	₹
Sales for period 16.9.2011 to 30.9.11	34,000
Sales for period 1.10.2011 to 15.12.2011 (Note 1)	1,30,000
Sales for period 16.9.2011 to 15.12.2011	1,64,000
Add: upward trend in sales (15%) (Note 2)	24,600
Standard Sales (adjusted)	1,88,600
Actual sales of disorganized period	
Calculation of sales from 16.9.12 to 15.12.12	
Sales for period 16.9.12 to 30.9.12	Nil
Sales for 1.10.12 to 15.12.12 (₹ 1,48,000 – ₹ 20,000)	1,28,000
Actual Sales	1,28,000
Short Sales (₹ 1,88,600 - ₹ 1,28,000)	60,600

(3) **Loss of gross profit**

Short sales x gross profit ratio = 60,600 x 20% 12,120

(4) **Application of average clause**

$$\text{Net claim} = \text{Gross claim} \times \frac{\text{policy value}}{\text{gross profit on annual turnover}}$$

$$= 12{,}120 \times \frac{1{,}00{,}000}{1{,}63{,}120 \text{ (W.N.3)}}$$

Amount of claim = ₹7,430

Working Notes:

1. **Sales for period 1.10.11 to 15.12.11**

	₹
Sales for 1.10.11 to 31.12.11 (given)	1,90,000
Sales for 16.12.11 to 31.12.11 (given)	60,000
Sales for period 1.10.11 to 15.12.11	1,30,000

2. **Calculation of upward trend in sales**

Total sales in year 2009 = ₹ 6,20,000

Increase in sales in year 2010 as compared to 2009 = ₹ 93,000

$$\% \text{ increase} = \frac{93{,}000\ (7{,}13{,}000 - 6{,}20{,}000)}{6{,}20{,}000} = 15\%$$

Increase in sales in year 2011 as compared to year 2010

$$\% \text{ increase} = \frac{1{,}06{,}950\ (8{,}19{,}950 - 7{,}13{,}000)}{7{,}13{,}000} = 15\%$$

Thus annual percentage increase trend is of 15%.

3. **Gross profit on annual turnover**

	₹
Sales from 16.9.11 to 30.9.11(adjusted)(34,000 x1.15)	39,100
1.10.11 to 31.12.11(adjusted)(1,90,000 x1.15)	2,18,500
1.1.12 to 31.3.12	1,62,000
1.4.12 to 30.6.12	2,21,000
1.7.2012 to 15.9.2012 (1,75,000 – Nil)	1,75,000
Sales for 12 months just before date of fire	8,15,600
Gross profit on adjusted annual sales @ 20%	1,63,120

(12 Marks)

Solution 3:

Statement showing differences between Hire Purchase and Installment System

	Basis of Distinction	Hire Purchase	Installment System
1.	Governing Act	It is governed by Hire Purchase Act, 1972.	It is governed by the Sale of Goods Act, 1930.
2.	Nature of Contract	It is an agreement of hiring.	It is an agreement of sale.
3.	Passing of Title (ownership)	The title to goods passes on last payment.	The title to goods passes immediately as in the case of usual sale.
4.	Right to Return goods	The hirer may return goods without further payment except for accrued installments.	Unless seller defaults, goods are not returnable.
5.	Seller's right to repossess	The seller may take possession of the goods if hiere is in default.	The seller can sue for price if the buyer is in default. He cannot take possession of the goods.
6.	Rights of Disposal	Hirer cannot hire out sell, pledge of assign entitling transferee to retain possession as against the hire vendor.	The buyer may dispose off the goods and give good title to the bona fide purchaser.
7.	Responsibility for Risk of Loss.	The hirer is not responsible for risk of loss of goods if he has taken reasonable precaution because the ownership has not yet transferred.	The buyer is responsible for risk of loss of goods because of the ownership has transferred.
8.	Name of Parties involved	The parties involved are called Hirer and Hire vendor.	The parties involved are called buyer and seller.
9.	Component other than cash price.	Component other than Cash Price included in installment is called Hire charges.	Component other than Cash Price included in Installment is called Interest.

(6 Marks)

Solution 4:

(i) Calculation of Interest and Cash Price

No. of installments	*Outstanding balance at the end after the payment of installment*	*Amount due at the time of installment*	*Outstanding balance at the end before the payment of installment*	Interest	*Outstanding balance at the beginning*
[1]	*[2]*	*[3]*	*[4]= 2 +3*	*[5]= 4 x 10/110*	*[6]= 4-5*
3rd	-	2,75,000	2,75,000	25,000	2,50,000
2nd	2,50,000	2,45,000	4,95,000	45,000	4,50,000
1st	4,50,000	2,65,000	7,15,000	65,000	6,50,000

Total cash price = ₹ 6,50,000+ 5,00,000 (down payment) =₹ 11,50,000.

(ii) In the books of Lucky

Tractors Account

Date	Particulars	₹	Date	Particulars	₹
1.10.2011	To Happy a/c	11,50,000	30.9.2012	By Depreciation A/c	2,30,000
				Balance c/d	9,20,000
		11,50,000			11,50,000
1.10.2012	To Balance b/d	9,20,000	30.9.2013	By Depreciation A/c	1,84,000
				Balance c/d	7,36,000
		9,20,000			9,20,000
1.10.2013	To Balance b/d	7,36,000	30.9.2014	By Depreciation A/c	1,47,200
				By Happy a/c (Value of 1 Tractor taken over after depreciation for 3 years @30% p.a.) {5,75,000-(1,72,500+1,20,750+84,525)}	1,97,225
				By Loss transferred to Profit and Loss a/c on surrender (Bal. fig.) or (2,94,400-1,97,225)	97,175
				By Balance c/d ½ (7,36,000-1,47,200=5,88,800)	2,94,400
		7,36,000			7,36,000

Happy Account

Date	Particulars	₹	Date	Particulars	₹
1.10.11	To Bank (down payment)	5,00,000	1.10.11	By Tractors a/c	11,50,000
			30.9.12	By Interest a/c	65,000
30.9.12	To Bank (1st Installment)	2,65,000			
	To Balance c/d	4,50,000			
		12,15,000			12,15,000
30.9.13	To Bank (2nd Installment)	2,45,000	1.10.12	By Balance b/d	4,50,000
			30.9.13	By Interest a/c	45,000
	To Balance c/d	2,50,000			
		4,95,000			4,95,000
30.9.14	To Tractor a/c	1,97,225	1.10.13	By Balance b/d	2,50,000
	To Balance c/d	77,775	30.9.14	By Interest a/c	25,000
		2,75,000			2,75,000
31.12.14	To Bank (Amount settled after 3 months)	81,275	1.10.14	By Balance b/d	77,775
			31.12.14	By Interest a/c (@ 18% on bal.) (77,775x3/12x18/100)	3,500
		81,275			81,275

(8 Marks)

Solution 5:

Statement showing the calculation of Profits for the pre-incorporation and post-incorporation periods

Particulars	*Total Amount*	*Basis of Allocation*	*Pre-incorporation*	*Post-incorporation*
	₹		₹	₹
Gross Profit	6,00,000	1:3	1,50,000	4,50,000
Less: Salaries	1,20,000	Time	40,000	80,000
Rent, rates and taxes	80,000	Time	26,667	53,333
Sales' commission	21,000	Sales(2:5)	6,000	15,000
Depreciation	25,000	Time	8,333	16,667
Interest on debentures	32,000	Post		32,000
Directors' fee	12,000	Post		12,000
Advertisement	36,000	post		36,000
Net profit	2,74,000		69,000*	2,05,000

* Pre-incorporation profit is a capital profit and will be transferred to capital reserve.

Working Notes:

1. **Sales ratio**

   Let the monthly sales for first 4 months (i.e. from 1.4.2014 to 31.7.2014) be = x

   Then, sales for 4 months = 4x

   Monthly sales for next 8 months (i.e. from 1.8.14 to 31.3.2015) = x + 25% of x= 1.25x

   Then, sales for next 6 months = 1.25x X 8 = 10x

   Total sales for the year = 4x + 10x = 14x

   Sales Ratio = 4 x :10x i.e. 2:5

2. **Gross profit ratio**

   From 1.4.2014 to 31.7.2014 gross profit is 25% of sales

   Then, 25% of 4x= 1x

   gross profit for next 8 months (i.e. from 1.8.14 to 31.3.2015) is 30%

   Then, 30% of 10x = 3x

   Therefore gross profit ratio will be 1:3

3. **Time ratio**

   1st April, 2014 to 31st July, 2014 : 1st August, 2014 to 31st March, 2015

   = 4 months: 8 months = 1:2

   Thus, time ratio is 1:2.

(8 Marks)

Answer 6:

Corrected Receipts and Payments Account of Highend Club for the year ended 31st March, 2013

Receipts		*Amount Rs.*	*Payments*	*Amount Rs.*
To bal. b/d		9,000	By Printing & Stationery	21,000
To annual subscription	9,18,000		By Telephone expenses	45,000
Less: Receivable on 31.3.2013	(54,000)		By Garden upkeep	55,000
Add: Advance received for year 2013-14	18,000		By Electricity charges	36,000
Add: Receivable as on 31.3.2012	36,000		By Repairs and maintenance	72,000
Less: Advance received on 31.3.2012	(18,000)	9,00,000	(1,26,000 - 54,000)	
To sale of furniture (90,000 - 36,000)		54,000	By Sports material	54,000
To Sale of old newspaper		36,000	By bal. c/d	26,11,000
To Entrance fee		68,000		
To Donation for building		18,00,000		
To Interest on investments		27,000		
		28,94,000		28,94,000

Income & Expenditure Account of Highend Club for the year ended 31st March, 2013

Expenditure	*Amount Rs.*	*Income*	*Amount Rs.*
To Printing and Stationery expenses (W.N.1)	22,000	By Subscription	9,18,000
To Repairs and Maintenance (1,26,000 -54,000)	72,000	By Entrance fee (50% of 68,000)	34,000
To Telephone expenses	45,000	By Sale of old newspapers	36,000
To Sports material (W.N. 2)	1,51,200	By Interest on investments	27,000
To Garden upkeep	55,000		
To Electricity charges (W.N. 3)	39,200		
To Loss on sale of furniture	36,000		
To Excess of surplus over expenditure	5,94,600		
	10,15,000		10,15,000

Balance sheet of Highed Club as on 31st March, 2013

Liabilities		*Amount Rs.*	Assets		*Amount Rs.*
Capital Fund (W.N. 4)	10,58,700		Furniture	3,60,000	

Add: Entrance fee ☐ capitalized	34,000		Less: sale	(90,000)	2,70,000
Add: Surplus	5,94,600	16,87,300	Sports material		36,000
Building fund		18,00,000	5% investments		5,40,000
Outstanding Electricity charges		3,200	Cash in hand		26,11,000
Outstanding printing and stationary exp.		2,500	Subscription receivable		54,000
Subscription received in advance		18,000			
		35,11,000			35,11,000

Working Notes:

1. **Printing and Stationary expenses for the year**

Amount paid	21,000
Add: Outstanding as on 31.3.2013	2,500
	23,500
Less: Outstanding as on 31.3.2012	(1,500)
	22,000

2. **Sports material consumed**

Stock as on 1.4.2012	1,33,200
Add: Purchases	54,000
	1,87,200
Less: Stock as on 31.3.2013	(36,000)
	1,51,200

3. **Electricity charges for the year**

Amount paid	36,000
Add: Outstanding as on 31.3.2013	3,200
	39,200

4. **Calculation of value of investments**

Interest on 5% investments = *Rs.* 27,000

Value of Investment = *Rs.* 27,000 x 100 /5 = *Rs.* 5,40,000

5. **Balance Sheet as on 1st April, 2012**

Liabilities	*Rs.*	Assets	*Rs.*
		Furniture	3,60,000
Capital fund (balancing fig.)	10,58,700	Sports material	1,33,200
Subscription received in advance	18,000	Subscription receivables	36,000
Outstanding printing and stationary charges	1,500	Investments	5,40,000
		Cash in hand	9,000
	10,78,200		10,78,200

LAW

Ans.1

Doctrine Of Indoor Managment (The Companies Act, 2013)

This doctrine is applicable in relation to the companies registered under the companies Act, 2013. According the "doctrine of indoor management", the outsiders dealing with the company though are supposed to have satisfied themselves regarding the competence of the company to enter into the proposed contracts are also entitled to assume that as far as the internal compliance to procedures and regulations by the company are concerned, everything has been done properly. They are bound to examine the registered documents of the company and ensure that the proposed dealing is not inconsistent therewith, but they are not bound to do more. They are fully entitled to presume regularity and compliance by the company with the internal procedures as required by the Memorandum and the Articles. This doctrine is a limitation of the doctrine of "construcitve notice" and popularly known as the rule laid down in the celebrated case of Royal British Bank V. Turquand. Thus, the doctrine of indoor management aims to protect outsiders against the company.

Exceptions: In the following circumstances as outsider dealing with the company cannot claim any relief on the ground of "indoor management :

1. **KNOWLEDGE OF IRREGULARITY :** Where a person dealing with a company has actual or constructive notice of the irregularity as regards internal management, he can not claim the benefir under the rule of indoor management. (T.R. PRATT (Bombay) Ltd. V.Ed. Sasson & Co. Ltd.)
2. **NEGLGENCE :** Where a person dealing with a company could discover the irregularity if he had made proper inquiries, he cannot claim the benefit of the rule of indoor management. The protection of this rule is also not avaiable where the circumstances surrounding the contract are so suspicious as to invite inquiry, and the outsider dealing with the company does not make proper inquiry (Anand Bihari Lel V. Dinshaw & Co.), (Under-Wood V. Bank of Liver Pool).
3. **ACT VOID AB INITIO AND FORGERYCT :** Where the acts done in the name of a company are void ab initio, the doctrine of indoor management does not apply. The doctrine applies only to irregularities that otherwise might affect a genuine transaction.
4. **ACT OUTSIDE THE SCOPE OF APPARENT AUTHORITY :** If an officer of a company enters into a contract with a third party and if the act of the officer is apparently beyond the scope of his authority, the company is not bound (Kreditbank Cassel V. Schenkers Ltd.)

5 MARKS ; BREAK-UP : BRIEF EXPLANATION TO DOCTRINE -3 MARKS; EXCEPTIONS -2 MARKS. TO BE AWARDED TOGETHER. NOTE: ANY TWO EXCEPTIONS WRITTEN BY A CANDIDATE BE CONSIDERED AS AN ADEQUATE ANSWER. MARKS NOT TO BE DEDUCTED ON THE GROUND THAT THE CANDIDATE DID NOT REFER TO CASE LAW.

Ans. 2

TYPES OF GROUPS IN ORGANIZATION (COMMUNICATION)

There may be following types of group in an organization:

1. SELF DIRECTED TEAMS: Autonomous and self regulated groups of employees empowered to make decisions.
2. QUALITY CIRCLES : Quality Circle has been defined as " a group of workers from the same area who usually meet for an hour each week to discuss their quality problems, investigate causes, recommend solutions and take corrective actions when authority is in their purview". In other words, Quality Circle is a small group to perform voluntarly quality control activities within their work area.
3. COMMITTEES : Committees in an organization are of various types i.e. (a) STANDING COMMITTEE, which is permanent in nature and highly empowered; (B) ADIVISORY COMMITTEE comprises of experts in particular fields; (c) ADHOC COMMITTEE, set up for a particular purpose and dissolved when the goal is achieved.
4. TASK FORCE : Task force is like a committee but it is usually temporary. Task force has wide power to take action and properly fix responsibility for investigation, results and proper implementation of decisions.

5 MARKS: TO BE AWARDED ON THE BASIS OF OVERALL PERFORMANCE. NOTE : FULL CREDIT BE GIVEN IF THE CANDIDATE WRITES ALL POINTS CORRECTLY.

Ans. 3

DEBENTURE REDEMPTION RESERVE ACCOUNT SECTION 71 OF THE COMPANIES ACT, 2013; COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014

Where debentures are issued by a company under section 71 of the companies act, 2013 the company shall create a debenture redemption reserve account out ot the profits of the company available for payment of dividend and the amount credited to such account shall not be utilised by the company except for the redemption of debentures.

As per the companies (Share Capital and Debentures) Rules , 2014 the company shall create a Debenture Redemption Reserve for the purpose of redemption of debentures, in accordance with the conditions given below:

(a) The Debentures Redemption Reserve shall be created out of the profits of the company available for payment of dividend;

(b) The company shall create Debenture Redemption Reserve (DRR) in accordance with the following conditions :

(i) No DRR is required for debentures issued by All India Financial Insitutions (AIFIs) regulated by Reserve Bank of India and Banking Companies for both public as well as privately placed debentures. For other Financial Institutions (FIs) within the meaning of clause (72) of section 2 of the companies Act, 2013, DRR will be as applicable to NBFCs registered with RBI.

(ii) For NBFCs registered with RBI under Section 45-1A of the RBI (Amendment) Act, 1997, the adequacy of DRR will be 25% of the value of debentures issued through public issue as per present SEBI (issue and Listing of Debt Securities) Regulations, 2008, and no DRR is required in the case of privately placed debentures.

(iii) For other companies including manufacturing and infrastructure companies the adequacy of DRR will be 25% of the value of debentures issued through public issue as per present SEBI (issue and Listing of Debt Securites) Regulations, 2008 and also 25% DRR is required in the case of privately placed debentures by listed companies. For unlisted companies issuing debentures on private placement basis, the DRR will be 25% of the value of debentures.

The companies (Share Capital and Debentures) Rules, 2014 issued by the Ministry of Corporate Affairs (MCA) on 27th March, 2014, required companies to create debenture redemption reserve (DRR) equivalent to atleast fifty percent of the amount raised through the debenture issue, Subsequently, the rules published in the Official Gazette on 3rd April, 2014 (effective from 1st April, 2014), changed the above requirement for creation of DRR.

The Rules published in the Gazette exempted certain companies from creation of DRR and in case of other companies, reduce the percentage of DRR from 50% to 25% of the value of debentures.

(c) Every company required to create Debentures Redemption Reserve shall on or before 30th day of April in each year, invest or deposit, as the case may be, a sum which shall be not less than 15% of the amount of its debentures, maturing during the year ending on 31st day of March of the next year, in any one or more of the follwing methods, nemely :

(i) In deposits with any scheduled bank , free from any chage or lien :

(ii) In unencumbered securities of the Central Government or any State Government:

(iii) In unencumbered securities mentioned in sub-clauses (a) to (d) and (ee) of section 20 of the Indian Trust Act, 1882;

(iv) In unencumbered bonds issued by any other company which is notified under sub-clause (f) of section 20 of the Indian Trust Act, 1882:

(v) The amount invested or deposited as above shall not be used for any purpose other than for redemption of debentures maturing during the year referred above : Provided that the amount remaining invested or deposited, as the case may be, shall not at any time fall below 15% of the amount of the debentures matuirng during the year ending on the 31st day of March of that year.

(d) In case of partly convertible debentures, Debenture Redemption Reserve shall be created in respect of non-convertible portion of debenture issue in accordance with this sub-rule.

(e) The amount credited to the Debenture Redemption Reserve shall not be utilised by the company except for the purpose of redemption of debentures.

5 MARKS: TO BE AWARDED ON THE BASIS OF OVERALL PERFORMANE. NOTE: BRIEF ANSWER COVERING THE BASIC RULES BE GIVEN FULL CREDIT. A GENERAL ANSWER COVERING BASIC IDEA BE ALSO GIVEN DUE CREDIT.

Ans. 4

VOTING THROUGH ELECTRONIC MEANS (SECTION 108 OF THE COMPANIES ACT, 2013)

According to section 108 of the Companies Act, 2013 the Central Government may prescribe the class or classes of companies and manner in which a member may exercise his right to vote by the electronic means. According to the rules provided on voting through electronic means:

(i) Every listed company or a company having not less than one thousand shareholders, shall provide to its members facility to exercise their right to vote at general meeting by electronic means.

(ii) A member may exercise his right to vote at general meeting by electronic means and the company may pass any resolution by electronic voting system in accordance with the provisions of this rule. The expression "voting by electronic means" or" electronic voting system" means a secured system' based process of display of electronic ballots, recording of votes of the members and the number of votes polled in favour or against, such that the entir voting exercised by way of electronic means gets registered and counted in an electronic registry in a centralized server with adequate "cyber security".

The expression "secured system" computer hardware, software and procedure that:

(a) Are reasonably secured from unauthorized access and misuse;
(b) provide a reasonable level of reliability and correct operation;
(c) Are reasonably suited to perform the intended functions; and
(d) Adhere to generally accepted security procedures.

5 MARKS : TO BE AWARDED ON THE BASIS OF OVERALL PERFORMANCE.
NOTE : A BRIEF ANSWER WRITTEN BY THE CANDIDATE COVERING BASIC IDEA BE GIVEN DUE CREDIT AND MARKDS NOT TO BE DEDUCTED ON THE GROUND THAT THE CANDIDATE DID NOT REFER TO RELEVANT SECTION OF THE COMPANIES ACT, 2013

Ans.5

ISSUE OF DEPOSITORY RECEIPTS IN FOREIGN COUNTRY (SECTION 41 OF THE COMPANIES ACT, 2013; THE COMPANIES) (ISSUE OF GLOBAL DEPOSITORY RECEIPTS) RULES, 2014

Section 41 of the companies Act, 2013 is a newly added provision according to which a company may issue Global Depository Receipts to transact business with a depositor mode in any foreign country. As per the law contained in the said section, a company may, after passing a special resolution in its general meeting, issue depository receipts in any foreign country.

The Companies (issue of Global Depository Receipts) Rules, 2014 provide the conditions and the manner in which a company may issue depositroy receipts in a foreign country.

CONDITIONS FOR ISSUE OF DEPOSITORY RECEIPTS :

(1) PASSING OF RESOLUTION : The Board of Directors of the company intending to issue depository receipts shall pass a resolution authorizing the company to do so.

(2) APPROVAL OF SHAREHOLDERS : The company shall take prior approval of its shareholders by a special resolution to be passed at a general meeting.

(3) DEPOSITORY RECEIPTS SHALL BE ISSUED BY AN OVERSEAS DEPOSITORY BANK: The depository receipts shall be issued by an overseas depositroy bank appointed by the company and the underlying shares shall be kept in the custody of a domestic custodian bank.

(4) COMPLIANCE WITH ALL THE PROVISIONS, SCHEMES, REGULATIONS ETC. The company shall ensure that all the applicable provisions of the scheme and the rules or regulations or guidelines issued by the Reserve Bank of India are complied with before and after issue of depository receiipts.

(5) COMPLIANCE REPORT TO BE PLACED AT THE MEETING : The company shall appoint a merchant banker or a practicing chartered accountant or a practicing cost accountatnt or a practicing cost accountant or a practicing company secretary to ensure all the compliances relating to issue of depository receipts and the compliance report taken from such merchant banker or practicing chartered accountant or parcticing cost accountant or practicing company secretary, as the case may be, shall be placed at the meeting of the Board of Directors of the company or of the committee of the Board of Directors authorised by the Board in this regard to be held immediately after closure of all formalities of the issue of depository receipts.

MANNER FOR ISSUE OF DEPOSITORY RECEIPS:

(1) The depositroy receipts can be issued by way of public offering or private placement or in any other manner prevalent abroad and may be listed or traded in an overseas listing or trading platform.

(2) The depository receipts may be issued against issue of new shares or may be sponsored against shares held by shareholders of the company in accordance with such conditions as the Central Government or the Reserve Bank of India may prescribe or specify from time to time.

(3) The underlying shares shall be allotted in the name of the overseas depository bank and against such shares, the depositroy receipts shall be issued by the overseas depository bank abroad.

5 MARKS : BREAK-UP : CONDITIONS -3 MARKS; MANNER FOR ISSUE - 2 MARKS. TO BE AWARDED TOGETHER NOTE : A BRIEF ANSWER COVERING ALL POINTS BE GIVEN FULL CREDIT. MARKS NOT TO BE DEDUCTED ON THE GROUND THAT THE CANDIDATE DID NOT REFER TO RELEVENT SECTION OF THE COMPANIES ACT, 2013.

Ans. 6

QUORUM ; CONSEQUENCES OF NO QUORUM (SECTION 103 OF THE COMPANIES ACT, 2013) Quorum means the minimum number of members who must be present in order to constitute a meeting and transact business thereat. Thus, quorum represent the number of members on whose presence the meeting of a company can commence its deliberations.

Section 103 of the Companies Act, 2013 provides the law with respect to the quorum for the meetings. The said saction provides that where the Articles of the company do not provide for a larger number, there the quorum shall depend on number of members as on date of a meeting.

In case of a public company:

(i) Five members personally present if the number of members as on the date of meeting is not more than one thousand;

(ii) Fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand.

(iii) Thirty members personally present if the number of members as son the date of the meeting exceeds five thousand.

Shall be the quorum for a meeting of the company.

CONSEQUENCES OF NO QUORUM:

If the quorum is not present within half-an-hour from the time appointed for holding a meeting of the company-

(a) The meeting shall stand adjourned to the same day in the next week at the same time and place, or

(b) to such other date and such other time and place as the Board may determine; or

(c) The meeting, if called by requisitions (under section 100), shall stand cancelled.

In the instant case, KMP Limited is a public company with total number of 2750 members, hence atlest 15 members should have personally present in order to constitute a valid quorum for the Annual General Meeting.

Thus, the meeting shall automatically stand adjourned to the same day in the next week at the same time and place, if the quorum is not present within half-an-hour from the time appointed for holding a meeting of the company. Further the Board of Directors may decide for such other date and such other time and place, which they may deem fit. Section 103 of the said Act itself provides for automatic adjournment of the meeting to the same day in the next week at the same time and place, rather the Chariman obviating to take a decision on the matter of the meetin. The question of validity of chairman's decision does not arise.

5 MARKS : BREAK-UP PROVISION-3 MARKS : CORRECT CONCLUSION -2 MARKS. TO BE AWARDED TOGETHER.
NOTE: A BRIEF BUR CORRECT ANSWER BE GIVEN FULL CREDIT. MARKS NOT
TO BE DEDUCTED ON THE BASIS THAT THE CANDIDATE DID NOT REFER TO SECTION 103 OF THE COMAPNIES

Ans. 7
NO because corporate personality of the company may be disregarded in following cases.:-

(i) Trading with enemy country.
(ii) Evasion of taxes.
(iii) Forming a subsidiary company to act as its agent.
(iv) The benefit of limited liability is destroyed by reducing the number of members below 7 in the case of public company and 2 in the case of private company for more than six months.
(v) Under law relating to exchange control.
(vi) Device of incorporation is adopted to defraud creditors or to avoid legal obligation

5 MARKS : BREAK-UP PROVISION-3 MARKS : CORRECT CONCLUSION -2 MARKS. TO BE AWARDED TOGETHER.
NOTE: A BRIEF BUR CORRECT ANSWER BE GIVEN FULL CREDIT.

***