

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 9

NOTE : Answer **ALL** Questions.

PART-I

1. (a) XYZ Ltd. is a listed entity having 10 directors. Its paid-up share capital is ₹ 50 Crores divided in equity shares having face value of ₹ 10 each. 70% of the paid-up equity of XYZ Ltd. is held by the promoters of the company. The market price of the share of the company at the close of the FY 2022-23 was ₹ 524 per share.

Ms. R is a local political leader and resides in the city wherein the Registered Office of the company is situated. She owns 1,000 shares in the company. She noticed that the Company's Board is not having representation of Small Shareholders.

She obtained a list of the members of the company and individually sent letters to few of them to propose her name as a Small Shareholders Director in XYZ limited for protecting interest of the minority shareholders.

The Annual General Meeting (AGM) of the Company was scheduled to be held on 25th August, 2023. Ms. R sent a notice to the Company well before the date of the AGM containing the proposal for her appointment as Small Shareholders Director. This proposal was sent along with the requisite documents duly signed by some of the small shareholders for her election.

Referring the provisions relating to the appointment of Small Shareholders Director under the Companies Act, 2013, analyze whether Ms. R is eligible for appointment as Small Shareholders Director in XYZ Ltd ?

(5 marks)

: 2 :

- (b) Mr. P has been appointed as a director in Well-Known Home Appliance Limited. His Permanent/Present Address as mentioned in DIR-3 (Application for allotment of DIN) is of Mumbai. However, most of the times, he resides with his son at Nagpur to take care of his business. You are the Company Secretary of Well-Known Home Appliance Limited. Mr. P insists you to send all the notices of the forthcoming meetings of Board at the Nagpur address of his son, till further information. State your course of action at the request of Mr. P. (5 marks)
- (c) Below is the extract of financial information of Z Infotech Ltd for last 5 financial years :

Particulars	Financial Year				
	(₹ in Crores)				
	2019–20	2020–21	2021–22	2022–23	2023–24
Paid-up Capital	200	200	200	200	200
Free Reserves	265	265	265	270	280
Turnover	100	600	650	700	800
Net Profit (Loss)	(4)	4	15	30	35

Referring the provision of Companies Act, 2013 for constitution of CSR Committee, analyze whether Z Infotech Ltd. is required to constitute a CSR Committee in FY 2024-25.

(5 marks)

- (d) To meet out the seasonal demand, the Mango Agro Products Ltd. (an Unlisted Public Company) availed a Cash Credit limit of ₹ 65 Crores against the hypothecation of its book debts in November, 2023 from True Banks Ltd. The company paid off all its due towards the Cash Credit limit in February 2024 as a result the outstanding loans as on 31-03-2024 remained as NIL.

: 3 :

For the Financial Year ended on 31st March, 2024 the extract of financial information of the company is as under :

Paid-up capital : ₹ 9 Crores
Free Reserves : ₹ 35 Crores
Turnover : ₹ 90 Crores

Mr. X, who is the Corporate Lawyer and Adviser of the Company, advised the Board of the Company to constitute an Audit Committee to the Board, since the company has availed the Cash Credit Limit of ₹ 65 Crores. The Board is not sure about the advice of Mr. X and seeks your advice with regard to formation of Audit Committee in the company. Comment.

(5 marks)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. (a) Fair Deal Private Limited has two directors on its Board. The company was incorporated in year 2014-15 and the registered office of the company is in Delhi. Both of the directors of M/s Fair Deal Private Limited generally resides in New York and visit India on time-to-time basis. During Financial Year 2023-24, Mr. X who is one of the directors of the company had not visited India while Mr. Y who is the other director had stayed in India during 1st April 2023 to 5th October, 2023. Analyze whether the company has complied with the provisions of Section 149(3) of the Companies Act, 2013.

(5 marks)

: 4 :

- (b) M/s XYZ Limited is a listed company. It is subsidiary of M/s NMF limited which is a prominent consumer durable company and owns many big brands. M/s XYZ has entered into an agreement with M/s NMF Limited for the sale of the products under the brand name of M/s NMF Limited and in exchange of this M/s XYZ will pay 8% of the sales value of M/s NMF Limited as royalty. During FY 2023-24, M/s XYZ Limited consolidated turnover was ₹ 7,000 Crores and it has paid ₹ 400 crore as royalty to M/s NMF limited. Examine whether the royalty payment by M/s XYZ Limited to M/s NMF limited would be considered as material transaction.

(5 marks)

- (c) M/s TTQ is a listed Company and it is involved in business of manufacturing soaps and detergents. Its market valuation is approx. ₹ 7,000 crores and the market value of one share of the company is ₹ 80 per share. It has three existing directors. It has recently appointed Mr. Saral Singh as its director. Mr. Saral Singh is an expert in the field of chemistry and he is associated with the company for last 20 years as an employee. The Company wants to reward Mr. Saral Singh for the know-how, he has brought to the company and wants to issue 50,000 equity shares to Mr. Saral Singh at a discounted price of ₹ 15 per share. Examine in view of applicable provision of companies Act, and state whether issue of equity shares at a discounted price to a director is allowed. If yes, state the disclosures required in Board Report for such issue of shares.

(5 marks)

: 5 :

OR (Alternate question to Q. No. 2)

- 2A.** (i) M/s Zeta Limited is a listed company. It is engaged in the business of manufacturing electronic components. The company has an item having book value of ₹ 500 crores in its balance sheet as a part of its assets. As per applicable Accounting Standard, the company needs to fully amortize this asset in the current financial year but the company's management is having a view that this asset item should be amortize in 5 years and not fully in current year. You are the Company Secretary and the company wants your view whether this can be done.
- (ii) As per the OECD's Corporate Governance framework. It should ensure timely and accurate disclosure on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the company. Comment.
- (iii) Mr. X is appointed as the chairman of the Board of Fair Deal Insurance Limited which is a newly formed Insurance Company in India. You are the Senior Practicing Company Secretary and engaged with Fair Deal Insurance company as a consultant. Mr. X want you to analyze the composition of Board in the Company and have a discussion with him. As the consultant of Fair Deal Insurance Limited, what factor will you consider in analyzing the Board composition of Fair Deal Insurance Company.

(5 marks each)

- 3.** (a) Explain the provisions of Sarbanes-Oxley Act, 2002 for the protection of Whistle Blowers.

(3 marks)

: 6 :

- (b) Explain about the members of the board of Trustee of National Foundation for Corporate Governance (NFCG).
(3 marks)
- (c) Explain the cases in which members or depositors of a Company can file for Class Suit Action before the Tribunal.
(3 marks)
- (d) Discuss the role of Proxy Advisors in ensuring Good Corporate Governance.
(3 marks)
- (e) Explain the provisions relating to the 'Website Disclosure' as contained in SEBI (LODR) Regulations, 2015.
(3 marks)

PART-II

4. (a) Fresh Food Cloud Kitchens Pvt Ltd opened its cloud kitchen in Bangalore in Year 2020. The food items prepared and delivered by the company are liked by most on account of its ethnic taste and in the short time of 2 years, the company got popularity and it earned good revenue. With this success, the promoters of the company opened 5 new cloud kitchens in the year 2022 and 2023 in the nearby areas of Bangalore in a phased manner. The promoters purchased the business places on these areas and hired the man-power to prepare and deliver the food. Although the response from these areas were good, but the company was facing acute shortage of liquidity, since the revenue earned by the one outlet was being deployed in opening the new store and so on. Sometimes the company was not able to pay off to the suppliers for the raw materials supplied and the salary payment to the employees remained overdue for 2-3 months. As a result, the company had to close all its 5 kitchens

: 7 :

which were opened in the year 2022-2023 and sold off the kitchen utensils and other electric equipment at 25% of its purchase price. The company's Balance Sheet was showing a good amount of fixed assets in building and the Profit and Loss Account was also showing reasonable profits, but the promoters were forced to shut down all the new kitchens, in spite of the solvency and profitability of the business. From the above facts, explain which type of risk, the company has faced and what measures you would suggest to mitigate such risk ?

(5 marks)

- (b) My Wallet Ltd. (MWL) is a Payment Bank, licensed from the Regulator. In order to provide the UPI services to the common man, it adopted intensive marketing and opened accounts in good numbers by compromising the Know Your Customer (KYC) and other regulatory norms prescribed by the Regulator. The Regulator during the course of its inspection observed the severe irregularity and imposed fine on the Company as well as on the defaulting officers and terminated the license of MWL for providing of the UPI services.

Soon the news of imposing of penalty and termination of UPI services by the Regulator spread and the people started assembling at the branches of MWL and demanded for closure of the company and refund of their money.

Explain which two types of risks is MWL facing and what is the co-relation between these two risks ?

(5 marks)

- (c) What is Risk Governance in an organisation ? What steps may be taken by the Board to achieve Risk oversight in an organisation ?
(5 marks)
- (d) Studies of the large public companies indicate that strategic risk contributes for more than half of the reasons attributable to decline in market capitalization of these companies. In view of this statement, explain the meaning of 'Strategic Risks' and also provide examples of strategic risks in an organization.
(5 marks)

PART-III

Attempt all parts of either Q. No. 5 or Q. No. 5A

5. (a) Explain the meaning of Internal Control and its limitations as per the Standard on Auditing, 315(SA 315).
(5 marks)
- (b) In general, the internal control of an organization has mix of manual and automated controls and each type of control has its own limitations. In view of this statement, explain the different limitations as faced by automated IT controls.
(5 marks)
- (c) Governance, Risk Management and Compliance are three related facets which aim to ensure that an organization achieves objectives, addresses uncertainty and acts with integrity. Comment
(5 marks)
- (d) Sustainability Reporting is the intrinsic element of Integrated Reporting. Comment.
(5 marks)

OR (Alternative question to Q. No. 5)

- 5A.** (i) *Compliances are the mechanism which are used by the organizations to prevent and detect the violations of the state rules, internal policies and procedures. In reference to above statement, explain the different internal compliance mechanisms in an organization.*
- (ii) Explain key drivers of Corporate Sustainability Reporting.
- (iii) There are different types of Internal Controls employed in an organization including preventive controls, detective controls, input control and output controls. In reference to this statement. Explain the difference between Input Controls and Output Controls along with examples of both types of controls.
- (iv) An integrated report includes various Content Elements that are fundamentally linked to each other and are not mutually exclusive. Comment

(5 marks each)

PART-IV

- 6.** (a) Explain the different principles which generally forms the foundation of “Code of Business Conduct”
- (b) Explain the concept of “Economic Value Added”. The Net Operating Profit After Tax (NOPAT) of a company is ₹ 2,400 crores. The capital employed in the company is ₹ 8,000 crores and weighted average cost of the capital of the company is 15%. Find the Economic Value Added (EVA) by the company.

(5 marks each)

————— o —————