

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 11

NOTE : Answer ALL Questions.

PART-I

1. (a) A former Security officer BK, of Equae Security Agency (ESA), leaked classified documents that revealed extensive global surveillance programs operated by the ESA. The leaked information included details about the bulk collection of phone records and internet communications.

BK's actions raised significant legal and ethical questions surrounding government surveillance and the protection of individual privacy. The case prompted global debates on the balance between clients security interests and the right to privacy.

BK faced charges for unauthorized disclosure of classified information, and henceforth ESA wants to be extra careful. What steps ESA should adopt for protecting and dealing with the confidential information in future ? Explain also "written confidentiality".

(5 marks)

: 2 :

- (b) Z, purchased a property from X. Prior to the purchase, Z conducted a search on its own and failed to identify an existing lien on the property. After the purchase, it was discovered that there was a mortgage lien from a previous owner that wasn't cleared during the sale process. As a result, Z, faced legal complications and financial losses due to the oversight in his search. Z filed a lawsuit against X, arguing that X failed to disclose or address the existing lien during the transaction. The case might involve claims of negligence, misrepresentation, or breach of contract.

Identify and explain which type of search Z would have conducted and by whom. Also explain six other illustrations of this type of search.

(5 marks)

- (c) What will be the views and actions taken by the Disciplinary Directorate of ICSI on receipt of any information or complaint on arriving at a prima facie opinion on the occurrence of the alleged misconduct and where the Director (Discipline) is of the opinion that a member is guilty of any professional or other misconduct mentioned in the :

(a) First Schedule and

(b) Second Schedule or in both the Schedules.

Also specify before whom the matter will be placed in both the cases.

(2+2+1=5 marks)

: 3 :

- (d) KEK Bank fraud involved fraudulent issuance of Letters of Undertaking (LoU) and Letters of Credit (LoC) at one of its branches. The fraud was facilitated by incomplete KYC processes that allowed the perpetrators to exploit loopholes.

The fraud involved the misuse of a messaging network that enabled financial institutions to securely send and receive standardized messages related to financial transactions of customers. These messages covered a wide range of activities, including payment instructions, trade transactions, securities, treasury, and other financial transactions. The messaging system raised unauthorized credit from overseas branches of other banks. The lack of proper KYC scrutiny and oversight allowed the fraudulent transactions to go undetected for an extended period.

Identify the type of fraud in above case. List eight other major frauds which can take place with the help of incomplete KYC.

(5 marks)

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

2. (a) A Company Secretary P of ABC Ltd. is of the view that the companies that practice positive ethics and effective compliance management program, deep within their culture, often enjoys healthy returns through employees and customers loyalty and public respect for their brand, both of which can translate into stronger market capitalization and shareholders' returns. With reference to the above statement, do you agree that Compliance with the requirements of laws through a compliance management program can produce positive results at several levels. Comment.

(5 marks)

: 4 :

- (b) As per the LLP Amendment Act, 2021, answer each of the followings :
- (i) Explain the concept of “Small Limited Liability Partnership” under section 2 (t) (new clause).
 - (ii) Specify the penalty payable for non-compliance of the LLP Act by a small LLP or a start-up LLP or by its partner or designated partner.
 - (iii) If a person has lived in India for 150 days during the financial year 2023-24, whether he can be considered as a resident of India, for being a designated partner of an LLP.

(2+1+2=5 marks)

- (c) KPT, an assets management company, issued units of mutual fund, which are listed on recognized stock exchange(s), governed by the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, appointed a company secretary D as a compliance officer. Is the appointment of D valid ? List any three actions under Regulation 6 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) [SEBI(LODR)] Regulations, 2015, for which the compliance officer of a listed company is responsible.

(5 marks)

- (d) Pre-certification of forms is not a routine or mechanical exercise, but a serious task and involves sound application of mind in verifying the statements made in the respective forms and other points after due consideration of the provisions of the Companies Act. 2013, read with the relevant rules. Comment.

(5 marks)

: 5 :

OR (Alternate Question to Q. No. 2)

- 2A. (i) When the aggrieved investors, whose grievances against a listed company, registered intermediary or market infrastructure institution (“Entities”) remain unresolved, the redressal of investor grievances through the revised SEBI Complaint Redressal Systems (SCORES) provides a facilitative platform for the benefits of the aggrieved investors. Elucidate.

(5 marks)

- (ii) BNP a company was engaged in manufacturing of spare parts of automobiles. It was found that there were certain types of security interests or debts secured against the company’s assets. BNP entered into an asset financing agreement where the company used assets, such as machinery or vehicles, as collateral for loans. As a result, the Charges were registered with the registrar under section 77(1) against these specific assets.

There was an omission or misstatement of particulars with respect to such charges and also for the modification of such charges. How the rectification can be done by Central Government in Register of Charges ? Also specify the other cases requiring rectification.

(5 marks)

: 6 :

(iii) Indicate the obligations of listed entity which has listed its specified securities i.e., equity or convertible securities under the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) [SEBI(LODR)] Regulations, 2015, in each of the following cases :

- (a) Prior intimation to Stock Exchange about Board Meeting
- (b) Quarterly Financial Result
- (c) Certificate from Practicing Company Secretary (PCS), and
- (d) Record Date.

(2+1+1+1=5 marks)

(iv) JKL Ltd, a listed entity and incorporated under the Companies Act, 2013 didn't file the Annual Return under section 92 on the following two grounds :

- (i) the company has become inoperative, and
- (ii) AGM scheduled on 30th September 2022 was not held.

Citing the relevant provisions of the Companies Act, 2013, answer each of the followings :

- (a) Is there any remedy available to file the annual return which was not filed earlier on time ?
- (b) Is the act of non-filing of return by JKL Ltd. in both the said cases justified ? and
- (c) Specify two cases when a company can be relinquished from filing Annual Return.

(2+1+2=5 marks)

: 7 :

PART-II

3. (a) Materiality can be defined as the magnitude of an omission or misstatement of information. Comment and list out any four principles which the auditor should adhere while forming his opinion.
- (b) While maintaining quality with respect to customer & customer relationship acceptance & continuation of client relationship and specific assignments, explain the procedure, the audit firm SS and Co., should establish for evaluation of prospective clients and for their approval as clients.
- (c) RST (auditors) found suspicion on the trustworthiness of in the financial statements of JKL Services, an aviation company, as unreliable and unfavourable. During the audit process, the auditors raised concerns about the reliability and accuracy of JKL's financial statements. They discovered irregularities, including complex off-balance-sheet partnerships and accounting manipulations designed to inflate profits and conceal debt. JKL Services filed for bankruptcy in 2022 after it was revealed that the company had engaged in extensive accounting fraud to conceal its financial information.
- Define the term suspicion and list out eight transactions which may be considered as the suspicious transactions where the detailed audit is needed to be performed.

(5 marks each)

4. (a) Only a qualified Peer Reviewer can be empaneled by the Peer Review Board. Elucidate.
- (b) The Practices and Precedence used by Auditor for forming the Audit opinion may be as per the historical perspective. Elucidate.
- (c) Explain the principle of autonomy used in ethical practices.
- (d) Citing the relevant provisions, enumerate the penalty amount, which will be payable under the Securities Exchange Board of India (SEBI) Act, 1992, for insider trading under section 15G, if any insider who counsels, or procures for any other person, to deal in any securities of any body-corporate on the basis of unpublished price-sensitive information and the amount of profits made by the person out of insider trading is INR 10 crore.
- (e) The quantity, type and content of working papers vary with the circumstances, but they should be sufficient to show that the records agree or reconcile with the statements or other information reported on and that the applicable standards of field work have been observed. Comment.

(3 marks each)

5. (a) 24 Hours Market, a large retail company, due to the failure of its information technology systems experienced a significant data breach during the festival shopping season. Hackers gained access to the company's network through a third party BGHJ vendor and stole credit and debit card information of approximately 30 million customers, as well as personal information of up to 50 million customers. As a result, the company faced numerous lawsuits and settlements after the stated breach.

: 9 :

Identify the audit, which can minimize any risk of financial loss, disruption or damage to the reputation of the company that may arise from the failure of its information technology systems, citing the scope of audit and the security and control issues dealt in the audit.

(5 marks)

- (b) XJK, a multinational technology company which primarily used to develop, manufacture, license, support, and sell computer software, consumer electronics, personal computers, and related services, was accused of anticompetitive behaviour, leading to a protracted legal battle. In the antitrust litigation, XJK was accused of monopolistic practices rather than investing resources in more efficient business practices. This case was dragged for years, consuming significant financial and human resources.

Explain the type of audit, which can be carried out so as to know whether proper operating standards and norms have been established for economical and efficient use of resources.

(5 marks)

- (c) Explain the manner in which the Company should ensure timely and accurate disclosures on all material matters including the financial situation, performance, ownership, and governance of the company as per guiding principles of Good Corporate Conduct and Practices. Also indicate any *two* principles that the Board of the company should effectively ensure.

(3+2=5 marks)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (a) Financial due diligence provides peace of mind to both corporate and financial buyers, by analysing and validating all the financial, commercial, operational and strategic assumptions being made and can further be extended to tax due diligence. Elucidate.
- (b) The Auditors of a company, while performing the audit assignment access various confidential information of the company, required to maintain confidentiality of such information. Elucidate.
- (c) The Registrar of Companies (ROC) and the Serious Fraud Investigation Office (SFIO) are empowered to file complaint before a Magistrate in the special court, if they are of an opinion that a particular company has been in default according to Companies Act, 2013 or is pursuing its activities violating the law of the land. They can file a complaint under section 190 of the Criminal Procedure Code, 1973 and treat it as per the prescribed provisions which are different in both the cases. Elucidate.

(5 marks each)

OR (Alternate Question to Q. No. 6)

- 6A. (i) The Board of Directors of SK Ltd. approved a merger with PJ Ltd. without conducting adequate due diligence. The Supreme Court held that the Board breached its fiduciary duty by approving the merger without sufficient information and understanding the terms of deal. The case highlights the importance of conducting comprehensive legal due diligence before approving significant transactions to protect shareholders' interests. In the above context explain legal due diligence.

(5 marks)

: 11 :

(ii) JK has been appointed as a reviewer to review the records of practice unit DL & Associates. JK was unaware of the approaches to be used in the review process of attestation services engagement records. Guide JK as a Practicing Company Secretary (PCS) for the approaches to be used for review of attestation service engagement records.

(5 marks)

(iii) ABC Ltd. a listed company incorporated under the Companies Act, 2013 has a net worth of INR 450 crore, turnover of INR 1,200 crore and net profit of INR 250 crore in the immediate preceding financial year. The net profits of the company in the last four preceding years have been INR 250 crore, INR 200 crore, INR 200 crore and INR 100 crore respectively. You as a PCS are asked by the Board of ABC Ltd. to prepare a note on the provisions indicating applicability of Corporate Social Responsibility (CSR) spending and to conclude whether CSR provisions are applicable in the instant case. Calculate the CSR spending, as applicable. Prepare the note.

(5 marks)

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