



UNIVERSITY OF PETROLEUM & ENERGY STUDIES
DEHRADUN

End Semester Examination – December, 2017

Program/course: BA LL.B Energy Laws /BBA LL.B Corporate Laws	Semester	: III
Subject: Company Law - I	Max. Marks	: 100
Code : LLBL 421	Duration	: 3 Hours
No. of page/s: 2		

Section A- Objective type/ Short answer questions (Answer in one to two sentences) -Comment on the following – State with reason whether true or false (2X5) –

1. A company may issue the prospectus without delivering the same to the registrar of company.
2. Directors are trustees of the company.
3. Share premium cannot be treated as profits.
4. A company may keep all its directors on rotation for retirement.
5. A discharged insolvent may become the director of the company.

Section B - Conceptual questions (5X4 =20 Marks)

6. What is the procedure of converting a private company into a public limited company? (5 Marks)
7. What do you understand with the employee's stock option? (5 marks)
8. Write a short note on the par value of the shares. (5 Marks)
9. Write a note on the disqualification of the directors. (5 Marks)

Section C- Analytical type questions (20 Marks)

10. What are the kinds of meeting which may be convened within the corporate set up for the purpose of running the administration of the company? Describe. (10 Marks)
11. "The major issues in the corporate governance relate either with the issue of honesty or competency issue of the board of directors." Analyze this statement in the light of director's duty of care in the common law with help of decided cases. (10 Marks)

Section D- Application based/problem based/Case study (50 Marks)

(Note – Do not rewrite the facts and provide your decision separately in your answer).

1. The Company Herbal.Com has been incorporated in 1992 under the relevant provisions of Companies Act of India. The Company has issued a prospectus to the public stating that the company has paid the dividend regularly and the prospectus is silent relating to the sources of profits, i.e., whether trading profits or capital profits. For the last 5 years company had been earning consistently but it was allowing a high provisioning on the bad debts and depreciation on machinery. This financial year the provisioning on the bad debt and the depreciation were brought to the normal which caused the profit to increase. But the prospectus remained silent. The prospectus stated the fact of the higher profit. Do you think it's a mis-statement in the prospectus? Answer this question stating the legal provisions relating to civil and criminal liability under the Companies Act, 2013. (20 Marks)
2. D & K are two directors in XYZ Infra Ltd. based in London. The company undertakes the contract to supply heavy machinery to the East and south Asian nations for the development of infra structure projects. D & K both went to Hong Kong with their families on a vacation where they met the managing director of Hong Kong infra Ltd., Mr. P. Hong Kong infra had won the contract to make fast railway in India and for that purpose it required the supply of heavy machineries. Mr. P allowed a two months period to study the feasibility to supply the equipment. The directors, D & K duly sent the message to the Managing Director of XYZ and they stayed in Hong Kong. But even after passing the two months period the Managing Director of XYZ failed to reply. Now, D Started negotiating the agreement for his son T's company (AMD Infra Ltd.) which also supply the heavy infrastructure equipment. The contract was allowed to AMD. XYZ sued D for the breach of duty. Decide. (20 Marks)
3. Both Right shares and Bonus shares are issued to the existing shareholders of the company but the objectives of issuing the both shares are different for the company. Describe with examples, the objective of issuing the right shares and bonus shares for the company and the shareholders. Also decide its impact of the same. (10 marks)



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SECTION A: OBJECTIVE TYPE QUESTION (MARKS 10)

(Attempt any 5)

1. Explain what is meant by share at par, premium and discount. **2**
2. Define 'share'. **2**
3. Explain the term 'clear day' **2**
4. Who can call an annual general meeting? **2**
5. Explain the term 'resident director'. **2**
6. Explain the term Directors independence **2**

SECTION B: CONCEPTUAL QUESTION (MARKS 20)

7. Differentiate between stock and shares **5**
8. Explain the concept of employee's stock option. **5**
9. Annual general meeting **5**
10. Doctrine of ultra vires **5**

SECTION C: (MARKS: 20)

11. What do you understand with the bonus shares? Explain under what circumstances a company issues the bonus shares and how is different from the right shares? (10 Marks)
12. A company ABC Ltd wants to sell its shares and securities to the public? Advise and elaborate the modes through which a company may sell its shares and securities to the public? Would it make any difference if it was a private company? (10 Marks)

SECTION D:**(MARKS: 50)**

13. A company issued a prospectus advertising that the company has a great “potential turnover” of a million bags of cement in a year. It is discovered later that while the company did have the installed capacity of one million bags, it had never produced more than six lakh bags of cement in a year. Buyers of the shares seek remedy against the misleading statement in the prospectus. Decide elaborating the civil and criminal liability of misstatement in the prospectus. **20**
14. The directors of a company borrowed Rs 500000 from T. They had the power to borrow such money, but only subject to the ordinary resolution, passed at the general meeting of the company. In fact no such resolution had been passed. Is the company bound to repay the loan to T.? Explain with the help of relevant doctrines. **10**
15. An annual general meeting was called by a company in December 2014. This meeting was adjourned to March 2015 and held at that time. Subsequent annual meeting was held in February 2016. Is the company liable for any irregularity? Discuss the provisions with respect to the time within which annual general meeting should be held. **10**
16. A sold of his shares to B worth Rs 50,000 forming 10% and subsequently applied to the Company for the registration of the same in the name of B. The Board of directors did not approve the same. The underlying reason for the same being if they had allowed B’s shareholding would increase to a substantial 45% (B already being an existing shareholder). Can the BoD take such a decision? What are the various remedies available with B in such a case? Kindly discuss with relevant case laws. **10**

OR

The ABC Applications Ltd. is a software company incorporated in India having its head office in Mumbai. The company provides various software solutions to its clients like development and testing facilities in India and abroad. Mr. Zing is the full time director of the company which looks after the company operation in United Kingdom. He met in a public meeting with Mr. Thing. Mr. Thing owned a company in United States which operated in railway contract. Under its terms of the contract with the government his company was obligated to develop software to facilitate the cancellation of reservations. Mr. Thing wants to outsource this contract to an Indian company. Mr. Zing expressed its desire to negotiate the contract for his son’s company which was also operating in the field of software solutions in India. Before the negotiation Mr. Zing resigned from ABC Applications and bought the stakes in his son’s company. **10**