



Exam Questions

SPOM LAW



Version 1.0



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Actual Questions SET 1

Question 1: Calculate Effective Capital

Case Study: ABC Ltd. has the following financial details:

- Equity Share Capital: INR 50 crores
- Preference Share Capital: INR 10 crores
- Free Reserves: INR 30 crores
- Securities Premium: INR 20 crores
- Accumulated Losses: INR 5 crores
- Preliminary Expenses not written off: INR 2 crores

Question: Based on the above information, calculate the effective capital for determining managerial remuneration as per the Companies Act, 2013.

Answer: Effective capital is calculated as follows:

- Paid-up Share Capital: INR 50 crores (Equity) + INR 10 crores (Preference) = INR 60 crores
- Free Reserves: INR 30 crores
- Securities Premium: INR 20 crores
- Subtract Accumulated Losses: INR 5 crores
- Subtract Preliminary Expenses: INR 2 crores

Effective Capital = INR 60 crores + INR 30 crores + INR 20 crores - INR 5 crores - INR 2 crores = INR 103 crores

Question 2: Calculate Remuneration in Case of Profit

Case Study: XYZ Ltd. has provided the following details:

- Net Profit (as per Section 198 of the Companies Act, 2013): INR 200 crores
- Managerial Remuneration limit as per Section 197 of the Companies Act, 2013: 11% of the Net Profit

Question: Determine if the provided profit is correct and calculate the permissible managerial remuneration.

Answer: Net Profit: INR 200 crores Permissible Managerial Remuneration: 11% of INR 200 crores = INR 22 crores

The provided profit aligns with the calculation under the Act, and the permissible managerial remuneration is INR 22 crores.

Question 3: Calculate Remuneration in Case of Loss

Case Study: PQR Ltd. has incurred a loss and provided the following details:

- Effective Capital: INR 50 crores

As per Schedule V of the Companies Act, 2013, the remuneration can be paid up to INR 60 lakhs if effective capital is between INR 5 crores to INR 100 crores.

Question: Based on the above information, calculate the permissible managerial remuneration.

Answer: Since the effective capital of PQR Ltd. is INR 50 crores, the permissible managerial remuneration as per Schedule V of the Companies Act, 2013, is INR 60 lakhs.

Question 4: Penalty for Insider Trading

Case Study: A CA, who is an auditor of DEF Ltd., learns of significant unpublished price-sensitive information (UPSI) about the company. He passes this information to his friends before it is made public.

Question: Determine if this action constitutes insider trading and state the penalty as per SEBI (Prohibition of Insider Trading) Regulations, 2015.

Answer :Yes, this action constitutes insider trading. The auditor has accessed unpublished price-sensitive information (UPSI) and passed it to others for trading purposes. The penalty for insider trading can range from a minimum of ₹10 lakhs to a maximum of the higher of ₹25 lakhs or three times the amount of profits made out of insider trading.

Question 5: Actions SEBI Can Take Against Insider Trading

Case Study: A person is found guilty of insider trading. What actions can SEBI take against them?

Options:

1. Impose penalties.
2. Debar from holding directorial positions.
3. Initiate prosecution.
4. All of the above.

Answer: All of the above.

Question 6: Maximum Number of Directorships

Case Study: According to Section 165 of the Companies Act, 2013, how many directorships can a director accept in public and private companies if they already hold directorships in 7 public companies, 2 unlisted companies, and 3 private listed companies (one of which is a subsidiary or holding of a public company)?

Question: How many directorships can he accept in public and private companies as per Section 165 of the Companies Act, 2013?

Answer:

According to Section 165, the director can hold a maximum of 10 public company directorships and 20 total directorships. Since the director currently holds 8 public company directorships (including the subsidiary/holding company) and 4 private company directorships, they can accept 2 more public company directorships and 6 more private company directorships, within the overall limit of 20 directorships.

Since one of the private listed companies is a subsidiary or holding of a public company, it will be counted as a public company for the purposes of Section 165. Therefore, the director holds:

Public companies: $7 + 1$ (subsidiary/holding of public company) = 8

Private companies: 2 (unlisted) + 2 (remaining private listed companies) = 4

Question 7: First Meeting of BOD of COC

Case Study: The Committee of Creditors (COC) needs to hold its first meeting. What is the maximum allowable time for holding this meeting after the formation of the COC?

Options:

1. 7 days
2. 14 days
3. 21 days
4. 30 days

Answer: The first meeting of the Board of Directors (BOD) of a Committee of Creditors (COC) should be held within 7 days.

Question 8: Resolution Required by COC for Selecting IRP

Case Study: While selecting an Interim Resolution Professional (IRP), how much resolution is required by the COC?

Answer: The resolution required by the COC for selecting an Interim Resolution Professional (IRP) is 66% of the voting share.

Question 9: IPO Related Question on Net Tangible Assets

Case Study: For a company to be eligible to make an Initial Public Offering (IPO), what should be the minimum net tangible assets?

Answer: For a company to be eligible to make an Initial Public Offering (IPO), it must have net tangible assets of not less than INR 3 crores in each of the preceding three full years, as per SEBI guidelines.

Question 10: Maximum Time Limit for Making Interest on Imports

Case Study: While importing any product, what is the maximum time limit for making payment without interest?

Options:

1. 1 year
2. 2 years
3. 3 years
4. 4 years

Answer: The maximum time limit for making payment for imports without interest is 3 years.

Question 11: FEMA Chapter - Export Amount Without Permission

Case Study: John, a foreign national, has come to India on a work visa for a job with a multinational company. He earns a monthly salary of USD 3,000. During his stay, John wishes to remit a portion of his earnings back to his home country to support his family. He wants to ensure that the remittance does not exceed the regulatory limits set by the Foreign Exchange Management Act (FEMA) without requiring special permissions. For the purpose of this case study, the exchange rate is 1 USD = 81.3333 INR.

Options:

1. INR 244,000
2. INR 250,000
3. INR 278,000

Answer: According to FEMA regulations, foreign nationals working in India can remit their salary abroad subject to specific limits. For John to remit his salary without requiring special permission, the maximum amount is set at INR 244,000. Given the exchange rate of 1 USD = 81.33 INR, John's monthly salary of USD 3,000 converts to

Since INR 243,990 is slightly below the limit of INR 244,000, John can remit his entire monthly salary of USD 3,000 without requiring special permission from the authorities. This ensures compliance with FEMA guidelines and allows John to support his family back home while adhering to regulatory requirements.

Question 12: NCLT - Time Limit for RoC Representation

Case Study: As per the Companies Act, 2013, what is the time limit for the Registrar of Companies (RoC) to make a representation to the National Company Law Tribunal (NCLT), and what is the time limit for the NCLT to pass an order?

Answer: The time limit for the RoC to make a representation to the NCLT is 30 days from the date of receipt of notice. The NCLT must pass an order within 60 days from the date of receipt of application.

Question 13: IBC - Approval of IBBI for Replacement of IRP

Case Study: In the case of the replacement of an Interim Resolution Professional (IRP), if the approval of the Insolvency and Bankruptcy Board of India (IBBI) is not received within the stipulated time, what should be the next course of action? Assume the stipulated time is 10 days.

Answer: If the approval of the IBBI for the replacement of the IRP is not received within 10 days, the existing IRP shall continue to function until such approval is received.

Question 14: LODR - Independent Directors and Quorum

Case Study: A public listed company is required to have a certain number of Independent Directors (IDs) on its board as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations. Additionally, determine the quorum required for a board meeting.

Answer: As per the SEBI LODR Regulations, a public listed company is required to have at least one-third of its board as Independent Directors (IDs). For quorum, at least one-third of the total strength of the board or two directors, whichever is higher, should be present, including at least one Independent Director if required.

Question 15: Nidhi Company - Net Owned Funds and Effective Capital Calculation

Case Study: XYZ Nidhi Company has the following financial details:

- Paid-up Share Capital: INR 10 crores
- Free Reserves: INR 2 crores
- Accumulated Losses: INR 1 crore
- Investments in other Nidhi Companies: INR 1 crore

Question: Based on the above information, calculate the Net Owned Funds and Effective Capital.

Answer: Net Owned Funds:

- Paid-up Share Capital + Free Reserves - Accumulated Losses - Investments in other Nidhi Companies
- = INR 10 crores + INR 2 crores - INR 1 crore - INR 1 crore
- = INR 10 crores

Effective Capital:

- Paid-up Share Capital + Free Reserves - Accumulated Losses
- = INR 10 crores + INR 2 crores - INR 1 crore
- = INR 11 crores

Question 16: Power of RoC to Conduct Investigation

Case Study: The Registrar of Companies (RoC) suspects a company of fraudulent activities. What powers does the RoC have to conduct an investigation, and where can the RoC approach if further investigation is required?

Options:

1. Central Government (CG)
2. Arbitration

3. Tribunal

Answer: The RoC has the power to conduct an investigation into the affairs of the company under Section 206 of the Companies Act, 2013. If further investigation is required, the RoC can approach the Central Government (CG) to conduct an investigation through the Serious Fraud Investigation Office (SFIO).

Question 17: SEBI - Offer Price and Floor Price

Case Study: A company is issuing an offer letter for its public issue. What should be the offer price, floor price, and fixed price as per SEBI regulations? Provide an example case study.

Answer: As per SEBI regulations, the offer price can be determined by the company and its merchant bankers based on market conditions. The floor price is the minimum price at which bids can be made. For example, if a company sets the floor price at INR 100 per share, bids cannot be made below this price. The fixed price is a single price at which shares are offered to the public. If the fixed price is set at INR 120 per share, all shares are sold at this price.

Question 18: FEMA - Real Estate Limit and Prior Approval

Case Study: A person resident outside India wishes to invest in real estate in India. What are the limits and prior approvals required as per FEMA regulations? Provide a case study.

Answer: As per FEMA regulations, a person resident outside India can invest in real estate in India, but certain restrictions apply. For example, they cannot purchase agricultural land, plantation property, or a farmhouse. Prior approval from the Reserve Bank of India (RBI) is required for such investments. An example case could be an NRI looking to invest in commercial property in India, where they need to obtain prior approval from the RBI.

Question 19: SEBI - Brokerage Charges and Penalty

Case Study:

Question: What penalties can SEBI impose on the stockbroker for this violation?

Answer: If a stockbroker violates SEBI regulations regarding brokerage charges, SEBI can impose penalties ranging from a minimum of ₹1 lakh to a maximum of 5 times the amount of brokerage charged in excess of the specified brokerage.

Question 20: SEBI - Price Offer to Anchor Investors

Case Study: ABC Ltd. is planning to make a public issue and is considering offering shares to anchor investors. As per SEBI regulations, what should be the price offer to anchor investors?

Options:

1. Same as the public offer price or not less than 5%
2. Same as the public offer price
3. Not less than 10% more than the public offer price
4. None of the above

Answer: As per SEBI regulations, the price offered to anchor investors should be the same as offered to the public.

Question 21: Penalty for SEBI Insider Trading

Case Study: ABC Ltd.'s senior executive was found guilty of insider trading. The Securities and Exchange Board of India (SEBI) has decided to impose a penalty on the individual.

Question: What is the maximum penalty for insider trading as per SEBI regulations?

Answer :Yes, this action constitutes insider trading. The auditor has accessed unpublished price-sensitive information (UPSI) and passed it to others for trading purposes. The penalty for insider trading can range from a minimum of ₹10 lakhs to a maximum of the higher of ₹25 lakhs or three times the amount of profits made out of insider trading.

Question 22: Max Number of Committees in which Directors can be Part of

Case Study: Mr. X is a director in several companies and is also a member of various committees in these companies. He is currently a member of 12 committees across different companies.

Question: As per SEBI regulations, what is the maximum number of committees a director can be part of?

Options:

1. 7 committees
2. 10 committees
3. 15 committees
4. 20 committees

Answer: 10 committees

Question 23: Provision Regarding SEBI Attaching Bank Accounts

Case Study: SEBI has ordered the attachment of bank accounts of XYZ Ltd. due to non-compliance with regulatory requirements.

Question: Under which circumstances can SEBI attach the bank accounts of a company?

Options:

1. For failure to pay fines
2. For non-submission of annual reports
3. For insider trading
4. For non-compliance with listing regulations

Answer: For failure to pay fines

Question 24: SEBI Quarterly Compliance Dates for Listed Companies

Case Study: PQR Ltd., a listed company, is preparing its quarterly compliance report for submission to SEBI.

Question: By what date must the quarterly compliance report be submitted to SEBI?

Options:

1. Within 15 days of the quarter end
2. Within 30 days of the quarter end
3. Within 45 days of the quarter end
4. Within 60 days of the quarter end

Answer: Within 45 days of the quarter end

Question 25: IBC Process Timeline

Case Study: DEF Ltd. has defaulted on its loans and is now undergoing the insolvency process under the Insolvency and Bankruptcy Code (IBC).

Question: What is the maximum timeline for completing the insolvency resolution process under IBC?

Options:

1. 90 days
2. 180 days
3. 270 days
4. 330 days

Answer: 330 days

Question 26: Appointment of Resolution Professionals (RP)

Case Study: GHI Ltd. is undergoing insolvency proceedings, and a resolution professional needs to be appointed.

Question: Who appoints the resolution professional in an insolvency case?

Options:

1. National Company Law Tribunal (NCLT)
2. Committee of Creditors (CoC)
3. Insolvency and Bankruptcy Board of India (IBBI)
4. Board of Directors

Answer: Committee of Creditors (CoC)

Question 27: Operational Debt

Case Study: JKL Ltd. has filed an insolvency application due to unpaid operational debt owed to various suppliers and service providers.

Question: Which of the following qualifies as operational debt under IBC?

Options:

1. Unpaid salary to employees
2. Loan from a bank
3. Loan from directors
4. Amount owed for supply of goods and services

Answer: Amount owed for supply of goods and services

Question 28: Penalty if Contravened USD 2.5 lacs Limit

Case Study: XYZ Ltd. has contravened the foreign exchange limit by making a payment of USD 3 lakhs without proper authorization under FEMA.

Question: What is the penalty for contravention of the foreign exchange limit under FEMA?

Options:

1. INR 1 lakh
2. INR 5 lakhs
3. Three times the amount involved
4. Ten times the amount involved

Answer: Three times the amount involved

Question 29: Commission of Real Estate Sale

Case Study: ABC Ltd. has earned a commission from the sale of real estate property to a foreign entity.

Question: Is the commission earned from the sale of real estate to a foreign entity subject to FEMA regulations?

Options:

1. Yes
2. No
3. Depends on the amount involved
4. Only if it exceeds USD 1 lakh

Answer: Yes

Question 30: External Commercial Borrowings - MAMP

Case Study: Question: What is the MAMP Startup as per FEMA regulations?

Answer: 3 years

Question: From which source can MAMP (Minimum Average Maturity Period) be raised?

Options:

1. ECB
2. Security Sales
3. Borrowing

4. None of the Above

Answer: ECB

Question 31: Commission to Agent Abroad Limit

Case Study: ABC Ltd. is planning to pay a commission to an agent abroad for facilitating an export transaction. According to FEMA regulations, the payment should not exceed the higher of USD 25,000 or 5% of the inward remittance.

Question: What is the maximum commission ABC Ltd. can pay if the inward remittance is USD 500,000?

Options:

1. USD 25,000
2. USD 50,000
3. USD 75,000
4. USD 100,000

Answer: USD 50,000

Question 32: Who Can File an Application under IBC?

Case Study: DEF Ltd. has defaulted on its loan repayments. Various stakeholders are considering filing an application under the Insolvency and Bankruptcy Code (IBC).

Options:

1. All financial creditors
2. Financial creditors and operational creditors
3. Only financial creditors with a minimum outstanding amount of INR 1 crore
4. Only the debtor company itself

Answer:

Financial creditors and operational creditors

Question 33

How many days before the BoD meeting should the company intimate SEBI in case of alteration of shareholders' rights?

Options:

1. 7 days
2. 11 days
3. 15 days
4. 21 days

Answer: 11 days

Question 34: Permission Required for Domestic Company to Purchase Commercial or Residential Building

Case Study: A domestic company in India is planning to purchase a commercial or residential building.

Question: Whose permission is required for this transaction?

Options:

1. SEBI
2. Ministry of Corporate Affairs
3. Registrar of Companies
4. Reserve Bank of India (RBI)

Answer: Reserve Bank of India (RBI)

Question 35: External Commercial Borrowings (ECB) for Real Estate

Case Study: A company is considering using External Commercial Borrowings (ECB) for buying land or engaging in real estate activities in India.

Question: Is ECB permitted for buying land or engaging in real estate activities in India? If permitted, what is the Minimum Average Maturity Period (MAMP)?

Options:

1. ECB is not permitted for buying land or real estate activities.
2. ECB is permitted for buying land with a MAMP of 3 years.
3. ECB is permitted for real estate activities with a MAMP of 5 years.
4. ECB is permitted for buying land with a MAMP of 10 years.

Answer: ECB is not permitted for buying land or real estate activities.

Question 36: Commission to Agent Outside India for Sale of Residential Plot

Case Study: A company in India is planning to pay a commission to an agent outside India for facilitating the sale of a residential plot in India.

Question: What is the maximum commission that can be paid to the agent as per FEMA regulations?

Options:

1. 2% of the sale amount or \$10,000, whichever is higher
2. 5% of the sale amount or \$25,000, whichever is higher
3. 3% of the sale amount or \$20,000, whichever is higher
4. 7% of the sale amount or \$30,000, whichever is higher

Answer: 5% of the sale amount or \$25,000, whichever is higher

Actual Questions SET 2

1. Notice Period for BM to Alter Interest Rates

Question: Before how many days must one intimate the RSE about convening a Board Meeting (BM) if the purpose is to alter the rate of interest of securities?

Answer: 11 days

2. Penalty for Unfair Trade Practices

Question: What is the penalty for Unfair Trade Practices?

Answer: Not less than 5 lakhs, which may extend to 25 crores, and 3 times the profit made out of them.

3. Authority to Remove the Chairman

Question: Who has the authority to remove the Chairman?

Answer: Central Government

4. Tenure of Chairman

Question: What is the tenure of the Chairman?

Answer: 65 and not less than 3 months notice

5. Grievance Redressal Reporting

Question: Regarding grievance redressal, should a company file a statement with the RSE giving the number of investor complaints remaining unresolved at the end of the quarter?

Answer: No, the company should provide such details at each stage of the quarter, including pending at the beginning, received & disposed of during the quarter, and pending at the end.

6. Submission of Quarterly Financial Statements to SEBI

Question: Within how many days must a company submit Quarterly Financial Statements to SEBI, including unaudited firms?

Answer: 15 days

7. Quorum for Audit Committee as per SEBI LODR

Question: What is the quorum for the audit committee as per SEBI LODR?

Answer: .At least two members or one-third of the members of the audit committee, whichever is higher.

8. Appointment of Independent Director in Material Subsidiary

Question: In the case of a Material Subsidiary, what is the requirement for the appointment of an Independent Director (ID)?

Answer: At least one ID shall be appointed.

9. Composition of Audit Committee

Question: How many independent directors and women directors are required on the board in the Audit Committee?

Answer: At least 2 independent directors and no mandatory requirement for women directors; minimum 3 directors on the board.

10. Minimum Number of Directors in Dormant Public Company

Question: What is the minimum number of directors required in a dormant public company?

Answer: 3

11. Form for Getting Status of Active Company

Question: Which form is used to get the status of an active company?

Answer: MSC 4

12. Status of Company Without Significant Accounting Transactions

Question: A company doesn't have any significant accounting transactions during the last 2 years. Is it active, inactive, dormant, or defunct?

Answer: Inactive

13. ROC Empowered to Strike Off Dormant Company

Question: For how many years must a dormant company remain inactive before the ROC is empowered to strike it off the register?

Answer: 5 years

14. Activities Allowed for Nidhi Company

Question: Which activity is allowed for a Nidhi company?

Answer: Open savings account with members

15. Appeal Against NCLAT Order

Question: To whom and within how many days can one appeal against an NCLAT order, and on what matters?

Answer: To the Supreme Court within 60 days on questions of law

16. INR Denominated ECB for Repaying WC Loan

Question: Is INR denominated ECB permitted for repaying WC loans taken in India, and if permitted, what is the Minimum Average Maturity Period (MAMP)?

Answer: 10 years

17. ECB for Purchase of Plant & Machinery

Question: For ECB raised up to 300 crores for the purchase of plant & machinery, what is the MAMP?

Answer: 7 years

18. Exchange Rate for Converting FCY ECB into INR ECB

Question: What exchange rate should be used to convert FCY ECB into INR ECB?

Answer: At the rate prevailing on the date of the agreement for such change or at a rate less than the prevailing rate if agreed by the lender.

19. MAMP for ECB Raised for Purchase of Land

Question: What is the MAMP for ECB raised for the purchase of land (not a capital expenditure)?

Answer: 10 years

20. Approval for Container Detention Charges

Question: Whose approval is required for container detention charges?

Answer: Ministry of Surface Transport as per Schedule 2

21. Approval for P & I Charges

Question: Whose approval is required for P & I charges?

Answer: Ministry of Finance (Insurance Division) as per Schedule 2

22. Commencement of CIRP

Question: When does the commencement of CIRP occur?

Answer: Date of the admission of the application before the Adjudicating Authority

23. Adjudicating Authority Decision Period

Question: Within how many days must the Adjudicating Authority admit or reject an application and communicate the decision to the operational creditor?

Answer: 14 days

24. Name to be Furnished by Financial Creditor

Question: Whose name should be furnished with the application before the Adjudicating Authority by the Financial Creditor?

Answer: Interim Resolution Professional (IRP)

25. Response Time for Corporate Debtor to Demand Notice

Question: Within how many days must a Corporate Debtor respond to a demand notice about the existence of a dispute about the debt?

Answer: 10 days

26. Corporate Debtor and Operational Creditor Identification

Question: Who is the Corporate Debtor and Operational Creditor?

Answer: Identify based on the given case study.

27. Class Action (Sec 245) Applicability

Question: To whom is Class Action (Sec 245) not applicable?

Answer: Banking company

28. MOA Alteration Consistency with Tribunal Order

Question: Can a company make an alteration in the MOA inconsistent with an alteration already made by the tribunal?

Answer: Yes, with the leave of the tribunal

29. Utilisation of Undue Gain - Tribunal Power

Question: Which of these is NOT within the power of the tribunal regarding the utilization of undue gain recovered?

Answer: Tribunal may order to repay such amount to the company in which the person was employed.

30. Contribution by Charitable Trust

Question: Can a Charitable Trust contribute Rs 4,80,000 if it exceeds 5% of the average profit?

Answer: Yes, by passing a special resolution.

31. Appointment of Small Shareholder Director as HR Manager

Question: Can a Small Shareholder Director be appointed as Human Resource Manager during the cooling period?

Answer: No, because they cannot be associated for a period of 3 years (cooling period).

32. SSD Appointment in Multiple Companies

Question: Can an SSD appointed in one company be appointed in another company for a different term?

Answer: Yes, provided the second company does not compete or conflict with the first company in which they were appointed.

33. Reappointment of SSD After Cooling Period

Question: Can an SSD be reappointed after the expiry of the cooling period of 3 years?

Answer: Yes, they are eligible for another term.

34. Appointment of MD in SEZ Company

Question: Is the appointment of Mr. Jack as Managing Director of a SEZ company valid?

Answer: Yes, as the condition of being a resident in India (not less than 182 days) is not applicable in the case of an SEZ company.

35. Conduct of Secretarial Audit

Question: What are the limits for the conduct of a Secretarial Audit?

Answer: PUSC 50 crores or more, Turnover 250 crores or more, borrowings 100 crores or more.

36. Calculation of Correct Profit as per Sec 198

Question: ABC Ltd. has reported a net profit of Rs 80,20,000 for the financial year. However, this figure includes an amount received from the sale of old office furniture. The management needs to determine the correct profit as per Section 198 of the Companies Act, 2013, which involves adjusting for certain specified items. The details provided are as follows:

- Net profit reported: Rs 80,20,000
- Sale of old office furniture: Rs 2,00,000

Question : What is the correct profit amount as per Section 198 of the Companies Act, 2013, considering the sale of old office furniture?

Answer : Correct profit as per Section 198:

Correct profit = Net profit reported – Sale of old office furniture

Correct profit = Rs 80,20,000 – Rs 2,00,000

Correct profit = Rs 78,20,000

Therefore, the correct profit amount as per Section 198 of the Companies Act, 2013, is Rs 78,20,000.

37. Correct Net Profit Calculation

Question: Given a net profit of Rs 80,20,000 and sale proceeds of old furniture Rs 70,000, what is the correct net profit?

Answer: Calculate based on the provided figures.

38. Director's Remuneration Excluding Sitting Fees

Question: As per Sec 197(3), is the sum payable to directors exclusive or inclusive of sitting fees?

Answer: Exclusive of sitting fees

39.MD Compensation Claim During Amalgamation

Question: Can the Managing Director claim compensation if they refuse to join the amalgamated company?

Answer: No, they cannot claim any compensation.

40.Special Resolution for Disposing of Equity Holding and Assets

Question: Is a special resolution required to dispose of 6% equity holding in Traya Ltd and to sell 22% assets in Traya Ltd during amalgamation?

Answer: Check the provisions regarding Compromises, Arrangements, and Amalgamation.

41.Minority Shareholder Price Offer Validity

Question: If minority shareholders are offered a price for shares but not disposed of within the stipulated time, how long will they be able to receive the amount?

Answer: Up to 1 year

42.Cooling Period for FCRA Chapter Best Trust

Question: What is the cooling period for the Best Trust to apply for COR again?

Answer: 3 years

43.Bank Authority Direction for Asset Disposal

Question: What should a bank authority do on the direction of the Central Government in case of Best Trust and Great Trust?

Answer: In case of Best Trust, dispose of the assets created out of FC; for Great Trust, utilize the FC.

44.Validity of COR Expiration

Question: When does the validity of COR expire?

Answer: The date on which the Central Government cancels the registration.

45.Sustaining Objections Under Sec 230 or 231

Question: Will objections raised by shareholders and creditors sustain under Sec 230 or 231?

Answer: Objections raised by shareholders and creditors will sustain under **Section 230** of the Companies Act, 2013, provided they meet the specified thresholds (at least 10% of the shareholding or 5% of the total outstanding debt). Section 231 deals with the enforcement and implementation of the compromise or arrangement once it has been agreed upon.

Therefore, objections can sustain under Section 230 if they meet the specified thresholds.

46.Employee Liability Under Sec 447 for Misleading Information

Question: Is an employee liable under Sec 447 for posting misleading information about company profits on social media?

Answer: Yes, an employee can be liable under Section 447 of the Companies Act, 2013, for posting misleading information about company profits on social media if the act is intentional and causes harm to the company or its stakeholders.

Key Points to Consider

- **Intent:** Did the employee intentionally post false information to deceive?
- **Harm:** Did the misleading post cause actual or potential harm to the company or its stakeholders?
- **Evidence:** Is there evidence supporting the intent to deceive and the resultant harm

47 .Appointment of Provisional Liquidator or Company Liquidator

Question: Who may be appointed as a provisional liquidator or company liquidator by the tribunal?

Answer: Insolvency Professional (IP) required under IBC 2016

48.Ineligibility of Managing Director or Whole-Time Directors

Question: In which situations are managing directors or whole-time directors not eligible to be appointed by the company?

Answer: Option 1: Detained for any period under conservation of foreign exchange and prevention.

49.Merger of Foreign Company with Indian Company

Scenario:

GlobalTech Inc., a U.S.-based technology company, seeks to merge with Innovate Solutions Pvt. Ltd., an Indian software development firm. Both companies see strategic benefits in this merger, such as expanded market reach and enhanced technological capabilities. However, during an internal board meeting at Innovate Solutions, the CEO, Mr. Rajesh Mehta, contends that the merger cannot proceed, even with the approval of the Central Government (CG).

Question: Is the CEO's contention that an Indian company cannot merge with a foreign company, even with the approval of the Central Government, correct?

A. Yes, the CEO is correct because Indian law does not allow any form of cross-border mergers. B. No, the CEO is incorrect because cross-border mergers are allowed with the approval of both the Reserve Bank of India and the Central Government. C. Yes, the CEO is correct because only the RBI's approval is required, not the Central Government's. D. No, the CEO is incorrect because cross-border mergers are allowed without any need for regulatory approvals.

Answer:

B. No, the CEO is incorrect because cross-border mergers are allowed with the approval of both the Reserve

Bank of India and the Central Government.

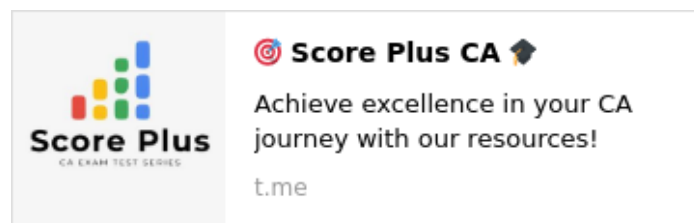
50. Who must approve a cross-border merger involving an Indian and a foreign company? Refer 49 case study

- A. Only the Reserve Bank of India (RBI)
- B. Only the Central Government
- C. Both the RBI and the Central Government
- D. Only the National Company Law Tribunal (NCLT)

Answer : Both the RBI and the Central Government

***Actual MCQs asked in exams and collected from students*

I will be sharing additional authentic multiple-choice questions on the Telegram channel.



<https://t.me/ScorePlusCA>

