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# SCANNER™ Appendix

CS Professional Programme  
Module-IV Dec - 2009

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## PAPER'S

### Paper - 7 : Due Diligence - And Corporate Compliance Management

#### Chapter - 2 : Due Diligence - Equity Issues

**2009 - Dec [5]** (a) Jai Hind Ltd. made a public issue of 12 crore shares @ Rs. 260 per share. 3 crore shares were offered to retail category of investors. Response of public to the issue was overwhelming and the entire issue was oversubscribed by 4.5 times whereas for the retail category the over subscription was 6 times. The allotment procedure was finalised as per the SEBI guidelines. Three retail investors Ramesh, Suresh and Tushar who applied for 80 shares, 64 shares and 40 shares respectively, are interested in ascertaining the number of shares likely to be allotted to them. As per the issue document, applications could be made for a minimum of 8 shares and in multiples thereof. What will be their respective actual entitlements? Explain with reasons. (5 marks)

#### Chapter - 4 : Takeovers and Acquisitions

**2009 - Dec [3]** (c) Explain the following terms used in takeovers and acquisitions:

- (i) Conglomerate merger,
- (ii) Reverse merger (2 marks each)

**2009 - Dec [7]** (b) Distinguish between the following :

- (i) 'Friendly takeover' and 'hostile takeover'. (4 marks)

**Chapter - 5 : Compliance of Listing Agreement**

**2009 - Dec [3]** (a) You are working as the whole-time Company Secretary in a large listed company. Draft a note to the Audit Committee of the Board highlighting the need for the appointment of Secretarial Auditor in the company. (6 marks)

**2009 - Dec [4]** (c) What do you mean by an 'independent director'? Mention the criteria for considering a director as an independent director? (5 marks)

**2009 - Dec [5]** (b) State the compliances required under the listing agreement regarding publication of financial results in newspapers. (5 marks)

**2009 - Dec [6]** (a) A member of Rosy Ltd. is interested in inspecting and taking copies of minutes of Board meetings and of the annual general meeting held in the year 2008. Draft a suitable reply to be sent to the member. (6 marks)

(c) Janta Power Ltd. was incorporated on 30th November, 2008. The certificate of commencement of business was issued by the Registrar of Companies on 31st December, 2008. Explain the provisions of the Companies Act, 1956 regarding holding of statutory meeting by the company. (4 marks)

**2009 - Dec [7]** (a) Write notes on the following :

(i) CEO/CFO certification under listing agreement. (4 marks)

(b) Distinguish between the following :

(iii) 'Audit committee' and 'remuneration committee'. (4 marks)

**2009 - Dec [8]** Critically examine and comment on the following :

(i) All listed companies are required to ensure minimum level of public shareholding of 25% of the total number of issued shares of a class/kind for the purpose of continuous listing on a recognised stock exchange.

(iii) Company Secretary of a listed company, in addition to complying with the provisions of Companies Act, 1956, is also expected to perform certain activities relating to securities laws and compliances.

(4 marks each)

**Chapter - 6 : Internal Audit of Depository Participants**

**2009 - Dec [7]** (a) Write notes on the following :

(ii) Pledge of shares held in dematerialised form and the role of depository participant. (4 marks)

**Chapter - 8 : Indian Depository Receipts**

**2009 - Dec [2]** (c) Distinguish between the following :

(iii) 'Global depository receipts' (GDRs) and 'Indian depository receipts' (IDRs). (3 marks)

**Chapter - 9 : Setting up of Business Units and Joint Ventures in India**

**2009 - Dec [2]** (c) Distinguish between the following :

(ii) 'Technical collaboration' and 'financial collaboration' involving foreign investment in India. (3 marks)

**2009 - Dec [3]** (b) A foreign company engaged in automobile manufacturing activities is interested in setting-up a branch office in India. As a Company Secretary, advise the foreign company the purposes for which a branch office can be set-up under the Foreign Exchange Management Act, 1999. (6 marks)

**Chapter - 11 : Legal Due Diligence**

**2009 - Dec [8]** Critically examine and comment on the following :

- (v) The objectives of a legal due diligence exercise may vary from case to case. (4 marks)

**Chapter - 14 : Share Transfer Audit**

**2009 - Dec [7]** (b) Distinguish between the following :

- (ii) 'Share transfer audit' and 'statutory audit'. (4 marks)

**2009 - Dec [8]** Critically examine and comment on the following :

- (iv) Public announcement is not required for *inter-se* transfers. (4 marks)

**Chapter - 15 : Compliance Certificate**

**2009 - Dec [1] {C}** (b) Suraj, a Practising Company Secretary ignored some material discrepancies while issuing compliance certificate to a company. Explain the professional responsibility involved and state whether any penal provisions are prescribed for taking action in such circumstances. (5 marks)

**2009 - Dec [2]** (b) State the circumstances when a company is —

- (i) required to file the return of allotment with the Registrar of Companies; and  
(ii) not required to file the return of allotment. (2 marks each)

**2009 - Dec [2]** (c) Distinguish between the following :

- (i) 'Compliance certificate' and 'secretarial audit'. (3 marks)

**2009 - Dec [4]** (b) While carrying out the secretarial audit of Daisy Ltd., you have found that a resolution was passed by the shareholders authorising the company to buy-back its shares. Intimation regarding the buy-back was also given to the recognised stock exchange in due course. However, no further steps were taken by the company in this regard. Meanwhile, a notice has been received by company from the Securities and Exchange Board of India holding it guilty for not implementing the resolution of buy-back. Decide whether the company is bound to implement the resolution of buy-back of its shares.

(5 marks)

**2009 - Dec [5]** (c) As a Practising Company Secretary, prepare a check-list for the purpose of compliance certificate under section 383A of the Companies Act, 1956 with regard to declaration, payment and transfer of dividend.

(6 marks)

**2009 - Dec [6]** (b) You are in the process of preparing compliance certificate of Konzept Ltd. You find that a Board resolution has been passed to grant a loan of Rs.80 lakh to another company, Rocket Ltd. The information about Konzept Ltd. as on 31st March, 2009 is as under :

*Rs. in Lakhs*

Paid-up share capital:	
– Equity	50
– Preference	10
General reserves	100
Debentures redemption reserve	5
Loans already given to :	
– Xel Ltd.	5
– Yetin Ltd.	10

Konzept Ltd. has already given a guarantee of Rs.10 lakh to Zohar Ltd. Prepare a note commenting on the decision of the Board and indicating whether it has complied with the relevant provisions of the Companies Act, 1956.

(6 marks)

**2009 - Dec [8]** Critically examine and comment on the following :

- (ii) While the newly inserted provisions under section 383A(1) has opened much awaited area of practice for Company Secretaries, it casts onerous responsibility and poses a great challenge to the profession. (4 marks)

#### **Chapter - 16 : Search/Status Reports**

**2009 - Dec [7]** (a) Write notes on the following :

- (iii) Search and status report on the position of borrowings made by a company. (4 marks)

#### **Chapter - 17 : Securities Management and Compliances**

**2009 - Dec [1] {C}** (c) Explain the significance of securities management and compliances by a Company Secretary under the Companies Act, 1956.

(5 marks)

#### **Chapter - 18 : Objective Questions**

**2009 - Dec [1] {C}** (a) State, with reasons in brief, whether the following statements are correct or incorrect :

- (i) Private companies are not required to employ the whole-time Company Secretary.
- (ii) A member of the Institute of Company Secretaries of India (ICSI) in whole time practice can issue compliance certificate in respect of any number of companies without any ceiling whatsoever.
- (iii) Unlisted companies cannot float global depository receipts (GDRs) in India under the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993.

- (iv) The provisions regarding number of Board meetings and periodicity of Board meetings contained in clause 49 of the listing agreement and section 285 of the Companies Act, 1956 are identical.
- (v) Investment in Indian depository receipts (IDRs) is an investment opportunity for foreign investors to invest in Indian companies.

(2 marks each)

**2009 - Dec [2]** (a) Choose the most appropriate answer from the given options in respect of the following :

- (i) According to SEBI guidelines relating to issue of capital, the draft prospectus is required to be filed with SEBI at least —
  - (a) 30 days prior to the filing of prospectus with the Registrar of Companies
  - (b) 45 days prior to the filing of prospectus with the Registrar of Companies
  - (c) 60 days prior to the filing of prospectus with the Registrar of Companies
  - (d) 90 days prior to the filing of prospectus with the Registrar of Companies.
- (ii) Retail individual shareholder means a shareholder whose shareholding is not more than —
  - (a) Rs. 1,000
  - (b) Rs. 10,000
  - (c) Rs. 1,00,000
  - (d) Rs. 99,000.
- (iii) Under the Employees' Stock Option Scheme, a director is not eligible to participate in the scheme if he is directly or indirectly holding the equity shares in that company more than —
  - (a) 1% of the issued capital of the company at the time of issuance
  - (b) 2% of the issued capital of the company at the time of issuance
  - (c) 5% of the issued capital of the company at the time of issuance
  - (d) 10% of the issued capital of the company at the time of issuance
- (iv) The stock exchange may delist such companies which have been suspended for non-compliance with the listing agreement for a minimum period of —
  - (a) 1 month
  - (b) 2 months
  - (c) 3 months
  - (d) 6 months.

- (v) Out of the following, which is not required to be credited to the Investor Education and Protection Fund —
- (a) Application money received by the company for allotment of any securities and due for refund
  - (b) Matured deposits with the company
  - (c) Matured debentures with the company
  - (d) Matured loans with the company.
- (vi) Section 295 of the Companies Act, 1956 deals with —
- (a) Appointment of sole selling agents
  - (b) Loans to directors
  - (c) Remuneration to directors
  - (d) Disclosure of interest by directors. (1 mark each)

**2009 - Dec [4]** (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) \_\_\_\_\_ is a process of conversion of physical certificates into electronic balances.
- (ii) The orders of SEBI under the securities laws are appealable before \_\_\_\_\_.
- (iii) A \_\_\_\_\_ is a product whose value is derived from the value of underlying asset, index, *etc.*
- (iv) When a charge on the assets of the company is satisfied, the fact is intimated in Form No. \_\_\_\_\_ to the Registrar or Companies.
- (v) At the time of opening of a new demat account, the \_\_\_\_\_ should ensure that the application form has been filled in all respects and the client has been introduced by a well-known person.
- (vi) A company cannot register a transfer unless \_\_\_\_\_ duly stamped and executed by both the transferor and transferee is delivered to the company. (1 marks each)

<b>Paper - 8 : Governance, Business Ethics and Sustainability</b>
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**Chapter - 1 : Evolution and Development of Concept of Corporate Governance**

**2009 - Dec [1] {C}** (a) In United Kingdom, the Combined Code on Corporate Governance of 2008 is the result of studies made from time to time by various committees to prevent the recurrence of scandals and financial collapses experienced in 1980s and early 1990s, when Cadbury Committee was first set-up in 1992 which gave a new dimension to the Corporate Governance.

List out the three important recommendations made by Cadbury Committee and outline atleast five major landmarks in the historical development since the

setting-up of the Cadbury Committee for improvement in the Corporate Governance. (10 marks)

**2009 - Dec [2]** (a) Write short notes on the following :

- (i) Rules vs. principles
- (ii) Parties to corporate governance. (3 marks each)

**2009 - Dec [4]** (b) Discuss briefly the role of directors in the good corporate governance. (5 marks)

#### **Chapter - 3 : Committees of the Board**

**2009 - Dec [2]** (c) Draw a comparison between section 292A of the Companies Act, 1956 and clause 49 of the listing agreement with regard to composition of the audit committee. (5 marks)

#### **Chapter - 4 : Internal Control Systems, Risk Management, Transparency and Disclosure**

**2009 - Dec [3]** (c) What is 'risk management process'? What are the four steps in risk management? (5 marks)

#### **Chapter - 5 : Legislative Framework of Corporate Governance in India**

**2009 - Dec [3]** (a) What are the major legislations/regulations/guidelines dealing with transparency and disclosures by companies? (5 marks)

#### **Chapter - 7 : Corporate Social Responsibility**

**2009 - Dec [3]** (b) Discuss in brief some of the main Corporate Social Responsibility (CSR) Reporting Frameworks. (5 marks)

#### **Chapter - 8 : Corporate Communication Investor Relations and Investor Protection and Shareholder Activism and Role of Institutional Investors**

**2009 - Dec [4]** (a) What are the legal remedies available in India for the redressal of the following complaints :

- (i) Delay in refund of application money;
- (ii) Delay in transfer of securities;
- (iii) Insider trading of shares;
- (iv) Delay in payment of dividend; and
- (v) Delay in re-payment of deposits. (5 marks)

#### **Chapter - 9 : Corporate Governance Forums**

**2009 - Dec [4]** (c) What are the principles of corporate governance as evolved by the ICSI ? (5 marks)

#### **Chapter - 10 : Business Ethics - Genesis, Significance and Scope**

**2009 - Dec [5]** (a) "Ethics in business is simply the application of moral or ethical norms to business." Explain and discuss the advantages of business ethics. (5 marks)

**2009 - Dec [5]** (b) Write notes on the following :

- (i) Enlightened-egoism
- (ii) Ethics in compliance (5 marks each)

**2009 - Dec [7]** (c) Explain briefly the following :

- (i) Virtue Ethics Theory (2 marks)

**Chapter - 11 : Ethical Principles in business**

**2009 - Dec [5]** (b) Write notes on the following :

- (iii) Social and ethical accounting. (5 marks)

**2009 - Dec [6]** (a) What is the role of Board of directors in ethical management of a Company? (5 marks)

(b) Discuss 'ethics programme'. Set-out the relevant provisions in clause 49 of the listing agreement. (5 marks)

(c) What is the significance of organisation structure in business ethics? (5 marks)

**2009 - Dec [7]** (a) "The code of conduct of a company sets for the legal and ethical standards of conduct for its directors and its employers." Discuss and list out the important contents of the code of conduct of a company.

(7 marks)

**Chapter - 12 : Concept of Stakeholders, Organization and Managing Ethics**

**2009 - Dec [7]** (b) Discuss briefly the Clarkson principles of stakeholder management. (4 marks)

**2009 - Dec [7]** (c) Explain briefly the following :

- (ii) The Caux Round Table. (2 marks)

**Chapter - 13 : Corporate Sustainability - Genesis, Meaning, Scope and Significance**

**2009 - Dec [8]** Attempt the following :

- (i) What is the difference between 'sustainable development' and 'corporate sustainability' List out four fundamental principles of sustainable development agreed in the United Nations Conference on Environment and Development (UNCED), 1992. (5 marks)

**Chapter - 14 : Sustainability Reporting**

**2009 - Dec [8]** Attempt the following :

- (ii) Discuss the significance of 'shareholders inclusiveness' in sustainability reporting. (5 marks)

**Chapter - 15 : Conventions and Treaties on environment health**

**2009 - Dec [8]** Attempt the following :

- (iii) Write a note on 'Agenda-21'. (5 marks)

**Chapter - 16 : Principle of Absolute Liability and Case Studies**

**2009 - Dec [8]** Attempt the following :

- (iv) Discuss briefly the principle of absolute liability with the help of rule laid down in Rylands vs. Fletcher.  
(v) Discuss river water pollution citing at least one decision of the Supreme Court of India. (5 marks each)

**Chapter - 17 : Objective Questions**

**2009 - Dec [1] {C}** (b) State, with reasons in brief, whether the following statements are correct or incorrect :

- (i) All non-executive directors are independent directors.
- (ii) Compliance Management Committee is compulsory under clause 49 of the listing agreement.
- (iii) The Sarbanes-Oxley Act, 2002 is applicable to listed companies in India.
- (iv) Enron debacle led to the appointment of Naresh Chandra Committee in 2002.
- (v) Shareholders activism played a major role in eradicating apartheid in South Africa through divestment. (1 mark each)

**2009 - Dec [1] {C}** (c) Choose the most appropriate answer from the given options in respect of the following :

- (i) The mechanism for employees to report certain events to the management, like—unethical behaviour, suspected fraud or violation of the company's code, is known as —
  - (a) Whistle Blower Policy
  - (b) Surveillance action
  - (c) Market abuse
  - (d) Snap investigation.
- (ii) Out of the following, which is an institutional investor group —
  - (a) Foreign Institutional Investors
  - (b) Mutual funds
  - (c) Banks and financial institutions
  - (d) All the above.
- (iii) Out of the following, which is a Corporate Social Responsibility (CSR) reporting framework —
  - (a) CSR 1982
  - (b) SA 8000
  - (c) MCA-21
  - (d) SA 800.
- (iv) A person can hold office of director of the public companies at the same time in —
  - (a) Not more than 20 companies
  - (b) Not more than 11 companies
  - (c) Not more than 15 companies
  - (d) Any number of companies.

- (v) Remuneration Committee is appointed for the purpose of recommending remuneration of —
- (a) Chief Executive Officer
  - (b) Managing Director
  - (c) Whole-time Director
  - (d) All the above.
- (1 mark each)

**2009 - Dec [2]** (b) Expand the following abbreviations :

- (i) OECD
  - (ii) NFCG
  - (iii) COSO
  - (iv) ASSOCHAM.
- (1 mark each)

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