

GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

DECEMBER 2019

MODULE 2



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

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The Guideline Answers contain the information based on the Laws/Rules applicable at the time of preparation. However, students are expected to be well versed with the amendments in the Laws/Rules made upto **six** months prior to the date of examination.

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**EXECUTIVE PROGRAMME EXAMINATION
DECEMBER 2019
COMPANY ACCOUNTS AND AUDITING PRACTICES**

Time allowed : 3 hours

Maximum marks : 100

NOTE : 1. Answer ALL Questions.

2. All working notes should be shown distinctly.

PART A

Question 1

- (a) According to section 530* of Companies Act, 2013 which of the creditors are treated as preferential creditors ? (5 marks)
- (b) Explain the disclosure requirement as per Schedule III of the Companies Act, 2013 with respect to "Short-term Borrowings". (5 marks)
- (c) Discuss the circumstances under which valuation of shares is necessary. (5 marks)
- (d) Following is the Balance Sheet of X Ltd. as at 31st March, 2019 :

PARTICULARS	₹
I. EQUITY AND LIABILITIES	
(1) Shareholders' Funds	
(a) Share Capital (60,000 Equity shares of ₹10 each)	6,00,000
(b) Reserves and Surplus :	
(i) Profit and Loss Account	50,000
(2) Current Liabilities	
(a) Short-term Borrowings — Bank Loan	10,000
(b) Trade Payable — Sundry Creditors	60,000
(c) Short-term Provisions :	
(i) Provision for taxation	1,10,000
(ii) Proposed Dividend	60,000
Total	8,90,000
II. ASSETS	
(1) Non-Current Assets	
(a) Fixed Assets — Tangible Assets	3,70,000
(2) Current Assets	
(a) Other Current Assets	5,20,000
Total	8,90,000

*Typo error - Section 530 is to be read as Section 327.

The net profit of the company after deducting working expenses but before providing for taxation were as under :

2016-17	₹3,18,000
2017-18	₹3,40,000
2018-19	₹3,12,000

On 31st March, 2019 tangible fixed assets were revalued at ₹4,50,000. Sundry Debtors on the same date include ₹10,000 which is irrecoverable. Having regard to the type of business a 10% return on average capital employed is considered as reasonable.

Ascertain the value of goodwill on the basis of 3 years purchase of superprofits. Depreciation on tangible fixed assets is charged @ 10% p.a. and the rate of taxation is 30%. (5 marks)

(e) Prepare a value added statement from the following figures :

	₹
Sales	11,37,000
Income from Investment	10,500
Materials and Services used	6,45,000
Salaries	1,02,000
Other benefits of employees	15,000
Income Tax	1,500
GST	2,71,500
Interest on Borrowings	52,500
Dividend	6,000
Depreciation	49,500
Profit retained	4,500

(5 marks)

Answer 1(a)

Under Section 327 of the Companies Act, 2013, the following creditors are treated as preferential creditors:

1. All revenues, taxes, cesses & rates payable to the government or local authority will be treated as preferential creditors provided that it must become due within 12 months before the date of winding up.
2. 4 months salary & wages due to the employees of the company will be treated as preferential provided that it must become due within 12 months before the date of winding up. Maximum of Rs. 20000 will be treated as preferential creditors.

3. All accrued holiday remuneration payable to an employee due to termination of his employment is treated as preferential.
4. The person who advances money for making the payment under (2) & (3) mentioned above will be treated as preferential.
5. Any sum payable by the company under the Employees State Insurance Act, 1948 will be treated as preferential provided that it must become due within 12 months before the date of winding up.
6. Compensation payable by the company under Workmen Compensation Act, 1923 is treated as preferential.
7. Any sum payable by the company to its employees from a Provident Fund, Pension Fund, Gratuity Fund or any other fund maintained for the welfare of the employees.
8. The expenses of investigation held under Section 216 of the Companies Act, 2013 or 213 of the Companies Act, 2013 will be treated as preferential.

Answer 1(b)**Disclosure requirements of “Short Term borrowings”**

Following are the disclosure requirements of short term borrowings as per the Companies Act, 2013

- (i) Short-term borrowings shall be classified as:
 - (a) Loans repayable on demand
 - from banks
 - from other parties
 - (b) Loans and advances from subsidiaries/holding company/associates/business ventures
 - (c) Deposits
 - (d) Other loans and advances (specify nature)
- (ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
- (iii) Where loans have been guaranteed by directors or others, a mention thereof shall be made and also the aggregate amount of loans under each head.
- (iv) Period and amount of default in repayment of dues, providing break-up of principal and interest shall be specified separately in each case.

Answer 1(c)**Circumstances under which Valuation of Shares is necessary**

The necessity for valuation of shares arises inter alia in the following circumstances:

1. Purchase of a block of shares which may or may not give the holder thereof a controlling interest in the company.

2. Purchase of shares by employees of the company where the retention of such shares is limited to the period of their employment.
3. Formulation of schemes of amalgamation, absorption, etc.
4. Acquisition of interest of dissenting shareholders under a scheme of reconstruction.
5. Compensating shareholders on the acquisition of their shares by the Government under a scheme of rationalisation.
6. Conversion of shares, say, conversion of preference shares into equity.
7. Advancing a loan on the security of shares.
8. Resolving a deadlock in the management of a private limited company on the basis of the controlling block of shares being given to either of the parties
9. Assessments under the Wealth Tax Act. [Wealth Tax Act have been abolished]

Answer 1(d)**Calculation of Adjusted Average Profit after tax or Average Maintainable Profit**

<i>Particulars</i>	<i>Amount in Rs.</i>
Average Profit	
$\frac{\text{Rs. 3,18,000} + \text{Rs. 3,40,000} + (\text{Rs. 3,12,000} - \text{Rs. 10,000})}{3}$	3,20,000
Less : Depreciation @ 10% on Revaluation of Fixed Assets (4,50,000 - 3,70,000)	(8,000)
	3,12,000
Less : Income Tax @ 30%	93,600
Average Maintainable Profit	2,18,400

Calculation of Average Capital Employed

<i>Particulars</i>	<i>Amount in Rs.</i>
Tangible Fixed Assets (Revalued)	4,50,000
Current Assets (520000-10000)	5,10,000
Total	9,60,000
Less : Bank Loan	10,000
Sundry Creditors	60,000
Provision for Taxation	1,10,000
Closing Capital Employed	7,80,000
Less : $\frac{1}{2}$ of Adjusted Average Profit after Tax ($\frac{1}{2} \times 218400$)	(1,09,200)
Average Capital Employed	6,70,800

Calculation of Super Profit

<i>Particulars</i>	<i>Amount in Rs.</i>
Average Maintainable Profit	2,18,400
Less : Normal Profit on average capital employed (10% of Rs.670800)	(67,080)
Super Profit	1,51,320

Goodwill (on the basis of 3 years purchase of super profit)

Value of Goodwill = Super Profit *3 years

= 1,51,320*3 = Rs. 4,53,960/-

Answer 1(e)**Value Added Statement**

<i>Particulars</i>	<i>Amount (Rs.)</i>	<i>Amount (Rs.)</i>
Generation of Value Added:		
Sales		1,13,7000
Less : Materials and services used		(6,45,000)
Value generated by Manufacturing		4,92,000
Add : Investment income		10,500
Total Value added		5,02,500
Distribution of Value Added:		
(i) Employees benefits:		
Salaries	1,02,000	
Other benefits of employees	15,000	1,17,000
(ii) Government:		
Income Tax	1,500	
GST	2,71,500	2,73,000
(iii) Providers of Capital		
Interest on borrowings	52,500	
Dividend	6,000	58,500
(iv) Retained in business:		
Depreciation	49,500	
Profit retained	4,500	54,000
Total		5,02,500

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

- (a) The Balance Sheet of Z Ltd. as at 31-3-2018 supplied the following information:

	₹
13% Debenture Account	14,00,000
13% Debenture Redemption Fund Account	10,00,000
13% Debenture Redemption Fund Investment Account	10,00,000

The annual contribution to Debenture Redemption Fund 1,40,000

The debenture were redeemed on 31-3-2019, when investment were sold for ₹14,00,000.

Prepare 13% Debenture Redemption Fund Account and 13% Debenture Fund Investment Account. (3 marks)

- (b) Explain the order of payment to be followed by the liquidator, out of the amount realised from the sale of assets not specifically pledged and the amount contributed by the contributories ? (3 marks)
- (c) Dividend is nothing but the distribution of divisible or distributable profits of a company among the holders of its equity shares. What are the main sources of payment of dividend, excluding free reserves, as provided in section 123 of the Companies Act, 2013 ? (3 marks)
- (d) Hedge accounting changes the timings of recognition of gains and losses. Explain three types of hedge accounting. (3 marks)
- (e) A firm which was carrying on business from 1st January, 2019 gets itself incorporated as a company on 1st April, 2019. The company decided to close its first books of accounts on 30th September, 2019.

The gross profit for the period is ₹56,000. The general expenses are ₹14,220; directors fees ₹12,000 p.a. and formation expenses is ₹1,500. Rent upto 30th June is ₹1,200 p.a., after which it increased to ₹3,000 p.a. Salary of the manager, who upon incorporation of the company was made a director, is ₹6,000 p.a. His remuneration thereafter is included in the above figure of fees to directors.

Prepare Profit & Loss Account showing pre- and post-incorporation profits. The net sales are ₹8,20,000, the monthly average of which for the first three months of 2019 is one half of that of the remaining period. (3 marks)

OR (Alternative question to Q. No. 2)**Question 2A**

- (i) Beta Ltd. came up with an issue of 45,00,000 equity shares of ₹10 each at par. 30% of the issue was reserved for the promoters and the balance was offered to the general public. The entire amount being asked for with the applications.

R, S and T agreed to underwrite the public issue in the ratio of 3 : 1 : 1 respectively, and also agreed to firm underwriting of 90,000; 60,000 and 30,000 shares respectively.

The underwriting commission was fixed at 2%. The marked application were as follows :

R — 16,50,000 shares; S — 6,00,000 shares; T — 4,50,000 shares.

Unmarked applications excluding for shares underwritten firm totalled were 1,50,000 shares.

You are required to ascertain the liability of each of the underwriters. Also calculate the underwriting commission payable to the different underwriters. (5 marks)

- (ii) Explain 'Alteration in share capital' as a method of internal reconstruction, provided in section 61 of the Companies Act, 2013. (5 marks)
- (iii) Calculate the managerial remuneration from the following particulars of Ganga Ltd. due to the managing director of the company at the rate of 5% of the Net Profits. Also determine the excess remuneration paid if any :

	₹
Net Profit	2,10,000
Net Profit is calculated after considering the following :	
(i) Depreciation	40,000
(ii) Preliminary Expenses	10,000
(iii) Tax Provision	3,10,000
(iv) Director's fees	8,000
(v) Bonus	25,000
(vi) Profit on Sale of Fixed Assets (Original Cost ₹20,000; Written down value ₹11,000)	15,500
(vii) Provision for Doubtful Debts	9,000
(viii) Scientific Research Expenditure (for setting up new Laboratory)	20,000
(ix) Managing Director's Remuneration Paid	30,000

Additional Information :

- (a) Depreciation allowable under Schedule II of the Companies Act, 2013 is ₹35,000.
- (b) Bonus liability as per Payment of Bonus Act, 1965 is ₹18,000.
- (c) Provision for doubtful debts is not required looking to the past records of debtors. (5 marks)

Answer 2(a)**Debenture Redemption Fund Account**

<i>Dr</i>			<i>Cr</i>		
<i>Date</i>	<i>Particulars</i>	<i>Amount in Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>Amount in Rs.</i>
31.03.2019	To General Reserve A/c	16,70,000	01.04.2018	By Balance b/d	10,00,000
			31.03.2019	By 13% Debenture redemption fund Investment A/c (Profit on sale)	4,00,000
				By Profit and Loss Appropriation A/c (Annual Contribution)	1,40,000
				By Interest on Debenture Redemption Fund Investment A/c	1,30,000
	Total	16,70,000	Total		16,70,000

13% Debenture Redemption Fund Investment A/c

<i>Dr</i>			<i>Cr</i>		
<i>Date</i>	<i>Particulars</i>	<i>Amount in Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>Amount in Rs.</i>
01.04.018	To Balance b/d	1000000	31.03.2019	By Bank A/c	1400000
31.03.2019	To Debenture Redemption Fund A/c (Profit on sale of Investment)	400000			
	Total	1400000	Total		1400000

Answer 2(b)**Order of payments followed by Liquidators**

The amount received from the assets not specifically pledged & the amounts contributed by the contributories must be distributed by the liquidator in the following order:

1. Expenses of winding up including the liquidators remuneration
2. Creditors secured by the floating charge on the assets of the company
3. Preferential creditors
4. Unsecured creditors
5. The surplus, if any, amongst the contributories (i.e. preference shareholders & equity shareholders) according to their respective rights & interests.

Answer 2(c)

Section 123 of the Companies Act 2013 provides following sources for the payment of dividend.

No dividend shall be declared or paid by a company for any financial year except:

- i. out of the profits of the company for that year arrived at after providing for depreciation in accordance with the provisions of Schedule II of the Company Act or
- ii. out of the profits of the company for any previous financial year or years arrived at after providing for depreciation in accordance with the provisions of Schedule II and remaining undistributed, or out of both; or
- iii. out of money provided by the Central Government or a State Government for the payment of dividend by the company in pursuance of a guarantee given by that Government.

Answer 2(d)

There are three types of hedge relationship which are mentioned below:

- i. *Fair value hedge* : A hedge of the exposure to changes in the fair value of a recognised asset or liability, or a firm commitment.
- ii. *Cash flow hedge* : A hedge of the exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction.
- iii. *Net investment hedge* : A hedge of the foreign currency risk on a net investment in a foreign operation.

For a fair value hedge, the hedged item is adjusted for the gain or loss attributable to the hedged risk. That element is included in the income statement where it will offset the gain or loss on the hedging instrument. For a cash flow hedge, gains and losses on the hedging instrument, to the extent it is an effective hedge, are initially included in equity. They are reclassified to the profit or loss when the hedged item affects the income statement. If the hedged item is the forecast acquisition of a non-financial asset or liability, the entity may choose an accounting policy of adjusting the carrying amount of the non-financial asset or liability for the hedging gain or loss at acquisition.

Answer 2(e)

**Statement of Profit and Loss for 9 months
Ended on 30th September, 2019**

<i>Particulars</i>	<i>Basis</i>	<i>Total (Rs.)</i>	<i>Pre- Incorporation (Rs.)</i>	<i>Post Incorporation (Rs.)</i>
Gross Profit (A)	Sales	56,000	11,200	44,800
Less : Expenses				
General Expense	Time	14,220	4,740	9,480

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Directors Fees	Post	6,000	-	6,000
Formation Expenditure	Post	1,500	-	1,500
Rent	Actual	1,350	3,00	1,050
Manager's Salary	Pre	1,500	1,500	-
Total Expense (B)		24,570	6,540	18,030
Net profit (A-B)		31430	4,660	26,770
			(Capital Profit)	(Revenue Profit)

Working Notes:-

- (i) Sales Ratio = First 3 months sale : Next 6 months sales
3(one half) : 6(Double)
3 : 12
1 : 4
- (ii) Time Ratio = 3:6 or 1:2
- (iii) Director fees (Post Incorporation) $12000 \times 6/12 = 6000$
- (iv) Rent for first 3 months = $100 \times 3 = 300$
For next 6 months = $(100 \times 3) + (3000 / 12 \times 3) = 300 + 750 = 1,050$
- (v) Salary of Manager (Pre Incorporation) = $6,000 / 12 \times 3 = 1,500$

Answer 2A(i)

Total No. of Shares issued	45,00,000
Less: Shares reserved for promoters @ 30%	13,50,000
Shares offered to general public	= 31,50,000

Statement showing the liabilities of underwriters
(Firm underwriting shares are treated as unmarked applications)

Particulars	R	S	T
Gross Liability (3:1:1)	18,90,000	6,30,000	6,30,000
Less: Marked Application	16,50,000	6,00,000	4,50,000
	2,40,000	30,000	1,80,000
Less: Unmarked application (Note1)	1,98,000	66,000	66,000
Surplus of Liability of S	42,000	(36,000)	1,14,000
Less: Surplus of S allocated to R & T in the Ration of 3 : 1	(27,000)	36,000	(9,000)

Net Liability	15,000	NIL	1,05,000
Add : Firm underwriting	90,000	60,000	30,000
Total Liability	1,05,000	60,000	1,35,000
Amount payable @ Rs. 10 each share	10,50,000	6,00,000	13,50,000
Underwriting commission @ 2 % on face value of shares underwritten	3,78,000	1,26,000	1,26,000
	(18,90,000 x 10 x 2%)	(6,30,000 x 10 x 2%)	(6,30,000 x 10 x 2%)

Working Note

1. Total Unmarked Applications

1,50,000 (of public) + 90,000 (firm underwriting of R) + 60,000 (firm underwriting of S) + 30,000 (firm underwriting of T) = 3,30,000

$$R = 3,30,000 \times \frac{3}{5} = 1,98,000$$

$$S = 3,30,000 \times \frac{1}{5} = 66,000$$

$$T = 3,30,000 \times \frac{1}{5} = 66,000$$

Note: The question is solved on the assumption that firm underwriting is a part of unmarked applications.

Alternate Answer 2A(i)

Total No. of Shares issued	45,00,000
Less : Shares reserved for promoters @ 30%	13,50,000
Shares offered to general public	= 31,50,000

Statement showing the liabilities of underwriters (Firm underwriting shares are treated as marked applications)

Particulars	R	S	T
Gross Liability (3:1:1)	18,90,000	6,30,000	6,30,000
Less : Unmarked Application (3:1:1)	90,000	30,000	30,000
	18,00,000	6,00,000	6,00,000
Less : Marked application plus underwriting firm	17,40,000	6,60,000	4,80,000
Surplus of Liability of S	60,000	(60,000)	1,20,000
Less : Surplus of S allocated to R & T in the Ratio of 3 : 1	(45,000)	(60,000)	(15,000)
Net Liability	15,000	NIL	1,05,000

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Add: Firm underwriting	90,000	60,000	30,000	
Total Liability	1,05,000	60,000	1,35,000	
Amount payable @ Rs. 10 each share	10,50,000	6,00,000	13,50,000	
Underwriting commission @ 2 % on face value of shares underwritten	3,78,000	1,26,000	1,26,000	
	(18,90,000 x 10 x 2%)	(6,30,000 x 10 x 2%)	(6,30,000 x 10 x 2%)	

Working Note

- Total Unmarked Applications = 1,50,000 (of public)

$$R = 1,50,000 \times \frac{3}{5} = 90,000$$

$$S = 1,50,000 \times \frac{1}{5} = 30,000$$

$$T = 1,50,000 \times \frac{1}{5} = 30,000$$

- $R = 1650000 + 90000 = 17,40,000$

$$S = 600000 + 60000 = 6,60,000$$

$$T = 450000 + 30000 = 4,80,000$$

Note : The question is solved on the assumption that firm underwriting is a part of marked applications.

Answer 2A(ii)

According to section 61 (1) of the Companies Act, 2013 a limited company having a share capital may, if so authorised by its articles, alter its memorandum in its general meeting to:

- Increase its authorised share capital by such amount as it thinks expedient;
- Consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, provided that no consolidation and division which results in changes in the voting percentage of shareholders shall take effect unless it is approved by the Tribunal on an application made in the prescribed manner;
- Convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;
- Sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
- Cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Answer 2A(iii)**Calculation of Profit for the purpose of Managerial Remuneration**

<i>Particulars</i>	<i>Amount in Rs.</i>	<i>Amount in Rs.</i>
Net Profit		2,10,000
Add : Depreciation	40,000	
Preliminary Expenses	10,000	
Tax provision	3,10,000	
Bonus (to be treated separately)	25,000	
Provision for Doubtful debts	9,000	
Scientific research expenditure (for setting up new laboratory)	20,000	
Managerial Director's remuneration Paid	30,000	4,44,000
		6,54,000
<i>Less : Bonus liability as per payment of Bonus Act, 1965</i>	18,000	
Depreciation Allowable (under Schedule II of Companies Act, 2013)	35,000	
Capital Profit on Sale of Fixed Assets (WDV+ Profit on sale – Original Cost (11000+15500-20000))	6,500	(5,95,00)
Profit under section 198		5,94,500

Computation of Managerial Remuneration

<i>Particulars</i>	<i>Amount in Rs.</i>
Remuneration payable to Managing Director @ 5% of Rs. 594500/-	29,725
Remuneration already paid to MD	(30,000)
Excess remuneration paid	275

Question 3

(a) Aaru Ltd. has issued 500 Lakh equity shares of ₹10 each to public in the year of 2017-18. The amount were payable as ₹2 on application, ₹2 on allotment, ₹3 on first call and the balance on second and final call. All the due amounts were received except from the following :

- X who is holding 15,000 Shares, on which allotment, first and second calls are in arrear.

— Y who is holding 10,000 shares, on which first and second calls are in arrear.

— Z who is holding 5,000 shares on which second call is in arrear.

On 1st November, 2019, the directors forfeited all the above shares and re-issued them as fully paid to Annu as under :

Forfeited shares of X were re-issued at ₹11 per share, those of Y at ₹9 per share and those of Z at ₹7 per share.

Give the necessary journal entries to record the transactions relating to forfeiture and re-issue of shares. (5 marks)

(b) Puva Ltd. has issued 15,000, 10% Debentures of ₹100 each on 1st April, 2014. During the year 2018-19 the following transactions were executed in respect of the debentures :

— On 1st July, 2018, 3,500 own debentures were purchased at ₹95 (ex-interest) from open market and cancelled them.

— On 31st October, 2018, 2,400 own debentures were purchased at ₹97 (cum-interest) from open market. Out of which 1,000 own debentures were sold on 31st December, 2018 at ₹104 (cum-interest).

— Interest on debentures was payable half yearly on 30th September and 31st March every year.

You are required to pass the necessary journal entries for the year ended 31st March, 2019. Ignore Tax Deducted at Source (TDS) on interest on debentures. (5 marks)

(c) Following are the information of two companies for the year ended 31st March, 2019 :

	Alpha Ltd. (₹)	Beta Ltd. (₹)
Equity shares of ₹10 each	4,00,000	5,00,000
10% Preference shares of ₹10 each	3,00,000	2,00,000
Profit after tax	1,50,000	1,50,000

Assuming that the market expectations is 18% and 80% of the profits are available for distribution. What is the price per share you would pay for equity shares of each company if you want to acquire 20% shares of these companies on the basis of rate of dividend ? (5 marks)

Answer 3(a)

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
-	Equity Share Capital A/c	Dr.	3,00,000	
	To Equity Share Allotment A/c			30,000
	To Equity Share First Call A/c			75,000

	To Equity Share Second Call A/c		90,000
	To Forfeited Shares A/c		1,05,000
	(Being 30000 shares forfeited due to non-payment of allotment and call money)		
<hr/>			
-	Bank A/c	Dr.	1,65,000
	To Equity Share Capital A/c		1,50,000
	To Securities Premium A/c		15,000
	(Being Re-issue of 15000 shares at premium)		
<hr/>			
-	Bank A/c	Dr.	1,25,000
	Forfeited Shares A/c	Dr.	25,000
	To Equity Share Capital A/c		1,50,000
	(Being 15000 Forfeited shares re-issued at discount)		
<hr/>			
-	Forfeited Shares A/c	Dr.	80,000
	To Capital Reserve A/c		80,000
	(Being balance transferred to Capital Reserve A/c)		
<hr/>			

Working Notes:

1. Calculation of Calls in Arrear on Forfeited Shares

	<i>No. of Shares Forfeited</i>	<i>Unpaid Allotment Money @ Rs. 2</i>	<i>Unpaid First Call @ Rs. 3</i>	<i>Unpaid Second Call @ Rs. 3</i>
X	15,000	30,000	45,000	45,000
Y	10,000	-	30,000	30,000
Z	5,000	-	-	15,000
	30,000	30,000	75,000	90,000

2. Discount on Re-issue of Forfeited Shares = (10,000 x Rs. 1) + (5,000 x Rs. 3) = Rs. 25,000

Answer 3(b)**Journal Entries in the books of Puva Ltd.**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit (Rs.)</i>	<i>Credit (Rs.)</i>
1.7.18	10% Debentures A/c	Dr.	350000	
	Interest on Debentures A/c	Dr.	8750	
	To Bank A/c			341250
	To Profit on Redemption of Debentures A/c			17500
	(Being 3500 Debentures redeemed by purchase from open market at Rs. 95 ex-interest)			
1.7.18	Profit on Redemption of Debentures A/c	Dr.	17500	
	To General Reserve A/c			17500
	(Being Balance transferred)			
30.9.18	Interest on Debentures A/c	Dr.	57500	
	To Bank A/c			57500
	(Being Half yearly interest paid)			
31.10.18	Own Debentures A/c	Dr.	230800	
	Interest on Debentures A/c	Dr.	2000	
	To Bank A/c			232800
	(Being own Debentures purchased from open market at Rs. 97 cum-interest)			
31.12.18	Bank A/c	Dr.	104000	
	To Own Debentures A/c			101500
	To Interest on Debentures A/c			2500
	(Being 1000 Own Debentures sold at Rs.104 cum interest)			
31.12.18	Own Debentures A/c	Dr.	5333	
	To Profit on re-sale of own debentures A/c			5333
	(Being profit on re-sale)			
31.3.19	Interest on Debentures A/c	Dr.	52500	
	To Bank A/c			45500
	To Interest on Own Debentures A/c			7000
	(Being Half yearly interest paid)			

31.3.19	Profit on re-sale of own debentures A/c	Dr.	5333	
	To Profit and Loss A/c			5333
	(Being Profit on re-sale of own debentures transferred)			
31.3.19	Profit and Loss A/c	Dr.	118250	
	To Interest on Debentures A/c			118250
	(Being Balance transferred)			
31.3.19	Interest on Own Debentures A/c	Dr.	7000	
	To Statement of Profit and Loss A/c			7000
	(Being Balance Transferred)			

Working Notes

- On 1.7.2018
 - Profit on Purchase of Deb. from open market = $(3500 \times 100) - (3500 \times 95) = \text{Rs. } 17500$
 - Interest on Deb. up to 1.7.18 = $350000 \times 10\% \times 3/12 = \text{Rs. } 8750$
- Interest payable on 30.9.2018 = $15000 - 3500 = 11500 \times 100 \times 10\% \times 6/12 = \text{Rs. } 57500$
- On 31.10.2018
 - Cost of Own Debenture = $(2400 \times 97) - \text{interest } (240000 \times 10\% \times 1/12) = \text{Rs. } 232800 - \text{Rs. } 2000 = \text{Rs. } 230800$
- On 31.12.2018
 - Net sale price = $1000 \times 104 - \text{Interest } (100000 \times 10\% \times 3/12) = \text{Rs. } 104000 - \text{Rs. } 2500 = \text{Rs. } 101500$
 - Profit on sale of Own Debentures = Net sale value - cost of 1000 Own Debentures
 $= \text{Rs. } 101500 - (230800 \times 1000/2400)$
 $= \text{Rs. } 101500 - \text{Rs. } 96167 = \text{Rs. } 5333$
- Interest payable on 31.3.2019 = $11500 - 1000 = 10500 \times 100 \times 10\% \times 6/12 = \text{Rs. } 52500$
 out of which interest on 1400 Own Debentures Rs. 7000, hence, net amount paid in cash = Rs. 45500

Answer 3(c)

Calculation of Earnings Per Share

Particulars	Alpha Ltd. (Rs.)	Beta Ltd. (Rs.)
Profit after Tax	150000	150000
Less: Preference Dividend @ 10%	(30000)	(20000)
Profit available to Equity Shareholders	120000	130000
Profit available for distribution @ 80%	96000	104000
No. of Equity Shares Outstanding	40000	50000

Dividend Per Share = Profit available / No. of Shares	2.40	2.08
Expected Rate of Dividend	$2.40/10 \times 100$ = 24%	$(2.08/10 \times 100) = 20.8\%$
Value per share = Expected Rate of Dividend/ Normal Rate of Dividend*face Value	$(24/18 \times 10)$ = 13.33 per share	$(20.8 / 18 \times 10) = 11.55$ per share

Question 4

(a) From the Balance Sheet and additional information given below, prepare consolidated Balance Sheet of H Ltd. (Holding Company) :

**Balance Sheets of H Ltd. and S Ltd.
as on 31st March, 2019**

Particulars	H Ltd. (₹)	S Ltd. (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders' Funds		
(a) Share Capital		
(Equity shares of ₹100 each)	5,00,000	2,00,000
(b) Reserves and Surplus :		
• General Reserve	60,000	40,000
• Profit and Loss Account	30,000	10,000
(2) Non-Current Liabilities		
(a) 12% Debentures of ₹100 each (secured)	—	1,00,000
(3) Current Liabilities		
(a) Trade Payables :		
• Creditors	40,000	25,000
• Bills Payable	12,000	8,000
(b) Short-term provisions	40,000	20,000
Total	6,82,000	4,03,000
II. ASSETS		
(1) Non-Current Assets		
(a) Fixed Assets — Tangible		
(i) Plant and Machinery	3,50,000	3,20,000
(b) Non-current Investments :		
• Shares in S Ltd. (1,500 shares @ ₹120 each)	1,80,000	—

• 12% Debentures (400 debentures in S Ltd. @ ₹90 each)	36,000	—
(2) Current Assets		
(a) Inventories — Stock	35,000	15,000
(b) Trade Receivables :		
• Debtors	60,000	30,000
• Bills Receivables	10,000	8,000
(c) Cash and Cash Equivalents		
Cash in hand	11,000	30,000
Total	6,82,000	4,03,000

Additional Information :

- (a) When H Ltd. acquired the shares of S Ltd., the General Reserve and Profit & Loss Account of S Ltd. showed a balance of ₹30,000 and ₹4,000 (Dr.) respectively.
- (b) Creditors of S Ltd. include ₹10,000 for goods supplied by H Ltd. at a profit of 20% on sales. Half of the goods were still in stock on 31st March, 2019.
- (c) The Bills accepted by H Ltd. were all in the favour of S Ltd.
- (d) Plant and Machinery were overvalued by ₹20,000. (8 marks)
- (b) The Balance Sheet of Chanda Ltd. as on 31st March, 2019 was as follows :

PARTICULARS	(₹ in Lakh)
I. EQUITY AND LIABILITIES	
(1) Shareholders' Funds	
(a) Share Capital	
• 40,00,000 Equity Shares of ₹10 each fully paid	400
• 2,00,000, 7% Cumulative Preference Shares of ₹100 each	200
(b) Reserves and Surplus	
• Securities Premium	35
• Surplus (Dr.)	(85)
(2) Current Liabilities :	
Trade Payables	154
Total	704

<i>II. ASSETS</i>	
<i>(1) Non-Current Assets — Fixed Assets</i>	
<i>(a) Tangible Assets :</i>	
• <i>Land and Building</i>	<i>360</i>
• <i>Plant and Machinery</i>	<i>196</i>
<i>(b) Intangible Fixed Assets : Goodwill at cost</i>	<i>50</i>
<i>(c) Other Non-current Assets : Preliminary Expenses</i>	<i>8</i>
<i>(2) Current Assets</i>	
• <i>Inventories</i>	<i>62</i>
• <i>Trade Receivables</i>	<i>28</i>
<i>Total</i>	<i>704</i>

*** Dividend on preference shares is in arrear from 1st April, 2016.*

The following terms of Capital Reduction Scheme were settled and duly approved on 31st March, 2019 :

- (1) Preference Shares to be reduced to ₹80 each fully paid and Equity Shares to ₹4 each fully paid.*
- (2) One fully paid-up ₹4 equity share to be issued for every ₹10 of preference share dividend arrears.*
- (3) Goodwill, Preliminary expenses and debit balance of Surplus Account to be written off. Securities Premium Account may be utilised to the extend required for this purpose.*
- (4) Land & Building and Plant & Machinery were revalued at ₹265 Lakh and ₹151 Lakh respectively.*

Show journal entries reflecting the effect of the above transactions and draw the Balance

Sheet after affecting the scheme. Ignore dividend distribution tax. (7 marks)

Answer 4(a)

**Consolidated Balance Sheet of H Ltd.
As at 31st March, 2019**

<i>Particulars</i>	<i>Amount Rs.</i>
I EQUITY AND LIABILITIES	
<i>(1) Shareholder's Funds:</i>	
<i>(a) Share Capital 5000 Equity shares of Rs. 100 each</i>	<i>5,00,000</i>
<i>(b) Reserves and Surplus</i>	
<i>(i) General Reserve (W. No.6)</i>	<i>67,500</i>
<i>(ii) Profit and Loss Account (W. No. 5)</i>	<i>39,500</i>

(2) Minority Interest	(W. No. 3)	57,500
(3) Non Current Liabilities		
(a) 12% Debentures of Rs. 100 each	Rs. 1,00,000	
Less : Held within the group	(Rs. 40,000)	60,000
(4) Current Liabilities :		
(a) Trade Payables		
Creditors (40,000+25,000-10,000)		55,000
Bills payables (12,000+8,000-8,000)		12,000
(b) Short-term Borrowings	(40,000+20,000)	60,000
Total		8,51,500

II ASSETS

(1) Non – Current Assets :		
(a) Fixed Assets		
(i) Tangible Assets		
Plant and Machinery		
(3,50,000+3,20,000-20,000)		6,50,000
(ii) Intangible Assets		
Goodwill	(W. Note – 4)	21,500
(2) Current Assets		
(a) Inventories – stock (35,000+15000-1000)		49,000
(b) Trade Receivables		
Debtors (60,000+30,000-10,000)		80,000
Bills Receivables (10,000+8000-8,000)		10,000
(c) Cash and Cash Equivalents (11000+30,000)		41,000
Total		8,51,500

Working Notes:

- Debentures are liabilities to outside parties and will be cancelled only to the extent of debentures held in the group.
- Degree of control = 1500 shares : 2000 shares = 3 : 4; minority = 1/4th

(3) Calculation of H Limited's Share and Minority Interest

<i>Particulars</i>	<i>Total (Rs.)</i>	<i>H Ltd. Share (Rs.)</i>	<i>Minority Interest (Rs.)</i>
(a) Capital Profit			
(1) Pre acquisition profit	(4,000)		
(2) Pre acquisition Reserve	30,000		
(3) Revaluation Loss	(20,000)		
	6000	4,500	1,500
(b) Post-acquisition profit			
Profit as per Balance Sheet	10,000		
Add: Pre acquisition Loss	4,000		
	14,000	10,500	3,500
(c) Post acquisition Reserve			
General Reserve as per Balance Sheet	40,000		
(-) Pre acquisition General Reserve	(30,000)		
	10,000	7,500	2,500
(d) Share Capital	2,00,000		
Minority Interest (2,00,000 x 1/4)			50,000
H Limited's Share (2,00,000 x 3/4)		1,50,000	
Total Minority Interest			57,500
(4) Calculation of Goodwill / Capital Reserve –			
Cost of Investment	1,80,000		
Debentures	36,000		2,16,000
Less : Capital Profit			(4,500)
			2,11,500
Less : Face value of shares acquired	1,50,000		
Face value of Debentures acquired	40,000		(1,90,000)
			21,500

(5) Profit and Loss Account

H Limited	30,000
Shares from S Limited	10,500
	40,500
Less : Unrealized profit on stock [$1/2 \times (10,000 \times 20\%)$]	(1,000)
	39,500
(6) General Reserve	
H Limited	60,000
Shares from S Limited	7,500
Total	67,500

Answer 4(b)**Journal Entries in the Books of Chanda Limited**

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
31.3.19	7% Preference Share Capital A/c (Rs. 100) Dr.		200	
	To 7% Preference Share Capital A/c (Rs.80)			160
	To Capital Reduction A/c			40
	(Being Nominal value of Preference Shares reduced from Rs.100 to Rs.80per share and the resultant sacrifice credited to Capital Reduction A/c)			
31.3.19	Equity Share Capital A/c (Rs. 10) Dr.		400	
	To Equity Share Capital A/c (Rs. 4)			160
	To Capital Reduction A/c			240
	(Being Nominal value of Equity Shares reduced from Rs. 10 to Rs. 4 per share)			
31.3.19	Capital Reduction A/c Dr.		16.80	
	To Preference Share Dividend A/c			16.80
	(Being 40% arrears for 3 years P. S. Dividend to be paid to was made out of Capital Reduction A/c)			
31.3.19	Preference Share Dividend A/c Dr.		16.80	
	To Equity Share Capital A/c			16.80
	(Being P.S. Dividend paid by issuing Rs. 4 equity shares)			

EP-CAAP-December 2019	24		
31.3.19 Securities Premium A/c	Dr.	19.80	
To Capital Reduction A/c			19.80
(Being Rs.19.80 Lakh of Securities Premium Account transferred to Capital Reduction A/c)			
31.3.19 Capital Reduction A/c		283	
To Goodwill A/c			50
To Preliminary Expenses A/c			8
To Surplus A/c			85
To Land and Building A/c			95
To Plant and Machinery A/c			45
(Being Losses written off out of Capital Reduction A/c)			

Securities Premium utilized = 19.80 Lakhs (i.e. 283+16.80-40-240)

The Balance Sheet of Chanda Ltd. as on 31st March, 2019

<i>Particulars</i>	<i>(Rs.) in Lakhs</i>
I EQUITY AND LIABILITIES	
1. Shareholders' Funds	
(a) Share Capital	
4000000 Equity Shares of Rs.4 each fully paid	160
420000 Equity Shares of Rs. 4 each fully paid issued for consideration other than cash	16.80
200000, 7% Cumulative Preference Shares of Rs.80 each	160
(b) Reserves and Surplus	
Securities Premium	15.20
2. Current Liabilities	
Trade Payables	154
Total	506
II ASSETS	
1. Non-Current Assets- Fixed Assets	
(a) Tangible Assets	
Land and Building	265
Plant and Machinery	151
2. Current Assets	
Inventories	62
Trade Receivables	28
Total	506

PART-B**Question 5**

- (a) *Review of sales and distribution function is very important from internal control point of view and it requires a detailed understanding of company business. In view of this statement, enumerate any five objectives of review of sales and distribution policies and programs.*
- (b) *Working papers are the property of the auditor and the auditor should adopt reasonable procedures for custody and confidentiality of his working papers. Explain the general guidelines that should be considered for preparation of working papers.*
- (c) *How does the internal audit carry out ? Explain stepwise approach.*
(5 marks each)

Answer 5(a)

Objectives of review of sales and distribution policies and programs are as under:

1. To determine whether sales and distribution policies and programs are adequately documented
2. To determine whether sales and distribution policies and programs are approved by the appropriate authority.
3. To determine that sales and distribution policies are matching with the overall corporate objective.
4. To determine whether maker checker and approver concept exist in the framing, approval and implementation of policies.
5. To check whether the distribution program is able enough to serve customers of all regions.
6. Whether controls are in place in the process to ensure accountability is established, as early as possible at all points along the accountability chain.
7. Whether segregation of duties, or mitigating controls, exists within transaction processing authorization, custody, and recording functions. Separation of duties exists between the various types of transaction processing (e.g., Discount approval, selection of mode of transportation. Accounts receivable etc).

Answer 5(b)

General guidelines for the preparation of working papers are:

1. **Clarity and Understanding** – As a preparer of audit documentation, step back and read your work objectively. Would it be clear to another auditor? Working papers should be clear and understandable without supplementary oral explanations. With the information the working papers reveal, a reviewer should be able to readily determine their purpose, the nature and scope of the work done and the preparer's conclusions.

2. **Completeness and Accuracy** – As a reviewer of documentation, if you have to ask the audit staff basic questions about the audit, the documentation probably does not really serve the purpose. Working papers should be complete, accurate, and support observations, testing, conclusions, and recommendations. They should also show the nature and scope of the work performed.
3. **Pertinence** – Limit the information in working papers to matters that are important and necessary to support the objectives and scope established for the assignment.
4. **Logical Arrangement** – File the working papers in a logical order.
5. **Legibility and Neatness** – Be neat in your work. Working papers should be legible and as neat as practical. Sloppy working papers may lose their worth as an evidence. Crowding and writing between lines should be avoided by anticipating space needs and arranging the work papers before writing.
6. **Safety** – Keep your working papers safe and retrievable.
7. **Initial and Date** – Put your initials and date on every working paper.
8. **Summary of conclusions** – Summarize the results of work performed and identify the overall significance of any weaknesses or exceptions found.

Answer 5(c)

Internal Audit Process : Step Wise Approach

1. Establish and communicate the scope and objectives of the audit to appropriate management.
2. Develop an understanding of the business area under review. This includes objectives, measurements and key transaction types. This involves review of documents and interviews. Flow charts and narratives may be created if necessary.
3. Describe the key risks facing the business activities within the scope of the audit.
4. Identify control procedures used to ensure each key risk and transaction type is properly controlled and monitored.
5. Develop and execute a risk-based sampling and testing approach to determine whether the most important controls are operating as intended.
6. Report problems identified and negotiate action plans with management to address the problems.
7. Follow-up on reported findings at appropriate intervals. Internal audit departments needs to maintain a follow-up database for this purpose.

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

Question 6

- (a) *Explain the objectives of investigation and also list down the reasons for carrying out investigation where it may be considered necessary.*
- (b) *Assume that you have been appointed as an auditor of a company covered under the Companies (Auditor's Report) Order, 2015. Briefly discuss the matters,*

which you should include in auditor's report on account of this company in respect of the following :

- (i) Fixed Assets
- (ii) Internal Control System.
- (c) "Statistical sampling involves the random selection of a number of items for inspection and is endorsed by the accountancy bodies."

In view of the above statement explain the advantages of statistical sampling.
(5 marks each)

OR (Alternative question to Q. No. 6)

Question 6A

- (i) What are the main objectives of compliance audit ? Also explain benefits of compliance audit.
- (ii) Write a short note on "Committee of Public Undertakings".
- (iii) State in brief about SA 620 — "using the work of an Auditor's Expert".
(5 marks each)

Answer 6(a)

The real objective of conducting an investigation by an auditor on behalf of his client is to provide him the desired information in the form of a report about the matter specified. Normally the objective of investigation is to collect, analyze and evaluate facts in respect of desired field of activity with a view on some special purpose as determined by the person on whose behalf the investigation is undertaken.

The common reasons of getting the investigation done are listed below:

- i. Proposed purchase of business.
- ii. Proposed sale of business.
- iii. Reasons for low profitability.
- iv. Cause of high employee turnover.
- v. Reliability of business data.
- vi. Proposed investment in particular securities.
- vii. Suspected fraud.
- viii. Joining in existing partnership business.
- ix. Borrowing funds.
- x. Lending funds.
- xi. Proposed purchase of controlling shares in a company.
- xii. Suspected misfeasance against directors.
- xiii. Detection of undisclosed income for tax purposes.
- xiv. Suspected misappropriation by trustees.

Answer 6(b)

As per the Companies (Auditor's Report) Order, 2015, an auditor should include a statement on the following matters in the auditor's report on the account of companies covered under this order-

Fixed Assets

- (a) Whether the company is maintaining proper records, showing full particulars, including quantitative details and situation of fixed assets?
- (b) Whether these fixed assets have been physically verified by the management at reasonable intervals?
- (c) Whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account?

Internal Control System

- (a) Is there an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services?
- (b) Whether there is a continuing failure to correct major weaknesses in internal control system?

Answer 6(c)

The advantages of statistical sampling are numerous:

1. The sample result is objective and defensible. Nearly all phases of the statistical process are based on demonstrable statistical principles.
2. The method provides a means of advance estimation of sample size on an objective basis. The sample size is no longer determined by traditional methods of guesswork; it is determined by a statistical method.
3. The method provides an estimate of error. When probability sampling is used, the results may be validated in terms of how far the sample projection might deviate from the value that could be obtained by a 100% check.
4. Statistical samples may be combined and evaluated, even though accomplished by different auditors. That the entire test operation has an objective and scientific basis makes it possible for different auditors to participate independently in the same test and for the results to be combined as though accomplished by one auditor.
5. Objective evaluation of test results are possible. Thus, all auditors performing this audit would be able to reach the same conclusion about the numerical extent of error in the population. While the impact of these errors might be interpreted differently, there can be no question as to the facts obtained, since the method of determining their frequency in the population is objective.

Answer 6A(i)**Objectives of Compliance Audit**

The objective of a compliance audit is to determine whether the auditee is following prescribed laws, regulations, policies, or procedures. These audits can be performed within a business organization for internal purposes or in response to requirements by outside groups, particularly government.

Benefits of Compliance Audit

1. Adherence to the established standards.
2. Improvement of internal processes and technologies.
3. Maintenance of Certifications.
4. Adherence to governmental regulations.
5. Cost recovery.
6. Elevate fraud awareness and deter fraudulent activity.
7. Manage contract areas of risk.

Answer 6A(ii)**Committee on Public Undertakings**

The Committee on Public Undertakings exercises the same financial control on the public sector undertakings as the Public Accounts Committee exercises over the functioning of the Government Departments. The functions of the Committee are as under:

- (a) To examine the reports and accounts of public undertakings.
- (b) To examine the reports of the Comptroller & Auditor General on public undertakings.
- (c) To examine the efficiency of public undertakings and to see whether they are being managed in accordance with sound business principles and prudent commercial practices.

The examination of public enterprises by the Committee takes the form of comprehensive appraisal or evaluation of performance of the undertaking. It involves a thorough examination, including evaluation of the policies, programmes and financial working of the undertaking.

The objective of the Financial Committees, in doing so, is not to focus only on the individual irregularity, but on the defects in the system which led to such irregularity, and the need for correction of such systems and procedures.

Answer 6A(iii)**SA 620: Using the Work of an Auditor's Expert**

SA 620 deals with the auditor's responsibilities regarding the use of an individual or organisation's work in a field of expertise other than accounting or auditing, when that

work is used to assist the auditor in obtaining sufficient appropriate audit evidence. SA 620 also deals with the requirements and application of the aspects relating to determining the need for an auditor's expert, nature, timing and extent of audit procedures, the competence, capabilities and objectivity of the auditor's expert, obtaining an understanding of the field of expertise of the auditor's expert, agreement with the auditor's expert, evaluating the adequacy of the auditor's expert's and reference to the auditor's expert in the auditor's report. This standard should be read in conjunction with SA 500 because Expert's opinion also serves as audit evidence in appropriate cases.

CAPITAL MARKETS AND SECURITIES LAWS

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer ALL Questions.

PART A

Question 1

Attempt the following questions :

- (a) (i) Outline Large Cap, Mid Cap and Small Cap in the Universe Equity Mutual Fund Schemes as specified by SEBI.
- (ii) ABC Mutual Fund provides the following information related to one of its schemes :

Size of the scheme	:	₹ 3,000 Crore
Face value of the units	:	₹10 Per unit
Number of outstanding units	:	250 Crore
Market value of funds-portfolio	:	₹6,300 Crore
Receivables	:	₹150 Crore
Accrued income	:	₹150 Crore
Liabilities	:	₹225 Crore
Accrued expenses	:	₹412.5 Crore

You are required to calculate net asset value (NAV) of the scheme and rate of return for a unit holder, who has purchased units at the NAV of ₹22.5 per unit and received a dividend of ₹ 3 per unit during the period. (2+4 marks)

- (b) When is a company eligible to issue Commercial Paper ? A company issues 90 days commercial paper of the face value of ₹1,000 at ₹ 970. The credit rating expenses are 0.5% of the size of issue, issuing and paying agent charges are 0.35% and stamp duty is to be paid @ 0.25%. You are required to calculate the cost of issuing Commercial Paper. (6 marks)

- (c) Calculate the value of right, if

Number of right shares offered	15,000	
Number of shares held	5,000	
Ex-right price	₹ 40	
Right offer price	₹ 24	
Face value of share	₹ 10	(3 marks)

Answer 1(a)**(i) Large Cap, Mid Cap and Small Cap fund universe**

In order to ensure uniformity in respect of the investment universe for equity schemes, SEBI has defined large cap, mid cap and small cap as under:

- a. *Larger Cap* : 1st- 100th company in terms of full market capitalization
- b. *Mid Cap* : 101st - 250th company in terms of full market capitalization
- c. *Small Cap* : 251st company onwards in terms of full market capitalization.

(ii) Computation of Net Asset Value and rate of return

<i>Particulars</i>	<i>₹ In crore</i>
Market value of funds-portfolio	6,300
Receivables	150
Accrued income	150
Liabilities	(225)
Accrued expenses	(412.5)
Net Asset Value (NAV)	5,962.50

NAV per unit = 5962.50/250=23.85 per unit

$$\text{Return} = \frac{D_1 + \text{CG} + (\text{NAV}_1 - \text{NAV}_0)}{\text{NAV}_0} \times 100$$

Where,

D_1 = Dividend received during the year

CG = Capital Gain

NAV_1 = Current Net Asset Value

NAV_0 = Net Asset Value at which units purchased

$$\text{Return} = \frac{3 + 0 + (23.85 - 22.5)}{22.5} \times 100$$

$$= 4.35 \times 100/22.5$$

$$= 19.333\%$$

Answer 1(b)

A company would be eligible to issue Commercial Paper provided:-

- (a) The tangible net worth of the company, as per the latest audited balance sheet, is not less than 4 Crore

- (b) The company has been sanctioned working capital limit by bank/s or FIs; and
 (c) The borrowal account of the company is classified as a Standard Asset by the financing bank/ institution.

Calculation the cost of issuing Commercial Paper

Commercial Papers are redeemed at face value. Hence,

Amount received + Interest = Face Value

$$970 + 30 = 1000$$

Interest rate = Interest/Amount received x 100

Interest rate of 90 days = $30/970 \times 100 = 3.093\%$

Interest rate for the year = $3.093 \times 365/90 = 12.544\%$

Calculation of Total Cost of Funds*

Interest Rate of the Year	12.544%
Add : Credit Rating Expenses $(0.5 \times 365)/90$	2.028%
Add : issuing and pay agents charges $(0.35 \times 365)/90$	1.419%
Add : Stamp Duty $(0.25 \times 365)/ 90$	1.014%
	17.015%

i.e 17% approx.

**The figures are taken upto three digits after decimal and rounded off accordingly.*

Answer 1(c)

Value of right is calculated by the following formula:

Value of Right = $\frac{\text{Right Shares offered}}{\text{Number of shares held}} \times (\text{Ex-right price} - \text{Right offer price})$

Value of Right = $15000/5000 \times (40-24)$

Value of Right = ₹48

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

Question 2

Explain the following :

- Registrar to an issue*
- Direct Market Access*
- Money Market*
- Angel Investor*
- Factoring.*

(3 marks each)

OR (Alternate question to Q. No. 2)**Question 2A**

- (i) Explain the reporting requirements in respect of External Commercial Borrowings.
- (ii) Explain the concept of Securities Lending and rules applicable thereon, if any.
- (iii) A company is planning to place privately 10 years, 11.50% debentures. Most of them would be issued to a venture capitalist who generally looks for an exit route, preferably via stock market. Prepare a brief note advising the company as to how it can proceed for listing of such debentures on a recognised stock exchange. (5 marks each)

Answer 2(a)**Registrar to an issue**

'Registrar to an Issue' means the person appointed by a body corporate or any person or group of persons to carry on the following activities on its or his or their behalf i.e:

- (i) collecting application for investor in respect of an issue;
- (ii) keeping a proper record of applications and monies received from investors or paid to the seller of the securities; and
- (iii) (a) assisting body corporate or person or group of persons in determining the basis of allotment of the securities in consultation with the stock exchange;
(b) finalising the list of person entitled to allotment of securities;
(c) processing and dispatching of allotment letters, refund orders or certificates and other related documents in respect of the issue.
- (iv) public issue activities which includes any pre-issue activities, activities during the issue and post issue activities.

Answer 2(b)**Direct Market Access**

Direct Market Access (DMA) is a facility which allows brokers to offer clients direct access to the exchange trading system through the broker's infrastructure without manual intervention by the broker. Some of the advantages offered by DMA are direct control of clients over orders, faster execution of client orders, reduced risk of errors associated with manual order entry, greater transparency, increased liquidity, lower impact costs for large orders, better audit trails and better use of hedging and arbitrage opportunities through the use of decision support tools / algorithms for trading.

Answer 2(c)**Money Market**

The money market refers to the market where borrowers and lenders exchange short-term funds to meet their liquidity needs. Money market instruments are generally

financial claims that have low default risk, maturities under one year and high marketability. Money market instruments are certificate of deposits, commercial papers, treasury bills etc. It is used by participants as a means for borrowing and lending in short term with maturities that usually range from overnight to just under a year. Money markets are essential for the maintaining liquidity in the economy. They can further be sub divided into-

- Treasury Bill Market
- Commercial Paper Market
- Certificate of Deposit Market
- Call money market

Answer 2(d)

Angel Investor

As per SEBI (Alternative Investment Funds) Regulations, 2012, Angel investor means any person who proposes to invest in an angel fund and satisfies one of the following conditions:

- (a) an individual investor who has net tangible assets of at least two crore rupees excluding value of his principal residence, and who:
 - (i) has early stage investment experience, or
 - (ii) has experience as a serial entrepreneur, or
 - (iii) is a senior management professional with at least ten years of experience;
- (b) a body corporate with a net worth of at least ten crore rupees; or
- (c) an Alternative Investment Fund or a venture capital fund registered under SEBI (Venture Capital Fund) Regulations, 1996.

Answer 2(e)

Factoring

Factoring is a financial transaction where an entity sells its receivables to a third party called a 'factor', at discounted prices. Factoring is a financial option for the management of receivables. In simple definition it is the conversion of credit sales into cash. In factoring, a financial institution (factor) buys the accounts receivable of a company (Client) and pays up to 80% (rarely up to 90%) of the amount immediately on formation of agreement. Factoring company pays the remaining amount (i.e Balance 20%) to the client when the customer pays the debt. Collection of debt from the customer is done either by the factor or the client depending upon the type of factoring. The account receivable in factoring can either be for a product or service. For instance, factoring against goods purchased, factoring for construction services (usually for government contracts where the government body is capable of paying back the debt in the stipulated period of factoring. Contractors submit invoices to get cash instantly), factoring against medical insurance etc.

The factoring transaction involves three parties:

- The Seller, who has produced the goods/services and raised the invoice.

- The Buyer, the consumer of goods/services and the party to pay.
- The Factor, the financial institution that advances the portion of funds to the seller.

Answer 2A(i)

Borrowings under External Commercial Borrowings Framework are subject to following reporting requirements:

- 1. Loan Registration Number (LRN) :** Any draw-down in respect of an ECB as well as payment of any fees / charges for raising an ECB should happen only after obtaining the LRN from RBI. To obtain the LRN, borrowers are required to submit duly certified Form 83, which also contains terms and conditions of the ECB, in duplicate to the designated AD Category I bank. In turn, the AD Category I bank will forward one copy to the Director, Balance of Payments Statistics Division, Department of Statistics and Information Management (DSIM), Reserve Bank of India. Copies of loan agreement for raising ECB are not required to be submitted to the Reserve Bank.
- 2. Changes in terms and conditions of ECB :** Changes in ECB parameters in consonance with the ECB norms, including reduced repayment by mutual agreement between the lender and borrower, should be reported to the DSIM through revised Form ECB at the earliest, in any case not later than 7 days from the changes effected. While submitting revised Form ECB the changes should be specifically mentioned in the communication.
- 3. Reporting of actual transactions :** The borrowers are required to report actual ECB transactions through ECB 2 Return through the AD Category I bank on monthly basis so as to reach DSIM within seven working days from the close of the month to which it relates. Changes, if any, in ECB parameters should also be incorporated in ECB 2 Return.
- 4. Late Submission Fee (LSF) for delay in reporting :** Any borrower, who is otherwise in compliance of ECB guidelines, can regularize the delay in reporting of drawdown of ECB proceeds before obtaining LRN or delay in submission of Form ECB 2 returns, by payment of late submission fees as under:

<i>Type of Return/Form</i>	<i>Period of delay</i>	<i>Applicable LSF</i>
Form ECB 2	Up to 30 calendar days from due date of submission	INR 5,000
Form ECB 2/ Form ECB	Up to three years from due date of submission / date of drawdown	INR 50,000 per year
Form ECB 2/ Form ECB	Beyond three years from due date of submission / date of drawdown	INR 100,000 per year

Non-payment of LSF will be treated as contravention of reporting provision and

shall be subject to compounding or adjudication as provided in FEMA 1999 or regulations/rules framed thereunder.

- 5. Reporting on account of conversion of ECB into equity :** In case of partial or full conversion of ECB into equity, the reporting to the RBI will be as under:
- (a) For partial conversion, the converted portion is to be reported to the concerned Regional Office of the Foreign Exchange Department of RBI in Form FC-GPR prescribed for reporting of FDI flows, while monthly reporting to DSIM in ECB 2 Return will be with suitable remarks "ECB partially converted to equity".
 - (b) For full conversion, the entire portion is to be reported in Form FC-GPR, while reporting to DSIM in ECB 2 Return should be done with remarks "ECB fully converted to equity". Subsequent filing of ECB 2 Return is not required.
 - (c) For conversion of ECB into equity in phases, reporting through ECB 2 Return will also be in phases.

Answer 2A(ii)

- Securities' lending describes the market practice whereby securities are temporarily transferred to another (borrower) by the lender via an approved intermediary. The borrower is obliged to return them either on demand or at the end of an agreed term. Lender may recall securities at any time within the normal market settlement cycle. Securities lending helps in improving market liquidity, more efficient settlement, tighter dealer prices and perhaps a reduction in the cost of capital.
- Securities lending and borrowing (SLB) scheme for all market participants in the Indian securities market under the over-all framework of "Securities Lending Scheme, 1997" of SEBI specified by SEBI vide circular No. SMD/POLICY/SL/ CIR-09/97 dated May 07, 1997 to provide a mechanism for borrowing of securities to enable settlement of securities sold short.
- The SLB shall be operated through Clearing Corporation/Clearing House of stock exchanges having nation-wide terminals who will be registered as Approved Intermediaries (AIs) under the SLS, 1997.
- The SLB shall take place on an automated, screen based, order-matching platform which will be provided by the AIs. This platform shall be independent of the other trading platforms.
- All categories of investors including retail, institutional etc. will be permitted to borrow and lend securities. The AIs, Clearing Members (CMs) and the clients shall enter into an agreement specifying the rights, responsibilities and obligations of the parties to the agreement. The agreement shall include the basic conditions for lending and borrowing of securities as prescribed under the scheme.
- The AIs shall allot a unique ID to each client which shall be mapped to the Permanent Account Number (PAN) of the respective clients. The tenure of contracts in SLB may be upto a maximum period of 12 months. The Approved Intermediary (Clearing corporation/ Clearing House) shall have the flexibility to decide the tenure (maximum period of 12 months).

- The settlement cycle for SLB transactions shall be on T+1 basis.
- AIs shall disseminate in public domain, the details of SLB transactions executed on the platform provided by them and the outstanding positions on a weekly basis. The frequency of such disclosure may be reviewed from time to time with the approval of SEBI.

Answer 2A(iii)

SEBI has allowed issue of debt securities through private placement under the provisions of SEBI (Issue and Listing of Debt Securities) Regulations, 2008. This is a faster way for a company to raise capital. The following are the provisions for listing of Debt Securities issued on Private placement basis:-

Conditions for listing of debt securities issued on private placement basis are as under:

- (i) An issuer may list its debt securities issued on private placement basis on a recognized stock exchange subject to the following conditions:
 - a. the issuer has issued such debt securities in compliance with the provisions of the Companies Act, 2013, rules prescribed thereunder and other applicable laws;
 - b. credit rating has been obtained in respect of such debt securities from at least one credit rating agency registered with SEBI;
 - c. the debt securities proposed to be listed are in dematerialized form;
 - d. the disclosures as provided in SEBI (Issue and Listing of Debt Securities) Regulations, 2008 have been made.
 - e. where the application is made to more than one recognized stock exchange, the issuer shall choose one of them as the designated stock exchange.
- (ii) The issuer shall comply with conditions of listing of such debt securities as specified in the Listing Agreement with the stock exchange where such debt securities are sought to be listed.

The designated stock exchange shall collect a regulatory fee from the issuer at the time of listing of debt securities issued on private placement basis.

The issuer making a private placement of debt securities and seeking listing thereof on a recognized stock exchange shall make disclosures in a disclosure document as specified in regulations SEBI (Issue and Listing of Debt Securities) Regulations, 2008 accompanied by the latest Annual Report of the issuer.

An issuer making a private placement of debt securities and seeking listing thereof on a recognized stock exchange may file a Shelf Disclosure Document containing disclosures as provided in regulations SEBI (Issue and listing of Debt Securities) Regulations, 2008.

Question 3

- (a) *Explain in brief the principal documents involved in issuance of GDRs/Foreign Currency Convertible Bonds.*

- (b) *Explain and compare Real Estate Investment Trust and Infrastructure Investment Trust.*
- (c) *What do you understand by Designated Depository Participant (DDP) ? What is the eligibility criteria prescribed for the registration of DDP ? Discuss.*
(5 marks each)

Answer 3(a)

The following principal documents are involved:

(i) Subscription Agreement

Subscription agreement provides that Lead Managers and other managers agree with the company, to subscribe for GDRs at the offering price. It may provide that obligations of managers are subject to certain conditions precedent.

Subscription agreement may also provide that for certain period from the date of the issuance of GDR the issuing company will not

- a. authorise the issuance of,
- b. issue offer, accept subscription for, sell, contract to sell or otherwise dispose off, whether within or outside India; or
- c. deposit into any depository receipt facility,

any securities of the company of the same class as the GDRs or the shares or any securities in the company convertible or exchangeable for securities in the company of the same class as the GDRs.

Subscription agreement also provides, an option to be exercisable within certain period after the date of offer circular, to the lead manager and other managers to purchase upto a certain prescribed number of additional GDRs solely to cover over-allotments, if any.

(ii) Depository Agreement

Depository agreement lays down the detailed arrangements entered into by the company with the Depository. It also sets forth the rights and duties of the depository.

In deposit agreement, the company agrees to indemnify the depository, the custodian and certain of their respective affiliates against any loss, liability, tax or expense of any kind which may arise out of or in connection with any offer, issuance, sale, resale, transfer, deposit or withdrawal of GDRs, or any offering document.

Copies of deposit agreement are to be kept at the principal office of Depository and the Depository is required to make available for inspection during its normal business hours, the copies of deposit agreement and any notices, reports or communications received from the company.

(iii) Custodian Agreement

Custodian works in co-ordination with the depository and has to observe all obligations imposed on it including those mentioned in the depository agreement.

The custodian is responsible solely to the depository. In the case of the depository and the custodian being same legal entity, references to them separately in the depository agreement or otherwise may be made for convenience and the legal entity will be responsible for discharging both functions directly to the holders and the company.

(iv) Agency Agreement

In case of Foreign Currency Convertible Bonds (FCCBs), the company has to enter into an agency agreement with certain persons known as conversion agents. In terms of this agreement, these agents are required to make the principal and interest payments to the holders of FCCBs from the funds provided by the company. They will also liaise with the company at the time of conversion/redemption option to be exercised by the investor at maturity.

(v) Trust Deed

In respect of FCCBs the company enters into Trust Deed with the Trustee for the holders of FCCBs, guaranteeing payment of principal and interest amount on such FCCBs and to comply with the obligations in respect of such FCCBs.

Answer 3(b)

Real Estate Investment Trust

“REIT” or “Real Estate Investment Trust” shall mean a trust registered as such under SEBI (Real Estate Investment Trust) Regulations, 2014. The Regulations provide a positive push to the Indian Capital Markets and Real Estate & Infrastructure sectors. It also creates liquidity to some extent for Real Estate and Infrastructure players. Further, it intends to provide investors an opportunity to invest in Indian stabilized assets through an Indian listed platform. It has parties such as trustees, sponsors and managers. The REIT can raise funds through an initial offer.

Infrastructure Investment Trust

The activities of the Infrastructure Investment Trusts in the Indian capital market are regulated by SEBI (Infrastructure Investment Trusts) Regulations, 2014. “InvIT” or ‘Infrastructure Investment Trust’ shall mean the trust registered as such under these regulations. The regulations intend to encourage and invest in infrastructure project only directly or through special purpose vehicle. It has parties such as trustees, sponsors, investment managers. The infrastructure investment trust can raise capital from both domestic and foreign investors. The investment manager is required to submit valuation reports to the designated stock exchange within 15 days from the receipt of such valuation reports.

Answer 3(c)

Designated Depository Participants

“Designated Depository Participant” means a person who has been approved by SEBI under Foreign Portfolio Investors, Regulations, 2014. A custodian of securities which is registered with SEBI as on the date of commencement of these regulations shall be deemed to have been granted approval as designated depository participant

subject to the payment of fees as prescribed in regulations. Further, a qualified depository participant which has been granted approval by SEBI prior to the commencement of these regulations, having opened qualified foreign investor account as on date of notification of these regulations, shall be deemed to have been granted approval as designated depository participant subject to the payment of fees as prescribed in this regulations.

Eligibility Criteria for Designated Depository Participants

- (a) the applicant is a participant and custodian registered with SEBI.
- (b) the applicant is an Authorized Dealer Category-1 bank authorized by RBI;
- (c) the applicant has multinational presence either through its branches or through agency relationships with intermediaries regulated in their respective home jurisdictions;
- (d) the applicant has systems and procedures to comply with the requirements of Financial Action Task Force Standards, Prevention of Money Laundering Act, 2002, Rules prescribed thereunder.
- (e) the applicant is a fit and proper person based on the criteria specified in Schedule II of the SEBI (Intermediaries) Regulations, 2008; and
- (f) any other criteria specified by SEBI from time to time.

Question 4

- (a) *“The rating transition of some corporate debts or bonds, particularly those issued by financial firms, has been phenomenal — from sound credit to junk”. In view of the above, make a critical assessment of the rating process and methodology employed for NBFCs by credit agencies in India. Also mention the recent steps taken by SEBI to make ratings more effective. (8 marks)*
- (b) (i) *What is meant by Shares with Differential Voting Rights ?*
 (ii) *Name any two companies that have issued such shares (DVR) in India.*
 (iii) *State the provisions relating to the issue of Shares with Differential Voting Rights as per Rule 4 of Companies (Share Capital & Debentures) Rules, 2014. (1+2+4 marks)*

Answer 4(a)

Credit Rating is the analysis and assessment of company's financial securities. Credit Rating is a symbolic indication of the current opinion regarding the relative capability of a corporate entity to service its debt obligations in time with reference to the instrument being rated. It enables the investor to differentiate between debt instruments on the basis of their underlying credit quality. To facilitate simple and easy understanding, credit rating is expressed in alphabetical or alphanumeric symbols.

The rating methodology for non-banking financial services companies is based on CAMELS model encompassing, Capital adequacy, Asset quality, Management, Earnings, Liquidity, systems and control.

The following six parameters are recommended:

- (i) *Capital Adequacy*: Capital adequacy is measured by the ratio of capital to risk-weighted assets (CRAR). A sound capital base strengthens confidence of depositors.
- (ii) *Asset Quality*: One of the indicators for asset quality is the ratio of non-performing loans to total loans (GNPA). The gross non-performing loans to gross advances ratio is more effective / indicative of the quality of credit decisions made by bankers / credit suppliers. Higher GNPA is indicative of poor credit decision-making.
- (iii) *Management*: The ratio of non-interest expenditures to total assets (MGNT) can be one of the measures to assess the working of the management. This variable, which includes a variety of expenses, such as payroll, workers compensation and training investment, reflects the management policy stance.
- (iv) *Earnings*: It can be measured as the return on asset ratio.
- (v) *Liquidity*: Cash maintained by the banks and balances with central bank, to total asset ratio (LQD) is an indicator of bank's liquidity. In general, institutions/banks with a larger volume of liquid assets are perceived safe, since these assets would allow banks to meet unexpected withdrawals.
- (vi) *Systems and Control*: The internal controls, other systems and procedures of banks are considered.

In order to further strengthen the disclosures to be made by Credit Rating Agencies and to enhance the rating standards, the following disclosures have been made mandatory by SEBI:

- (i) Computation of Cumulative Default Rates (CDR)
- (ii) In order to achieve a consistent approach, CRAs, in consultation with SEBI, shall frame a uniform Standard Operating Procedure (SOP) in respect of tracking and timely recognition of default, which shall be disclosed on the website of each CRA.
- (iii) Introducing Probability of Default (PD) benchmarks for CRAs
- (iv) Rating symbol for Instruments having explicit Credit Enhancement feature
- (v) Disclosure of rating sensitivities in press release
- (vi) Disclosure on liquidity indicators
- (vii) Tracking deviations in bond spreads

Answer 4(b)

- (i) Section 43(a)(ii) of the Companies Act, 2013, authorized equity share capital with differential rights as to dividend, voting or otherwise in accordance with rule 4 of Companies (Share Capital and Debentures) Rules, 2014 as may be prescribed.

- (ii) Tata motors, Jain Irrigations, Gujarat NRE Coke and Pantaloons Retail India are companies that have issued DVR in India.
- (iii) Rule 4 of Companies (Share Capital and Debentures) Rules, 2014 prescribes the following conditions for issue of DVRs :
 - a. the articles of association of the company authorizes the issue of shares with differential rights;
 - b. the issue of shares is authorized by ordinary resolution passed at a general meeting of the shareholders. Where the equity shares of a company are listed on a recognized stock exchange, the issue of such shares shall be approved by the shareholders through postal ballot at a general meeting;
 - c. the shares with differential rights shall not exceed twenty-six percent of the total post-issue paid up equity share capital including equity shares with differential rights issued at any point of time;
 - d. the company having consistent track record of distributable profit for the last three years;
 - e. the company has not defaulted in filing financial statements and annual returns for three financial years immediately preceding the financial year in which it is decided to issue such shares;
 - f. the company has no subsisting default in the payment of a declared dividend to its shareholders or repayment of its matured deposits or redemption of its preference shares or debentures that have become due for redemption or payment of interest on such deposits or debentures or payment of dividend;
 - g. the company has not defaulted in payment of the dividend on preference shares or repayment of any term loan from a public financial institution or state level financial institution or scheduled bank that has become repayable or interest payable thereon or dues with respect to statutory payments relating to its employees to any authority or default in crediting the amount in Investor Education and Protection Fund to the Central Government.

However, a company may issue equity shares with differential rights upon expiry of five years from the end of the financial year in which such default was made good.
 - h. the company has not been penalized by Court or Tribunal during the last three years of any offence under any law/act as applicable.
 - i. the explanatory statement to be annexed to the notice of the general meeting should contain the disclosures as mentioned in the rules
 - j. the Board of Directors shall disclose in the Board's Report for the financial year in which the issue of equity shares with differential rights was completed.
 - k. the company shall not convert its existing share capital with voting rights into equity share capital carrying differential voting rights and vice-versa.

- I. The register of members maintained under section 88 of the Companies Act, 2013, shall contain all the relevant particulars of the shares so issued along with details of the shareholders.

Note: Following amendment has come in place of point (c) above.

“The voting power in respect of shares with differential rights of the company shall not exceed seventy four percent of total voting power including voting power in respect of equity shares with differential rights issued at any point of time.”

PART B

Question 5

Critically examine the following :

- (a) *“Regulation 46 of SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015 requires every listed entity to maintain a functional website containing the basic information about the listed entity”.*
- (b) *“An unlisted company may make an initial public offer of equity shares only subject to certain conditions”.*
- (c) *“A recognized stock exchange has power to make bye-laws for the regulation and control of contracts”.*
- (d) *“It is compulsory for the listed entities to provide the facility of e-voting to its shareholders under the SEBI (LODR) Regulations, 2015”.*
- (e) *“A stock-broker or sub-broker is liable for monetary penalty in respect of various violations”.* *(4 marks each)*

Answer 5(a)

As per Regulation 46 of SEBI (LODR) Regulations, 2015, every listed company required to maintain a functional website containing the following business information under a separate section on its website as under:

- (a) details of its business;
- (b) terms and conditions of appointment of independent directors;
- (c) composition of various committees of board of directors;
- (d) code of conduct of board of directors and senior management personnel;
- (e) details of establishment of vigil mechanism/ Whistle Blower policy;
- (f) criteria of making payments to non-executive directors, if the same has not been disclosed in annual report;
- (g) policy on dealing with related party transactions;
- (h) policy for determining “material” subsidiaries;
- (i) details of familiarization programmes imparted to independent directors including the following details:-
 - i. number of programmes attended by independent directors (during the year and on a cumulative basis till date),

- ii. number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date), and
 - iii. other relevant details
- (j) the email address for grievance redressal and other relevant details;
 - (k) contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
 - (l) Financial information including:
 - i. notice of meeting of the board of directors where financial results shall be discussed;
 - ii. financial results, on conclusion of the meeting of the board of directors where the financial results were approved;
 - iii. complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc; shareholding pattern;
 - (m) shareholding pattern;
 - (n) details of agreements entered into with the media companies and/or their associates;
 - (o) schedule of analyst or institutional investor meet and presentations made by the listed entity to analysts or institutional investors simultaneously with submission to stock exchange;
 - (p) new name and the old name of the listed entity for a continuous period of one year, from the date of the last name change;
 - (q) items in sub-regulation (1) of regulation 47;
 - (r) With effect from October 1, 2018, all credit ratings obtained by the entity for all its outstanding instruments, updated immediately as and when there is any revision in any of the ratings;
 - (s) separate audited financial statements of each subsidiary of the listed entity in respect of a relevant financial year, uploaded at least 21 days prior to the date of the annual general meeting which has been called to inter alia consider accounts of that financial year.

It has to ensure by the listed company that the contents of the website are correct and updated.

The listed entity shall update any change in the content of its website within two working days from the date of such change in content.

Answer 5(b)

Eligibility requirements for an initial public offer on Main Board

As per Regulation 6(1) of SEBI (Issue of Capital & Disclosure Requirement)

Regulations 2018, an unlisted company may make an Initial Public Offer (IPO) only if it meets all the following conditions:

- (a) It has net tangible assets of at least three crore rupees, calculated on a restated and consolidated basis, in each of the preceding three full years (of twelve months each), of which not more than fifty per cent. are held in monetary assets.

Provided that if more than fifty per cent of the net tangible assets are held in monetary assets, the issuer has utilised or made firm commitments to utilise such excess monetary assets in its business or project.

- (b) Provided further that the limit of fifty per cent on monetary assets shall not be applicable in case the initial public offer is made entirely through an offer for sale.
- (c) It has an average operating profit of at least fifteen crore rupees, calculated on a restated and consolidated basis, during the preceding three years (of twelve months each), with operating profit in each of these preceding three years.
- (d) It has a net worth of at least one crore rupees in each of the preceding three full years (of twelve months each), calculated on a restated and consolidated basis.
- (e) If it has changed its name within the last one year, at least 50 % fifty per cent of the revenue, calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by its new name.

Alternative norms for unlisted public companies [Regulation 6(2) of SEBI (ICDR) Regulation 2018]

An issuer not satisfying the condition stipulated in sub-regulation (1) shall be eligible to make an initial public offer only if the issue is made through the book-building process and the issuer undertakes to allot at least seventy five per cent of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so.

Eligibility requirements for an initial public offer on SME Platform

As per Regulation 229 of SEBI (Issue of Capital and Disclosure Requirements), Regulations, 2018, the eligibility requirements for an initial public offer by Small and Medium Enterprises are as follow:

- (1) An issuer shall be eligible to make an initial public offer only if its post-issue paid-up capital is less than or equal to ten crore rupees.
- (2) An issuer, whose post issue face value capital is more than ten crore rupees and upto twenty five crore rupees, may also issue specified securities in accordance with provisions of this Chapter.
- (3) An issuer may make an initial public offer, if it satisfies track record and/or other eligibility conditions of the SME Exchange(s) on which the specified securities are proposed to be listed.

Provided that In case of an issuer which had been a partnership firm or a limited liability partnership, the track record of operating profit of the partnership firm or the limited liability partnership shall be considered only if the financial statements of the

partnership business for the period during which the issuer was a partnership firm or a limited liability partnership, conform to and are revised in the format prescribed for companies under the Companies Act, 2013 and also comply with the following:

- a. adequate disclosures are made in the financial statements as required to be made by the issuer as per Schedule III of the Companies Act, 2013;
- b. the financial statements are duly certified by auditors, who have subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board of the ICAI.

Provided further that in case of an issuer formed out of merger or a division of an existing company, the track record of the resulting issuer shall be considered only if the requirements regarding financial statements as specified above in the first proviso are complied with.

Answer 5(c)

As per Section 9 of the Securities Contracts (Regulation) Act, 1956 any recognized stock exchange may, subject to the previous approval of SEBI, make bye-laws for the regulation and control of contracts. In particular, and without prejudice to the generality of the foregoing power, such bye-laws may provide for:

- (a) the opening and closing of markets and the regulation of the hours of trade;
- (b) a clearing house for the periodical settlement of contracts and differences thereunder, the delivery of and payment for securities, the passing on of delivery orders and the regulation and maintenance of such clearing house;
- (c) the regulation or prohibition of blank transfers;
- (d) the number and classes of contracts in respect of which settlements shall be made or differences paid through the clearing house;
- (e) the regulation, or prohibition of budlas or carry-over facilities;
- (f) the fixing, altering or postponing of days for settlements;
- (g) the determination and declaration of market rates, including the opening, closing, highest and lowest rates for securities;
- (h) the listing of securities on the stock exchange, the inclusion of any security for the purpose of dealings and the suspension or withdrawal of any such securities, and the suspension or prohibition of trading in any specified securities;
- (i) the method and procedure for the settlement of claims or disputes, including settlement by arbitration;
- (j) the levy and recovery of fees, fines and penalties;
- (k) the regulation of the course of business between parties to contracts in any capacity;
- (l) the fixing of a scale of brokerage and other charges;

- (m) the emergencies in trade which may arise, whether as a result of pool or syndicated operations or concerning or otherwise, and the exercise of powers in such emergencies including the power to fix maximum and minimum prices for securities;
- (n) the making, comparing, settling and closing of bargains;
- (o) the regulation of dealings by members for their own account;
- (p) the separation of the functions of jobbers and brokers;
- (q) the limitations on the volume of trade done by any individual member in exceptional circumstances;
- (r) the obligation of members to supply such information or explanation and to produce such documents relating to the business as the governing body may require.

Answer 5(d)

Meetings of shareholders and voting (Regulation 44 of SEBI (LODR) Regulations, 2015]

1. The listed entity shall provide the facility of remote e-voting facility to its shareholders, in respect of all shareholders resolutions.
2. The e-voting facility to be provided to shareholders, shall be provided in compliance with the conditions specified under the Companies (Management & Administration) Rules, 2014, or amendments made thereto.
3. The listed entity shall submit to the stock exchange, within 48 hours of conclusion of its General Meeting details regarding the voting results in the format Specified by SEBI.
4. The listed entity shall send proxy forms to holders of securities in all cases mentioning that a holder may vote either for or against each resolution.
5. The top 100 listed entities by market capitalization, determined as on March 31st of every financial years, shall hold their annual general meetings within a period of 5 months from the date of closing of the financial year.
6. The top 100 listed entities shall provide one-way live webcast of the proceedings of the annual general meetings.

Explanation : The top 100 entities shall be determined on the basis of market capitalization, as at the end of the immediate previous financial year.

The manner for e-voting as per Section 108 of the Companies Act, 2013 read with Rule 20 of Companies (Management & Administration) Rules, 2014, or amendments made thereto is as follow:-

- The notice of AGM state that the company is providing the facility for voting by electronic means and indicate the process and manner for voting by electronic means.

- The company shall cause a public notice by way of an advertisement to be published in newspapers atleast 21 days before the AGM and specify the manners for e-voting.
- The Board of Directors shall appoint scrutiniser who, in the opinion of the Board can scrutinise the e-voting process in a fair and transparent manner.
- The Chairman shall declare the result of the voting and the results declared along with the report of the scrutiniser shall be forward to the stock exchange where the shares of the company are listed and be placed on the website of the company.

Answer 5(e)**Monetary Penalty on stock -brokers/sub- broker in respect of various violations.**

As per SEBI (stock brokers and sub brokers) regulations 1992, a stock broker or a sub-broker shall be liable for monetary penalty in respect of the following violations, namely :

1. Failure to file any return or report with SEBI.
2. Failure to furnish any information, books or other documents within 15 days of issue of notice by SEBI.
3. Failure to maintain books of account or record as per the Act, rules or regulations framed there.
4. Failure to redress the grievances of investors within 30 days of receipts of notice from SEBI.
5. Failure to issue contract notes in the form and manner specified by the Stock Exchange of which such broker is a member.
6. Failure to deliver any security or make payment of the amount due to the investor within 48 hours of the settlement of trade unless the client has agreed in writing otherwise.
7. Charging of brokerage which is in excess of brokerage specified in the regulations or the bye-laws of the stock exchange.
8. Dealing in securities of a body corporate listed on any stock exchange on his own behalf or on behalf of any other person on the basis of any unpublished price sensitive information.
9. Procuring or communicating any unpublished price sensitive information except as required in the ordinary course of business or under any law.
10. Counselling any person to deal in securities of anybody corporate on the basis of unpublished price sensitive information.
11. Indulging in fraudulent and unfair trade practices relating to securities.
12. Failure to maintain client opening form.
13. Failure to segregate his own funds or securities from the client's funds or

securities or using the securities or funds of the client for his own purpose or for purpose of any other client.

14. Acting as an unregistered sub-broker or dealing with unregistered sub-brokers.
15. Failure to comply with directions issued by SEBI under the Act or the regulations framed thereunder.
16. Failure to exercise due skill, care and diligence.
17. Failure to obtain prior approval of SEBI in case of change in control of stock broker.
18. Failure to satisfy the net worth or capital adequacy norms, if any, specified by SEBI.
19. Extending use of trading terminal or any unauthorized person or place.
20. Violations for which no separate penalty has been provided under SEBI (stock brokers and sub brokers) regulations 1992.

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

Question 6

- (a) *Prepare a brief note for your Managing Director regarding items in respect of which prior intimation is required to be given to the stock exchange in the light of provisions of SEBI (LODR) Regulations, 2015. (5 marks)*
- (b) *Kalpana, a nominee director on the Board of Roma Ltd., a listed company, informed the Board of Directors during a Board meeting that the next annual report of the company shall contain a 'Management Discussion and Analysis Report'. You, being the Company Secretary, have been asked by the Board to prepare the said report. State the matters you would include in the report. (5 marks)*
- (c) *Komal Enterprises Ltd. has decided to acquire stake upto 25% of the paid-up share capital of Roma Exims Ltd., which is a listed company and wants to proceed with a public offer pursuant to the provisions of the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011. Prepare a Board note highlighting the general obligations of Komal Enterprises Ltd. (5 marks)*
- (d) *"A Company Secretary is obliged to ensure certain compliances with regard to SEBI (Prohibition of Insider Trading) Regulations, 2015". Elucidate. (5 marks)*

OR (Alternate question to Q. No. 6)

Question 6A

Write notes on the following :

- (i) *Private placement of Securities*
- (ii) *ASBA*
- (iii) *Derived Instrument*
- (iv) *IRDA's initiatives on Financial Education*
- (v) *Voluntary open offer. (4 marks each)*

Answer 6(a)

Regulation 29(1)(a) & 29(2)	Prior Intimation to Stock exchange about Board Meeting	The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which the financial results viz., quarterly, half-yearly, or annual, as the case may be, at least 5 working days in advance excluding the date of the intimation and date of meeting.
Regulation 29(1)(b) to 29(1)(f) & 29(2)	Prior Intimation to Stock exchange about Board Meeting	<p>The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which the following proposals is to be considered: -</p> <ul style="list-style-type: none"> - buy-back of securities - voluntary delisting - fund raising by way of FPO, rights issue, QIP, debt issue, ADR/GDR/FCCB, preferential issue or any other method and for determination of issue price - Declaration/recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend - Declaration of bonus securities where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers. <p>Such intimation shall be given, at least 2 working days in advance, excluding the date of the intimation and date of meeting.</p>
Regulation 29(3)	Prior Intimation to Stock exchange about Board Meeting	<p>The listed entity shall give intimation to the stock exchange(s) at least eleven working days before any of the following proposal is placed before the board of directors</p> <ul style="list-style-type: none"> - any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof. - any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.

Answer 6(b)

As per Schedule V of SEBI (LODR), Regulations, 2015, a Management Discussion and Analysis report should form part of the Annual Report to the shareholders. This report should include discussion on the following matters within the limits set by the company's competitive position:

- Industry structure and developments;
- Opportunities and threats;
- Segment/product wise performs;
- Outlook;
- Risks and concerns;
- Internal control systems and their adequacy;
- Mission and organizational structure;
- Performance goals and results;
- Financial statements;
- Systems, controls, and legal compliance;
- Discussion on financial performs with respect to operational performance;
- Material developments in Human Resources/ Industrial Relations Front, including number of people employed.

Answer 6(c)**Obligations of the Komal Enterprises Ltd. (Acquirer)**

- (1) Prior to making the public announcement of an open offer for acquiring shares under SEBI (SAST) Regulations, 2011, Komal Enterprises Ltd., hereby acquirer, shall ensure that firm financial arrangements have been made for fulfilling the payment obligations under the open offer and that the acquirer is able to implement the open offer, subject to any statutory approvals for the open offer that may be necessary.
- (2) In the event the acquirer has not declared an intention in the detailed public statement and the letter of offer to alienate any material assets of the Roma Exims Ltd. hereby target company or of any of its subsidiaries whether by way of sale, lease, encumbrance or otherwise outside the ordinary course of business, the acquirer, where he has acquired control over the target company, shall be debarred from causing such alienation for a period of two years after the offer period.

However, in the event the target company or any of its subsidiaries is required to so alienate assets despite the intention to alienate not having been expressed by the acquirer, such alienation shall require a special resolution passed by shareholders of the target company, by way of a postal ballot and the notice for

such postal ballot shall inter alia contain reasons as to why such alienation is necessary.

- (3) The acquirer shall ensure that the contents of the public announcement, the detailed public statement, the letter of offer and the post-offer advertisement are true, fair and adequate in all material aspects and not misleading in any material particular, and are based on reliable sources, and state the source wherever necessary.
- (4) The acquirer and persons acting in concert with him shall not sell shares of the target company held by them, during the offer period.
- (5) The acquirer and persons acting in concert with him shall be jointly and severally responsible for fulfillment of applicable obligations under takeover regulations.

Answer 6(d)

The obligations cast upon the Company Secretary in relation to insider trading regulations can be summarized as under. The Company Secretary shall:

1. Ensure compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015 including maintenance of various documents.
2. Frame a code of fair disclosure and conduct in line with the model code specified in the Schedule A of the Insider Trading Regulations and get the same approved by the board of directors of the company.
3. Place before SEBI the “minimum standards for Code of Conduct” to regulate, monitor and report trading by insiders as enumerated in the Schedule B of the Insider Trading regulations.
4. Receive initial disclosure from every Promoter, KMP and director or every person on appointment as KMP or director or becoming a Promoter shall disclose its shareholding in the prescribed form within:
 - a. 30 days from Insider Trading regulations taking effect or
 - b. 7 days of such appointment or becoming a promoter
5. Receive from every Promoter, employee and director, continual disclosures of the number of securities acquired or disposed of and changes therein, even if the value of the securities traded, exceeds ₹10 lakh with single or series of transaction in any calendar quarter in prescribed form within two trading days of:
 - a. receipt of the disclosure or
 - b. from becoming aware of such information
6. Ensure that no trading shall between 20th day prior to closure of financial period and 2nd trading day after disclosure of financial results.
7. Approve the trading plan and after the approval of the trading plan, as compliance officer shall notify the plan to the stock exchanges on which the securities are listed.
8. Maintain records, as a Compliance Officer, of all the declarations given by the directors/designated employees/partners in the appropriate form for a minimum period of three years.

9. Maintain confidentially list of such securities as a “restricted list” which shall be used as the basis for approving or rejecting applications for pre-clearance of trades.
10. Frame and then to monitor adherence to the rules for the preservation of “Price sensitive information”.
11. Maintain a record of names of files containing confidential information deemed to be price sensitive information and persons in charge of the same.
12. Keep records of periods specified as ‘close period’ and the ‘Trading window’
13. Receive and maintain records of periodic and annual statement of holdings from directors/officers/ designed employees and their dependent family members.
14. Ensure that the “Trading Window” is closed at the time of :
 - Declaration of financial results(quarterly, half-yearly and annual)
 - Declaration of dividends(“interim and final)
 - Issue of securities by way of public/right/bonus etc.,
 - Any Major expansion plans or execution of new projects.
 - Amalgamation, mergers, takeovers and buy-back
 - Any change in policies, plans or operations of the company
15. Place before the Chief Executive Officer/Partner or a committee notified by the organization/firm, as a Compliance Officer, on a monthly basis all the details of the dealing in the securities by designated employees/directors/partners of the organization/firm.

Answer 6A(i)

Private placement or preferential issue means an issue of specified securities by a listed issuer to any select person or group of persons on a private placement basis and does not include an offer of specified securities made through employee stock option scheme, employee stock purchase scheme or an issue of sweat equity shares or depository receipts issued in a country outside India or foreign securities.

Preferential issue means issuance of equity shares to promoter group or selected investors. It covers allotment of fully convertible debentures, partly convertible debentures or any other financial instruments that could be converted into equity shares at a later date. The investors could be institutional investors, private equity investors, high net-worth individuals, or companies.

One of the biggest advantages of a preferential issue is that the company can raise money quickly and cheaply compared with other means of raising money, say IPO or issue of shares on a rights basis. On the other hand, preferential issues and private placement is only for selected class of investors and not for the retail investors. It is like a wholesale market, where institutions with financial clout are allowed to participate. This deprives investment opportunity to the retail investors.

Further, as per Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company may make a private placement of Securities.

Answer 6A(ii)**ASBA**

- ASBA stands for “Application supported by Blocked Amount”.
- ASBA is an application for subscribing to an issue, containing an authorization to block the application money in a bank account.
- The main advantage of ASBA is that the investor continues to receive the interest for amount blocked until allotment, only when shares are allotted, the money moves from the investors accounts.
- If the concerned investor didn't get allotment. The block is removed hence, there is no concern regarding non receipt or delay in refund, in case of allotment which was the major issue when made of payment was through cheque/DD etc.
- The ASBA process is mandatory in all public issues made through the book building route.

Answer 6A(iii)**Derived Instruments**

These instruments are not direct debt instruments. Instead they derive value from various debt instruments. The following are the derived instruments:

Mortgage Bonds : Mortgage backed bonds is a collateralized term-debt offering. Every issue of such bonds is backed by pledged collateral. These bonds are like the bonds floated in the capital market, semi-annual or quarterly payments of interest and final bullet payment of principal.

Pass through certificates : In this case, when mortgages are pooled together and undivided interest in the pool are sold. It certificates promises that the cash flow from the underlying mortgages would be passed through to the holders of the securities in the form of monthly payments of interest and principal.

Participation certificate : These are strictly inter-bank instruments confined to the scheduled commercial banks certificates and its tenure does not exceeding 90 days. Interests rate on such certificate are determined by the two contracting banks.

Answer 6A(iv)**IRDA's initiative on Financial Education**

Insurance Regulatory and Development Authority of India has taken various initiatives in the area of financial literacy. Awareness programmes have been conducted on television and radio and simple messages about the rights and duties of policyholders, channels available for dispute redressal etc., have been disseminated through television and radio as well as the print media through sustained campaigns in English, Hindi and 11 other Indian languages. IRDA conducts an annual seminar on policy holder protection and welfare and also partially sponsors seminars on insurance by consumer bodies. IRDA has got a pan India survey on awareness levels about insurance carried out through the NCAER in a bid to improve on its strategy of creating insurance awareness. IRDA

has also brought out publications of 'Policyholder Handbooks' as well as a comic book series on insurance. A dedicated website for consumer education in insurance is on the verge of launch IRDA Integrated Grievance Management System (IGMS) creates a central repository of grievances across the country and provides for various analyses of data indicative of areas of concern to the insurance policyholder.

Answer 6A(v)

Voluntary Open Offer

Voluntary Open Offer means the Open Offer given by the Acquirer voluntarily without triggering the mandatory Open Offer obligations. Voluntary Offers are an important means for substantial shareholders to consolidate their stake and therefore recognized the need to introduce a specific framework for such Open Offers.

Regulation 6 of the SEBI (SAST) Regulations, 2011 provides the threshold and conditions for making the Voluntary Open Offer which are detailed below:

- (a) *Eligibility* : Prior holding of at least 25% shares
- (b) *Shareholding of the acquirer and Person Acting in Concern (PACs) post completion of open offer* : post completion of the open offer the shareholding of the acquirer along with PACs shall not exceed the maximum permissible non public shareholding.
- (c) *Acquisition of shares prior to the voluntary open offer* : Acquirer shall become ineligible to make a voluntary open offer if during the preceding 52 weeks, the acquirer or PACs with him has acquired shares of the target company without attraction the obligation to make a public announcement of an open offer.
- (d) *Prohibition on the acquisition of shares during the offer period* : SEBI takeover regulation 2011 prohibits the acquirer who has made a voluntary open offer from further acquiring the shares during the offer period otherwise than under the open offer.
- (e) *Restriction of the acquisition of shares post completion of voluntary open offer*. An acquire and PACs who have made a voluntary open offer shall not be entitled to further acquire shares for a period of 6 month after completion of the open offer except:
 - a. Pursuant to another voluntary open offer
 - b. Pursuant to completing open offer to the open offer made by any other person for acquiring shares of the target company
- (f) *Offer size* : The Voluntary Open Offer shall be made for the acquisition of at least ten per cent (10%) of the voting rights in the Target Company and shall not exceed such number of shares as would result in the post-acquisition holding of the acquirer and PACs with him exceeding the maximum permissible non-public shareholding applicable to such Target Company.

INDUSTRIAL, LABOUR AND GENERAL LAWS – SELECT SERIES

Time allowed : 3 hours

Maximum marks : 100

Total number of Questions : 100

PART A

1. The word 'child' as defined under section 2(c) of the Factories Act, 1948 means:
 - (A) a person who has not completed the age of 12 years
 - (B) a person who has not completed the age of 14 years
 - (C) a person who has not completed the age of 15 years
 - (D) a person who has not completed the age of 18 years
2. Which of the following is not covered in the definition of 'factory' under the Factories Act, 1948 ?
 - (A) Railway running sheds
 - (B) Mines
 - (C) Hotel
 - (D) All of the above
3. As per section 40-B of the Factories Act, 1948 where more than 1000 workers are employed or where manufacturing process involves risk of bodily injury, poisoning disease or any other hazard to health of the persons employed therein the State Government may direct an occupier to employ :
 - (A) Welfare officer
 - (B) Safety officer
 - (C) Certifying officer
 - (D) None of the above
4. According to the Factories Act, 1948 in every factory wherein more than women workers are ordinarily employed, the facility of suitable room or rooms should be provided and maintained for the use of children under the age of of such woman, creches in the factory should be provided.
 - (A) 20, 4 years
 - (B) 30, 5 years
 - (C) 30, 6 years
 - (D) 50, 5 years

5. Section 81 of the Factories Act, 1948 provides that where an adult worker has been allowed leave for not less than days and a child worker for not less than days, wages due for the leave period should be paid in advance.
 - (A) 2, 2
 - (B) 3, 4
 - (C) 4, 5
 - (D) 5, 7
6. Which one of the following is not a manufacturing process under the Factories Act, 1948 ?
 - (A) work of garling of pepper or curing ginger
 - (B) preparation of soap in a soap works
 - (C) finished goods and packing thereof
 - (D) preparation of food and beverages
7. Which of the following is included in the definition of wages defined under section 2(h) of the Minimum Wages Act, 1948 ?
 - (A) The value of any house accommodation
 - (B) Gratuity payable on discharge
 - (C) Travelling allowance
 - (D) House rent allowance
8. Which of the following is not included in the definition of appropriate Government under section 2(b) of the Minimum Wages Act, 1948 ?
 - (A) Central Government
 - (B) State Government
 - (C) Central Government and State Government (Both)
 - (D) Autonomous Bodies
9. In pursuance of section 2(vi) of the Payment of Wages Act, 1936 which of the following is not included in the definition of wages ?
 - (A) Remuneration payable under any settlement between the parties
 - (B) Remuneration payable under any award or settlement by the order of the Court
 - (C) Sum of termination benefit
 - (D) Gratuity payable on the termination of employment
10. Under the Payment of Wages Act, 1936, the responsibility regarding the payment of wages to a person employed by him in a factory lies upon :
 - (A) Accounts Manager
 - (B) H.R. Manager
 - (C) Manager
 - (D) Owner

11. Which of the following is incorrect as regards to the discrimination not to be made while recruiting men and women under section 5 of the Equal Remuneration Act, 1976 ?
- (A) No discrimination shall be made while making recruitment for the same work or work of a similar nature
 - (B) No discrimination shall be made in condition of service subsequent to recruitment
 - (C) Discrimination may be made where the employment of women in such work is prohibited
 - (D) No priority shall be given for S.C.or S.T. class in the matter of recruitment under the provisions of this Act
12. Which of the following legal processes have created a congenial work environment for women workers towards adopting the principle “equal pay for equal work” ?
- (A) Article 39 of the Constitution of India
 - (B) Enforcement of the resolution of International Labour Organisation Conventions
 - (C) Equal Remuneration Act, 1976
 - (D) All of the above
13. As per section 8 of the Payment of Wages Act, 1936 no fine shall be imposed on any employed person who is under the age of years.
- (A) 14
 - (B) 15
 - (C) 18
 - (D) 21
14. Match List I with List II which is related to the statute and the year in which they were enacted and select the correct answer using the codes given below :
- List I
- (a) Employees’ State Insurance Act
 - (b) Payment of Bonus Act
 - (c) Employees Compensation Act
 - (d) Maternity Benefit Act
- List II
- (i) 1961
 - (ii) 1923
 - (iii) 1948
 - (iv) 1965

Codes :

	(a)	(b)	(c)	(d)
(A)	(iii)	(iv)	(ii)	(i)
(B)	(ii)	(iv)	(i)	(iii)
(C)	(i)	(iii)	(ii)	(iv)
(D)	(iv)	(ii)	(iii)	(i)

15. Which of the following is not related to the definition of 'factory' under the Employees' State Insurance Act, 1948 ?
- (A) Any premise whereon ten or more persons are employed
 - (B) Precincts thereof
 - (C) Manufacturing process
 - (D) Railway running shed
16. As per section 4 of the Employees' State Insurance Act, 1948, the Employees' State Insurance Corporation consists certain members. Among them who is ex-officio member of this corporation ?
- (A) Chairman
 - (B) Vice-Chairman
 - (C) A member who represents the interest of employers
 - (D) Director General of the Corporation
17. The cases relating to Employees' State Insurance Act, 1948 shall be instituted in :
- (A) Civil Court
 - (B) Employees' Insurance Court
 - (C) Industrial Court
 - (D) High Court
18. Who among the following shall be qualified to be a judge of the Employees Insurance Court ?
- (A) Any person who has been judicial officer
 - (B) Any person who is a judicial officer
 - (C) Any person who is a legal practitioner of five years standing
 - (D) All of the above

19. Section 28 of Employees' State Insurance Act, 1948 provides that the Employees' State Insurance Fund may be expended for :
- (A) Defraying the cost of Employees Insurance Courts
 - (B) Defraying the cost of auditing the accounts of the Corporation
 - (C) Defraying the cost and other charges of instituting or defending any civil proceeding
 - (D) All of the above
20. The Employees' Deposit-Linked Insurance Scheme, 1976 is related to :
- (A) Employees' State Insurance Act, 1948
 - (B) Payment of Bonus Act, 1965
 - (C) Employees' Provident Funds and Miscellaneous Provisions Act, 1952
 - (D) Payment of Gratuity Act, 1972
21. Section 17 of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 authorises to appropriate Government to grant exemption to certain establishments or persons from the operation of all or any of the provisions of the scheme. Such exemption may be granted :
- (A) By notification in the official Gazette
 - (B) By the appropriate authority
 - (C) By employer of the establishment
 - (D) By notification in the official Gazette subject to such conditions as may be specified therein
22. As per section 2(f) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 the definition of 'employee' does not include :
- (A) an apprentice under the standing orders of the establishment
 - (B) a sweeper working thrice in a week
 - (C) working partner's drawing salaries or other allowances
 - (D) a gardener working for 10 days in a month
23. Which of the following is not included in the definition of establishment in public sector as given under section 2(16) of the Payment of Bonus Act, 1965 ?
- (A) Government Company owned by Central Government
 - (B) Reserve Bank of India
 - (C) A Corporation owned by a reputed private bank
 - (D) Corporation owned by the State Government

24. As per section 8 of the Payment of Bonus Act, 1965 every employee shall be entitled to be paid by his employer in an accounting year, bonus, provided he has worked in the establishment for not less than working days in that year.
- (A) 15
 - (B) 30
 - (C) 45
 - (D) 60
25. Under section 28 of the Payment of Bonus Act, 1965, if any person, to whom a direction is given or a requisition is made, fails to comply with the direction or requisite he shall be punishable with imprisonment for a term which may extend to or with fine which may extend to, or with both.
- (A) 6 months; ₹ 1,000
 - (B) 6 months; ₹ 5,000
 - (C) 6 months; ₹ 3,000
 - (D) 12 months; ₹ 5,000
26. As per the Payment of Gratuity Act, 1972 the minimum number of employees required for its application is :
- (A) 10
 - (B) 15
 - (C) 20
 - (D) 25
27. Section 2(e) of the Payment of Gratuity (Amendment) Act, 2009 has covered the educational institutions retrospectively from :
- (A) 1st April, 1997
 - (B) 3rd April, 1997
 - (C) 5th April, 1997
 - (D) 7th April, 1997
28. According to section 2(s) of the Payment of Gratuity Act, 1972 the term wages does not include :
- (A) all emoluments earned by an employee while on duty
 - (B) all emoluments earned by an employee while on leave
 - (C) dearness allowance
 - (D) any other allowance

29. Which of the following statements is false under the Payment of Gratuity Act, 1972?
- (A) The minimum number of employees required at least 10 for the application of this Act
 - (B) Gratuity has been exempted from the attachment in execution of any decree or order of any civil, revenue or Criminal Court
 - (C) Assignment of gratuity is prohibited
 - (D) Gratuity shall be payable only on completion of at least five years service except in case of death or disablement of an employee
30. Which of the following statements is false under the Minimum Wages Act, 1948?
- (A) The Minimum Wages Act, 1948 extends to whole of India
 - (B) The primary object to enact this Act is to safeguard the interests of the workers
 - (C) Sect. 2(b) of the Minimum Wages Act, 1948 includes only to the Central Government as an appropriate Government
 - (D) The Minimum Wages Act, 1948 came into force on 15th March 1948
31. The term 'employer' under the Employees Compensation Act, 1923 includes :
- (A) anybody of persons incorporated or not
 - (B) legal representative of a deceased employer
 - (C) a contractor
 - (D) all of the above
32. If due to any physical defect, a workman is unable to get any work which a workman of his class ordinarily performs, and has thus lost the power to earn he is entitled to compensation for :
- (A) partial permanent disablement
 - (B) temporary partial disablement
 - (C) total disablement
 - (D) partial disablement
33. Under the Employees Compensation Act, 1923 the employer is not liable when the injury does not result in disablement for a period exceeding :
- (A) one day
 - (B) two days
 - (C) three days
 - (D) none of the above

34. As per the Employees Compensation Act, 1923, if the employer has received a notice and is liable to pay compensation, he must deposit it to the Commissioner within :
- (A) 20 days
 - (B) 30 days
 - (C) 40 days
 - (D) 60 days
35. Which of the following matters are not under the jurisdiction of the Commissioner under Employees Compensation Act, 1923 ?
- (A) to decide the liability of any person to pay compensation
 - (B) appointment to heir of a deceased in case of permanent disablement
 - (C) the nature and extent of disablement
 - (D) the amount of compensation
36. Which of the following statements is false under the Employees Compensation Act, 1923 ?
- (A) The Employees Compensation Act, 1923 provides for the payment by certain classes of employers to their employees of compensation for injury by accident
 - (B) Employees Compensation Act, 1923 does not define the word disablement
 - (C) To make the employer liable under this Act, it is necessary that the injury is caused by an accident which must be raised out of and in the course of employment
 - (D) The employee is entitled to any compensation under this Act, even he has instituted a suit for damages against the employer or any other person in a Civil Court
37. Whosoever fails to send a report of fatal accident and serious bodily injury which he is required to send under section 10B, section 18A of the Employees Compensation Act 1923 prescribes penalties for the contravention of the provisions of the Act which includes fine upto :
- (A) ₹ 1,000
 - (B) ₹ 3,000
 - (C) ₹ 5,000
 - (D) ₹ 10,000
38. Under section 19(1) the Commissioner appointed under the Employees Compensation Act, 1923 is empowered to decide :
- (A) Liability of any person to pay compensation

- (B) The nature and extent of disablement
 - (C) The amount or duration of compensation
 - (D) All of the above
39. Under Employees Compensation Act, 1923 personal injury does not include :
- (A) Nervous Shock
 - (B) Loss of Money
 - (C) Breakdown
 - (D) Mental Strain
40. Who is empowered to approve the revocation of registration of a particular establishment as per the provisions of Contract Labour (Regulation and Abolition) Act, 1970 ?
- (A) Central Government
 - (B) State Government
 - (C) Appropriate Government
 - (D) High Court
41. Section 26 of the Contract Labour (Regulation and Abolition) Act, 1970 is related to :
- (A) Cognizance of offence
 - (B) Limitation of prosecution
 - (C) Penalties and prosecution
 - (D) None of the above
42. A woman shall be entitled to maternity benefit under Maternity Benefit Act, 1961, if she has actually worked in an establishment of the employer from whom she claims maternity benefit, for a period of not less than in the twelve months immediately preceding the date of her expected delivery.
- (A) 80 days
 - (B) 90 days
 - (C) 60 days
 - (D) 120 days

43. Section 4 of the Maternity Benefit Act, 1961 provides that no employer shall knowingly employ a woman in any establishment during the weeks immediately following the day of her delivery, miscarriage or medical termination of pregnancy. It also specifies that no woman shall work in any establishment during the weeks immediately following the day of her delivery, miscarriage or medical termination of pregnancy.
- (A) six; six
 - (B) seven; seven
 - (C) nine; nine
 - (D) five; five
44. Which of the following statements is correct relating to Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 ?
- (A) A child may be permitted or required to work overtime
 - (B) A child may be permitted or required to work at least for six hours within day and night, at any time
 - (C) A child cannot claim fundamental rights while working in an establishment
 - (D) A child means a person who has not completed his fourteenth years of age
45. Section 3A of the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 provides that no adolescent shall be employed or permitted to work in any of the hazardous occupations or processes set forth in the schedule. As per schedule such hazardous occupations or processes may be :
- (A) Mines
 - (B) Inflammable substance
 - (C) Hazardous process
 - (D) All of the above
46. Violation of the Child Labour and Adolescent (Prohibition and Regulation) Act, 1986 shall be punishable with imprisonment for a term not less than
- (A) one month
 - (B) three months
 - (C) six months
 - (D) one year
47. A standing order issued under the Industrial Employment (Standing Orders) Act, 1946 must be in conformity with :
- (A) Form Standing Order
 - (B) Uniform Standing Order

- (C) Model Standing Order
 - (D) Standard Standing Order
48. As per section 3 of the Industrial Employment (Standing Orders) Act, 1946 the employer of an establishment shall, within months from the date on which this Act, becomes applicable to an industrial establishment, submit to the certifying officer copies of the draft standing orders proposed by him for adoption in that establishment.
- (A) 3; 5
 - (B) 3; 3
 - (C) 6; 5
 - (D) 6; 6
49. Which of the following are the authorities for investigation and settlement of industrial disputes under Industrial Disputes Act, 1947 ?
- (A) Labour Court
 - (B) Industrial Tribunal
 - (C) National Tribunal
 - (D) All of the above
50. As per section 2(n)(vi) of the Industrial Disputes Act, 1947 the industries may be declared to be public utility services in the First Schedule. Which of the following industry is not covered under the provisions of Industrial Disputes Act, 1947 ?
- (A) Railway
 - (B) Banking
 - (C) Cement
 - (D) Coal
51. As per section 2(s) of the Industrial Disputes Act, 1947 the term 'workmen' will include :
- (A) An apprentice
 - (B) Clerk
 - (C) Skilled worker
 - (D) All of the above
52. Which of the following may be treated as a serious case of misconduct but does not amount to strike under Industrial Disputes Act, 1947 ?
- (A) Go-slow
 - (B) Pen-down
 - (C) Tool-down
 - (D) Stay-in strike

53. Section 27 of the Industrial Disputes Act, 1947 provides that any person who instigates or incites to take part in, or otherwise acts in furtherance of, a strike or lock-out which is illegal under this Act, shall be punishable with imprisonment for a term which may extend to or with fine which may extend to or with both.
- (A) one month; ₹ 100
 - (B) two months; ₹ 300
 - (C) six months; ₹ 1000
 - (D) six months; ₹ 5000
54. Temporary closing of a place of employment or suspension of work is known as:
- (A) Suspension
 - (B) Lock-out
 - (C) Dismissal
 - (D) Lay-off
55. As per section 2 (OO) of the Industrial Disputes Act, 1947, the term 'retrenchment' means :
- (A) Voluntary retirement of workman
 - (B) Termination of the service of workman on the ground of continued ill-health
 - (C) Retirement of the workman
 - (D) None of the above
56. The Supreme Court observed in that in cases of dismissal for misconduct the Tribunal does not act a Court of appeal and substitute its own judgement for that of the management and that the Tribunal will interfere only where there is want of good faith, victimisation, unfair labour practice on the part of the management.
- (A) Rajasthan SRTC Vs. Labour Court
 - (B) Indian Iron and Steel Co. Ltd. Vs. Their Workmen
 - (C) Chandramalai Estate Vs. Its Workmen
 - (D) Crompton Greaves Ltd. Vs. Workmen
57. In pursuance of section 28 of the Industrial Disputes Act, 1947 any person knowingly expends or applies any money in direct furtherance or support of any illegal strike or lock-out shall be punishable with imprisonment for a term which may extend to or with fine which may extend to ` or with both.
- (A) 1 month, ₹100
 - (B) 2 months, ₹ 500

- (C) 3 months, ₹ 1000
(D) 6 months, ₹ 1000
58. For the first time, the provisions relating to settlement of industrial disputes were incorporated in the enactment of
- (A) Employees and Workmen's Disputes Act, 1850
(B) Employees' and Workmen's Disputes Act, 1860
(C) Trade Disputes Act, 1860
(D) Trade Disputes Act, 1929
59. The Supreme Court in an unprecedented judgement in held that the Government employees have no fundamental right, statutory or equitable or moral to resort to strike and they cannot the society at ransom by going on strike, even if there is injustice to some extent.
- (A) Express Newspaper (P) Ltd. Vs. Michael Mark
(B) Crompton Greaves Ltd. Vs. The Workmen
(C) T.K. Rangrajan Vs. Govt. of Tamil Nadu
(D) Chandramalai Estate Vs. Workmen
60. The Registrar on registering a Trade Union, shall issue a certificate of registration which shall be a conclusive evidence that the Trade Union has been duly registered under Trade Union Act. Which of the following sections of Trade Union Act, 1926 is related to the aforesaid statement ?
- (A) Section 7
(B) Section 8
(C) Section 10
(D) Section 12
61. Where a registered Trade Union of Workmen ceases to have the requisite number of members, the Registrar have the power :
- (A) Shall cancel the registration
(B) Shall ask the Trade Union to increase its strength to minimum requirement
(C) Shall not take any action unless applied for
(D) Shall have no power to cancel the registration
62. Which of the following Acts have been specified in Ist Schedule under Section 2(d) of the Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain (Establishment) Act, 1988 ?
- (A) The Motor Transport Workers Act, 1961
(B) The Equal Remuneration Act, 1976

- (C) The Plantation Labour Act, 1951
 - (D) All of the above
63. As per section 2(f) of the Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishment) Act, 1988, "Very small establishment" means an establishment in which not more than are employed or were employed on any day of the preceding twelve months.
- (A) 5 persons
 - (B) 7 persons
 - (C) 9 persons
 - (D) 20 persons
64. Definition of employer prescribed in Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 under :
- (A) Section 2(b)
 - (B) Section 2(c)
 - (C) Section 2(d)
 - (D) Section 2(e)
65. Every apprentice who is undergoing apprenticeship training in an establishment shall be designated as :
- (A) a permanent worker
 - (B) a part-time worker
 - (C) a casual worker
 - (D) a trainee
66. Which one of the following is incorrect as regards to obligation of employers under the Apprentices Act, 1961 ?
- (A) An employer is not under obligation to provide qualified incharge of apprenticeship if he is not qualified in the trade
 - (B) The employer has to carry out his obligata under the contract of apprenticeship
 - (C) The employer has to provide adequate instructional staff possessing prescribed qualification
 - (D) The employer is obliged to provide the apprentice with the training in his trade as per the law and rules provided under this Act
67. Settlement of disputes in Apprentices Act, 1961 is prescribed under :
- (A) Section 19
 - (B) Section 21

- (C) Section 20
 - (D) None of the above
68. The authorities on which the Apprentices Act, 1961 applies are :
- (A) The National Council
 - (B) The State Council
 - (C) The All India Council
 - (D) All of the above
69. Labour audit covers :
- (A) All Criminal Laws
 - (B) All Labour Laws
 - (C) All Property Laws
 - (D) All of the above
70. The report of audit under Labour Legislations by the company secretary should be addressed to :
- (A) Appropriate Government
 - (B) Non-Government Organization
 - (C) Public
 - (D) Social Media

PART B

71. In which of the following cases the Supreme Court of India has observed that "The Directive Principles of State Policy have to conform to and run as subsidiary to the chapter of fundamental rights" ?
- (A) State of Madras Vs. Champakam Dorairajan
 - (B) Glanrock Estate Vs. State of Tamil Nadu
 - (C) Minerva Mills Ltd. Vs. Union of India
 - (D) State of Madras Vs. V.G. Row
72. Which of the following courts can advise the President on a reference made by the President of India on Question of facts and law ?
- (A) Supreme Court
 - (B) High Court
 - (C) Special Court
 - (D) Tribunal

73. Which of the following comes under the term of delegated legislations ?
- (A) Executive Legislation
 - (B) Judicial Legislation
 - (C) Autonomous Legislation
 - (D) All of the above
74. In which of the following Articles of the Constitution of India provides Right to Property ?
- (A) Article 21
 - (B) Article 300A
 - (C) Article 31
 - (D) Article 51A
75. In pursuance to the Article Parliament may by law impose such restriction on the freedom of trade, commerce and intercourse as may be required in the
- (A) Article 305; State Interest
 - (B) Article 303; Local Interest
 - (C) Article 302; Public Interest
 - (D) Article 304; Interstate Interest
76. Ex-post facto laws are :
- (A) The laws which punished what had been lawful when done
 - (B) The laws which punished what had been unlawful when done
 - (C) The laws which punished the offences when committed
 - (D) None of the above
77. "One of the basic principles of interpretation of statute is to construe them according to plain, literal and grammatical meaning of the words".
- In which of the following cases the Supreme Court of India has upheld the aforesaid verdict ?
- (A) Sarabjit Rick Singh Vs. Union of India
 - (B) State of H.P. Vs. Pawan Kumar
 - (C) Nand Prakash Vohra Vs. State of H.P.
 - (D) Seaford Court Estates Ltd. Vs. Asher

78. Which of the following does not come under the head internal aids in the interpretation ?
- (A) Heading and title of a chapter
 - (B) Proviso
 - (C) Schedules
 - (D) Dictionaries
79. "The express mention of one thing implies the exclusion of another." This assertion is the literal meaning of a rule of interpretation.
- Which of the following rules of interpretation states the aforesaid meaning ?
- (A) Expressio Unit East Exclusio Alterius
 - (B) Ejusdem Generis
 - (C) Noscitur a Sociis
 - (D) None of the above
80. The purpose of the interpretation is :
- (A) To understand the statute according to one's own comprehension
 - (B) To make a guess of what is written
 - (C) To see what is the intention expressed by the words used
 - (D) To be able to change the meaning according to the situation
81. The Supreme Court in has held that a marginal note cannot be invoked for construction where the meaning is clear while interpreting a statute.
- (A) Balraj Kumar Vs. Jagatpal Singh
 - (B) Western India Theatres Ltd. Vs. Municipal Corporation of Poona
 - (C) C.I.T. Vs. Anand Bhai Umar Bhai
 - (D) Chandraji Rao Vs. Income Tax Commissioner
82. While interpreting the statute the Mischief Rule or Heydon's Rule is applicable only when the words in the question are :
- (A) ambiguous
 - (B) are reasonably capable of more than one meaning
 - (C) ambiguous and reasonably capable of more than one meaning
 - (D) all of the above
83. Which of the following sections under specific performance deals with the recovery of possession of movable property ?
- (A) Sections 1 and 2

- (B) Sections 3 and 4
 - (C) Sections 7 and 8
 - (D) Sections 9 and 10
84. Which of the following judicial remedies are available in an action of tort ?
- (A) Compensation
 - (B) Injunction
 - (C) Specific Restriction of Property
 - (D) All of the above
85. A shakes first under the nose of B. It amounts to :
- (A) Assault
 - (B) Battery
 - (C) False imprisonment
 - (D) None of the above
86. Gloucestour Grammer School case is about :
- (A) Damnum Sine Injuria
 - (B) Injuria Sine Damnum
 - (C) Contributory negligence
 - (D) Strict liability
87. Limitation :
- (A) Bars remedy but extinguishes rights
 - (B) Does not bar remedy as well as does not extinguishes rights
 - (C) Bars remedy, but does not extinguish rights
 - (D) Does not bar remedy but extinguish rights
88. Which of the following Articles of the Constitution of India states that the State cannot place any hindrance by prescribing a period of limitation in the way of an aggrieved person seeking to approach the Supreme Court of India ?
- (A) Article 30
 - (B) Article 32
 - (C) Article 34
 - (D) Article 36

89. For suits by mortgagee for foreclosure the maximum period of limitation prescribed by the Limitation Act, 1963 is years,
- (A) 10
 - (B) 15
 - (C) 20
 - (D) 30
90. Which of the following is not a judicial confession ?
- (A) Confession made to a Judge
 - (B) Confession made to a Court
 - (C) Confession made to a Magistrate
 - (D) Confession made to a Police
91. Which of the following are privileged communication under Indian Evidence Act, 1872 ?
- (A) Communication during marriage
 - (B) Affairs of State
 - (C) Official Communication
 - (D) All of the above
92. is a written statement of the deponent on oath duly affirmed before any Court or any Magistrate or any Oath Commissioner appointed by the Court or before the Notary Public.
- (A) An affidavit
 - (B) Summon
 - (C) Warrant
 - (D) All of the above
93. Section 60 of the Indian Evidence Act, 1872 provides that the contents of a document must be proved :
- (A) Only by primary evidence
 - (B) Only by secondary evidence
 - (C) Either by primary or by secondary evidence
 - (D) All of the above
94. Courts to try all Civil suits unless barred is prescribed in Civil Procedure Code under :
- (A) Section 8

- (B) Section 9
 - (C) Section 11
 - (D) Section 6
95. Which section under Civil Procedure Code is enacted to prevent the Courts of Concurrent Jurisdiction from Simultaneously trying two parallel suits in respect of same matter in suit ?
- (A) Section 9
 - (B) Section 10
 - (C) Section 11
 - (D) Section 12
96. Under which section of the Code of Criminal Procedure, 1973 a police officer may arrest a person without an order from a Magistrate and without a warrant ?
- (A) Section 38
 - (B) Section 40
 - (C) Section 41
 - (D) Section 44
97. A private person may arrest or cause to be arrested any person who in his presence commits under Code of Criminal Procedure, 1973 :
- (A) a non-bailable offence
 - (B) a cognizable offence
 - (C) who is a proclaimed offender
 - (D) all of the above
98. Which of the following categories of informations are exempted from its disclosure under the Right to Information Act, 2005 ?
- (A) Information received in confidence from a foreign Government
 - (B) Where disclosure would cause a breach of privileges of Parliament or the State Legislature
 - (C) Any information the disclosure of which may constitute contempt of court
 - (D) All of the above
99. As per the provisions of the Right to Information Act, 2005, when a request by a citizen to Public Information Officer for obtaining the information made, in which the matter of life and liberty is involved, information should be provided within
- (A) 24 hours

- (B) 48 hours
 - (C) 3 days
 - (D) 15 days
100. Under which provision of Right to Information Act, 2005 bars the Jurisdiction of Courts ?
- (A) Section 24
 - (B) Section 25
 - (C) Section 23
 - (D) Section 26

ANSWER KEY**INDUSTRIAL LABOUR AND GENERAL LAWS - SELECT SERIES**

PART A		Qno	Ans	Qno	Ans
Qno	Ans				
		34	B	68	D
1	C	35	B	69	B
2	D	36	D	70	A
3	B	37	*	71	A
4	C	38	D	72	A
5	C	39	B	73	D
6	C	40	C	74	B
7	D	41	A	75	C
8	D	42	A	76	A
9	D	43	A	77	B
10	C	44	D	78	D
11	D	45	D	79	A
12	D	46	C	80	C
13	B	47	C	81	B
14	A	48	C	82	D
15	D	49	D	83	C
16	D	50	A	84	D
17	B	51	D	85	A
18	D	52	A	86	A
19	D	53	C	87	C
20	C	54	B	88	B
21	D	55	D	89	D
22	C	56	B	90	D
23	C	57	D	91	D
24	B	58	B	92	A
25	A	59	C	93	C
26	A	60	B	94	B
27	B	61	A	95	B
28	D	62	D	96	C
29	C	63	C	97	D
30	C	64	B	98	D
31	D	65	D	99	B
32	C	66	A	100	C
33	C	67	C		

Notes

37* Rs. 1,00,000.