GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

DECEMBER 2018

MODULE 2

THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
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C O N T E N T S

EXECUTIVE PROGRAMME EXAMINATION

DECEMBER 2018

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) What are the conditions to be complied by the company to issue bonus shares? (5 marks)

(b) Enumerate the conditions that must be satisfied in order to buy-back of shares according to section 68(2) of the Companies Act, 2013. (5 marks)

(c) What are the requirements to be complied with by a company to declare dividend out of free reserves in the event of inadequacy or absence of profit at the end of the year ? (5 marks)

(d) On 1st November, 2013 S Ltd. issued 10,000, 8% Debentures of ₹100 each. These debentures were redeemable at 20% premium on 31st October, 2018 by the way of either converting into 8% Preference Shares of ₹100 each at 30% premium or to be paid in cash. Upto 31st October, 2018 the holders of 7,865 debentures had exercise their option for 8% Preference Shares and remaining were paid in cash.

You are required to :

(i) Find out the nominal value of preference shares issued to debenture-holders.

(ii) Give necessary journal entries. (5 marks)

(e) In a liquidation which commenced on 11th November, 2017, certain creditors could not receive payments out of the realisation of assets and out of the contribution from 'A' list contributories.

The following are the details of certain transfer which took place in 2016 and 2017 :

Shareholders	Number of Shares Transferred	Date of Transfer	Proportionate unpaid debts (₹)
C	2,500	1st September, 2016	5,000
P	1,500	1st January, 2017	9,000
D	2,000	1st April, 2017	12,000
B	700	1st August, 2017	13,500
S	300	15th September, 2017	14,500

All the shares were ₹10 each, ₹5 paid up.

Ignoring expenses of and remuneration to liquidators, show the amount to be realised from various persons listed above. *(5 marks)*

Answer 1(a)

Conditions for Issue of Bonus Shares by a Company

The following conditions need to be complied with:

(a) Issue of Bonus Shares is authorised by the articles of association;

(b) Issue of Bonus Shares is, on the recommendation of the Board, been authorised in the general meeting of the company;

(c) Company has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;

(d) Company has not defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus;

(e) The partly paid-up shares, if any outstanding on the date of allotment, are made fully paid-up;

(f) The company which has once announced the decision of its Board recommending a bonus issue, shall not subsequently withdraw the same. [*Rule 14 of Companies (Share Capital and Debentures) Rules, 2014*]

Answer 1(b)

Conditions for buy back of Shares

According to section 68(2) of the Companies Act, 2013 following conditions must be satisfied in order to buy-back the shares:

(a) The buy-back of shares must be authorized by the articles of the company;

(b) A special resolution has been passed at a general meeting of the company authorizing the buy-back, but the same is not required when:

   (i) the buy-back is 10% or less of the total paid-up equity capital and free reserves of the company; and

   (ii) such buy-back has been authorized by the Board by means of a resolution passed at its meeting;

(c) The buy-back is twenty-five per cent or less of the aggregate of paid-up capital and free reserves of the company. But in case of Equity Shares, the same shall be taken as 25% of paid up equity capital only.

(d) Debt equity ratio should be 2:1, where: Debt is aggregate of secured and unsecured debts owed by the company after buy-back and Equity is aggregate of the paid-up capital and its free reserves:

(e) All the shares or other specified securities for buy-back are fully paid-up;

(f) If shares or securities are listed, buy back will be in accordance with the regulations made by the Securities and Exchange Board of India in this behalf; and

(g) The buy-back in respect of unlisted shares or other specified securities is in accordance with Share Capital and Debentures Rules, 2014.

(h) No offer of buy-back shall be made within a period of one year from the date of the closure of the preceding offer of buy-back, if any.

Answer 1(c)

Conditions to be complied for declaration of Dividend out of free reserves in the event of inadequacy or absence of profit at the end of the year

In case of inadequacy or absence of profits in any financial year, a company may declare dividend out of the free reserves subject to the fulfillment of the following conditions:

(i) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year: Provided that this sub-rule shall not apply to a company, which has not declared any dividend in each of the three preceding financial year.

(ii) The total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.

(iii) The amount so drawn shall first be utilised to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.

(iv) The balance of reserves after such withdrawal shall not fall below fifteen per cent of its paid up share capital as appearing in the latest audited financial statement.

(v) No company shall declare dividend unless carried over previous losses and depreciation not provided in previous year are set off against profit of the company of the current year the loss or depreciation, whichever is less, in previous years is set off against the profit of the company for the year for which dividend is declared or paid.

Answer 1(d)

(i) Nominal Value of Preference Shares issued:

$$= \text{No. of Debentures} \times \frac{\text{Redeemable Price of Debenture}}{\text{Preference Shares Price (with Premium)}} \times \text{Rs.}100$$

$$= (7865*120/130) * ₹100$$

$$= ₹7,26,000$$

(ii) Journal Entries

Date	*Particulars*	*L.F.*	*Amount (Dr.) ₹*	*Amount (Cr.) ₹*
-	8% Debenture A/c Dr.		10,00,000	
	Premium on Redemption of Debenture A/c Dr.		2,00,000	
	To Debenture Holder A/c			12,00,000
	(Being amount due on redemption of 8% Debenture @20% premium)			
-	Debenture Holder A/c Dr.		9,43,800	
	To 8% Preference Share Capital A/c			7,26,000
	To Securities Premium A/c			2,17,800
	(Being 8% Preference shares issued at 30% premium to debenture holders of 7865, 8% debentures)			
-	Debenture Holder A/c Dr.		2,56,200	
	To Bank A/c			2,56,200
	(Being cash paid to debenture holders of 2135, 8% Debentures)			
-	Securities Premium A/c - Dr.		2,00,000	
	To Premium on Redemption of Pref. Shares A/c			2,00,000
	(Being Premium on Redemption of Pref. Shares written off against Securities Premium)			

Answer 1(e)

Creditors outstanding on the date of ceasing to be a member	*Shareholders and Share Transfer*				*Amount to be paid to creditors*
	P	*D*	*B*	*S*	
Amount (₹)	1500 shares (₹)	2000 shares (₹)	700 shares (₹)	300 shares (₹)	₹
9,000	3,000	4,000	1,400	6,00	9,000
3,000	-	2,000	7,00	3,00	3,000
1,500	-	-	1,050	450	1,500
1,000	-	-	-	1,000	1,000
(a) Total ₹14,500	3,000	6,000	3,150	2,350	14,500
(b) Maximum liability of Shareholder	7,500	10,000	3,500	1,500	
Amount to be realized (minimum of (a) or (b)	3,000	6,000	3,150	1,500	

Note: C will not be liable since he transferred his shares prior to one year preceding to date of winding up.

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

Question 2

(a) What corrective action to be taken by the companies to improve Economic Value Added ? (3 marks)

(b) Mention the costs that are not included in the cost of internally generated intangible assets. (3 marks)

(c) The following information has been obtained from Guru Ltd. for the year ending 31st March, 2018 :

(1) Authorised, Issued and Subscribed Capital :

200 Lakh Equity Shares of ₹10 each, out of which 100 lakh shares were issued as fully paid-up, 48 Lakh shares were ₹8 each called-up and paidup and 1.50 Lakh shares were ₹8 called-up but calls-in-arrear thereon of ₹3 Lakh.

(2) Following are balances of some accounts :

— Capital Reserve ₹150 Lakh

— General Reserve ₹40 Lakh

— Securities Premium ₹130 Lakh

— Statement of Profit and Loss (Dr.) ₹115 Lakh

— Forfeited Shares ₹2 Lakh

You are required to prepare relevant notes to the accounts for the year ended 31st March, 2018 as per Schedule III of the Companies Act, 2013. (3 marks)

(d) What are the disclosure requirements for each class of asset according to AS-28 (Impairment of Asset). (3 marks)

(e) The manager of Grapes Ltd. is entitled to a salary of ₹1 (one) Lakh per month and also to a commission of 2% on profits after taxation and his salary but before charging his commission on profits. The Statement of Profit and Loss of the company for the year ended 31st March, 2018 was as follows :

Particulars	*(₹ in Lakh)*
I. Gross Profit	*560*
II. Expenses	
Employees Benefit Expenses	*110*
Depreciation (including Development Reserve of ₹15 Lakh)	*55*
Cost of Finance	*22*
Other Expenses	*60*
Total Expenses	*247*
Profit Before Tax (I-II)	*313*
Note 1. Employees Benefit Expenses :	

	(₹ in Lakh)
Salaries and Wages (excluding Manager's Salary of ₹12 Lakh)	*95*
Manager's Salary paid	*12*
Directors Fees	*3*
	110

Note 2. Corporate Tax Rate is 30%.

You are required to calculate the total remuneration payable to manager under Section 197 of the Companies Act, 2013. (3 marks)

OR (Alternative question to Q. No. 2)

Question 2A

(i) *The promoters of Shiva Ltd. took over on behalf of the company, a running business with effect from 1st April, 2017. The company got incorporated on 1st August, 2017.*

The annual accounts were made upto 31st March, 2018, which revealed that the sales for the whole year totalled ₹2,400 lakhs out of which sales till 31st July, 2017 were for ₹600 lakhs. Gross Profit ratio was 20%.

The expenses from 1st April, 2017 till 31st March, 2018 were as follows :

Particulars	*₹ in Lakhs*
Salaries	*75*
Rent, Rates and Insurance	*30*
Sundry office expenses	*72*
Travellers commission	*20*
Discount allowed	*16*
Bad debts	*8*
Director's fee	*30*
Tax audit fee	*16*
Depreciation on tangible assets	*15*
Debentures interest	*14*

Prepare a statement showing the calculation of profits for pre-incorporation and post-incorporation periods. *(5 marks)* *(ii)* *Udyog Ltd. furnishes the following summarised Balance Sheet as at 31st March, 2018 :*

	Note No.	₹ in lakh
I. EQUITY & LIABILITIES		
(1) Shareholders' Funds :		
(a) Share Capital	1	2,400
(b) Reserves & Surplus	2	1,620
(2) Non-Current Liabilities :		
12% Debentures		1,500
(3) Current Liabilities	3	1,880
Total		7,400
II. ASSETS		
(1) Non-Current Assets :		
Fixed Assets		4,052
(2) Current Assets	4	3,348
Total		7,400
Note 1 : Share Capital :		
240 Lakh fully paid Equity Shares ₹10 each		2,400
Note 2 : Reserve & Surplus :		
Security Premium		350
General Reserve		530
Capital Redemption Reserve		400
Profit and Loss Account		340
		1,620
Note 3 : Current Liabilities :		
Trade Payables		1,490
Other Current Liabilities		390
		1,880
Note 4 : Current Assets :		
Current Investments		148
Inventories		1,200
Trade Receivables		520
Cash and Bank		1,480
		3,348

Additional Information :

(i) On 1st April, 2018, the company announced buy-back of 25% of its equity shares @ ₹15 per share. For this purpose it sold all its current investments for ₹150 lakh.

(ii) On 10th April, 2018, the company achieved the target of buy-back.

(iii) On 30th April, 2018, the company issued one fully paid up equity shares of ₹10 each by way of bonus for every four equity shares held by capitalisation of reserves.

You are required to prepare Balance Sheet after bonus issue as per Schedule III of Companies Act, 2013. (5 marks)

(iii) Pina Ltd. issued to public 2,00,00,000 equity shares of ₹10 each at 25% premium which was payable ₹6 per share on application and the balance on allotment. The issue was underwritten by Poova Underwriters Ltd. for a maximum commission as per section 40(6) read with rule 13 of the Companies Act, 2013. The public subscribed for 1,45,00,000 equity shares and the rest had to be taken up by the Poova Underwriters Ltd. At the end of the year these shares were quoted in the share market at ₹10.15 per share.

You are required to prepare the necessary ledger accounts in the books of underwriter. (5 marks)

Answer 2(a)

Corrective action to improve Economic Value Added 'EVA'

1. Operating performance with respect to operating profit margins or asset turnover ratios could be improved to generate more revenue without using more capital.

2. The capital invested in the business might be reduced by selling under-utilized assets; this strategy will simultaneously improve operating performance through a higher asset turnover ratio, as well as a reduced capital charge against those earnings because of a reduced debt or equity capital investment.

3. Redeploy the capital invested to projects and activities that have higher operating performance than the current projects or investments are exhibiting.

4. If the business is not highly leveraged, change the capital structure by substituting lower cost debt for higher cost equity. Although this last strategy will decrease net income because of the higher interest cost, it will improve the EVA of the business because the total cost of debt and equity is reduced, and EVA measures the value created after all costs of capital (debt and equity) have been taken into account.

Answer 2(b)

Costs not included in cost of internally generated intangibles assets

(a) selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to making the asset ready for use;

(b) clearly identified inefficiencies and initial operating losses incurred before an asset achieves planned performance; and

(c) expenditure on training the staff to operate the asset.

Answer 2(c)

	Notes to Accounts		*₹(In Lakhs)*
1.	Share Capital		
	Authorized Capital:		2000
	200 lakh Equity Shares of Rs 10 each		
	Issued and Subscribed Capital:		
	100 lakh Equity Shares of ₹10 each fully paid		1000
	48 lakh Equity Shares of ₹10 each ₹8 paid up		384
	1.50 lakh Equity Shares of ₹10 each ₹8 called up	12	
	Less : Calls in Arreasrs	(3)	9
	Add : Forfeited Shares Account		2
	Total		1395
2.	Reserve and Surplus		
	Securities Premium		130
	Capital Reserve		150
	General Reserve		40
	Statement of Profit and Loss (Dr.)		(115)
	Total		205

Answer 2(d)

Disclosure Requirements for each class of assets according to AS-28 (Impairment of Assets)

According to AS-28, for each class of assets, the financial statements should disclose the following:

(i) the amount of impairment losses recognised in the statement of profit and loss during the period and the line item(s) of the statement of profit and loss in which those impairment losses are included;

(ii) the amount of reversals of impairment losses recognised in the statement of profit and loss during the period and the line item(s) of the statement of profit and loss in which those impairment losses are reversed;

(iii) the amount of impairment losses recognised directly against revaluation surplus during the period; and

(iv) the amount of reversals of impairment losses recognised directly in revaluation surplus during the period.

Answer 2(e)

Calculation of Net Profit u/s 198 for the purpose of Managerial Remuneration

Particulars	*₹(In Lakhs)*
I Gross Profit	560
I Expenses	
Salaries and Wages (excluding Manager's Salary)	95
Director Fees	3
Depreciation as per Schedule II (₹55 lakh Less: Development Reserve ₹15 Lakhs)	40
Cost of Finance	22
Other Expenses (assumed fully admissible)	60
Total Expenses	220
Net Profit u/s 198 (I-II)	**340**

Maximum Remuneration payable to Manager u/s 197:

5% of Net Profit calculated u/s 198 i.e. 5% of ₹340 lakhs = ₹17 lakhs

Answer 2A(i)

Calculation of Pre-Incorporation and Post Incorporation Profit

(₹ in Lakhs)

Particulars	*Total Amount*	*Basis of Allocation*	*Pre-incorporation*	*Post Incorporation*
Gross Profit (20% of ₹2,400)	480	Sales	120	360
Less : Expenses				
Salaries	(75)	Time	(25)	(50)
Rent, Rates and Insurance	(30)	Time	(10)	(20)
Sundry Office Expenses	(72)	Time	(24)	(48)
Travelers Commission	(20)	Sales	(5)	(15)
Discount Allowed	(16)	Sales	(4)	(12)
Bad Debts	(8)	Sales	(2)	(6)

Director Fees	(30)	Post-incorporation	-	(30)
Tax Audit Fees	(16)	Sales	(4)	(12)
Depreciation	(15)	Time	(5)	(10)
Debenture Interest	(14)	Post-incorporation	-	(14)
Net Profit	184		41	143

Working Notes:

Sales Ratio: Sales till 1st July: Sales after 1st July

600: 1800

1:3

Time Ratio: Pre-incorporation: Post-incorporation

April to July: August to March

4:8

1:2

Answer 2A(ii)

Balance Sheet of Udyog Ltd. as on 31st March, 2018
(After Buy Back and Bonus Issue)

Sr. No.	*Particulars*	*Note No.*	*Amount (₹In Lakhs)*
I	Equity & Liabilities		
	(1) Share Holder's Fund		
	(a) Share Capital		
	Equity Shares Capital of ₹10 each fully paid	1	2250
	(b) Reserve and Surplus		
	General Reserve	2	-
	Capital Redemption Reserve	3	550
	Security Premium	4	50
	Profit and Loss Account	5	272
	(2) Non Current Liabilities		
	Long Term Borrowings		
	12% Debentures		1500

	(3) Current Liabilities	
	Trade Payable	1490
	Other Current Liabilities	390
	Total	**6502**
II	Assets	
	(1) Non-Current Assets	
	Tangible Fixed Assets	4052
	(2) Current Assets	
	Inventories	1200
	Trade Receivable	520
	Cash and Cash Equivalents	730
	Total	**6502**

Notes to Accounts

1.	**Share Capital**	**₹In Lakhs**
	Equity Share Capital	
	225 lakhs fully paid-up shares @ ₹10 each (working note 1.)	2250
2.	**General Reserve**	**₹In Lakhs**
	General Reserve	530
	Less : Transfer to Capital Redemption Reserve	(530)
	Balance	Nil
3.	**Capital Redemption Reserve**	**₹In Lakhs**
	Balance before buy back and bonus issue	400
	Add : Transfer due to buy back of shares from P&L a/c	70
	Add : transfer from General Reserve due to Buy back	530
		1000
	Less : Utilization for issue of Bonus Shares	(450)
	Balance	550
4.	**Security Premium**	**₹In Lakhs**
	Balance before buy back and bonus issue	350
	Less : Utilization for premium paid on buy-back	(300)
	Balance	50
5.	Profit and Loss account	₹In Lakhs
	Balance before buy back and bonus issue	340
	Add : Profit on Sale of Investments	2
	Less : Transfer to Capital Redemption Reserve	(70)
	Balance	272

Working Notes:

1.	**Equity Share Capital**	**₹In Lakhs**
	Share Capital before buy back and bonus issue	2400
	Less : Buy Back of Shares (25% of 2400)	(600)
		1800
	Add : Bonus Issue (1800*1/4)	450
	Closing balance after buy back and bonus issue	2250
2.	**Cash and Cash Equivalents**	**₹In Lakhs**
	Cash & Bank Balance as on 1st April 2018	1480
	Add : Sale on Investments	150
	Less : Payment for buy back of shares	(900)
	Balance after buy back and bonus issue	730

Answer 2A(iii)

Ledgers of Poova Underwriters Ltd.

Pina Ltd. A/c

(₹in '000')

Particulars	*J.F.*	*₹*	*Particulars*	*J.F.*	*₹*
To Underwriting Commission A/c		12,500	By Equity Shares in Pina Ltd. A/c (55,00,000* ₹12.50)		68,750
To Bank A/c		56,250			
		68,750			68,750

Equity Shares in Pina Ltd. A/c

(₹in '000')

Particulars	*J.F.*	*₹*	*Particulars*	*J.F.*	*₹*
To Pina Limited A/c		68,750	By Underwriting Commission A/c		12,500
			By P&L A/c		425
			By Bal. c/d		55,825
		68,750			68,750

Underwriting Commission A/c

(₹in '000')

Particulars	*J.F.*	*₹*	*Particulars*	*J.F.*	*₹*
To Equity Shares in Pina Limited A/c		12,500	By Pina Ltd A/c		12,500
		12,500			12,500

Working Notes: (₹in '000')

1. Underwriting Commission = 5% on (20000000* ₹12.50) = ₹12,500
2. Loss on Quota Price = Cost of Shares in Pina Ltd. – Quoted Price

   = (68750-12500) – (5500*10.15)

   = 56250-55825

   = 425

Question 3

(a) *Toly Ltd. proposed to purchase the business carried on by Sonu on 31st March, 2018. For the purpose of valuation of goodwill the weights to be used and book profits for past four years were as follows :*

Year	*Weight*	*Profit (₹)*
2014-15	*1*	*70,40,000*
2015-16	*2*	*95,50,000*
2016-17	*3*	*68,30,000*
2017-18	*4*	*1,04,20,000*

On the scrutiny of the accounts the following matters were revealed :

(1) On 1st December, 2016 a major repair was made in respect of plant incurring ₹25,20,000 and was charged to Profit and Loss Account. The said sum is agreed to be capitalized for the purpose of calculation of goodwill subject to adjustment of yearly depreciation @ 10% per annum on reducing balance method.

(2) The closing stock for the year 2015-16 was overvalued by ₹8,60,000.

(3) To cover management cost an annual charge of ₹17,50,000 was not made.

(4) Average capital employed in the Sonu's business was ₹4,50,00,000 and normal rate of returns on similar business is 12%.

You are required to calculate the value of the goodwill of Sonu's business on the basis of 5 years purchase of superprofit. *(5 marks)* *(b)* *Mudgal Ltd. offered 400 Lakh equity shares of ₹10 each to the public. The amount was payable as to ₹4 on application. ₹5 (including premium) on allotment and ₹3 on call. The issue was subscribed to the extent of (two and one-fourth) $2\frac{1}{4}$ times. Applications for below 100 shares (for 200 Lakh shares in total) were rejected. An applicant for 200 Lakh shares was allotted 80 Lakh shares. The remaining shares were allotted on pro-rata basis to other applicants. The excess amount received on applications to the extent of allotment dues was retained. Shareholders holding 16 Lakh shares out of pro-rata issue failed to pay the allotment money and call money. Their shares were forfeited. 10 Lakh equity shares were re-issued at ₹9 per share fully paid.*

Show the journal entries including cash transactions. *(5 marks)*

(c) *A liquidator is entitled to receive remuneration at 2% on the assets realized, 3% on the amount distributed to preferential creditors and 3% on the payment made to unsecured creditors.*

The assets were realised for ₹50,00,000 against which payment was made as follows :

Particulars	*(₹)*
Liquidation Expenses	*50,000*
Secured Creditors	*20,00,000*
Preferential Creditors	*1,50,000*
Amount due to Unsecured Creditors	*30,00,000*

You are required to calculate the total remuneration payable to liquidator.
(5 marks)

Answer 3 (a)

Calculation of Goodwill (On the basis of 5 years purchase of super profit)

Year	*Profit (₹)*	*Capitalization of Machine Repair (₹)*	*Manage-ment Cost (₹)*	*Overvaluation of Stock (₹)*	*Add. Dep. On Machine (₹)*	*Adjusted Profit (₹)*	*Weight*	*Weight-age Profit(₹)*
2014 -15	70,40000	---	-17,50,000	---	----	52,90,000	1	52,90,000
2015 -16	95,50,000	---	-17,50,000	-8,60,000	----	69,40,000	2	1,38,80,000
2016 -17	68,30,000	+25,20000	-17,50,000	+8,60,000	-84,000	83,76,000	3	2,51,28,000
2017 -18	1,04,20,000	---	-17,50,000	----	-2,43,600	84,26,400	4	3,37,05,600
Total							10	7,80,03,600

Weightage Average Profit (7,80,03,600/10)	78,00,360
Less : Normal Profit (Capital Employed ₹4,50,00,000 *12/100)	54,00,000
Super Profit	24,00,360
Goodwill (Super Profit *5 = 24,00,360*5)	1,20,01,800

Working Note:

Additional Depreciation on Capitalized Value of Machine

For 2016-17, 1st Dec, 2016 to March 31, 2017 = (252,0000*10/100)*4/12 = ₹84000

For 2017-18 = 2,52,0000-84000 = 2,43,6000*10/100 = 2,43,600

Answer 3(b)

Journal Entries in the Books of Mudgal Ltd.

(₹ In Lakhs)

Date	*Particulars*		*L.F.*	*Amount ₹* (Dr.)	*Amount ₹* (Cr.)
---	Bank A/c	Dr.		3600	
	To Equity Share Application A/c				3600
	(Being application money received 900 lakh shares)				
---	Equity Share Application A/c	Dr.		3600	
	To Equity Share Capital A/c				1600
	To Equity Share Allotment A/c				1120
	To Bank A/c				880
	(Being application money due transferred to equity share capital a/c and excess money refunded)				
---	Share Allotment A/c	Dr.		2000	
	To Share Capital A/c				1200
	To Security Premium A/c				800
	(Being Allotment money due)				
---	Bank A/c	Dr.		836	
	To Equity Share Allotment A/c				836
	(Being Allotment money received)				
---	Equity Share Final Call A/c	Dr.		1200	
	To Equity Share Capital A/c				1200
	(Being Call money due)				

---	Bank A/c	Dr.	1152	
	To Equity Share Final Call A/c			1152
	(Being call money received)			
---	Share Capital A/c	Dr.	160	
	Security Premium A/c	Dr.	32	
	To Share Forfeiture A/c			100
	To Share Allotment A/c			44
	To Share Final Call A/c			48
	(Being 16 lakhs shares forfeited)			
---	Bank A/c	Dr.	90	
	Share Forfeited A/c	Dr.	10	
	To Share Capital A/c			100
	(Being 10 Lakhs Shares re-issued)			
---	Share Forfeited A/c	Dr.	52.50	
	To Capital Reserve A/c			52.50
	(Being Profit on Re-issue transferred to Capital Reserve A/c)			

Working Note:

(₹ in Lakh)

1.

Shares Applied	*Shares Allotted*	*App. Money rec. @ ₹4*	*App. Money Due @ ₹4*	*Excess money received*	*Allotment money due @ ₹5*	*Excess app. Money adjusted*	*Excess app. Money Refunded*	*Net Allotment money received*
200	Nil	800	Nil	800	Nil	Nil	800	Nil
200	80	800	320	480	400	400	80	Nil
500	320	2000	1280	720	1600	720	Nil	880
900	400	3600	1600	2000	2000	1120	880	880

2. Ratio 500:320 i.e. 25:16

Shareholder holdings 16 lakh shares applied for 25 lakhs shares

Money Received on 25 lakhs shares @ ₹4 = 100 lakh

Application money due on 16 lakh = 64 lakh

Excess money received on application = ₹36 lakh

Amount due on allotment on 16 lakh shares @ ₹5 = 80 lakhs

Arrears = ₹44 lakhs

Answer 3(c)

Calculation of Total Remuneration Payable to Liquidator

Particulars	*Amount (₹)*
2% on assets realized (2% on 50,00,000)	100000
3% on amount distributed to preferential creditors (3% on 150000)	4500
3% on amount paid to unsecured creditors (w. no. 1)	78510
Total	183010

Working Note: 1

Amount Released from Assets ₹50,00,000

Less : Payments:

1) Paid to Secured Creditors ₹20,00,000
2) Paid to Preferential Creditors ₹1,50,000
3) Liquidation Expenses ₹50,000
4) 2% commission on assets realized to liquidator ₹1,00,000
5) 3% Commission to liquidator ₹4500

Balance for Unsecured Creditor = ₹26,95,500

Commission Payable = 26,95,500*3/103 = ₹78510

Question 4

(a) Pine International Ltd. was wound up on 31-3-18 and its summarised Balance Sheet as on that date was as follows :

	Note No.	*₹*
I. EQUITY & LIABILITIES		
(1) Shareholders' Funds :		
(a) Share Capital	*1*	*12,00,000*
(b) Reserves & Surplus	*2*	*5,64,000*
(2) Current Liabilities	*3*	*4,86,000*
Total		*22,50,000*

II. ASSETS

(1) Non-Current Assets : Fixed Assets			*9,64,000*
(2) Current Assets	*4*		*12,86,000*
Total			*22,50,000*

Note 1 : Share Capital :

1,20,000 Equity Shares ₹10 each fully paid up		*12,00,000*
		12,00,000

Note 2 : Reserve and Surplus :

Profit prior to incorporation		*42,000*
Contingency Reserve		*2,70,000*
Profit and Loss Account		*2,52,000*
		5,64,000

Note 3 : Current Liabilities :

Sundry Creditors		*2,26,000*
Bills Payable		*40,000*
Provision for Income Tax		*2,20,000*
		4,86,000

Note 4 : Current Assets :

Inventories		*7,75,000*
Cash at Bank		*3,29,000*
Sundry Debtors	*1,60,000*	
Less : Provision for Bad & Doubtful debt	*8,000*	*1,52,000*
Bills Receivable		*30,000*
		12,86,000

Apple Ltd. took over the following assets at the value shown below :

Fixed Assets	*₹12,80,000*
Inventories	*₹7,70,000*
Bills Receivables	*₹30,000*

Purchase consideration was settled by Apple Ltd. as under :

(i) ₹5,10,000 of the consideration was satisfied by the allotment of fully paid 10% preference shares of ₹100 each.

(ii) The balance was settled by issuing equity shares of ₹10 each, ₹8 per share paid up. Sundry Debtors realised ₹1,50,000. Bills payable was settled for ₹38,000. Income-tax authorities fixed the taxation liability at ₹2,22,000. Sundry creditors were finally settled with cash remaining after paying liquidation expenses of ₹8,000.

You are required to :

(i) Calculate the number of equity shares and preference shares to be allotted by Apple Ltd. in discharge of purchase consideration.

(ii) Prepare the realisation account, cash at bank account, Equity Shareholder's account and Apple Ltd. account in the books of Pine International Ltd.

(8 marks)

(b) The Balance Sheets of H Ltd. and S Ltd. as on 31st March, 2018 are given below :

(₹ in Lakh)

	H Ltd. (₹)	S Ltd. (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders' Funds :		
(a) Share Capital :		
Equity Shares of ₹100 each fully paid	2,500	800
(b) Reserves and Surplus :		
General Reserve	600	250
Profits	300	200
(2) Current Liabilities :		
Trade Payables	450	330
Total	3,850	1,580
II. ASSETS		
(1) Non-Current Assets :		
(a) Tangible Assets :		
Land and Building	1,670	720
Plant and Machinery	440	289
(b) Long-term Investment (6,00,000 Shares in S Ltd.)	980	—
(2) Current Assets	760	571
Total	3,850	1,580

H Ltd. acquired the shares in S Ltd. on 31st March, 2017. On that date General Reserve and Profits of S Ltd. stood at ₹50 Lakh and ₹120 Lakh respectively.

Land and Building (Book Value ₹800 Lakh) and Plant and Machinery (Book Value ₹340 Lakh) of S Ltd. were revalued at ₹980 Lakh and ₹310 Lakh respectively, book value of remaining assets were unchanged.

You are required to prepare Consolidated Balance Sheet by ignoring Note to Accounts. *(7 marks)*

Answer 4(a)

Calculation of Purchase Consideration

Fixed Assets	₹12,80,000
Inventories	₹7,70,000
Bills Receivable	₹30,000
Total =	₹20,80,000

Discharge of Purchase Consideration

10% 5100 Preference Shares @ ₹100 each	=	₹5,10,000
Equity share Capital = 20,80,000 – 5,10,000		
= 1570000 /8 = 196250 shares ₹8 paid up	=	₹1570000
Total	**=**	**₹20,80,000**

Realisation A/c

Particulars	₹	*Particulars*	₹
To Fixed Assets A/c	9,64,000	By Provision for Bad and Doubtful Debts A/c	8000
To Inventories	7,75,000	By Bills Payable A/c	40000
To Sundry Debtors A/c	1,60,000	By Sundry Creditors A/c	226000
To Bills Receivable A/c	30,000	By Provision for Income Tax	220000
To Bank A/c		By Apple Limited (Purchase Consideration)	2080000
Liquidation Exp.	8000	By Bank A/c	150000
Bills Payable	38,000		
Tax Liability	2,22,000		
Sundry Creditors	2,11,000		
To Equity Share Holder A/c	3,16,000		
Total	27,24,000	Total	27,24,000

Cash at Bank A/c

Particulars	₹	*Particulars*	₹
To Balance b/d	329000	By Realisation A/c	
To Realisation A/c	150000	Liquidation Expenses	8000
		Bills Payable	38000
		Tax Liability	222000
		Sundry Creditors (Bal. Fig)	211000
Total	479000	Total	479000

Equity Share Holders A/c

Particulars	₹	*Particulars*	₹
To 10% Pref. Shares in Apple Ltd.	510000	By Equity Share Capital A/c	1200000
To Equity Shares in Apple Ltd. A/c	1570000	By Profit prior to incorporation	42000
		By Contingency Reserve A/c	270000
		By Profit and Loss A/c	252000
		By Realization A/c	316000
Total	2080000	Total	2080000

Apple Ltd A/c

Particulars	₹	*Particulars*	₹
To Realisation A/c	2080000	By Preference Share Capital A/c	510000
		By Equity Share Capital A/c	1570000
Total	2080000	Total	2080000

Answer 4(b)

Consolidated Balance Sheet as on 31st March, 2018

Sr. No.	*Particulars*	*Amount (₹ In Lakhs)*
I	Equity & Liabilities	
	(1) Share Holder's Fund	
	(a) Share Capital	
	Equity shares of ₹100 each fully paid	2500.000
	(b) Reserve and Surplus	
	General Reserve	600.000
	Profit and Loss	424.875
	(2) Minority Interest (See Note 5)	346.625
	(3) Current Liabilities	
	Trade Payable (450+330)	780.000
	Total	4651.500

II	Assets	
	1. Non-Current Assets	
	(a) Tangible Assets	
	Land and Building (1670+980-98)	2552.000
	Plant and Machinery (440+310-46.50)	703.500
	(b) Intangible Assets	
	Goodwill	65.000
	(2) Current Assets (760+571)	1331.000
	Total	4651.500

Working Notes

(₹ In Lakhs)

Particulars	*Total Amount*	*Shares of H Ltd 75% Capital*	*Revenue*	*Minority Interest*
1. Pre-acquisition profits & Reserves of S Ltd				
General Reserve	150			
Profit	120			
Total	270	202.50	-	67.50
2. Post-acquisition reserve of S Ltd.				
General Reserve (250-150)	100	-	75	25
3. Profit on revaluation of assets of S Ltd.				
Land and Building (980-800)	180			
Plant and Machinery (310-340)	(30)			
Total	150	112.50	-	37.50
4. Post-acquisition profit of S Ltd. (200-120)	80			
Add : Excess depreciation on plant and Machinery 15% on ₹30 lakhs	4.5			
Less : Dep. On Land and Building 10% on ₹180 lakhs	(18)			
Total	66.50	-	49.875	16.625

5.	Share Capital of S Ltd.	800	600	-	200
	Total (1 to 5)		915	124.875	346.625
	Investment of H Ltd. in shares of S Ltd.		980		
	Cost of Control (Goodwill)		65		

Note : Calculation of Rates of Depreciation

Land and Building : Dep. For 2017-18 = ₹800-₹720 = 80 Lakhs and Rate = 80/800 = 10 %

Plant and Machinery: Dep. For 2017-18 = ₹340-₹289 = 51 Lakhs and Rate = 51/340 = 15%

PART B

Question 5

(a) *What are the objectives of Management Information system review ?*

(b) *Which companies are excluded from CARO 2015 ?*

(c) *Explain the main points that should be considered by auditor in verification of Assets and Liabilities.* *(5 marks each)*

Answer 5(a)

Objectives of Management Information Systems Review

1. To determine whether review procedures are necessary to achieve stated objectives.
2. To determine whether MIS policies or practices, processes, objectives, and internal controls are adequate.
3. To evaluate whether MIS applications provide users with timely, accurate, consistent, complete, and relevant information.
4. To assess the types and level of risk associated with MIS and the quality of controls over those risks.
5. To determine whether MIS applications and enhancements to existing systems adequately support corporate goals.
6. To determine whether MIS is being developed in compliance with an approved corporate MIS policy or practice statement.
7. To determine whether management is committed to provide the resources needed to develop the required MIS.
8. To determine if officers are operating according to established guidelines.
9. To evaluate the scope and adequacy of audit activities.
10. To initiate corrective action when policies or practices, processes, objectives, or internal controls are deficient.
11. To determine if any additional work is needed to fulfill the examination strategy of the institution.

Answer 5(b)

Companies excluded from Companies (Auditor's Report) Order, 2015 – CARO, 2015

(i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949;

(ii) an insurance company as defined under the Insurance Act,1938 ;

(iii) a company licensed to operate under section 8 of the Companies Act;

(iv) a One Person Company as defined under section 2(62) of the Companies Act and a small company as defined under section 2(85) of the Companies Act;

(v) a private limited company

- with a paid up capital and reserves not more than rupees fifty lakh and
- which does not have loan outstanding exceeding rupees twenty five lakh from any bank or financial institution and
- does not have a turnover exceeding rupees five crore at any point of time during the financial year.

Answer 5(c)

Verification of Assets and Liabilities

The following points must be considered by auditors while verification of assets and liabilities:

i. *Existence* : The auditor should confirm that all the assets of the company physically exist on the date of balance sheet.

ii. *Possession* : The auditor has to verify that the assets are in the possession of the company on the date of balance sheet.

iii. *Ownership* : The auditor should confirm that the asset is legally owned by the company.

iv. *Charge or lien* : The auditor has to verify whether the asset is subject to any charge or lien.

v. *Record* : The auditor should confirm that all the assets and liabilities are recorded in the books of account and there is no omission of asset or liability.

vi. *Audit report* : Under CARO the auditor has to report whether the management has conducted physical verification of fixed assets and stock and the difference, if any, between the physical inventory and the inventory as per the book.

vii. *Event after balance sheet date* : The auditor should find out whether any event after the date of balance sheet has affected any items of assets and liabilities.

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

Question 6

(a) What is the procedure of issuing auditing standards ?

(b) *What do you mean by propriety audit ? What main aspects to be verified by auditor under this audit ?*

(c) *Though internal controls may be well designed, yet certain limitations are inherent in all internal control system. What are included in these limitations ?*

(5 marks each)

OR (Alternative question to Q. No. 6)

Question 6A

(i) *What are the duties of auditor if he notices fraud during the course of audit ?*

(ii) *Explain commonly used methods to be used by auditor in selection of audit sample.*

(iii) *What are the objectives of review of Manufacturing operations ?*

(5 marks each)

Answer 6(a)

Procedure of issuing Auditing Standards

1. The Auditing and Assurance Standards Board identifies the areas where auditing standards need to be formulated and the priority in regard to their selection.
2. In the preparation of the auditing standards, the Board is normally, assisted by study groups comprising of a cross section of members of the Institute of Chartered Accountants of India.
3. On the basis of the work of the study groups, an Exposure Draft of the proposed auditing standard is prepared by the Board and issued for comments of the members.
4. After taking into consideration the comments received, the draft of the proposed auditing standard is finalized by the Board and submitted to the Council of the Institute.
5. The Council considers the final draft of the proposed auditing standard and, if necessary, modifies the same in consultation with the Board. The auditing standard is then issued under the authority of the Council.

While formulating the auditing standards, the Board also takes into consideration the applicable laws, customs, usages and business environment in the country.

Answer 6(b)

Kohler has defined propriety as that which meets the test of public interest, commonly accepted customs and standard of conduct and particularly as applied to professional performance, requirements of Government regulations and professional codes. Propriety Audit carry out to check, mean whether the transactions have been done in conformity with established rules, principles and established standard.

The following main aspects to be verified by auditor under the Propriety Audit:

(i) Proper recording has been done in appropriate books of accounts.

(ii) The assets have not been misused and have been properly safeguarded.

(iii) The business funds have been utilized properly.

(iv) The concern is yielding the expected results.

Answer 6(c)

Limitations of Internal Controls

1. *Judgment* - The effectiveness of controls will be limited by decisions made with human judgment under pressures to conduct business based on the information available at hand.

2. *Breakdowns* - Even well designed internal controls can break down. Employees sometimes misunderstand instructions or simply make mistakes. Errors may also result from new technology and the complexity of computerized information systems.

3. *Management Override* - High level personnel may be able to override prescribed policies or procedures for personal gains or advantages. This should not be confused with management intervention, which represents management actions to depart from prescribed policies and procedures for legitimate purposes.

4. *Collusion* - Control system can be circumvented by employee collusion. Individuals acting collectively can alter financial data or other management information in a manner that cannot be identified by control systems.

Answer 6A(i)

Duties of Auditor in case of fraud noticed

Under section 143(12) of Companies Act, if an auditor of a company in the course of the performance of his duties as auditor, has reason to believe that an offence of fraud involving such amount or amounts as may be prescribed, is being or has been committed in the company by its officers or employees, the auditor shall report the matter to the Central Government within such time and in such manner as may be prescribed.

Provided that in case of a fraud involving lesser than the specified amount, the auditor shall report the matter to the audit committee constituted under section 177 of Companies Act or to the Board in other cases within such time and in such manner as may be prescribed.

Provided further that the companies, whose auditors have reported frauds under this sub-section to the audit committee or the Board but not reported to the Central Government, shall disclose the details about such frauds in the Board's report in such manner as may be prescribed.

Answer 6A(ii)

Selection of Audit Sample

While there are a number of selection methods, three methods commonly used are:

Random Selection : This method ensures that all items in the population have an equal chance of selection, for example, by use of random number tables.

Systematic Selection : This method involves selecting items using a constant interval between selections, the first interval having a random start. The interval might be based on a certain number of items (for example, every 20th voucher number) or on monetary totals (for example, every ₹1,000 increase in the cumulative value of the population). When using systematic selection, the auditor would need to determine that the population is not structured in such a manner that the sampling interval corresponds with a particular pattern in the population.

Haphazard selection : This is an acceptable alternative to random selection, provided the auditor attempts to draw a representative sample from the entire population with no intention to either include or exclude specific units. When the auditor uses this method, care needs to be taken to guard against making a selection that is biased, for example, towards items which are easily located, as they may not be representative.

Answer 6A(iii)

Objectives of Review of Manufacturing Operations

1. Whether the organization have any manufacturing process management system.
2. Whether the policies and procedures for production planning is well defined & well documented.
3. Whether the organisation has a quality management system in place. If so, whether the organisation has a written quality policy and whether it is adhered or not.
4. Whether the organization is following six sigma.
5. Whether the organisation has a written maintenance policy.
6. Whether the organization has a written scrap policy.
7. Whether security policies are documented or not.

***

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) A transaction of the dematerialised equity share took place on the 9th October, 2018 at BSE. According to the Compulsory Rolling Settlement, complete the following table with timeline of the settlement cycle :

Activity	*Day and Date*
Rolling Settlement	
Custodial Confirmation and Delivery Generation	
Securities and Funds Pay-in and Pay-out	
Auction	
Bad Delivery Reporting	
Auction Settlement	
Rectified Bad Delivery Pay-in and Pay-out	
Re-Bad Delivery Reporting and Pick-up	
Close out of Re-Bad Delivery and Funds Pay-in and Pay-out	

(5 marks)

(b) The redemption price of Motilal Mutual Fund unit is ₹54 while the front end load and back end load charges are 2% and 3% respectively. Compute :

(i) Net Asset Value per unit

(ii) Public Offer Price per unit. *(2 marks each)*

(c) Explain the following credit rating symbols :

(i) A

(ii) A4

(iii) A(SO)

(iv) A4(SO)

(v) Amfs

(vi) A1mfs. *(1 mark each)*

Answer 1(a)

S No.	*Activity*	*Day*	*Day & Date*
i.	Rolling Settlement Trading	T	Tuesday i.e. 9th October 2018
ii.	Custodial confirmation	T+1 working day	Wednesday i.e. 10th October 2018
	Delivery generation	T+1 working day	Wednesday i.e. 10th October 2018
iii.	Security and funds Pay in	T+2 working days	Thursday i.e. 11th October 2018
	Security and Funds Pay-out	T+2 working days	Thursday i.e. 11th October 2018
iv.	Auction	T+3 working days	Friday i.e. 12th October 2018
v.	Bad Delivery Reporting	T+4 working days	Monday i.e. 15th October 2018
vi.	Auction Settlement	T+5 working days	Tuesday i.e. 16th October 2018
vii.	Rectified Bad delivery Pay-in	T+6 working days	Wednesday i.e. 17th October 2018
	Rectified Bad delivery Pay-out	T+6 working days	Wednesday i.e. 17th October 2018
viii.	Re- Bad Delivery Reporting and Pick-up	T+8 working days	Friday i.e. 19th October 2018
ix.	Close out of Re-Bad Delivery & funds pay in and payout	T+9 working days	Monday i.e. 22th October 2018

Answer 1(b)

(i) Redemption Price = NAV / (1 + back end load)

54 = NAV/ 1.03

NAV = 54 x 1.03

NAV = ₹55.62 per unit

(ii) Public Offer Price = NAV/(1 - Front end load)

= NAV/ (1 - 0.02)

= 55.62 / 0.98

Public Offer Price = ₹56.755 per unit

Answer 1(c)

(i) **A** : Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. This falls under “Long-Term Debt Instruments”.

(ii) **A4** : Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Instruments carry very high credit risk and are susceptible to default. This falls under “Short-Term Debt Instruments”.

(iii) **A(SO)** : Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. This falls under ‘Long-Term Structured Financial Instruments”.

(iv) **A4(SO)** : Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Comments carry very high credit risk and are susceptible to defaults. This falls under “Short Term Structured Financial Instruments”.

(v) **Amfs** : Schemes with this rating are considered to have the adequate degree of safety regarding timely receipt of payments from the investments that they have made. This falls under “Long Term Debt Mutual Fund Schemes”.

(vi) **A1mfs** : Schemes with this rating are considered to have very strong degree of safety regarding timely receipt of payment from the investment that they have made.

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

Question 2

Explain the following :

(a) Certificate of Deposits

(b) Institutional Trading Platform

(c) Venture Capital Undertaking

(d) Offshore Derivative Instrument

(e) Securitised Debt Instrument. *(3 marks each)*

OR (Alternate question to Q. No. 2)

Question 2A

(i) Explain the role of securities market in economic growth. *(5 marks)*

(ii) Define the fund of funds scheme and state the benefits of the scheme. *(2+3=5 marks)*

(iii) What is market abuse ? Explain the functioning of price monitoring. *(2+3=5 marks)*

Answer 2(a)

Certificate of Deposits : (CDs) is a negotiable money market instrument and issued in dematerialised form or as Usance Promissory Note, against funds deposited at a bank or other eligible financial institution for a specified time period. Guidelines for issue of CDs are presently governed by various directives issued by the Reserve Bank of India, as amended from time to time. CDs can be issued by:

— scheduled commercial banks excluding Regional Rural Banks (RRBs) and Local Area Banks (LABs).

— selected all-India Financial Institutions that have been permitted by RBI to raise short-term resources within the umbrella limit fixed by RBI.

Answer 2(b)

Institutional Trading Platform (ITP) : SEBI has notified new norms for listing of small and medium enterprises (SMEs) including the start-up companies on Institutional Trading Platform (ITP) on stock exchanges without an initial public offering. This will allow SMEs to list themselves on stock exchanges without raising funds from the public. In the modified rules to permit listing of start-ups and SMEs in ITP without having to make an IPO, a minimum amount of trading or investment on the ITP would be ₹10 lakh. This move will provide easier exit options for entities such as Angel investors, capital funds and private equity.

Answer 2(c)

Venture Capital Undertaking : It means a domestic company:

i. which is not listed on a recognised stock exchange in India at the time of making investment;

ii. which is engaged in the business of providing services, production or manufacture of article or things and does not include following activities or sectors:

   1. non-banking financial companies;
   2. gold financing;
   3. activities not permitted under industrial policy of Government of India;
   4. any other activity which may be specified by SEBI in consultation with Government of India from time to time.

Answer 2(d)

Offshore Derivative Instruments (ODI) : ODI means any instrument, by whatever name called, which is issued overseas by a foreign portfolio investor against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying.

FPIs can issue, subscribe to or otherwise deal in ODIs, directly or indirectly, only if such ODIs are issued to persons who are regulated by an appropriate foreign regulatory authority, and the ODIs are issued after compliance with 'Know Your Client' (KYC) norms. Such offshore derivative instruments shall not be issued to or transferred to persons who are resident Indians or non-resident Indians and to entities that are beneficially owned by resident Indians or non-resident Indians.

Answer 2(e)

Securitized Debt Instrument : It means any certificate or instrument, by whatever name called, issued to an investor by any issuer who is a special purpose distinct entity possessing any debt or receivable, including mortgage debt assigned to such entity, and acknowledging the beneficial interest of the investor in such debt or receivable, including mortgage debt, as the case maybe. Securitized debt instruments are regulated by the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008, for listing on stock exchanges and the Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003.

Answer 2A(i)

The Securities Market, refers to the markets for those financial instruments/claims/ obligations that are commonly and readily transferable by sale. The Securities Market has two inter-dependent and inseparable segments, the new issues (primary) market and the stock (secondary) market.

A well-functioning securities market is conducive to sustained economic growth. There have been a number of studies, starting from World Bank and IMF to various scholars, which have established robust relationship not only one way, but both ways, between the development in the securities market and the economic growth.

The securities market fosters economic growth to the extent that it-

(a) augments the quantities of real savings and capital formation from any given level of national income;

(b) increases net capital inflow from abroad;

(c) raises the productivity of investment by improving allocation of investible funds; and

(d) reduces the cost of capital.

Answer 2A(ii)

As per SEBI (Mutual Funds) Regulations, 1996, Fund of Funds (FoFs) is a mutual fund scheme which invests in the schemes of same mutual funds of other Mutual Funds. These funds can invest in equity oriented, debt oriented and liquid schemes or sector specific schemes depending on the investment style of the fund managers.

Benefits of Fund of Funds scheme

- *Diversification* : As a fund of funds invest in the schemes of other funds, it provides a greater degree of diversification.
- *Uncomplicated* : Instead of investing in different stock/unit of mutual funds and

keeping a track record of all of them, it is much easier to invest in and track only one fund, which in turn invest in other mutual funds.

- *Cheap* : While entering into the capital market it is difficult to diversify because of limited funds. Fund of funds provide an opportunity to go for diversification with comparatively Limited amount.
- *Risk* : Investors can trim down the risk by choosing this route. Because of diversification, even if one stock/scheme is not performing well risk level comes down.
- *Expertise of various Managers* : As in the case of schemes of mutual funds, fund of funds scheme also work under the due diligence of a fund manager. This gives the scheme additional expertise as compared to other mutual fund schemes. These schemes also provide access to information which may be difficult to obtain for an investor on a case by case basis.

Answer 2A(iii)

Market abuse is a broad term which includes abnormal price/volume movement, artificial transactions, false or misleading impressions, insider trading, etc. In order to detect aberrant behaviour/movement, it is necessary to know the normal market behaviour.

The concerned department of the stock exchange uses various tools to determine normal and abnormal market behaviour. The department carries out investigations based on the preliminary examination/analysis, and suitable actions are taken against members involved based on the investigation.

Functions of Price Monitoring

The functioning of the Price Monitoring is broadly divided into following activities:

(a) Online Surveillance

(b) Offline Surveillance

(c) Derivative Market Surveillance

(d) Investigations

(e) Surveillance Actions

(f) Rumour Verification

(g) Pro-active Measures.

Question 3

(a) Are mutual funds permitted to make overseas investment ? Describe.

(b) "All Alternative Investment Funds shall ensure transparency and disclosure of information to investors." Comment.

(c) Regulation 11 of SEBI (Real Estate Investment Trust), Regulations, 2014 provides for rights and responsibilities of sponsor(s). Explain. *(5 marks each)*

Answer 3(a)

Yes, Mutual Funds are permitted to make overseas investments in:

i. ADRs/GDRs issued by Indian or Foreign Companies;

ii. equity of overseas companies listed on recognised stock exchanges overseas;

iii. Initial and follow-on public offering listing at recognised stock exchanges overseas;

iv. foreign debt securities in the countries with fully convertible currencies, short-term as well as long-term debt instruments with rating not below investment grade by accredited/registered credit rating Agencies;

v. Money market instruments rated not below investment grade;

vi. Repose in the form of investment, where the counterparty is rated not below investment grade; repose should not however, involve any borrowing of funds by mutual funds;

vii. Government securities where the countries are rated not below investment grade;

viii. Derivatives trading on recognised stock exchanges Overseas only for hedging and portfolio balancing with underline as securities;

ix. Short term deposits with banks Overseas where the issue is rated not below investment grade;

x. Units/securities issued by Overseas Mutual Funds or unit trusts registered with Overseas regulator and investing in (a) aforesaid securities, (b) real estate investment trust (REITs) listed in recognized stock exchanges overseas or (c) unlisted Overseas securities (not exceeding 10% of their net assets).

Answer 3(b)

All alternative investment funds shall ensure transparency and disclosure of information to the investors as per the following details:

1. financial, risk management, operational portfolio, transactional information regarding fund investments shall be disclosed periodically;
2. any fees prescribed to the Manager or Sponsor; and any fees charged to the Alternative Investment Fund or any Investor Company by an associate of the Manager or Sponsor shall be disclosed periodically;
3. any enquiries, legal actions by legal or regulatory bodies in any jurisdiction, as and when occurred shall be disclosed;
4. any material liability arising during the Alternative Investment Fund's tenure shall be disclosed, as and when occurred;
5. any breach of a provision of the placement memorandum or agreement made with the investor or any other fund documents, if any, as and when occurred shall be disclosed;
6. Alternative Investment Fund shall provide at least on an annual basis, within 180 days from the year end, reports to investors including the following information, as may be applicable to the Alternative Investment Fund:-

A. Financial information of investee companies.

B. Material risks and how they are managed.

7. Category III Alternative Investment Fund shall provide quarterly reports to investors in respect of Clause (g) within 60 days of end of quarter.

Answer 3(c)

Regulation 11 of SEBI (Real Estate Investment Trusts) Regulations, 2014, provides for the rights and responsibilities of the sponsor(s) which are as follows:

1. The sponsor(s) shall set up the Real Estate Investment Trusts (REIT) and appoint the Trustee of the REIT.

2. The sponsor(s) shall transfer or undertake to transfer, subject to a binding agreement and adequate disclosures in the initial offer document, their entire shareholding or interest and rights in the holdco (holding company) and/or Special Purpose Vehicle (SPV) or entire ownership of the real estate assets to the REIT prior to allotment of units of the REIT to the applicants.

   However, this shall not apply to the extent of any mandatory holding of shares or interest and rights in the holdco and/or SPV by the sponsor(s) and sponsor group(s) as required under any Act or regulations or circulars or guidelines of government or regulatory authority as specified from time to time.

3. With respect to holding of units in the REIT,-

   (a) the sponsor(s) shall collectively hold a minimum of twenty five percent of the total units of the REIT after initial offer on a post-issue basis :

   However, the minimum sponsor(s) holding specified in this clause shall be held for a period of atleast three years from the date of listing of such units.

   Further, any holding of the sponsor (s) exceeding the minimum holding as specified in this clause, shall be held for a period of atleast one year from the date of listing of such units.

   (b) the sponsor(s) together hold not less than fifteen per cent of the outstanding units of the listed REIT at all times;

   (c) each of the sponsor individually shall hold not less than five per cent of the outstanding units of the listed REIT at all times.

4. If the sponsor(s) propose(s) to sell its units below the limit specified in (b) or (c) of Point no. 3 as mentioned above:

   a. Such unit shall be sold only after a period of 3 years from the date of listing of the units;

   Prior to sale of such units, the sponsor(s) shall arrange for another person(s) or entity(ies) to act as the re-designated sponsor(s) where the re-designated sponsor shall satisfy the eligibility norms for the sponsor as specified under the SEBI REIT Regulations;

   However, such units may also be sold to an existing sponsor;

c. The proposed redesignated sponsor shall obtain approval from the unit holders or provide option to exit to the unit holders in accordance with guidelines as may be specified.

   However, this clause shall not apply where the units are proposed to be sold to an existing sponsor or member of sponsor group.

5. If re-designated sponsor(s) proposes to sell its units to any other person, condition specified in (a), (b) & (c) of point no. 4 as mentioned above, shall be complied with.

Question 4

(a) "SEBI has come a long way since its inception as an institution regulating the Indian Capital Markets. It has initiated a lot of reforms to make the market more safer for customers." Explain briefly the major policy initiatives taken by SEBI since its inception. (8 marks)

(b) What guidelines have been issued by SEBI for public issue of units of InvITS ? Describe them. (7 marks)

Answer 4(a)

SEBI has come along with since inception as an institution regulating the Indian Capital Markets. It has initiated a lot of reforms to make the market safer for investors. The following are the major policy initiatives taken by SEBI since its inception :

- **Screen Based Trading** : A major developmental initiative was a nationwide online fully-automated screen based trading system (SBTS) where a member can punch into the computer, quantities of securities and the price at which he likes to transact and the transaction is executed as soon as it finds a matching Sale or Buy order from a counter party.

- **Depositories Act** : The earliest settlement system gave rise to settlement risk. This was due to the time taken for settlement and due to the physical movement of paper. Further, the transfer of shares in favour of the purchaser by the company also consumed considerable amount of time. To obviate these problems, the Depositories Act, 1996 was passed to provide for the establishment of depositories in securities.

- **Derivatives** : To assist market participants to manage risks better through hedging, speculation and arbitrage, Securities Contracts (Regulations) Act was amended in 1995 to lift the ban on options in securities.

- **Settlement Guarantee** : A variety of measures were taken to address the risk in the market. Clearing corporations emerged to assume counter party risk. Trade and settlement guarantee fund was set up to guarantee settlement of trades irrespective of default by brokers. These points provide full novation and work as central counter party. The exchanges/clearing corporations monitor the positions of the brokers on real time basis. The securities market moved from T+3 settlement period to T+2 rolling settlement with effect from April 1, 2003. Further, straight through processing has been made mandatory for all institutional trades executed on the stock exchanges.

- **Securities Market Awareness** : In January 2003, SEBI launched a nationwide Securities Market Awareness Campaign that aims at educating investors about the risk associated with the market as well as the rights and obligations of investors.
- **Corporate Governance** : To improve the standards of corporate governance, SEBI amended clause 49 of the listing agreement. The major changes in the new clause 49 include amendment/additions to provisions relating to definition of independent directors, responsibility of audit committees, improving quality of financial disclosures, including those pertaining to related party transactions and proceeds from public/rights/ preferential issues, requiring Boards to adopt formal code of conduct, CEO/CFO certification of financial statements and improving disclosures to share holders. Certain non-mandatory clauses like whistle blower policy and restriction of the term of independent directors have also been included.
- **Guidelines for Issue of Indian Depository Receipts (IDRs)** : SEBI issued Guidelines on disclosures and related requirements for companies desirous of issuing IDRs in India. SEBI also prescribed the listing agreement for entities issuing IDRs.
- **Setting up of SME Exchange** : SEBI decided to put in place a framework for setting up of new exchange or separate platform of existing stock exchange having nationwide terminals for SME. In order to operationalise the said framework, necessary changes have been made to applicable regulations, circulars etc. As per the framework, market making has been made mandatory in respect of all scrips listed and traded on SME exchange.
- **Business Responsibility Reports** : SEBI inserted Clause 55 in the Equity Listing Agreement, mandating inclusion of Business Responsibility Reports ("BR reports") as part of the Annual Reports for listed entities in line with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' issued by the Ministry of Corporate Affairs.
- **Enhanced Corporate Governance Standards** : To address concerns related to private equity funds entering into compensation agreements to incentivize promoters, directors and key managerial personnel of listed investee companies which could potentially lead to unfair practices, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) were amended to put in place provisions for disclosures and approval of the board and shareholders.

Answer 4(b)

The followings are the guidelines issued by SEBI for public issue of units of InvITs:-

— The Investment Manager on behalf of the InvIT, shall appoint one or more merchant bankers, at least one of whom shall be a lead merchant banker and shall also appoint other intermediaries, in consultation with the lead merchant banker, to carry out the obligations relating to the issue.

— After receipt of comments from public and observations from SEBI, the draft offer document shall be filed with SEBI and the designated stock exchanges.

— In an issue made through the book building process or otherwise, the allocation in the public issue shall be as follows:

(a) not more than 75% to Institutional Investors

(b) not less than 25% to other investors

Investment manager on behalf of the InvIT, may allocate upto 60% of the portion available for allocation to Institutional Investors to anchor investors.

— The Investment Manager on behalf of the InvIT, shall deposit, before the opening of subscription, and keep deposited with the stock exchange(s), an amount calculated at the rate of 0.5% of the amount of units offered for subscription to the public or Rs. 5 crore, whichever is lower.

— A public issue shall be kept open for at least three working days but not more than thirty days.

— Where the InvIT desires to have the issue underwritten, it shall appoint the underwriters in accordance with SEBI (Underwriters) Regulations, 1993.

— The investment manager on behalf of the InvIT, may determine the price of units in consultation with the lead merchant banker or through the book building process.

— In all issues, the InvIT shall accept bids including using Applications Supported by Blocked Amount (ASBA) facility, if so opted.

— On receipt of the sum payable on application, the investment manager on behalf of the InvIT shall allot the units to the applicants.

— Records related to allocation process shall be maintained by the lead book runner and the book runner/s and other intermediaries associated in the book building process shall also maintain records of the book building prices.

— The lead merchant banker shall submit the following post-issue reports to SEBI:

(a) Initial post issue report, within three working days of closure of the issue.

(b) Final post issue report, within fifteen days of the date of finalization of basis of allotment or within fifteen days of refund of money in case of failure of issue.

— The lead merchant banker shall submit a due diligence certificate along with the final post issue report.

— Any public communication including advertisement, publicity material, research reports, etc. concerned with the issue shall not contain any matter extraneous to the contents of the offer document.

— The post-issue lead merchant banker shall regularly monitor redressal of investor grievances relating to post-issue activities such as allotment, refund, etc.

— The post-issue merchant banker shall ensure that advertisement giving details relating to oversubscription, basis of allotment, number, value and percentage of all applications, number, value and percentage of successful allottees for all applications, date of completion of dispatch of refund orders or instructions to Self Certified Syndicate Banks by the Registrar, date of dispatch of certificates and date of filing of listing application, etc. is released within ten days from the date of completion of the above activities on the website of the InvIT, sponsor,investment manager, stock exchanges and in all the newspapers in which the pre issue advertisement was released, if applicable.

— The lead merchant bankers shall exercise due diligence and satisfy himself about all the aspects of the issue including the veracity and adequacy of disclosure in the offer documents.

— The lead merchant banker shall ensure that the information contained in the offer document and the particulars as per audited financial statements in the offer document are not more than six months old from the issue opening date.

PART B

Question 5

Critically examine the following :

(a) In depositories establishment of connectivity with NSDL and CDSL is there.

(b) Delisting is not permissible under certain circumstances.

(c) Promoter's contribution to be brought in before public issue opens.

(d) Chapter III consisting of Regulations 13 to 18 of SEBI (Underwriters) Regulations 1993, deals with obligations and responsibilities of underwriters.

(e) Schedule A of Insider Trading Regulations lays down the principles and procedures of fair disclosure. *(4 marks each)*

Answer 5(a)

To enhance the efficiency of the stock market, rolling settlement were introduced by SEBI. To facilitate the settlement, SEBI prescribed the compulsory dematerialised trading by companies through connectivity with both the depositories NSDL and CDSL.

The stock exchanges may consider shifting the trading of securities of the company who have established connectivity with both the depositories to normal rolling settlement subject to the following:

i. At least 50% of non-promoter holdings are in Demat mode before shifting the trading in the securities of the company from trade for trade settlement (TFTS) to normal rolling settlement.

For this purpose, the listed companies are required to obtain a certificate from its Registrar and Transfer Agent (RTA) and submit the same to the stock exchange/s. However, if an issuer company does not have a separate RTA, it may obtain a certificate in this regard from a Practicing Company Secretary / Chartered Accountant and submit the same to that stock exchange.

ii. There are no other reasons for the continuation of the trading in TFTS.

The stock exchanges are also required to report to SEBI, the action taken in this regard in their monthly/quarterly development report.

Answer 5(b)

Following are the circumstances where delisting is not permissible:

— In case of buy back of equity shares by the company; or

— In case of preferential allotment made by the company; or

— Unless a period of three years has elapsed since the listing of that class of equity shares on any recognised stock exchange; or

— Instruments which are convertible into the same class of equity shares that are sought to be delisted are outstanding.

— No promoter or promoter group shall propose delisting of equity shares of company, if any entity belonging to the promoter or promoter group has sold equity shares of the company during a period of six month prior to the date of the Board meeting in which the delisting proposal was approved.

— Delisting of convertible securities.

— No promoter shall directly or indirectly employ the funds of the company to finance an exit opportunity or an acquisition of shares made pursuant to be provided under the SEBI Delisting Regulations.

— No acquirer or promoter or promoter group or their related entities shall:

  — Employ any device, scheme or artifice to defraud any shareholder or other person; or

  — Engage in any transaction or practice that operates as a fraud or deceit upon any shareholder or other person; or

  — Engage in any act or practice that is fraudulent, deceptive or manipulative in connection with such delisting.

Answer 5(c)

As per SEBI (ICDR) Regulations, 2009, Promoters shall bring in the full amount of the promoters' contribution including premium at least one day prior to the issue opening date which shall be kept in an escrow account with a Scheduled Commercial Bank and the said contribution/ amount shall be released to the company along with the public issue proceeds.

However, where the promoters' contribution has been brought prior to the public issue and has already been deployed by the company, the company shall give the cash flow statement in the offer document disclosing the use of such funds received as promoters' contribution.

If the promoters' minimum contribution exceeds ₹100 crores, the promoters shall bring in ₹100 crores before the opening of the issue and the remaining contribution shall be brought in by the promoters in advance on pro-rata basis before the calls are made on public.

Answer 5(d)

Chapter III of SEBI (Underwriters) Regulations, 1993 consisting of regulation 13 to 18 deals with the obligations and responsibilities of underwriters which is as follows:

— Every underwriter shall at all times abide by the Code of Conduct as specified in Schedule III.

— Regulations 14 and 15 contain provisions regarding the matters on which every underwriter shall enter into an agreement with the body corporate and his general responsibilities.

— The contents of the agreement shall include the period of agreement, the allocation of duties and responsibilities between the underwriter and the client, the amount of underwriting obligations, the period by which the underwriter should subscribe, the amount of commission/brokerage payable, and other details of arrangement for fulfilling the underwriting obligations. The general responsibilities of the underwriter are as follows:

(i) The underwriter shall not derive any direct or indirect benefit from underwriting the issue other than the commission or brokerage payable under an agreement for underwriting.

(ii) The total underwriting obligations under all the agreements shall not exceed 20 times the networth.

(iii) Every underwriter, in the event of being called upon to subscribe for securities of a body corporate pursuant to an agreement shall subscribe to such securities within 45 days of the receipt of such intimation from such body corporate.

— Regulation 16 to 18 relate to maintenance of proper books of account and records and their preservation for 5 years and SEBI's power call for and obtain information from the underwriter.

Answer 5(e)

Schedule A of the SEBI (Prohibition of Insider Trading) Regulations, 2015 lays down the following principles of fair disclosure for purposes of Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information:-

1. Prompt public disclosure of unpublished price sensitive information that would impact price discovery no sooner than credible and concrete information comes into being, in order to make such information generally available.
2. Uniform and universal dissemination of unpublished price sensitive information to avoid selective disclosure.
3. Designation of a senior officer as a chief investor relations officer to deal with dissemination of information and disclosure of unpublished price sensitive information.

4. Prompt dissemination of unpublished price sensitive information that gets disclosed selectively, inadvertently or otherwise to make such information generally available.
5. Appropriate and fair response to queries on news reports and requests for verification of market rumours by regulatory authorities.
6. Ensuring that information shared with analysts and research personnel is not unpublished price sensitive information.
7. Developing best practices to make transcripts or records of proceedings of meetings with analysts and other investor relations conferences on the official website to ensure official confirmation and documentation of disclosures made.
8. Handling of all unpublished price sensitive information on a need-to-know basis.

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

Question 6

(a) Explain the services rendered by Share Transfer Agent. (5 marks)

(b) Who are dissenting shareholders ? Elucidate the conditions of any to provide exit opportunity to them. (2+3=5 marks)

(c) Explain the factors to be considered by SEBI to arrive at the settlement terms. (5 marks)

(d) "With a view to bring uniformity in the KYC requirements for the securities markets, SEBI has initiated usage of uniform KYC by all SEBI registered intermediaries. In this regard SEBI has issued the SEBI KYC (know your client) Registration Agency (KRA), Regulations 2011. In this backdrop, state the key highlights of the regulation. (5 marks)

OR (Alternate question to Q. No. 6)

Question 6A

Write notes on the following :

(i) Public Announcement

(ii) Investor Education and Protection Fund

(iii) Spot Delivery Contract

(iv) Eligibility for Depository Services

(v) Creeping Acquisition Limit. (4 marks each)

Answer 6(a)

The following are the services rendered by the Share Transfer Agent:

i. Processing of transfer of securities in physical form.

ii. Processing Transmission/Transposition/Consolidation of Holdings.

iii. Processing of demat request in converting physical Holdings into electronic holding

iv. Processing of remat request and converting electronic Holdings into physical building.

v. Recording of specimen signatures in electronic media.

vi. Recording of change of address, bank mandates and ECS request received from investors in physical mode.

vii. Accurate scanning and capturing of data.

viii. Issue of Duplicate / Split / consolidated shares certificates

ix. Registration of nomination.

x. Dividend payout Management Services.

xi. Registration of legal documents such as power of attorney,etc.

xii. Maintenance of statutory record such as Transfer Deeds, Demat/Remat Request Form, Register of Members, Allotment Registers, undelivered return security documents and other Registers and Returns.

Answer 6(b)

Dissenting Shareholders mean those shareholders who have voted against the resolution for change in objects or variation in terms of a contract, referred to in the prospectus of the issuer. Regulation 69D of SEBI (ICDR) Regulations, 2009, provides that only those dissenting shareholders of the issuer who are holding shares as on the relevant date shall be eligible to avail the exit offer.

The promoters or shareholders in control shall make the exit offer in accordance with the provisions of the SEBI (ICDR) Regulations, 2009, to the dissenting shareholders, if:

— the public issue has opened after April 1, 2014; and

— the proposal for change in objects or variation in terms of a contract, referred to in the prospectus is dissented by at least 10 per cent of the shareholders who voted in the general meeting; and

— the amount to be utilized for the objects for which the prospectus was issued is less than 75 % of the amount raised (including the amount earmarked for general corporate purposes as disclosed in the offer document).

Answer 6(c)

Regulation 9 of SEBI (Settlement of Administrative & Civil Proceedings) Regulations, 2014 deals with the factors to be considered by SEBI while arriving at the settlement terms, including but not limited to the following:

i. conduct of the applicant in the investigation;

ii. the role played by the applicant in case the alleged default is committed by a group of persons;

iii. nature, gravity and impact of alleged defaults;

iv. whether any other proceeding against the applicant for non-compliance of securities laws is pending or concluded;

v. whether the alleged default is minor or major in nature;

vi. the extent of amount of harm and/or loss to investors and/or gain by the applicant;

vii. processes which have been introduced since the alleged default to minimize future default or lapses;

viii. compliance schedule proposed by the applicant;

ix. economic benefits accruing to any person from the non-compliance or delayed compliance;

x. conditions which are necessary to deter future non-compliance by the same or another person;

xi. satisfaction of claim of investors regarding payment of money due to them or delivery of securities to them;

xii. whether the applicant has undergone any other enforcement action for the same violation;

xiii. any other factors necessary in the facts and circumstances of the case.

Answer 6(d)

The key highlights of the SEBI {KYC (Know Your Client) Registration Agency (KRA)}, Regulations, 2011 are as follows:

— An intermediary shall perform the initial KYC of its clients and upload the details on the system of the KRA.

— When the client approaches another intermediary, the intermediary can verify and download the client's details from the system of the KRA (KYC Registration Agency).

— As a result, once the client has done KYC with a SEBI registered intermediary, he need not undergo the same process again with another intermediary.

— SEBI shall not consider an application, unless the applicant is a fit and proper person to the satisfaction of the SEBI and is a wholly-owned subsidiary of a recognised stock exchange, having nationwide network of trading terminals

— Besides, wholly-owned subsidiaries of depositories, other market intermediaries and Self-Regulatory Organisations would also be able to secure certificate for initial registration as KRA.

— The KRA shall obtain the KYC documents of the client from the intermediary as prescribed by SEBI and in terms of the rules, regulations, guidelines and circulars issued by SEBI or any other authority for Prevention of Money Laundering, from time to time.

— The KRAs can, in co-ordination with each other, prepare operating instructions for implementing requirements under this regulation and share data on KYC documents.

— KRA shall be responsible for storing, safeguarding and retrieving the KYC documents and submit to SEBI or any other statutory authority as and when required.

Answer 6A(i)

Public announcement

A public announcement is an announcement made in the newspapers by the acquirer primarily disclosing his intention to acquire shares of the target company from existing shareholders by means of an open offer.

SEBI (SAST) Regulation, 2011 provides that whenever acquirer acquires the shares or voting rights of the target company in excess of the limits prescribed under Regulation 3 and 4, the Acquirer is required to give a Public Announcement of an Open Offer to the shareholder of the Target Company. During Public Announcement of an Open Offer, the Acquirer is required to give Public Announcement and publish detailed Public Statement. The regulations have prescribed the separate timeline for Public Announcement as well as the Detailed Public Statement.

Answer 6A(ii)

Investor Education and Protection Fund

Investor Education and Protection Fund (IEPF) has been established under section 125 of the Companies Act, 2013 for promotion of investor's awareness and Protection of the Interest of Investors.

For administration of Investor Education and Protection Fund, the Government of India has on 7th September, 2016 established Investor Education and Protection Fund Authority under the provisions of section 125 of the Companies Act, 2013.

The Authority is entrusted with the responsibility of administration of the Investor Education Protection Fund (IEPF), make refunds of shares, unclaimed dividends, matured deposits/debentures etc. to investors and to promote awareness among investors.

Answer 6A(iii)

Spot Delivery Contract

As per the Securities Contracts (Regulation) Act, 1956, a spot delivery contract means a contract which provides for:

a. actual delivery of securities and the payment of a price therefore either on the same day as the date of the contract or on the next day, the actual period taken for the dispatch of the securities or the remittance of money therefore through the post being executed from the computation of the period aforesaid if the parties to the contract do not reside in the same town or locality.

b. transfer of the securities by the depository from the account of a beneficial owner to the account of another beneficial owner when such securities are dealt with by a depository.

Answer 6A(iv)

Eligibility for Depository Services

Any company or other institution to be eligible to provide Depository Services must:

— be formed and registered as a company under the Companies Act, 2013.

— be registered with SEBI as a depository under SEBI Act, 1992.

— has framed bye-laws with the previous approval of SEBI.

— has one or more participants to render depository services on its behalf.

— has adequate systems and safeguards to prevent manipulation of records and transactions to the satisfaction of SEBI.

— complies with Depositories Act, 1996 and SEBI (Depositories and Participants) Regulations, 1996.

— meets eligibility criteria in terms of constitution, network, etc.

Answer 6A(v)

Creeping Acquisition Limit

According to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, an acquirer who holds 25% or more but less than maximum permissible non-public share of the target company, can acquire such additional shares as would entitle him to exercise more than 5% of the voting rights in any financial year, ending March 31, only after making a public announcement to acquire minimum 26% shares of target company from the shareholders through an Open Offer.

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INDUSTRIAL, LABOUR AND GENERAL LAWS – SELECT SERIES

Time allowed : 3 hours *Maximum marks : 100*

Total number of Questions : 100

PART A

1. Which one of the following is *not* related to carry out the administration of Factories Act, 1948 by the State Government ?

   (A) Welfare Officers

   (B) Safety Officers

   (C) District Collectors

   (D) Certifying Surgeons

2. As per Factories Act, 1948 'Adolescent' means a person who has completed his 15th year of age but has not completed his 21st year of age. This statement is :

   (A) True

   (B) False

   (C) True in respect of young person

   (D) True in respect of a child

3. Which one of the following is not an essential element of a factory under the Factories Act, 1948 ?

   (A) There must a premises.

   (B) There must be manufacturing process being carried on at the premises.

   (C) There must be ten or more workers where the manufacturing process is being carried on with the aid of power.

   (D) There electronic data processing units are installed.

4. Chitra Fabrics Ltd., established in Tamil Nadu, is running a canteen managed by a Managing Committee in which a contractor thereof brings the workers to work in the canteen. The workers will be employees of ....

   (A) Contractor

   (B) Managing Committee

   (C) Government

   (D) Occupier

5. As per the Factories Act, 1948 an Inspector for his district shall be :

   (A) Tahasildar

   (B) Labour Welfare Officer

   (C) Sub-divisional Magistrate

   (D) District Magistrate

6. No child shall be employed or permitted to work in any factory :

   (A) for more than eight and a half hours in any day

   (B) for more than four and a half hours in any day

   (C) for more than four hours in any day

   (D) for more than six hours in any day

7. Where a worker works in a factory for more than .... hours in any day or more than .... hours in any week, he shall in respect of overtime work, be entitled to wages at the rate of twice his ordinary rate of wages.

   (A) 9; 48

   (B) 6; 36

   (C) 12; 48

   (D) 12; 60

8. Which of the following are the responsibilities of Central Advisory Board ?

   (A) Advising the Central and State Governments in the matters of the fixation of minimum rates of wages.

   (B) Advising the Central and State Governments in the matters of the revision of minimum rates of wages.

   (C) Coordinate the work of States Advisory Boards.

   (D) All of the above

9. Any employer found guilty of paying less than minimum rates of wages shall be punished with imprisonment up to .... and/ or fine which may extend upto .... under the Minimum Wages Act, 1948.

   (A) 5 years; ₹50,000

   (B) 2 years; ₹2,000

   (C) 6 months; ₹500

   (D) 3 months; ₹50

10. As per section 2(h) of the Minimum Wages Act, 1948 the term 'Wages' will include :

(A) The value of the house accommodation

(B) Contribution by the employer to any pension fund

(C) Any travelling allowance

(D) None of the above

11. Which one of the following will not mean an "Appropriate Government" in relation to any scheduled employment under Minimum Wages Act, 1948 ?

(A) The Railway Administration

(B) The Municipal Administration

(C) The State Government

(D) The Central Government

12. Section 5 of the Minimum Wages Act, 1948 states that in fixing minimum rates of wages in respect of any scheduled employment for the first time or in revising minimum rates of wages the appropriate Government can follow :

(A) Committee Method

(B) Notification Method

(C) Either Committee Method or Notification Method

(D) All of the above

13. According to the provisions of the Payment of Wages Act, 1936, in railway factories or industrial or other establishments upon or in which less than one thousand persons are employed, wages shall be paid before the expiry of the :

(A) Seventh day of the month

(B) Tenth day of the month

(C) Third day of the month

(D) None of the above

14. Section 8 of the Payment of Wages Act, 1936 deals with fine. It provides that no fine imposed on any employed person shall be recovered from him after the expiry of .... days from the day on which it was imposed.

(A) 30

(B) 60

(C) 90

(D) 15

15. Under section 8 of the Minimum Wages Act, 1948 the Central Government shall appoint a Central Advisory Board. The Chairman of the Board shall be appointed from :

    (A) The persons nominated by Central Government representing employers only.

    (B) The persons nominated by Central Government representing employees only.

    (C) Either from the representatives of employers or employees.

    (D) Independent person nominated by the Central Government.

16. The term 'Wages' under the Payment of Wages Act, 1936 includes :

    (A) Any contribution paid by the employer to any pension or provident fund

    (B) Any travelling allowance

    (C) Any remuneration payable under any award or settlement between the parties or order of a court

    (D) Any gratuity payable on the termination of employment

17. The statement "No discrimination to be made while recruiting men and women workers" has been enumerated in the :

    (A) Factories Act, 1948

    (B) Equal Remuneration Act, 1976

    (C) Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959

    (D) Minimum Wages Act, 1948

18. Which one of the following statements is *incorrect* relating to Equal Remuneration Act, 1976 ?

    (A) The provisions of the Equal Remuneration Act, 1976 have been extended to all categories of employment.

    (B) The Equal Remuneration Act, 1976 extends to whole of India.

    (C) It is the duty of State Government to maintain registers and other documents in relation to the workers employed by him in the prescribed manner.

    (D) The Equal Remuneration Act, 1976 provides for payment of equal remuneration to men and women workmen.

19. The principle of equal pay for equal work is contained in Article .... of the Constitution of India.

    (A) 38

    (B) 40

    (C) 44

    (D) 39

20. The wage limit for employees to be covered under the Employees State Insurance Act, 1948 is :

(A) ₹15,000 per month

(B) ₹18,000 per month

(C) ₹20,000 per month

(D) ₹25,000 per month

21. The age of dependent daughter, who is infirm, for obtaining dependent's benefit under Employees State Insurance Act, 1948 has been extended from 18 years to :

(A) 20 years

(B) 22 years

(C) 24 years

(D) 25 years

22. According to section 39(5) of the Employee's State Insurance Act, 1948, if any contribution payable is not paid by the principal employer on the date on which such contribution has become due, he shall be liable to pay simple interest at the rate of :

(A) 9 percent per annum

(B) 12 percent per annum

(C) 15 percent per annum

(D) 6 percent per annum

23. The power to decide the matters, relating to Employees State Insurance Act, 1948, falling within the jurisdiction shall be decided by :

(A) Civil Court

(B) Employees Insurance Court

(C) Small Causes Court

(D) Standing Committee

24. The Employees Provident Funds & Miscellaneous Provisions Act, 1952 is applicable to every establishment which is a factory engaged in any industry specified in schedule 1 and in which .... persons are employed.

(A) 5 or more persons

(B) 10 or more persons

(C) 15 or more persons

(D) 20 or more persons

25. The Chairman and members of Central Board constituted under Employees Provident Funds and Miscellaneous Provisions Act, 1952 are appointed by :

 (A) Central Government

 (B) State Government

 (C) Supreme Court

 (D) None of the above

26. According to the provisions of Section 6 of the Employees Provident Funds and Miscellaneous Provisions Act, 1952, the Government has raised the rate of the contribution to the fund which shall be :

 (A) 5 percent

 (B) 7 percent

 (C) 12 percent

 (D) 10 percent

27. Which one of the following schemes have not been framed under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 ?

 (A) The Employees Provident Fund Scheme, 1952

 (B) The Employees Pension Scheme, 1995

 (C) The Employees State Insurance Scheme, 1948

 (D) The Employees Deposit-Linked Insurance Scheme, 1976

28. In the case of .... it was held that conceptually, statutory bonus and customary bonus operate in two fields and do not clash with each other :

 (A) Hukamchand Jute Mills Ltd. Vs. Second Industrial Tribunal

 (B) Jalan Trading Co. Vs. Mill Mazdoor Sabha

 (C) Mumbai Kamgar Sabha Vs. Abdul Bhai

 (D) State Vs. Sardar Singh Majithia

29. Which of the following statements is not correct as per the Payment of Bonus Act, 1965 ?

 (A) It is applicable to construction industry.

 (B) It does not apply to employees in Life Insurance Corporate of India.

 (C) Allocable surplus means 67 percent of the available surplus.

 (D) Employee means any person including apprentice.

30. The minimum bonus which an employer is required to pay even he suffers losses during the accounting year or there is no allocable surplus is .... of the salary or wages during the accounting year.

    (A) 10 percent

    (B) 20 percent

    (C) 8.33 percent

    (D) 6.33 percent

31. Under 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, in accordance with the provisions of this Act, provided he has worked for not less than .... working days in that year.

    (A) 30

    (B) 60

    (C) 90

    (D) 120

32. In case, the provisions of the Payment of Bonus Act, 1965 or Rules are contravened the punishment may be inflicted of :

    (A) Imprisonment upto 3 months or fine upto ₹500, or both

    (B) Imprisonment upto 6 months or fine upto ₹1,000, or both

    (C) Imprisonment upto 6 months or fine upto ₹2,000, or both

    (D) Imprisonment upto 2 months or fine upto ₹1,000, or both

33. According to the provisions of the Gratuity Act, 1972 if the unpaid amount of the gratuity has not been paid by the employer within the prescribed time then on issuing a certificate of the unpaid gratuity amount shall be recovered by :

    (A) Controlling Authority

    (B) Appellate Authority

    (C) Civil Court

    (D) Collector

34. Payment of Gratuity Act, 1972 is applicable to every shop or establishment within the meaning of any law for the time being in force in relation to shops and establishment in a state in which .... persons are or were employed on any day in the preceding 12 months.

    (A) 10 or more

    (B) 2 or more

    (C) 5 or more

    (D) 7 or more

35. While working at the construction of a multistoreyed building of a company, a worker employed by a contractor, supplied by Mr. Sardar, faced an accident and became temporary disabled. For the payment of the compensation to the worker the responsibility will lie to :

(A) The contractor who employed the worker

(B) Mr. Sardar who supplied the worker

(C) Both (A) and (B)

(D) None of the above

36. State the name out of the following legislations whose name has been changed recently :

(A) Workmen Compensation Act, 1923

(B) Employees State Insurance Act, 1948

(C) Maternity Benefit Act, 1961

(D) Payment of Gratuity Act, 1972

37. Under Employees Compensation Act, 1923 employer shall not be liable to pay compensation in respect of any injury which does not result in the total or partial disablement of the workman for a period exceeding .... days.

(A) 7

(B) 3

(C) 5

(D) 2

38. Under Employees Compensation Act, 1923 employer shall not be liable to pay compensation in respect of any injury not resulting in death or permanent total disablement caused by an accident :

(A) Under the influence of drinks or drugs.

(B) Due to the wilful disobedience of the workman to an order expressly given or to a rule expressly framed for the purpose of securing the safety of workmen.

(C) Due to the wilful removal or disregard by the workman of any safety guard or other device he knew to have been provided for the purpose of securing the safety of workmen.

(D) All of the above

39. Which section of the Employees Compensation Act, 1923 defines dependent ?

(A) Section 2(1)

(B) Section 2(1)(b)

(C) Section 2(1)(d)

(D) Section 2(dd)

40. Which of the following Articles of the Constitution of India states that the state shall make provisions for securing just and human conditions of work and maternity relief ?

(A) Article 40

(B) Article 41

(C) Article 42

(D) Article 43

41. Draft standing orders under the Industrial Employment (Standing Orders) Act, 1946 are to be submitted within :

(A) Two years from the date on which the Act is applicable in five copies.

(B) One year from the date on which the Act is applicable in five copies.

(C) Six months from the date on which the Act is applicable in five copies.

(D) Six months from the date on which the Act is applicable in ten copies.

42. As per the Industrial Employment (Standing Orders) Act, 1946, the standing orders shall come into operation on the expiry of .... days from the date on which the authenticated copies are sent to employer or workers representatives.

(A) 7

(B) 15

(C) 21

(D) 30

43. In which of the following cases the Supreme Court of India overruled the judgement and ultimately decided that the principal employer cannot be required to order absorption of contract labour working in the concerned establishment :

(A) Air India Statutory Corporation Vs. United Labour Union

(B) Steel Authority of India Vs. National Union of Water Front Workers and Others

(C) GEA Vs. Union of India

(D) Vegolis Private Ltd. Vs. The Workmen

44. The Contract Labour (Regulation and Abolition) Act, 1970 makes provision for appeal against orders relating to grant of registration to establishments, revocation and suspension of licence to an appellate officer. Such an appellate officer shall be nominated by :

(A) Trade Union of Contract Labour

(B) Employer of the establishment

(C) Contractor

(D) Appropriate Government

45. "No court shall take cognizance of any offence under Contract Labour (Regulation and Abolition) Act, 1970 except on a complaint made by, or with the previous sanction in writing of the Inspector." Under which of the following sections this provision has been enumerated ?

(A) Section 26

(B) Section 27

(C) Section 28

(D) Section 29

46. Every establishment, under the provisions of Maternity Benefit Act, 1961, having .... employees shall have the facility of creche. The employer shall allow .... visits a day to the crech by the woman, which shall also include the interval for rest allowed to her.

(A) Fifty or more; two

(B) Hundred or more; one

(C) Two hundred or more; four

(D) Fifty or more; four

47. According to the Schedule of the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 the hazardous occupations or processes include :

(A) Mines

(B) Inflammable substances or explosive

(C) Hazardous process

(D) All of the above

48. According to the provisions of the Industrial Employment (Standing Orders) Act, 1946 the court held that he appellate authority has no power to set aside an order of Certifying Officer. It can confirm or amend the Standing Orders. Which of the following cases is related to this judgement ?

(A) Kerala Agro Machinery Corporation

(B) Khadi Gram Udyog Sangh Vs. Jit Ram

(C) Air Gases Mazdoor Sangh Varanasi Vs. Indian Air Gases Ltd.

(D) Indian Express Employees Union Vs.Indian Express Ltd.

49. Among the objectives of the Industrial Disputes Act, 1947, one is promotion of measures of securing and preserving amity and good relations between the employer and workmen. In which of the following cases the Supreme Court has authenticated this objective ?

(A) Hospital Employees Union Vs. Christian Medical College

(B) Bangalore Water Supply Vs. A. Rajappa

(C) Workmen of Dimakuchi Tea Estate Vs. Dimakuchi Tea Estates Ltd.

(D) None of the above

50. Under Industrial Disputes Act, 1947 unfair labour practice has been inserted in:

(A) Chapter VA

(B) Chapter V

(C) Chapter VC

(D) Chapter VD

51. Which of the following type of strikes is not a 'Primary Strike' ?

(A) Stay-in

(B) Tool-down

(C) Pen-down

(D) Go-slow

52. Penalty for closure without notice without complying the provisions of section 25-FFA under Industrial Disputes Act, 1947 shall be punishable with :

(A) Imprisonment for 6 months or fine upto ₹5,000 or with both

(B) Imprisonment for 3 months and fine upto ₹2,000

(C) Only fine of ₹5,000

(D) Only fine of ₹2,000

53. Which of the following Schedules specifies the jurisdiction of Labour Court ?

(A) First Schedule

(B) Second Schedule

(C) Third Schedule

(D) Fourth Schedule

54. Trade Union means any combination formed primarily for the purpose of regulating the relations between :

(A) Workmen and Employers permanently

(B) Workmen and Workmen permanently

(C) Workmen and Employers, Workmen and Workmen, Employers and Employers temporary or permanent

(D) Workmen and Employers, Workmen and Workmen, Employers and Employers permanently

55. The certificate of registration issued by Registrar is conclusive evidence that the Trade Union has been duly registered under Trade Unions Act, 1926 :

(A) Correct statement

(B) Incorrect statement

(C) Partially correct statement

(D) Partially incorrect statement

56. In case of the dissolution of a registered Trade Union :

(A) a notice of the dissolution must be made and shall be signed by the Secretary and seven members of the Trade Union

(B) such notice shall be sent to the Registrar within fourteen days of the dissolution

(C) the dissolution shall have effect from the date of registration of dissolution notice by the Registrar

(D) All of the above

57. Where a registered Trade Union of workmen ceases to have the requisite number of members the Registrar :

(A) shall cancel the registration

(B) shall ask the Trade Union to increase its strength to minimum required

(C) shall take no action unless an application to that effect is presented before him

(D) he has no power to cancel the registration

58. An employer cannot declare a lock-out :

(A) Without giving fourteen days notice thereof to the workmen

(B) Before the expiry of the notice period

(C) During the pendency of any conciliation proceedings before a Conciliation Officer

(D) In any of the above situation

59. When an employer fails or refuses to give employment to a workmen on account of .... it is called lay-off.

(A) Shortage of coal or raw materials

(B) The accumulation stocks

(C) The break-down of machineries

(D) Any of the above reasons

60. The term apprenticeship training under Apprentices Act, 1961 is defined under :

(A) Section 2(aa)

(B) Section 2(b)

(C) Section 2(a)

(D) Section 2(aaa)

61. Very small establishment under section 2(f) of the Labour Laws (Simplification of the Procedure for Furnishing Returns and Maintaining Registers by certain establishments) Act, 1988 means an establishment in which not more than .... persons are employed or were employed on any day of the preceding twelve months.

(A) 5

(B) 4

(C) 10

(D) 9

62. Section 2(g) of the Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 states that establishment in private sector means an establishment which is not an establishment in public sector and where ordinarily .... or more persons are employed to work for remuneration.

(A) 20 persons

(B) 10 persons

(C) 25 persons

(D) 15 persons

63. Section 15 of the Apprentices Act, 1961 deals with :

(A) Records and Returns

(B) Hours of work, overtime, leave and holidays

(C) Settlement of disputes

(D) Offer and acceptance of employment

64. Labour Audit is a process of :

(A) Fact finding

(B) Ensure compliance of past default

(C) Increase productivity

(D) All of the above

65. .... have been setup under the provisions of the Industrial Disputes Act, 1947 for adjudication of industrial disputes in an organization.

(A) Lok-Adalat

(B) Civil Court

(C) Labour Court

(D) All of the above

66. As per the Employees Pension Scheme, 1995, members on attaining the age of fiftyeight years and having rendered minimum of .... years of contributory service qualify for superannuation fund.

(A) 5

(B) 10

(C) 15

(D) 20

67. Which of the following statements is true about the Constitutional validity of section 10 of the Industrial Dispute Act, 1947 ?

(A) It is ultra vires the constitution

(B) It is intra vires the constitution

(C) Both (A) and (B)

(D) None of the above

68. As per Schedule to the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986, paper making is a :

(A) Occupation

(B) Process

(C) Both (A) and (B)

(D) None of the above

69. A person who has ultimate control over the affairs of the factory under the Factories Act, 1948 is called as :

(A) Occupier

(B) Manager

(C) Chairman

(D) Managing Director

70. Which one of the following is not welfare provision under Factories Act, 1948 ?

(A) Canteen

(B) Creches

(C) Alcoholic Beverage

(D) Drinking Water

PART B

71. Respect for National Flag and National Anthem is :

(A) Fundamental Right of every citizen

(B) Fundamental Duty of every citizen

(C) Directive Principles of State Policy

(D) Ordinary duty of every citizen

72. Who among the following holds his/her office at the pleasure of the President ?

(A) Chairman of U.P.S.C.

(B) Attorney General of India

(C) Speaker of the Lok Sabha

(D) Comptroller and Auditor General of India

73. Which of the following is a constitutional right but not a fundamental right ?

(A) Protection of life and personal liberty

(B) Right to move freely throughout the territory of India

(C) Right to assemble peaceably

(D) Right to hold property

74. Under Article 16 of the Constitution of ndia the words "any employment or office" applies :

(A) Only to the public employments

(B) Private employments

(C) Both public and private employments

(D) None of the above

75. Statement No. 1 — Directive Principles of State Policy are not enforceable by any court.

Statement No. 2 — Directive Principles of State Policy are fundamental in the governance of the country.

(A) Both the statements are true

(B) Both the statements are untrue

(C) Statement No. 1 is untrue but Statement No. 2 is true

(D) Statement No. 2 is untrue but Statement No. 1 is true

76. The following words have been included in the preamble of the Constitution of India :

(1) Democratic

(2) Socialist

(3) Sovereign

(4) Secular

(5) Republic

Arrange the aforesaid words in order as given under preamble of the Constitution and find out which one of the following order is *correctly* arranged in the Constitution of India :

(A) 3, 2, 4, 1, 5

(B) 2, 3, 4, 1, 5

(C) 3, 2, 1, 4, 5

(D) 3, 1, 2, 5, 4

77. Freedom of trade, commerce and intercourse has been given in the Constitution of India in :

(A) XII Part

(B) XI Part

(C) X Part

(D) XIII Part

78. Article 31A, Article 31B and Article 31C of the Constitution of India are related to :

(A) Property

(B) Supplementary Provisions

(C) Minority

(D) Constitutional Remedies

79. **Assertion (A)** : The principle of equality before law means that there should be equality of treatment under equal circumstances.

Reason (R) : All persons are not equal by nature, attainment or circumstances.
Codes :

(A) Both (A) and (R) are true and (R) is correct explanation of (A)

(B) Both (A) and (R) are true and (R) is not correct explanation of (A)

(C) (A) is true and (R) is false

(D) (A) is false but (R) is true

80. Which one of the following statements is *correct* ?

(A) The preamble enumerates the purpose and objectives that the legislation intended to achieve.

(B) Preamble reflects the intention of members of the Constituent Assembly.

(C) The Preamble codifies the regular measures to the citizens.

(D) Envisages only liberty in all spheres.

81. Maxim *'Injuria Sine Damanum*' means :

(A) Injury without damage

(B) Injury with damage

(C) Injury not recoverable

(D) Injury purposely done

82. Under the Limitation Act, 1963, the period of limitation for filing a suit for compensation for false imprisonment begins to run from the time :

(A) When imprisonment begins

(B) When imprisonment ends

(C) When prosecution terminates

(D) None of the above

83. Under the Limitation Act, 1963 the period of limitation for filing an application for an order to set aside an abatement is :

(A) 60 days

(B) 90 days

(C) 120 days

(D) None of the above

84. Which of the following authority under section 5 of the Limitation Act, 1963 is empowered to extend the period of limitation ?

(A) Labour Court

(B) District Court

(C) High Court

(D) Arbitrator

85. The rule of 'strict liability' propounded in the case of Rylands Vs. Fletcher is *not* applicable :

(A) When the damage is due to vis major

(B) When the damage is due to wrongful act of stranger

(C) When the damage is due to plaintiff's own fault

(D) All of the above

86. Under which provision of the Indian Evidence Act, 1872, an accused may plead '*Plea of alibi*' ?

(A) Section 10

(B) Section 11

(C) Section 12

(D) Section 13

87. The 'doctrine of estoppel' means :

(A) Not to make statement in consonance to the earlier statement

(B) Restriction to make statement contrary to the earlier statement/admission

(C) Res judicata

(D) Vague statement

88. Under the provisions of Civil Procedure Code, 1908, from the date of decree or order, an appeal can be made in the High Court within :

(A) 30 days

(B) 45 days

(C) 60 days

(D) 90 days

89. Under the provisions of Civil Procedure Code, 1908, the defendant has to file the written statement of his defence from the date of the service of summons within a period of :

(A) 30 days

(B) 40 days

(C) 45 days

(D) 60 days

90. Section 124 of the Indian Evidence Act, 1872 regarding privileged communication is related to :

(A) Affairs of the State

(B) Communication during marriage

(C) Official communications

(D) None of the above

91. Which of the following courts have original and appellate jurisdiction under the Civil Procedure Code, 1908 ?

(A) High Court

(B) Supreme Court

(C) High Court, Supreme Court and District Court

(D) None of the above

92. Section 11 of the Civil Procedure Code, 1908 deals with :

(A) Res judicata

(B) Stay of suit

(C) Bar to further suit

(D) Courts to try all civil suits unless barred

93. Under Interpretation of Statutes 'Rule of Ejusdem Generis' means :

(A) Of the same proportion

(B) Of the same branch

(C) Of the same kind or species

(D) Of the same kind or format

94. The term unlawful assembly means :

(A) An assembly of five or more persons

(B) An assembly of five or more persons armed with lethal weapons

(C) An assembly of five or more persons with a common object of doing a crime

(D) An assembly of two persons having common intention to commit a crime

95. Which one of the following is *not* included in three different stages of a criminal case ?

(A) Investigation

(B) Arrest

(C) Inquiry

(D) Trial

96. Which of the following contracts is *not* specifically enforced as per Specific Relief Act, 1963 ?

(A) Contract for sale of patent right

(B) Contracts for copyright

(C) Contracts for rent laws

(D) Contracts for future property

97. Under the Code of Criminal Procedure, 1973 a search warrant can be issued under :

(A) Section 91

(B) Section 92

(C) Section 92(2)

(D) Section 93

98. Who among the following acts as Chairman of the Committee for appointment of the Central Information Commission ?

(A) President of India

(B) Prime Minister of India

(C) The Leader of Opposition in Lok Sabha

(D) The Union Cabinet Minister

99. The officer designated by the public authorities in all administrative units or officers under it to provide information to the citizens requesting for information under the Right to Information Act, 2005 is known as :

(A) Appellate Authority

(B) Chief Information Commissioner

(C) Public Information Officer

(D) Assistant Public Information Officer

100. Which of the following does not come under the definition of 'information' under the Right to Information Act, 2005 ?

(A) Log books

(B) File Notings

(C) Data material held in electronic form

(D) Circulars

ANSWER KEY
INDUSTRIAL LABOUR AND GENERAL LAWS - SELECT SERIES

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

Note:

20* Correct answer is Rs. 21000 per month.

72 Correct Options are A, B, D