

CA Final – Paper 4 (Law) – MCQ

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(Covering ICAI SM, MTPs & RTPs till Nov. 2022 applicable for May/Nov. 2023 Exams)

Chapter - 14: SEBI Act, 1992, and SEBI (LODR) Regulations, 2015

1	<p>Aayush, Bipin, Caroll & Co., a firm of Chartered Accountants, was appointed as statutory auditor of Ruchika Flavours Limited, a listed company, for the financial year 2019-20. Mr. Bipin is the engaging partner of the said audit with a team of fifteen members. While conducting audit of the financial statements of Ruchika Flavours Limited, two members of Mr. Bipin's team, who are Chartered Accountants, passed the information to their friends and relatives disclosing that the profits of Ruchika Flavours Limited for this year are increasing by 25% in comparison to the previous audited financial year. At the time of passing the information, it was not available in the public domain through the company. Certain persons who were in possession of this information, purchased the shares of Ruchika Flavours Limited at a low price. After the audited financial statements came into public domain, the market price of the shares increased sharply and they made profit by selling the shares, earlier purchased at low price, at the enhanced market price. You are required to select the correct option which indicates whether it is a case of insider trading or not and if it is a case of insider trading then the quantum of penalty that can be levied under the Securities and Exchange Board of India, Act, 1992.</p> <p>(a) It is not a case of insider trading since both the Chartered Accountants are part of statutory audit team and therefore, are not restricted to use any information relating to Ruchika Flavours Limited.</p> <p>(b) It is not a case of insider trading since the information disclosed by both the Chartered Accountants of statutory audit team is not a price-sensitive information.</p> <p>(c) It is a case of insider trading and therefore, the penalty leviable would be not less than ₹ 10 lacs but which may extend to ₹ 25 crores or three times of profits made out of insider trading, whichever is higher.</p> <p>(d) It is a case of insider trading and therefore, the penalty leviable would be not less than ₹ 25 crores or three times of profits made out of insider trading, whichever is lower.</p>
2	<p>Mr. KG filed a complaint against Mr. P alleging that Mr. P has communicated unpublished price sensitive information to Mr. X. Mr. P took a plea that Mr. X requested him for such information and it was done bonafidely. State the correct statement as to the liability of Mr. P in the given situation.</p> <p>(a) Mr. P will not be liable as he communicated about unpublished price sensitive information on the request of Mr. X.</p> <p>(b) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X in the ordinary cause of business.</p>

	<p>(c) Mr. P will not be liable as he communicated about unpublished price sensitive information to Mr. X as it was done without any malafide intention.</p> <p>(d) Mr. P will be liable as he communicated about unpublished price sensitive information to Mr. X, whether with or without his request for such information. [MTP-March 19]</p>
3	<p>P Ltd. was holding 35% of the paid up equity capital of X Stock Exchange. The company appoints M Ltd. as its proxy who is not a member of the X Stock Exchange, to attend and vote at the meeting of the stock exchange. State the correct statement as to the appointment of M Ltd. as a proxy for P Ltd. and on the voting rights of P Ltd. in the X Stock Exchange:</p> <p>(a) X Stock Exchange can restrict the appointment of M Ltd., as proxy, and voting rights of P Ltd. in the Stock Exchange.</p> <p>(b) Central Government can restrict appointment of proxies and voting rights of P Ltd. in the X Stock Exchange.</p> <p>(c) Both (a) & (b).</p> <p>(d) X Stock Exchange can restrict the appointment of M Ltd. & also voting rights of P Ltd. if rules of the exchange so provides. Otherwise can restrict the voting rights of P Ltd. & appointment of proxies through amendment in rules. [MTP-March 19, May 20]</p>
4	<p>Mr. Ingenious, registered as an Intermediary, fails to enter into an agreement with his client and hence penalised by SEBI under the SEBI Act. Advise Mr. Ingenious as to what remedies are available to him against the order of SEBI.</p> <p>(a) He may be given extension on the basis of the reasonable ground for not entering into an agreement with his client.</p> <p>(b) He shall be liable to a penalty for not entering into an agreement with his client which is required under this Act.</p> <p>(c) He shall be liable for imprisonment for not entering into an agreement with his client which is required under this Act.</p> <p>(d) Both (b) & (c). [MTP-March 19]</p>
5	<p>Which of the contracts in derivative are not legal and is invalid:</p> <p>(a) Contracts which are traded on a recognised stock exchange.</p> <p>(b) Contracts which are Settled on the clearing house of the recognised stock exchange in accordance with the rules and bye-laws of such stock exchange.</p> <p>(c) Contracts which are recognized as per the notification issued by the Central Government.</p> <p>(d) Contracts which are between such parties and on such terms as the CG may, by notification in the Official Gazette, specify. [MTP-March 19]</p>
6	<p>SEBI ordered Delhi Stock Exchange (DSE), to produce their books of accounts and audited financial statements for the period 1st April 2019 to 31st March 2021 within 30 days of the receipt of the communication by the stock exchange. The communication was received by the company on 30th April 2021 and no documents were furnished to SEBI in reply to the notice till 15th May 2021. State the consequences of not supplying the said documents to SEBI:</p> <p>(a) Period of submission of said documents may be condoned on reasonable grounds.</p> <p>(b) Show cause notice may be served why DSE not be penalized for non-submitting of the documents within the time limit.</p>

	<p>(c) DSE shall punishable with a fine only.</p> <p>(d) DSE shall be punishable with fine and imprisonment both. [MTP-March 19, Oct. 19]</p>
7	<p>Alpha Industries Limited, a Listed Entity with good market image adhered the required corporate governance practices. The Company maintained its Website, in compliance to the provisions of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The Company having one material subsidiary company named as Beta Industries Limited. One of the Board Members of the Beta Industries Limited is also Board Member of Alpha industries Limited. Being a consultant of the company, advise time period within which Alpha industries Limited shall submit quarterly and year-to-date standalone financial results to the stock exchange:</p> <p>(a) Within 45 days of end of each quarter</p> <p>(b) Within 45 days of end of each month</p> <p>(c) Within 45 days of end of each quarter, other than the last quarter.</p> <p>(d) Within 45 days of end of half year. [MTP-Oct. 19]</p>
8	<p>State amongst the following options, the correct composition of the Board of Directors of ABC Ltd, the Listed entity:</p> <p>(a) Combination of executive and non-executive directors.</p> <p>(b) Combination of executive and non-executive directors with not less than 50% of the BOD.</p> <p>(c) Executive directors with at least one-woman director.</p> <p>(d) Executive and non-executive directors (not less than 50% of the BOD) with at least one-woman director. [MTP-Oct. 21]</p>
9	<p>Every listed company shall disclose in the Board's report, the ratio of the remuneration of each director to the -----employee's remuneration.</p> <p>(a) mean</p> <p>(b) Median</p> <p>(c) Highest</p> <p>(d) Not required to be disclosed [MTP-April 22]</p>
10	<p>BOD of the listed entity shall be composed of executive and non-executive directors. The optimum limit of non-executive directors shall be:</p> <p>(a) less than 50% of the BOD</p> <p>(b) not be more than 50% of the BOD</p> <p>(c) not less than 50% of the BOD</p> <p>(d) 75% of the BOD [MTP-April 22]</p>
11	<p>Within how much time period, a listed entity shall submit quarterly compliance report on corporate governance to the recognized stock exchange:</p> <p>(a) within 3 days from close of the quarter.</p> <p>(b) within 5 days before the close of the quarter.</p> <p>(c) within 10 days before the close of the quarter.</p> <p>(d) within 15 days from close of the quarter. [MTP-April 22]</p>
12	<p>Akshara Builders and Developers Ltd., a company listed on BSE Limited, is contemplating upper revision in the rate of interest of its existing 12% bonds by 1% so as to make them 13% bonds with</p>

	<p>effect from August 14, 2023. The said proposal is to be laid before the Board of Directors at a Board Meeting to be held on July 14, 2023. From the following options, choose the one which correctly indicates the latest date by which Akshara Builders and Developers Ltd. is required to intimate the BSE Limited about the Board Meeting where increase in rate of interest is being considered, keeping in view the Regulation 29 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:</p> <p>(a) Akshara Builders and Developers Ltd. is required to intimate BSE Limited about the Board Meeting, where increase in rate of interest is being considered, latest by July 1, 2023.</p> <p>(b) Akshara Builders and Developers Ltd. is required to intimate BSE Limited about the Board Meeting, where increase in rate of interest is being considered, latest by July 3, 2023.</p> <p>(c) Akshara Builders and Developers Ltd. is required to intimate BSE Limited about the Board Meeting, where increase in rate of interest is being considered, latest by July 5, 2023.</p> <p>(d) Akshara Builders and Developers Ltd. is required to intimate BSE Limited about the Board Meeting, where increase in rate of interest is being considered, latest by July 7, 2023.</p> <p style="text-align: right;">[RTP-May 22; MTP-Sep. 22]</p>
13	<p>Shrenik Ltd. is a listed entity and comes under the top 2000 listed entities (as of 1st April, 2020). The Board consists of 10 directors. Abhijit, one of the directors of the company has celebrated his 75 th Birthday on 10th June 2022. By virtue of his rich qualifications and experiences, the company want to continue him. What procedure is to be followed by the company:</p> <p>(a) The Company has to pass a special resolution to this effect.</p> <p>(b) The Company has to pass a resolution in its Board's Meeting.</p> <p>(c) The requirement of passing a special resolution is only in case of Managing Director and not for the any other Director.</p> <p>(d) A person can continue to hold the directorship, as far as he is of good health and have willingness to continue.</p> <p style="text-align: right;">[MTP-Oct. 22]</p>

Answers Key

Q. No	Answer
1	(c) It is a case of insider trading and therefore, the penalty leviable would be not less than ₹ 10 lacs but which may extend to ₹ 25 crores or three times of profits made out of insider trading, whichever is higher.
2	(d) Mr. P will be liable as he communicated about unpublished price sensitive information to Mr. X, whether with or without his request for such information.
3	(d) X Stock Exchange can restrict the appointment of M Ltd. & also voting rights of P Ltd. if rules of the exchange so provides. Otherwise can restrict the voting rights of P Ltd. & appointment of proxies through amendment in rules.
4	(b) He shall be liable to a penalty for not entering into an agreement with his client which is required under this Act.
5	(c) Contracts which are recognized as per the notification issued by the Central Government.
6	(c) DSE shall punishable with a fine only.

7	(c)	Within 45 days of end of each quarter, other than the last quarter.
8	(d)	Executive and non-executive directors (not less than 50% of the BOD) with at least one-woman director.
9	(b)	Median
10	(c)	not less than 50% of the BOD
11	(d)	within 15 days from close of the quarter.
12	(b)	Akshara Builders and Developers Ltd. is required to intimate BSE Limited about the Board Meeting, where increase in rate of interest is being considered, latest by July 3, 2023.
13	(a)	The Company has to pass a special resolution to this effect.

