

CA Final – Paper 4 (Law) – Integrated Case Studies

Part II – Inspection, Inquiry and Investigation (Chapter 4)

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

Integrated Case Study - 1

Ullal Pharma Limited (UPL) is an unlisted company, with its Registered Office at Baidebettu, District Udipi, Karnataka. In addition to being the market leader in semi-synthetic penicillin, UPL has a presence in key therapeutic segments such as neurosciences, cardiovascular, anti-retroviral, anti-diabetics, gastroenterology and anti-biotics, among others. UPL also has three group companies.

From time to time, UPL had duly filed its Annual Accounts, Annual Returns and other documents, if required to be filed, with the jurisdictional Registrar of Companies (ROC).

The ROC had the whistle-blower information that the business of UPL is being carried on for fraudulent and unlawful purposes. There was also an allegation that some illegal secret drug dealings were being carried out by the UPL in the disguise of pharma business. Year-wise comparison of data extracted from the Annual Accounts and Annual Returns filed by UPL indicated the possibilities of huge diversion of funds to the related parties and related entities. Questions were also raised within the company on the correctness of the accounts maintained by UPL.

Consequently, UPL received a written notice from the ROC on 10.06.2022 asking for the following information/explanations/papers. The notice required the UPL to produce the following documents before the Registrar in his office at Bengaluru within 30 days from the date of receiving the notice.

- (a) Hard and soft copies of 'Books of Accounts' from the years 2019-20 onwards up to date.
- (b) Ledger abstracts of all Inter-Company Accounts.
- (c) All the documents relating to sales.
- (d) All the 'Bank Statements' and 'Cash Books'.

The Registrar duly followed all other processes to call for the information, inspection of books and papers and conduct enquiries relating to UPL as specified under the Companies Act, 2013.

It is to be noted that Rajeev, Director (Finance) had the exclusive responsibilities to supervise both 'sales accounts' and 'inter-company transactions'. The information which Rajeev shared with ROC could not, to his dismay, convince the Registrar. He was also found to be evasive and willfully disobeying the directions given by the ROC.

The ROC also issued separate notices to Venkatesh, ex-Whole-time Director and Lokesh, ex-Chief Financial Officer (CFO) of the company. Both Venkatesh and Lokesh were in the employment of the UPL only up to 15.12.2020. Both of them through their separate representatives informed the ROC that the notice served on them was not valid since they are no longer associated with the company and while in service they had acted only in their capacity as the officers of the company. It was argued by both of them that they were independent of any obligations relating to the company and hence, not bound to furnish any information/explanations to the ROC.

The accounts of UPL were outsourced and maintained by a Chartered Accountant firm M/s. Ajay Jyotsana & Co. The accounts were maintained in Tally system by three staff members under the supervision of Ajay. The 'Reports' were periodically submitted to Rajeev in the required formats. Rajeev, in turn, submitted the requisite information to the Board of Directors of UPL.

Based on the information in his possession, the Registrar had reasonable ground to believe that the books and papers relating to UPL were likely to be either destroyed, mutilated, altered, falsified or secreted.

Accordingly, the ROC decided to enter into the premises of M/s. Ajay Jyotsana & Co. with the required assistance and seized the books and papers which he considered necessary for inspection. However, before seizure, ROC allowed the CA firm to take copies of such books and papers.

The Registrar retained all the required books and papers for a period of 110 days from the date of seizure and ensured the necessary inspection. Before returning the said books and papers, ROC took copies of them and placed necessary identification marks on some of the papers.

After the inspection of the books of accounts and other books and papers of UPL and after the requisite inquiries, ROC submitted a report in writing to the Central Government along with the necessary documents and recommendations.

Consequently, the necessary actions were taken. Rajeev, Director (Finance) was convicted and punished with imprisonment for a period of six months and also with fine of ₹ 70,000 u/s 207(4)(i). It may be noted that Rajeev was also holding Directorships in two more companies as on that date. [Study Material - 2]

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| 1 | <p>From the case scenario, it is noticed that the concerned Registrar of Companies (ROC) issued separate notices to Venkatesh, ex Whole-Time Director and Lokesh, ex-Chief Financial Officer (CFO) of UPL. Both Venkatesh and Lokesh through their separate representatives presented that they were in employment of UPL only up to 15.12.2020 and therefore, the notice issued to them was not valid since they are no longer associated with UPL and while in service they had acted only in their capacity as the officers of the Company. It was argued by both of them that they were independent of any obligations relating to the Company and hence, not bound to furnish any information/explanation to the ROC.</p> <p>(a) Contention of both Venkatesh and Lokesh is valid since both of them are no longer associated with UPL.</p> <p>(b) Venkatesh and Lokesh can only voluntarily furnish information/explanations to the ROC, but they are under no legal obligation to do so.</p> <p>(c) Venkatesh and Lokesh are under legal obligation to furnish to the best of their knowledge the required information or explanation as asked by the ROC through respective notices.</p> <p>(d) Venkatesh and Lokesh being the past employees of UPL shall furnish information or explanation only through UPL after obtaining written consent of the Company to respond to the Registrar and not directly to the ROC.</p> |
| 2 | <p>According to the case scenario, Rajeev, the Director (Finance) of UPL, was convicted and punished with imprisonment for a period of six months and with fine of ₹ 70,000 u/s 207(4)(i). It is further informed that Rajeev was also holding Directorships in two more other companies as on that date. From the following options, choose the correct one which suitably applies to the given situation:</p> <p>(a) Rajeev can continue to hold the office of Director (Finance) of UPL, since he has acted as per the instructions of the company and he can also continue Directorships in other two companies of which he is currently Director.</p> <p>(b) Rajeev shall be deemed to have vacated the office of Director (Finance) of UPL from the date he is so convicted, but can continue as a Director in the other two companies.</p> <p>(c) Rajeev can continue to hold the office of Director (Finance) of UPL, but shall be disqualified from holding Directorship in any other company.</p> |

	(d) Rajeev shall be deemed to have vacated the office of Directorship of UPL from the date he is so convicted and on such vacation of office, shall also be disqualified from holding an office in any other company.
3	<p>From the case scenario, it is revealed that the Registrar, on the basis of information in his possession, had reasonable ground to believe that the books and papers relating to UPL were likely to be either destroyed, mutilated, altered, falsified or secreted. Accordingly, ROC entered the premises of M/s Ajay Jyotsana & Co. with the required assistance and seized such books and papers as he considered necessary. Which of the following options best suits the given situation:</p> <p>(a) The Registrar had obtained an order from the Central Government before seizure of the books and papers.</p> <p>(b) The Registrar had obtained an order from the Special Court before seizure of the books and papers.</p> <p>(c) The Registrar had suo motu proceeded with search and seizure of the books and papers.</p> <p>(d) The Registrar had obtained an order of a Civil Court before seizure of the books and papers.</p>
4	<p>From the case scenario, it is observed that the Registrar seized the books and papers of UPL from the premises of M/s. Ajay Jyotsana & Co. and retained them for a period of 110 days from the date of seizure and returned them thereafter. What is the maximum time limit within which the Registrar is required to return the seized books and papers.</p> <p>(a) The Registrar is required to return the seized books and papers maximum within 120 days from the date of seizure.</p> <p>(b) The Registrar is required to return the seized books and papers maximum within 150 days from the date of seizure.</p> <p>(c) The Registrar is required to return the seized books and papers maximum within 180 days from the date of seizure.</p> <p>(d) The Registrar is required to return the seized books and papers maximum within 270 days from the date of seizure.</p>
5	<p>The above case scenario states that the Registrar, after the inspection of the books of accounts and other books and papers of UPL and after the requisite inquiries, submitted a report in writing to the Central Government along with the necessary documents and recommendations. What action is contemplated u/s 210 of the Companies Act, 2013, that the Central Government may initiate in such a situation:</p> <p>(a) On receipt of a report of the Registrar, the Central Government may order an investigation into the affairs of the company by the Serious Fraud Investigation Office (SFIO).</p> <p>(b) On receipt of a report of the Registrar, the Central Government may order an investigation into the affairs of the company by the Inspectors appointed by it.</p> <p>(c) On receipt of a report of the Registrar, the Central Government may order an investigation into the affairs of the Company by a Criminal Court.</p> <p>(d) On receipt of a report of the Registrar, the Central Government may order an investigation into the affairs of the Company by the jurisdictional Tribunal.</p>
6	<p>The case scenario states that the Registrar retained all the required accounts and papers for a period of 110 days from the date of seizure, ensured the necessary inspection and returned them to the UPL. After so return, if the Registrar again calls for the books and papers, then for maximum how many days he can retain them.</p> <p>(a) The Registrar cannot call for the books and papers once again since he has already returned them after seizure.</p> <p>(b) If the Registrar again calls for the books and papers, then he can retain them maximum for a period of</p>

	120 days.
(c)	If the Registrar again calls for the books and papers, then he can retain them maximum for a period of 180 days.
(d)	If the Registrar again calls for the books and papers, then he can retain them maximum for a period of 210 days.

Answers - Integrated Case Study 1

Q. No	Answer	
1	(c)	Venkatesh and Lokesh are under legal obligation to furnish to the best of their knowledge the required information or explanation as asked by the ROC through respective notices.
2	(d)	Rajeev shall be deemed to have vacated the office of Directorship of UPL from the date he is so convicted and on such vacation of office, shall also be disqualified from holding an office in any other company.
3	(b)	The Registrar had obtained an order from the Special Court before seizure of the books and papers.
4	(c)	The Registrar is required to return the seized books and papers maximum within 180 days from the date of seizure.
5	(b)	On receipt of a report of the Registrar, the Central Government may order an investigation into the affairs of the company by the Inspectors appointed by it.
6	(c)	If the Registrar again calls for the books and papers, then he can retain them maximum for a period of 180 days.

Integrated Case Study - 2

DEF Limited is an unlisted public company, incorporated under the provisions of the Companies Act, 2013 having its registered office in the state of Rajasthan.

The Registrar after the inspection of the books of account or an inquiry under section 206 and other books and papers of DEF Limited under section 207, submitted a report in writing to the Central Government including a recommendation that further investigation into the affairs of the company was necessary, giving his reasons in support.

The Central Government was of the opinion, that it was necessary to investigate into the affairs of the company by the Serious Fraud Investigation Office (SFIO).

The director, SFIO appointed an investigating officer who called on the directors of the company and arrested the directors of the company. The directors demanded the reasons for such arrest which were informed to them.

The directors of the company were produced before the jurisdictional Judicial Magistrate who released them on bail though the prosecution opposed the application of bail in the court.

On completion of the investigation of the director, SFIO submitted the investigation report to the Central Government. The Central Government, after examination of the report, directed the SFIO to initiate prosecution against the company and its officers or employees, who are or have been in employment of the company or any other person directly or indirectly connected with the affairs of the company.

A charge sheet was presented against the accused directors of the company before the Special Court and after the completion of the trial, the court convicted the directors and sentenced them with imprisonment for a term of six months and a fine of ₹ 2000 each.

Given the above situation, your opinion is sought on the following matters.		[RTP-Nov. 20]
1	If the Central Government is of the opinion to order the investigation into affairs of a company on receipt of a report of the Registrar under section 208 of the Companies Act, state the correct statement as to the initiation of order of the investigation into affairs of a company-	
	(a) It cannot order investigation by inspectors under the provisions of section 210 of the Companies Act.	
	(b) It can order investigation by inspectors under the provisions of section 210 of the Companies Act.	
	(c) It cannot order investigation by SFIO under the provisions of section 212 of the Companies Act.	
	(d) It can order investigation by inspectors under section 210 or by SFIO u/s 212 of the companies Act.	
2	Is Director, SFIO a competent authority to arrest the directors of DEF Limited, an unlisted public company?	
	(a) Yes, Director, SFIO is competent authority to arrest the directors of the unlisted public company.	
	(b) Yes, Director, SFIO is competent authority subject to approval of Central Government.	
	(c) No, Director, SFIO cannot arrest the directors of the unlisted public company.	
	(d) Yes, Director, SFIO is competent authority subject to approval of special court to arrest the directors of the unlisted public company.	
3	Is it the duty of the director, SFIO to inform the arrestee the grounds of arrest?	
	(a) Yes, it is the duty of the director, SFIO to inform the grounds of arrest and as well as right of arrestee to know the grounds of his arrest.	
	(b) No, it is not necessary to inform the grounds of arrest.	
	(c) No, the ground of arrest may be informed, if asked for.	
	(d) No, it is prerogative of the authority to arrest the accused, there is no need to inform the grounds of arrest.	
4	Within how much time are the arrested directors of DEF Limited required to be produced before jurisdictional judicial magistrate by the director, SFIO after arrest?	
	(a) Within 24 hours of such arrest.	
	(b) Within 48 hours of such arrest.	
	(c) Within 72 hours of such arrest.	
	(d) Within 80 hours of such arrest.	
5	When do the directors of DEF Limited vacate the office of director in the company?	
	(a) On the date when the directors were arrested by the SFIO.	
	(b) On the date when the charge sheet was submitted in the court by the SFIO.	
	(c) On the date when the directors were arrested and produced before jurisdictional Judicial Magistrate.	
	(d) On the date when the directors were convicted by the Special Court.	

Answers - Integrated Case Study 2

Q. No	Answer	
1	(d)	It can order investigation by inspectors under section 210 or by SFIO under section 212 of the companies Act.
2	(a)	Yes, Director, SFIO is competent authority to arrest the directors of the unlisted public company.
3	(a)	Yes, it is the duty of the director, SFIO to inform the grounds of arrest and as well as right of

		arrestee to know the grounds of his arrest.
4	(a)	Within 24 hours of such arrest.
5	(d)	On the date when the directors were convicted by the Special Court.

Integrated Case Study - 3

The Registrar of Companies (ROC) by a written notice had required for certain information from Retq Ltd., under section 206 of the Companies Act, 2013.

The ROC, through perusal of such information received in response to notice issued to Retq Ltd., observed that the complaints of the investors were not being redressed for a long time, from the statements filed by Grievance Redressal Department of Retq Ltd., established in compliance of Regulation 13 of the SEBI (LODR) Regulations, 2015, for the quarter ended March, 2022 and June, 2022, which showed that the number of complaints pending at the beginning of the quarter and received during the quarter, were much more than that disposed off during the said quarters as shown below:-

Particulars	Quarter ended March, 2022	Quarter ended June, 2022
Complaints pending at the beginning quarter	120	130
Complaints received during the quarter	50	60
Complaints disposed of during the quarter	40	30
Complaints remaining unresolved at the end of the quarter	130	160

Also, the ROC, noticed from the reports called from the Audit Committee, that many complaints were filed with the Audit Committee by the employees under the Vigil Mechanism of the company, the details of establishment of vigil mechanism was disclosed in Retq Ltd.'s website and board report as well. However, the ROC also noticed that, one employee, Mr. Tapan, was reprimanded by the chairman of Audit Committee for complaints filed repeatedly without any purpose or were of no value.

The ROC, thus on the basis of information available with him, passed an order for carrying out inquiry by exercising its power under section 206 of the Companies Act, 2013, after informing the company the grounds of allegation against it.

After the inquiry was conducted, the ROC submitted its report to the Central Government which included a recommendation for further investigation into the affairs of Retq Ltd. but the reasons for the same were not mentioned.

Meanwhile, an Extra-ordinary General Meeting was conducted for passing a resolution for the purpose of conducting investigation by a statutory authority into the affairs of Retq Ltd. by the Central Government which could not materialize due to the reason that the votes were not adequate in favour of such resolution.

However, 8 members holding 20% shares in Retq Ltd., out of total 120 members, made an application to the tribunal as they were having good reason for seeking an order of investigation into the affairs of the company. Such application was supported by evidence to show that an investigation into the affairs of Retq Ltd. was necessary. The tribunal passed an order for conducting such investigation, as it was satisfied that it was necessary.

The Central Government, thereafter, passed an order for investigation into the affairs of Retq Ltd. and appointed 2 persons, Mr. Vipul and Mr. Mehul, as the inspectors. The said inspectors duly initiated the task of investigation as per the procedure prescribed under section 217 of the Companies Act, 2013, read with

	rule 6 of the Companies (Inspection, Investigation and Inquiry) Rules, 2014.	[MTP-April 21]
1	<p>Whether the details of establishment of vigil mechanism needs to be disclosed mandatorily on the website of Retq Ltd. and also whether reprimanding, Mr. Tapan, just for filing repeated complaints by the chairman of audit committee can be considered as a valid act?</p> <p>(a) Yes, provided the company has a website. The act of reprimanding, Mr. Tapan, can be considered as valid as the complaints filed by him were frivolous in nature.</p> <p>(b) No, as disclosing such details in the board report suffices the requirements. The act of reprimanding, Mr. Tapan, cannot be considered as valid as the chairman of audit committee does not have any authority to do so.</p> <p>(c) Yes, even if the company does not have website, then it needs to create one and then disclose such details. The act of reprimanding, Mr. Tapan, can be considered as valid as the complaints filed by him were frivolous in nature.</p> <p>(d) Yes, provided the company has a website. The act of reprimanding, Mr. Tapan, only on the grounds that the complaints filed by him were frivolous in nature, cannot be considered as valid.</p>	
2	<p>Whether non-mentioning of reasons in his report recommending investigation by ROC, can be considered valid and what type of resolution was required to be passed by Retq Ltd. so that investigation could have been initiated into the affairs of Retq Ltd. by the Central Government?</p> <p>(a) No, as reasons are required to be given in order to support the recommendations for investigation made by him. Special resolution was required to be passed by Retq Ltd.</p> <p>(b) Yes, as giving reasons is optional as making recommendations for investigation itself depends upon the discretion of ROC. Resolution with members holding not less than 90% of the shares, was required to be passed by Retq Ltd.</p> <p>(c) No, as reasons are required to be given in order to support the recommendations for investigation made by him. Resolution with majority of members representing 3/4th in value of the shares was required to be passed by Retq Ltd.</p> <p>(d) Yes, as giving reasons is optional as making recommendations for investigation itself depends upon the discretion of ROC. Ordinary resolution was required to be passed by Retq Ltd.</p>	
3	<p>Whether the application to tribunal was filed by adequate number of members for purpose of conducting investigation into the affairs of Retq Ltd. and whether the Central Government holds discretion for ordering investigation in case of order passed by Tribunal for the same or report received from the registrar recommending investigation?</p> <p>(a) No, the application was not filed by adequate number of members. Central Government shall mandatorily order for investigation in case of order passed by Tribunal and it holds discretion for ordering investigation in case of report received from the registrar.</p> <p>(b) Yes, the application was filed by adequate number of members. Also, the Central Government holds discretion for ordering investigation in case of order passed by Tribunal or report received from the registrar.</p> <p>(c) No, the application was not filed by adequate number of members. Central Government shall mandatorily order for investigation in case of order passed by Tribunal or in case of report received from the registrar.</p> <p>(d) Yes, the application was filed by adequate number of members. Central Government shall mandatorily order for investigation in case of order passed by Tribunal and it holds discretion for ordering</p>	

	investigation in case of report received from the registrar.
4	<p>Whether opportunity of being heard is required to be given by ROC before issuing notice for information and also by the Tribunal, before passing order for investigation, to Retq Ltd., respectively?</p> <p>(a) Yes, opportunity of being heard is required to be given in case of ROC but not required to be given in case of tribunal.</p> <p>(b) Yes, opportunity of being heard is required to be given in case of both ROC as well as tribunal, respectively.</p> <p>(c) No, opportunity of being heard is not required to be given in case of both ROC in case of both ROC as well as tribunal, respectively.</p> <p>(d) No, opportunity of being heard is not required to be given in case of ROC but in case of tribunal, it is required to be given.</p>

Answers - Integrated Case Study 3

Q. No	Answer
1	(a) Yes, provided the company has a website. The act of reprimanding, Mr. Tapan, can be considered as valid as the complaints filed by him were frivolous in nature.
2	(a) No, as reasons are required to be given in order to support the recommendations for investigation made by him. Special resolution was required to be passed by Retq Ltd.
3	(d) Yes, the application was filed by adequate number of members. Central Government shall mandatorily order for investigation in case of order passed by Tribunal and it holds discretion for ordering investigation in case of report received from the registrar.
4	(d) No, opportunity of being heard is not required to be given in case of ROC but in case of tribunal, it is required to be given.

Integrated Case Study - 4

Shri Hari Textiles Limited was incorporated in the year 2010. Its Registered Office is situated in Connaught Place, New Delhi. It filed its audited annual financial statements for the financial year 2021-22 well within time with the jurisdictional Registrar of Companies. The Registrar inspected the statements and after reviewing them, felt the need to seek clarifications on certain matters. Accordingly, a written notice was sent by the Registrar to the company and its officials directing them to comply with the notice within thirty days of its receipt. However, the company and its officials failed to reply within the time specified in the notice.

The Registrar initiated the inquiry and proceeded further for inspecting all the documents of the company. While conducting the inquiry, the Registrar on prudent grounds believed that some of the documents and other vital information in relation to the company would be destroyed or altered by the official of the company. With a view to safeguard the documents, the Registrar obtained an order from the Special Court and thereafter, seized all such material.

While inspecting some of the documents the Registrar came to know that the Board of Directors had passed a resolution in a Board Meeting held on 10.04.2021 and thereby, increased the remuneration payable to the directors including two whole-time directors and Managing Director to 12% of the net profits of the company which was a sharp increase of 5% from the preceding financial year.

Prior to the inquiry, two directors of the company, namely, Mr. X and Mr. D got retired. The Registrar found from the inspection of the documents that they were involved in certain dealings which included selling of

the assets of the company. On the basis of such information gathered from the inspected documents, the Registrar sought some clarifications from both of them regarding the dubious transactions. However, both Mr. X and Mr. D refused to appear before him showing their non-availability in the town and also represented through a common representative that they were no more a part of the Board of Directors of Shri Hari Textiles Limited.

After the completion of inspection and inquiry, the Registrar submitted a written report to the Central Government in respect of his findings against the company. The reports mentioned that there were major discrepancies in the assets and liabilities as well as profit and loss statements filed by the company.

On receipt of report from the Registrar, the Central Government considered it necessary to investigate the affairs of the company by the Serious Fraud Investigation Office (SFIO). Accordingly, by an order SFIO was directed to conduct the investigation of Shri Hari Textiles Limited and submit its report within the stipulated time. As instructed by the Central Government, SFIO authorised some of its inspectors to investigate the affairs of the company. The team deputed by the SFIO included experts in the field of cost accounting, financial accounting, taxation, law and forensic auditing.

While inspecting the company, the team of SFIO came to know that the Income-tax authorities had already initiated investigation against Shri Hari Textiles Limited. [RTP-May 21]

1	<p>Shri Hari Textiles Limited and its officials failed to submit any reply to the written notice issued by the Registrar within the time specified in the notice. How much fine can be imposed for such failure?</p> <p>(a) The Company and every defaulting officer shall be punishable with a fine up to ₹ 1,00,000 and in case of continuing failure, with an additional fine up to ₹ 500 for every day after the first during which the failure continues.</p> <p>(b) The Company and every defaulting officer shall be punishable with a fine up to ₹ 1,50,000 and in case of continuing failure, with an additional fine up to ₹ 1,000 for every day after the first during which the failure continues.</p> <p>(c) The Company and every defaulting officer shall be punishable with a fine up to ₹ 1,00,000 and in case of continuing failure, with an additional fine up to ₹ 5,000 for every day after the first during which the failure continues.</p> <p>(d) The Company and every defaulting officer shall be punishable with a fine up to ₹ 2,00,000 and in case of continuing failure, with an additional fine up to ₹ 5,000 for every day after the first during which the failure continues.</p>
2	<p>From the case scenario, it is observed that the Registrar seized certain important documents in the course of inquiry. After inspection what procedure is to followed pertaining to such documents?</p> <p>(a) The Registrar is required to submit such documents in the Special Court which permitted seizure.</p> <p>(b) The Registrar is required to forward all such documents along with the inquiry report to the Central Government.</p> <p>(c) The Registrar is required to return such documents back to the company after making, if considered necessary, the copies of them.</p> <p>(d) The Registrar is required to retain such documents until further instruction is received from the Special Court.</p>
3	<p>What is the requisite requirement for increasing the remuneration of directors including whole-time directors and Managing Director to 12% so that it shall be in accordance with the relevant provisions of the Companies, Act, 2013?</p> <p>(a) Board Resolution increasing the remuneration to 12% needs to be authorised at the General Meeting and</p>

	<p>thereafter, duly sanctioned by the ROC.</p> <p>(b) Board Resolution increasing the remuneration to 12% needs to be authorised at the General Meeting and thereafter, duly sanctioned by the Tribunal.</p> <p>(c) Board Resolution increasing the remuneration to 12% needs to be authorised at the General Meeting subject to Schedule V.</p> <p>(d) Board Resolution increasing the remuneration to 12% needs to be authorised at the General Meeting and thereafter, duly sanctioned by the Central Government through Regional Director.</p>
4	<p>The case scenario states that the Registrar of Companies had called ex-directors of the company for examining them during the inquiry. Is the Registrar empowered to call the ex-directors:</p> <p>(a) The Registrar cannot call ex-directors of the company, without the order of the court.</p> <p>(b) The Registrar may, by issuing a written notice, call the ex-directors for seeking the requisite information.</p> <p>(c) In case the Registrar is appointed by the Central Government to conduct investigation, then only he can call ex-directors of the company.</p> <p>(d) Except the Tribunal, no other authority is empowered to call ex-directors of a company for any examination.</p>
5	<p>According to the case scenario, while inspecting the company, the team of SFIO came to know that the Income-tax authorities had already initiated investigation against the company. From the given options, choose the correct one that indicates as to how in amidst of such a situation, SFIO will be continuing with the investigation.</p> <p>(a) SFIO has to put its investigation on hold so long as the company is being investigated by Income-tax authorities.</p> <p>(b) SFIO will proceed with its investigation on the basis of report submitted by Income - tax authorities.</p> <p>(c) SFIO will proceed with its investigation while Income-tax authorities shall keep on hold its investigation.</p> <p>(d) SFIO will simultaneously continue its investigation along with the Income-tax authorities.</p>

Answers - Integrated Case Study 4

Q. No	Answer	
1	(a)	The Company and every defaulting officer shall be punishable with a fine up to ₹ 1,00,000 and in case of continuing failure, with an additional fine up to ₹ 500 for every day after the first during which the failure continues.
2	(c)	The Registrar is required to return such documents back to the company after making, if considered necessary, the copies of them.
3	(c)	Board Resolution increasing the remuneration to 12% needs to be authorised at the General Meeting subject to Schedule V.
4	(b)	The Registrar may, by issuing a written notice, call the ex-directors for seeking the requisite information.
5	(c)	SFIO will proceed with its investigation while Income-tax authorities shall keep on hold its investigation.

Integrated Case Study - 5

Quality Wines Ltd. is a public company engaged in the manufacturing of bears and wines. Its factory premises and registered office, situated at Industrial Area of Jaipur. It supplies the wines to the retails merchants, who have license to operate and sale of wine from the respective State Governments.

However, the company was not maintaining the transparency in its production and turnover of wine business and fabricated figures were being recorded in the books of accounts and annual return submitted to the Registrar.

Many a times the company transported some cartons without invoicing them to other States and in the midway, were caught red-handed by the Police and next day became prominent headlines for newspapers and TV Channels.

At the Rajasthan Gujarat Border, the Police searched and seized 10 trucks carrying wines without invoice, within a period of one month. In the mean time, the Excise Department also got altered.

This mal-practices came in to the knowledge of the Registrar. The Registrar after observing the appropriate formalities along with the police force, entered in to the premises and seized the books and relevant papers.

The income tax returns filed by the company during the last 3-4 years revealed that the company is continuously showing losses in the books of accounts, on account of the decline the sales volume. However, the other companies in the similar business were showing an increasing trend.

One of the person who was earlier an employee in the company in the account department made a written complaint directly to the Central Government about the mal-practices prevailing in the company such as scaling up the number of employees whereas no actual recruitment was done, not paying the excise duty on the production of wines by fabricating the production volume and other financial irregularities. The Central Government assigned the investigation into the affairs of the said company to the Serious Fraud Investigation Office (SFIO).

The Registrar, who have earlier seized the books of the company was asked to submit all such records to SFIO.

Based on the above scenario, answer the following questions:

[MTP-Nov. 21]

1	<p>When the Registrar can exercise the right of search and seizure:</p> <p>(a) The Registrar do not have the right of search and seizure.</p> <p>(b) Where the Registrar have reasonable ground to believe that the books and papers of a company are likely to destroyed by the company.</p> <p>(c) Where the Registrar have reasonable ground to believe that the books and papers of a company are likely to be destroyed by the company and after obtaining an order from the Special Court for the seizure of such books and papers can enter in the premises and seize such books and papers.</p> <p>(d) The Registrar can enter and seize the books and papers without obtaining permission of any court.</p>
2	<p>In the given case the Registrar can keep the seized books and papers with him for the period:</p> <p>(a) Not later than 45th day.</p> <p>(b) Not later than 90th day.</p> <p>(c) Not later than 135th day.</p> <p>(d) Not later than 180th day.</p>
3	<p>When an investigation into the affairs of the Quality Wines Ltd. can be made by SFIO:</p> <p>(a) When the Police seized the trucks carrying cartons of wines without invoice.</p> <p>(b) When the ex-employee of the company made a written complaint on the financial irregularities.</p>

	(c) When there was loss of revenue. (d) The Central Government may assign the task of investigation of any company to SFIO, if it is in the public interest.
4	Can SFIO demand from the Registrar to hand over all the books so seized from the company: (a) The Registrar has initiated first, hence he will retain the books till his investigation is over. (b) The Registrar and SFIO will carry out the investigation simultaneously. (c) Once the case has been assigned by the Central Government to the SFIO, not other investigating agency of Central or State Government shall process with the investigation and the concerned agency shall transfer the relevant documents and records in respect of such offences under this Act to Serious Fraud Investigation Office. (d) The SFIO may demand only the photo copies of the documents so seized by the Registrar.
5	Whether SFIO can gather information from the Registrar: (a) The Registrar shall not part with any information with the SFIO. (b) Any investigating agency shall provide all the relevant information or documents to the SFIO in respect of such offence. (c) The Registrar before providing any information to such offence, shall first inform the company. (d) Since the information may be confidential and competitions may take undue advantages, hence the sharing of information should be avoided.

Answers - Integrated Case Study 5

Q.No	Answer	
1	(c)	Where the Registrar have reasonable ground to believe that the books and papers of a company are likely to be destroyed by the company and after obtaining an order from the Special Court for the seizure of such books and papers can enter in the premises and seize such books and papers.
2	(d)	Not later than 180th day.
3	(d)	The Central Government may assign the task of investigation of any company to SFIO, if it is in the public interest.
4	(c)	Once the case has been assigned by the Central Government to the SFIO, not other investigating agency of Central or State Government shall process with the investigation and the concerned agency shall transfer the relevant documents and records in respect of such offences under this Act to Serious Fraud Investigation Office.
5	(b)	Any investigating agency shall provide all the relevant information or documents to the SFIO in respect of such offence.

Integrated Case Study - 6

The Central Government is empowered under Section 212(1)(c) to order investigation into the affairs of a company in public interest by the Serious Fraud Investigation Office (SFIO). For this purpose SFIO is established under section 211, comprising director, expert and other officers as Government consider necessary. Director of SFIO shall be officer of the Government of India having knowledge and experience in dealing with matters relating to corporate affairs.

Any person who is booked for offence investigated by SFIO is punishable under section 447. In order to

bring ease for SFIO in conducting investigation, the power of inspector vested upon it, therefore SFIO may examine the person on oath.

An order issued by the Central Government for investigation in the Modern Furniture Limited. Sufficient and convincing evidences has been found against Ms. Smriti Shah, who is finance director, prima facie such evidences are enough to order the recovery through attachment of asset obtained by her out of fraud apart from other action. Ms. Smriti examined on oath, wherein she admit her involvement in fraud and misappropriation. Investigating officers are following this lead to identify who are all involved in trail thereof.

Officers and Employees are expected to provide required assistance to SFIO in investigation, but assistance as well as required information not provided. As a result delay in completion of investigation took place, therefore it is not possible to submit the report to government by the date specified in order issued by the Central Government. The director of SFIO approached to you 'a young professional, and functional expert at SFIO' and willing to know the recourse if they not able to complete investigation and submit the report specified in the order.

Your preliminary answer to Director is;

A question regarding the scope of Section 212 of the Companies Act, 2013 was considered by hon'ble Apex Court in matter of Serious Fraud Investigation Office v. Rahul Modi. Court observed that Section 212(3) provides that the investigation orders are required to be completed within the specified time. If it not so done, what should be the consequences and whether further proceedings or investigations shall be unlawful.

Court was of opinion that "the provision has to be seen in the context in which it occurs in the statute. Therefore, the stipulation of Section 212(3) regarding submission of the report 'within such period as may be specified in the order' is not to be taken as mandatory, but as purely directory. On the objective interpretation of the statutory provision, it cannot be said that on the expiry of that period the mandate in favour of SFIO must come to an end. If it was to come to an end, the legislation would have contemplated certain results thereof. In the absence of any clear stipulation, an interpretation that with the expiry of the period, the investigation must come to an end, will cause great violence to the scheme of legislation and with the expiry of mandate SFIO would also be powerless which would lead to an incongruous situation that serious frauds would remain beyond investigation".

[RTP- May 23]

1	<p>Director of Serious Fraud Investigation Office, shall be an officer to the Government of India having knowledge and experience in dealing with matters relating to corporate affairs, not below the rank of-</p> <p>(a) Assistant Secretary (b) Deputy Secretary (c) Joint Secretary (d) Additional Secretary</p>
2	<p>The investigation conducted under section 212(3) wherein investigation continues beyond the time prescribed in the order of investigation and report has not been submitted to central government, shall be -</p> <p>(a) Void (b) Valid (c) Irregular (d) Invalid</p>
3	<p>Considering the expression of Section 212(6), an offence under Section 447 of the Companies Act, 2013</p>

	<p>shall be –</p> <p>I. Cognizable</p> <p>II. Non-cognizable</p> <p>III. Bailable</p> <p>IV. Non-bailable</p> <p>(a) I and III</p> <p>(b) I and IV</p> <p>(c) II and III</p> <p>(d) II and IV</p>
4	<p>The expression ‘officers and employees’ under Section 212(5) denotes –</p> <p>(a) Persons who are in employment of the company.</p> <p>(b) Persons who have been in employment of the company during period for which investigation is taking place.</p> <p>(c) Persons who are or have been in employment of the company.</p> <p>(d) Persons who are deemed to be in employment of the company, in opinion of SFIO</p>
5	<p>The note of examination of Ms. Smriti shah, wherein she admitted her involvement in fraud and misappropriation can be used as evidence against her if –</p> <p>I. Taken down in wiring</p> <p>II. Read over to Mr. Smriti</p> <p>III. Signed by Ms. Smriti</p> <p>IV. A copy of same handed over to Ms. Smriti</p> <p>(a) I and III is fulfilled</p> <p>(b) I, II and III is fulfilled</p> <p>(c) I, III and IV is fulfilled</p> <p>(d) All of I, II, III and IV fulfilled.</p>

Answers - Integrated Case Study 6

Q.No	Answer	
1	(c)	Joint Secretary
2	(b)	Valid
3	(b)	I and IV
4	(c)	Persons who are or have been in employment of the company.
5	(b)	I, II and III is fulfilled