

# **NATIONAL LAW UNIVERSITY DELHI**

**LL.M. (Professional), Semester-II (Batch of 2020)**

**End Semester Examination, July 2021**

**PAPER: COMPANY LAW AND PRACTICE**

Marks:100

Instructions:

1. Answer any 5 questions.
2. All questions carry equal marks and all parts of a question carry equal marks.
3. No clarifications can be sought.

- 1) “Statute provides entrepreneurs the alternative structure of a vehicle having a separate personality so as to cut their losses. Unfortunately, statutory interventions in various spheres and lending practices have limited the gains. The courts have poured more salt on the wounds of the entrepreneurs by propounding the pernicious doctrine of lifting of the corporate veil.” Critically examine the above statement in light of the evolution of the law relating to the lifting of the corporate veil.
- 2) “The constitutional documents of the company lay out the contractual relations of the members. In doing so, they not only circumscribe the sphere of company’s operations and limit the discretion of the board or members, they also protect the members and lenders”. Critique the validity of the assertion made here.
- 3) “There cannot be any barriers to the power of the members to amend the articles of the company. But no power can be unfettered. And by fetters we do not mean mere procedural fetters as provided in the Act or articles. The power to amend is vested in the shareholder body not to corner benefits for some or to exclude some from benefits of future success of the company. Though the right to vote is a proprietary right, it carries with it certain responsibilities when exercised for altering the articles”. Elucidate on this observation.
- 4) “Capital of the company is usually all that a lender has to fall back on when the corporate vehicle is struggling. But this cushion for the lender also has a cost for the shareholders. Also they may need an exit which may not be available for different reasons. Statute has to provide the flexibility after balancing the interests of the creditors vis a vis the shareholders”. In light of this statement, examine the provisions of the Companies Act on reduction of capital.
- 5) “The court does not have the time nor ability to examine as whether a fiduciary has done all that he could do to ensure that the trust enjoys the benefit of the profitable opportunities which come in its way. All it can do is to ensure that the fiduciary has no incentive in seeing that the opportunity is not enjoyed by the trust.” Examine the application of the above statement in relation to the director of a company.
- 6) Write short notes on:
  - a) Duomatic Principle
  - b) Winding up of a Company on grounds of it being ‘Just and Equitable’