



The Institute of
Chartered Accountants
of Pakistan

Certificate in Accounting and Finance Stage Examination

Model Paper
3 hours – 100 marks
Additional reading time – 15 minutes

Company Law

Instructions to examinees:

- (i) Answer all **ELEVEN** questions.
- (ii) Answer in **black** pen only.
- (iii) Multiple Choice Questions must be answered in answer script only.

Q.1 Select the most appropriate answer from the options available for each of the following Multiple Choice Questions (MCQs). Each MCQ carries **ONE** mark.

- (i) Any change in principal line of business shall be reported by the company from the date of change to:
 - (a) the Commission within thirty days
 - (b) both the Commission and the registrar within thirty days
 - (c) the registrar within thirty days
 - (d) both the Commission and the registrar within fifteen days
- (ii) Which of the following instruments is considered to be the prima facie evidence of the title of a listed company's shares?
 - (a) Share purchase agreement
 - (b) Share subscription application
 - (c) Share certificates issued in book-entry form
 - (d) All of the above
- (iii) Minutes of all general meetings of a company should be kept at the registered office of the company in physical and electronic form for a period of:
 - (a) 10 years
 - (b) 10 years and permanently respectively
 - (c) 20 years
 - (d) 20 years and permanently respectively
- (iv) With reference to the resolution passed by members through circulation, which of the following statements is true?
 - (a) The resolution may be revoked if members holding 10% voting power withdraw their agreement signified in writing
 - (b) The resolution may be revoked when the board of directors vote against the resolution
 - (c) The resolution may be revoked where decision taken by members is not effected within 120 days of passing the same
 - (d) The resolution cannot be revoked once signified by members in writing
- (v) Which of the following business decisions requires approval of members in a general meeting?
 - (a) Approval of interim dividend
 - (b) Approval to invest excess funds in fixed term deposits
 - (c) Selling all the shares of subsidiary company to the highest bidder
 - (d) Acquiring shares of another company at seven times higher the book value per share of that company

- (vi) Sunstone Limited is a public company with nine directors and a paid-up capital of Rs. 40 million (face value of Rs. 100 each). Khurram and Asim were elected as directors in the recent elections by securing 400,000 and 300,000 votes respectively. However, subsequently both of them resigned.

Nasir was appointed to fill the casual vacancy created by Khurram while Asim's position is still vacant. Board is not satisfied with Nasir's performance and wish to replace him with Saim. A resolution has been moved in general meeting to remove Nasir from his position. Nasir will be able to secure his position if number of votes casted against the resolution equals to or exceeds:

- (a) 450,000 (b) 400,000 (c) 350,000 (d) 300,000

- (vii) Election of directors of Rhinestone Limited (RL) having share capital of Rs. 4 million (face value of Rs. 10 each) was held on 5 September 2021 in which seven directors were elected. Yasir, Samia and Noureen, the shareholders of RL are of the opinion that the elections were not held fairly and material irregularities were noted. They intend to apply to the Court for re-election. The shareholders will be eligible to file their application if they hold atleast:

- (a) 40,000 voting shares and submit application by 4 October
 (b) 40,001 voting shares and submit application by 20 September
 (c) 80,000 voting shares and submit application by 4 October
 (d) 80,001 voting shares and submit application by 20 September

- (viii) Which of the following is entitled to inspect the books of accounts?

- (a) Directors at any time
 (b) Shareholders having more than 10% shares at any time
 (c) Directors during business hours
 (d) Shareholders having more than 10% shares during business hours

- (ix) In the case of listed company, statement of compliance is required to be signed by:

- (a) the chairman and a director
 (b) at least two directors
 (c) the chairman and the chief executive
 (d) the chief executive and a director

- (x) Aventurine (Pvt) Limited (APL) was incorporated on 1 January 2020 with an authorized share capital of Rs. 500,000.

APL is required to accompany an affidavit with its annual financial statements confirming that the financial statements:

- (a) give a true and fair view of the company's affairs
 (b) have been approved by the Board
 (c) are prepared in accordance with the requirements of the Companies Act, 2017
 (d) are free from material misstatements

- (xi) Investment in associated company cannot be made by the directors themselves. They will have to get its approval from:

- (a) members in a BOD meeting through special resolution
 (b) members in a general meeting through ordinary resolution
 (c) members in a general meeting through special resolution
 (d) members in a BOD meeting through ordinary resolution

- (xii) Akram is the chief financial officer of Spinel House Limited (SHL). As part of its expansion plan, SHL is in the process of acquiring an office building, owned by Najma who is Akram's wife, on rent in a commercial area. SHL asked Najma to provide terms and conditions of the rent agreement for consideration and necessary approval.

Which of the following statements is correct?

- (a) Akram will have to disclose his interest and obtain prior approval of SHL's board before signing the rent agreement
 - (b) SHL can sign the rent agreement and Akram will give an update to SHL's board in the immediately next board meeting
 - (c) SHL can sign rent agreement with prior approval of the chief executive
 - (d) No approval is needed; however, Akram cannot be involved in the transaction
- (xiii) A company being a separate legal person can make investments in any other company or security. In normal circumstances, all such investments of the company must be made and held in the name of:
- (a) controlling shareholders
 - (b) sponsors of the company
 - (c) chairman of the company
 - (d) company itself
- (xiv) With reference to, investment in associated companies, which of the following statement is **TRUE**?
- (a) An increase in the amount or any change in the nature of investments in associated company shall be made under the authority of special resolution only.
 - (b) A register of investments in associated companies shall be maintained and kept at the regional office of a company.
 - (c) The term investment with reference to investment in associated company shall include equity, loans and advances only.
 - (d) A company may invest in its associated company by way of loans or advances without entering into an agreement.
- (xv) For the purpose of giving jurisdiction to the Court over suits and another legal proceedings, a petition for the continuance of a voluntary winding up subject to the supervision of the Court shall be deemed to be a petition for winding up by the:
- (a) Court
 - (b) Civil Court
 - (c) High Court
 - (d) Supreme Court

- Q.2 Akbar, Khalid and Shoaib intends to form a company with limited liability. The objective to form the company is to provide research related services to companies related to textile sector. In this respect, one of the promoters proposed 'Textile Research Authority' as a name of the proposed company, which was liked by all the promoters.

Under the provisions of the Companies Act, 2017 comment on the validity of the name proposed by the promoters and suggest how they can overcome the deficiencies, if any, in it.

- Q.3 The directors of Alexandrite Limited (AL) intends to make a public offer of its securities and are in the process of preparing the prospectus. They wish to include a statement made by an expert in AL's prospectus.

Under the provisions of the Securities Act, 2015 advise the directors about:

- (a) the matters that must be considered before including the statement made by an expert in AL's prospectus. (02)
- (b) the conditions that must be complied with before issuing, circulating or publishing AL's prospectus containing the expert's statement. (02)

- Q.4 On 26 September 2021, the board of directors of Onyx Fantasy Limited (OFL), a public unlisted company, in its meeting has approved a short-term loan to Kitten Limited, one of the associated companies, to meet its working capital requirement, for which shareholders' approval is required. OFL's annual general meeting is scheduled to be held in March 2022.

Under the provisions of the Companies Act, 2017:

- (a) briefly discuss the options available to OFL for obtaining shareholders' approval. (03)
- (b) state the procedure(s) to be followed for obtaining the approval in each option identified in (a) above. *(Ignore procedures relating to voting)* (06)

- Q.5 (a) Election of directors of Opal Stones Limited (OSL), a listed company, is scheduled to be held on 15 October 2021. The board of directors has requested Ahmed, one of the leading engineers, to contest the upcoming election as non-executive director for adding value to the board.

Before responding to the offer of OSL's board, Ahmed has sought your advice on the following concerns:

- (i) Since he has no relationship with OSL either pecuniary or otherwise, can he contest the election as non-executive director?
- (ii) Would he be subjected to unforeseen liability that may arise due to adverse action of other directors?

Under the provisions of the Companies Act, 2017, advise Ahmed with regard to the above concerns. (06)

- (b) Sunstone Limited (SL) is a public unlisted company with paid-up share capital of Rs. 600 million divided into 60 million ordinary shares of Rs. 10 each.

Following directors were elected in SL's annual general meeting held on 12 October 2020:

Name	Votes casted in favour
Ahmed Ali	90 million
Baber Ali	80 million
Dawood Khan	70 million
Essa Ibrahim	50 million
Faiz Ahmed	45 million
Gulzar Hamid	40 million
Iqbal Javaid	25 million

Kamran Luqman, an existing shareholder of SL, purchased additional 1.5 million shares in SL on 23 September 2021 due to which his shareholding percentage increased to 16%. Kamran Luqman now demands to have a suitable position on SL's board.

Under the provisions of the Companies Act, 2017 discuss the validity of Kamran Luqman's demand. Also list the grounds under which he may not be elected on SL's board. (04)

Q.6 Basheer, a non-executive director of Zircon Limited (ZL), while reviewing details of investments made by ZL, has shown his concerns on the following shares that are not held in the name of ZL:

- (a) 500 shares in Fluorite (Private) Limited (FPL) are held in the name of Danish who is an employee of ZL. FPL is a wholly owned subsidiary of ZL. (02)
- (b) 5,000 shares of Garnet (Private) Limited (GPL) are held in the name of Ebrahim, who is a non-executive director in GPL by virtue of ZL's nomination. ZL owns 35% voting shares in GPL. (02)

Under the provisions of the Companies Act, 2017 briefly explain the possible reasons for holding investment of ZL in the name of Danish and Ebrahim.

Q.7 Under the provisions of the Companies Act, 2017 briefly discuss:

- (a) the time frame within which quarterly financial statements should be prepared and the requirement, if any, for its review. (02)
- (b) the filing requirement of the quarterly financial statements. (02)
- (c) the requirements a listed company should comply for filing its financial statements if at the annual general meeting annual financial statements was not adopted. (03)
- (d) the contents of the directors' report of a public unlisted company. (08)

Q.8 Diamond Limited (DL) was incorporate on 20 September 2021. All the subscribers to the memorandum of DL have paid the share money except Iftikhar who has subscribed 4,000 shares and is willing to make the payment before 30 October 2021.

DL's management intends to start the operations of the company immediately since minimum subscription amount is not fix in DL's memorandum and articles of association. Accordingly, for the purpose of commencement of business, they intend to submit requisite documents with the registrar. The management is confident that the registrar will accept and register all the documents.

Under the Companies Act, 2017:

- (a) determine Iftikhar's status in DL and discuss implications, if any, towards himself as well as DL, if he makes the payment before 30 October 2021.
- (b) explain DL's duties if all the subscription money is received on or before 17 October 2021. (08)

Q.9 (a) Under the provisions of the Companies Act, 2017 describe the circumstances in which the registrar has the power to make entries of satisfaction and release of charge in the register of mortgages and charges without intimation from the company. (03)

(b) In the general meeting of Red Coral Limited, while discussing one of the agenda items, two of the members, Yasmeen and Yameen wants to demand poll.

Under the provisions of the Companies Act, 2017 advise the chairman whether they are eligible to demand the poll. Also discuss the procedure to be followed for taking the poll in the general meeting. (03)

- Q.10 (a) In August 2021, Topaz Limited (TL) acquired 18% voting shares in Jade Limited (JL). After acquisition, TL nominated one of its directors on JL's board.

TL's board is planning to acquire further 10% voting shares in JL in November 2021.

Under the Companies Act, 2017 discuss the condition(s), which TL must fulfil before making any further acquisition of shares in JL.

(04)

- (b) Moonstone Limited (ML) is engaged in the business of leasing vehicles to corporate customers. The board of directors of ML is considering authorising one of its directors, Faiz, to enter into a contract with Laila, the chief executive of Titanite Limited, for the purchase of six delivery vans. Laila is also the wife of Faiz.

Under the provisions of the Companies Act, 2017 analyse the above situation and advise Faiz about his responsibilities towards the company with respect to the above transaction.

(05)

- Q.11 (a) Under the provisions of the Companies Act, 2017 list the circumstances in which the Court may order winding up of a public company.

(08)

- (b) Narrate the conditions required to be complied with by the following for filing a petition for winding up of a company as specified under the Companies Act, 2017:

(i) a contributory

(03)

(ii) the registrar and the Commission

(03)

(THE END)