

71INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**EXAMINERS' COMMENTS**

SUBJECT	SESSION
Company Law	Certificate in Accounting and Finance (CAF) Autumn 2023

Passing %

Question-wise											Overall
1	2	3	4	5	6	7	8	9	10	11	
93%	2%	41%	28%	46%	81%	6%	44%	60%	77%	24%	43%

General comments

A decrease in overall result was observed in this session as 43% of examinees secured passing marks compared to 55% in the previous session.

The primary contributing factor to the lower overall performance is the inadequate handling of scenario-based questions. Examinees encountered challenges in effectively identifying and applying relevant knowledge of the law in the context of scenario-based questions. Examinees are advised to approach scenario-based questions by first pinpointing the central issue(s) and then correctly identifying and applying the relevant provisions of law. Poor performance was observed in question number 2 and 7.

Question-wise common mistakes observed**Question 1**

Good performance was observed in this question.

Question 2(i)

- Examinees were unable to comprehend the given situation and did not possess the knowledge that in a company with a total of three members, when Naeem and Waqas cease to be members of CTL, they will ipso facto cease to hold the office of directors. Consequently, the number of directors would also decrease.
- Examinees did not realize that to meet the minimum number of directors of CTL, NML needs to nominate a director and transfer shares with a total value not exceeding the nominal value of the qualification shares required to be held by a nominee director.
- Examinees also failed to mention that the financial year of CTL must coincide with the financial year of NML as NML has become its holding company.

Question 2(ii)

Examinees did not mention that Kamran is not necessarily required to be a director for appointment as a chief executive of CTL, rather he shall be deemed to be a director of the company upon such appointment.

Question 3(a)

Good performance was observed in this part of the question.

Question 3(b)

Examinees did not cover the fact that when sale consideration is received in kind, it is considered a non-cash transaction, and such transactions cannot proceed without the approval of the members in the general meeting.

Examinees narrated the requirements for an investment in an associated company instead of covering the requirements of restriction on non-cash transactions involving directors.

Question 4(a)

- Examinees did not state that the company's books of account should be maintained for ten years or all years if the company is in existence for less than ten years.
- Examinees did not state that the company can keep its books of account at any other place within Pakistan, but it must file a written notice with the registrar within seven days.

Question 4(b)

- Examinees mentioned correctly that the first financial statements must be presented within sixteen months from the date of incorporation but unfortunately were not able to apply it correctly in the given scenario.
- Examinees did not cover the fact that the mandatory audit requirement does not apply to private companies with a paid-up capital not exceeding one million rupees.

Question 5

Examinees did not furnish the information, especially concerning the three-year condition applicable in some scenarios in which a director of a listed company would not be considered as an independent director. Furthermore, some examinees redundantly stated similar situations using varying terminology, due to which marks could not be awarded.

Question 6

Good performance was observed in this question.

Question 7(a)

Examinees were not able to comprehend the given scenario and were not able to give the proper reason in support of their answer, rather they simply stated that the Chairman's declaration of the approval was valid.

Question 7(b)

The examinees did not state that to validate Ali's concern, he has to prove that:

- he demanded a poll either before or upon the declaration of the voting result through a show of hands by the chairman regarding the aforementioned resolution.
- he did not withdraw the demand for a poll.

Question 8(i)

- Examinees did not state that if the register of members is not closed for interim dividend, it is deemed to have been declared on the date when it is approved by UL's board.
- Examinees failed to state that UL's CEO is responsible for the payment of dividends within the specified time.

Question 8(ii)

- Examinees did not state that records of resolutions passed by circulations shall also be maintained.
- Examinees failed to state that minutes for each general meeting need to be made and are considered valid unless proven otherwise.
- Examinees did not state that minutes of the general meeting shall also serve as evidence of the proceedings even if it is signed by the chairman of the next meeting.

Question 9

- Examinees correctly stated the consequences of not paying debts but failed to mention the following conditions:
 - ML received a demand from a creditor through registered post for payment exceeding Rs. 100,000 and it remains unpaid after 30 days.
 - ML failed to provide adequate security to the creditor.
- Examinees also failed to state that ML will cease to exist as a legal entity once the winding-up process is completed.

Question 10

- Examinees failed to clarify that both the aggrieved shareholders who voted in favor of the resolution and those who voted against it must present compelling reasons to satisfy the Court. Only then the Court would consider directing CL to annul the resolution.
- Examinees did not state that if the Court's order goes against CL, CL will have to:
 - reverse any actions taken based on the canceled resolution
 - file an amended version of the AOA with the registrar based on a special resolution.

Question 11(a)

Examinees did not have the knowledge to consider whether a company is required to get its articles of association registered or not. They misunderstood the categorization of companies, which should be based on limited by shares, limited by guarantee, or unlimited companies, rather than being classified as private, public, or listed companies.

Question 11(b)

Examinees did not comprehend that any alteration in the articles of association of a company compelling shareholders to acquire additional shares is applicable only when such shareholders agree in writing either before or after the alteration is implemented.

(THE END)