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## Company Law

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**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.
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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) On 11 July 2022, Plum Limited (PL) changed its business activity by altering its memorandum of association (MOA). On 1 August 2022, PL has made a petition to the Commission for the confirmation of alteration.

On 26 August 2022, the Commission confirmed the alteration in MOA and on 31 August 2022, PL received the copy of the order confirming the alteration. Identify the last date on which PL shall file the altered copy of its MOA with the registrar.

- (a) 10 September 2022
  - (b) 15 September 2022
  - (c) 24 September 2022
  - (d) 25 September 2022
- (ii) The shares held by a member of a public company shall be considered to be the movable property transferable in the manner:
    - (a) provided by the memorandum of association of the company
    - (b) provided by the articles of association of the company
    - (c) provided by the prospectus of the company
    - (d) considered appropriate by the board of directors
  - (iii) On 8 September 2022, Quince Limited (QL) paid the final instalment of long term loan obtained from Coconut Bank Limited. Identify the last date by which QL shall intimate to the registrar about the payment in full of the mortgage created and registered under the Companies Act, 2017.

- (a) 23 September 2022
- (b) 7 October 2022
- (c) 23 October 2022
- (d) 7 November 2022

- (iv) The Court made a winding up order against Cranberry Limited and appointed Asadullah as an official liquidator. Asadullah is required to submit a report to the Court containing prescribed information.

Which of the following information is **NOT** required to be included in the said report?

- (a) The amount of authorized and paid-up capital
  - (b) Debts due from contributories
  - (c) Details of business plan and forecast
  - (d) Details of subsisting contracts, joint ventures and collaborations
- (v) The Chief Executive Officer of a company shall be considered to be the \_\_\_\_\_ of the company.
    - (a) Independent Director
    - (b) Executive Director
    - (c) Non-Executive Director
    - (d) Chairman



- (xi) Peach Limited's board in its meeting held on 9 September 2022 has approved an interim cash dividend of 20% i.e. Rs. 2 per share for the year ending 30 June 2023. The dividend shall be deemed to have been declared on the date:
- of intimation to Pakistan Stock Exchange
  - on which such dividend is approved by the board
  - of the next general meeting
  - on which announcement is made to the public
- (xii) Muskmelon Limited's (ML) election of directors is to be held on 30 September 2022. Kamal intends to file a notice of intention to offer himself for election as company's director. He was adjudicated as an undischarged insolvent on 30 September 2019.

Which of the following statements is **NOT** correct?

- He is eligible to be appointed as director of ML if he is ML's member and has discharged all his liabilities
  - He shall not offer himself for the position of director till he is adjudicated as solvent
  - He is entitled to contest the election of directors on completion of three years period i.e. 30 September 2022
  - A person cannot be eligible to offer himself for the position of director if he is adjudicated as an undischarged insolvent
- (xiii) On 8 September 2022, Lychee Limited (LL), a listed company, has uploaded its quarterly financial statements for the period ended 31 July 2022 on its website for the information of its members. Under the provisions of the Companies Act, 2017, LL is also required to transmit the said financial statements to:
- Registrar, Auditor and Securities Exchange
  - Commission, Securities Exchange and Auditor
  - Commission, Registrar and Auditors
  - Commission, Registrar and Securities Exchange
- (xiv) A person can be appointed as an official liquidator at one point of time, for a maximum of:
- |                    |                     |
|--------------------|---------------------|
| (a) two companies  | (b) three companies |
| (c) four companies | (d) five companies  |
- (xv) The Court made a winding up order on 9 September 2022 against Watermelon (Guarantee) Limited and appointed Ameen Khan as an official liquidator. Ameen Khan has to submit a report to the Court not later than:
- |                     |                     |
|---------------------|---------------------|
| (a) 5 October 2022  | (b) 6 October 2022  |
| (c) 7 November 2022 | (d) 8 November 2022 |

Q.2 Ali, Sabra, Ubaid and Amir were the subscribers of Nance Limited (NL) which was incorporated on 1 January 2020 to carry on the business of trading of leather jackets. In the first annual general meeting, they were elected as NL's directors.

On 1 March 2022, Ali and Sabra had a road accident and both of them died on spot. After their death, Amir and Ubaid were the only members remained in the company.

Under the provisions of the Companies Act, 2017:

- discuss the duties of Ubaid and Amir in the above situation. **(05)**
- state the consequences on NL and its members if Ubaid and Amir fail to fulfil their duties as discussed in (a) above. **(02)**

- Q.3 Under the provisions of the Companies Act, 2017 briefly explain the provisions relating to the quarterly financial statements of a listed company. Your answer should cover the following:
- Time frame within which quarterly financial statements should be prepared and the requirement for its review (02)
  - Requirement for the approval and authentication (02)
  - Requirement for its publication and transmission (04)

- Q.4 Kino Limited (KL) was incorporated on 9 September 2017 with a paid-up capital of Rs. 2 million divided into 200,000 ordinary shares of Rs. 10 each.

KL's directors have called an extraordinary general meeting (EOGM) to be held on 10 September 2022 at 10 AM to approve the resolution to wind up KL.

Following is the list of KL's shareholders along with the number of shares held by them:

Shareholders	No. of shares held
Anas	20,000
Baber	30,000
Dilawar	40,000
Essa	50,000
Fiza	60,000

It is expected that Anas, Dilawar and Essa would not be able to attend the EOGM. However, on 8 September 2022 at 11 AM, Essa has deposited a proxy with KL's company secretary in favour of Baber. Essa and Baber would cast vote against the resolution.

Under the provisions of the Companies Act, 2017, explain the effect of the above expected matters on the EOGM and resolution to be passed assuming that KL's articles of association:

- states that it shall operate only for five years. (07)
  - is silent with regard to its duration of operation. (03)
- Q.5 Dates Ceramics Limited (DCL) was incorporated on 1 July 2021 as an unlisted company and all the seven subscribers were appointed as DCL's directors.

On 8 September 2022, an urgent meeting of DCL's board was held to discuss the fire occurred in the office building. Among other matters, the chief executive also informed the board that:

- all the financial records were lost and the data from the backup server have not yet been restored. He further informed that IT team is confident that they will restore the data by next week.
- the audit of DCL's financial statements for the year ended 30 June 2022 is yet to be completed and due to this fire incident, it is not possible to complete it before 15 December 2022. Consequently, DCL's annual general meeting would not be held on 22 October 2022 as planned.

Under the provisions of the Companies Act, 2017 state the responsibilities of DCL's directors in the given scenario. (07)

- Q.6 In the light of the Companies Act, 2017 briefly explain the purpose of closure of register of members of a company. Also state the matters to be considered while issuing a notice to the members intimating about closure of register of members. (06)

- Q.7 Under the provisions of the Companies Act, 2017 state any **eight** circumstances under which a company may be wound up by the Court. (08)

- Q.8 (a) Under the provisions of the Companies (Distribution of Dividends) Regulations, 2017 briefly explain 'Paying agent', 'Working day' and 'Manner of payment of cash dividend'. (05)
- (b) Discuss the provisions of the Companies Act, 2017 relating to the proceedings of the meeting of the board of directors of a company. (07)

- Q.9 Muskmelon Investment Limited's Research Manager has provided you the break-up of shareholding of the following companies:

Name of companies	*Paid-up share capital	Shareholders					
		AL	BPL	CPL	DL	EL	Others
----- Rs. in '000 -----							
Apricot Ltd. (AL)	10,000	-	-	3,000	3,500	3,500	-
Berry (Pvt) Ltd. (BPL)	20,000	10,200	-	2,000	3,800	4,000	-
Cherry (Pvt) Ltd. (CPL)	300,000	-	-	-	-	-	300,000
Damson Ltd. (DL)	400,000	-	-	288,000	-	-	112,000
Elderberry Ltd. (EL)	50,000	-	-	20,000	30,000	-	-

\* Each share carries one voting right.

Using the information above, under the provisions of the Companies Act, 2017:

- (a) prepare a summary to determine the relationship that exists between the following companies: (08)
- (i) DL and BPL (ii) CPL and AL  
(Ignore the relationship of associated companies)
- (b) identify the companies as covered in (a) above that are required to prepare consolidated financial statements. (02)
- Q.10 Cherry Limited (CL) is engaged in the business of manufacturing and selling of air conditioners. On 15 August 2022, Aslam, one of the directors, with the consent of the chief executive, has entered into a contract on behalf of CL, with Tamarind Limited (TL) as a distributor for the supply of air conditioners in Punjab.

The spouse of Aslam holds 5% shares in TL.

Under the provisions of the Companies Act, 2017 advise on the enforceability of contract entered into between CL and TL and the consequences which may arise due to the non-compliance of the said contract. (06)

- Q.11 (a) List any six mortgages and charges which are required to be registered under the provisions of the Companies Act, 2017. (03)
- (b) On 5 September 2022, Orange Limited (OL) has obtained a long term loan of Rs. 300 million from Mango Bank Limited for expansion of its business, against mortgage of the following properties:
- factory building situated in Quetta having value of Rs. 200 million.
  - showroom situated in London, UK having value of Rs. 150 million.

Under the provisions of the Companies Act, 2017:

- (i) discuss the duties of OL with regard to the registration of above mortgages and the consequences of non-registration. (06)
- (ii) state the requirements relating to the inspection of register of mortgages and charges. (02)

(THE END)