



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.
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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) Charcoal Limited (CL) has purchased plant and machinery for Rs. 100 million from Fuchsia (Private) Limited (FPL). Following information in this respect are available:
- 50% payment will be made to FPL on 15 March 2022 by obtaining a bank loan. The loan will be secured against mortgage of CL's factory building.
 - The balance will be paid in four equal quarterly instalments which will be secured through the charge over CL's inventory and pledge of CL's ordinary shares of one of the directors.

Which of the following securities are required to be registered with the registrar?

- (a) Mortgage over CL's factory building and pledge of CL's ordinary shares
 - (b) Mortgage over CL's factory building and charge over CL's inventory
 - (c) Mortgage over CL's factory building only
 - (d) Mortgage over CL's factory building, pledge of CL's ordinary shares and charge over CL's inventory
- (ii) Which of the following statements is correct regarding inspection of a company's register of mortgages and charges?
- (a) Only a member or a creditor of the company can inspect without fee
 - (b) Any member of the company can inspect without fee and any other person including creditors can inspect on payment of such fee as fixed by the company
 - (c) Anyone can inspect on payment of such fee as fixed by the company
 - (d) Any member or creditor of the company can inspect without fee and any other person can inspect on payment of such fee as fixed by the company
- (iii) Orange International Association (OIA) has been formed as a charitable organisation. However, due to non-compliance of the requirements of the Companies Act, 2017 the Commission revoked its licence.

On 11 March 2022, OIA's board has completed all the compliances related to the revocation of the license.

Which of the following dates would be the latest date of filing the compliance report to the registrar?

- (a) 21 March 2022
- (b) 25 March 2022
- (c) 9 April 2022
- (d) 9 May 2022

- (iv) Asadullah and Anas are in the process of forming a company and they have selected the name “Green Foods (Private) Limited” as the name of the proposed company. On 1 March 2022, they applied to the registrar for reservation of the said name.

The proposed name can be reserved with the registrar maximum up to _____.

- (a) 15 March 2022 (b) 30 March 2022
(c) 29 April 2022 (d) 29 May 2022
- (v) The registrar has not received any intimation of satisfaction of charges from the company. He may still enter in the register of mortgages and charges a memorandum of satisfaction with respect to the registered charge only when:
- (a) concerned bank informed to the registrar
(b) the final payment of debt has been made
(c) the registrar has the knowledge that the payment of debt has been made
(d) the registrar himself has the evidence that the debt has been paid
- (vi) Purple Limited (PL) is wholly owned subsidiary of Byzantium Limited (BL). BL has transferred ten shares of PL each in the name of its directors Kashif and Zahid, in order to ensure that:
- (a) they could attend PL’s general meeting
(b) they could look after PL’s affairs to protect BL’s interest
(c) the number of PL’s members shall be in accordance with the statutory limit
(d) both (a) and (b)
- (vii) Where a director has entered into a contract with the company for supply of raw material without obtaining the required approval, the contract shall be voidable at the option of the board, unless within 90 days from the date at which such contract was entered into, it is ratified:
- (a) by the directors and shareholders in their respective meetings
(b) either by the directors in their meeting or by the shareholders in their meeting
(c) by the directors only, in their meeting
(d) by the shareholders only, in their meeting
- (viii) In case of a _____, a chief executive, his spouse and minor children are prohibited to engage in a business which competes with the business of the company in which he is the chief executive or with the business of any of its subsidiary company.
- (a) company incorporated under the Companies Act, 2017
(b) public company incorporated under the Companies Act, 2017
(c) listed company incorporated under the Companies Act, 2017 only
(d) holding company incorporated in Pakistan
- (ix) If alteration in shareholding structure affects the substantive rights of a class of members, it shall be carried out only if it is approved by:
- (a) members having 3/4th majority in general meeting present in person or through proxy
(b) board of directors and then ratified by at least 50% of affected class of members in general meeting
(c) at least 3/4th majority of the class of members affected by such alteration
(d) class of members not affected by such alteration representing not less than 10% voting power

- (x) The annual financial statements of a public unlisted company shall be authenticated on behalf of the board by:
- (a) at least one director and the CEO
 - (b) any director or the CEO
 - (c) at least one director and the CFO
 - (d) the CEO and the CFO

- (xi) Lavender Limited has granted long term loan of Rs. 10 million to its chief operating officer, against which he has deposited a negotiable instrument as security.

Which of the following statements is correct regarding registration of above security under the Companies Act, 2017?

- (a) Negotiable instrument is not considered as a security for the purpose of mortgage or charge and does not require registration
 - (b) Negotiable instrument above Rs. 10 million is required to be registered as mortgage or charge
 - (c) Negotiable instrument upto Rs. 10 million is not required to be registered as mortgage or charge
 - (d) Negotiable instrument is acceptable as security; hence, it is required to be registered as mortgage or charge
- (xii) Creditors of Taupe Limited (TL) have filed a suit in the Court for winding up of TL on grounds of insolvency. The Court while determining whether TL is unable to pay its debts or not, shall take into account the following:
- (a) current and contingent liabilities of TL only
 - (b) non-current and prospective liabilities of TL only
 - (c) contingent and prospective liabilities of TL only
 - (d) current, non-current, contingent and prospective liabilities of TL
- (xiii) A public company may be wound up by the Court if:
- (a) it is conducting business in a manner oppressive to its minority members
 - (b) it has made a default in filing any statutory return with the registrar
 - (c) the number of its directors is reduced below three
 - (d) it has made a default in making payment of taxes under any law applicable in Pakistan

- (xiv) Indigo Limited (IL) is a public company which holds 60% shares in Neon Limited (NL). The financial year of IL and NL ends on 30 June and 31 December respectively.

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

- (a) Board of NL shall ensure that financial year of IL and NL coincides, except where in its opinion there are valid reasons against it
 - (b) Board of IL shall ensure that financial year of IL and NL coincides, except where in its opinion there are valid reasons against it
 - (c) The Commission may, on receiving application from IL, extend its financial year to 31 December
 - (d) The Commission may, on receiving application from NL, extend its financial year to 30 June
- (xv) Crimson Limited (CL) is listed on Pakistan Stock Exchange. CL's financial year ends on 30 June each year. Financial statements of CL for the quarter ended 31 March 2022 are:
- (a) required to be submitted with the registrar on or before 15 April 2022
 - (b) required to be submitted with the registrar on or before 30 April 2022
 - (c) required to be submitted with the registrar on or before 30 May 2022
 - (d) not required to be submitted with the registrar

- Q.2 Crimson Limited (CL) was incorporated on 1 July 2018 as a public unlisted company with the following authorized and paid up capital:

	Class A	Class B
Authorized share capital [No. of shares (in million)]	1,200	800
Paid up share capital [No. of shares (in million)]	600	400
Face value per share (Rs.)	15	40

The board of directors in their latest meeting has planned to alter CL's share capital in the following manner:

- (i) Cancel the authorized share capital of class B by 350 million shares
- (ii) Consolidate two shares of class A into one share
- (iii) Sub-divide one share of class B into two shares having equal face value

Under the provisions of the Companies Act, 2017 discuss the following matters:

- (a) Impact of the board of directors' plan on the authorized and the paid up share capital. **(06)**
- (b) Procedures to be followed for implementation of the said plan. **(04)**

- Q.3 Brown Enterprises Limited (BEL) was formed as a construction company with an issued and paid up share capital of 500 million ordinary shares of Rs. 10 each. Orchid Limited (OL), Teal Limited which is one of the subsidiary company of OL and Mauve (Private) Limited have subscribed 125 million, 130 million and 245 million ordinary shares of BEL respectively.

The board of directors of BEL has decided to construct state-of-the-art five storey shopping mall in a posh locality of Islamabad. BEL's management found a lucrative piece of land in the said locality which is owned by Zakir who is also a non-executive director of BEL and OL. After negotiation, BEL and Zakir principally agreed that on completion of the shopping mall, fifth floor of the shopping mall will be given to Zakir in exchange for the price of his said land.

Under the provisions of the Companies Act, 2017 discuss the conditions that must be complied with in order to execute the above transaction. **(05)**

- Q.4 Blush Pakistan Limited (BPL) is a public unlisted company, managed by Ivory (Private) Limited (IPL). BPL has been using a specialised raw material for production of its main products.

In order to meet its future raw material requirements, BPL is considering to grant an interest free loan for a period of two years to its sole supplier Jade Packaging Limited (JPL) for expansion of its manufacturing facilities. JPL is also managed by IPL.

Discuss the provisions of the Companies Act, 2017 that are required to be complied with by BPL with respect to the above loan. **(07)**

- Q.5 (a) Under the provisions of the Companies Act, 2017 discuss the manners of selection of an independent director. (02)
- (b) Under the provisions of the Companies (Manner and Selection of Independent Directors) Regulations, 2018:
- (i) list down the eligibility criteria for a person who is desirous of including his/her name on the databank of independent directors maintained by any institute, body or association as notified by the Commission. (03)
 - (ii) state the responsibilities of a person whose name has been included in the databank of independent directors and has received an offer to be an independent director on the board of a listed company. (02)
 - (iii) briefly discuss the responsibilities of a listed company which is considering to appoint an independent director from the databank of independent directors. (02)

Q.6 Violet Limited (VL), a public unlisted company, received its certificate of incorporation on 1 August 2021. VL's management submitted duly verified declaration along with necessary documents to the registrar related to commencement of business that were accepted and registered by the registrar on 1 October 2021.

VL started its business operations with effect from 15 October 2021. However, it was revealed in the very first month of its commercial production that the main product is not meeting the specified standards. After engaging experts and making modification in the production process, VL resumed its production activities on 25 November 2021.

VL closes its financial year on 30 September.

Under the provisions of the Companies Act, 2017 advise VL's directors with regard to the following:

- (a) The period within which VL is required to hold the statutory meeting. (03)
- (b) The contents that need to be included in the statutory report with respect to share capital. (05)
- (c) Can VL avoid holding of the statutory meeting due to any reason(s) including production issues as faced by VL? (02)

- Q.7 (a) Under the provisions of the Companies Act, 2017 identify the responsibilities of a person, appointed by the order of the Court, as an official liquidator of a public company. (08)
- (b) Pear Limited (PL) is a public unlisted company having paid up share capital of Rs. 9 million. PL's management has not yet been able to prepare its financial statements for the years ended 30 June 2020 and 2021.

You are a corporate consultant and have been approached by Zainab Saleem and Aurangzeb Mirza, on the following matters:

- (i) Zainab Saleem is a member of PL and wants to file a petition in the Court for its winding up. *Advise Zainab Saleem regarding her eligibility to make an application to the Court for winding up the affairs of PL.* (03)
- (ii) Aurangzeb Mirza has been authorised by the Commission to present the winding up petition of PL to the Court. *Advise Aurangzeb Mirza regarding the conditions which must be fulfilled entitling him to present an application to the Court for winding up the affairs of PL.* (05)

Q.8 Red Limited (RL) is listed on Pakistan Stock Exchange. The audit of RL's financial statements for the year ended 30 November 2021 is in process and will be concluded on 28 March 2022. The management has informed that the financial statements for quarter ended 28 February 2022 will be prepared two weeks after the conclusion of year end's audit.

Under the provisions of the Companies Act, 2017 advise all the statutory compliances to be made by RL in respect of aforesaid financial statements including transmission/dispatch requirements, if any. (09)

Q.9 Fida Rehman has been the executive director of Golden Industries Limited (GIL), a listed company. On 9 November 2021, on behalf of GIL's management, Fida Rehman entered into a two year contract with Carol (Private) Limited (CPL) for the supply of raw material on 15 days credit.

On 7 March 2022, Fida Rehman's father acquired 12% shares in CPL.

Under the provisions of the Companies Act, 2017 briefly explain the responsibilities of Fida Rehman in respect of the above, for the entire term of the contract. (06)

Q.10 Under the provisions of the Companies Act, 2017:

(a) identify when a business is mandatorily required to be registered as a company. (02)

(b) list down any **three** exceptions to (a) above. (03)

Q.11 Under the provisions of the Companies Act, 2017:

(a) state the requirements relating to appointment and removal of subsequent chief executive of a company. (04)

(b) list the matters which are required to be included in the business review section of the directors' report of a listed company. (04)

(THE END)