

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT Corporate Laws	SESSION Certified Finance and Accounting Professional (CFAP) Examination Summer 2021
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Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
14%	11%	77%	29%	18%	60%	25%	7%	20%

General comments

The overall performance was slightly better as 20% examinees secured passing marks as compared to 14% in the previous session. Below average performances were observed in questions 1, 2, 5 and 8 which seems to be on account of selective studies, failure to address the exact requirement of the question, inability to identify and cross-link the applicable laws. Moreover, areas specifically required in the question to be ignored were answered by the examinees and consequently many of them were not able to attempt the complete paper.

Question-wise common mistakes observed

Question 1

- Covered those circumstances specifically required to be ignored as mentioned in the requirement section of the question.
- Instead of analyzing the specific scenarios given for SSL and AWPL, gave generalized answers by reproducing all the related provisions from the Public Offering Regulations, 2017 and did not evaluate the most relevant circumstances applicable in the given scenario.
- Very few examinees were able to identify that Adil Saeed will not be able to transfer shares if the shares have been pledged until the pledge is removed by the pledgee.

Question 2(a)(i)

Examinees were not able to identify that since the term of directors was expiring and election of directors was due to take place, it would have been efficient to cover the agenda item related to election of directors and related to annual general meeting together on 31 August 2021.

Question 2(a)(ii)

- Examinees did not address the statutory requirements prescribed under the Companies (Postal Ballot) Regulations, 2018 about election of directors.
- Examinees did not mention most of the information/documents as required to be communicated/submitted to Pakistan Stock Exchange Limited such as:
 - communication of determined closed period with reference to board meeting;
 - immediate disclosure of price sensitive information after conclusion of board meeting;
 - furnishing certified true copies of minutes of AGM within 60 days;
 - transmission of certified copies of resolutions after adoption by shareholders;
 - submission of duly verified annual free float certificate along with audited financial statements.

Question 2(b)

Examinees were not able to identify possible grounds on which the filing request of annual return may be refused by the registrar as mentioned under section 464 of the Companies Act, 2017.

Question 3

Good performance was noted in this question.

Question 4(a)

Good performance was noted in this part.

Question 4(b)(i)

Examinees were not able to demonstrate that since CPL along with OL held more than one-tenth of the aggregate of the value of shares in RL, shareholders who approved the scheme besides holding nine-tenth in value of the shares (other than CPL and OL) should not be less than three-fourth in number of the holders of those shares i.e. nine. As per the given scenario, only five shareholders had shown their intention to consent to the transfer scheme so far and therefore CPL needed to convince four additional shareholders (including WLL) to fulfill both requirements.

Question 4(b)(ii)

- Examinees were not able to identify the period within which CPL was required to give notice to FBL and NTL (being dissenting shareholders) regarding its intention to acquire their shares i.e. maximum by 11 November 2021.
- Examinees also failed to mention that on expiration of 30 days from the date of the notice, CPL was required to send copy of the notice to RL, unless the dissenting shareholders filed an application with the Commission.

Question 5(a)

Most of the answers were restricted to only one or two options. Issuance of bonus shares was incorrectly mentioned. Possibility of raising funds from general public was also covered which was specifically required to be ignored in requirement section of the question.

Question 5(b)

- Most evident requirement of increasing JL's authorized share capital was not covered while analyzing the possible options.
- The possibility of issuing shares for consideration other than cash (i.e. the plant itself) was ignored and consequently the related requirements were not analyzed.
- Some of the examinees reproduced even those requirements for issuance of right shares that are applicable to listed companies as prescribed under the Companies (Further Issue of Shares) Regulations, 2020 ignoring the fact that JL was a public unlisted company.
- Some of the examinees analyzed the conditions for issuance of shares under Employee Stock Option Scheme without considering the fact that JL needed to acquire the plant immediately for timely completion of its project.

Question 6

Good performance was noted in this question.

Question 7(a)

Examinees failed to identify that the security held against ATL's exposure was inadequate mainly due to the following:

- DBL's own shares were not allowed to be accepted as valid security;
- Minimum margin of 30% was required to be maintained against shares of DPL due to which the security value reduced to Rs. 28 million as against the market value of Rs. 40 million.

Question 7(b)

With reference to the internal audit observation related to Amir Malik, examinees did not identify the responsibilities of DBL related to customer due diligence, reporting and record maintenance as prescribed under the Anti Money Laundering Act, 2010.

Question 8(a)

Examinees were not able to identify that only approved securities as defined in Insurance Ordinance, 2000 could be placed with the State Bank of Pakistan (SBP) to comply with the increase in mandatory deposit requirement.

Question 8(b)

Examinees failed to mention that securities deposited with SBP shall have to be unencumbered; hence, these securities cannot be used as collateral against the loan. Moreover, examinees failed to apply the margin requirements while determining the collateral value of securities to be placed with BBL against the long-term loan.

(THE END)