

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

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

Question-wise								Overall
1	2	3	4	5	6	7	8	
28%	12%	64%	31%	67%	40%	32%	13%	27%

General comments

The overall result showed significant improvement from previous session result of 20%. Below average performances were observed in questions 2 and 8 which seems to be on account of failure to address the exact requirement of the question as well as inability to identify and cross-link the applicable laws.

Question-wise common mistakes observed

Question 1

- Examinees failed to establish that:
 - NH became GCL's substantial shareholder on 1 July being beneficial owner of 10.50% shares;
 - NH subsequently ceased to be GCL's substantial shareholder on 30 August when he sold 250,000 ordinary shares of class A; and
 - NH once again became a substantial shareholder on 30 September, being beneficial owner of 10.30% voting rights in GCL.
- Examinees were not able to identify various reporting requirements to be complied with by NH after each transaction made by him in the shares of GCL since 1 July 2021.
- Examinees did not mention that NH was liable to tender gain of Rs. 2.75 million to the Commission within six months of 30 August 2021.

Question 2

Examinees were not able to establish that proposals given by Noman Saeed were not in compliance with the applicable corporate laws mainly because:

- post issue paid-up capital (PIPC) of GAL should be at least Rs. 200 million;
- minimum 10% of PIPC should be allocated to the general public;
- maximum 20% of IPO can be allocated to overseas Pakistanis;
- applicable restrictions should be adhered to while determining premium amount for IPO; and
- board composition should be in accordance with the Listed Companies (Code of Corporate Governance) Regulations.

Question 3

Good performance was noted in this question.

Question 4

Examinees were not able to accurately determine the:

- FSV benefit of collaterals/securities held by BBL against loans given to AWL, FL and KPL;
- margin requirement in respect of pledged shares of Indigo Limited against loan given to AWL;
- adequacy of provision(s) maintained by BBL against each non-performing loan.

Question 5

Good performance was noted in both parts of this question.

Question 6

- Examinees were not able to identify that notwithstanding any clause contained in the appointment letter prohibiting termination before expiry of the contract term, Benjamin Brady may be removed from the position of CIL's chief executive either by the board of CIL, shareholders or the Commission.
- Examinees were also failed to mention that Benjamin Brady may also be removed from the position of CIL's director either by the shareholders or the Commission.

Question 7(a)

- Examinees were not able to identify the information/documents required to be submitted to BCL in order to contest the next election.
- Few examinees were not able to establish that Saima Arif cannot contest the next election as an independent director because she had already served three consecutive terms on the board since her joining in 2012.

Question 7(b)

Good performance was noted in this part of the question.

Question 7(c)

Examinees were not able to identify that Sikandar Niaz should disclose the following to BCL:

- details of beneficial ownership in BCL and any change therein;
- details of shareholding in foreign companies / other interest as notified by the Commission;
- information required to be entered in registers maintained by BCL under the Companies Act.

Question 8(a)

Examinees were not able to identify that since SIL held strategic investment in UL, SIL can only divest the shares held in UL after obtaining written approval of the Commission in this regard.

Question 8(b)

- Examinees failed to identify JTL as an associated company of SIL and therefore were not able to establish that purchasing shares in JTL also required compliance of all the pre-requisite conditions prescribed under the Companies Act and Companies (Investment in Associated Companies) Regulations besides NBFC Rules.
- Examinees were not able to conclude that SIL cannot buy shares in its holding company SBL since making such investment is prohibited under the Companies Act.

(THE END)