

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN
EXAMINERS' COMMENTS

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| SUBJECT Advanced Corporate Laws and Practices | SESSION Certified Finance and Accounting Professional (CFAP) Examination Summer 2022 |
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Passing %

| Question-wise | | | | | | | | Overall |
|---------------|-----|-----|-----|-----|-----|----|----|---------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| 14% | 45% | 41% | 30% | 56% | 39% | 6% | 8% | 22% |

General comments

Overall passing percentage has declined from 27% in the previous session to 22%. Below average performances were observed in questions 1, 7 and 8 which seems to be on account of failure to address the exact requirement of the question and inability to identify and cross-link the applicable laws.

Question-wise common mistakes observed

Question 1(a)

- Examinees were not able to identify that MBL can complain to the Commission that business of GTL was conducted to defraud its creditors, in response to which, the Commission may pass disqualification order against directors of GTL.
- Examinees did not mention that MBL may obtain an order for appointment of a receiver/manager to ensure enforcement of security of GTL's property, in terms of the long-term loan facility.

Question 1(b)

Examinees were not able to identify all the situations in which memorandum or articles of association of a public unlisted company are considered to have been altered/modified without approval of company's shareholders. Most of the answers covered only one or two such situations.

Question 2(a)

Examinees failed to establish that DL and CPL are related parties and that transactions made under the contract seems to be on non-arms' length basis. Consequently, they failed to discuss the statutory compliance.

Question 2(b)

- Examinees were not able to establish that OL and ML being wholly owned subsidiaries of DL can be amalgamated with and into DL, irrespective of creditors' dissent (if any).
- Examinees did not mention that the shares of OL and ML shall have to be cancelled without payment or other consideration.

Question 3(a)

- Examinees were not able to identify the procedure required to be followed for selling/transferring the shares as desired by Farhan Ali.
- Few examinees were not able to comprehend that in the light of regulations of Table A of the First Schedule of the Companies Act, 2017, after the death of Amina Zahid, only Shamim Hussain can deal with the jointly held shares.

Question 3(b)

Good performance was observed in this part of the question.

Question 4(a)

Examinees failed to establish that OLL and MHF, being NBFCs, will be merged in accordance with the provisions of the Companies Ordinance, 1984 and that the resolution is expected to be approved in OLL's EGM.

Question 4(b)

Examinees were not able to identify that such scheme will be binding on NBFCs and their shareholders except dissenting shareholders who shall be entitled to claim from OLL such value as determined by the Commission while sanctioning the scheme.

Question 5(a)

Examinees were not able to determine that OPL's marketing strategy can be viewed as capable of harming and damaging the business interests of BPL and that BPL can raise the matter before the Competition Commission of Pakistan.

Question 5(b)

Good performance was observed in this part of the question.

Question 5(c)

Examinees failed to establish that NBL will hold a dominant position in the market if it acquires 29 million shares of KBL from DCL.

Question 6(a)

Examinees were not able to identify that:

- FL's decision will constitute change in the principal purpose of the issue due to which a special resolution will be required.
- FL's dissenting shareholders will be provided an exit opportunity within 30 days from passing of the special resolution.

Question 6(b)

Examinees were not able to identify that there would be no impact on PL's plan due to non-signing of underwriting agreement by SBA, if the Sukuk certificates were being issued for the purpose of debt repayment or for meeting the working capital requirements.

Question 7(a)

Examinees were not able to identify the following in respect of CHL's proposal:

- Proposed principal line of business is not possible due to the regulatory restriction;
- Proposed paid-up share capital requirement is not sufficient;
- Shareholding/ownership structure is not in compliance with the Insurance Ordinance.

Question 7(b)

Examinees were not able to identify the disclosures required to be made in the:

- statement of compliance as required under the Listed Co. (Code of Corporate Governance) Regulations, 2019;
- annual report as required under the Public Sector Co. (Corporate Governance) Rules, 2013 related to name(s) of board members and audit committee members.

Question 8(a)

- Examinees did not identify the approvals required if loan is taken from TBL considering that OL and TBL are associated undertakings and intends to enter in a non-arm's length transaction.
- Examinees did not discuss the prescribed conditions in accordance with the Foreign Exchange Manual, required to be complied with in order to take loan from KB since borrowing from KB shall be classified as Public Sector Borrowing from Abroad.

Question 8(b)

Examinees failed to identify that LRE being a reporting entity under the Anti-Money Laundering Act, 2010 will have to report both suspicious transactions to FMU and that LRE cannot enter in anonymous business relationship with Shaheer Azam.

(THE END)