

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Advanced Corporate Laws and Practices	Certified Finance and Accounting Professional (CFAP) Examination Winter 2022

Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	28%
36%	50%	52%	8%	54%	43%	13%	15%	

General comments

The overall result in this session has improved as compared to 22% in the previous session. However, there were still some poor performances in questions 4, 7 and 8 which seems to be on account of selected studies, failure to address the exact requirement of the question, and inability to identify and cross-link the applicable corporate laws.

Question-wise common mistakes observed

Question 1(a)

- Examinees did not identify that the CL's board has resolved for voluntary de-listing; therefore, the minimum purchase price would be determined under the PSX Rule Book.
- Examinees were not able to calculate the minimum purchase price to acquire CL's shares through the earnings multiplier approach.

Question 1(b)

Examinees did not discuss that PSX would approve the purchase price, however, RL may appeal to the Commission in respect of the decision taken by PSX. Most of the answers mentioned that the approval of CL's shareholders would be required only.

Question 2(a)

- Examinees failed to establish that SIL and FBL, being qualifying creditors, may file a petition in the Court for an order of mediation against HRL, since their outstanding debt cumulatively exceeded two-thirds of the value of HRL's assets.
- Examinees did not discuss that SIL would be responsible to submit a rehabilitation plan to the Court; and that SIL shall provide necessary funds to allow the mediator to perform the required functions.

Question 2(b)

- Examinees did not discuss that Court may appoint Zain Ali only if he fulfils prescribed criteria.
- Examinees did not mention that the remuneration of the mediator would be determined by HRL, SIL and FBL with mutual consent. However, in case of any disagreement, the remuneration would be determined by the Court.

Question 3

Examinees failed to establish that LPL may have been involved in money laundering activities and that the following would be the risks related to LPL's properties located within Pakistan:

- Risk of provisional attachment for a maximum of 180 days;
- Risk of losing possession in specified circumstances;
- Risk of forfeiture.

Question 4

- Examinees were not able to determine that VPL would require the approval of its shareholders to sell WFL's shares since WFL is a subsidiary of VPL.
- Examinees did not mention that TPL shall purchase its own shares against cash consideration and out of the distributable profits or reserves specifically maintained for the purpose.

Question 5(a)

Examinees did not identify that DL is a public sector company that currently complies with Public Sector Companies (Corporate Governance) Rules; however, after the sale of shares by the Federal Government, DL would only comply with the Code of Corporate Governance Regulations (CCG) applicable on listed companies.

Question 5(b)

Examinees did not identify the key changes, under CCG, with respect to the prescribed:

- criteria of financial literacy which must be fulfilled by at least one member of the committee;
- requirements related to the minutes of the audit committee meeting.

Question 5(c)

Good performance was noted in this part of the question.

Question 6(a)

Examinees were not able to distinguish between the demand and time liabilities of OBL. Further, few examinees correctly determined the liquid assets maintained by OBL; thereby concluding that OBL's liquid assets are not sufficient to support borrowing from KBL on the proposed terms.

Question 6(b)

Examinees were not able to identify the following consequences:

- SBP may dispose of shares of OBL held by Ali Saeed through PSX or public auction;
- SBP may prohibit Ali Saeed to exercise voting rights in respect of shares held by him;
- SBP may deprive Ali Saeed of the dividend entitlements.

Question 7(a)

Examinees were not able to identify that the proposed name is not suitable due to the following reasons:

- Principal line of business does not commensurate with the proposed name;
- Names of two countries cannot be used except in specified circumstances;
- Name must contain the word 'Limited'.

Question 7(b)

Examinees were not able to identify the statutory compliances which needed to be met by GL:

- before issuance of shares to PL at a discount of Rs. 2 per share;
- before and after issuance of shares through private placement e.g., issuance and compliance of information memorandum, etc.

Question 8(a)

- Examinees did not discuss the prescribed terms and conditions to be met by SEL as specified in the Foreign Exchange Manual, in order to make the proposed remittances.
- Examinees did not determine that the proposed remittances as well as export overdue exceeded permitted limits.

Question 8(b)

Examinees failed to identify that the alternative available to SEL is to get permission from the State Bank of Pakistan for remitting the proposed amount to its London branch.

(THE END)