

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Advanced Corporate Laws and Practices	SESSION Certified Finance and Accounting Professional (CFAP) Examination - Summer 2023

Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
16%	32%	4%	42%	66%	69%	30%	33%	36%

General comments

The overall performance improved, as 36% of examinees secured passing marks compared to 28% in the previous attempt. Poor performances were observed in questions 1 and 3, which seems to be on account of selected studies; failure to address the exact requirement of the question, as well as an inability to identify and cross-link the applicable corporate laws. Examinees tend to reproduce entire provisions of the applicable law without relating them to the scenario which results in loss of precious time.

Question-wise common mistakes observed

Question 1(a)

- Examinees were not able to identify that this part of the question relates to the disposal of treasury shares, as the shares held in KTL's own name subsequent to the buy-back would be classified as treasury shares.
- Examinees did not specify that the sale of shares to KTL's employees would only be permissible if the sale of shares is made in pursuance of an Employee Stock Option Scheme.

Question 1(b)

Examinees did not discuss the restrictions applicable to further buy-back of shares in respect of the time period i.e., the requirement for at least one year to pass from the date of submission of the final report of the previous purchase to the Commission where KTL is not able to maintain 25% free float shares at the PSX. Furthermore, they failed to address the maximum holding limit of treasury shares i.e., 20% of the total paid-up capital of KTL.

Question 2

Examinees were not able to identify that the proposed business would be a life insurance business, and therefore, they could not determine the mandatory requirements that must be complied with to obtain registration of the proposed life insurance business.

Question 3

Examinees failed to establish the actions expected of JL's board which may address the alleged misconduct by the COO. Most of the examinees focused on determining the actions that should have been taken by JL's board beforehand to ensure that such a situation did not arise.

Question 4(a)

Examinees did not highlight the following shortcomings in the proposal of the right issue of shares:

- The loan given by ATL cannot be converted into equity through the right issue of shares since such an act is not permissible under the Companies (Further Issue of Shares) Regulations, 2020.
- Where STL opts to set a minimum subscription amount, it should not be less than Rs. 720 million i.e., 90% of the size of the right issue.

Question 4(b)(i)

Examinees were not able to identify that the TFCs would be issued at the profit rate of 11% per annum, as determined under the reverse Dutch Auction Method.

Question 4(b)(ii)

Examinees did not specify the information that must be included in the investor agreements, as specified under the Public Offering Regulations, 2017.

Question 5

Examinees did not highlight the following shortcomings in the viewpoints of Huzaifa Ali:

- QCM's proposed principal line of business includes activities related to speculation business which is not permissible under the Corporate Restructuring Companies Act, 2016.
- As LBL intends to transfer and assign non-performing assets in its portfolio to QCM, QCM should not be controlled by LBL and cannot be incorporated as a subsidiary of LBL.

Question 6(a)

Some of the examinees were not able to identify that prior to starting a payment system, Farrukh Javed must also ensure the availability of appropriate premises, equipment, machinery, apparatus, books, or other documents, or accounts and transactions relating to such system.

Question 6(b)(i)

Examinees were not able to determine that upon completion of the proposed acquisition, NPL would be presumed to hold a dominant position as its market share in the relevant market would exceed 40%.

Question 6(b)(ii)

Examinees did not identify that CCP may allow the acquisition if NPL provides evidence that such acquisition contributes substantially to the efficiency of the provision of services and the benefits derived from such efficiency outweigh the adverse effects resulting from the reduction of competition.

Question 7

Examinees were not able to identify that OAM being a reporting entity under the Anti-Money Laundering Act, 2010, should not consult with the legal division of another company, as such an act would be considered a criminal offense.

Question 8(a)

Examinees did not discuss that SCL would be prohibited from assigning any of its representatives to go from house to house offering SCL's shares for subscription to the public or any member of the public.

Question 8(b)

Examinees failed to identify that the shares to be issued to Fahad Ali Baig would be classified as sweat equity shares and that he should make a return to the SBP on the prescribed form through his banker within one month of receiving the shares and comply with other related requirements.

(THE END)