

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

Passing %

Question-wise								Overall
1	2	3	4	5	6	7	8	
62%	16%	25%	14%	58%	13%	38%	54%	33%

General comments

The overall performance has slightly decreased with only 33% of examinees securing passing marks, down from 36% in the previous attempt. Performance was weaker in questions 2, 4, and 6 seemingly due to a failure to address the questions' exact requirements and an inability to identify and cross-link relevant corporate laws. It was noted that examinees tended to reproduce entire provisions of the tested topic from the applicable laws without relating them to the given scenario, resulting in a loss of precious time and, consequently, loss of marks.

Question-wise common mistakes observed

Question 1(a)

- Examinees could not determine the number of shares PL must offer to acquire from the public, namely 22 million shares, which represents 50% of the remaining voting shares of TSL.
- Examinees failed to recognize that, due to TSL's infrequent trading, the minimum purchase price PL must offer to acquire TSL's shares would be Rs. 300 per share.

Question 1(b)

Examinees did not identify the applicability of reverse merger provisions in the given scenario, leading to incorrect identification of the actions required by TSL in this context. Some examinees wasted precious time elaborating on unnecessary actions for PL after sending a notification to TSL.

Question 2(a)

Examinees missed the possibility of transferring the shares under a general exemption, provided specific conditions were met. Instead, most mistakenly mentioned that the shares could only be transferred with the specific approval of the State Bank of Pakistan.

Question 2(b)

Examinees overlooked the requirement for Khalil, as a director of CCL, to abstain from dealing in shares of CCL. This restriction applies from the date of the board meeting recommending the purchase or sale of CCL's own shares until the transaction is completed.

Question 3(a)

The proposed action plan contained several gaps and oversights that examinees did not identify. These included:

- an incorrect submission date for the incorporation application to the SECP.
- incomplete information or documentation with respect to PC being NC's subscriber.
- a restriction on NC's ability to exercise borrowing powers until prescribed conditions are met.

Question 3(b)

Examinees overlooked the possibility of listing NC as a Green Field Project. This potential strategy and its related prerequisites were not discussed in the context of the given scenario.

Question 4(a)

Examinees did not calculate the maximum permissible dividend GBL's board could recommend to shareholders if the Rs. 19 million share premium balance is used for issuing bonus shares, resulting in a proposed cash dividend of Rs. 34 million.

Question 4(b)

Examinees ignored the crucial requirements for GBL's cash dividend payment contained in the Companies (Distribution of Dividend) Regulations, 2017. Most relied solely on the Companies Act, 2017, leading to incomplete answers and missed passing marks.

Question 5

Examinees did not discuss some or all of the following key responsibilities of JSL's board:

- Quantifying the cost of steel sold to public schools as part of the public service obligation and submitting a request for appropriate government compensation.
- Appointing a non-executive director to chair the board's technical committee.
- Recognizing its responsibility for succession planning of the CEO and taking appropriate steps.

Question 6(a)

Examinees overlooked two key points:

- RIL, as an insurer, falls under the definition of a 'regulated person' within the SECP (AML & CFT) Regulations, 2020 making them subject to the regulations of said law.
- Fazal Ahmed's position qualifies him as a Politically Exposed Person according to the regulations. This necessitates applying enhanced due diligence procedures to the FAA's account due to higher AML & CFT risk associated with such individuals.

Question 6(b)

Most of the examinees focused their response on the Insurance Ordinance, 2000, or the Anti-Money Laundering laws, ignoring the crucial aspect of the question. This resulted in irrelevant answers that did not address the specific actions Zubair Zia should take under the ICAP's Code of Ethics for Chartered Accountants.

Remember, each part of the question requires attention to the relevant framework. Answers should be adapted accordingly to demonstrate an understanding of the applicable principles.

Question 7

Examinees could not identify the applicability of provisions of the reconstruction scheme to the given scenario. Accordingly, they could not determine the necessary steps for holding meeting(s) with creditors and members, nor identify the approvals required for implementing such a scheme.

Question 8

Examinees did not discuss several key issues:

- ML's reclassification of its restructured non-performing finance was incorrect since the prescribed criteria of reclassification were not met.
- The sale of HL's shares being a strategic investment, violated established procedures. Failing to obtain the Commission's approval prior to the sale represents a significant oversight.

(THE END)