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| INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN | |
| EXAMINERS' COMMENTS | |
| SUBJECT Company Law | SESSION Certificate in Accounting and Finance (CAF) Autumn 2024 |

Passing %

| Question-wise | | | | | | | | | | | Overall |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|---------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | |
| 78% | 41% | 34% | 13% | 29% | 82% | 53% | 26% | 83% | 59% | 16% | 50% |

General

The current result is in line with the result of the previous session.

The improved results can be attributed to the knowledge-based questions. However, further improvement could have been achieved if examinees had applied their law knowledge more effectively to scenario-based questions. Question numbers 4,5,8, and 11, revealed poor performance.

Question-wise common mistakes observed

Question 1

Some examinees marked or wrote more than one answer as correct, resulting in a loss of marks.

Question 2(a)

Examinees did not mention that the Companies Act, 2017 also exempts a person representing a member who is not a natural person.

Question 2(b)

Examinees failed to address the following:

- SL's status as the majority shareholder i.e. 51% and therefore, the holding company of HPL.
- The requirement for approval from SL's shareholders for selling the tennis court to Saleem Tariq.
- The need to determine the market value of FL shares offered by Saleem Tariq through a registered valuer.

Question 3(a)

Examinees incorrectly stated that for extension in the closure period of the register of members, BL should apply to the Registrar instead of to the Commission.

Question 3(b)

Examinees did not mention the following:

- The requirement to file annual returns within 30 days of the end of the calendar year if an AGM is not held.
- The registrar's authority to grant a maximum 15-day extension for filing annual returns.

Question 4(a)

Examinees did not cover the following:

- The possibility of serving notices to members at their provided addresses if a registered address is unavailable.
- The ability of a company to serve notices to the first-named joint shareholder on behalf of all joint holders.

Question 4(b)

Examinees failed to address the following:

- The requirement for SPL, a private limited company, to convert to a public limited company to raise funds from the general public.
- The necessary amendments to the memorandum of association i.e. increasing the authorized capital by at least Rs. 200 million and removing the word "private" from the company name.
- The necessary amendments to the articles of association i.e. removing restrictions on share transfers and the number of members.

Question 5(a)(i)

Examinees did not mention the following:

- Bashir Rehman's potential conflict of interest due to his father's position as CEO of LML.
- The restriction on Bashir Rehman's participation in board discussions regarding the purchase of machinery if MTL is a listed company.

Question 5(a)(ii)

Examinees failed to address the following:

- The need for LML to comply with its board-approved policies when dealing with related parties i.e. MTL.

- The potential exemption from board policy requirements if the transaction is conducted on an arm's length basis.
- The director's obligation to disclose the contract in their report to shareholders.

Question 5(b)

Examinees did not discuss that a private company by its articles prohibits any invitation to the public to subscribe for the shares, if any, or debentures or redeemable capital of the company.

Question 6

Examinees did not state that a demand is considered properly made if it is signed by an authorized agent or legal advisor on behalf of the creditor.

Question 7(a)

Examinees failed to state that Farhan, as a contributory, can only initiate the winding-up process if he has held shares either originally allotted or acquired from a deceased holder, for at least 180 days within the past 18 months.

Question 7(b)

Examinees failed to state that the registrar or the Commission can initiate winding-up proceedings if the company fails to hold two consecutive annual general meetings or to file financial statements for two consecutive financial years.

Question 8(a)

Examinees failed to address the following:

- The requirement for companies to maintain their books of account at their registered office or another designated location within Pakistan.
- The obligation to keep copies of financial records maintained outside Pakistan available for inspection by directors.
- The requirement for the branch office to submit summarized returns to the head office.

Question 8(b)

Examinees failed to mention that:

- the first financial statements of a company must be laid within 16 months of incorporation.
- the period covered by the first financial statements may exceed 12 months.
- a copy of the financial statements must be kept at the registered office for inspection by members.

Question 9

Examinees failed to mention that the report must also disclose existing and contingent liabilities of the company, indicating particulars of creditors, the amount of secured and unsecured debts, and the specific securities pledged for secured debts.

Question 10(a)

Examinees failed to mention that the declaration of dividends and the election and appointment of directors are also considered ordinary business matters.

Question 10(b)

Examinees failed to mention that every director and any person entitled to shares due to the death or bankruptcy of a member, if the company has been notified are also eligible to receive the notice of the AGM.

Question 10(c)

Examinees failed to mention that:

- the chairman of the board, if any, is entitled to preside over the AGM.
- the articles of association may specify the quorum required for the AGM.

Question 11(a)

Examinees failed to mention that Haseeb Ahmed, as the first CEO, will hold office until the first annual general meeting, which must be held within 16 months of incorporation.

Question 11(b)

Examinees failed to:

- recognize that, as an unlisted company, there are no implications from Mahmood Khan's role as a director of SSL.
- consider the possibility that if the arrangement between RL and BTL is approved by the company's general meeting, it may not constitute an office of profit.

(THE END)