

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

Passing %

Question-wise											Overall
1	2	3	4	5	6	7	8	9	10	11	
35%	41%	52%	72%	53%	22%	11%	61%	48%	30%	50%	47%

General comments

The current result of 47% is better than the previous session's 43%.

The main reasons for the improved result are knowledge-based questions. However, the results could have been further improved if examinees had performed better by applying relevant knowledge of the law to scenario-based questions. Poor performance was observed in question numbers 6, 7 and 10.

Question-wise common mistakes observed

Question 1

Performance in MCQs numbered (i), (iv), (viii), (xiv), and (xv) was below average. A common mistake noticed is that candidates mark or write more than one answer as correct, resulting in a loss of marks.

Question 2(i)

Examinees did not mention that the Securities Act, 2015 exempts the issuance and publication of a prospectus for securities offered through private offering or placements.

Question 2(ii)

Examinees failed to identify two key points:

- shares offered to existing members in proportion to their holdings are considered right shares.
- The Securities Act, 2015 exempts the issuance and publication of a prospectus for right shares offered to shareholders.

Question 2(iii)

- Examinees missed that Commission approval is mandatory at least twenty-one days before the intended prospectus publication date.

- Examinees overlooked the requirement that copies of the approved prospectus must be available free of charge at the company's registered office, securities exchanges, all bankers to the issue, etc.
- Examinees did not identify that once the prospectus is uploaded on the website, it must remain accessible on the website from the newspaper publication date until the subscription closes.
- Examinees also missed that after issuing the prospectus, SL shall not modify its terms without prior approval of the Commission.

Question 3

- Examinees failed to cover the directors' responsibility for ensuring adequate internal financial controls, as may be specified.
- Examinees failed to cover the requirement to disclose legitimate reasons for not declaring dividends despite earnings profits and potential prospects of dividends.

Question 4

- Examinees missed that after passing a special resolution, a company can file a petition with the Court for its winding up.
- Examinees overlooked that an investigation into the affairs of the company is not mandatory if the company's sole business revolves around a revoked license.

Question 5

- Examinees did not mention that the official liquidator has seven days to file a declaration with the Court disclosing any conflict of interest or lack of independence upon appointment. This obligation remains in effect throughout his appointment.
- Examinees did not mention that casual vacancy in the office of an official liquidator, caused by death, removal, or resignation, shall be filled by the Court by appointing another person from the panel.

Question 6

- Examinees failed to establish that AML is considered a wholly-owned subsidiary of FCL since FCL hold 100% of AML's shares.
- Examinees also failed to state that as a public unlisted company, AML must have at least three members.
- Examinees overlooked the fact that with a 15% shareholding in RCL, FCL can easily appoint a board member.
- Examinees also overlooked that Owais Pervaiz's holding of 10% of the shares of RCL would only be lawful if RCL's articles of association stipulate it. Otherwise, it would be considered non-compliance with the provisions of the law.
- Examinees failed to identify that the minimum statutory requirement for members in CTL is three. However, since CTL currently has five members, no further members are required. Hence, FCL holding one share in the name of Qaim is a violation.

Question 7(a)

- Examinees failed to establish that the Chairman is justified only when certain conditions are fulfilled.
- Examinees missed that the poll shall be taken within fourteen days of the demand.
- Examinees failed to state that the effective date for implementing the decision based on the poll's result would be the date on which the poll was held.

Question 7(b)

Examinees mistakenly identified the total capital amount as the voting power in both scenarios.

Question 7(c)

- Examinees failed to establish that Fiaz's Ahmed dual role in PL and KL makes them associated companies.
- Examinees overlooked that long-term advances to associated companies are considered investments in associated companies and require a special resolution.
- Examinees failed to state that the poll shall be taken within fourteen days of the demand.

Question 7(d)

Examinees failed to state that the special resolution must be filed with the registrar within fifteen days of its passing. A director or the secretary of PL must duly authenticate the filing.

Question 8(a)

- Examinees missed that a company must prepare its first annual financial statements within sixteen months of incorporation.
- Examinees also overlooked that the financial statements must be accompanied by an auditor's report.

Question 8(b)

Examinees failed to state that the Commission sets the duration for which companies must keep their half-yearly and annual audited financial statements available on their website.

Question 9(a)

Examinees overlooked that a charge, even if created outside of Pakistan, requires registration with the registrar in Pakistan.

Question 9(b)

- Examinees failed to state that the Companies Act, 2017 stipulates that someone acquiring property after an unregistered charge is created only gets notice of the charge from the date of its registration.
- Examinees also overlooked that a bona fide purchaser without knowledge of the registered charge could potentially have a stronger claim than OIB's security interest.

Question 10(a)

- Examinees failed to state that if Wasim Yasin is mentally incapacitated due to serious head injuries, he may cease to hold the office of director.
- Examinees also failed to state that if Aziz Bahadur had taken a leave of absence from the meeting, he would remain the director.

Question 10(b)

- Examinees failed to determine whether BSL and VBL are associated companies.
- Examinees also failed to state that Haseeb Ijaz is eligible to contest the election for independent director of VBL only if his term as chief executive of BSL ends before May 2021.
- Examinees also failed to state that Daniyal Ehtisham is eligible to contest the election for independent director only if, upon completion of his term with the creditor, he is no longer associated with BSL.

Question 11

Examinees did not state that public companies that are not listed, must collect cash dividend distribution mandate from their registered shareholders when they become members of the company.

(THE END)