

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certificate in Accounting and Finance Stage Examination

Company Law

Examiners' Comments

Autumn 2025

PASSING %

Question-wise											Overall
1	2	3	4	5	6	7	8	9	10	11	
78%	69%	80%	42%	51%	7%	32%	77%	45%	13%	29%	49%

GENERAL COMMENTS

The result for the current session increased slightly by 3.9% (from 45% to 48.9%), a modest gain driven by better scores in the knowledge-based questions. A key area of concern remains the poor performance on scenario-based questions 6 and 10. This failure highlights a core issue that examinees are retaining specific knowledge of law but are demonstrably unable to transition this knowledge into practical application for problem-solving within structured scenarios.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

- Marks could not be awarded in instances where examinees selected multiple options for a single question instead of identifying only one correct option.
- Unclear option identification resulting from poor handwriting made marking difficult; specifically, options (a) and (d) were often written too similarly to be reliably differentiated and awarded marks.

Question 2(a)

- Examinees did not mention the requirement that the final dividend declared must not exceed the amount recommended by the board of directors.
- Examinees failed to state that the declaration of a dividend must be to the extent of the company's available profits.

Question 2(b)

Examinees did not discuss that a company is also entitled to withhold the payment of a dividend if the member has failed to provide complete information or documents as specified by the SECP.

Question 3

Examinees did not mention the following circumstances under which a company formed for not-for-profit objects may be wound up by the Court:

- A default is made in holding any two consecutive annual general meetings. Few examinees incorrectly cited statutory meetings instead of the legally required annual general meeting.
- The company is undergoing voluntary winding up, but the liquidator fails to complete the proceedings within one year from the commencement of winding up.

Question 4(a)

- Examinees failed to state that the Court is empowered to order a voluntary winding up to continue under its supervision upon application by any person entitled to petition for a winding up by the Court.
- Examinees missed the crucial point that, upon issuing such an order, the Court may impose appropriate terms and conditions, which include granting liberty to creditors, contributories, or other interested parties to apply directly to the Court regarding the winding-up proceedings.

Question 4(b)

- Examinees failed to state that, subject to the direction of the Court, Mujtaba Ahmed is empowered to require additional information from individuals involved in the company's formation within one year before the relevant date.
- It was omitted that these individuals are legally bound to provide the required additional information or a statement of affairs within 15 days from the relevant date, or an extended period not exceeding 45 days.

Question 4(c)

Examinees did not mention that BL has the legal right to inspect the information, and this inspection may be carried out either personally or through an authorized agent.

Question 5(a)

Examinees failed to state that a single-member company may be formed by a natural person, provided that the registration requirements applicable to a private company are duly complied with.

Question 5(b)

Examinees failed to mention the requirements for a public company limited by shares to commence operations, i.e., the company must file with the registrar a statutory declaration, in the prescribed and duly verified form, confirming compliance with all prescribed conditions.

Question 6(a)

- Examinees failed to establish that Sajid's directorships in the two listed subsidiaries should not be included when calculating the maximum allowable number of directorships, thus rendering BTL's objection incorrect.
- The discussion omitted that the number and names of the first directors are determined by the subscribers to the memorandum. Furthermore, BTL's nomination of two additional directors would only take effect before the first annual general meeting if approved by GTL's members via a resolution in a general meeting.

Question 6(b)

- Examinees did not properly discuss that BTL, in its individual capacity, lacks the authority to remove Sajid from the position of CEO. The discussion also overlooked the critical voting constraint that Sajid cannot be removed from the office of CEO unless Khurram also votes in favour of the resolution, which requires passage by at least three-fourths of the total number of directors, excluding Sajid.
- Furthermore, examinees neglected the numerical threshold that BTL and Fareed together hold only 56% voting rights, and even with Khurram's affirmative vote, the combined power of 69% remains below the required three-fourths threshold. Consequently, examinees failed to conclude that Sajid cannot be removed from the office of CEO before the first AGM unless a shorter term was expressly fixed at the time of his appointment.

Question 7(a)

- Examinees failed to mention that Faraz's suggestion to align BSL's year-end with STL's is consistent with the Companies Act, 2017, which mandates holding and subsidiary companies to have the same financial year-end unless an exemption is obtained from the SECP on valid grounds.
- The discussion omitted that to implement Faraz's suggestion and ensure compliance, STL must apply to the SECP to either extend BSL's financial year-end to 31 December or to allow STL to change its financial year-end to 30 September.

Question 7(b)

While examinees correctly established that STL must apply to the registrar for an extension, they failed to state that the application should be supported with specific and valid reasons for the requested extension.

Question 8

Examinees failed to mention that when the poll is conducted, the chairman or a person nominated by him, together with a representative of the members who demanded the poll, are legally entitled to scrutinize the votes cast.

Question 9(a)

- Examinees did not mention that the definition of a public sector company also includes cases where the Government, one of its agencies, or a statutory body has the power to elect, nominate, or appoint a majority of the directors of that company.
- Examinees failed to discuss that the definition of a public sector company also includes a public sector association not for profit, licensed under Section 42 of the Companies Act, 2017.

Question 9(b)

Examinees overlooked to state that, for the purpose of determining eligibility for protection from liability for certain acts or omissions, a non-executive director of a listed or public sector company includes a member of the board who is not a beneficial owner of the company or any of its associated companies or undertakings.

Question 10(a)

Examinees failed to calculate the correct percentage holding of Zaki's minor son in BTL, which is 23.33% of the voting power. Consequently, they failed to establish the required relationship of associated companies, leading to the incorrect conclusion regarding the approval for the proposed investment by ASL, which must be authorized through a special resolution instead of through an ordinary resolution.

Question 10(b)

- Examinees failed to discuss that if ASL proceeds with the purchase of the factory from BTL, the transaction must be carried out under a board-approved policy specifically governing related party transactions.
- They did not mention that ASL must disclose the details of the transaction in the Directors' Report to the shareholders, accompanied by the justification for entering into the arrangement.

Question 10(c)

Examinees failed to establish that the proposed arrangement constitutes a non-cash transaction with Khalil, a director of BTL's holding company, EFL. Consequently, they omitted the crucial requirement that the transaction must also be approved by a resolution passed at a general meeting of EFL's members.

Question 11(a)

Examinees did not discuss the grounds for subsequent registration. They omitted that since HTL did not register the charge on time, it must have applied to the SECP for an extension of time, and that the late registration must have been approved by the SECP after the satisfaction of specified conditions on that application.

Question 11(b)

Examinees did not mention that because the mortgage was duly registered by HTL, it provided conclusive public notice to all stakeholders, meaning that Hamid is considered to have had constructive notice of the mortgage from its registration date.

Question 11(c)

Examinees failed to discuss that since HTL did not notify the registrar of the satisfaction of the charge within the prescribed period, it must now submit the required particulars along with the specified additional fee and applicable penalty under the Companies Act, 2017.

(THE END)