

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN											
EXAMINERS' COMMENTS											
SUBJECT						SESSION					
Company Law						Certificate in Accounting and Finance (CAF) Spring 2025					

Passing %

Question-wise											Overall
1	2	3	4	5	6	7	8	9	10	11	
52%	34%	24%	65%	37%	38%	32%	57%	34%	54%	57%	45%

General comments

A marginal decline in performance was observed in this session, with the passing rate falling to 45% from 50% in the previous session. The decline from the previous session is primarily attributed to below-average performance, both in MCQ, where a reduction was seen compared to the preceding three consecutive attempts, and in two of the scenario-based questions (SBQs), numbers 3 and 7. The response to these SBQs highlighted the examinees' inability to identify and apply relevant knowledge of law to practical scenarios.

Question-wise common mistakes observed

Question 1

- Performance in MCQ numbers (ii), (iii), (iv), (vi), (ix), (x), and (xii) was below average.
- A few examinees lost marks by selecting more than one answer instead of selecting one correct option.

Question 2(a)

Examinees did not mention key details, specifically the minimum of three directors required for a public unlisted company and the significant delay of more than six months in filling the director vacancy. Furthermore, examinees failed to mention that rescheduling the AGM for 15 May 2025 necessitates a formal extension request to the registrar, who is the granting authority.

Question 2(b)

Examinees failed to mention that if the AGM does not adopt the audited financial statements, PFL must file a statement explaining the non-adoption and the reasons for deferring approval. Moreover, they overlooked that upon adoption in the AGM, PFL is again required to file a copy of these financial statements and all prescribed information with the registrar.

Question 3(a)

Examinees failed to mention the following due to a lack of understanding that the situation pertained to the modification of the terms and conditions of a registered mortgage:

- The need to submit particulars of modification and a copy of the instrument to the registrar within 30 days.
- GHIL's requirement to maintain a copy of the modification instrument at its registered office.
- GHIL's responsibility to notify the registrar regarding the release of the mortgage within 30 days upon loan payment or satisfaction.

Question 3(b)

Examinees overlooked the following requirements under the Securities Act, 2015, that a company must meet prior to raising funds from the general public:

- Advertisement for public offer of securities, other than a prospectus, must give an address in Pakistan from where copies of the prospectus may be obtained.
- Copies of the approved prospectus should be available free of charge from the publication date until the subscription closing date.
- The inclusion of expert statements in the prospectus is prohibited unless the expert is independent and has no connection with the company's formation or promotion, or management.

Question 4

Examinees did not state the contents of a director's notice disclosing his interest. They also failed to mention that the director must ensure the notice is brought up and read at the first next board meeting. Moreover, many overlooked the rule that the director of a listed company with a significant personal interest in a contract must not be present during the discussion of that contract.

Question 5(a)

Examinees did not mention the following responsibilities of Azhar as the appointed official liquidator:

- Adhering to the SECP's specified code of conduct and professional accreditation program.
- Reimbursing reasonable expenses incurred in preparing the Statement of Affairs to the relevant CSL officers.
- Submitting a report to the Court outlining the liquidation progress and particulars, along with a copy to the registrar.

Question 5(b)

Examinees correctly mentioned the Court's authority to fill Azhar's resignation vacancy. However, they did not mention that the subsequent appointment of an official liquidator must be made from the panel maintained by the SECP.

Question 5(c)

Examinees did not state that the Court must give notice to the registrar before making a decision on the appointment of a liquidator.

Question 6(a)

Examinees correctly identified the detail about the memorandum of association's name clause; however, they failed to mention the following requirements for publishing the company's name:

- Conspicuous and easily legible display of the company name in English or Urdu characters.
- Following a change of name, the company must display both its former and new names on all business premises and specified documents for a period of 90 days from the date of issuance of a certificate of incorporation.

Question 6(b)

Examinees did not mention that for changing its principal line of business, the company must:

- Convene a board meeting to approve the proposed change and schedule a general meeting with at least 21 days' prior notice, including a statement of all material facts and a draft special resolution.
- Acquire any required licenses or permissions for the new principal line of business.
- Change its name if the new principal line of business does not align with the existing name.

Question 7(a)

Examinees incorrectly stated that FPL, which holds 22% shares, and the Federal Government, which holds 17% shares, would not be able to exercise significant influence at the AGM. Moreover, several incorrectly interpreted that CIL, in its capacity as a creditor, would be entitled to attend PWL's general meeting and influence decision-making.

Question 7(b)

Examinees did not mention the following required actions for participation in the AGM:

- FPL must pass a board resolution authorizing a representative and submit to PWL at least 48 hours before the AGM.
- The relevant Minister-in-Charge may appoint an individual as a representative of the Federal Government for the AGM.
- The authority letter confirming the appointment by the Minister must be submitted to PWL at least 48 hours before the AGM.

Question 7(c)

Examinees did not mention that for AGM, the representative of the Federal Government is deemed a member of PWL with the same rights and powers as the Federal Government itself, including the right to appoint a proxy. Moreover, they incorrectly asserted that CIL, in its

capacity as a creditor, would also be able to exercise all powers that are available to an ordinary shareholder.

Question 8(a)

Examinees did not mention that an ordinary resolution is required for the voluntary winding up of a company following the expiry of a specified duration or the occurrence of a triggering event outlined in its articles of association.

Question 8(b)

Examinees did not state the following:

Regarding a Prospective Creditor:

A prospective creditor must file a petition in Court to request conversion of voluntary winding up into winding up by the Court.

Regarding the Court:

- The Court will only consider such a petition if the petitioner provides security for costs as deemed reasonable by the Court.
- The Court may order winding up by the Court only if it is satisfied that the ongoing voluntary winding up cannot continue with regard to the interests of creditors or contributories or both.

Question 9

Examinees overlooked two critical points regarding the proposed loan to PFL:

1. Feasibility of Disbursement Date:

As APL is a listed company, a 21-day prior notice is required for the general meeting to approve the loan via special resolution. This makes the proposed disbursement date of 18 March 2025 unachievable.

2. Required Course of Action:

- While correctly mentioning the requirement for a resolution by APL directors, they failed to note that this resolution should also refer to the written agreement for the proposed loan to PFL.
- The proposed interest rate of 5% per annum must be at least the higher of APL's borrowing cost or the SECP specified rate.

Question 10

Examinees correctly identified that STL, as a subsidiary of the public company, must include the additional information required for a public company's directors' report. However, they failed to mention the required contents completely.

Whereas, those who did not identify STL's subsidiary status lost marks due to the non-inclusion of these additional required contents.

Question 11

Examinees correctly evaluated ASL's obligation to hold its first AGM as per the requirement of the Companies Act, 2017. However, they did not identify the non-compliance of the Act with respect to the proposed statutory meeting planned for 22 June 2025. Moreover, they failed to recommend the best course of action for ASL to hold its first AGM before 15 May 2025 to get an exemption from holding the statutory meeting.

(THE END)