



Company Law

Instructions to examinees:

- (i) Answer all **ELEVEN** questions.
 - (ii) Answer in **black** pen only.
 - (iii) Multiple Choice Questions must be answered in answer script only.
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Q.1 Select the most appropriate answer from the options available for each of the following Multiple Choice Questions (MCQs). Each MCQ carries **ONE** mark.

- (i) Under the provisions of the Companies Act, 2017, how does an extraordinary general meeting differ from a statutory meeting?
 - (a) An extraordinary general meeting serves as a substitute of annual general meeting, but there is no substitute for a statutory meeting
 - (b) An extraordinary general meeting can be called by the members of the company, whereas a statutory meeting may be called by the directors of the company
 - (c) An extraordinary general meeting may be called at any time during the year, whereas a statutory meeting is held once in a life time of a company, where applicable
 - (d) An extraordinary general meeting deals with matters outlined in the Companies Act, whereas a statutory meeting covers matters detailed in the articles of association
- (ii) Under the provisions of the Companies Act, 2017, which of the following statements is correct regarding the minimum authorized share capital for a company?
 - (a) The minimum authorized share capital for a private limited company is not specified in the Companies Act, 2017
 - (b) The minimum authorized share capital for a public limited company varies by industry as specified by the Commission
 - (c) The minimum authorized share capital for both private and public limited liability companies is as specified in the Companies Act, 2017
 - (d) The minimum authorized share capital for registration with the registrar is the same for both private and public limited liability companies
- (iii) Which of the following statements is correct regarding the requirement to file a prospectus?
 - (a) Both private and public unlisted companies are required to file a prospectus along with their registration documents
 - (b) Only public unlisted companies are required to file a prospectus within 30 days of the commencement of their business
 - (c) A company needs to file a prospectus if it seeks to obtain long-term loans from a financial institution in excess of its paid-up share capital
 - (d) A company needs to file a prospectus if it seeks to raise capital from the general public
- (iv) Under the provisions of the Companies Act, 2017, on what date did Azam Ahmed become a member of Sea Robin Limited, a listed company, after acquiring 1,000 shares on 2 September 2024?
 - (a) On the date of payment for the shares
 - (b) On the date of entering his name in the register of members
 - (c) On the date of receiving confirmation of payment
 - (d) On the date of allotment of shares to him

- (v) Which of the following statements correctly defines the filing requirements with the registrar under the Companies Act, 2017 that differentiates a private company from a public unlisted company?
- Public unlisted companies must file the consolidated financial statements, whereas private companies are not required to comply with this requirement
 - Public unlisted companies are required to file directors' report, whereas private companies need not to comply with this requirement
 - Public unlisted companies need to file annual returns within 15 days of their annual general meeting, compared to 30 days for private companies
 - Public unlisted companies need to file audited financial statements, whereas every private company need not to comply with this requirement
- (vi) Under the provisions of the Companies Act, 2017, which of the following does **NOT** fall under the definition of a company?
- Trout Travels Inc., a multinational company incorporated in the USA, which has a subsidiary named Trout Travels Pakistan, incorporated in Pakistan
 - Haddock Insurance, an insurance company incorporated in Pakistan with shares traded on the Pakistan Stock Exchange
 - Betta Society, a non-profitable organization formed and registered under the repealed Companies Ordinance, 1984
 - Drumfish Association, a fishermen's association, formed and registered under the repealed Companies Act, 1913
- (vii) Under the provisions of the Companies Act, 2017, which of the following scenarios represents a charge and not a mortgage?
- A company obtains a loan to purchase a new office building and grants the lender a first charge on its factory building
 - A company obtains a loan to purchase machinery and transfers the title of one of its factory buildings to the lender
 - A company obtains a long-term loan and grants the lender a second charge on its head office building
 - A company obtains a long-term loan and grants the lender a charge over its inventories
- (viii) Under the provisions of the Companies Act, 2017, which of the following is the primary purpose of having independent directors in a listed company?
- To guide the CEO on major decisions and assist the chairman of the board
 - To represent and protect the interests of the investors
 - To oversee management, providing independent judgment and protect shareholder interests
 - To manage day-to-day operations and business decisions
- (ix) Catfish Holding (CH), a company registered in Turkey with major business operations in Pakistan, is considering to appoint Goldfish (Pvt) Limited (GPL), a company registered in Pakistan, as its sole distributor for its product in Pakistan.

Under the provisions of the Companies Act, 2017, which of the following statements is correct?

- CH is not obligated to obtain the Commission's approval before appointing GPL
- CH is obligated to obtain the Commission's approval before appointing GPL
- As a Turkish company, CH is obligated to obtain approval either from the Turkish or Pakistani Commission before appointing GPL
- As a Turkish company, CH is obligated to obtain approval from both the Turkish and Pakistani Commissions before appointing GPL

- (x) Jaleel, one of the directors at Perch Limited (PL), discovers discrepancies between the summarized returns of the branch office and PL's books of accounts.

Under the provisions of the Companies Act, 2017, which of the following actions is correct?

- (a) He has no further responsibility but must request the branch manager to provide the correct summarized returns
 - (b) He can raise concerns with the board and request a more detailed breakdown of the branch office's financial activities
 - (c) He must raise concerns with the audit committee and ensure resubmission of the returns
 - (d) He must take action to carry out investigation into the affairs of PL
- (xi) Rainbowfish Limited (RL) has just submitted its documents for registration with the registrar. Muhammad, one of the promoters, is interested in understanding the implications of the certificate of incorporation once it is issued for RL.

Under the provisions of the Companies Act, 2017, which of the following statements is correct?

- (a) The subscribers become the holders of the initial shares, and RL can immediately carry on business
 - (b) The subscribers become the holders of the initial shares, and RL is immediately entitled to exercise borrowing powers
 - (c) The subscribers become the holders of the initial shares, and RL can exercise all the functions of an incorporated company
 - (d) The subscribers become the holders of the initial shares, and RL can identify persons who wish to act as directors
- (xii) Sardine Limited (SL) published a notice for a general meeting to hold an election of directors. Akram Khan, a shareholder, filed a notice with SL indicating his intention to contest the upcoming directors' election. However, it was revealed that Akram Khan faced a conviction in January 2020 for not timely paying dividends during his tenure as CEO of Basking Shark Limited.

Can Akram Khan be eligible to be appointed as SL's director?

- (a) Yes, since he was not convicted for an offence involving moral turpitude
 - (b) Yes, since three years have elapsed from the date of his conviction, he is eligible to be appointed as a director
 - (c) No, he cannot be appointed as a director unless SL's board of directors resolves for his appointment in their meeting
 - (d) No, since five years have not elapsed from the date of his conviction, he is not eligible to be appointed as a director
- (xiii) Ahmed recently acquired 2% of the shares in Goliath Grouper Limited (GGL), a listed company. He noticed that GGL's articles states that in case of poll, members can only vote in writing or by a show of hands in the general meeting. However, Ahmed prefers to use other mode to cast his vote as permitted by the Companies Act, 2017. Consequently, he wrote a letter to the CEO requesting permission in this regard.

Which of the following statements is correct?

- (a) GGL's articles is the regulation of the company; it takes precedence, and hence Ahmed's request shall not be entertained by GGL
- (b) Ahmed's request will be entertained only after GGL's articles has been altered; therefore, GGL would reject his application
- (c) The Act overrides the articles; hence, Ahmed's request shall be entertained by GGL
- (d) Only a court can resolve the discrepancy between the Act and the articles; hence, Ahmed must file a petition with the court

- (xiv) Blue Gourami Limited (BGL), incorporated on 1 September 1999, has a twenty-five-year duration as specified in its articles of association.

Under the provisions of the Companies Act, 2017, which of the following statements is correct regarding BGL's ability to voluntarily wind-up?

- (a) BGL can voluntarily wind-up immediately as its duration has expired
 - (b) BGL can voluntarily wind-up only after a special resolution is passed
 - (c) BGL can voluntarily wind-up only if all creditors consent to it
 - (d) BGL can voluntarily wind-up only with approval from the Commission
- (xv) Which of the following statements is correct about a director of a listed company?
- (a) A director cannot be the CEO of the company
 - (b) A director can be a full-time employee of the company
 - (c) Every director is entitled to receive a monthly remuneration from the company
 - (d) Every director actively involves in the company's day-to-day operations

- Q.2 (a) Under the provisions of the Companies Act, 2017, it is mandatory for a director to be a member of the company. List the exceptions to this rule. (03)
- (b) Hogfish (Private) Limited (HPL) operates sports facilities and owns multiple sports courts across various cities. Snapper Limited (SL) holds 25% of the shares in HPL.

On 26 August 2024, Flathead Limited (FL), a sports equipment trading company, acquired 26% shares in HPL. SL also holds 57% of the shares in FL.

On 2 September 2024, HPL's board of directors approved the sale of one tennis court. Saleem Tariq, a non-executive director of SL, expressed interest in acquiring this court at market value by offering shares in Flying Fish Ltd, a public unlisted company.

Under the provisions of the Companies Act, 2017, discuss the prerequisites that HPL must consider before finalizing the sale of the tennis court to Saleem Tariq. (05)

- Q.3 (a) Jaleel Khan, an assistant to the Company Secretary of Bluefish Limited (BL), a listed company, is responsible for making the arrangements for BL's extraordinary general meeting in the Company Secretary's absence.

Jaleel Khan is considering closing the register of members for eight days. During the year, the register of members was closed for ten days in January 2024, seven days in April 2024 and eight days in July 2024.

Advise Jaleel Khan on the appropriateness of his plan to close the register of members, in accordance with the provisions of the Companies Act, 2017. (03)

- (b) **Assume that the today's date is 15 December 2024.**

BL scheduled its annual general meeting for 30 November 2024, but unforeseen circumstances led to its adjournment, and it is unlikely to be convened by 31 December 2024. Jaleel Khan seeks clarification on the following:

- (i) The deadline for filing BL's annual return for the year 2024.
- (ii) The process for obtaining an extension for filing the annual return and what would be the new filing deadline.

Under the provisions of the Companies Act, 2017, advise Jaleel Khan on the above matters. (04)

- Q.4 (a) State the provisions under the Companies Act, 2017, for serving notice to a member of a company. **(04)**
- (b) The authorized and paid-up share capital of Swordfish (Private) Limited (SPL) is Rs. 400 million. Due to an increase in demand for its products, SPL intends to expand its production capacity by raising an additional Rs. 200 million from the general public.
- Under the provisions of the Companies Act, 2017, outline the amendments to SPL's memorandum and articles of association, necessary to facilitate raising funds from the general public. **(05)**
- Q.5 (a) The CEO of Marlin Textile Limited (MTL) has assigned Bashir Rehman, an executive director, to negotiate the terms and conditions for acquiring Rs. 200 million worth of machinery from Lionfish Machines Limited (LML), a listed company. The CEO believed that Bashir Rehman's father, who serves as LML's CEO, could facilitate better negotiation terms. The machinery acquisition is on the agenda for MTL's board meeting scheduled for 10 September 2024.
- Under the provisions of the Companies Act, 2017, advise:
- (i) the responsibilities that Bashir Rehman has towards MTL in relation to the machinery purchase. **(04)**
- (ii) the potential implications and responsibilities that LML must consider in the sale of machinery to MTL, assuming that Bashir Rehman's elder brother owns 100 shares in LML. **(04)**
- (b) Under the provisions of the Companies Act, 2017, describe the term 'private company'. **(03)**
- Q.6 Under the provisions of the Companies Act, 2017, state the circumstances under which a company is deemed unable to pay its debts. **(04)**
- Q.7 Tuna Limited (TL), incorporated as a public company on 27 May 2021, commenced its operations in August 2021. Since then, TL has not yet convened an annual general meeting nor provided financial statements to its stakeholders for any financial year.
- Under the provisions of the Companies Act, 2017:
- (a) advise Farhan, a shareholder dissatisfied with TL's management, on the grounds under which he may initiate the winding-up of TL. **(02)**
- (b) evaluate the validity of the grounds given in the scenario for the registrar or the Commission to initiate the winding-up of TL on their own. Also, briefly discuss the conditions to be complied with by the registrar or the Commission to initiate the winding-up proceedings. **(04)**
- Q.8 (a) Salmon Limited (SL) was incorporated as an unlisted company. SL's registered office is in Islamabad, with outlets in Karachi, Lahore, Multan and Dubai, and its factory and workshop located in Karachi.
- On 5 September 2024, Ejaz Alam, a member residing in Multan, submitted a written request to inspect SL's complete books of accounts at the Multan office. He also requested copies of SL's financial statements for the last fifteen years.
- Under the provisions of the Companies Act, 2017, advise SL on the validity of Ejaz Alam's request and outline the various requirements that must be considered. **(07)**
- (b) Under the provisions of the Companies Act, 2017, state the requirements related to the first financial statements for public unlisted companies. **(05)**

Q.9 Under the provisions of the Companies Act, 2017, outline the contents of the report that an official liquidator is required to submit to the Court, along with the deadline for submission. **(06)**

Q.10 Palla Limited (PL), an unlisted company with a paid-up capital of 50 million shares of Rs. 10 each, will hold its Annual General Meeting (AGM) on 21 October 2024. In addition to ordinary business, the agenda includes consideration of the approval of a loan of Rs. 10 million to an associated company.

Under the provisions of the Companies Act, 2017, advise PL on the following matters relating to the AGM:

(a) Ordinary business matters to be included in the AGM agenda. **(03)**

(b) Identification of persons eligible to receive the notice of the AGM and the specific information required to be annexed to the notice of AGM. **(06)**

(c) Persons entitled to preside over the meeting and the quorum requirements. **(05)**

Q.11 Rohu Limited (RL), an unlisted company incorporated on 10 June 2023, specializes in sportswear manufacturing. RL's subsidiary, Pomfret Automobiles (Private) Limited, is engaged in automotive production.

RL's board intends to appoint Mahmood Khan as the CEO to replace Haseeb Ahmed. However, the board has indicated that they do not wish to terminate or dismiss Haseeb Ahmed. The following information about Mahmood Khan was presented to the board:

(i) He is a director of Shrimp Securities Limited, a corporate brokerage house.

(ii) He is also a director of Boxfish Technologies (Private) Limited, which provides support to RL's IT department.

(iii) His wife, Mehreen Mahmood, is the CEO of Sunfish Automobiles (Private) Limited.

Under the provisions of the Companies Act, 2017:

(a) discuss the earliest possible time at which CEO Haseeb Ahmed can be replaced. **(03)**

(b) evaluate the implications of each information provided about Mahmood Khan, in the context of his appointment as CEO. **(05)**

(THE END)