



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.
-

Q.1 Select the most appropriate answer from the options available for each of the following Multiple Choice Questions. Each MCQ carries **ONE** mark.

- (i) Under what circumstances can Ostrich Limited (OL) enter into a non-cash transaction with Ahmed without obtaining prior approval from a general meeting?
 - (a) If Ahmed is a director in OL and OL is acquiring assets from a person connected to him
 - (b) If Ahmed is a director in OL's subsidiary and OL is acquiring assets from a person connected to him
 - (c) If Ahmed is a director in one of OL's holding company's competitors and OL is acquiring assets from a person connected to him
 - (d) If Ahmed is a director in OL's associated company and OL is acquiring assets from a person connected to him

- (ii) Jibraeel, who founded Quail (SMC-Pvt) Limited (QSL) in 2010, unfortunately passed away in a road accident on 2 March 2024. He is survived by his wife, three sons and two daughters.

Under the provisions of the Companies Act, 2017, the transfer of QSL's shares to Jibraeel's legal heirs will be executed by the person nominated by:

- (a) the subscriber to the memorandum
- (b) QSL itself
- (c) the legal heirs of the deceased
- (d) the Commission

- (iii) Bluebird Limited (BL) acquired the assets of Peacock (Pvt) Limited (PPL) on 5 February 2024. PPL had a registered charge on its assets due to a loan acquired in November 2023. BL did not inform the registrar about the acquisition.

Which of the following statements is correct?

- (a) The charge automatically becomes unenforceable against the acquired assets
- (b) The charge continues to be valid and enforceable against the acquired assets
- (c) PPL remains liable for the charge unless BL informs the registrar about the acquisition
- (d) The registrar will impose a penalty on PPL for not informing about the acquisition

- (iv) Tailorbird (Pvt) Limited (TPL) passed a resolution for voluntary winding-up. However, a creditor objected to this process and applied to the Court for a winding-up by the Court. The Court, however, ordered the voluntary winding-up to continue under its supervision. This empowers the Court to:

- (a) intervene in TPL's management and direct all financial transactions
- (b) appoint a new board of directors to oversee TPL's winding-up process
- (c) grant liberty for creditors, contributories or others to apply to the Court on such terms and conditions as the Court thinks just
- (d) change TPL's memorandum of association to reflect the supervision

- (v) Salman Zuberi, a member of Quail (Guarantee) Limited (QGL), has requested inspection of the minutes of a recent extraordinary general meeting (EoGM). However, QGL has refused him access, claiming that he is not entitled to inspect the minutes.

Under the provision of the Companies Act, 2017, which of the following actions that Salman can take against the refusal by QGL?

- (a) File a petition with the Court to impose a penalty on QGL and enforce his right to inspect the EoGM minutes
 - (b) File an application with the Commission to impose a penalty on QGL and enforce his right to inspect the EoGM minutes
 - (c) File an application with the registrar, to impose penalty on QGL, who may direct immediate inspection of EoGM minutes
 - (d) File an application with the board of directors to allow immediate access to EoGM minutes
- (vi) Yousuf, Younus and Yasir have decided to become subscribers to the memorandum of association of Turkey (Pvt) Limited (TPL) and plan to submit the registration documents to the registrar.

Which of the following statements about the proposed directors of TPL is correct after its registration?

- (a) Only the persons proposed by the subscribers within 30 days can be appointed as directors
 - (b) Only the persons proposed by the subscribers holding majority shares can be appointed as directors
 - (c) The proposed directors named in the articles of association are deemed to have been appointed to that office
 - (d) The proposed directors named in the application for registration automatically become the directors
- (vii) Waqar, a member of Hen (Pvt) Limited (HPL), intends to submit an application for a certified true copy of the minutes of the annual general meeting (AGM) of HPL, which was originally held on 27 February 2024. However, due to an adjournment, the AGM was finally concluded on 6 March 2024.

What is the maximum date by which HPL must provide him with a certified copy of the minutes assuming he submits the application immediately upon becoming eligible?

- (a) 5 March 2024
 - (b) 11 March 2024
 - (c) 13 March 2024
 - (d) 19 March 2024
- (viii) Upon reviewing the available evidence, the registrar determined that Crow (Pvt) Limited (CPL) had registered its name by furnishing inaccurate information.

If the representations made by CPL in response to this inquiry confirmed the registrar's findings, then under the provisions of the Companies Act, 2017, the correct action of the registrar would be to:

- (a) cancel the registration of CPL through an order issued within thirty days
- (b) direct CPL to change its name within thirty days of such direction
- (c) direct CPL to change its name to a new name selected by the registrar, within thirty days of such direction
- (d) direct CPL to change its name, subject to the approval of the registrar, within thirty days of such direction

(ix) Muhammad Ali, Shaukat Ali and Ahmad Ali submitted the memorandum and articles of association to the registrar for the formation of a company. After registration, the status and registered office of the aforesaid company will be as stated in:

- | | |
|---|--------------------------------------|
| (a) the memorandum of association | (b) the articles of association |
| (c) the statement in lieu of prospectus | (d) the application for registration |

(x) Barn Swallow Limited (BSL) obtained loans totalling Rs. 200 million; a Rs. 150 million long-term loan from Wagtail Bank Limited (WBL) with a first charge on BSL's plant and machinery, valued at approximately Rs. 260 million, and a Rs. 50 million medium-term loan from Bee-eater Bank Limited (BBL) with a second charge on the same plant and machinery.

Whose duty is to register the first and second charges over BSL's plant and machinery with the registrar?

- (a) BSL
- (b) WBL or BBL
- (c) BSL or WBL or BBL
- (d) BSL or by the consortium of WBL and BBL

(xi) Northern Cardinal Limited, a public unlisted company, circulated a special resolution to all its forty-five members for approval of a loan to its associated company. The resolution will be deemed to have been duly passed if and only if it is signed by:

- (a) at least seventy five percent of members for the time being entitled to receive notice of a meeting
- (b) at least seventy five percent of members who received the notice of the meeting
- (c) all the members for the time being entitled to receive notice of a meeting
- (d) all the members who received the notice of the meeting

(xii) Under the provisions of the Companies Act, 2017, which of the following may **NOT** be considered a quorum for a meeting of the board of directors of a listed company with seven directors?

- (a) The participation of a director by audio conferencing and three in person
- (b) The participation of three directors by audio conferencing and four in person
- (c) The participation of three directors by video conferencing and one in person
- (d) The participation of a director by video conferencing and two in person to fill the casual vacancies arising due to the deaths of three directors and one being critically injured in a road accident

(xiii) In January 2024, Shoveler Limited (SL) acquired 85% stake in Pintail Limited (PL), whose financial year ends on 31 August, while SL's year-end is 31 December. PL's financial year-end of 31 August is beneficial for it due to the nature of its business.

For the purposes of preparation of consolidated financial statements:

- (a) PL shall make an interim closing on 31 December 2024 and prepare financial statements for consolidation purposes
- (b) PL's audited financial statements for the year ending 31 August 2024 shall be used for consolidation purposes
- (c) PL shall have to apply to the Commission to extend its year-end to coincide with the financial year-end of SL
- (d) SL shall have to apply to the Commission to use PL's audited financial statements for the year ending 31 August 2024 for consolidation purposes

- (xiv) On 10 January 2024, Hamid Associates decided to file a petition with the Court to wind-up Nightingale Limited (NL). The petition was presented to the Court on 12 January 2024, and concluded with a winding-up order on 29 February 2024. The Court appointed an official liquidator who, on 7 March 2024, filed the required declarations.

When is the winding-up of NL deemed to have commenced?

- | | |
|----------------------|---------------------|
| (a) 10 January 2024 | (b) 12 January 2024 |
| (c) 29 February 2024 | (d) 7 March 2024 |

- (xv) Greater Racket Limited (GRL), incorporated on 2 November 2023, with an authorized share capital of Rs. 80 million, is entitled to commence business from 1 February 2024. Its financial year-end is 30 June. GRL commenced its business from 12 February 2024.

GRL's board of directors is considering convening the statutory meeting. The meeting should be held not later than:

- | | |
|-------------------|---------------------|
| (a) 29 July 2024 | (b) 2 August 2024 |
| (c) 9 August 2024 | (d) 1 November 2024 |

Q.2 Consider the following three independent situations relating to the issuance of shares:

- (i) The board of directors of Pigeon Limited, an unlisted company, entered into an agreement on 4 March 2024, with Ducklings (Pvt) Limited and Dovelings Limited for the issuance of 12 million ordinary shares with a face value of Rs. 10 each at Rs. 50 per share and 14 million ordinary shares with a face value of Rs. 10 each at Rs. 55 per share, respectively. The said shares will be issued against cash consideration.
- (ii) The board of directors of Duck Limited (DL), a listed company, in their meeting held on 5 March 2024, principally approved to offer one ordinary share for every four ordinary shares to existing members at Rs. 20 per share. As of 5 March 2024, DL has an issued and paid-up share capital of 50 million ordinary shares with a face value of Rs. 10 each. The new shares will be electronically credited to each member's CDC account in May 2024.
- (iii) The board of directors of Seagull Limited, an unlisted company, in their meeting held on 5 March 2024, approved the issuance of 50 million ordinary shares with a face value of Rs. 10 each, at Rs. 20 per share, to raise capital. The public offering will commence on 12 June 2024. The shares will be electronically credited into CDC account in August 2024.

Under the provisions of the Securities Act, 2015, discuss whether each of the above companies is required to issue a prospectus for the issuance of shares. If yes, state the requirements that each issuing company needs to comply with. (09)

Q.3 Under the provisions of the Companies Act, 2017, state the matters that are required to be included in the business review section of the directors' report for a listed company. (04)

Q.4 Under the provisions of the Companies Act, 2017, identify the stakeholders who can file an application with the Court for a company's winding-up and the related conditions they must satisfy in order to be eligible. (09)

Q.5 State the provisions contained in the Companies Act, 2017, regarding the appointment of an official liquidator by the Court for the winding-up of a company. (07)

- Q.6 Latif Saeed, a shareholder in Falcon Cars Limited (FCL), recently obtained a certified copy of the company's investment register. This document revealed that FCL has invested in shares of various companies. However, he observed that the shares of some companies are held in the names of other individuals. The details of his observations are as follows:

Investee company	Holding	Shares held in the name of
Albatross Motor Bikes Limited (AML) – an unlisted company	100%	<ul style="list-style-type: none"> ▪ Muneer Noor, an FCL employee nominated as a member of AML, holds one share ▪ Salman Tanveer, an FCL director nominated as another member of AML, holds one share
Raven Cars Limited (RCL) – a listed company	15%	Owais Pervaiz, an FCL director nominated as a director of RCL, holds 10% shares
Coot Trackers Limited (CTL) – an unlisted company with five members	5%	Qaim Raheel, an FCL director nominated as a member of CTL, holds one share

Latif Saeed, curious about the rationale behind holding FCL's investments in the names of other individuals, has approached you for professional guidance.

Under the provisions of the Companies Act, 2017, briefly explain whether FCL is justified in holding its investments in the names of other individuals and also state the potential consequences of failing to comply with the related provisions of the law. (10)

- Q.7 Penguin Limited (PL) has Class A and Class B ordinary shares, with 80 million shares of Rs. 10 each and 15 million shares of Rs. 20 each respectively.

PL issued a notice to its members and published it in various newspapers, announcing an extraordinary general meeting (EoGM) scheduled for 7 March 2024. The meeting considered a proposal to revise the terms of a long-term advance given to Kiwi Limited (KL), which includes extending the grace period for installments by an additional six months and reducing the interest rate by 2%. This proposal was put forward by Faiz Ahmed, a director at PL, who also serves as a non-executive director at KL.

During the EoGM, following an initial show of hands, a member attending remotely demanded a poll on the resolution. The Chairman then ordered that the poll be conducted via a secret ballot the next week. Subsequently, a director raised the following questions regarding the Chairman's decision and the polling process:

- (a) Is the Chairman justified in ordering the poll through a secret ballot, and when will the results of the poll be implemented? (04)
- (b) What is the total voting power for each class of shares and for the company as a whole? (03)
- (c) What is the minimum number of votes required to pass the proposed resolution, assuming that only Class A shareholders have attended the poll? (03)
- (d) What steps must be complied with in respect of the resolution if members vote in favour of the resolution during the poll? (02)

Under the provisions of the Companies Act, 2017, advise to the board of directors on each of the questions raised by the director.

- Q.8 Under the provisions of the Companies Act, 2017, discuss the following in the context of half-yearly and annual financial statements of a listed company:

- (a) The timeframe for preparing these statements, along with the requirements for their review and audit. (04)
- (b) The requirements for their approval, authentication, publication and transmission. (07)

Q.9 Eagle Limited (EL) is finalizing negotiations for a USD 2 million long-term loan with Oilbird International Bank Inc. (OIB), a foreign lender. OIB requires security in the form of a charge on EL's immovable properties in Pakistan by 12 March 2024. While advised to register the charge, EL believes this is not necessary as OIB is a foreign bank.

Under the provisions of the Companies Act, 2017, advise EL's management on the following:

- (a) Whether, with whom and within what timeframe does EL need to register the charge? **(03)**
- (b) Assume EL was required to register the charge, but failed to do so. State the consequences of such failure. **(03)**
- (c) Assume EL registered the charge. However, three months after registration, the repayment period of loan is extended by OIB at EL's request. What will EL need to do in this scenario? **(02)**

Q.10 Rail Holding (Private) Limited (RHL) has three subsidiary companies: Gannet Leaf Limited (GLL), which is unlisted, and Budgerigar Sea Limited (BSL) and Vulture Bird Limited (VBL), which are listed.

The group compliance department has brought attention to the following matters concerning group directors:

- (i) Wasim Yasin, an elected director in GLL, survived a car accident on 2 March 2024, but is mentally incapacitated due to serious head injuries.
- (ii) Aziz Bahadur, a non-executive director in BSL, suffered a stroke in August 2023, and has not attended any board meeting since then.
- (iii) Faraz Ghani, a director in VBL, was granted a loan of Rs. 2 million by the board in February 2024, repayable within a period of six months.
- (iv) The following names are selected from the data bank of the Commission's notified entities, as potential independent directors for the upcoming May 2024 elections:
 - Haseeb Ijaz on the board of VBL. He served as the chief executive of BSL from 2018 to 2021.
 - Bahram Hasan on the board of VBL. He served as a director in VBL from 2013 to 2022.
 - Daniyal Ehtisham on the board of BSL. He served as a director in BSL, nominated by a creditor, from January 2023 to February 2024.

Under the provisions of the Companies Act, 2017, advise on the following:

- (a) Implication(s) of the matters referred in (i), (ii) and (iii) above, on the board of respective companies. **(06)**
- (b) Suitability of each of the selected persons referred in (iv) above, to contest the upcoming elections of respective companies as an independent director. **(05)**

Q.11 State the requirements, applicable to public limited companies, for the 'Manner of payment of cash dividend' as outlined under the provisions of the Companies (Distribution of Dividends) Regulations, 2017. **(04)**

(THE END)