



## Certificate in Accounting and Finance Stage Examination

7 March 2025

3 hours – 100 marks

Additional reading time – 15 minutes

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### Company Law

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#### 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.

- (i) Banana Glass Limited (BGL), a listed company with a financial year ending on 30 June, filed its annual return for 2023 on 18 January 2024. The company's annual general meeting for 2024 was held on 14 October 2024.

Since the annual return filing deadline for 2024 had passed, BGL obtained the necessary approvals and subsequently filed the annual return on the last permissible date within the extended filing period.

The annual return must have been filed on:

- |                      |                      |             |
|----------------------|----------------------|-------------|
| (a) 12 November 2024 | (b) 13 November 2024 | <b>(01)</b> |
| (c) 27 November 2024 | (d) 29 November 2024 |             |

- (ii) Whenever one or more members present at the general meeting, holding 15% of a company's voting power demand a poll on a resolution under discussion; and that resolution is properly included in the notice of the general meeting in accordance with the requirements of the Companies Act, 2017, the chairman:

- |  |             |
|--|-------------|
| (a) must order a secret ballot   | <b>(01)</b> |
| (b) must order a secret ballot and then adjourn the meeting immediately          |             |
| (c) must first finish the remaining agenda item and then order a secret ballot   |             |
| (d) must first call for a vote by a show of hands and then order a secret ballot |             |

- (iii) Which of the following statements are correct with respect to "book or paper" as per the Companies Act, 2017?

- |  |             |                          |
|--|-------------|--------------------------|
| (I) "Book or paper" includes books of accounts, cost accounting records, vouchers, deeds, writings, documents, minutes and registers | <b>(01)</b> |                          |
| (II) "Book or paper" should be maintained in both physical and electronic forms  |             |                          |
| (a) Only (I) is correct  |             | (b) Only (II) is correct |
| (c) Both are correct   |             | (d) Both are incorrect   |

- (iv) The chairman of a listed company is selected from among:

- |                         |                             |             |
|-------------------------|-----------------------------|-------------|
| (a) executive directors | (b) non-executive directors | <b>(01)</b> |
| (c) nominee directors   | (d) alternate directors     |             |

- (v) Which of the following statements best describes the role of a paying agent appointed by a company in the context of dividend payments under the Companies (Distribution of Dividends) Regulations, 2017?
- A paying agent invests the dividend payments in mutual funds on behalf of the shareholders
  - A paying agent calculates the dividend amounts and transfer the funds to shareholders' bank accounts
  - A paying agent collects the dividend payments from shareholders for reinvestment in the company
  - A paying agent deposits dividend payments directly into shareholders' designated bank accounts
- (01)**
- (vi) Under the Companies Act, 2017, which of the following is **NOT** required to be included in the statement of affairs submitted to the provisional managers appointed by the Court?
- The names and addresses of the company's creditors, with a breakdown of secured and unsecured debt amounts
  - The names, residential addresses and occupations of persons owing debts to the company, along with the expected recoverable amount
  - The full address of the locations where the company conducted business during the year preceding the winding up date
  - The location and the person in whose custody or possession the company's properties remain, if not in the company's own custody or possession
- (01)**
- (vii) As of 31 December 2024, the total paid-up capital of Juniper Berry Wood Limited (JBL) is Rs. 200 million, with each share carrying a par value of Rs. 10. The unappropriated profits available for dividend distribution amount to Rs. 200 million. While approving the audited financial statements for the year ended 31 December 2024, the Board of Directors has recommended a final dividend of Rs. 3 per share.
- At the annual general meeting, the members of JBL are **NOT** permitted to pass a resolution to:
- |   |   |
|---|---|
| (a) distribute Rs. 80 million as dividend | (b) distribute Rs. 60 million as dividend |
| (c) distribute Rs. 40 million as dividend | (d) reject the recommended dividend       |
- (01)**
- (viii) Which of the following statements is correct with respect to official liquidator as per the Companies Act, 2017?
- A liquidator shall not be appointed simultaneously as liquidator for more than two unlimited liability companies
  - The Commission may remove a person from the panel of liquidators if he is found to have wrongly applied his authority while acting as a liquidator
  - A liquidator cannot resign from his position except under circumstances where he is unable to effectively complete the winding-up process
  - Upon appointment, the liquidator must provide security as determined by the Commission, in the case of a company having share capital
- (01)**
- (ix) Can the number of first directors of a company be increased before the expiry of their term?
- No, it cannot be increased before the first election of directors, which must be held at the first annual general meeting
  - No, it cannot be increased unless approved by the Commission upon a petition submitted by the directors
  - Yes, it can be increased by appointing additional directors through members in an extraordinary general meeting
  - Yes, it can be increased by appointing additional directors at the first annual general meeting of the company
- (01)**

- (x) Lychee Furniture Limited (LFL) has scheduled its directors' election for April 2025. LFL identified Hania Ali as a potential candidate for the position of independent director. Hania possesses strong credentials, having served as the Chief Financial Officer of Peach Furniture Limited (PFL), a subsidiary of LFL, for over ten years until May 2022. Furthermore, her name appears in the data bank of independent directors.

Is Hania eligible to contest for the position of independent director at LFL?

- (a) Yes, as her over ten years of experience exceeds the required minimum period
- (b) Yes, as her name appears in the data bank of independent directors
- (c) No, as she left PFL in May 2022 and is no longer employed there
- (d) No, as prescribed time has not passed since her disassociation from PFL **(1.5)**

- (xi) In 2024, Apricot Farms Limited (AFL), a listed company, raised three-year long-term financing from the general public by issuing debentures. AFL now plans to modify certain terms and conditions of these debentures and will convene a debenture holders' meeting next month.

AFL previously closed its register of debenture holders in January and February 2025 for fourteen days. AFL must close its register of debenture holders again and publish the notice of meeting at least:

- (a) seven days before the meeting. AFL may now close the register for a maximum of sixteen days.
- (b) seven days before the meeting. AFL may now close the register for a maximum of thirty days.
- (c) fourteen days before the meeting. AFL may now close the register for a maximum of sixteen days.
- (d) fourteen days before the meeting. AFL may now close the register for a maximum of thirty days. **(1.5)**

- (xii) Which of the following circumstances may lead a public company to be wound up by the Court under the Companies Act, 2017?

- (I) If a default is made in holding three consecutive annual general meetings
- (II) If the company has passed ordinary resolution that the company be wound up by the Court
- (III) If a listed company ceases to be listed

- (a) Only (I) is correct
- (b) Only (II) is correct
- (c) Only (III) is correct
- (d) Only (I) and (III) are correct **(1.5)**

- (xiii) Which of the following statements are the characteristics of a Chief Executive Officer (CEO) of a company under the Companies Act, 2017:

- (I) A CEO is subject to the board's control, entrusted with managing the company's affairs
- (II) A CEO is always hired under a three-year service contract
- (III) A CEO may hold another title, regardless of type of appointment

- (a) Only (I) and (II) are correct
- (b) Only (II) and (III) are correct
- (c) Only (I) and (III) are correct
- (d) All three statements are correct **(1.5)**

- Q.2 (a) Pear Farming Limited (PFL) is an unlisted company incorporated on 15 October 2022, with a paid up capital of Rs. 50 million. Its financial year ends on 31 December.

On 11 August 2024, one of the three directors resigned from the board. Subsequently, Salman, a finance professional, was appointed in his place for a three-year term starting on 15 February 2025.

During a discussion on the audit progress with the Chief Financial Officer (CFO) on 3 March 2025, Salman noted that external auditors had raised several observations and directed the CFO for expeditious resolution of these observations.

Salman also observed that the Company Secretary was planning to hold the annual general meeting (AGM) on 29 April 2025, which he believed to be unachievable as the Chairman may need to be briefed on the detailed status of resolution of audit issues to avoid any modifications in the audit report. Consequently, Salman directed the Company Secretary to schedule the AGM on 15 May 2025.

Under the Companies Act, 2017:

- (i) identify the non-compliances in the above situations. (04)  
 (ii) explain how the Company Secretary would be able to reschedule the AGM for 15 May 2025. (02)

- (b) **Assume that the today's date is 30 June 2025.**

PFL's AGM was held on 15 May 2025, in which all agenda items were concluded except for the adoption of audited financial statements and dividend declaration, on which there was a lack of consensus among the members. Due to heated discussions, the Chairman adjourned the meeting to 2 June 2025. In the adjourned session, necessary details were presented by the board to the satisfaction of members, after which the financial statements were adopted and the dividend declared. Subsequently, the dividend was paid on 27 June 2025.

Under the Companies Act, 2017:

- (i) identify the non-compliances in the above situation. (02)  
 (ii) discuss the steps that were required to be taken due to non-adoption of the financial statements at the AGM, and actions to be taken after their adoption at the adjourned AGM. (03)

- Q.3 (a) In May 2024, Grapes Hotels Limited (GHL), an unlisted company, obtained a loan from Watermelon Bank Ltd (WBL) to construct a new hotel. The loan was structured to be repaid in 12 equal half-yearly instalments, starting from June 2025. The loan was secured by GHL's properties, the Shangla Hills Hotel & Resorts, which had the mortgage registered in favour of WBL in June 2024.

Due to anticipated delays in completing the project, GHL requested an extension of the loan repayment start date from June 2025 to June 2026. After deliberations, WBL agreed on the condition that the loan would now be repaid in 10 equal half-yearly instalments starting from June 2026 and an addendum was signed on 3 March 2025.

Advise GHL on its obligations under the Companies Act, 2017, concerning the post-registration compliance for the loan secured. (04)

- (b) Under the Securities Act, 2015, state the requirements a company must meet prior to raising funds from the general public. (06)

Q.4 Under the Companies Act, 2017, explain the duties of a director of a listed company who becomes interested in a contract already entered into by the company. Also, state the requirements for his participation in discussions and voting during the board meeting concerning the said contract. **(07)**

Q.5 Chicoo Sports Limited (CSL) had a paid-up capital of Rs. 500 million and liabilities of Rs. 975 million. On 24 January 2025, the Court appointed Azhar as its official liquidator, based on a petition filed by twenty creditors, who were collectively owed Rs. 10 million.

Under the Companies Act, 2017:

(a) state the responsibilities of Azhar. **(04)**

(b) advise how the position of official liquidator will be filled if Azhar resigns. **(02)**

On 5 March 2025, two other creditors filed a petition with the Court seeking to replace Azhar with Yaseen as the official liquidator.

(c) Under the Companies Act, 2017, discuss whether Yaseen can be appointed as the official liquidator of CSL, assuming his name is not appearing on the SECP's panel of approved liquidators. **(02)**

Q.6 Under the Companies Act, 2017:

(a) state the provisions requiring the memorandum of association of a public company limited by shares to include details about its name clause. Also, describe the requirements for the publication of company's name. **(04)**

(b) explain the requirements related to the business and objects of a company, including its principal line of business. Also, outline the procedures a company must follow to change its principal line of business. **(07)**

Q.7 On 28 February 2025, the board of Plum Weaving (Private) Limited (PWL) met to discuss on several agenda items, including a proposal to extend a short-term loan of Rs. 80 million to Fig Packaging (Private) Limited (FPL). The board unanimously agreed to present this loan proposal for approval at its first annual general meeting (AGM) scheduled for April 2025.

During the board meeting, the directors requested clarifications on the following matters:

(a) Given that FPL and the Federal Government hold 22% and 17% of PWL's shares respectively, and Cherry Investments Limited (CIL) has loaned an amount equivalent to 120% of PWL's paid-up capital, can these stakeholders significantly influence the decision-making at the upcoming AGM? **(02)**

(b) How will FPL, the Federal Government and CIL participate in the AGM? **(04)**

(c) What rights and powers do FPL, the Federal Government and CIL have regarding their attendance and participation at the AGM? **(03)**

Under the Companies Act, 2017, provide clarification to the board on the above matters.

Q.8 (a) State the provisions of the Companies Act, 2017 regarding the circumstances under which a company may be wound up voluntarily. **(03)**

(b) If a company is undergoing voluntary winding-up, a prospective creditor of the company may request the Court to convert the voluntary winding-up into a winding-up by the Court. State the provisions of the Companies Act, 2017 that grant a prospective creditor the right to make such a request. Also, specify the grounds on which the Court may issue an order for winding-up by the Court. **(04)**

- Q.9 Amrood Packaging Limited (APL), a listed company engaged in packaging, maintains a business relationship with Papaya Farms Limited (PFL), an unlisted company, as a supplier of its raw materials. In February 2025, APL acquired 15% shares in PFL and appointed its director, Ibrahim Shaheer, to PFL's board.

PFL subsequently identified the need for a loan of Rs. 60 million to fund a facility upgrade. During PFL's board meeting, Ibrahim assured the board that he would present a formal loan proposal at APL's upcoming board meeting on 13 March 2025. He committed to the board that the loan would be arranged at an interest rate of 5% per annum and disbursed by 18 March 2025.

Following this, Ibrahim shared the above details with APL's Company Secretary and requested him to include this matter on the agenda of the upcoming board meeting.

Under the Companies Act, 2017, discuss the potential shortcomings in Ibrahim's commitments and advise on the appropriate course of action he should take. (07)

- Q.10 Jamun Processing Limited, an unlisted company, holds 60% of the shares in Shareefa Trading (Pvt) Limited (STL). STL is currently preparing its directors' report. Under the Companies Act, 2017, list any **eleven** contents of the said report. (08)

- Q.11 Apple Spinning Limited (ASL), a listed company, was incorporated on 15 August 2024. ASL's financial year ends on 31 December each year. It became entitled to commence business on 26 December 2024.

Following the resignation of the previous Company Secretary, ASL has appointed Jameel, a qualified professional, to the said role. During an initial discussion, the CEO informed him that the audit of the financial statements for the period ended 31 December 2024, is expected to be completed by the end of March 2025. Accordingly, the CEO asked him to begin preparations for ASL's AGM, scheduled for 19 May 2025. Additionally, the CEO directed Jameel to finalize the statutory reports and related matters, as the statutory meeting is planned for 22 June 2025.

Jameel expressed his concerns to the CEO that holding of two meetings within such a short timeframe might not be cost-effective or operationally efficient, and could also complicate compliance with legal provisions.

Under the Companies Act, 2017, evaluate the situation and recommend the best course of action for ASL in response to Jameel's concerns. (07)

**(THE END)**