| THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN<br><br>EXAMINERS' COMMENTS | |
|---|---|
| **SUBJECT**<br>Advanced Corporate Laws and Practices | **SESSION**<br>Certified Finance and Accounting Professional (CFAP) Examination - Summer 2024 |

**Passing %**

| Question-wise | | | | | | | | Overall |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 38% |
| 36% | 42% | 53% | 37% | 44% | 85% | 18% | 35% | |

## General comments

There was an improvement in overall performance in this attempt, with 38% of examinees achieving passing marks compared to 33% in the previous attempt. However, performance on question 7 was notably weaker. This can be attributed to a common issue: examinees struggled to apply relevant corporate law knowledge to the specific practical scenarios presented. Many examinees reproduced entire provisions of the law without effectively relating them to the given scenario, leading to a significant loss of valuable time.

## Question-wise common mistakes observed

### Question 1(a)

Examinees were unable to determine the restrictions preventing TBL from granting a loan secured against the following collateral offered by AL:

- TBL's own shares: The Banking Companies Ordinance, 1962 prohibits banks from using their own shares as collateral for loans.
- Guarantee from RIL: As Qasim, a family member of TBL's director, holds a substantial interest i.e. 20% voting power in RIL, TBL is restricted from accepting a guarantee from RIL.

### Question 1(b)

Examinees did not identify that AL is obligated to hold 4,970,000 shares of ZL in its own name. This requirement arises from AL's nomination of two directors to ZL's board. According to ZL's articles of association, each director must hold a minimum of 15,000 qualification shares in their own name. Therefore, with two directors appointed, AL must hold a total of 30,000 qualification shares in the name of nominee directors.

**Question 2**

- Examinees failed to identify that UL's acquisition of shares in AL, CL, or DL could lead to the creation of a dominant position for UL in the relevant market for the products Holmium, and Terbium respectively.
- Examinees did not discuss the specific circumstances in which the Competition Commission of Pakistan might approve a merger despite the creation of a dominant position following the acquisition.

**Question 3**

- Examinees did not determine that as a senior chartered accountant in business, Mohsin has a professional duty to act in the public interest.
- Examinees did not discuss that Mohsin must consider the consequences of disclosing the relevant information to the appropriate authority, considering the potential adverse impact on the market price of ZPL's shares and securities, given ZPL's listing on the Pakistan Stock Exchange.

**Question 4(a)**

- Examinees did not specify that price-sensitive information must be communicated to the SECP and PSX before being released to any other person or through any media.
- Examinees failed to identify that the potential risk of default must be communicated to ODL's board and that the board's approval is necessary for borrowing funds to mitigate the anticipated liquidity crunch.

**Question 4(b)**

- Examinees incorrectly answered this part of the question by solely relying on the Public Sector Companies (Corporate Governance) Rules, 2013, while ignoring the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019, despite GPL being a public sector listed company is subject to both the regulations and the rules.
- Examinees correctly identified the prescribed timelines for holding the mandatory meetings, they failed to accurately determine the mandated attendees for the audit committee and the annual general meeting.

**Question 5**

In calculating the maximum investment DEP could make in NSL, examinees overlooked the prescribed limits on equity investments in the steel sector i.e., Rs. 23 million, and in NSL as a single company i.e., Rs. 45 million.

**Question 6**

Examinees focused solely on Zohaib's points regarding PIL, neglecting to address his concerns about PLL. This oversight is inconsistent with the requirement of the question for a comparative analysis of both companies' advantages, necessitating an evaluation of the points raised for both PIL and PLL

**Question 7(a)**

Examinees failed to establish that CL controlled more than half of EL's voting securities through its subsidiaries BL and DL, holding a total of 65%. Consequently, EL was legally prohibited from participating in CL's book-building process because of the restriction that is in place to prevent subsidiaries from holding shares in its holding company, except under specified circumstances that did not apply in the given scenario.

**Question 7(b)**

Examinees did not mention that DL has the option to withdraw its public offer within seven working days following the public announcement of FL's competitive bid.

**Question 8(a)**

Examinees did not outline the entire process required for obtaining approvals of the merger. While they generally focused on securing approvals from ATPL's board and the Competition Commission of Pakistan, they ignored the necessity of obtaining approvals in separate meetings of ATPL's members and creditors.

**Question 8(b)**

Examinees did not mention that, since Ali Hamid holds the requisite voting power in ISL, he is entitled to make a requisition to ISL's board for the removal of Kamran Hamid as CEO. Additionally, Ali Hamid may also file an application with the Commission requesting an investigation into the affairs of ISL.

***(THE END)***