

| THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN | |
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| EXAMINERS' COMMENTS | |
| SUBJECT Advanced Corporate Laws and Practices | SESSION Certified Finance and Accounting Professional (CFAP) Examination Summer 2025 |

Passing %

| Question-wise | | | | | | | | Overall |
|---------------|-----|-----|-----|-----|-----|-----|-----|---------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 37% |
| 28% | 85% | 64% | 22% | 36% | 37% | 43% | 20% | |

General comments

Overall performance in this attempt was closely in line with the previous attempt, with 37% of examinees securing passing marks compared to 36% in the previous attempt. It was noted that performance in Questions 4 and 8 was weak, mainly due to examinees' inability to identify the applicable law(s) and apply theoretical knowledge to practical scenarios.

Question-wise common mistakes observed

Question 1(a)

Examinees could not justify their recommended course of action for STL. Most examinees incorrectly proposed a rehabilitation plan instead of a compromise or arrangement with creditors.

Question 1(b)

Examinees failed to discuss the essential conditions for their recommended course of action in part (a). Most of them suggested an incorrect approach, then listed the conditions and procedural steps for that incorrect choice.

Question 2

Examinees failed to:

- address the 'comply or explain approach' for appointing a CFO nominee and how CGL should have explained the impediment to such compliance in its statement of compliance.
- list all responsibilities regarding CGL's environmental and sustainability issues.

- state the requirement for the Audit Committee Secretary to circulate minutes of the meeting to all directors before the next board meeting, specifically concerning the inter-company loan write-off.

Question 3

Examinees failed to:

- discuss that investment by HTL must be routed through a single designated branch of an authorized dealer, i.e., banker, with a designation request submitted to the exchange policy department of the SBP via that dealer for acknowledgement.
- mention that HTL should forward a detailed application with required information to the designated authorized dealer for further processing.

Question 4(a)

Examinees did not state the following differentiating factors between the issuance of bonus shares and the sub-division of class A shares:

- The face value of Class A shares is reduced in case of sub-division, but it remains unchanged for both original and bonus shares.
- Sub-division of shares causes no change in voting rights, whereas voting rights for both Class A and Class B shares will change with bonus shares issuance.
- Specific shareholders' consent of a three-fourths majority is required if Class B share rights are affected by bonus shares, while no additional specific consent is needed for subdivision of shares.
- Unlike bonus shares, the implementation of the sub-division of shares can be varied, postponed, or withdrawn before implementation.

Question 4(b)

- Examinees failed to state that STL, being a listed company, had to immediately disclose the decision of the board of directors to subdivide Class A shares. This was price-sensitive information expected to materially affect the market activity and price of STL's shares.
- Examinees did not mention that the notice of extraordinary general meeting, along with relevant information, relating to the alteration in MOA and AOA, should have been sent to concerned persons and published in newspapers.
- Examinees overlooked to mention that STL needed to issue a notice for the closure of share transfer books, giving a minimum of seven days' notice to the PSX before closure.
- Examinees did not point out that all notices and resolutions had to be submitted to the PSX prior to their publication and dispatch to shareholders.

Question 5

- Examinees did not mention that in case PHL made a public offer to acquire shares within the past twelve months, the law exempts it from making a fresh public offer. This would allow PHL to directly make a valid offer to RIC for acquiring further shares of UTML.
- A few examinees did not differentiate between a public announcement of intention and a public announcement of offer, often incorrectly using “public offer” to acquire shares.
- Examinees did not identify the applicable laws/regulations for the scenario. Most of the examinees also failed to mention that the Competition Act, 2010 would also apply as PHL’s market share would exceed 40% after the acquisition.

Question 6

- Examinees failed to mention that SFM’s first AGM must be held on or before 26 April 2026. Consequently, to address the suggestion of Safder Hasnain, the first financial statements would need to be prepared for the period from 27 December 2024 to 30 June 2026. Thus, even an extension of one month from SECP to hold the AGM until May 2026 would not align with the suggestion of Safder Hasnain.
- Examinees did not mention that due to the election of directors at the first AGM, the board of directors meeting should be held at least 35 days before to fix the number of directors to be elected.

Question 7(a)

Examinees failed to:

- discuss that PIML should ensure compliance with established procedures for Oliver’s account, and if he fails or refuses to provide evidence of his identity, business transactions should not be conducted with him.
- state that PIML should accept money from Oliver only after an account has been opened in his name using the account opening form developed by the respective industry associations in consultation with the SECP.

Question 7(b)

Examinees failed to state that PIML needed to share details of the conversion transaction, from one open-end scheme to another, with the authorized dealer for its records.

Question 8(a)

Examinees failed to:

- explain that PBL was required to conduct customer due diligence (CDD) on SCL, as a new customer, under the Anti-Money Laundering Act, 2010, before entering a business relationship.
- mention that, as part of CDD, PBL needed to understand and obtain information on the purpose and intended nature of the business relationship.
- identify that PBL was required to obtain an extract of SCL's board resolution authorizing the short-term loan, and instead incorrectly stated that PBL itself needed to pass a board resolution.

Question 8(b)

Examinees failed to mention the following compliance requirements for PBL, Tariq Ali, and Imrana Ali:

- Tariq Ali, being the CEO, should have submitted a return to SBP through PBL regarding the change in his shareholding.
- Tariq Ali should have provided written notices to PBL, SCL, and SECP regarding his beneficial ownership (along with prescribed information) within seven days of the requirement arising.
- Imrana Ali should have immediately notified in writing to the Company Secretary of SCL about the shares purchased by Tariq Ali, along with a written record of relevant information, within seven days of the transaction.
- The steps PBL should take following the acquisition of shares by Tariq Ali.
- No compliance obligations arise for Imrana Ali or PBL regarding the intention of Tariq Ali to further increase his shareholding in PBL and SCL.

(THE END)