

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**  
**Certified Finance and Accounting Professional Stage Examination**  
**Advanced Corporate Laws and Practices**

**Examiners' Comments**

**Winter 2025**

**PASSING %**

Question-wise								Overall
1	2	3	4	5	6	7	8	
54%	37%	30%	35%	29%	73%	56%	40%	37%

**GENERAL COMMENTS**

The overall pass rate remained consistent at approximately 37%, matching the performance of the previous session. However, performance in Questions 3 and 5 was notably weak, primarily due to examinees' inability to effectively apply corporate law requirements to the provided scenarios. To improve future results, examinees are advised to thoroughly analyze all factual details presented in practical scenarios to ensure a comprehensive and accurate application of the law.

**QUESTION-WISE COMMON MISTAKES OBSERVED**

**Question 1**

- While examinees correctly evaluated the scenarios and identified the likely outcomes, they failed to specify the respective courses of action that were to follow the book-building process in Scenario I and Scenario II, despite this being a specific requirement of the question.
- An error was noted where examinees incorrectly asserted that all bidders who participated in the book building process for LTL's shares were entitled to an allotment. They failed to recognize that allotment is strictly contingent upon the final strike price and the level of subscription, which excludes bidders whose bids fall below the market-determined cut-off price.

**Question 2**

- Examinees failed to identify that, before the issuance of shares to SML other than by way of a rights offer, the treasury shares held by DEL must be disposed of. Consequently, the steps related to the disposal of such shares were ignored altogether.
- Examinees did not discuss the requirements relating to the issuance of shares against other than cash consideration, which was an important aspect, as the shares are to be issued in exchange for the supply of a manufacturing plant to produce the required equipment for OFC.

**Question 3**

- Examinees compared JIL's solvency position exclusively against the fixed minimum prescribed requirement of Rs. 150 million, thereby ignoring the other applicable benchmarks used to determine the actual minimum threshold.
- Some examinees calculated the minimum solvency requirement but failed to determine JIL's existing solvency position, resulting in an incomplete response that lacked the necessary comparison.

**Question 4(a)**

- Examinees did not mention that any contractual restrictions on the assignment of credit facilities are overridden by the Corporate Restructuring Companies Act. Consequently, they did not clarify that such an assignment cannot be contractually prohibited by either party, regardless of existing agreements.
- Examinees failed to determine that Orchid Associates qualifies as a non-performing asset based on time-based criteria. Having made its last payment in September 2023, the facility meets the default duration required for classification and subsequent assignment to LCR.

**Question 4(b)**

- Examinees failed to identify that TBL is required to execute a formal transfer and assignment agreement with LCR. This agreement must explicitly define the purchase consideration, the vesting date, and the specific distribution of rights and obligations between the parties.
- The responses omitted the post-signing duties: TBL must issue a formal notice of assignment to all affected customers. Furthermore, on the vesting date, TBL bears the responsibility of ensuring the seamless transfer of all rights, legal titles, interests, and enforcement powers to LCR.

**Question 5**

- Examinees adequately discussed the plan in respect of the election of directors; however, many failed to discuss the plan for the conversion of redeemable, non-voting preference shares into irredeemable preference shares carrying one vote per share. The advice should have detailed the transition of these instruments into irredeemable preference shares carrying one vote per share.
- Some examinees mentioned that board approval alone would be sufficient for the proposed conversion of preference shares. They ignored the mandatory requirement for shareholders' approval, specifically the need for a special resolution and, potentially, the consent of the affected class of shareholders.

**Question 6(a)**

- Examinees incorrectly stated that funds could be remitted to TB under general permission. They failed to identify that such remittances for overseas investment require prior approval from the SBP under the Foreign Exchange Regulations, as they do not fall within the scope of automatic or general exemptions.
- A significant error was noted where examinees referred to the conditions related to the remittance of funds for export-oriented companies establishing branches abroad. This is incorrect because PEL does not qualify as an export-oriented company; rather, it is seeking to invest abroad for expansion of its business, which is a category governed by a distinct set of prescribed conditions and investment thresholds.

**Question 6(b)**

- Examinees did not determine that Salman may purchase up to 200 shares of DC, subject to a maximum shareholding of 10,000 shares, i.e., 1% of DC's total share capital.
- Examinees did not mention that remittance must be sourced from legitimate tax-paid funds, and that Salman must maintain a clean loan repayment record.
- Examinees incorrectly asserted that specific SBP approval is mandatory for investment in DC's shares; they overlooked the fact that the scenario required an outline of the conditions for remitting funds without obtaining specific approval from SBP.

**Question 7**

- Examinees failed to identify that CSL, as a public sector company, is required to follow the specialized procedures for the appointment of its CEO as prescribed under the Public Sector (Corporate Governance) Rules (PSR). Consequently, many responses incorrectly focused on general Companies Act provisions rather than the **mandatory selection process** involving the Board and the Government.
- Regarding the removal of HS, examinees omitted the fact that a nominated director in a public sector company can only be removed under the specific circumstances defined in the PSR. Crucially, the advice should have stated that the authority to remove such a nominee rest exclusively with the Federal Government, rather than the members through a general meeting.

**Question 8(a)**

- Examinees were unable to correctly calculate HFL's equity as Rs. 900 million. Consequently, they failed to determine that the maximum permissible aggregate exposure in listed equity securities for HFL is Rs. 450 million, which is capped at 50% of equity.
- Examinees incorrectly included the investment in LSL when calculating the aggregate exposure. This error prevented them from determining that, at the market price of Rs. 40 per share, HFL is permitted to purchase an additional 550,000 shares of GFL to reach its regulatory limit.

**Question 8(b)**

- Examinees did not mention that, upon identifying a potential match with a proscribed person, HLIL is required to immediately freeze all related funds. The advice should have emphasized that this action must be taken without prior notice to MT to remain compliant with CTF regulations.
- Furthermore, they omitted to mention that HLIL must immediately file a Suspicious Transaction Report with the FMU and notify the Commission in the prescribed manner.

**(THE END)**