THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certified Finance and Accounting Professional Stage Examination

Corporate Laws and Governance

Examiners' Comments **Autumn 2026**

PASSING %

Question-wise								Overall
1	2	3	4	5	6	7	8	26%
16%	37%	13%	25%	50%	58%	65%	47%	

GENERAL COMMENTS

The performance of candidates in Corporate Laws and Governance for the Autumn 2026 attempt recorded a 10.92% decrease in the passing rate, falling to 26.0% from 37.0% in the preceding attempt. Despite this decline, the average marks remained fairly consistent. Weak performance was noted in Q1 and Q3, which indicates that candidates did not focus on full coverage of the syllabus.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1(a)

Examinees failed to discuss the following key considerations:

- Where SEWL decides to delay public disclosure on grounds of confidentiality, such delay should be strictly assessed in light of applicable laws and other related requirements.
- The directors of SEWL, in their capacity as insiders, would be required to comply with the provisions relating to insider information as prescribed under the Securities Act.
- The board of SEWL should consider obtaining the audit committee's independent assessment of the value for money and commercial justification of the procurement from NEL at a higher price.

Question 1(b)

Examinees correctly identified the two proposed financing options as PSBA (Project Financing) and FTFA (Export Loan); however, they did not explain the key differences between these options in terms of prescribed borrowing cost ceiling, exposure to foreign exchange risk, repayment tenor, and prepayment options. Furthermore, the examinees did not recommend the most appropriate financing option for SEWL, i.e., PSBA (Project Financing).

Question 2

- Examinees did not mention that AEL would be required to obtain an expert's valuation report regarding the assets to be transferred to LCL and CML.

- Examinees failed to discuss that AEL is required to circulate to the members and creditors an explanatory statement setting out the terms of the scheme, explaining its effects, and disclosing any material interest of directors, including the CEO, along with the effect of the scheme on such interests.

Question 3

- Examinees did not mention that SIL's board cannot authorize the immediate issuance of the guarantee, as SIL and AMPL are associated companies.

- Examinees did not discuss that the directors of SIL must certify to the members that necessary due diligence has been carried out before recommending the issuance of the proposed guarantee.

- Examinees failed to advise on the detailed information mandatorily required to be included in the statement annexed to the notice of the EOGM that would need to be scheduled to obtain shareholders' approval for the issuance of the proposed guarantee.

Question 4

- Examinees did not discuss that in Option 2, the borrowing cost of 360 bps exceeded the prescribed ceiling of 350 bps, therefore requiring a reduction in borrowing costs.

- Examinees did not mention that Option 3 did not qualify as convertible debt due to the absence of an equity conversion feature, a critical feature considering that the long-term credit rating of FTL was lower than BB-.

- Some examinees did not discuss all of the proposed three options, restricting their discussions solely to Option 3. Consequently, they incorrectly concluded that Option 3 was fully compliant and required no modifications.

Question 5(a)

- Examinees did not identify that TIL qualified as both a public sector company and a state-owned enterprise, and that the State-Owned Enterprises (Governance and Operations) Act, 2023 was consequently applicable.

- Examinees were not able to determine that the annual budget of TIL was not validly approved, as statutory approval required an affirmative vote of at least seven directors, including Shoaib, to satisfy the three-fourths majority requirement, which must include the vote of the nominee director representing the Federal Government.

- Few examinees incorrectly concluded that it was sufficient for the board of TIL to meet once every quarter, whereas the board of a state-owned enterprise is required to meet at least once every two months.

Question 5(b)

- Examinees failed to determine that TIL was required to have at least five independent directors under the State-Owned Enterprises (Governance and Operations) Act, 2023.

- Examinees failed to conclude that as Kamran was employed by TIL's subsidiary, he did not satisfy the independence criteria and could not serve as an independent director. However, he could be appointed as a non-executive director, subject to due diligence and compliance with the prescribed fit and proper criteria.

Question 6(a)

- Examinees failed to identify that the minimum level upon which CIPL's public offer was proposed to be conditional cannot exceed 35% of the remaining voting shares, i.e., 10.85 million shares.

- Examinees did not mention that CIPL was legally required to provide shareholders with a wholly cash alternative as consideration for tendering their shares.

- Examinees were not able to conclude that the shares of BEL could not be offered as consideration, because BEL was listed on 10 January 2025, which fell short of the mandatory two-year listing history required before the intended public offer.

Question 6(b)

- Examinees did not discuss that the payment was required to be made by CIPL within ten days from the date of closure of the public offer, and that there was no requirement for the manager of the offer to make payment within one day, thereby making this allegation invalid.

- Examinees did not determine that OSL, being manager of the offer, was required to ensure that the contents of the public announcement were correct, fair, adequate and based on reliable sources. Consequently, if it was established that any particular information in the public announcement did not meet the aforementioned requirements, OSL would be held responsible.

Question 7

- Examinees did not evaluate that BLL was required to submit a complete application to the SECP for obtaining approval to appoint a new CEO within thirty days of the office falling vacant and that appointing a new CEO without adhering to the prescribed approval procedure constituted non-compliance with the NBFC Regulations.

- Examinees failed to determine that since ASL was a subsidiary of ATL, both entities were considered as a single group. Consequently, their combined exposure of Rs. 55 million exceeded the maximum prescribed group exposure limit, resulting in non-compliance with the applicable NBFC Regulations.

Question 8

Examinees failed to discuss the following matters in respect of the proposed merger:

- The proposed amalgamation, issue of shares to VIL's shareholders and entry into private equity and venture capital fund management business constitute price-sensitive information, which should be disseminated to PSX and the SECP before releasing it to any other person or media.

- EIL must observe the closed period requirements when price-sensitive information is circulated, during which time, the directors, CEO and executives are prohibited from dealing in EIL's shares.

- EIL should ensure that it obtains/holds a valid license from SECP to undertake the new private equity and venture capital fund management business to be acquired from VIL following the amalgamation.

- EIL, being a reporting entity, should conduct AML / CFT due diligence on VIL's existing client portfolio along with other required procedures so that any material compliance issues are identified and addressed before completing the transaction.

(THE END)