THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certified Finance and Accounting Professional Stage Examination

Corporate Laws and Governance

Examiners' Comments **Summer 2026**

PASSING %

Question-wise								Overall
1	2	3	4	5	6	7	8	
32%	31%	32%	45%	63%	7%	87%	26%	37%

GENERAL COMMENTS

Overall performance in this attempt was in line with that of the previous attempt, with 37% of the examinees securing passing marks. Moreover, the passing percentage remained slightly above the average passing percentage for the last five sessions, i.e., 36%. Weak performance was noted in question 6, mainly due to examinees' inability to identify the applicable laws and apply their theoretical knowledge to a practical scenario.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1(a)

- Examinees mentioned that the statutory restrictions applicable in terms of carrying on a competing business would apply to Salman, which was not correct, since Salman was not the CEO of CSL.

- Examinees did not discuss that it needs to be determined whether Salman's competing business creates an actual or potential conflict and whether he has obtained or attempted to obtain an undue gain for himself, his partners, or associates of the partnership firm.

Question 1(b)

- Examinees failed to identify that CSL must call separate meetings of each class of creditors, conduct the meetings in the manner directed by the SECP, and disclose the price-sensitive information relating to the issuance of shares and compromise with creditors to the PSX before convening the meetings.

- Examinees were not able to determine that since the proposed equity injection through rights issue was contingent upon successful implementation of the overall restructuring scheme, the shareholders would now not be required to consider or proceed with the proposed equity injection since consent of creditors could not be obtained, and consequently, a compromise could not be reached.

Question 2(a)

- Examinees did not discuss that the proposed sale of NTL's shares to Habib would constitute a transfer/export of Pakistani securities to a non-resident person; hence, the transaction would fall within the ambit of the Foreign Exchange Manual.

- Examinees failed to determine that since acquisition of shares by IEL would cross the 30% threshold, the applicable provisions of Listed Companies (Substantial Acquisition of Voting Shares & Takeovers) Regulations, 2017, would need to be complied with.

Question 2(b)

- Examinees did not mention that IEL must appoint a consultant to the issue as manager to the offer before making a public announcement of intention for the acquisition of shares.

- Examinees did not discuss that IEL would be required to obtain pre-merger approval from the Competition Commission of Pakistan if the prescribed thresholds are met.

Question 3

- Examinees were not able to identify that CGL qualifies as an associated company of AEL because CGL holds 13.89% of the paid-up share capital of AEL and has representation on the board of AEL through its executive director.

- Examinees did not mention that the proposed acquisition constitutes an investment in an associated company; therefore, CGL would be required to obtain approval of its shareholders through a special resolution and issue a notice containing the prescribed information and disclosures for holding an EOGM at a shorter notice.

- Examinees did not discuss that since CGL has representation on the board of AEL through its executive director, CGL must ensure proper management of conflict of interest and confidentiality matters besides ensuring compliance with the applicable provisions of the Securities Act, 2015 relating to insider trading and unpublished price-sensitive information.

Question 4(a)

Examinees did not mention that, in case ODL is suspicious of the possibility of money laundering and believes that performing the due diligence might tip off CEL, then ODL shall not perform the due diligence procedures and proceed to file a Suspicious Transaction Report (STR) with the Financial Monitoring Unit (FMU).

Question 4(b)

Examinees failed to identify Zaheer as a Politically Exposed Person (PEP) or high-risk customer and, consequently, failed to mention that CCM, being a reporting entity and a regulated person under the applicable corporate laws, should apply Enhanced Due Diligence (EDD) procedures.

Question 5

Examinees did not mention the following points:

- Since NPM is a partnership firm and not a natural person, NPM itself cannot be the author of the trust because the author of a trust must be a natural person competent to contract.

- Ahmer must, either by words or conduct, indicate with reasonable certainty his intention to create a trust, the lawful purpose of the trust, the beneficiaries, and the trust property. In the present case, the trust deed should clearly state that the proposed trust property is the rental income.

Question 6

Examinees did not discuss the following key points:

- ISL would issue 6.5 million Class 'B' ordinary shares to ZBL as a result of which the total voting shares would increase from 33 million to 39.5 million, thereby diluting the voting power of existing shareholders.

- ISL would be required to comply with the applicable provisions relating to the further issue of shares otherwise than by way of a rights offer.

- ISL must verify whether its current authorized share capital is sufficient to accommodate the proposed allotment of shares to ZBL and, if it is not sufficient, the agenda for the upcoming general meeting must also include a resolution to increase the authorized share capital of ISL.

- ISL should ensure that the proposed Class 'B' ordinary shares rank pari passu in all respects with the existing Class 'B' ordinary shares and, as the shares are being issued against an outstanding loan, ZBL's consent would also be required for the conversion of the loan into shares.

- The proposed allocation of 3 million Class 'A' ordinary shares, with reference to the Employee Stock Option Scheme (ESOS) representing 15% of the existing Class 'A' ordinary share capital, may materially dilute the rights of existing Class 'A' shareholders; therefore, the explanatory statement to be attached with the notice of meeting should clearly disclose these facts.

- The options granted under the ESOS are generally non-transferable except in circumstances permitted under the applicable regulations and therefore, the proposed restriction on transferability is consistent with the regulatory framework.

Question 7

Examinees failed to mention that the proposal to undertake pension fund management by the new subsidiary is not valid, as it is intended to carry out non-life insurance business, whereas pension fund business, being a life insurance business, cannot be carried out by a non-life insurer.

Question 8(a)

- Examinees did not correctly calculate SFL's total liabilities to determine the amount of additional financing that may be raised by it.

- Examinees were not able to determine that as SFL has a long-term credit rating of AAA, its contingent liabilities must not exceed two times its equity.

Question 8(b)

- Examinees failed to mention that the limits of SFL's total outstanding exposure, including fund-based and non-fund-based exposure towards HSL and HHL group, must not exceed 20% and 25% of its equity respectively.

- Examinees did not discuss that SFL must ensure that approval of lease finance is as per its approved credit and risk management policies, delegated authority framework, applicable internal control procedures, and that SFL should also obtain appropriate security along with required documentation before disbursement of finance.

(THE END)