Certified Finance and Accounting Professional Stage Examination

Corporate Laws and Governance

7 September 2026
100 marks

ICAP

CRN: | | | | | | |

Name: ____________________

INSTRUCTIONS

Please carefully read the following instructions:

1. You are required to access your answer working area by using your Student ID and Password as mentioned on your Admit Card.
2. The overall duration of the exam is 3 hours and 30 minutes, which includes the 15-minute reading time and an extra 15 minutes of time that has been allocated due to the introduction of computer-based examinations.
3. All **eight** questions are compulsory. There is no specific time allocated for individual questions.
4. An auto-save function runs every minute. Further, your answers are saved automatically when you navigate between questions or click on the > **(NEXT)** or < **(BACK)** symbols.
5. Each question provides a designated answer area with a Rich Text Format (RTF) editor for writing your answers. You must answer each question within its respective RTF editor only. **Answers written in another RTF editor instead of the designated RTF editor for the question or more than one question answered in a single RTF editor shall not be considered for marking.**
6. Below the RTF editor, a spreadsheet is provided to facilitate examinees in doing rough calculations or other workings. **However, please note that any work performed in the spreadsheet will not be considered for marking. To ensure your work is considered, you must copy and paste it from the spreadsheet to the RTF editor.**
7. You may use MS Excel for rough working. However, please remember that any work performed in this application cannot be copied into the examination software, and vice versa. Furthermore, any such work will not be uploaded with your exam for marking.
8. You may use pen and paper for rough work, but please note that pen and paper work should only be done on the last two pages of the question paper that are specifically allocated for this purpose. Remember that any rough work done on these pages will not be uploaded with your exam for marking.
9. In accordance with the open book policy of this paper, you are allowed to use only digital copies of the permissible books. Keeping a hard copy of any book or notes is not permissible and will be considered a violation under the policy on the use of unfair means.
10. An external calculator can be used, provided it is included in the list of permissible calculators issued by ICAP.
11. During the exam, access to any website other than exam software website and the digital copies of permissible books is strictly prohibited. Engaging in such activities will be considered a violation under the policy on the use of unfair means.

QUESTION 1

Sulfuric Engineering Works Limited (SEWL), a listed company, is engaged in the local assembly of internationally branded commercial vehicles.

SEWL recently submitted a quotation to Formic Global Logistics (FGL), an overseas logistics company, to supply 50 trucks per month for three years commencing January 2027. The trucks would be assembled in Pakistan, customized with traditional Pakistani truck art and exported to Taiwan. Several other companies have submitted competing quotations, and securing the contract is expected to have a significant impact on the successful bidder's revenue and market position.

At SEWL's most recent board meeting, the following matters were discussed, with the Chairman's permission, under the agenda item 'Any Other Business':

(i) The CEO informed the board that he had just received written confirmation from FGL that SEWL had been awarded the contract, together with a purchase order. He further informed that FGL had requested SEWL to keep the contract award confidential until a formal announcement at a ceremony.

(ii) The CEO discussed the urgent need to import additional production machines, estimated to cost Rs. 450 million, to expand SEWL's existing production capacity to meet FGL's requirements. He informed the board that quotations had been obtained from three suppliers and recommended that the machines be procured from Nitric Equipment Limited (NEL). Although NEL's quoted price was higher than those of the other suppliers, the CEO considered NEL to be the preferred supplier due to its shorter delivery period and superior after-sales support. Mansoor, an independent director, who had recently been appointed an executive director of NEL, supported the recommendation, stating that he was well aware of the quality of the machines supplied by NEL.

(iii) The CFO stated that the proposed purchase of machines could be financed through a foreign currency loan from Citric Bank Limited (CBL), a bank incorporated and operating in Taiwan, without obtaining prior case-specific approval of the SBP. Shahzad, an independent director, suggested that SEWL should instead consider obtaining foreign currency financing from CBL against the purchase order received from FGL for the export of trucks.

Required:

(a) Under the applicable corporate laws, advise the board on the legal and governance matters arising from the FGL contract award and the proposed procurement of machines from NEL, having regard to the duties and responsibilities of SEWL's board and its directors. **(10 marks)**

(b) Under the Foreign Exchange Manual, distinguish between the two proposed financing options by explaining the key differences in their regulatory requirements and applicable terms and conditions, and recommend the most appropriate financing option for SEWL. **(08 marks)**

QUESTION 2

Acetic Engineering Limited (AEL), an unlisted company, operates two business divisions: cement and construction materials. Its share capital comprises Class A and Class B shares.

The board recently approved a proposal to divide AEL into two independent companies, namely Lactic Cement Limited (LCL) and Chloric Materials Limited (CML). Under the proposed scheme, the assets and liabilities attributable to the cement division would be transferred to LCL, while those attributable to the construction materials division would be transferred to CML. AEL's existing shares would be cancelled, with LCL issuing shares to the Class A shareholders and CML issuing shares to the Class B shareholders.

AEL has applied to the Commission for sanction of the proposed scheme. In response, the Commission has ordered all necessary meetings to be called in September 2026 to obtain the required approvals of AEL's members and creditors.

AEL has a 31 December financial year-end.

Required:

Under the Companies Act, 2017, advise AEL on the statutory requirements to be complied with in respect of the meetings ordered by the Commission. **(07 marks)**

QUESTION 3

Sorbic Infrastructure Limited (SIL), an unlisted company, with paid-up capital comprising 80 million shares of Rs. 10 each, is engaged in large-scale infrastructure and construction projects across Pakistan. Recently, SIL has secured multiple time-sensitive government contracts requiring immediate mobilization of materials and logistics support.

SIL has in place a long-term procurement arrangement with Arsenic Materials (Private) Limited (AMPL), its principal supplier of raw materials. AMPL has paid-up capital of Rs. 400 million comprising 40 million shares of Rs. 10 each. Farah, spouse of SIL's current CEO, holds 9 million shares in AMPL.

Wajahat, the COO of SIL, oversees procurement and operational matters relating to the timely execution of projects. He recently met with Zain, the CFO of AMPL, and repeatedly emphasized the importance of uninterrupted supplies for the timely completion of SIL's newly undertaken projects. Zain explained that AMPL would require additional working capital to meet SIL's increased material requirements and requested SIL to issue a corporate guarantee in favor of AMPL's banker, Phosphoric Bank Limited, in respect of the additional financing facilities to be obtained by AMPL.

Wajahat understands that the proposed guarantee would expose SIL to financial risk; however, he believes that its immediate issuance is necessary to avoid disruption to SIL's operations. Accordingly, he sent a memorandum to the CEO suggesting that the board approve the guarantee for immediate execution.

Required:
Under the applicable corporate laws, evaluate the validity of Wajahat's suggestion in respect of the proposed guarantee. Also advise the CEO of the requirements that SIL must comply with before issuing the guarantee. **(13 marks)**
(Ignore the provisions of the Companies (Postal Ballot) Regulations, 2018)

QUESTION 4

Folic Technologies Limited (FTL), an unlisted company incorporated on 1 January 2023, develops software solutions for its customers. Its audited financial statements for each year since incorporation reported annual revenue ranging from Rs. 450 million to Rs. 500 million. As at 31 December 2025, the shareholders' equity of FTL was Rs. 285 million. FTL has a long-term credit rating of B assigned by PACRA.

FTL requires foreign currency financing for its business expansion. Malonic Digital Ventures (MDV), a company incorporated in Taiwan, has offered to provide financing of USD 5 million under any of the following options:

Description	Option 1	Option 2	Option 3
Disbursement date	1 Oct 2026	1 Oct 2026	1 Oct 2026
Maturity date	30 Sep 2029	30 Sep 2031	31 Mar 2032
Mark-up rate (per annum)	8.3%	9.1%	10.7%
Annual insurance premium	0.2%	0.4%	0.1%
Other loan related fees per annum	0.2%	0.3%	0.1%
Conversion of outstanding principal and accrued mark-up into FTL's equity shares	Allowed on or before maturity	Allowed on or before maturity	Not allowed

Note: The relevant benchmark rate applicable to the proposed financing is 6.2% per annum.

Required:
Under the Foreign Exchange Manual, assess each of the above financing options and identify any modification required for FTL to raise the financing. Assume that MDV qualifies as an eligible lender.
(10 marks)

QUESTION 5

(a) Tartaric Industries Limited (TIL), a listed company, has paid-up share capital of Rs. 500 million, divided into 50 million shares of Rs. 10 each. The Federal Government (FG) had held 16 million shares in TIL since its incorporation in 2016. In August 2026, the FG acquired an additional 20 million shares in TIL.

A board meeting was held on 7 September 2026, which was attended by all nine directors, including Shoaib, director nominated by the FG. At the meeting, the board considered and discussed the following:

(i) A business plan was presented that contained only the projected financial figures for the next financial year ending 30 September 2027. The plan was rejected and the board directed that it be revised to include the other required information.

(ii) The CFO presented the budget for the year ending 30 September 2027. Five directors, including Shoaib, voted in favor of its approval.

(iii) A proposal was presented to acquire a small plot of land valued at Rs. 0.9 million. It was argued that given the immaterial value of the land, board approval was not required.

(iv) It was reported that the existing fleet of vehicles required extensive repairs. The CFO presented a proposal to sell the vehicles, having an aggregate book value of Rs. 30 million. Eight directors voted in favor of the proposal, while Shoaib voted against it, stating that the vehicles remained serviceable and that repairing them would be more economical than replacing them.

(v) It was proposed that the board meet every month; however, two directors suggested that one meeting every three months would be sufficient.

Required:
Under the applicable corporate laws, evaluate each of the above matters and advise whether the actions taken or proposed are valid. Also discuss what further action is required, where applicable.

(12 marks)

(Ignore the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013)

(b) TIL's board in its meeting held on 7 September 2026 fixed the number of directors to be elected at the next election as eight. Information relating to the candidates interested in serving on TIL's board for the next term is as follows:

(i) Ali, a senior corporate lawyer, who has no prior association with TIL or any of its subsidiaries.
(ii) Bilal, a retired engineer, who has been TIL's independent director since September 2023.
(iii) Danish, the former CFO of TIL, who resigned from that position in August 2025.
(iv) Ghaffar, a member of the National Assembly.
(v) Kamran, CFO of Tartaric Energy Limited, which is a subsidiary of TIL.
(vi) Mohsin, CEO of TIL, who has served as a director for the past three years.
(vii) Nasir, finance director of TIL, who has served as an executive director for the last ten years.
(viii) Zain, operations director of TIL, who has served on the board since June 2026, when he was appointed to fill a casual vacancy.

The following plan of action is under consideration by TIL:

- The names of Ali, Bilal, Danish, Ghaffar and Kamran appear in the databank of independent directors maintained by an authorized institute. TIL therefore considers all five eligible to serve as independent directors.
- Following the election, Mohsin would be reappointed as the CEO, while Nasir and Zain would continue to be full-time employees of TIL.

Shoaib, director nominated by the FG, shall continue to serve on TIL's board.

Required:
Under the applicable corporate laws, evaluate TIL's plan of action for determining the proposed composition of its board, assuming that the candidates are elected unopposed. **(10 marks)**

(Ignore the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013)

QUESTION 6

Carbonic Investments (Private) Limited (CIPL) holds 9 million shares of Acetic Industries Limited (AIL), a listed company having share capital of 50 million shares of Rs. 10 each. CIPL intends to acquire another 10 million shares of AIL from an existing shareholder and plans to make a public offer to acquire a further 16 million shares. CIPL has approached Oxalic Securities Limited (OSL) to act as the manager to the offer.

During the initial discussions, CIPL informed OSL that the offer would be conditional upon a minimum level of acceptance of 12 million shares and that CIPL would pay the consideration in the form of securities held in its investment portfolio. CIPL provided the following details of the securities that it plans to offer as consideration:

(i) Shares of Boric Energy Limited, which has been listed on the PSX since 10 January 2025. The shares are presently traded at the normal counter of the PSX and have been frequently traded.
(ii) Shares of Glycolic Power Limited, which has been listed on the PSX since 12 February 2020. The shares are presently traded at the normal counter of the PSX and have not been frequently traded.
(iii) Shares of Vanillic Healthcare (Private) Limited, having a book value of Rs. 180 per share and regarded as a valuable investment in the healthcare sector.

Required:
(a) Under the applicable corporate laws, discuss the deficiencies in CIPL's proposed plan. **(05 marks)**

Assume that CIPL proceeded with the public offer after rectifying the deficiencies identified in part (a).

Following the closure of the public offer on 6 September 2026, Zara, a shareholder of AIL, alleged that OSL had failed to discharge its obligations as manager to the offer in respect of the following matters:

(i) Zara tendered her AIL shares under the public offer on 5 September 2026 but was not paid any consideration for those shares.
(ii) The public announcement contained several instances of incorrect and unverified information.
(iii) An overdue amount of Rs. 2,000 in respect of a director of CIPL, appearing in the report obtained from credit information bureau, was not disclosed to the shareholders of AIL.
(iv) The shareholders of AIL were not informed that the CEO of CIPL was also a director of Malic Power Limited, a listed company that had remained on the defaulters' counter of the PSX since June 2026.

OSL informed Zara that its role was limited to acting as a manager to the offer and, therefore, it could not be held responsible for any of the above matters, advising her to approach CIPL with her concerns.

Required:
(b) Under the applicable corporate laws, discuss the validity of the allegations made against OSL. **(05 marks)**

QUESTION 7

Benzoic Leasing Limited (BLL) is an unlisted NBFC licensed to carry out leasing business. PACRA has assigned a long-term credit rating of A+ to BLL. According to BLL's audited financial statements, its equity as at 30 June 2026 was Rs. 200 million.

The following matters relate to BLL:

(i) On 17 July 2026, the CEO of BLL resigned before the expiry of his term. To avoid disruption in operations, the board immediately appointed one of its directors as the new CEO. BLL informed the Commission of the resignation and consequent appointment on 31 August 2026.
(ii) On 31 July 2026, BLL entered into a sale-and-leaseback transaction amounting to Rs. 45 million with Algenic Trading Limited (ATL). Subsequently, in August 2026, BLL extended a finance lease facility of Rs. 10 million to Algenic Services Limited (ASL), a subsidiary of ATL. Both ATL and ASL are of good repute and have a low credit-risk profile.
(iii) On 5 August 2026, BLL made an unsecured placement of Rs. 25 million with Tannic Investment Bank Limited, which was rated A- by PACRA.

Required:
Under the Non-Banking Finance Companies and Notified Entities Regulations, 2008, evaluate the above matters to identify and explain the non-compliance(s), if any, with the applicable regulatory requirements. **(06 marks)**

QUESTION 8

Ethanoic Investments Limited (EIL) is a listed NBFC licensed to undertake asset management services. EIL has paid-up share capital of Rs. 500 million and has an established governance framework, compliance function and distribution network.

Valeric Investments Limited (VIL) is an unlisted NBFC licensed to undertake private equity and venture capital fund management services. VIL has paid-up share capital of Rs. 100 million, comprising 10 million shares of Rs. 10 each. It has a significant investor base, including many high-net-worth individuals and global companies with multi-layered ownership structures.

EIL has recently approached VIL with a proposal for VIL to merge with and into EIL. Under the proposed scheme, VIL's assets and liabilities would be transferred to EIL, and the scheme would provide for shares of EIL to be issued to VIL's shareholders on the basis of an agreed share-swap ratio. Upon completion of the merger, VIL would cease to function as a separate entity.

Following the merger, EIL plans to retain VIL's sales and marketing team and use its existing distribution network to raise commitments for private equity and venture capital funds.

During initial discussions, VIL indicated that a significant proportion of its shareholders are expected to support the proposal. However, shareholders holding an aggregate of 2 million shares have indicated that they may oppose the proposed merger.

Required:
With reference to the corporate laws applicable to NBFCs, discuss the procedure for implementing the proposed merger and the relevant regulatory matters arising therefrom. **(14 marks)**
(Ignore the provisions of the Competition Act, 2010)

(THE END)

Rough Sheet

Rough Sheet