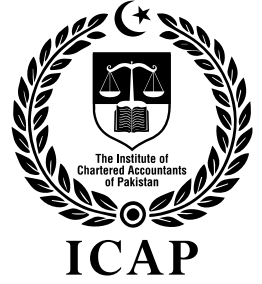


# Certified Finance and Accounting Professional Stage Examination

## Corporate Laws and Governance

9 June 2026  
100 marks



CRN:

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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 questions 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**

Copper Solar Limited (CSL), a listed company engaged in the manufacturing and sale of solar panel and allied products, has an issued and paid-up capital comprising 500 million ordinary shares of Rs. 10 each. Over the past few years, CSL has incurred losses from its core operations and is facing severe cash flow constraints.

At a board meeting held on 21 March 2026, while reviewing the CSL's financial position, Farhan, a non-executive director, raised concerns that the primary cause of the losses was a similar business being carried on by Salman, an executive director and a major sponsor of CSL through a partnership firm, thereby competing with CSL and adversely affecting its financial performance. As the discussion intensified, the meeting was adjourned to be reconvened on the following day. After the meeting, Salman requested the Chairman to initiate the removal of Farhan from the board on the grounds that his conduct was disrupting the efficient functioning of the board meetings.

**Required:**

- (a) Under the applicable corporate laws, advise on the board's responsibilities in relation to Farhan's allegation, and the legal procedure to be followed if Salman's request for removal of Farhan from the board is considered. **(06 marks)**

At the adjourned meeting, the CEO, in response to Farhan's allegation, clarified that Salman's business is not competing with CSL, as it has been exclusively engaged in the export of all its products to Bangladesh. The CEO further explained that CSL's losses and cash flow constraints, which had created difficulties in the repayment of liabilities, were primarily attributable to its financial obligations arising from high interest costs. He presented the following breakup of liabilities to the board:

Non-current liabilities – secured	Rs. 500 million
Current liabilities – unsecured	Rs. 250 million

The CEO informed the board that CSL may not survive the ongoing cash flow crisis unless significant financial restructuring measures are undertaken. He proposed that CSL should consider to:

- (i) negotiate a minimum haircut of 30% from holders of secured liabilities, with the remaining amount to be rescheduled over a period of five years, and issue CSL's shares equivalent to 50% of the haircut amount;
- (ii) achieve haircut of 50% from holders of unsecured liabilities by offering a floating charge over the moveable assets of the company; and
- (iii) raise an equity injection of Rs. 500 million through a rights issue.

The board, in principle, agreed with the CEO's proposal but advised him to obtain feedback from the holders of both secured and unsecured liabilities before making a final decision.

At the board meeting held on 5 June 2026, the CEO reported that, based on informal discussions, 8 out of 12 secured liability holders representing claims of Rs. 320 million, and 3 out of 8 unsecured liability holders representing claims of Rs. 194 million, were likely to agree to the proposal.

One of the non-executive directors recommended that, in view of the company's deteriorating financial position and the favourable response received from many liability holders, the board should approve the CEO's proposal and seek members' approval in an EOGM to be held at the end of June 2026.

**Required:**

- (b) Under the applicable corporate laws, critically evaluate the recommendation of the non-executive director. Also, discuss the procedures to be carried out to implement the proposal in case the liability holders agree as indicated by the CEO. **(10 marks)**  
*(Ignore provisions relating to notices of meetings and issue of further shares)*

**QUESTION 2**

Consider the following independent cases relating to transactions in shares of listed companies held in book-entry form:

**Nitrogen Technology Limited (NTL)**

NTL is a listed company with a paid-up share capital comprising 120 million ordinary shares. Since its listing in September 2022, NTL's net profitability has shown a declining trend. Despite this, the sponsor shareholding has remained unchanged since listing.

Ismail holds 34 million shares in NTL, while Habib, a Canadian national and an existing shareholder, holds 2 million shares in NTL on a repatriable basis. Ismail has agreed to sell his entire shareholding to Habib at a negotiated price representing a 5% discount to the prevailing market price, reflecting the company's deteriorating financial performance. Habib has proposed that, upon execution of the agreement, the consideration be paid through a Pakistani Rupee denominated bank account maintained by his resident family member in Pakistan in order to avoid any delay in payment processing.

**Zinc Electronics Limited (ZEL)**

ZEL is a listed company engaged in the manufacturing of smartphones and has a paid-up share capital comprising 450 million ordinary shares.

Noman, a major sponsor of ZEL, holds an aggregate of 330 million shares in ZEL. He has decided to restructure his investment portfolio in order to redeploy capital into other business ventures. Accordingly, he intends to divest his entire shareholding in ZEL and has initiated discussions to enter into a share purchase agreement with Iron Electronics Limited (IEL), a company engaged in the assembling of smartphones.

**Required:**

Under the applicable corporate laws:

- (a) identify and discuss, for each of the above independent cases, the key regulatory issues and implications arising from the proposed transactions. **(08 marks)**
- (b) advise Habib and IEL on the mandatory compliance requirements that may be triggered prior to the execution of their respective transaction. **(09 marks)**

**QUESTION 3**

Aluminum Engineering Limited (AEL), a listed company, is engaged in large-scale infrastructure projects. Its paid-up capital consists of 180 million ordinary shares of Rs. 10 each. Historically, AEL has remained under control of its sponsor group.

Magnesium Capital Limited (MCL), an investment company, gradually purchased 13 million shares of AEL through market purchases at prices ranging between Rs. 55 and Rs. 60 per share. Subsequently, on 11 April 2026, MCL entered into an agreement with certain members of the sponsor group to acquire an additional 23% shares in AEL at Rs. 68 per share. Following this agreement, MCL made a public announcement of intention to acquire further 65 million shares of AEL.

Copper Gears Limited (CGL), an unlisted company, which had acquired 25 million shares of AEL in December 2023, considers AEL strategically important for its long-term business objectives and has accordingly nominated Farman, one of its executive directors, to the board of AEL. Upon learning of MCL's public announcement of intention, which was perceived to be contrary to CGL's strategic interests, CGL immediately convened a board meeting. At the meeting, it was resolved that CGL would also make a public announcement to acquire further shares of AEL and would offer a price higher than that proposed by MCL.

On 8 June 2026, MCL made a public announcement of the offer to acquire a further 65 million shares of AEL at Rs. 68 per share.

**Required:**

Under the applicable corporate laws, critically evaluate whether CGL can legally make a public offer to acquire further shares of AEL at a price higher than that offered by MCL. Also, advise the prerequisites that must be fulfilled by CGL before making a public announcement. **(12 marks)**

*(Ignore the provisions of the Companies (Postal Ballot) Regulations, 2018, the Companies Regulations, 2024 and the Competition Act, 2010)*

**QUESTION 4**

- (a) Copper Equipment (Private) Limited (CEL) is engaged in the import and sale of industrial machinery in the local market.

Oxygen Deals (Private) Limited (ODL), a company providing outsourced accounting and company secretarial services to various clients, performs all accounting, finance and legal compliance functions for CEL.

CEL intends to import specialized machinery required by one of its customers. The import manager obtained quotations from several internationally renowned vendors and submitted a comparative statement of quotations to Asim, one of CEL's directors. Despite the availability of substantially lower quotations from established vendors, Asim instructed the import manager to procure the machinery from Falcon Industrial FZE (FIF), a recently incorporated entity.

Subsequently, Asim provided ODL with a commercial invoice containing the instruction to remit the amount to a bank account maintained in a third-country jurisdiction unrelated to FIF's place of incorporation. He further directed ODL to arrange an immediate advance payment in favour of FIF.

**Required:**

Under the applicable corporate laws, examine Asim's instructions and discuss ODL's compliance obligations arising therefrom. **(10 marks)**

*(Ignore provisions of the Companies Act, 2017 and the Foreign Exchange Manual of SBP)*

- (b) Zaheer recently retired from a senior management position at Titanium Electricity Supply Corporation, a company owned by the Federal Government. During his tenure, he exercised significant decision-making authority in procurement and infrastructure-related matters.

Zaheer intends to invest his personal savings in shares of various profitable companies and approached Chlorine Capital Market (CCM), a brokerage house, to open an account for trading in listed securities. Accordingly, he submitted an account opening application to CCM and disclosed that his initial investment amount would be approximately Rs. 30 million.

**Required:**

Under the applicable corporate laws, discuss the course of action to be adopted by CCM while processing Zaheer's account opening application. **(07 marks)**

**QUESTION 5**

Ahmer, a prominent businessman, has investments in various companies and other ventures, including Nickel Property Management (NPM), a partnership firm wholly owned by him and his spouse. NPM owns a commercial building in Islamabad that generates monthly rental income of Rs. 2 million.

Ahmer intends to establish an educational trust for deserving students who lack financial resources to continue their studies. For the purpose of establishing the trust through the partnership, he proposes the operations manager of NPM to draft a trust deed with the following terms:

- (i) The trust shall be registered with the Registrar.
- (ii) Fareed and Murad shall be appointed as trustees.
- (iii) The entire rental income from the building shall be paid to the trust, half of which will be retained by the trust for financial assistance to deserving students.
- (iv) The remaining balance of rental income shall be paid to Mercury Foundation, a non-profit organization, for constructing a building for charitable purposes.
- (v) Beneficiaries receiving financial assistance shall not be required to repay the amount unless they voluntarily choose to do so.

**Required:**

Discuss whether the proposed arrangement complies with the provisions of the Islamabad Capital Territory Trust Act, 2020. **(06 marks)**

**QUESTION 6**

Iodine Salt Limited (ISL), a company listed on the PSX, has ordinary share capital comprising 20 million Class 'A' shares of Rs. 10 each and 8 million Class 'B' shares of Rs. 100 each. Each Class 'A' and Class 'B' share carries one voting right, and both classes are entitled to dividend in the ordinary course.

ISL has also issued 14% cumulative non-redeemable preference share capital amounting to Rs. 100 million to Tin Associates, divided into 5 million non-convertible preference shares of Rs. 20 each. Each preference share carries one voting right entitling the holder to attend and vote in general meetings.

In July 2023, ISL obtained a long-term loan of Rs. 650 million from Zinc Bank Limited (ZBL) to finance its operations at a relatively higher fixed interest rate. The loan has now become due for repayment; however, ISL is unable to arrange sufficient funds for repayment.

Over the past three years, ISL has incurred net losses mainly due to excessive financial costs. Consequently, its operational performance and going concern position have come under significant pressure. Moreover, due to severe financial constraints, one of its processing units has completely shut down, resulting in substantial employee turnover, particularly among senior management personnel.

In order to strengthen ISL's financial position and address employee retention concerns, the board is considering the following proposals:

- (i) To convert the long-term loan obtained from ZBL into Class 'B' ordinary shares at face value, subject to all applicable approvals.
- (ii) To convert the existing cumulative non-redeemable preference shares into non-cumulative redeemable preference shares redeemable after ten years from the date of the decision. The board is also considering that although the accumulated preferential dividend may cease to accrue after such conversion, the unpaid dividend may be paid after five years with timely payment of each year's dividend for future.
- (iii) To introduce an Employee Stock Option Scheme with effect from 1 July 2026 by allocating three million Class 'A' ordinary shares to senior management employees. The CEO of ISL would serve as Chairman of the Compensation Committee. The options would vest within six months; however, transferability of the vested options would be completely restricted.

**Required:**

Under the applicable corporate laws, analyze each of the above proposals independently. **(15 marks)**

**QUESTION 7**

Antimony Financial Services Limited (AFSL), a listed company engaged in financial services and leasing operations, is considering expansion into the insurance sector. During a recent meeting of the board of directors, a proposal was discussed to establish a wholly owned subsidiary for undertaking both motor vehicle and 'accident and health' insurance business under the applicable insurance laws. In this regard, the following points were discussed:

- (i) The proposed company may initially be incorporated as a private limited company for administrative convenience and later converted into a public limited company before inviting general public.
- (ii) In order to capitalize on existing market relationships, it was proposed that the company begin issuing preliminary insurance cover notes to selected corporate customers immediately after incorporation, while the application for registration and licensing remains under consideration with SECP.
- (iii) The new subsidiary should also undertake pension fund management so that the company may eventually evolve into an integrated financial services platform.
- (iv) The sponsors are willing to inject an initial paid-up capital of Rs. 600 million, whereas the balance amount required under the regulatory framework may be injected in phases over the next two years after business operations stabilize.
- (v) In order to improve initial profitability indicators, it was also proposed that the required paid-up share capital should initially be restricted to Rs. 50 million and enhanced gradually at a later stage.

**Required:**

Under the provisions of the Insurance Ordinance, 2000, evaluate each of the above discussion points and advise AFSL's board regarding the correct legal position. **(06 marks)**

**QUESTION 8**

Silver Finance Limited (SFL) is a listed non-deposit-taking investment finance services company. SFL has been assigned a long-term credit rating of AAA by PACRA.

An extract from SFL's draft statement of financial position as at 31 May 2026 is as follows:

	<b>Rs. in million</b>
Issued, subscribed and paid-up capital	1,000
Share premium account	700
Revenue reserves	849
Other reserves	1,071
Surplus on revaluation of assets	994
Long-term finances	9,969
Other long-term liabilities	2,093
Deferred tax liabilities	844
Accrued and other liabilities	1,296
Short-term borrowings	9,879
Current maturity of non-current liabilities	7,520
Tax payable	694

The following exposures have not been recognized in the statement of financial position but have been disclosed in SFL's draft financial statements for the year ended 31 May 2026:

	<b>Rs. in million</b>
Guarantees issued	300
Commitments against financing facilities	750
Undisbursed commitment for term finance	450
Claims not acknowledged as debts	5,700

SFL is currently negotiating a major lease financing arrangement with Hydrogen Steel Limited (HSL), a new corporate customer and a subsidiary of Helium Holdings Limited (HHL). The proposed transaction is expected to be the largest undertaken by SFL, although only marginal profitability is anticipated from this arrangement. However, SFL considers it strategically important for expanding its existing business relationship with HHL and its affiliated entities, particularly in view of HHL's significant market presence.

The transaction involves the import of machinery, and HSL has requested SFL to issue a guarantee in favour of the Customs Authority to facilitate the import. To execute this transaction, SFL plans to obtain additional long-term financing from a consortium of banks.

**Required:**

Under applicable corporate laws:

- (a) calculate SFL's additional borrowing capacity and determine the additional guarantees that SFL may issue within prescribed regulatory limits. **(06 marks)**
- (b) advise on the key regulatory requirements that SFL must comply with prior to disbursement of the lease financing to HSL. **(05 marks)**

*(Ignore provisions of the Anti-Money Laundering Act, 2010 and SECP (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2020)*

**(THE END)**



