

CAF 7 – COMPANY LAW

# Company Law Made Easy

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- - 8th Edition - -

*Including ICAP Past Papers and Solutions – Topic Wise  
(Autumn 2009 – Autumn 2021)*

***200+ Questions and Solutions & 500+ MCQs***

**Atif Abidi**

**ACA. M.Phil (cont.)**

## PREFACE

The Examinations of ICAP are a demanding test of student's ability to master the wide range of knowledge and skills required of the modern professionals. Subject of "Company Law (CAF-07)" is one of the efforts made by ICAP in this context for enhancing student's knowledge about detailed overview of the auditing standards.

The best and recommended source for this subject is the **official study text of the ICAP**. After the issuance of the said study text, it has been witnessed that ICAP is thoroughly following the text book in preparation of the exam and testing the competence of the students. Although the text book by ICAP covers all aspect of the syllabus in elaborative form; at times students are facing some issues in retaining the concepts given in any chapter, as the book is in the form of text blocks rather than bullets and key points.

For this purpose, there emerged a dire need to have some smart notes on the subject that covers the syllabus in the smartest way, emphasizing on the key points of law rather than explaining the concepts given therein. After some hectic efforts, we have been alhumdoLILLAH able to compile a (very first of its kind) book that shall be serving all the desired purposes i.e.

- Completeness of the Syllabus and the official text book by ICAP
- Smartness and easiness of the notes book
- Availability of ICAP level exam questions for thorough practice

Now these notes contain all the topics of syllabus presented in bullets form making it easy to remember the key points (just like ICAP examiner wants). And these notes are arranged almost in same sequence as followed by "ICAP Text book" so that students may easily shift on the book for their revision without having fear of doing something new.

Students may also find this book useful while **final revision** of the subject, enabling them to revise in the minimum possible time.

***This book is not a substitute of ICAP Official Book !!!  
(Rather it is to be used in conjunction with ICAP Official Book)***

Although reasonable efforts have been put to make the book free from majority of the errors, nevertheless absolute assurance is never possible due to inherent limitations in the process of compilations, interpretation and presentations of the book in easily understandable language. So if you find anything missing or some spell, typo or other logical mistakes in these notes please mail us about such errors by referring to the chapter and page number at our mail id [syedatifabidi@gmail.com](mailto:syedatifabidi@gmail.com) or "[jz@canotes.net](http://jz@canotes.net)"

*Primarily this book is designed, considering the needs and the syllabus of **CAF-07** paper of **ICAP**; however the comprehensiveness of this book makes it also relevant for equivalent papers of other qualifications such as **ACMA**, **CCS**, **CPA(Pak)**, **PIPFA** and **MBA** with a little or no divergence of the contents.*

I am especially thankful to Usman Chaudhry and Ali Zar who supported me in the compilation, formatting, finalising and the making of 500+ MCQs.

Hope this book would inshaALLAH be serving you with its easy language, key point style, systematic pattern and an extensive question bank of approximately **200+ questions** from ICAP Past Papers (Chapter wise) along with ICAP recommended solutions as well as **500+ MCQs**.

May ALLAH bless all of you with success in every exam of both lives.

Please also remember us in your prayers

Talib e Dua !!!

Atif Abidi (ACA)

Osama Waheed

0300-0067262

[www.canotes.net](http://www.canotes.net)

[www.camadeeasy.org](http://www.camadeeasy.org)

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## Syllabus Outline of Company Law – CAF 07

Syllabus Grid	Weightage
<b>Grid A - Incorporation and Issuance of Shares</b>	<b>15-20</b>
Chapter 1 - Company: introduction, types and registration	
Chapter 2 - Memorandum and articles	
Chapter 5 - Share capital	
<b>Grid B – Management and Administration</b>	<b>20-25</b>
Chapter 6 – Prospectus and commencement of business	
Chapter 7 – Mortgages and charges	
Chapter 10 – Investments and disclosure of interest	
<b>Grid C - Meetings &amp; Proceedings, Directors &amp; Chief Executive</b>	<b>20-30</b>
Chapter 3 – Directors	
Chapter 4 – Chief executive and other officers	
Chapter 8 – Meetings and resolutions	
<b>Grid D – Accounts and Dividends</b>	<b>15-20</b>
Chapter 9 - Distribution of profits	
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### **Tutor's Note:**

All the contents of the book (notes portion as well as question bank) have been revised to reflect the impact of change in contents of chapters and syllabus (with effect from Nov 2020)

## Paper Pattern of Company Law – CAF 07

**15 % Objective Types Questions (MCQs).**

**85% Subjective Type Questions (Written)**

Knowledge based (40%); and

Application based (60%) based

having maximum weightage of 08 marks each question

## **CH # 1**

## **INTRODUCTION TO COMPANY & INCORPORATION**

### **FEATURES OF A COMPANY**

#### **Sole trader**

- An individual who owns and runs his or her own business.
- The law does not recognize the business as a separate person
- The person is personally liable for the debts of the business

#### **Partnership**

- Group of individuals who own and run their own business.
- A partnership business is not recognized as a 'person' by the law.
- Partners are personally liable jointly with other partners for debts

#### **Companies**

- Capital of a company is represented by shares
- Ordinary shareholders are its owners.
- Created by a process established by Companies Act 2017
- Company is a legal person, separate from its owners.  
(doctrine of corporate personality)
- Companies are managed by their directors

### **Distinguishing Features of Company**

#### **Separate legal personality**

- Company can enter into contracts with other persons
- A company owns its own assets
- A company is personally liable to pay tax on its income (profits).

#### **Limited liability**

- The liability of the owners of a company for the debts of the company is limited to the amount of their investment in the company.

#### **Transfer of ownership and perpetual succession**

- Any legal person can own shares in a company (even another company can own shares)
- Shareholders can transfer their share in the ownership of the company to someone else,
- It does not affect the legal status or legal existence of company.
- Company continues to exist (unaffected by change in ownership)

## Law and governance of a company

<b>Relevant Law</b>	Companies are created by a process established by Companies Act, 2017
<b>Memorandum of association (MOA)</b>	Constitutional document that focuses on external stakeholders is called memorandum of association
<b>Articles of association (AOA)</b>	Bye-laws which focuses on internal procedures of company

## TYPE OF COMPANIES

### Company

A Company formed and registered under this Act or the company law.

### Company law

The repealed Companies Act, Companies Ordinance, 1984, Companies Ordinance, 2016 and also includes this Act unless the context provides otherwise

### Body corporate “or” Corporation

Body corporate or corporation includes

- a company incorporated under this Act or company law;
- a company incorporated outside Pakistan, or
- a body corporate declared as body corporate in the relevant statute

but does not include

- A co-operative society registered under any law relating to the registration of co-operative societies; or
- Any other entity, not being a company as defined in this Act or any other law for the time being which the concerned Minister of the Federal Government may, by notification, specify in this behalf.

### Foreign company

Means any company or body corporate incorporated outside Pakistan, which:

- has a place of business or liaison office in Pakistan whether by itself or through an agent, physically or through electronic mode; or
- conducts any business activity in Pakistan in any other manner as may be specified.

**Companies limited by shares**

Liability of its members is limited by the memorandum to the extent of amount, if any, remaining unpaid on the shares respectively held by them.

**Companies limited by guarantee**

Liability of owners is limited to the amount member guarantees to contribute in the event that the company goes into liquidation

- The company may or may not have share capital
- If Company has share capital; Liability shall also include amount unpaid on shares (if any)

**Unlimited companies**

This has all advantages of a normal company except that, liability of its members is not limited

**Private company and public company****Public Company**

A company which is not a private company

Listed Company.

Whose securities are listed on stock exchange and are traded on it

Unlisted Company

Whose securities are not listed on stock exchange

**Private Company**Single Member Company

Which consists of a single member who is director of the company.  
[In these companies (SMC-PVT) Limited is added to the name]

Other Private Company

Company can be registered by at least two members and it restricts

- Maximum number of members to 50  
(members jointly holding shares shall be counted as 1 member)
- Right to transfer the shares by its members,
- Invitation of subscriptions from general public for its shares debentures or Redeemable capital.

**Public sector company**

A company, whether public or private, which is directly or indirectly controlled, beneficially owned or not less than **51%** of the voting securities or voting power of which are held by the Government or any agency of the Government or a statutory body, or in respect of which the Government or any agency of the Government or a statutory body, has otherwise power to elect, nominate or appoint majority of its directors and includes a public sector association not for profit, licenced by the SECP:

*Provided that nomination of directors by the Commission on the board of the securities exchange or any other entity or operation of any other law shall not make it a public sector company.*

**Holding Company & Subsidiary Company****Holding Company**

Means a company which is another company's holding company if, but only if, that other company is its subsidiary.

**Subsidiary company**

In relation to any other (holding) company, it means company in which the holding company:

- Holds the Composition of the Board; or
- Exercise or controls more than one-half of its voting securities either by itself or together with one or more of its subsidiary companies

**Notes**

- Subsidiary of a subsidiary company would also be considered subsidiary company of the main holding company
- Composition of board is normally controlled by another company if it can appoint or remove all or a majority of directors (by exercise of power available to it)

**Wholly owned subsidiary**

A company shall be deemed to be a wholly owned subsidiary of another company or the statutory body if all its shares are owned by that other company or the statutory body.

**AUTHORITIES, OFFICIALS, MEMBERS AND RESOLUTIONS****SECP (Securities & Exchange Commission of Pakistan)**

- SECP was operationalized on 1st January 1999.
- SECP replaced Corporate Law Authority
- SECP's head office is at Federal Capital, Islamabad
- SECP has 8 regional offices
  - 1 at Federal Capital
  - 4 at provincial capitals
  - 3 in other major cities i.e. Multan, Faisalabad and Sukkur.
- SECP has been given lot of powers under Companies Act
- SECP regulate the affairs of Companies, Insurance Companies, Banking Companies, Modarbas & Non-Banking Finance Companies
- Law has vested various powers to SECP
- In addition to Companies Act 2017, SECP is also empowered by SECP Act, 1997 to exercise many powers and functions.

**Registrar**

Means a registrar, an additional registrar, an additional joint registrar, a joint registrar, a deputy registrar, an assistant registrar or such other officer as may be designated by SECP, performing duties and functions under this Act.

**Powers and duties**

- Registration of companies
- Receiving various documents under the Act.
- Keeps track of company routine documents
- He keeps the record of mortgages and charges (explained in a further chapter)
- Can call the officers of company for information and explanations
- Empowered to inspect the books and records of the company.
- May seize the books and records, if think necessary

**Officials****Officer**

Includes any director, chief executive, chief financial officer, company secretary or other authorised officer of a company.

**Board**

in relation to a company, means board of directors of the company

**Members**

Subscribers to memorandum of association are deemed to have agreed to become members of the company and become members on its registration and every other person-

- to whom is allotted, or who becomes the holder of any class or kind of shares; or
  - in relation to a company not having a share capital, any person who has agreed to become a member of the company;
- and whose names are entered; in the register of members, are members of the company.

**Types of Resolutions****Ordinary Resolution**

A resolution passed by a simple majority of such members of the company entitled to vote as are present in person or by proxy or exercise the option to vote through postal ballot, as provided in the articles or as may be specified, at a general meeting

**Special resolution**

A resolution

- which has been passed by a majority of not less than 3/4<sup>th</sup> of such members entitled to vote as are present in person or by proxy or through postal ballot at a general meeting
- of which not less than 21 days notice specifying the intention to propose the resolution as a special resolution has been duly given:

*Note: if all the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days notice has been given*

**Voting rights**

The right of a member of a company to vote on any matter in a meeting of the company either present in person or through video-link or by proxy or by means of postal ballot.

*Provided that attending of meeting through video-link shall be subject to such facility arranged by the company and in the manner as may be specified, save as otherwise provided in the Act.*

**TUTOR'S NOTE:**

Ideally the above topics (on this page) should be done with or after Chapter 2, So students are recommended to read the definition of member after Ch 2 and the portion of Ordinary and Special Resolution after the unit of "Name" in Ch 2

## ASSOCIATION NOT FOR PROFIT

SECP shall grant license if following conditions are fulfilled

- Such association may be set up for any of the following purposes
  - Commerce
  - Arts
  - Science
  - Religion
  - Health,
  - Education,
  - Research,
  - Sports
  - Environment Protection
  - Social Welfare
  - Charity
  - Any other useful object
- It shall apply its profits (if any) in promoting its objects
- It shall prohibit the payment of any dividend to its members and
- Its objects and activities are not and shall not, at any time, be against the laws, public order, security, sovereignty and national interests of Pakistan

SECP shall grant license on such conditions and subject to such regulations as it thinks fit.

Association shall enjoy all privileges of a limited company and be subject to all its obligations, except using the ending word(s) "Limited" or "(Guarantee) Limited"

License may be revoked at any time by SCEP

- SECP shall give a notice in writing to Co, of its intention to do so
- SECP shall provide an opportunity to be heard to the association.

On revocation, registrar shall again add the ending words and it shall cease to enjoy exemptions and privileges granted by license.

### Conditions for Revocation of the Licence

- Company/management has failed to comply with any terms or conditions of licence;
- Any of the requirements of this section or any connected regulations are not met;
- Affairs of company are conducted in a manner prejudicial to public interest; or
- Company has made a default in filing with registrar its financial statements or annual returns for immediately preceding 2 consecutive financial years;
- Company has acted against the interest, sovereignty and integrity of Pakistan, the security of the State and friendly relations with foreign States;
- Number of members is reduced, below 3;
- The company is
  - Conceived or brought forth for unlawful or fraudulent activities;
  - Run and managed by persons who fail to maintain proper and true accounts or they commit fraud, misfeasance or malfeasance in relation to the company;
  - Run and managed by persons involved in terrorist financing or money laundering;
  - Managed by persons who refuse to act according to MOA or AOA or provisions of this Act or failed to carry out directions or decisions of SECP or the registrar; or
  - Not carrying on its business or is not in operation for 1 year; or
- It is just and equitable that the licence should be revoked:

### Effect of revocation of Licence

- Company shall stop all its activities except the recovery of money owed to it, if any;
- Company shall not solicit or receive donations from any source; and
- All the net assets of the company shall, in a specified manner, be transferred to another company licensed u/s 42, preferably having similar or identical objects, within 90 days of revocation or any extended period (if allowed by the SECP)
- A reasonable amount to meet expenses of voluntary winding up or making an application to the registrar for striking off the name may be retained by the company.
- After such transfer, the members and officers of the first company or any of their family members shall not be eligible to hold any office in later company for next 5 years.
- After compliance of above requirements, BOD shall file within 15 days, a report to registrar containing such information and documents as may be specified.
- Within 30 days of acceptance of the report by registrar BOD shall
  - Initiate necessary proceedings for voluntary winding up; or
  - Make an application to registrar for striking the name of company off the register (if it has no assets and liabilities)
- If requirements not complied with on a timely basis; SECP may appoint an administrator to manage affairs of company and initiate proceedings for winding up.



*Tutor  
Note*

#### Different levels of penalty suggested by the Companies Act, 2017 (Sec 479)

Level	Limit of penalty	Per day penalty during which the default continues
1	Upto Rs.25,000	Upto Rs.500
2	Upto Rs.500,000	Upto Rs. 1,000
3	Upto Rs.100 million	Upto Rs.500,000

*It is much important to note that this section 479 suggesting the amount and limits of penalties is not in the syllabus and is shared just for understanding purposes. In your syllabus you just have to remember whether the penalty is level 1, 2 or 3 (and not amounts)*

## INCORPORATION (REGISTRATION) OF A COMPANY

### Obligation to register certain associations, partnerships as companies (Sec 9)

No association, partnership or entity of more than 20 persons shall be formed for carrying on any business (for gain) without registration as company under the Companies Act 2017.

- Penalty = Level 1 + personally liable for all liabilities incurred

### Exceptions

- Any society, body or association, other than a partnership, formed or incorporated under any other Pakistan law; or
- A joint family carrying on joint family business; or
- A partnership of two or more joint families where the total number of members of such families, excluding the minor members, does not exceed twenty; or
- A partnership formed to carry on practice as lawyers, accountants or any other profession where practice as limited liability Co not permitted under relevant laws / regulations

### Mode of forming a company (Sec 14)

Following number of persons associated for lawful purpose may, by subscribing their names to MOA and complying requirements of this Act in respect of registration, form a company:

- For Public Companies: 3 or more
- For Private companies: 2 or more
- For Single Member Company: 1 Person

For SMC, subscriber to MOA shall nominate a person who in the event of death of the sole member shall be responsible to:

- Transfer the shares to legal heirs subject to succession under Islamic law of inheritance (in case of a non-Muslim members, as per their respective law); and
- Manage the affairs of company as a trustee, till such time the title of shares are transferred.

*If transfer is made to more than 1 legal heir, company shall cease to be a SMC and shall follow the process of conversion to a private company.*

### Steps of Incorporation

- Getting availability of suitable name from registrar
- Preparing MOA and AOA with supporting documents
- Filing documents (along with application for registration) with registrar
- Obtaining the “certificate of incorporation” of company

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**Registration of MOA & AOA**

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- A declaration of compliance shall also be filed with MOA & AOA (Compliance with requirements regarding incorporation of Co)
- Registrar shall register MOA & AOA only if it satisfied that
  - Company is being formed for lawful purposes,
  - All requirements of this Act and associated rules have been complied with
- If registrar think that any document or information contains any matter contrary to law or is not complete
  - He may require revised document or to remove deficiencies within specified period.
  - If applicant fails to remove deficiencies, registrar may refuse registration of company
  - Co may file an appeal before SECP within 30 days of refusal.
  - Order of SECP, on such appeal, shall be final.

**Certificate of Incorporation**

- Registrar shall issue certificate of registration signed by him.
- The certificate of incorporation shall state
  - Name and registration number of company;
  - Date of its incorporation;
  - Whether it is a private or a public company;
  - Whether it is a limited (shares or guarantee) or unlimited;

**Effect of registration**

- Subscribers to MOA and subsequent members are body corporate by the name stated in the certificate of incorporation;
- It is capable of exercising all the functions of an incorporated company, having perpetual succession and a common seal
- Status and registered office are as stated in application
- Subscribers become holders of initial shares (if applicable)
- Persons named in AOA as proposed directors are appointed.

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**Liability for carrying on business with less minimum members (sec 15)**

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If number of members of a company is reduced below minimum number of members:

- Private company other than a single member company      2 members
- Any other company      3 members

and the company carries on business for more than 180 days while, every person who is a member during the time that it so carries on business after those 180 days shall be severally liable for payment of whole debts of company contracted during that time and may be sued therefore without joinder in the suit of any other member (provided that member(s) is in knowledge of the fact)

### QUESTION BANK – ICAP PAST PAPERS

- 1 Identify any four criteria on the basis of which a company formed under section 42 of the Companies Act, 2017 differs from any other limited liability company. (04) Q.11  
(S-21)
  
- 2 (a) The licence of Cancer Research Association (CRA), issued under section 42 of the Companies Act, 2017, was revoked by the Commission as the affairs of CRA were conducted in a manner prejudicial to public interest. Q.7(a)  
(S-20)

Under the Companies Act, 2017 briefly discuss the effect of revocation of licence on CRA, its members and officers. (05)
  
- 3 (a) Under the provisions of the Companies Act, 2017 discuss how a person may become a member of the company. (03) Q.6  
(A-19)

(b) The Registrar, after registering the memorandum and articles of association, has issued the certificate of incorporation to Shahbaz Limited, a company with an authorized share capital of Rs. 300 million. Under the Companies Act, 2017 briefly describe the effects of such registration. (05)
  
- 4 Masters Limited (ML) has made equity investment in Abbas Limited (AL). In the light of Companies Act, 2017 state under what circumstances ML may classify AL as its subsidiary. (04) Q.9(a)  
(S-19)
  
- 5 Under the provisions of the Companies Act, 2017 explain the term 'body corporate or corporation'. (04) Q.6(b)  
(S-18)
  
- 6 Malik and Azad, being the promoters of Masoom Limited, are in the process of preparation of memorandum of association for filing with the registrar. Q.6(a)  
(A-17)

Under the provisions of the Companies Act, 2017 advise them about the conditions required to be fulfilled for registering the memorandum. Also state the remedies available to them, if for any reason, the registration is refused. (05)
  
- 7 Zeta Associates (ZA) intends to register as a limited liability company without adding the word 'Limited' to its name. Q.6(b)  
(A-17)

Under the provisions of the Companies Act, 2017 list the conditions which ZA must satisfy for dispensing with the requirement of using 'Limited' to its name. (04)
  
- 8 Under the provisions of the Companies Act 2017 briefly describe: Q.7(a)  
(A-17)

(ii) the circumstances in which a company would be considered as a holding company of another company. (02)
  
- 9 The registrar, after registration of the memorandum of association, has issued the certificate of incorporation to Anjaan Limited. Under the provisions of the Companies Act 2017 briefly describe the effects of incorporation. (04) Q.10b  
(S-17)

- 
- 10 Under the provisions of the Companies Act, 2017 briefly describe the term 'Body corporate'. (02) Q.6 (b) (A-16)
- 11 'Organizations working for useful objects of the society often need protection of limited liability for such work.' However, there are certain conditions subject to the fulfillment of which an exemption may be granted to an entity from using the word 'Limited' to its name. Describe those conditions and also specify the authority who may grant such exemption under the Companies Act 2017. (04) Q.6(a) (S-16)
- 12 (a) What is meant by the term 'Member' as described under the provisions of the Companies Act 2017? (04) Q.7 (A-15)
- (b) Paband Limited is in the process of incorporation and has filed an application with the registrar's office for registration of its memorandum of association. However, the registrar has refused to register the memorandum.
- Under the provisions of the Companies Act 2017 state the possible reasons for such refusal. Also advise the options available to Paband Limited in the above circumstances. (06)
- 13 Under the provisions of the Companies Act 2017 briefly describe the following: (i) special resolution (04) Q.1a-i (S-15)
- 14 Under the provisions of the Companies Act 2017 list the circumstances under which Mehkoun Limited may be deemed to be the subsidiary of Hakim Limited. (03) Q.1b-ii (S-15)
- 15 State briefly the restrictive conditions under which a private company is incorporated. (03) Q.1(b) (A-13)
- 16 Stars (Private) Limited (SPL) was incorporated in January 2012. Bilal owns 90% shares of SPL. The remaining 10% shares are owned by his wife. Bilal intends to convert the company into a public limited company (unlisted). List down necessary changes that SPL would have to make in its articles of association. (04) Q.1(a) (S-13)
- 17 Shaban Enterprises (SE) is an association of persons. The directors propose to convert SE into a limited company. However, on account of the nature of SE's business activities they do not intend to include the word "Limited" in its name. Narrate the conditions that SE would be required to comply with, under the Companies Act 2017 in order to be able to achieve the above objective. (04) Q.9(b) (S-13)
- 18 The board of directors of Sunrise (Private) Limited are planning to raise funds amounting to Rs. 80 million from the general public to meet the cost of expansion of its production capacity. The current authorized and paid up capital of the company is Rs. 200 million. Advise the company about the changes that would be required to be incorporated in its articles of association, to allow the company to raise capital from the public. (04 marks) Q.3(b) (A-12)
- 19 Identify the situations specified under the Companies Act 2017 in which a company shall be considered to be a subsidiary of another company. (04 marks) Q.8(b) (S-12)

- 
- 20 Alfalah Associates is an association of persons. It wants to register itself as a limited company but does not wish to include the word "Limited" in its name. In view of the provisions of the Companies Act 2017 you are required to explain the conditions: Q.5 (S-11)
- that need to be satisfied before the Commission may issue it a license and allow it to dispense with the word "Limited" from its name. (07marks)
  - under which the license may be revoked and its consequences. (04 marks)
- 21 Explain "Private Company" as specified in the Companies Act 2017. With reference to a private limited company, comment on the rule, "The directors shall not refuse to transfer any fully paid shares unless the transfer deed is defective or invalid". (06 marks) Q.8 (A-10)

**CH # 2****MEMORANDUM AND ARTICLES****MEMORANDUM OF ASSOCIATION (MOA)****Clauses of MOA****Name Clause**

Name of company with following last word

- |                         |                         |
|-------------------------|-------------------------|
| - Public Co:            | "Limited"               |
| - Private Co:           | "(Private) Limited"     |
| - Single Member Company | "(SMC-Private) Limited" |
| - Guarantee Ltd         | "(Guarantee) Limited"   |
| - Unlimited:            | "Unlimited"             |

**Registered Office Clause**

Province or part of Pakistan not forming part of a province  
(in which registered office is to be situated)

**Principal line of business Clause**

- Principal line of business will be mentioned in MOA
- It shall be matching with its name

*"Principal line of business" means the business in which substantial assets are held or likely to be held or substantial revenue is earned or likely to be earned by a company, whichever is higher.*

- A company may carry on any lawful business or activity and do any act or enter into any transaction connected to it which is necessary in attaining its business activities.
- A company shall not engage in a business which is:
  - Prohibited by any law for the time being in force in Pakistan; or
  - Restricted by any law, rules or regulations  
(unless necessary licence, registration, permission or approval has been obtained)

*Existing companies (those registered before Companies Act, 2017 was effective) may continue with their existing MOA and their object clause be treated as the principal line of business*

**Liability Clause****Company Limited by Shares**

*“Liability of the Members is limited”*

**Company Limited by Guarantee**

*‘Liability of the members is limited’.*

*An additional sentence is also added to clarify the extent of liabilities of the members of that company in the event of its being wound up.*

**Unlimited Company**

*“Liability of the Members is unlimited”*

**Authorised Share Capital Clause**

Amount of share capital with which Co proposes to be registered, and the division into shares of a fixed amount

- Every subscriber of MOA is required to take at least one share
- Each subscriber shall write opposite to his name the number of shares he has agreed to take
- For company limited by guarantee, this clause shall not be included if company has no share capital

**Undertaking / Subscription Clause**

The company shall add an undertaking, as may be specified by SECP.

Subscribers shall

- Write their names addresses and other required particulars
- Write following sentence:

*“We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company, in pursuance of the memorandum of association, and we respectively agree to take the number of shares in the capital of the company set opposite our respective names”*

- Sign MOA in presence of at least one witness (witness shall also write his particulars)

**Printing and signature of MOA & AOA**

MOA and Articles shall be

- Printed
- Divided into paragraph numbered consecutively
- Dated
- Signed by each subscribers giving following details in presence of a witness (who shall attest signature and add his particulars also)
  - Present Name in full
  - Occupation
  - Fathers Name  
(Husband name in case of married/ widow women)
  - Nationality
  - Usual residential Address
  - Others particulars as may be prescribed

*Every Co, upon request and payment of a prescribed amount by its member, shall supply within 14 days a copy of MOA & AOA of the company.*

**Borrowing powers to be part of memorandum**

*MOA & AOA is deemed to include (implied) power to enter into any arrangement for obtaining loans, advances, finances or credit, and to issue other securities not based on interest for raising resources from a scheduled bank, a financial institution or general public*

## NAMES

### Restrictions on Names

#### Prohibited Names

- Containing word or expression notified by SECP;
- Inappropriate, undesirable or deceptive (in the opinion of SECP)
- Designed to exploit or offend religious sentiments of people.
- Identical with name of a company already registered
- Nearly resembling that name of a company already registered

#### Names which require prior approval of SECP

Prior approval of SECP required if proposed name suggest

- Patronage of any, past/present, Pakistani/foreign, Head of State
- Any connection with Federal Govt. or Provincial Govt. or any department or authority of any such Government;
- Any connection with any corporation set up by or under any Federal or Provincial law; or
- Patronage of, or any connection with, any foreign Government or any international organization.
- Establishing a modaraba management Co or to float a modaraba
- Any other business requiring a license from the government

*Whenever a question arises as to whether or not the name of a company is in violation of above provisions, decision of SECP shall be final.*

#### Application for reservation of a name

- A person may make an application in specified form and manner with a specified fee, to the registrar for reservation of any name
- Reservation can be made for a period of maximum 60 days.
- If it is found that a name was reserved, by furnishing false or incorrect information
  - Such reservation shall be cancelled
  - The person making application shall be liable to a penalty.
  - If the company has been incorporated, it shall be directed to change its name.
- If application is refused by registrar, aggrieved person may within 30 days of the order of refusal prefer an appeal to SECP.
- Order of SECP shall be final and shall not be called in question before any court or authority

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## **Change & Rectification of Name**

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### **Rectification of Name**

- If wrong name selected by Co,
  - It may change name with the approval of registrar; and
  - It shall change name within 30 days if registrar directs so.
- Registrar shall, before issuing direction for change of name, give Co an opportunity of being heard
- If company fails to comply with above direction, registrar may
  - Register company under a new name selected by him;
  - Issue a certificate of incorporation on change of name; and
  - Impose a penalty for non compliance

### **Change of Name**

- Special Resolution
- Approval of registrar.

*No approval required if addition or deletion of words "(Private), (SMC-Private), (Limited) or (Guarantee Limited) or (Unlimited)]*

### **Effect of Change of Name**

- Registrar shall enter the new name on register in place of old one.
- Registrar shall issue a new certificate of incorporation altered to meet the circumstances
- Continue to mention former name along with its new name outside every business place and in all documents (for 90 days from date of issue of new certificate)
- Change of name shall not affect the rights & obligations of Co.
- Legal proceeding may be continued against Co in new name

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## **Publication of Name**

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- Name and incorporation number of every limited company shall be displayed outside company's every office or place of business in a conspicuous position.
- Company shall display a certified copy of certificate of incorporation at every place of business
- Name, address of registered office, telephone, fax number, e-mail and website addresses, if any, shall be mentioned on all documents appeared to be the documents of company.
- Level 1 Penalty on company and its officers for not displaying name in manner provided.
- Officer shall be personally liable for debt of company if he issue / authorize any document without mentioning the name of company (unless debt paid by the company itself)

## **REGISTERED OFFICE AND PRINCIPAL LINE OF BUSINESS**

### **Registered office of a company**

- It is a single place which is the address of company for receiving all communications.
- It does not necessarily be same as head office of the company.
- A company shall have a registered office and its address shall be notified to the registrar within 30 days of its incorporation.
- Any change in such address shall be notified to registrar within 15 days of change:
- Change of registered office to any other city shall also require special resolution

### **Alteration of Registered Office clause in MOA**

- Company may by special resolution alter its MOA to change its registered office from:
  - One Province to another Province or Islamabad Capital Territory and vice versa; or
  - One Province or Islamabad Capital Territory to a part of Pakistan not forming part of a Province and vice versa.
- Company shall apply to SECP for obtaining its approval
- When company actually shifts its registered office, it shall inform the registrar within 15 days of the date of such shifting.
- Where alteration involves a transfer of registered office from jurisdiction of one company registration office to another, physical record of company shall be transferred to the other registrar (where the registered office has been shifted)

### **SECP Approval for alteration**

- SECP must be satisfied that
  - Circumstances for alteration of object/registered office exists
  - Sufficient disclosure has been given to every creditor and member of the company
- SECP may make an order confirming alteration either wholly or in part, and on such terms and conditions as it thinks fit.
- A copy of duly certified order of SECP shall be forwarded to the company and to registrar within 7 days from the date of the order.
- A certified copy of SECP's order and a printed copy of altered MOA shall be filed with registrar within 30 days of order  
(May be extended by SECP)
- Registrar shall register it and issue a certificate

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**Alteration of Principal Line of Business clause**

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- Company may by special resolution alter its MOA to Change its principle line of business
- Such alteration shall not require confirmation by SECP
- Company shall file amended MOA with registrar within 30 days on specified form
- Registrar may give direction of change of name if change does not match with principal line of business of the company.

*Note: For adopting any business activity which is subject to licence, registration, permission or approval under any law, company would follow the process of change in Registered office clause.*

## **ARTICLES OF ASSOCIATION (AOA)**

Byelaws of company, subordinate to constitution (MOA) and further subordinate to the Act, guiding day to day issues faced by a company.

- It is option for company limited by shares to
  - Get the articles registered; or
  - Adopt Table A (first schedule of Companies Act 2017)
- For other companies Registration of AOA is compulsory.
- For Guarantee Ltd or Unlimited Co, AOA shall state:
  - Amount of share capital at time of registration (If it have share capital)
  - Number of members at time of registration (If it does not have share capital)
- AOA shall list and specify the voting and other rights attached to different classes of shares and securities.
- If company contravenes its AOA, company and every officer shall be liable to a penalty

### **Contents of Table A**

Details related to following areas are given in Table A so that companies may adopt it as it is:

- Restriction related to commencement of business
- Shares
- Transfer and Transmission of Shares
- Form for Transfer of Shares
- Bank Account Details of Transferee for Payment of Cash Dividend
- Transmission of Shares
- Alteration of Capital
- General Meetings
- Notice and Proceedings of General Meetings
- Votes of Members
- Instrument of Proxy
- Directors
- Powers and Duties of Directors
- Minute Books
- The Common Seal of company
- Disqualification of Directors
- Proceedings of Directors
- Filling of Vacancies
- Dividends and Reserve
- Accounts
- Mode of giving notices to members
- Winding Up
- Indemnity for officers and agents of the company

Applicability of Table A

- Table A is applicable in full, if articles are not registered separately.
- Table A is applicable to the extent not modified or excluded by articles filed by a company.
- Table A is not applicable at all, if specifically excluded by articles filed by a company.

**Alteration in the articles of association**

- Company may, by special resolution, alter its AOA
- Any alteration shall be as valid as if originally contained in AOA
- If alteration affects substantive rights or liabilities of members or class of members, it shall be carried out only if majority of at least 3/4th of those affected vote for that (personally or through proxy)
- A copy of altered AOA shall be filed with registrar within 30 days
- Registrar shall register the same.

## GENERAL PROVISIONS AS TO MEMORANDUM AND ARTICLES

### Act to override memorandum, articles, etc.

- The provisions of this Act shall have effect despite anything contained in any other law or MOA or AOA or in any contract or agreement executed by it or in any resolution passed in general meeting directors meetings.
- Any conflicting (with Companies Act) provision contained in such documents shall be void.

### Copies of memorandum and articles to be given to members

- Each company shall send to every member, at his request and within 14 days on payment of fee fixed by the company, a copy of the memorandum and the articles.
- If an alteration is made in MOA/AOA, every copy of MOA/AOA issued after the date of alteration shall contain that alteration
- In case of contravention, company and every officer in default shall be liable to the penalty

### Effect of memorandum and articles

- Upon registration, MOA and AOA shall bind the company and the members (just like that they all have signed it)
- All moneys payable by a subscriber against the shares subscribed shall be a debt due from him and be payable in cash within 30 days from the date of incorporation.
- If share money is not deposited within prescribed time
  - Shares shall be deemed to be cancelled
  - Name of that subscriber shall be removed from the register
  - Registrar shall give such direction to company as deemed appropriate.
- Receipt of subscription money from subscribers shall be reported by company to registrar on a specified form within 45 days from date of incorporation, accompanied by a certificate by a practicing CA or a CMA verifying receipt of the money so subscribed.
- Any violation of this section shall be an offence liable to a penalty of level 1

### Form of MOA & AOA

Type of company	Document	Form
Company limited by shares	AOA	Table A
	MOA	Table B
Company limited by guarantee and not having a share capital	AOA & MOA	Table C
Company limited by guarantee and having a share capital	AOA & MOA	Table D
Unlimited company having a share capital	AOA & MOA	Table E
Company licensed under section 42 (Association not for profit)	AOA & MOA	Table F

**QUESTION BANK – ICAP PAST PAPERS**

- 1 White Diamond Limited (WDL) was incorporated on 6 February 2021. All the subscribers to the memorandum of WDL has paid the share money except Aijaz who has subscribed 4,000 shares and is willing to make the payment before 10 March 2021. Q.7(b) (S-21)

WDL's management intends to start the operations of the company immediately since minimum subscription amount is not fixed in WDL's memorandum and articles of association. Accordingly, for the purpose of commencement of business, they intend to submit requisite documents with the registrar. The management is confident that the registrar will accept and register all the documents.

Under the Companies Act, 2017, Explain WDL's duties if all the subscription money is received on or before 1 March 2021. (03)

- 2 A group of persons intends to form a limited liability company, with the objective to provide research related services to pharmaceutical companies. In this respect, one of the promoters proposed 'Pharma Research Authority' as a name of the proposed company which was liked by all the promoters. Q.7 (A-20)

Under the provisions of the Companies Act, 2017 comment on the validity of the name proposed by the promoters and suggest how they can overcome the deficiencies, if any, in it. (06)

- 3 A team of young engineers is planning to incorporate a private limited company which would provide machine maintenance services to large companies. The company would initially be incorporated with a share capital of Rs. 20 million. Q.6(a) (S-20)  
However, the engineers are not certain about the following matters:

(a) Registration and signing of articles of association. (03)

Advise the team of engineers in respect of the above matters in the light of the Companies Act, 2017.

- 4 Describe the provisions contained in the Companies Act, 2017 relating to 'principal line of business' of a company. (05) Q.9(b) (S-19)

- 5 (a) Under the provisions of the Companies Act, 2017 briefly describe the term 'Special resolution'. (04) Q.6 (A-18)

(b) Saga Limited (SL), a listed company, has two classes of ordinary shares i.e. Class A and Class B. In order to attract foreign investors, the directors intend to issue a new class of ordinary shares i.e. Class C, with no voting rights. Currently SL's memorandum and articles of association do not contain such class of shares.

Under the provisions of the Companies Act, 2017 briefly describe the steps which the directors should take prior to issuance of Class C shares. (Procedure for issuance of shares is not required) (06)

- 6 Printing (Pvt.) Limited (PL) wants to change its name to Printing and Marketing (Pvt.) Limited. Q.6(a) (S-18)

Under the provisions of the Companies Act, 2017 describe the steps to be followed by PL for changing its name and matters to be complied with after the change of name. (05)

- 7 Shafiq and Rahat intend to establish a limited liability company in Lahore for the manufacture of edible oil. Under the provisions of the Companies Act 2017 advise them with regard to the following: Q.10a (S-17)
- (i) factors to be considered while selecting the name of the Company. (02)
  - (ii) names which may require prior approval of the Commission. (04)

- 8 Yawar Limited (YL) is engaged in the business of manufacture and supply of watches in urban areas of Sindh. However, due to rapidly changing consumer demand, YL has decided to diversify its business and start assembly of smart phones at their factory in Multan. The company is also planning to move its registered office from Karachi to Multan. In order to alter the registered office and the object clause of its memorandum for the purpose, YL has passed a special resolution and has applied to the Commission for approval. Q.6(a) (A-16)

Under the provisions of the Companies Act 2017 briefly describe:

- (i) the circumstances in which YL may alter the registered office and the object clause of its memorandum. (04)
- (ii) the conditions which must be satisfied before the Commission may issue an order confirming the alteration. (04)

- 9 The Directors of Muntaqil Limited are considering to re-locate company's registered office from Karachi to Islamabad to carry on business more economically. Q.6(a) (S-16)

Advise Company Secretary about the steps which must be taken to re-locate the registered office under the provisions of the Companies Act 2017. (06)

- 10 Under the provisions of the Companies Act 2017 a company, without prior approval of the Commission, cannot be registered by a name which contains certain words or phrases suggesting certain attributes/affiliations. List those attributes/affiliations. Q6(a) (A-14)

- 11 The Directors of Worldwide Motors Limited (WML) and its subsidiary Worldwide Autos (Private) Limited (WAPL) have decided in their respective board meetings to shift their registered offices to Landmark Centre, G.T. Road, Lahore. Q.9 (A-12)

The present addresses of the registered offices are:

- Worldwide Motors Limited, 101, Hali Road, Lahore.
- Worldwide Autos (Private) Limited, 2nd Floor, Modern Avenue, Peshawar.

You are required to list the procedures to be followed by each company for shifting its registered office, as specified under the provisions of the Companies Act 2017. (10 marks)

- 12 Describe the restrictions that have been mentioned in the Companies Act 2017 regarding selection of names of companies. (06 marks) Q.6(a) (S-12)

- 13 Briefly describe the provisions of Companies Act 2017 relating to alteration of the objects of a company. (02 marks) Q.1(a)  
(A-11)

In the annual general meeting of Paramount Limited, a shareholder objected to the shifting of the registered office from Multan to Lahore without obtaining confirmation from the Commission. Explain whether the objection is valid. (02 marks)

- 14 Narrate the responsibilities of a company or of its directors in the following circumstance: Q.8(c)  
An alteration in Articles of Association of the company is approved by passing a resolution in (S-11)  
the annual general meeting. (03 marks)

- 15 On January 1, 2010 Star International Limited (SIL), a company incorporated in Italy, acquired majority shareholding in Beta Industries Limited, a company listed on the Karachi Stock Exchange. SIL wants to change the name of Beta Industries Limited to Star Industries Pakistan Limited, as it believes that on account of international reputation of Star International, the local sales will improve substantially. Q.1  
(S-10)

- a) Describe the procedure that would have to be followed to change the name of company. (04)
- b) Describe the conditions which the company would be required to comply with after the change of its name. (04)

**CH # 3****DIRECTORS****INTRODUCTION & ELIGIBILITY****Director**

Includes any person occupying the position of a director, by whatever name called

- Only natural persons to be directors
- Directors act collectively or by majority
- Every director has got one vote in a directors meeting.
- Director cannot be a variable representative  
(cannot claim relief from responsibility as a director in any particular area of business)

**Directors in fiduciary relationship**

- Directors are agents of the company
- They are supposed to make decisions in best interest of company
- They must be vigilant and should not be negligent in their duties

**Minimum number of directors of a company**

SMC	➔	At least 1
Other private	➔	At least 2
Public (unlisted)	➔	At least 3
Public (listed)	➔	At least 7

*No person shall be a director (including alternate director) at same time in more than such number of companies as may be specified  
(this limit shall not include the directorships in a listed subsidiary)*

**Consent to act as director**

- No person shall be elected or appointed as a director or chief executive if he has not filed his consent in writing
- Company shall file such consent to registrar within 15 days of the date of appointment or election of director or chief executive

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**Ineligibility of certain persons to become director**

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- Minor;
- Unsound mind;
- Has applied to be adjudicated as an insolvent and his application is pending;
- Undischarged insolvent;
- Has been convicted by a court of law for an offence involving moral turpitude (conduct that is contrary to community standards of good morals, or justice, e.g. murder, kidnapping);
- Has been debarred from holding such office under any provision of this Act;
- Has betrayed lack of fiduciary behaviour at any time during preceding 5 years;
- Does not hold NTN as per Income Tax Ordinance 2001 (SECP can give exemption in this)
- Not a member except
  - Person representing a member who is not a natural person
  - Whole-time director who is an employee of the company;
  - Chief Executive
  - Person representing a creditor or other special interests through contractual arrangement

**Additional Ineligibilities only for Listed Co**

- Declared by Court of competent jurisdiction as **defaulter in repayment of loan** to a financial institution
- Engaged in **business of brokerage**, or is spouse of such person or is sponsor, director or officer of a corporate brokerage house

*If any person being an undischarged insolvent acts as chief executive or director of a company, he shall be liable to imprisonment for a term not exceeding 2 years or to a fine, or to both.*

## DIFFERENT TYPE OF DIRECTORS

### First directors

- Names & number of first directors shall be decided by subscribers
- Their particulars shall be submitted along with the documents for incorporation.
- Additional directors may also be appointed in general meeting
- 1<sup>st</sup> directors shall retire at first AGM

### Elected Director and the process of election

In first AGM, all first directors shall retire and election of directors shall be held. Afterwards election shall be held after every 3 years.

(Company limited by guarantee may reduce the period through AOA)

#### Process of Election

- Directors of Co shall, **fix No of elected directors** at least 35 days before general meeting at which directors are to be elected  
(Number shall not be changed except prior approval of members)
- **Notice of meeting** shall expressly state-
  - No of elected directors fixed; and
  - Names of retiring directors.
- A person who seeks to contest in election of director shall (whether he is a retiring director or otherwise), file with company a notice of his intention at least 14 days before meeting
  - Notice may be withdrawn at any time before election
  - All such notices shall be transmitted to the members at least 7 days before meeting
  - For listed: Notice also published in 1 Urdu & 1 English newspaper, in respective language, having wide circulation
- If number of persons offering themselves to be elected as director is not more than number of directors fixed for election, the directors shall stand elected unopposed.

#### For companies not having share capital

Elected by members in general meeting in manner provided in AOA.

#### For companies having share capital

(Where No of contestants are more than No of directors fixed)

- $\text{Votes} = \text{No of voting shares or securities} \times \text{No of directors (seats)}$
- Member may give all votes to 1 candidate or may divide votes between the contestants
- Candidate getting highest votes elected as director and then candidate getting next highest votes shall be so declared and so on until total directors elected.

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**Circumstances in which election may be declared invalid**

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Court may, declare election of all directors or any of them invalid if satisfied that there has been material irregularity in procedures.

- On application of members having at least 10% voting power
- Within 30 days of the date of election

*Any act of director, or of meeting of BOD attended by him, shall not be invalid only due to any defect (subsequently discovered) in appointment*

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**Nominee directors**

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**By Creditors**

- Creditors may also nominate directors on the board (if they are empowered to do so by virtue of any agreement)
- Such directors are in addition to minimum number of directors fixed by Act.

**By Federal Govt., Provincial Govt. or Investor company**

- Federal government, provincial government and any investor company (holding shares in other company) can nominate any person to represent them as director in that company
- Such person shall be considered to be 'elected director' (deemed)
- Shall be considered for calculation of minimum number

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**Fresh election on request of substantial acquirer**

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- If a person acquires requisite shareholding to get him elected as a director, he may require the company to hold fresh election.
- Number of directors fixed in last election shall not be decreased
- Board shall as soon as practicable within 30 days, proceed to hold such fresh election.
- Listed company shall follow such procedure as may be specified by SECP for such election

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**Casual Vacancy**

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- If directors resign earlier from the office (before 3 years), casual vacancy shall be filled by remaining directors.
- In listed company it shall be filled at the earliest but not later than 90 days from the date of vacancy.
- For others no time limit specified in Act for filling of casual vacancy, nor it is mandatory (unless number of directors falls below minimum)
- Casual vacancy shall be appointed for remainder term

## Independent Director

A director who is not connected or does not have any other relationship, whether pecuniary or other, with company, associates, subsidiaries, holding or directors; and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any conflict of interest

No director shall be considered independent if one or more of following circumstances exist:

- Has been employee of company, its subsidiaries or holding company within last 3 years;
- Is or has been CE of subsidiaries, associated undertaking or holding company in last 3 years
- Has, or has had within last 3 years, a material business relationship with company either directly, or indirectly as a partner, major shareholder (10% voting power individually or in concert with his family or as part of group) or director of a body having such relationship.
- Has received remuneration in 3 years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from company apart from a director's fee or has participated in stock option or a performance-related pay scheme;
- Is a close relative of the company's promoters, directors or major shareholders: (close relative means spouse, lineal ascendants and descendants and the siblings)
- Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies not being associations licenced u/s 42;
- Has served on board for more than 3 consecutive terms from date of his first appointment, and for more than 2 consecutive terms in case of a public sector company (such person shall be deemed "independent director" after a lapse of one term)
- Person nominated as a director or representing special interest

*For public sector companies, time period shall be taken as 2 years instead 3 years in first 3 conditions. An independent director in case of a public sector company shall not be in service of Pakistan or any statutory body or any body or institution owned/controlled by Government.*

Independent director of a listed company shall be elected in the same manner as other directors are elected (u/s 159) and the statement of material facts annexed to the notice shall indicate the justification for choosing the appointee for appointment as independent director.

### Maintenance of a databank of independent directors

- An independent director to be appointed under any law, rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors
- It shall be maintained by any institute, body or association, as notified by SECP, having expertise in so; and post on their website for use by the company making appointment (Exercising due diligence before selecting a person from data bank lie with company/Govt)
- The manner and procedure of selection of independent directors on the databank who fulfill the qualifications and other requirements shall be specified by the SECP. [i.e. "Companies (Manner and Selection of Independent Directors) Regulations, 2018"]

*Above Requirements may be relaxed by SECP on an application made by company supported with the sufficient justification or the practical difficulty, as the case may be.*

## **Companies (Manner and Selection of Independent Directors) Regulations, 2018**

### **Eligibility criteria for person desirous of inclusion in databank of independent directors**

- A person who:
  - Either holds at least a graduate degree from a university recognized and approved by HEC or is a member of a professional body; and
  - Has at least 5 years of relevant experience in one or more of the fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines relevant to the company's business; or
- Has at least 15 years of relevant work experience in the above mentioned fields; and
- Person is willing to act as an independent director
- Can confirm that on appointment, would devote reasonable time to affairs of company in order to enable him/her to discharge his/her stewardship responsibilities as given under applicable law, corporate governance directives and if applicable, licensing requirements.

*The expression, "professional body" means:*

- *Established in Pakistan, governed under a special enactment of the Federal Government as a self-regulatory organization managed by a representative National Council, and has a prescribed minimum criterion of examination and entitlement of membership of such body; or*
- *Established outside Pakistan and established under a special enactment in the country of its origin and which is a member of the international body relevant for such field.*

### **Directors' Training Program**

Independent director, after being appointed/ elected on board, shall complete Director's Training Program or avail exemption from SECP as per requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017 within 12 months of appointment etc.

### **Maintenance of data bank by the Institute**

- Place the information on process of registration in databank, eligibility criteria, fees and documents and other relevant details on its website
- Ensure that information shall be in format easily accessible & downloadable by applicants.
- May determine necessary measures, conditions and procedure for including and retaining details of individuals in the databank.
- May fix a fee, with approval of SECP, to be paid by individuals for their names in databank.

*Every person whose name is included in databank shall be responsible for the accuracy, adequacy and completeness of the information and particulars provided by him/her to the institute*

**Responsibility of company and disclaimer by the Institute**

- Company shall be responsible for exercising its own due diligence before selecting an individual from the databank for appointment as independent director.
- Company shall require such individual to submit an undertaking on a non-judicial stamp paper that he/she meets the requirements of this regulation with supporting information.

The institute shall conspicuously display the following disclaimers on its website:

*“It is responsibility of every person appointing independent director, to exercise due diligence in terms of requirements of Act or applicable laws for purpose of selecting a person from data bank;*

*Inclusion in databank does not guarantee selection as an independent director; institute shall neither guarantee nor make any representation regarding the accuracy and or reliability of the information about any person whose name has been included in the databank; and*

*Institute shall not be responsible for any contravention of any law committed by any company or its directors by the reason of the fact that person appointed by company as an independent director was selected from the databank nor it will be a defence in any court of law.”*

## REMOVAL OF DIRECTORS

Directors can be removed

- By Members (through resolution)
- By operation of Law (vacation of office)

### Removal of directors by members

Members may remove directors through resolution in their meeting

However, the resolution shall not be considered as passed, if the number of votes casted against resolution (i.e. in favor of director) is equal to or exceeds:

- In case of Elected Directors:  
Minimum No of votes casted at immediately preceding election of directors.
- First / Casual Directors:  
Total votes available [i.e. No of directors for the term x No of shares] divided by the No of directors for the time being.

### Vacation of office by directors

- He or any firm (of which he is a partner) or any private company (of which he is a director)
  - Without sanction of general meeting accepts or holds any office of profit under company other than chief executive or a legal or a technical adviser; or
  - Accepts a loan or guarantee from Company in contravention of the Act
- Absents himself (without leave of absence from the directors) for 3 consecutive meetings of BOD
- Becomes ineligible under Companies Act 2017  
*[Any additional grounds may be specified in AOA for this]*

## POWER, DUTIES AND PROCEEDINGS OF DIRECTORS

### Powers of Directors

Directors may exercise all such powers as are not by Act/AOA/special resolution, required to be exercised by members.

They shall exercise **following powers** by resolution in BOD meeting

- Issue shares, debentures or other redeemable capital
- Borrow moneys other than debentures or Invest company's funds
- Make loans (Resolution not required if it's a banking company)
- Incur capital expenditure on any single item or undertake leasing obligations exceeding Rs 1 Million
- Sell or dispose of assets having book value exceeding Rs. 100,000
- To takeover a company or acquire a controlling stake in another
- Approve annual or periodical accounts
- Approve bonus to employees
- Declare interim dividend
- Authorise a director or firm (of which he is a partner) or a private company (of which he is a director) to transact with company
- If amount is material as per accounting principles.
  - to write off bad debts
  - to write of inventories and other assets
  - to determine and circumstances for compromise in a law suit or reduction/extinction of claim in favor of company
- Any other specified matter

Directors shall not **except with consent of general meeting** (either specifically or by way of an authorization), do any of following things

- Sell, lease or otherwise dispose of undertaking or any sizable part (i.e. 25% or more assets in that class as per audited accounts of last financial year) unless it is company's business.
- Sell or otherwise dispose of the subsidiary of company
- Remit; give relief or extension of time for loans or advances provided under the provisions of Act (loan to directors)

Note: A listed company is not entitled to sell or otherwise dispose of undertaking resulting in closure of business operation or winding up, without there being a viable alternate business plan approved by BOD

*Authorization by the members for exercise of such powers may be either specific or general. Any such resolution, if not implemented within 1 year from date of passing, shall stand lapsed.*

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**Duties of directors [Section 204]**

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- Act in accordance with AOA.
- Act in good faith in order to promote the objects for the benefit of members as a whole, and in best interests of company, employees, shareholders, community and for protection of environment
- Discharge his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- Shall not involve in a situation in which he may have a direct or indirect interest that conflicts with the interest of company.
- Shall not attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates  
(if so, he shall be liable to pay that gain to the company)
- Shall not assign his office (such assignment shall be void).

*SECP may provide for the extent of duties and the role of directors as may be specified. Any breach of duty, default or negligence by a director in contravention of articles or any of its policy or decision of board may be ratified by company through a special resolution and SECP may impose any restriction as may be specified.*

**Compliance with the code of corporate governance**

- SECP may provide a framework for good corporate governance practices, compliance and connected matters for companies or class of companies in a manner as may be specified.
- It would be the duty of directors to act in line with good corporate governance practices

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**Liabilities of Directors**

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Any provision in AOA/Contract with Co shall be void that is exempting any Officer or auditor, from, or indemnifying him against, any liability that would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the company

**Exemption:**

Company may indemnify any such person against any liability incurred by him in defending any proceedings (civil or criminal), in which judgment is given in his favor or he is not guilty.

**Protection to independent and non-executive directors**

For listed company and public sector company, an independent director and a non-executive director shall be held liable, only for such acts or omission which had occurred with his knowledge, attributable through board processes, and with his consent or involvement or where he had not acted diligently.

**Non-executive director**

In context of this section, means a person on the board of the company who:

- Is not from among the executive management team and may or may not be independent;
- Is expected to lend an outside viewpoint to the board of a company;
- Does not undertake to devote his whole working time to the company and is not involved in managing the affairs of the company;
- Is not a beneficial owner of company or any of its associated companies or undertakings;
- Does not draw any remuneration from the company except the meeting fee.

**Proceedings of the BOD**

- Quorum of Listed Co: Higher of 4 or 1/3rd.

*Participation of directors by video conferencing or other audio visual means shall also be counted for the purposes of quorum*

- Quorum for others shall be as provided in AOA.

*If there are not enough directors to form a quorum to fill a casual vacancy, all remaining directors shall be deemed to constitute a quorum*

Directors of **Public Co** shall meet at least once in each quarter of year.

**Passing of resolution by the directors through circulation**

- A resolution in writing signed by all relevant directors/committee shall be as valid and effectual as if it had been passed at a meeting of them duly convened and held.
- Before passing, the resolution should be circulated with necessary papers to all directors.
- Resolution shall be noted at subsequent meeting and made part of the minutes of meeting.
- Directors' agreement to such a resolution, once signified, may not be revoked

**Records of resolutions and meetings of board**

- Every company shall keep records (in properly maintained books) comprising:
  - All resolutions of the board passed by circulation; and
  - Minutes of all proceedings of board meetings or committee meetings along with the names of participants.
- Minutes authenticated by chairman of the meeting or next meeting, shall be the evidence of the proceedings at the meeting.
- A copy of draft minutes shall be furnished to every director within 14 days of the meeting.
- Minutes must be kept at registered office simultaneously in physical and electronic form
- Shall be preserved for at least 10 years in physical form and permanently in electronic form

## RESTRICTIONS, PROHIBITIONS AND LIMITATIONS

### Restriction on directors remuneration, etc.

For performing extra services (including holding office of chairman)  
Determined by directors / General meeting in accordance with AOA

For attending meetings.

Shall not exceed scale approved by Directors/Company in general meeting accordance with AOA

### Assignment of office and alternate directors

- Any director shall not assign his office to any other person
- Such appointment shall be void ab-initio.
- Alternate director may be appointed under following situation
  - With the approval of board
  - During his absence from Pakistan of not less than 90 days
  - He shall vacate office when appointing director returns Pak.

### Restriction on transactions involving directors

#### Non-cash transactions

Unless prior approval is accorded by a resolution of general meeting of company or its holding company, no company shall enter into an arrangement by which

- A director of company/holding/subsidiary/associated or a person connected with him acquires or is to acquire assets for consideration other than cash, from the company; or
- Company acquires or is to acquire assets for consideration other than cash, from such director or person so connected;

Notice for resolution shall include particulars of arrangement along with value of assets involved duly calculated by a registered valuer.

#### Cash transaction

The company shall ensure that all cash transactions with its directors are conducted **only through banking channels.**

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**Loans to directors, etc.**

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Company is not allowed, without approval of members through resolution to provide any of these financial facilities to:

- A director of the company or holding company or any of their relatives (spouse and minor children);
- Provide guarantee or security in connection with a loan made by any person to such a director; or to any of his relatives;

For Listed companies, approval of SECP is also required

Exception

This restriction does not apply to a company which in ordinary course of its business provides loans or gives such guarantees or securities

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**Other Prohibitions**

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**Prohibition regarding political contributions**

A company is not allowed to contribute any amount:

- to any political party; or
- for any political purpose to any individual or body.

**Prohibition regarding distribution of gifts**

A company is also not allowed to distribute gifts in any form to its members in its meeting.

### QUESTION BANK – ICAP PAST PAPERS

- 1 Election of directors of Excellent Technologies Limited (ETL), a listed company, is scheduled to be held on 15 October 2020. The board of directors has requested Mohsin, one of the leading engineers, to contest the upcoming election as non-executive director for adding value to the board. Q.10  
(A-20)

Before responding to the offer of ETL's board, Mohsin has sought your advice on the following concerns:

- (i) Since he has no relationship with ETL either pecuniary or otherwise, can he contest the election as non-executive director?
- (ii) Would he be subjected to unforeseen liability that may arise due to adverse action of other directors?

Under the provisions of the Companies Act, 2017, advise Mohsin with regard to the above concerns. (06)

- 2 A team of young engineers is planning to incorporate a private limited company which would provide machine maintenance services to large companies. The company would initially be incorporated with a share capital of Rs. 20 million. Q.6(b)  
(S-20)

However, the engineers are not certain about the following matters:

- (b) Appointment of the first and subsequent directors and chief executive and terms of their office. (07)

Advise the team of engineers in respect of the above matters in the light of the Companies Act, 2017.

- 3 (b) Following is composition of board of directors of Faisal Limited, a listed company: Q.6  
(S-19)

Independent directors	Khalid, Dawood, Rehmat
Non-executive directors	Salman, Arif, Ashraf
Executive directors	Fasih (CEO), Kashif (Director Finance)

Under the Companies Act, 2017 advise which of the above directors are eligible to be appointed as Chairman of the board. Also state the time frame for his appointment, duration of office and his responsibilities. (06)

- 4 (b) Baalbek Limited is an unlisted public company and has eight directors. Its paid-up capital is Rs. 50,000,000 divided into ordinary shares of Rs. 500 each. The directors have decided to remove Aga Kirmani from the board due to his dismal performance. Aga Kirmani was elected unopposed on the board. Q.9 (b)  
(A-18)

In the light of the provisions of the Companies Act, 2017 briefly describe how Aga Kirmani can be removed from the board. (02)

- 5 Under the provisions of the Companies Act, 2017 comment on each of the following independent situations: Q.8(a)  
(S-18)

- (i) Zafar was recently appointed as a Director of HP Limited, a listed company. In March 2018 the board of directors came to know that Zafar had been declared a defaulter by the High Court. (02)
- (ii) Kalim is a director of Behaal Limited. On 1 October 2017 Kalim went abroad on a personal trip and returned back on 15 February 2018. He was unable to attend five board meetings which were held during this period. (02)
- 6 Sunshine Limited, an unlisted company, had three directors A, B and C. After two and half years of their appointment, A died in a car crash. B and C are of the opinion that since the election of directors are due in six months time, there is no need to fill the casual vacancy. Discuss the above situation in the light of the Companies Act, 2017. (02) Q10(b) (A-17)
- 7 Saleem and Company, a partnership concern, is engaged in IT consulting business. The partners intend to convert the partnership into a private limited company in the name of Marhaba (Pvt.) Limited. Q.6(b) (S-17)
- Under the provisions of the Companies Act, 2017 advise the partners with respect to the appointment of first directors of the company and the term for which they may be appointed. (03)
- 8 Golden Limited (GL), registered with a paid-up capital of Rs. 20,000,000 consisting of ordinary shares of Rs. 50 each, has decided to remove one of its elected directors Saleem due to poor performance. Q.8(b) (A-16)
- Saleem was elected on the board by securing 1,800,000 votes in a general meeting held on 1 January 2015. The least number of votes casted for electing a director in the meeting was 1,200,000. GL has seven directors on the board.
- Under the provisions of the Companies Act 2017 enumerate:
- (i) the number of votes required by Saleem to retain his directorship in GL.
- (ii) what would be your answer in (i) above, if Saleem was elected to fill a casual vacancy on the board. (03)
- 9 One of the directors while retaining his directorship in TPL is contemplating to start his own business which is likely to take most of his time for the next few years. Q.8(b) (S-16)
- Under the provisions of the Companies Act 2017 the director is seeking your advice on the matters due to which he may ipso facto cease to hold office of the director of TPL. (06)
- 10 Azad Limited (AL) is a listed company engaged in the business of manufacturing and supply of electrical appliances. Mr. Majnou, a director of AL, has applied for an interest free loan from the company to be repayable in five years. Q.6(a) (A-15)
- In view of the provisions of the Companies Act 2017 describe the circumstances under which AL may grant loan to Mr. Majnou. (04)
- 11 Briefly describe the provisions relating to the restrictions imposed on directors' remuneration with regard to performing extra services, attendance of meeting, etc. as provided in the Companies Act 2017. (03) Q.8(b) (A-14)

- 12 The business of a company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the company, and may exercise all such powers of the company as are not by Act, or by the articles, or by a special resolution, required to be exercised by the company in general meeting. Q.4 (S-14)
- In the context of the above provision of the Companies Act 2017, list any twelve powers which can be exercised by the directors of a company. (09)
- 13 On 1 February 2014 Golden Silk Limited (GSL), a listed company, acquired 80% shares of White Silk Limited (WSL), an unlisted company. On acquisition of controlling interest, directors of GSL intend to: Q.1 (S-14)
- (i) appoint two nominee directors on the board of WSL which at present consists of four directors. The existing directors of WSL were elected in the last annual general meeting of the company.
  - (ii) appoint a new Chief Executive. However, the existing directors and the chief executive claim that they cannot be removed because they have been appointed for a period of three years. These individuals also state that the appointments are in accordance with the articles of the company. In the light of the provisions of the Companies Act 2017 discuss whether GSL can appoint the new directors and replace the chief executive of WSL. (07)
- 14 An unlisted public company has six members all of whom are directors of the company and were elected on 1 January 2012. One of the directors wishes to sell all his shares. In the light of above explain whether or not the following are correct: Q.11 (A-13)
- (i) The director selling the shares will no longer remain the director of the company.
  - (ii) It will be necessary to appoint another person as director in his place for next three years.
- 15 Explain the situation whereby a shareholder may call for fresh election of directors prior to the end of the term of the present board. (05) Q.7(b) (A-13)
- 16 Explain the exceptions to the following provisions of the Companies Act 2017: Q.4(a) (S-13)  
No person shall be appointed as a director of a company if he is not a member of that company. (03)
- 17 Discuss the following, in the light of provisions of the Companies Act 2017: Haris is director of ABC Limited. He intends to assign his office to his friend, Gibran, to act for him during his absence from Pakistan. (03 marks) Q.5(a) (A-12)
- 18 Explain whether or not the following statements are in accordance with the provisions of the Companies Act 2017. A director shall, ipso facto, cease to hold office if he absents himself from any meeting of the directors. (03 marks) Q.6(c) (A-12)
- 19 The Board of Directors of Kamran Limited, a listed company, declared interim dividend for the half year ended 30 June 2012. However, subsequently it was found that there was a defect in the appointment of Farhan, a director, who participated in the meeting in which the dividend was approved. Describe the impact of the defect in appointment of Farhan on the dividend declared by the company and the current status of Farhan. (03) Q.7(a) (A-12)

- 20 Abid, Qasim and Tariq were the only members of Alpha Securities Limited, a public company and were elected as directors on 30 June 2009. Qasim expired on 2 February 2012 in a road accident. Briefly describe the provisions of the Companies Act 2017 relating to the casual vacancy as described above. (05 marks) Q.2(a) (S-12)
- 21 Narrate the provisions of the Companies Act 2017 relating to a private company in respect of: Procedure for election of subsequent directors. (09 marks) Q.3(b) (S-12)
- 22 Narrate the provisions of the Companies Act 2017 relating to a private company in respect of: Appointment of the first directors and their tenure. (03 marks) Q.3(a) (S-12)
- 23 What is the required quorum for a board meeting of a listed company and who would be responsible if a meeting is held without the quorum? (02 marks) Q.1(c) (A-11)
- 24 Briefly explain the exceptions to the following provisions as specified under the Companies Act 2017.  
No person shall be appointed as a director of a company if he is not a member. (03 marks) Q.3(c) (A-11)
- 25 Explain whether or not the following statements are in accordance with the provisions of the Companies Act 2017. Directors' remuneration for performance of extra services including the holding of office of the chairman or attending the board meeting is decided by the chief executive. (04 marks) Q.6(c) (S-11)
- 26 Explain whether or not the following statements are in accordance with the provisions of the Companies Act 2017. A director of a listed company cannot assign his office to another person under any circumstances. (03 marks) Q.6(d) (S-11)
- 27 Explain whether or not the following statements are in accordance with the provisions of the Companies Act 2017. A company may change the number of directors to be elected at least 21 days before the date of general meeting at which the election is to be held. (04) Q.6(a) (S-11)
- 28 In view of the provisions of the Companies Act 2017 explain the conditions which are required to be complied with, if a company wishes to grant loan to its director. (05) Q.13 (A-10)
- 29 Explain the conditions specified in the Companies Act 2017 under which a person may request a listed company to hold election of directors prior to the end of the term of the present board of directors. (07 marks) Q.10 (A-10)
- 30 XYZ Limited, a listed company, has decided to hold an extraordinary general meeting (EOGM) on April 30, 2010 for election of directors. The company has not yet determined the number of directors to be elected. Explain the relevant rules for fixing the number of directors to be elected, under the Companies Act 2017. (05) Q.9(a) (S-10)
- 31 Mr. Aslam, a shareholder of ABC Limited, is not satisfied with the election of directors held last week in the Annual General Meeting of the company. He intends to file a petition in the court but is apprehensive that a delay in getting a decision from the court would cause financial losses to the company. Q.12(a) (S-10)

Explain the provisions prescribed in the Companies Act 2017 relating to:

- filing of such application in the court, and (03)

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- 32 At the annual general meeting of Rahbar Refineries Limited (RRL), certain shareholders have raised objections on matters related to the use of the company's funds. In the opinion of those shareholders the directors have exceeded the authority vested upon them by the Companies Act 2017. Identify those powers of directors which the shareholders of RRL may be referring to. (05) Q.10 (S-10)

**CH # 4****CHIEF EXECUTIVE AND OTHER OFFICERS****CHIEF EXECUTIVE**

**Chief executive** In relation to a company means an individual who, subject to the control and directions of the directors, is entrusted with the whole, or substantially the whole, of the powers of management of the affairs of the company, and includes a director or any other person occupying the position of a chief executive, by whatever name called, and whether under a contract of service or otherwise

- Chief Executive (if not already a director), shall also be deemed to be a director.
- A person who is ineligible to become a director is also ineligible to be a chief executive.
- He reports to board and he cannot exceed his authority granted by BOD.

**First chief executive**

- First chief executive shall be determined by subscribers of MOA.
- His specified particulars shall be submitted with the documents of incorporation.
- Hold office till 1st AGM or shorter period (if fixed by directors)  
(unless resigns or being removed earlier)

**Subsequent chief executive**

- Appointed by the directors within 14 days of election of directors or casual vacancy
- Term; Maximum period of 3 years from the date of appointment.
- Retiring chief executive is eligible for re-appointment.
- Retiring chief executive shall continue to perform until successor is appointed unless
  - Non-appointment of successor is due to his fault; or
  - His office is expressly terminated.
- Federal Government shall have power to nominate and appoint chief executive of a company where majority of directors are nominated by the Federal Government.

**Terms of Appointment of chief executive and ineligibilities**

- Terms of appointment to be determined by directors or Co in general meeting in accordance with AOA.
- Terms of appointment of a chief executive nominated by Federal Government shall be determined by Federal Government
- If a person is ineligible to become a director, he shall also be ineligible to become a chief executive

**Removal of Chief Executive**

- By 3/4th majority of total number of directors in their meeting; or
- By special resolutions of members.
- By Government/authority/person nominated authorised by it, where more than 75% of voting rights are held by Government.

**Chief Executive of public company and competing business**

- He, his spouse and minor children are prohibited to engage in a business which competes with his company or its subsidiary
- If he is engaged in any business at the time of appointment in a public company, he shall disclose the details of such business

**OTHER OFFICERS****Chairman (for listed company)**

- Board of listed company shall within 14 days from election of directors, appoint a chairman from non-executive directors.
- Chairman shall be responsible for leadership of board and ensure that board plays an effective role in fulfilling its responsibilities.
- Annual financial statements shall contain a review report by the chairman on overall performance of board and its effectiveness.
- Chairman shall hold office for 3 years unless he earlier resigns, becomes ineligible, disqualified or removed by the directors.
- Board shall clearly define the respective roles and responsibilities of chairman and Chief Executive.

*SECP may specify classes of companies for which the chairman and chief executive shall not be the same individual*

**Share registrar (for listed companies)**

- Listed company should also appoint independent share registrars (to handle transfer of shares and all other obligations)
- Name of share registrar is also mentioned in notice of meetings
- All applications for transfer of shares are directed to share registrar instead of company

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**Company Secretary (for public companies)**

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**Company secretary**

Any individual appointed to perform secretarial and other duties customarily performed by a company secretary and declared as such, having such qualifications and experience, as may be specified

- Public company must have company secretary, possessing qualification as may be specified
- He is responsible for advising board on compliance of corporate laws and for maintenance of relevant records and registers.

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**Sole purchase, sale or distribution agent**

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No company (incorporated in Pakistan or outside) which is carrying on business in Pakistan shall, without approval of SECP, appoint any sole purchase, sale or distribution agent:

Exception to this rule

Company incorporated, or person ordinarily residing, outside Pakistan are not required to obtain approval of SECP.

(unless the major portion of business of such company or person is conducted in Pakistan)

<b>QUESTION BANK – ICAP PAST PAPERS</b>
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- 1 On 31 December 2020, Ali was appointed as a chief executive of Pearl Limited (PL) a listed company. In March 2021, he informed the board that on 15 February 2021, his spouse was appointed as a director in a brokerage house. Q.10a (S-21)  
  
Under the provisions of the Companies Act, 2017 evaluate the impact of the appointment of Ali's spouse on his position and on PL. (04)
- 2 The Board of Directors of Hassam Textiles Limited (HTL) is not satisfied with the performance of its chief executive officer (CEO) and wants to remove him from his office before the expiry of his term on 31 August 2020. Briefly explain the options available to HTL for removal of CEO under the above situation. (02) Q.7(c) (A-19)
- 3 Faraya Limited (FL), an unlisted public company, is engaged in the business of manufacturing and sale of plastic bottles in Lahore. FL is planning to appoint Gul Maher as the chief executive officer (CEO) of the company. During an interview with Gul Maher, he disclosed to the board that his wife Mona is running a corporate brokerage house in Lahore and that his son Sultan, who is a business graduate, is engaged in the business of selling plastic bottles in Multan. Gul Maher also disclosed to the board that he sometimes provides technical assistance to Sultan without any charge. Q.9 (c) (A-18)  
  
Under the provisions of the Companies Act, 2017 explain whether FL can appoint Gul Maher as the CEO of the company. (04)
- 4 Tabdily (Pvt) Limited (TPL) has recently been converted into a public listed company and the directors intend to appoint a new Chief Executive of the company. Q.8(a) (S-16)  
Under the provisions of the Companies Act 2017 briefly explain the requirement(s) for the appointment of a Chief Executive. Also state the restrictions, if any, on the appointment of a Chief Executive. (04)
- 5 Under the provisions of the Companies Act 2017 briefly describe the following: Q.1a-ii (S-15)  
(ii) chief executive in relation to a company (03)
- 6 Mr. Zameer is the first chief executive of Ryan Industries Limited, a public company. The directors of the company are not satisfied with his performance. In view of the provisions of the Companies Act 2017 specify the term of office of Mr. Zameer and explain how he can be removed before expiry of the above term. (05 marks) Q.1(a) (S-12)
- 7 Describe the provisions of the Companies Act 2017 which restrict the chief executive of a public company from carrying on any business competing with the company's business. (03 marks) Q.1(b) (S-12)
- 8 Explain whether or not the following statements are in accordance with the provisions of the Companies Act 2017. Support your answer with reasons. A chief executive, other than the first chief executive of the company, is appointed by the shareholders in the annual general meeting of the company, for a period up to the next annual general meeting. (03 marks) Q.4(c) (A-10)

- 9 Explain whether or not the following statements are in accordance with the provisions of the Companies Act 2017 and support your answer with reasons: The first chief executive of the company retires on completion of one year. The subsequent chief executive must be appointed by the shareholders within 30 days from the date of retirement of the first chief executive. (05) Q.3(e) (S-10)

**CH # 5****SHARE CAPITAL****SHARE CAPITAL****Shares and Share Certificates**

Shares and share certificates have several characteristics.

- A share is a form of moveable property (asset), carrying rights and obligations, and is transferable from one person to another.
- A share must be paid for in full when it is allotted to shareholder.
- Every share shall be distinguished by its distinctive number.
- A certificate issued in physical form under common seal of the company or issued in book-entry form (i.e. Electronic) shall be the main evidence of the title of person to such shares.
- Manner of issue of certificate of shares, form of certificate & other matters may be specified

**Authorized and Paid up share capital****Authorised Share Capital:**

- Maximum amount of shares (each class) that company may issue
- Amount of the authorized share capital has to be specified in MOA

**Issued and paid up share capital**

- Nominal (Face) value of shares (in each class) that have been issued to shareholders.
- Issued share capital may be less than authorised share capital, but cannot exceed it.

**Adverts and notices**

- If a company mentions its authorized capital in any advertisement or notice or statement, it shall also mention the amount of its paid up capital in equally conspicuous letters & equally prominent position
- Any company which makes default in complying with above requirements and every officer who is party to the default shall be liable to a penalty not exceeding level 1

**Fully paid shares**

A company having share capital shall issue only fully paid shares.

Previously partly paid shares were allowed but now companies can only issue fully paid share

Nominal value

This is face value of shares, also called par value and stated value.

Market value

Value at which share are traded at stock exchange etc (usually higher than nominal value)

### Kinds and classes of shares

- A company limited by shares may have different kinds of share capital and various classes under each kind.
- Company can have more than one kind of share capital only if it has authorized capital for all those kinds

	Ordinary Shares	Preference Shares
<b>Voting Power</b>	√	X (Normally not)
<b>Dividend</b>	Entitled to remaining profit after payment of preference dividend	<ul style="list-style-type: none"> <li>- Entitled to receive dividend before ordinary shareholders</li> <li>- Percentage of Dividend is normally fixed (defined)</li> </ul>
<b>Winding up</b>	Receive payment (if any) after paying nominal value to the preference shares	<ul style="list-style-type: none"> <li>- They have prior right of return of nominal value</li> <li>- But no further share in surplus</li> </ul>
<b>Different Classes</b>	May be on the basis of <ul style="list-style-type: none"> <li>- Different voting rights</li> <li>- Rights disproportionate to paid up shares</li> <li>- No voting rights</li> <li>- Different entitlements of dividend/right/bonus shares</li> </ul>	May be on the basis of <ul style="list-style-type: none"> <li>- Cumulative preference shares (previous missed dividend also paid in year of profit)</li> <li>- Non-cumulative preference shares</li> <li>- Redeemable / Irredeemable</li> <li>- Convertible to ordinary shares</li> </ul>

### VARIATION IN SHARE CAPITAL

#### Procedure for variation in rights

- Can only be made by alteration of AOA through special resolution
- If variation affects the rights of any particular class, it can only be passed if 3/4<sup>th</sup> majority of that class approves that variation.

#### Right to challenge the variation in rights

- Any member(s) of affected class representing at least 10% shares of that class may apply to court for an order against resolution
- Such application should be filed within 30 days of resolution.
- Court shall declare resolution null and void if it feels that either;
  - Company withheld certain facts (that could lead towards non passing of resolution) while getting the resolution passed; or
  - Change is prejudicial (harmful) to the interest of members,
- Decision of court shall be final and no appeal can be filed against it
- A copy of court order shall be filed to registrar within 15 days.

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**Alteration in capital clause**

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- Co limited by shares, (if authorised by AOA), may alter capital clause of its MOA by passing Special Resolution to:
  - Increase its share capital by such amount as it thinks fit;
  - Cancel that part of its authorized capital which has not been paid up till the date of cancellation  
(cancellation shall not affect rights of paid up shareholders)
  - Consolidate shares into larger amount than fixed by MOA
  - Sub-divide shares into smaller amount than fixed by MOA
- Company shall file resolution and altered copy of MOA with the registrar within 15 days of passing the same (Otherwise resolution shall not be effective and shall lapse)
- New shares issued by the company (due to consolidation or sub division) shall rank equally with existing shares of the company.

**QUESTION BANK – ICAP PAST PAPERS**

- 1 In the 14<sup>th</sup> annual general meeting of Sapphire Limited, a special resolution has been passed to increase the voting rights of shareholders of class A by 50%. Q.9(a)  
(S-21)  
Faiza Ibrahim, a shareholder from class B, wants to get the said special resolution cancelled.

Under the Companies Act, 2017 discuss how Faiza Ibrahim can challenge the special resolution and ask for its cancellation. Also determine the grounds on which the decision may be made in her favour. (04)

- 2 Tafriq Textiles Limited has issued two classes of shares with Class A being entitled to two votes per share and Class B having one vote per share. In a general meeting, a resolution was placed to give the same rights to the shareholders of both the classes, which was passed by the required majority. However, Gul & Sons holding Class 'A' shares are not satisfied with the decision taken by the company. Q.7(b)  
(A-17)

Under the provisions of the Companies Act 2017 discuss how Gul & Sons can challenge the above resolution and have it revoked. (05)

- 3 Paid up capital of Sigma Limited comprises of two classes of ordinary shares, A and B, having different rights. The directors approved a resolution in their meeting granting the same rights to both the classes of shareholders. Later, the members in a general meeting approved the resolution by altering the articles of association to give effect to the variation in the rights of shareholders. Q.8(a)  
(A-15)

Under the provisions of the Companies Act 2017:

- (i) What do you understand by variation of shareholders' right? (01)
- (ii) A small group of members holding class A shares is objecting to the variation in their rights. Discuss how these aggrieved members can challenge the variation of their rights and ask for its cancellation. (05)

- 4 Samjhota Limited (SL) has an authorized capital of Rs. 100,000,000 divided into 2,000,000 shares of Rs. 50 each. The directors have decided to alter the conditions of the capital clause of SL's memorandum of association. Advise the directors about the provisions of the Companies Act 2017 applicable to such alteration. (04) Q.2 (b)  
(S-15)

- 5 Green Limited (GL) has passed a special resolution in an extraordinary general meeting, whereby all the preference shares issued by GL are to be converted into ordinary shares. Some preference shareholders are not satisfied with the said conversion and seek your advice with respect to the remedy available to the preference shareholders after the said conversion. Q.11  
(S-14)

In the light of the Companies Act 2017:

- (a) Explain the conditions under which the aggrieved shareholders may approach the Court. (03)
- (b) What decision may be taken by the Court and what remedy is available to the aggrieved shareholders in case they are not satisfied with the decision of the Court? (04)

- 6 Paradise Limited, upon passing a special resolution on August 20, 2010 made amendments in its Articles of Association affecting substantial rights associated with class “B” shares of the company. Few aggrieved shareholders having objection on the special resolution intend to file an application in the Court, for the cancellation of the above resolution. Q.14 (A-10)

Discuss the relevant provisions of the Companies Act 2017 specifying the following:

- The conditions which the aggrieved shareholders will have to comply with, to be eligible for filing an application in the court for the cancellation of the above resolution. (02)
- The matters which the Court would consider while making a decision on the above application. (02)

**CH # 6****PROSPECTUS AND COMMENCEMENT OF BUSINESS****PROSPECTUS****Prospectus (Section 2(41) Securities Act, 2015)**

Any document described or issued as a prospectus and includes any document, notice, circular, material, advertisement, offer for sale document, publication or other invitation offering to the public (or any section of the public) or inviting offers from public for the subscription or purchase of any securities of a company, body corporate or entity, other than deposits invited by a bank and certificate of investments and certificate of deposits issued by non-banking finance companies

**Purpose of the prospectus**

- If company wants to issue securities to large number of persons (public) it has to offer this to general public through a prospectus.
- If general public wants to subscribe or purchase securities of any company, it can help them by providing relevant information.

**Timing of prospectus**

Company may issue a prospectus at any point in time of its life.

- Can issue shares before commencement of business.
- Can decide to issue shares in the future

Note: Existence of Prospectus ends after the purpose is fulfilled  
(It is not like MOA or AOA that are permanent)

**Shelf-Prospectus**

It is a single offering document allowing companies to make multiple offerings as disclosed in the offering document within a prescribed time and subject to prescribed conditions.

**Supplement to Prospectus**

A supplement to prospectus invites general public for subscription of the securities earlier offered to the public through shelf-prospectus. The supplement to prospectus for each offering contains updated disclosures.

**Filing with registrar before issue**

- On or before the date of publication, a copy signed by every person named as a director or proposed director, should be filed with the registrar.
- In case of any contravention, company and every person who is party to issue, publication or circulation of prospectus shall be liable to a penalty not exceeding level 2

*Note: Normally authorities require the company to arrange and write risk factors separately (in a single para). Readers of prospectus are specifically advised to read at least that para before making any investment decision.*

## **Approval of prospectus**

- Prospectus must be approved by SECP prior to its issuance.
- Issuer or offeror shall submit a copy to SECP for approval at least 21 days before the proposed date of publication of prospectus.
- SECP may approve a prospectus if it contains such information and reports as may be prescribed by regulations made by SECP (i.e. Public Offering Regulations, 2017)
- It shall be valid for a period of 60 days from the date of approval.  
(Limit of 60 days maybe extended by SECP for some reasons to be recorded in writing)
- Prospectus cannot be issued, published or circulated without SECP approval.  
(Same condition also applies on shelf-prospectus or supplement to the prospectus)
- SECP may impose further conditions or restrictions in this regard.
- Without prior written approval of SECP, no person shall issue, circulate, publish, telecast or broadcast, an advertisement, other than prospectus, announcing a public offer of securities unless a prospectus has been published and the advertisement gives an address in Pakistan from which it can be obtained.
- Issuer or offeror shall not, at any time, vary the terms of clauses given in its prospectus except with the approval of SECP
- SECP shall not be liable to any action in damages suffered due to any prospectus approved by SECP

### **Exceptions where approval of SECP is not required**

- Securities offered by the State Bank of Pakistan;
- If securities are offered in connection with a private offer;
- Issue of shares of a subsidiary to the members of a listed holding company (as a dividend) or any other distribution in the prescribed manner.
- If the securities are offered by the issuer to—
  - Members or employees of the issuer; or
  - Members of the families of any such members or employees; and
- If securities are shares and are offered as bonus shares to any or all of members of issuer.

## **Issue, circulation and Publication of Prospectus**

### **Publication of Prospectus**

- Prospectus (full text/approved abridged form) shall be published at least in one Urdu and one English daily newspaper.
- It shall be published in newspapers at least 7 days and at most 30 days before the commencement of public subscription.

- Sufficient number of copies of approved prospectus shall be made available (free of charge) from the date of its publication in newspapers till the closing of the subscription at:
  - Registered office of the issuer
  - All securities exchanges of the country
  - All the bankers to the issue
  - Concerned share registrar
  - Concerned balloter and
  - Concerned credit rating agency (if any)
- Prospectus and subscription form shall be
  - Uploaded on website of the issuer; and
  - Shall remain there from date of its publication in newspapers till the closing of the subscription.

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## Expert

### Expert to be independent

Expert should be a person who is not, and has not been, engaged or interested information or promotion or in management of company.

**“Expert”** includes banker, securities advisor, engineer, valuer, accountant, lawyer and any other person whose profession gives authority to a statement made by him..

### Expert’s consent:

A prospectus that contains a statement purporting to be made by an expert or to be based on a statement made by an expert shall not be issued, circulated or published unless:

- Expert has given, his written consent to issue of prospectus with the statement in the form and context in which it is included; and
- There appears in the prospectus a statement that the expert has given and has not withdrawn his consent.

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## Criminal liability for defective prospectus

A person commits an offence, who:

- Makes a misleading, incorrect, untrue or deceptive statement in a prospectus; or
- Omits information or a statement from prospectus that Securities Act, 2015 or any related rule or regulation requires to include.

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## Compensation for false or misleading prospectus

Every offeror, issuer, director of an offeror or issuer or any person who has signed prospectus shall be liable to pay compensation to any person who acquires securities, in reliance on prospectus and suffers loss in respect of them due to any incorrect, untrue or misleading statement in prospectus or omission of any required matter

### CONDITIONS FOR COMMENCEMENT OF BUSINESS

- Private company and a guarantee limited company not having share capital can commence their business and exercise all of the powers regarding borrowings after incorporation
- Other companies shall not commence any business or exercise borrowing powers unless:
  - Shares have been allotted in cash not less than the minimum subscription
  - Every director has paid to company in cash full amount on each of the shares taken or contracted to be taken by him
  - No money is or may become liable to be repaid to applicants for any shares which have been offered for subscription;
  - Filed with registrar a duly verified declaration by the chief executive or one of the directors and secretary in prescribed form that conditions complied with
  - Registrar has issued a certificate of commencement of business (conclusive evidence)
  - Company has filed a prospectus or SILOP.
- Registrar shall, after making necessary enquiries, accept and register relevant documents.
- Registration shall be conclusive evidence that company is entitled to start its operations.
- Any contract made by a company before the date at which it is entitled to commence business shall be provisional only, and shall not be binding on company until that date
- For contravention of above provisions, every officer or other responsible person shall, in addition to other liabilities, be liable to a penalty not exceeding level 2
- Section not applicable to a public company who has converted from a private company

#### **Minimum Subscription**

Means the amount, if any, fixed by MOA/AOA upon which directors may proceed to allotment. If no amount is fixed, the whole amount of share capital (other than that to be issued not for cash) is minimum subscription.

#### **Prospectus or Statement in Lieu of Prospectus (SILOP)**

<b>Circumstances</b>	<b>Relevant Document to be issued or filed</b>
Inviting general public, or when company is listed	Prospectus
Not inviting the public to subscribe	SILOP
Issued a prospectus but could not obtain listing on stock exchange	Repayment of all money on the basis of prospectus and filing SILOP

## QUESTION BANK – ICAP PAST PAPERS

### Prospectus

- 1 (a) The directors of Jhelum Limited (JL) intends to make a public offer of its securities and are in the process of preparing the prospectus. They wish to include a statement made by an expert in JL's prospectus. Q.8  
(A-20)  
Under the provisions of the Securities Act, 2015 advise the directors about:
  - (i) the matters that must be considered before including the statement made by an expert in JL's prospectus. (02)
  - (ii) the conditions that must be complied with before issuing, circulating or publishing JL's prospectus containing the expert's statement. (02)
- (b) Explain the term 'shelf registration' in the context of a prospectus as defined in the Securities Act, 2015. (02)
- 2 (b) Under the provisions of the Securities Act, 2015 no person shall make a public offer of securities unless the Commission has approved the prospectus submitted by the issuer or offeror of the securities. Q.7b,c  
(S-20)  
Discuss the exceptions to the above provision of the Securities Act, 2015. (04)
- (c) On 4 February 2020, the Commission approved the prospectus of Victory Limited (VL) for public offer of its securities. The directors intend to publish the prospectus on 10 April 2020.  
Under the provisions of the Securities Act, 2015 advise the directors with regard to the following:
  - (i) The time frame within which the prospectus may be published. (02)
  - (ii) The requirements for publication of prospectus. (03)
- 3 Sepham Limited is in process of raising money through issuance of shares and intends to issue a prospectus. Q.7(b)  
(S-19)  
Advise the management as to who would be liable under the Securities Act, 2015 to compensate the investors in case there is any deficiency in the prospectus and under what circumstances this liability would arise. (04)
- 4 The Directors of Solar Limited (SL), want to arrange finances for their factory expansion project and have decided to issue 1,000,000 ordinary shares to general public. The directors want the public subscription to commence not later than 7 October 2018. Mobeen, who is the company secretary, has proposed the following schedule for the purpose: Q.7(b)  
(A-18)
  - (i) On 12 September 2018, a copy of the prospectus shall be submitted to the Registrar Joint Stock Companies for approval.
  - (ii) For ease of access, the copies of the prospectus shall be available for members' inspection at SL's main showroom. The prospectus shall remain open for inspection from 28 September 2018 till 4 October 2018 at a fee of Rs. 50.
  - (iii) The prospectus would be published in a popular fortnightly Urdu magazine on 30 September 2018.
  - (iv) Public subscription would commence on 5 October 2018.

Suggest appropriate revision in the above proposal to bring it in line with the provisions of the Securities Act, 2015. (05)

- 5 On 25 February 2018 Badar Limited (BL), in a move to list its shares on Pakistan Stock Exchange, received approval from the Commission for the publication of prospectus. Q.7(a)  
(S-18)

Under the provisions of the Securities Act, 2015 advise BL with regard to the publication of the prospectus in the newspaper and its placement on the company's website. (06)

- 6 Khush-haal Limited (KL) is engaged in the business of manufacturing garments in Karachi. The directors, in order to expand KL's business, are planning to acquire a garment factory in Multan. In order to finance the acquisition cost, they intend to issue 5 million ordinary shares to the general public. They have appointed Mr. Sehgal as an expert to evaluate the above project and include his statement in KL's prospectus. Q.7(a)  
(S-17)

Under the provisions of the Securities Act, 2015 advise the directors about the conditions to be fulfilled for including Mr. Sehgal's statement in KL's prospectus for its issuance to the general public. (03)

- 7 Super Star Limited has recently been incorporated as a public limited company in Islamabad. The directors are planning to make a public offer of its securities and are in the process of finalizing the prospectus. Q.7(a)  
(A-16)
- Under the provisions of the Securities Act, 2015 advise the directors with regard to the following:  
(ii) publication of prospectus. (03)

- 8 The Board of Directors of Tanveer Limited, a listed company, has decided to invite general public for the subscription of its securities and therefore, intends to issue/publish a prospectus. Q.7(a)  
(S-16)
- Under the provisions of the Securities Act, 2015 advise the directors about:  
(i) The time frame within which approval for the issuance of prospectus may be obtained and the time for which the prospectus may remain valid after approval. (02)  
(ii) The requirement(s) which must be satisfied before registration of the prospectus. (06)

- 9 Baykarar Limited (BL), a listed company, wants to increase its production capacity and is in the process of acquiring a new plant for its soda ash project. The company is contemplating to finance the project by issuing ordinary shares to the general public. In order to enhance the credibility of its expansion project, BL's management has decided to include a statement from Mr. Suleiman, a mechanical engineer, in its prospectus. Q.7(a)  
(A-14)

Under the provisions of the Securities Act, 2015 describe the conditions which must be satisfied for the inclusion of statement from Mr. Suleiman in BL's prospectus.

- 10 Following the approval of prospectus of Top Engineering Limited, by the SECP on 31 August 2013, the directors have drawn up the following plan: Q.4(b)  
(A-13)
- (i) The prospectus would be published in an English newspaper on 25 October 2013.  
(ii) 1000 copies of the prospectus would be printed.  
(iii) The subscription list would remain open for two days on 10-11 November 2013.

Discuss whether the above plan is in accordance with the provisions of the Securities Act, 2015. (07)

- 11 UHY Limited intends to raise funds through issuance of shares to the public. Proceeds of the issue would be utilized for installation of a new plant. The directors plan to issue the prospectus on 10 September 2012. The subscription list will be opened in the second or the third week of October 2012. An expert opinion would also be required to be included in the prospectus. Q.1 (A-12)

You are required to advise the company, based on the provisions of the Securities Act, 2015, in respect of the following:

- Date of publication of the prospectus and the opening of subscription list. (04 marks)
- The places where UHY would be required to make available copies of its prospectus. (02 marks)
- The conditions that UHY would be required to comply with in respect of the inclusion of the statement by the expert. (03 marks)

- 12 Quite often, a prospectus inviting persons to subscribe for shares in a company contains a statement from person(s) who are experts in their respective fields. Describe the term "Expert" as explained in Securities Act, 2015 in the above context. (02) Q.2 (S-10)  
Narrate the conditions that a company should comply with if its prospectus contains a statement by an expert. (03)

## Commencement of Business

- 1 White Diamond Limited (WDL) was incorporated on 6 February 2021. All the subscribers to the memorandum of WDL has paid the share money except Aijaz who has subscribed 4,000 shares and is willing to make the payment before 10 March 2021. Q.7(a) (S-21)

WDL's management intends to start the operations of the company immediately since minimum subscription amount is not fixed in WDL's memorandum and articles of association. Accordingly, for the purpose of commencement of business, they intend to submit requisite documents with the registrar. The management is confident that the registrar will accept and register all the documents.

Under the Companies Act, 2017:

- (a) determine Aijaz's status in WDL and discuss implications, if any, towards himself as well as WDL, if he makes the payment before 10 March 2021. (05)

- 2 Under the provisions of the Companies Act, 2017 briefly explain the exception(s) to the following general rule: Q.9(c) (A-19)

Companies can commence the business only after obtaining certificate of commencement of business from the registrar. (02)

- 3 Innovation Limited is a newly incorporated public limited company. Prior to the issuance of certificate of commencement of business, the directors have entered into a long-term contract with a foreign company for the supply of materials for use in production. Q.6(a) (S-17)

Under the provisions of the Companies Act 2017 explain the following:

- (i) status of the long-term contract under the above circumstances. (02)
- (ii) requirements for obtaining the certificate of commencement of business. (05)

- 4 Mazboot Limited (ML) is a newly incorporated company. ML has issued a prospectus inviting offers from the general public for subscription to its shares and is also intending to sign a musharika finance facility agreement with Top Bank Limited. However, Mr. Baqir, who is the legal advisor of the company, is against the signing of musharika finance facility agreement. Q.8 (a) (A-14)

In view of the provisions of the Companies Act 2017 explain why ML should not sign the finance facility agreement. List the condition(s), if any, which ML must comply before exercising its borrowing powers. Also state the consequences if ML signs the musharika finance facility without fulfilling the above condition(s). (07)

- 5 Explain the provisions specified in the Companies Act 2017 relating to requirements to be completed before the commencement of business by a public company. (06 marks) Q.8(c) (A-11)

**CH # 7****MORTGAGES & CHARGES****BORROWING POWERS OF THE COMPANY****Inherent Borrowing Powers**

MOA shall be **deemed to contain the powers to borrow** money as loans, advances or credit (including powers to issue securities not based on interest) from scheduled banks or financial institutions (even if such powers are not included in MOA)

A company having borrowing powers has also power to pledge or mortgage its property or create a charge on its assets as security for the borrowing.

Companies cannot exercise any borrowing powers before obtaining a **certificate of commencement of business** (if applicable)

Ultra-Vires borrowings

- Company may restrict their powers to borrow through AOA
- Company can mention that the borrowings exceeding a certain amount may be made only with prior approval of members
- If directors exceed their authority in such case and borrow in excess of limit, such borrowing shall be “ultra-vires borrowings”

**Forms of Borrowings**Borrowing by issuing debentures

- Any security evidencing a debt shall effectively be a debenture
- Public company may issue debentures to public or may issue debentures to any persons privately.
- Debentures may be secured or unsecured

Borrowings from credit institutions

E.g. commercial banks, investment banks, non-banking finance companies, modaraba and all other business organisations providing facilities for loan against interest or against participation in profits

Borrowing from other sources

May include sponsors or controlling shareholders of company. This type of financing is usually unsecured, however, it may be secured against the assets of the company

## Types of Security

**Pledge:** 'bailment' of goods as security for the repayment of a debt or performance of a promise.

Moveable assets => Physical possession with lender

**Mortgage:** 'an interest or lien' created on the property or assets of a company or any of its undertakings or both as security.

Immoveable assets => Transfer of Title to lender

Alternate definition of Mortgage [The Transfer of Property Act, 1882]

Transfer of an interest in specific immoveable property for the purpose of securing payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability"

**Charge:** Security for payment of a debt or other obligation that does not pass 'title of property' or any right to its possession to the person to whom the charge is given.

Any asset => A right to take possession in event of company's default to pay the loan

The two broad categories of charge are:

- Fixed charge: The charge which is created on identified assets like specific land and building, specific plant and machinery, etc.
- Floating charge: The charge is created over class of assets which changes over time like debtors, stock, etc. or the entire undertaking of the company.

## REGISTRATION, RECTIFICATION AND SATISFACTION OF MORTGAGES & CHARGES

### Types of mortgage & charge liable for registration

Following mortgages & charges, including pledge, must be registered with registrar

- On any immovable property wherever situate, or any interest therein; or
- For the purposes of securing any issue of debentures;
- On book debts of the company;
- On the undertaking or property of the company, including stock-in-trade; or
- On a ship or aircraft, or any share in a ship or aircraft;
- On goodwill or on any intellectual property;
- On any movable property of the company;
- Based on agreement for the issue of any instrument in the nature of redeemable capital, or any other interest therein; or
- Based on conditional sale agreement, namely, lease financing, hire-purchase, sale and lease back, and retention of title, for acquisition of machinery, equipment or other goods:

*If a negotiable instrument has been given to secure payment of any debts, deposit of instrument shall not be treated as a mortgage or charge on those book debts.*

### Procedure for registration of mortgage or charge

- It is duty of company to get the particulars of charge registered with registrar within 30 days of creation
- Registrar shall issue certificate of registration with his signatures or authenticated by his official seal in specified manner.
- The above provisions relating to registration shall apply to a company acquiring any property subject to a mortgage or charge.
- Any interested person (e.g. lender) can also register mortgage or charge with registrar within 30 days of creation
  - Interested person shall be reimbursed by company for costs properly incurred in getting mortgage or charge registered.

*Note: Every person buying any property of company shall be deemed to have a **constructive notice** of the fact that asset is subject to mortgage or charge*

#### Mortgage/charge created outside Pakistan on property outside Pak

Period of 30 days shall start from the day when the documents should reach Pakistan if sent with due care from that other country.

#### Mortgage/charge created in Pakistan on property outside Pakistan

Registration of charge with the authorities of that other country shall also be required for completion of registration of mortgage or charge.

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**Consequences of non-registration**

- Mortgage or charge would become void and shall not be accepted as such by liquidator or any creditor.
- This shall not affect any contract or obligation for repayment of money thereby secured.

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**Modification in the particulars of mortgage or charge**

- Modification means the change in terms or conditions or or operation of any instrument.
- Company shall send to registrar the particulars of such modification with a copy of the instrument evidencing such modification verified in the specified manner.
- Provisions of registration of mortgage or charge shall apply to such modification as well

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**Payment or satisfaction of mortgage or charge**

- Particulars of payment/satisfaction shall be submitted to registrar within 30 days from the date of payment/satisfaction.
- Registrar shall register the same only after verifying from lender
  - Shall grant him a time of 14 days to file any objection
  - If no objection is filed by lender; he shall enter in register
  - If any objection is filed by lender; he shall communicate the company regarding such objection
- Registrar may (even if no information is received from company) enter satisfaction of mortgage or charge if he is aware that
  - A particular mortgage or charge has been repaid; or
  - Property no longer remains part of undertaking of company.

*If company fails to file the particulars of such satisfaction within the 30 days' period, the required particulars may be submitted with additional fee and imposing a penalty as may be specified*

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**Rectification of register of mortgages [Section 108]**

- SECP may (on application of Co/interested person) on terms and conditions seem just and expedient, order for extension in time of registration or rectification on being satisfied that:
  - Omission to register a mortgage/charge within 30 days, or
  - Omission or mis-statement of any particular, orwas accidental or due to inadvertence or to some other sufficient cause, or is not prejudicial to creditors/shareholders, or any other grounds just and equitable
- SECP may order for extension in time and rectification on terms and conditions seems fit
- Certified copy of order of SECP shall be filed with registrar within 7 days of such order
- Extension in time shall not prejudice any rights acquired in respect of property concerned prior to the time when the mortgage or charge is actually registered.

**RECORDS AND REGISTER**

- Every company shall maintain a register of mortgages and charges in specified manner
- Register and copies of instrument, creating any mortgage and charge or modification thereof, shall be open to inspection of:
  - Any member or creditor of the company without fee; and
  - Any other person on payment of such fee as may be fixed by company
- Non compliance of this section shall attract a penalty of level 1
- In addition to above penalty, registrar may by order compel an immediate inspection

Every company shall keep at registered office, a copy of every instrument creating any mortgage or charge or evidencing modification of the terms or conditions thereof

### QUESTION BANK – ICAP PAST PAPERS

- 1 List six types of charges which a company is mandatorily required to get registered with the registrar under the Companies Act, 2017. Also state the effect of non-registration of a charge created in favour of a company. (04) Q.7 (a)  
(S-19)
  
- 2 Under the provisions of the Companies Act, 2017 describe the circumstances in which the registrar has the power to make entries of satisfaction and release of charge in the register of mortgages and charges without intimation from the company. (03) Q.7 (b)  
(S-18)
  
- 3 Under the provisions of the Companies act, 2017 briefly describe: Q.7(a)  
(A-17)
  - (i) the provisions relating to the inspection of register of mortgages and charges and where such register should be kept. (03)
  
- 4 Expansion Limited (EL), a company incorporated in Quetta, has acquired a hotel in Iran. On 1 March 2017, EL obtained a long term loan from ABC Bank Limited, situated in Chaman, by creating a charge on its property in Iran. Under the provisions of the Companies Act 2017 explain the procedure for the registration of the above charge. (04) Q.7 (b)  
(S-17)
  
- 5 Briefly describe the term 'Mortgage' as stated in the Companies Act 2017. (02) Q.7(b)  
(S-16)
  
- 6 On 15 August 2015, Masoom Limited repaid the short-term running finance facility it had obtained from AB Bank Limited against a floating charge on the stock-in-trade and book debts of the company. In view of the provisions of the Companies Act 2017 briefly describe the duties of Masoom Limited and registrar under the above circumstances. (04) Q.8(b)  
(A-15)
  
- 7 On 1 July 2014, Big Ban Limited obtained a short term running finance facility from Cool Bank by creating a floating charge on its book debts and stock-in-trade. Q.7(b)  
(A-14)

Under the provisions of the Companies Act 2017 explain the following:

  - (i) The procedure required to be followed to get the charge registered with registrar. (03)
  - (ii) The consequences of non-registration. (02)
  
- 8 The trading business of BR (Private) Limited (BRPL) has been growing significantly during the last few years. To cater to the needs of its expanding business, it has arranged a short term loan of Rs. 10 million which will be provided by XYZ Bank Limited on 1 October 2012 and would be secured by mortgage of factory building of the company. Entire amount of loan would be repaid on 1 May 2013. Q.4  
(A-12)

In the context of provisions of the Companies Act 2017 discuss the following:

  - (a) The responsibilities of BRPL relating to the registration of mortgages and matters related thereto. (05)
  - (b) Importance of registering the charge with the registrar of companies. (03 marks)
  
- 9 List the mortgages and charges which, if not registered by the company, shall be considered as void. (06 marks) Q.11a  
(A-11)
  
- 10 Explain the procedure described by the Companies Act 2017 for registration of payment or satisfaction of mortgage. (05). Q.5(a)  
(.09)

**CH # 8****MEETINGS****DIFFERENT TYPE OF MEETINGS**Director's Meetings

- Board Meeting (all the directors)
- Committee Meeting (selected directors)

Member's Meetings

- General Meetings (all the members)
  - Statutory Meeting
  - Annual General Meeting
  - Extraordinary General Meeting
- Class Meetings (any class of members)

*General meetings are chaired by chairman of BOD. Other directors also attend the meeting, but they don't have a right to vote there. If they are member as well, then they can vote as a member.*

**Statutory Meeting****Applicable on**

- Every public company having share capital
- A private company that converts itself into a public company within one year of its incorporation

**Timing**

Earlier of

- 180 days from date of commencement of business; or
- 9 months from the date of its incorporation

Statutory meeting not required if AGM is held before its due date

**Purpose**

To discuss and approve "Statutory Report"  
(sent to members with notice at least 21 days before meeting)

- Members may discuss any matter relating to company in this meeting however resolution shall only be passed only for those matters for which prior notice has been given
- Directors shall make available a list of members, along with their particulars, at start of meeting and it shall be open for inspection by any member during meeting
- Meeting may be adjourned from time to time and any resolution passed in adjourned meeting will be as effective as original one.

### Contents of Statutory Report

- Total number of shares allotted by the company  
(distinguishing between shares allotted for cash and otherwise)
- Total cash received against shares allotted
- For shares allotted otherwise than in cash, details of consideration
- Summary of receipts and payments prepared to a date not earlier than 15 days before date of statutory report under separate heading:
  - Receipts from shares, debentures and other sources
  - Payments made;
  - Balance remaining in hand; and
  - Estimate of preliminary expenses showing separately any commission or discount paid or to be paid on issue of shares or debentures;
- Particulars of directors, chief executive, secretary, auditor and legal adviser;
- Particulars of any commission paid on issue of shares  
(particularly against the shares issued to directors, chief executive and to the private companies in which such persons are directors)
- Details of any contract to be modified with member's approval
- Extent of carrying out or not carrying out any underwriting contract  
(with reasons for not carrying out)
- A brief review of affairs of the company since its incorporation and the business plan.

### Authentication and filing of Statutory Report

- Shall be certified by chief executive and at least 1 director.  
(for listed company, also by CFO)
- Report should be accompanied by an **auditor's report** on
  - Allotment of shares
  - Cash received against share allotted
  - Receipts and Payments account of the company.
- A copy of report, along with auditor's report, shall be filed with the registrar forthwith after sending report to the members.

### Annual General Meeting (AGM)

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- 1<sup>st</sup> AGM  
Within 16 months of incorporation
- Subsequent AGM
  - Once in every calendar year
  - Within 120 days of close of its financial year
- Extension up to 30 days can be granted in AGM by
  - SECP for listed Co
  - Registrar for any other case
- AGM is called on the order of directors (not the members)

- Notice of AGM shall be given to members 21 days before meeting.
- For listed company, notice also to be
  - Published in an Urdu and an English daily newspaper having nationwide circulation
  - Sent to the SECP
- AGM of listed company shall be held in town of registered office or in a nearest city
- Members of listed company holding at least 10% shares, residing in another city, on written request at least 7 days before AGM, may require Co to provide facility of video-link to attend AGM

Note: SMC is not required to hold AGM

### **Extraordinary General Meeting (EGM)**

- All meetings other than AGM and Statutory shall be called EGM.
- Notice of EGM shall be given to members 21 days before meeting. (For listed Co notice also be published in 1 Urdu & 1 English newspaper having circulation in province of stock exchange)
- For unlisted companies, if all members entitled to attend and vote at any EGM so agree, a meeting may be held at a shorter notice.
- Directors may call an EGM at any time for taking approval of members on any matter.

### **Meeting on requisition of members**

- EGM can also be called on request of members (requisitionists) holding at least 10% voting power (or 10% in quantity in case of a company not having share capital)
- Requisition shall file a proper written requisition
  - Stating the objects of meeting
  - Signed by requisitionists
- On such requisition directors shall call the EGM.
- If directors do not proceed to call EGM within 21 days of requisition; the requisitionist themselves should call a meeting
- Meeting shall be called in approximately same manner as would have been called by directors.
- Any reasonable expenses incurred on meeting shall be repaid by company to requisitionist (company shall deduct this money from the remuneration payable to directors in default)

*Meeting should be held within **90 days** of filing requisition either by directors or by the requisiteness otherwise requisition shall be expired.*

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**Calling of meetings by SECP**

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- SECP may call any general meeting if company makes a default in calling Statutory Meeting, AGM or EGM on requisition of members.
- SECP may give such incidental directions as it deems fit.  
(including that even 1 member present can be treated as quorum)
- All costs borne by company unless SECP directs same to be taken from some defaulting official of company
- SECP may also direct that the cost and expenses of such meeting to be borne by any of the officers including directors
- If any person makes default in holding such a meeting or in complying with any directions of SECP, shall be liable to a penalty of level 3

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**Declaring meeting as invalid**

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When there are material defects or omission in the notice or there is irregularity in proceedings of the meeting:

- Members having 10% or more voting rights may file a petition
  - to court
  - within 30 days of the meeting
- Court may declare such proceedings or any part of the meeting invalid and may direct holding of fresh general meeting

## SERVICE OF DOCUMENTS AND NOTICES

A document or information may be served on **company or any of its officer:**

- At registered office of company against an acknowledgement; or
- By post or courier service; or
- Through electronic means; or
- In any other manner as may be specified.

A document or information may be served on the **SECP or registrar:**

- Against an acknowledgement; or
- By post or courier service; or
- Through electronic means; or
- In any other manner as may be specified.

### Notice

- A formal document sent to each member at his registered address or any other address supplied by him
- Notice shall state place, day and time of the meeting
- Notice may be served to members
  - against an acknowledgement; or
  - by post or courier service; or
  - through electronic means; or
  - any other specified manner.
- Notice alongwith a statement of the business (to be transacted) shall be given to:
  - Every member or class of the members of the company as the case may be;
  - Every director;
  - Auditors of the company.
  - Any person who is entitled to a share in case of death or bankruptcy of a member (if company has been notified of his entitlement);
- Where a notice is sent by post, service of notice shall be deemed to be effected by properly addressing, prepaying and posting a that and, unless the contrary is proved, to have been effected at the time at which the letter will be delivered in the ordinary course of post.
- Accidental omission to give notice to, or non-receipt of notice by, any member shall not invalidate the proceedings at any meeting
- Members may participate in the meeting personally, through video-link or by proxy.
- A notice may be given by the company to the joint-holders of a share by giving the notice to the joint-holder named first in the register of members.
- In case of death or insolvency of member, notice can be given to legal representative or official assignee at the address supplied by that person for this purpose
- For listed company, it shall be mentioned in the notice that if certain members holding 10% of the total paid up capital (or such other percentage as may be specified), reside in a city, they may demand to provide them the facility of video-link for attending the meeting.

## CONDUCT OF MEETINGS

### Special Business

- Any business (agenda of the meetings) other than the following “ordinary businesses” is known as “special business”
  - Consideration of accounts, auditors' and directors' reports
  - Appointment of auditors and fixing their remuneration
  - Declaration of dividends
  - Election or appointment of directors
- If any special business is to be discussed at meeting; notice shall include “Statement of material facts” about that business
- If any item of business requires an approval to any document by meeting, the time and the place where the document may be inspected, shall be specified in the statement

### Presiding the meeting (Chairman of Meeting)

- Chairman of BOD shall preside as chairman at every general meeting.
- If at any meeting he is not available/present within 15 minutes of starting time, or is unwilling to act as chairman, any one of the directors present may be elected as chairman.
- If none of the directors is present or is unwilling to act, members present shall choose one of their member as chairman

### Voting

- In company not having share capital, each member shall have 1 vote
- In company having share capital, member shall have votes proportionate to paid up value of shares

### Type of Voting

#### Show of Hands

- Voting is normally done by show of hands unless poll is demanded
- Every member shall exercise **one vote**
- Chairman shall declare the results of show of hands (whether a resolution has been carried or not, unanimously or by a particular majority)
- Chairman's declaration will be valid (unless contrary is proved)
- Decision shall be entered in the books of minutes

Poll

- Before or on declaring result of voting by show of hands, a poll may be taken by chairman on his own or may be demanded by persons having at-least 10% voting power
- In a poll, **voting power** of shareholders is counted for voting.
- On a poll votes may be casted personally or through proxy
- Demand of poll may be withdrawn anytime by the person or persons demanding the poll.

**Time of talking Poll**For election of chairman or adjournment

Immediately

Any other case;At such time as the chairman may direct  
(not more than 14 days from demand of poll)

- After polling; chairman or his nominee and a representative of member(s) demanding poll shall scrutinize results
- Chairman shall declare the result
- Chairman has power to regulate manner in which polls may be conducted and the results of poll shall be final.

**Proxies**

- A person appointed to vote and speak on behalf of a member
- Proxy must be a member unless AOA permits.
- Proxy is entitled to all the acts which the original shareholder is entitled to do himself in meeting including:
  - to speak and vote at the meeting;
  - to demand a poll;
  - to abstain from voting, if poll is demanded.
- Notice must specifically mention the right to appoint proxy  
(A blank proxy form should also be attached with the notice)
- Written proxy form/instrument shall be signed by appointer or his authorized agent
- Proxy form shall be filed at least 48 hours before meeting time  
(Non working day shall not be counted in these 48 hours)
- If a valid proxy instrument (as per table A of Articles) is deposited, company cannot reject or question its validity
- A member cannot appoint more than 1 proxy  
(if so appointed all the proxies shall be invalid)
- Every member entitled to vote at a meeting shall be entitled to inspect during the business hours of the company all proxies lodged with the company

*Note: In case of companies not having share capital, members are not entitled to appoint another person as his proxy unless the articles provide otherwise.*

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## Representations

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### Corporations at meetings of companies

- If a company is member of another company, it may authorise any of its officials or any other person to act as its representative there
- Such representative shall have same powers, which an individual shareholder of that other company possesses at that meeting.

### Creditors

- A creditor company may authorize any of its officials to represent it at the creditor's meeting (possessing all powers of creditors)

### Federal or Provincial government as a member of any company

- Federal Government or Provincial Government may appoint any person to act as its representative at any general or class meeting:
- Such person shall be deemed to be a member of such company and he shall be entitled to exercise all the rights and powers of any member, including the right to appoint proxy

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## Quorum

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Quorum means certain minimum number of members of a company as is fixed as competent to transact business in a general meeting of members in the absence of the other members. Any business transacted in a meeting without quorum shall be void

Unless larger number fixed by AOA, quorum shall be:

#### Listed

10 members present personally or through video link having at least 25% voting powers present in person/proxy

#### Other companies having share capital

2 members present personally or through video link having at least 25% voting powers present in person/proxy

#### Other companies not having share capital

As provided in the AOA

**If Quorum not complete** within half hour of meeting,

- If called by requisitionists; Shall be dissolved.
- If called by the directors; Shall be adjourned to same day, time & place in next week

If quorum not present within half hour at adjourned meeting, quorum shall be not less than 2 members present personally or through video link (unless articles provide otherwise)

## RESOLUTIONS AND RECORDS

### Notice of resolution

- In case of special resolution, notice shall be accompanied by the draft resolution.
- Members having at least 10% voting power may also give notice of a resolution (with supporting statement, if any) to company:
  - With the requisition for the meeting (meeting requested by requisitionists)
  - At least 10 days before the meeting (in any other case)
- Company shall forthwith circulate such resolution to all the members.

### Resolution passed at adjourned meeting

If a resolution is passed at any of the adjourned meeting (any type), the resolution shall be treated as having been passed on the date on which it was in fact passed, and not on any earlier date

### Resolution through circulation

- Except for ordinary businesses, members of a private company or a public unlisted company (having not more than 50 members), may pass a resolution (ordinary/special) by circulation signed by all members for time being entitled to receive notice of meeting.
- It shall be as valid and effectual as it is passed in general meeting.
- Resolution shall be circulated to all members (together with necessary papers)
- Members' agreement, once signified, may not be revoked.
- Such resolution shall be noted at subsequent meeting and made part of the minutes of that meeting.

### Filing of resolutions

- A copy of all special resolutions shall be filed with registrar within 15 days of passing
- Such copy shall be authenticated by a director or secretary
- Copy of every Special Resolution to be annexed to every copy of (registered) AOA issued after date of resolution.
- A copy of every special resolution shall be forwarded to any member at his request on payment of such fee determined by the company

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**Minutes**

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- Every company is required to maintain
  - Records of copies of all resolutions of members passed otherwise than at general meetings; and
  - A fair and accurate summary of all proceedings of meetings of directors, member or committees of directors
- Minutes shall include names of attendees.
- Books of minutes of the meetings shall be kept at Registered office
- Signatures of the chairman of that meeting or next meeting shall be sufficient evidence of proceedings (unless contrary is proved)
- Minutes books shall be open to inspection by members for at least 2 hours on each day during the business hours (without charges)
- Members can demand certified copy of minutes of general meeting at any time after 7 days of meeting (prescribed fee)
  - Company shall provide him within 7 working days of request.
- Records must be kept at registered office from the date of the resolution, meeting or decision in physical and electronic form
- Records shall be preserved
  - For at least 20 years in physical form; and
  - Permanently in electronic form.

**Note:** All requirements of Companies Act regarding calling of, holding and approval in general meeting, board meeting and election of directors in case of a SMC, shall be deemed complied with; if decision is recorded in the relevant minutes book and signed by sole member/director

**QUESTION BANK – ICAP PAST PAPERS**

- 1 In the general meeting of Red Coral Limited (RCL), while discussing one of the agenda items, two of the members, Yasmeen and Yameen wants to demand poll. Q.9b  
(S-21)  
  
Under the provisions of the Companies Act, 2017 advise the chairman whether they are eligible to demand the poll. Also discuss the procedure to be followed for taking the poll in the general meeting. (03)
  
- 2 On 26 September 2020, the board of directors of Duck Fertilizers Limited (DFL), a public unlisted company, in its recent board meeting has approved a short term loan to Kitten Limited, one of the associated companies, to meet its working capital requirement, for which shareholders' approval is required. DFL's annual general meeting is scheduled to be held in March 2021. Q.9(a)  
(A-20)  
Under the provisions of the Companies Act, 2017:  
(a) briefly discuss the options available to DFL for obtaining shareholders' approval. (03)
  
- 3 The annual general meeting of Alpha Limited (AL), a listed company, is scheduled to be held in March 2020 to transact several ordinary and special businesses such as election of directors including independent directors. Q.9  
(S-20)  
  
Under the provisions of the Companies Act, 2017 list the information which must be included in AL's notice of annual general meeting to be published in the newspapers. Your answer should cover all aspects which must either be included in or be annexed to notice of annual general meeting. (10)
  
- 4 Fancy Works Limited (FWL) is in process of finalizing the prerequisites of holding its first Annual General Meeting (AGM) to be held on 31 October 2019. Q.7b  
(A-19)  
(i) Advise FWL about the matters relating to proxies which must be included in the notice of AGM. (02)  
(ii) Arbaz Limited (AL) is a member of FWL. How would AL represent itself in the AGM? (02)
  
- 5 Unique Limited is due to hold its first annual general meeting on 20 April 2018. Q.8 (b)  
(S-18)  
Under the provisions of the Companies Act, 2017 advise the directors with regard to the types of businesses which would be deemed to be special business and also discuss additional formalities which are required to be complied with in respect of notice containing special business. (06)
  
- 6 (a) The annual general meeting (AGM) of Kamyab Limited is due to be held on 12 September 2017 at 10:00 am at company's registered office. Q.10  
(A-17)  
  
Being the company secretary, comment on the following situations under the provisions of the Companies Act, 2017:  
(i) Shafiq lodged a proxy form on 10 September 2017 at 5:00 pm. (01)  
(ii) Anwar appointed Amjad as his proxy by depositing the proxy form on 8 September 2017. On the next day, Anwar came to know that Amjad has gone abroad, so he deposited a proxy form in favour of Waqas. (01)  
(iii) Sajid appointed Javed as his proxy. Javed's name is not in the members' register. (1.5)  
(iv) One of the members, Asaan Limited has inquired about who may attend the AGM on its behalf and what would be the right(s) of such attendee. (2.5)

(c) Farhan Limited, a listed company, has received a request from a shareholder who holds 9% shares of the company, to inspect the register containing the minutes of proceedings of general meetings.

Discuss the rights of the shareholder to inspect the above register. (03)

- 7 Under the provisions of the Companies Act 2017 what do you understand by the term 'Extraordinary general meeting'? Who may call such meeting and what should be the quorum of such meeting? (07) Q.8 (a)  
(A-16)
- 8 The 21st annual general meeting (AGM) of NokeJhoke Limited was held on 20 August 2015. Two of the shareholders, Mateen and Ragib were not satisfied with the conduct of the meeting. One week after the meeting, they submitted a complaint to the chairman of the board of directors, requiring him to invalidate the proceedings of the 21st AGM.  
  
In view of the provisions of the Companies Act 2017 explain the circumstances in which Mateen and Ragib would succeed in their contention. (06) Q.6(b)  
(A-15)
- 9 (a) Karamad (Pvt) Limited was incorporated on 1 July 2014. Subsequently it was converted into a public unlisted company on 1 March 2015. Under provisions of Companies Act 2017:  
(i) describe whether the company is required to hold its statutory meeting; if yes, identify the time frame within which such a meeting must be convened. (03) Q.3  
(S-15)  
(ii) what would have been your decision, had the company been converted into a listed company on 1 July 2015? (01)  
(iii) identify those contents of the statutory report which are required to be certified by the company's auditor. Also specify the purpose of the auditor's certificate. (02)  
(iv) state the requirements of law regarding the certification and filing of statutory report. (02)  
  
(b) Under the provisions of the Companies Act 2017 state who may call an annual general meeting of the company. (02)
- 10 The first annual general meeting of ABC Limited, a listed company, is scheduled to be held on 31 March 2014 at the company's factory premises in Bahawalpur. The registered office of the company is situated in Lahore. In addition to the normal business, the directors also propose to place before the meeting a resolution to approve that the quarterly accounts of the company be transmitted to the members by placing the same on the website of the company instead of transmitting the accounts by post. In the light of the provisions of Companies Act 2017 you are required to:  
(a) specify the various steps that ABC Limited would be required to undertake in order to convene the first annual general meeting of the company. (09) Q.2  
(S-14)  
(b) list the businesses that need to be transacted in the first AGM of ABC Limited. (04)
- 11 Ashraf is the company secretary of ABC Limited and is preparing for the Annual General Meeting of the company. The following matters are under his consideration:  
(i) Three joint holders of 100,000 shares have asked about the procedures of casting votes by them and how their votes will be counted if each of them wishes to vote for a different candidate.  
(ii) DEF Limited which holds 50,000 shares has appointed one of its ex-employees as its proxy. The proxy form is signed by the Company Secretary of DEF Limited.  
(iii) The proxy form submitted by one of the shareholders is lodged one day before the meeting. Under the provisions of the Companies Act, 2017 discuss how Ashraf would deal with the above situations. (06) Q.9  
(S-14)

- 12 SS Technology Limited was incorporated as a public limited company on 1 February 2012. No General Meeting of the company has been held so far. Q.8(a)  
(A-13)
- Explain the provisions of the Companies Act, 2017 regarding the holding of general meeting and the liability of the directors if any, in this regard. (05)
- 13 Discuss the provisions contained in the Companies Act 2017 relating to maintenance of minutes of the meeting of the Board of Directors of a company. (05) Q.5(a)i  
(S-13)
- 14 Stars (Private) Limited (SPL) was incorporated in January 2012. Bilal owns 90% shares of SPL. The remaining 10% shares are owned by his wife. Bilal intends to convert the company into a public limited company (unlisted). Q.1(b)  
(S-13)
- Narrate the provisions of the Companies Act 2017 relating to the holding of statutory meeting and issuance of statutory report, which SPL would be required to comply with, after conversion into a public company. (08)
- 15 Zafar wants to appoint Zameer as his proxy for attending the annual general meeting of a listed company. In view of the provisions of the Companies Act 2017 you are required to describe: Q.7  
(S-13)
- (a) The conditions, relating to the form and submission of the proxy, which Zafar would have to comply with in order to issue a valid proxy. (04)
- (b) The rights of Zameer on being appointed as a proxy. (04)
- 16 Narrate the provisions of the Companies Act 2017 related to the following: Q.10b  
- Quorum requirements of a general meeting. (06 marks) (A-12)
- 17 In the context of the provisions of the Companies Act 2017 state the reasons on account of which a company could declare the appointment of a proxy as invalid. (05 marks) Q.11b  
(S-12)
- 18 Explain the exceptions to the following provisions as specified under the Companies Act 2017: Every company shall hold its annual general meeting within a period of four months following the close of its financial year. (03 marks) Q.4(b)  
(S-12)
- 19 State the requirements that a company needs to satisfy, as regards notice of the meeting, in case a special business is to be transacted at a general meeting of the company. (03 marks) Q.8(b)  
(A-11)
- 20 In a general meeting, ordinary as well as special businesses are put up for consideration of members. Distinguish between ordinary business as opposed to special business. (03) Q.8(a)  
(A-11)
- 21 Briefly explain the exceptions to the following provisions as specified under the Companies Act 2017. Notice of an extraordinary general meeting shall be sent to the members at least twenty-one days before the date of the meeting, and in the case of a listed company shall also be published in the prescribed manner. (02 marks) Q.3(b)  
(A-11)
- 22 Mr. Shakeel has significant shareholdings in various public and private companies. He is not satisfied with some of the resolutions passed by such companies by show of hands. You are required to advise him as regards the following: Q.2  
(S-11)
- What conditions would he need to satisfy if Mr. Shakeel wishes to request for a poll? (05)
- Explain whether a company is required to oblige him if he wishes to satisfy himself about the validity of the results of voting by poll. (02 marks)

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- 23 Discuss the provisions contained in the Companies Act 2017 relating to maintenance of minutes of the general meetings of the company. (08 marks) Q.7 (A-10)
- 24 What do you understand by the term “special business” as referred to in the Companies Act 2017? (04) Q.11 (S-10)  
Narrate the information that is required to be annexed to the notice of a meeting in which any special business is to be transacted. (05)
- 25 Explain whether or not the following statements are in accordance with the provisions of the Companies Act 2017 and support your answer with reasons: Notice of an extraordinary general meeting should always be sent to the shareholders, at least 21 days before the date of the meeting. (03) Q.3(d) (S-10)
- 26 Explain whether or not the following statements are in accordance with the provisions of the Companies Act 2017 and support your answer with reasons: All limited companies are required to hold statutory meeting within 6 months of incorporation. (03) Q.3(b) (S-10)
- 27 Alpha Technologies Limited (ATL) is in the process of being incorporated as a public limited company. Further, ATL has plans to have its stock listed on all the three stock exchanges in the country within a period of one year of its incorporation. Q.8(b) (A-09)  
Required: Write a letter to the promoters of ATL, on behalf of Best Financial Services who are their consultants, advising them about: the period within which ATL is required to hold:  
(i) Statutory Meeting.  
(ii) First Annual General Meeting. (4)
- 28 The Board of Directors of Classic Paints Limited, a public listed company, has called an Extraordinary General Meeting on the requisition of the shareholders holding 10% of the voting power of the company. Q.7 (A-09)  
Required:  
- What would be the quorum of the above meeting?  
- Mention the latest time by which the quorum of the meeting should be present.  
- What would be the impact if quorum is not present within the prescribed time? (10)

## CH # 9

## DISTRIBUTION OF PROFITS

### Basics of Dividend

Company has an implied power to use its profits to pay dividends to its shareholders.  
(Unless specifically restricted by MOA & AOA)

Dividends will be either in cash or in the form of shares of listed company held by the distributing company.

### Restriction on declaration of dividend

- Dividend cannot be declared out of **profits from sale of immovable property** or item of capital nature except
  - Business of company consists of buying and selling such items of capital nature; and
  - After such profits are adjusted against losses on sale of immovable properties or assets of capital nature
- Dividend cannot be declared from any **unrealized gain** (gain related to unsold property) arising out of re-measurement of investment property credited to Income statement.

### What is Book Closure?

- Closure of register of members (or debenture-holders) means a time period during which a company will not handle requests to transfer shares(or debentures).
- This is done to identify cut-off date for determining which members (or debenture-holders) will receive a notice of a meeting or dividend (or interest) etc.
- Company may, by giving at least 7 days notice, close register of members or any part of it
- It can be closed for any days not exceeding in the whole 30 days in each year
- SECP may, on application of company extend the 30 days' period for a further 15 days.
- For listed company, notice for closure, must be given in English and Urdu languages at least in 1 issue each of a daily newspaper of respective language having wide circulation.
- Any contravention or default in above shall be an offence liable to a penalty of level 2

### Final dividend

- Proposed by directors and approved by members in AGM
- Members may reduce, accept or reject this proposed dividend  
(Cannot resolve to increase the amount proposed by directors)
- Paid within 15 working days of declaration  
(Working days mean the days in which banks are open)

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**Interim dividend**

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Directors may propose and pay interim dividend before end of year.

Must be paid, within 15 working days from

- Commencement of book closure for this purpose; or
- Directors Meeting (if books were not closed for this purpose)

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**PAYMENT OF DIVIDENDS**

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- In listed companies, dividend in cash shall only be paid electronically (in bank account designated by shareholders)
- For other companies, shareholder shall be given an option to choose form following (at the time of becoming a shareholders)
  - Corss Cheque
  - Dividend warrant (and entitlement to receive dividend; much similar to cheque); or
  - Electronic mode
- Shareholder can change the option at any time during year through a written request with all requisite details to the company.

**Penalty for delay in payment** (more than days specified by SECP)

- Any one or both of the following penalties:
  - Chief executive may be fined for an amount up to **Rs. 5 Million**
  - Also imprisonment for a term which may extend to **2 years**.
- Ineligible to become a director or Chief Executive of any company for next **5 years**.

**Circumstances in which delay in payment shall not be an offense**

In following cases, company may withhold dividend after obtaining prior approval of SECP within 45 days of declaration of dividend

- If dividend cannot be paid due to operation of any law,
- If shareholder has given instructions regarding payment of dividend and such instructions cannot be followed
- There is a dispute on regarding the right to receive dividend
- If company has withheld the payment of dividend against any sum recoverable from shareholder,
- If non- payment of dividend or non -posting of the warrant was not due to any default on part of the company.

*Company may also withhold dividend of a member where he has not provided the complete information or documents as specified by SECP.*

<b>QUESTION BANK – ICAP PAST PAPERS</b>
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- 1 The Board of Directors of Giant Industries Limited (GIL), a listed company, in their meeting held on 25 February 2020 had approved 30% interim cash dividend for the shareholders. While approving the dividend payment, the board had authorised to adjust dividend payable to one of the shareholders, Kamran Ahmed, against the amount due from him. Q.8  
(S-20)  
  
Under the provisions of the Companies Act, 2017:  
 (a) state when an interim dividend is deemed to have been declared and the responsibilities of GIL regarding its payment. (04)  
 (b) identify the circumstances under which the directors may withhold/adjust the payment of dividend. (02)  
 (c) list the steps which GIL would be required to take, for adjustment of dividend payable to Kamran Ahmed against the amount due from him. (02)
  
- 2 On 8 September 2018, the directors of Ashanti Limited (AL), a listed company, declared an interim dividend of Rs. 5 per share and announced book closure from 28 September 2018 to 3 October 2018, both days inclusive. Q.8(b)  
(A-18)  
 Under the provisions of the Companies Act, 2017 briefly describe when AL should pay the above dividend. Also state any four circumstances in which AL may not be considered to have committed an offence for non-payment of dividend. (07)
  
- 3 Under the provision of the Companies Act, 2017 briefly describe the following: Q.9(b)  
(S-18)  
 The restrictions, if any, with regard to the declaration of final dividend by a company listed on stock exchange. (05)
  
- 4 The Directors of Generous Limited (GL), a listed company, have recommended dividend equal to 40% of GL's undistributed profits. However, in the annual general meeting, the shareholders demanded that 60% of the undistributed profits should be distributed as dividend. Q.8(b)  
(S-17)  
  
 Under the provisions of the Companies Act 2017 explain the following:  
 (i) whether the shareholders are justified in their demand. (02)  
 (ii) whether the directors' recommendation is appropriate if 70% of undistributed profits comprise of unrealized gain on investment property. (02)  
 (iii) consequences if directors fail to pay the dividend within stipulated time. (02)
  
- 5 On 31 July 2015, the Directors of Clove Engineering Limited (CEL), a listed company, declared an interim dividend of Rs. 5 per share. However, before making payment of the dividend, the company suffered huge losses due to a massive fire in the factory. The CFO has informed the board of directors about CEL's inability to pay the dividend in time. Q.9  
(A-15)  
  
 Under the provisions of the Companies Act 2017 briefly describe:  
 (a) When an interim dividend is deemed to have been declared by CEL. (02)  
 (b) The consequences of non-payment of dividend within the stipulated time. (03)  
 (c) The circumstances under which CEL may not be responsible to pay dividend to certain shareholders. (05)
  
- 6 The Directors of Sigma Limited wish to recommend a final dividend. Q.9(b)  
(A-14)  
 Under the provisions of the Companies Act 2017 advise the directors about the restrictions, if any, with regard to the declaration of dividend. (05)

- 7 On 20 February 2013, the directors of FDA Limited, a listed company, had declared an interim dividend for the year ended 30 June 2013. Subsequently, the company has been awarded a major business contract for which the company needs funds immediately. Consequently, the management wishes to defer payment of the interim dividend. Q.6 (S-13)

In view of the provisions of the Companies Act 2017 you are required to explain:

- (a) Whether FDA can defer the payment of interim dividend. (02)  
(b) The consequences of failure to pay the dividend on time. (05)  
(c) The situations under which delay in payment of dividend shall not be considered as unlawful. (05)
- 8 Explain the exception to the following provisions as specified under the Companies Act 2017. Where a dividend is declared by a company but is not paid within the period specified in the Companies Act 2017, the chief executive of the company shall be punishable with imprisonment for a term which may extend to two years and with fine which may extend to five million rupees. (05 marks) Q.3(c) (S-11)
- 9 Explain whether or not the following statements are in accordance with the provisions of the Companies Act 2017. Support your answer with reasons. There is no restriction on the declaration of dividend and the chief executive may declare dividend in the general meeting of the company out of any kind of profit. (04 marks) Q.4(b) (A-10)
- 10 Flash Limited is a company listed on the Lahore Stock Exchange. The Board of Directors of Flash Limited, in its meeting held on April 1, 2009, has recommended an interim cash dividend @ 25%. The Board has announced the dates of book closure from April 23 to April 30, 2009. Describe the requirements of Companies Act 2017 in respect of payment of the above dividend. Also describe the consequences of non-payment of dividend within the specified time. (06) Q.3 (A-09)

State the situations in which non-payment of dividend would not be treated as an offence, under the Companies Act 2017. (05)

**CH # 10****INVESTMENTS AND DISCLOSURE OF INTEREST****INVESTMENTS****Investment in associated company****Associated company/Associated undertaking**

Two or more companies or undertakings interconnected with each other in the following manner:

- If companies or undertakings are under common management/control
- If one is subsidiary of another
- If undertaking is a modaraba managed by the company
- If a person is owner or partner or director of company/undertaking, or who, directly or indirectly (spouse/minor child), holds or controls shares carrying not less than 20% of voting power in such company or undertaking, is also owner or partner or director of another company/ undertaking, or directly or indirectly, holds or controls shares carrying not less than 20% of voting power in that company or undertaking.

**Exceptions:** Following directorships or shareholdings shall not be considered while ascertaining status of companies to be associated

- Directorship by virtue of nomination by concerned Minister of the Federal Government or a Provincial Government or a financial institution directly or indirectly owned or controlled by such Government; or
- Directorship of a person appointed as “Independent Director”
- Shares owned by National Investment Trust (NIT) or the Investment Corporation of Pakistan (ICP) or a financial institution directly or indirectly owned or controlled by Federal Govt or a Provincial Govt; or
- Shares registered in the name of a central depository

**Note:** *Modaraba is an Islamic financing activity, a set up created in order to ensure interest free financing. Modaraba Management Company is established as a public company which is licensed to float Modaraba which are separate legal entities*

**‘Investment’** include loans, advances, equity guarantees, by whatever name called, or any amount, which is not in nature of normal trade credit, where the terms and conditions of trade transaction(s) carried out on arms-length and in accordance with the trade policy of company.

**Condition for investment**

- Company can make investment in any of its associated companies or undertakings only under **Special Resolution**  
(It shall indicate nature, period, amount of investment and related terms and conditions)
- **No variation** in the nature and terms & conditions of investment or an **increase in amount** without passing a **special resolution**.

For investments as a loan

- It should be done through a written agreement specifying the following additional points:
  - Nature of loan;
  - Purpose of loan;
  - Period of the loan;
  - Rate of return;
  - Fees or commission
  - Repayment schedule for principal and return;
  - Penalty clause (in case of default or late repayments); and
  - Security, if any, for the loan
- Return on investment shall not be less than borrowing cost of investing company or rate as may be specified by SECP.
- Directors shall certify that the investment is made after due diligence and that the borrower has the ability to repay loan.

*SECP has specified certain classes of companies (e.g. private) on which requirements of this section not applicable. It has made certain regulations for imposing conditions on investments by companies in associated companies.*

**Investments of company to be held in its own name**

All the investments of the company must be made and held in the **name of the company itself** and not in someone else's name

Exceptions

- If Investor Company has power to appoint its directors (nominee) on Investee company; then Investor company is allowed to hold such shares in name of that nominee that are qualification shares (required for any director) of Investee company.
- Holding company may hold any shares in its subsidiary company in name of its nominees if number of members of subsidiary company has reduced below required minimum member
- Company may also place its investment in the name of CDC.

**Register for investments of company not held in its own name**

Register shall contain nature, value and such other particulars as may be necessary fully to identify such shares or securities.

Inspection of Register

- Register shall be open to inspection of members free of cost for at least 2 hours daily
- Any other person may also inspect register on payment of prescribed fee by the company.
- Company may impose certain restrictions on such inspection
- Any member may require a certified copy of register or any part:
  - On paying the fee fixed by company.
  - Certified copies requested shall be issued within 7 days.
- If any inspection is refused, Registrar may on an application direct immediate inspection.

## DISCLOSURE OF INTEREST BY DIRECTORS

### Timing of disclosure

- If transaction or arrangement requires directors' approval before start-up of the contract or transaction
  - At first meeting of directors in which discussion is started
  - At first meeting after he becomes so interested  
(if director was not interested at the time of first discussion)
- If transaction or arrangement does not require directors' approval
  - At first meeting held after transaction etc is entered into.

### General notice of ownerships and directorships

- Instead making a disclosure on transaction by transaction basis, director may give a general notice regarding his directorships in other body corporate or partnership in firms
- Such notice should be given at directors' meeting or director may take proper steps to ensure that notice is read by other directors.
- General notice shall expire at end of financial year in which it is given and may be renewed by fresh notice in last month of expiry.

### Interested director not to vote

Over the approval of matter where he is interested; director cannot take part in discussion, or vote. (Nor to be counted in quorum.)

For listed company, he shall not be present at BOD meeting in which matter involving his material personal interest, is being considered.

### Exceptions:

- Private Company (neither subsidiary nor holding of Public)
- If director has acted as surety of company and the resolution relates to indemnification or insurance coverage of that director against any loss incurred by him for becoming surety of company  
(company shall only insure liability arises out of a transaction validly approved by board or the members of company)

### **Interest of other officers, etc.**

An officer who is in any way, directly or indirectly, concerned or interested in any proposed contract or arrangement with company is required to:

- Disclose nature and extent of his interest in the transaction; and
- Obtain the prior approval of the directors.

## Related party transactions (Sec 208)

### Related party

- A director or his relative (spouse, siblings and lineal ascendants and descendants)
- A key managerial personnel or his relative;
- A firm, in which a director, manager or his relative is a partner;
- A private company in which a director or manager is a member or director;
- A public company in which a director or manager is a director or holds alongwith his relatives, any shares of its paid up share capital;
- Any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- Any person on whose advice, directions or instructions a director or manager is accustomed to act  
(advice, directions or instructions given in a professional capacity are excluded)
- Any company which is
  - A holding, subsidiary or an associated company of such company; or
  - A subsidiary of a holding company to which it is also a subsidiary;
- Such other person as may be specified;

### Office of profit

*Receives anything by way of remuneration over and above his remuneration as director;  
(by way of salary, fee, commission, perquisites, rent-free accommodation, or otherwise)*

- Company may enter into any contract/arrangement with a related party only in accordance with the policy approved by board, subject to such conditions as may be specified for:
  - Sale, purchase or supply of any goods or materials;
  - Selling or otherwise disposing of, or buying, property of any kind;
  - Leasing of property of any kind;
  - Availing or rendering of any services;
  - Appointment of any agent for purchase or sale of goods, materials, services or property;
  - Related party's appointment to any office of profit in company/subsidiary/associated.
- Where majority of directors are interested in any of above transactions, the matter shall be placed before the general meeting for approval as special resolution
- Nothing in this sub-section shall apply to any transactions on an arm's length basis.
- Every such contract or arrangement shall be referred to in director's report along with the justification for entering into such contract or arrangement.
- SECP may specify record to be maintained by company with regards to such transactions.
- Where any contract or arrangement is entered without obtaining consent as aforesaid and is not ratified by board/shareholders within 90 days, it shall be voidable at option of board
- If contract or arrangement is with a related party to any director, or is authorised by any other director, directors concerned shall indemnify company against any loss incurred by it
- Any such director or any other employee shall be liable:
  - For listed company, be punishable with imprisonment up to 3 years or with fine of at least Rs 5 million, or with both.
  - For any other company, to a penalty of level 2

## QUESTION BANK – ICAP PAST PAPERS

### Investments

- 1 In February 2021, Silver Topaz Limited (STL) acquired 18% voting shares in Jade Limited (JL). After acquisition, STL nominated one of its directors on JL's board. STL's board is planning to acquire further 10% voting shares in JL in May 2021. Q.10(b)  
(S-21)

Under the Companies Act, 2017 discuss the condition(s) which STL must fulfil before making any further acquisition of shares in JL. (04)

- 2 (a) Naseer, a non-executive director of Oliver Travels Limited (OTL), while reviewing details of investments made by OTL, has shown his concerns on the following shares that are not held in the name of OTL: Q.11(a)  
(A-20)
- (i) 500 shares in Pak Travels (Private) Limited (PTPL) are held in the name of Rahim who is an employee of OTL. PTPL is a wholly owned subsidiary of OTL. (02)
  - (ii) 5,000 shares of Tours & Tours (Private) Limited (TTPL) are held in the name of Sami, who is a non-executive director in TTPL by virtue of OTL's nomination. OTL owns 30% voting shares in TTPL. (02)

Under the provisions of the Companies Act, 2017 briefly explain the possible reasons for holding investment of OTL in the name of Rahim and Sami.

- 3 On 26 September 2020, the board of directors of Duck Fertilizers Limited (DFL), a public unlisted company, in its recent board meeting has approved a short term loan to Kitten Limited, one of the associated companies, to meet its working capital requirement, for which shareholders' approval is required. DFL's annual general meeting is scheduled to be held in March 2021. Q.9(b)  
(A-20)

Under the provisions of the Companies Act, 2017:

- (b) state the procedure(s) to be followed for obtaining the approval in each option identified in (a) above. (Ignore procedures relating to voting) (06)

- 4 Kalaam Limited (KL) is considering the following options to invest its excess funds: Q.8(a)  
(A-19)
- (i) Acquire 8% shareholdings in Lighter Oil Limited (LOL) for Rs. 120 million. LOL is a growing company and is expected to fetch higher returns in futures.
  - (ii) Grant a loan of Rs. 100 million to Monsoon (Private) Limited (MPL) for launching a new product. The loan would carry interest at the rate prevailing in the market. KL currently holds 25% of MPL's paid-up capital.

Under the provisions of the Companies Act, 2017 specify the condition(s) which KL must fulfill before opting for any of the above investment options. (07)

- 5 Karam Limited (KL), an unlisted public company, owns 30% shares in Jumma (Private) Limited (JPL). In order to finance its working capital requirements, JPL has asked for a loan of Rs. 1,000,000 from KL. Under the provisions of the Companies Act, 2017 briefly describe the conditions which are required to be met, if KL agrees to grant the loan. (03) Q.8(C)  
(A-17)

- 6 Two companies may be regarded as associates of each other, 'If a person who is a director of the company or holder of shares carrying voting power of 20% or more in that company is also the director or holder of shares carrying voting power of 20% or more in the other company'.  
Under the provisions of the Companies Act, 2017 briefly describe the circumstances under which the above relationship may not qualify the Companies to be regarded as 'Associated Companies'. (04) Q.8(a) (S-17)
- 7 (a) Ironside Limited (IL) owns 51% voting shares in Snow Storm Limited (SSL) and 52% voting shares in Flipper (Pvt) Limited (FPL). SSL intends to make an investment of Rs. 200 million in FPL.  
Under the provisions of the Companies Act 2017:  
(i) State the type of relationship, if any, which exists between SSL and FPL. (01)  
(ii) Describe the conditions which SSL must fulfill before making any investment in FPL. (05) Q.9 (S-16)
- (b) 'Companies Act 2017 requires that all the investments of the company must be made and held in the name of the company itself and not in someone else's name.' State the exception(s) to this general rule. (04)
- 8 Explain the exceptions to the following provisions of the Companies Act 2017: The companies are required to hold all their investments in their own name. (05) Q.6(a) (S-14)
- 9 Describe the restrictions that have been imposed by the Companies Act 2017 in respect of investment by a company in its associated undertaking. (06 marks) Q.8(a) (S-12)
- 10 Describe the term "associated company" in accordance with the Companies Act 2017.(05) Q.7 (A-11)
- 11 Describe the term "associated undertaking" in accordance with the Companies Act 2017. (05) Q.5(c) (A-09)
- 12 The Board of Directors of Sunrise Limited (SL), a listed company, intends to give a loan of ten million rupees to Moonlight (Private) Limited (MPL). The loan would be repayable in two years and would carry interest at the rate of twelve per cent per annum. The CEO of SL is also on the Board of Directors of MPL and is its major shareholder. Q.1 (A-09)
- Required: Describe the requirements of Companies Act 2017 that should be complied with by the Board of Directors of SL in respect of the proposed loan to MPL. (06).

## Disclosure of interest by directors

- 1 Faraz Limited (FL) is considering to enter into a contract with Bari Limited (BL) for the construction of its new manufacturing facility. The Board of Directors of FL has authorized Hasan Ali, an executive director, to negotiate the final price with BL. Sara Ali, who is a chief executive in BL, is the spouse of Hasan Ali. Q.8(b) (A-19)

In view of the provisions of the Companies Act, 2017 briefly explain the responsibilities of Hasan Ali towards FL under the above circumstances. (05)

- 2 The director of a company shall not take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement. Q.8 (a) (A-18)

Under the provisions of the Companies Act, 2017 briefly describe the exceptions to the above rule, if any. (03)

- 3 Disneyland Limited is considering purchase of a new production house which is currently owned by Marvels (Private) Limited. The Board of Directors of Disneyland Limited is considering to give responsibility of negotiation and finalization of the deal to two of its Directors, Moiz and Kareem. However, Naghma the wife of Moiz and their 15 year old son Riaz jointly hold 15% shares of Marvels (Private) Limited. Q.8(a) (A-17)

In the light of Companies Act, 2017 discuss the duties and responsibilities of Moiz under the above circumstances. (04)

- 4 Faraz, a director in Green Lines Limited (GLL), is also a nominee director in Blue Lines Limited (BLL) by virtue of GLL's equity investment in BLL. GLL transferred 6,000 shares in BLL, being the qualification shares, in the name of Faraz for appointing him on the Board of BLL. Recently the Directors of GLL have shown their interest in entering into a joint venture with BLL and have called a meeting of the board of directors for the purpose. Q.9(b) (A-16)

Under the provisions of the Companies Act 2017 advise whether Faraz can participate in the above meeting. (03)

- 5 Munafa Limited (ML) is engaged in the business of leasing vehicles to corporate customers. The Board of Directors of ML is considering to authorize one of its directors, Mr. Farigh, to enter into a contract with Mrs. Laiqa, the Managing Director of Taizraftar Limited, for the purchase of six delivery vans. Mrs. Laiqa is also the wife of Mr. Farigh. Q.5 (b) (S-15)

Under the provisions of the Companies Act 2017 analyze the above situation and advise Mr. Farigh about his responsibilities towards the company with respect to the above transaction. (05)

- 6 Khurram is the Chief Executive of MNO Limited, a listed company. Khurram has been appointed as the Chief Executive by virtue of his professional qualifications and holds the minimum qualification shares. MNO Limited plans to enter into a major contract with RST Limited. 30% of RST's shares are held by VWX Limited in which Khurram is also a director. Explain the relevant provisions of the Companies Act 2017 which would be required to be complied with by Khurram in the above situation. (06) Q.3 (S-14)

- 7 Explain the exceptions to the following provisions of the Companies Act 2017: Q.4(c) (S-13)

In a meeting of the board of directors, no director shall take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void. (04)

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- 8 Briefly explain the exceptions to the following provisions as specified under the Companies Act 2017. No director of a company shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void. (04 marks) Q.3(e) (A-11)
- 9 Explain the exception to the following provisions as specified under the Companies Act 2017. In a meeting of the board of directors, no director shall take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void. (04 marks) Q.3(d) (S-11)

**CH 11****ACCOUNTS AND ANNUAL RETURN****ACCOUNTS****Books of Accounts to be kept by a Company****Book and paper / Book or Paper**

Includes books of account, cost accounting records, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form.

**Books of Accounts**

Include records maintained in respect of

- all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
  - all sales and purchases of goods and services by the company;
  - all assets and liabilities of the company; and
  - items of cost in respect of production, processing, manufacturing or mining activities;
- 
- A company must maintain **proper books of accounts** (which fairly present the state of the affairs of the company and a fair record of all its transactions)
  - For companies engaged in production, processing, manufacturing or mining, specified particulars of cost accounts (material/labour or other inputs) shall also be maintained
  - Books and records may be in the form of hardcopy books or any computerized system
  - Books of accounts for at least **10 years** must be preserved
  - Liquidator of company appointed for winding up of company is also required to maintain the above books during its winding up.

**Keeping the books**

- Books must be kept at registered office of the company
- Directors may opt to keep these books at some other place  
(Pass a resolution in directors meeting and intimate registrar within 7 days of that)
- If company has a branch office
  - Proper books of that branch may be maintained at branch
  - Proper summarized returns should reach registered office or other specified place periodically.

**Inspection of books of accounts by Directors**

- Directors are entitled to inspect books during business hours.
- If some financial information is maintained outside country
  - Copies shall be maintained and shall be make available for inspection by any director.
  - Employees shall give full assistance to director for inspection

### Inspection of books of accounts by Members

Members do not have absolute right to inspect books of accounts. However, Companies Act 2017, or directors or general meeting may authorize member(s) to inspect books of accounts.

### Presentation of Financial Statements

#### Financial Statements

- Statement of financial position as at the end of the period;
- Statement of profit or loss and other comprehensive income (or an income and expenditure statement in case of not for profit);
- Statement of changes in equity for the period;
- Statement of cash flows for the period;
- Notes, comprising a summary of significant accounting policies and other explanatory information;
- Comparative information in respect of the preceding period; and
- Any other statement as may be prescribed;

#### Financial year

In relation to a company or any other body corporate, means the period in respect of which any financial statement of the company or the body corporate, as the case may be, laid before it in general meeting, is made up, whether that period is a year or not.

#### Time Limit

- Once in every calendar year, directors are required to present the financial statements, in a general meeting of company, within **120 days of close of financial year** (not applicable to Single Member Companies)
- In case of first accounts of the company, it shall be presented in a general meeting within **16 months of date of incorporation**
- Company can apply for 30 days **extension** in presenting accounts
  - Listed company shall apply to SECP
  - Other companies apply to registrar
- Company should not prepare accounts for more than 12 months (On application of company the registrar may extend this period)

#### Audit of financial statements

- Such accounts shall be audited and the auditor's report shall accompany the accounts.
- The requirement of audit is not applicable to a private company having paid up capital not exceeding Rupees 1 million or such higher amount as may be notified by SECP

### **Sending copies of financial statements**

- Copy of these financial statements along with auditor's and directors' report (+ chairman's review report; for listed) shall be sent to every member at least 21 days before meeting
- A listed company shall dispatch at least 3 copies of these documents to SECP, registrar and Stock exchange simultaneously with sending these to members.
- A copy of these documents should also be filed electronically to SECP by listed company
- Company shall also retain a copy at its registered office and every member shall be allowed to inspect such copy
- Reports shall be made available on website of company for time period as may be specified

### **Authentication of Financial Statements**

- Directors authenticate financial statements in meeting by passing resolution.
- Members only receive accounts and can ask any questions in AGM.
- Chief executive and at least 1 director put their signatures on it.  
(For listed companies CFO shall also sign the financial statements)
- If chief executive is out of Pakistan at the time of signing, then at least 2 directors shall sign the financial statements
- For private company having paid up capital up to Rs. 1 Million, financial statements shall be accompanied by an affidavit by Chief Executive (if accounts signed by him) or by any director (if accounts have been signed by 2 directors), that the financial statements have been approved by the board
- Financial statements of a SMC shall be signed by 1 director.

#### **Chief financial officer (CFO)**

Means an individual appointed to perform such functions and duties as are customarily performed by a CFO

### **Filing of Accounts (after AGM)**

- Companies shall send 1 copy of its financial statements (adopted in AGM along with other required reports & documents), signed as per the requirements of act, to registrar within
  - 30 days of AGM, in case of listed companies
  - 15 days of AGM, in case of other companies.
- If general meeting does not adopt these accounts and reports, the fact shall be mentioned to registrar along with such copies
- This filing requirement shall not apply to a private company having paid up capital not exceeding Rs. 10 million or such higher amount as may be notified by SECP

*A private company, not a subsidiary of public, having paid up capital up to Rs. 1 million or other amount notified by SECP, shall file the duly authenticated financial statements, whether audited or not, with registrar within 30 days from meeting.*

*(Contravention or default shall be an offence liable to a penalty of level 1)*

**QUARTERLY ACCOUNTS OF LISTED COMPANIES**

- Every listed company shall prepare quarterly financial statements within the period of-
  - 30 days of the close of 1<sup>st</sup> and 3<sup>rd</sup> quarters of its year of accounts; and
  - 60 days of the close of 2<sup>nd</sup> quarter of its year of accounts:
- SECP may, on application by company, extend the period of filing 1<sup>st</sup> quarter accounts for a period not exceeding 30 days (if company was allowed extension in previous year AGM)
- Half yearly accounts (i.e. 2<sup>nd</sup> Quarter) shall be subject to limited scope review by auditors of company in such manner, term and conditions as may be determined by ICAP and approved by SECP.
- Quarterly financial statements shall be
  - Posted on company's website for information of its members  
(for such time as may be specified by SECP)
  - Transmitted electronically to SECP, securities exchange and registrar within 30/60 days
  - Dispatched in physical form, if so requested by any member, without any fee
- Requirements of approval & authentication of final accounts are also applicable to the quarterly accounts

**GROUP FINANCIAL STATEMENTS (CONSOLIDATED)****Requirements of Consolidated financial statements (Sec 228)**

- With financial statements of holding company having subsidiary/ subsidiaries at year end; attach consolidated financial statements of group presented as a single enterprise
- Consolidated financial statements shall comply with disclosure requirement of 4th Schedule and International Accounting Standards
- Where financial year of a subsidiary precedes holding's financial year end by more than 90 days, such subsidiary shall make an interim closing on holding's financial year end and prepare financial statements for consolidation purposes.
- Every auditor of holding company shall also report on consolidated financial statements and exercise all powers and duties of an auditor
- Disclose in the consolidated financial statements:
  - Any qualifications contained in auditors' reports of subsidiary/subsidiaries; and
  - Any note or saving contained in such accounts to call attention to a significant matter
- Every consolidated financial statement shall be signed by the same persons by whom individual financial statements of holding company required to be signed.
- All provisions of accounts & filling shall apply to these consolidated accounts as well
- SECP may (on application of a holding company) direct that in relation to any subsidiary, provisions of this section shall not apply to such extent as may be specified in the direction.
- Any contravention of this section shall be an offence liable to a penalty of level 2

*This section shall not apply to a private company and its subsidiary if both have paid up capital of not more than Rs 1 million.*

**Financial year of holding company and subsidiary (Sec 229)**

- BOD of a holding Co shall ensure that financial year of each of its subsidiaries coincides with its own financial year (except where there are good reasons against it)
- SECP may (on application of holding/subsidiary)
  - Extend the financial year of any such company
  - Grant such other relaxations as may be necessary while granting extension

## DIRECTORS REPORT

- Board shall prepare a directors' report for each financial year.
- Not applicable to a private company, not being a subsidiary of public company, having paid up capital up to Rs. 3 million
- SECP may by general or special order, direct such class or classes of companies to prepare a statement of compliance with such contents as may be specified.

### **Contents for every directors report**

Directors shall make and attach to the accounts a report containing

- Statements regarding state of affairs of the company
- Particulars of any dividend recommended
- Particulars of any amount transferred/proposed to be transferred to any reserve account.

### Additional contents for public company & their subsidiaries

- Names of persons who, at any time during the financial year, were directors of company.
- Any specific changes and commitments affecting the financial position of company, occurring between financial year end date and the date of report.
- All material changes occurred during financial year which affect
  - business of the company; or
  - its holding company; or
  - any of its subsidiaries; or
  - any other company where it has made investments.
- Discuss the reservations, observations qualification etc. or any adverse remarks pointed out by the auditors.
- State the earnings per shares (EPS) and reasons for incurring loss and also contain the reasonable indication of future profit if any
- Pattern of shareholding shall also be circulated along with it
- Name and place of incorporation of its holding company (if such holding company is incorporated outside Pakistan)
- Information regarding default in repayments of loans or interests on loans, if any.
- Description of principal risks & uncertainties facing the company and shall contain the comments in respect of adequacy of internal financial controls.

### Additional contents for Listed Company (Business review of listed company)

Must at least cover the following:

- Main trends and factors likely to affect the future development, performance and position of the company's business;
- Impact of the company's business on the environment;
- Activities undertaken by company in regard to corporate social responsibility during year;
- Directors' responsibility in for adequacy of internal financial controls as may be specified

### **Authentication of directors' report**

Director's Report and statement of compliance must be approved by board and signed by chief executive officer and a director

### QUESTION BANK – ICAP PAST PAPERS

- 1
  - (a) List any ten contents of the directors' report of a public unlisted company as prescribed under the Companies Act, 2017. (05) Q.8  
(S-21)
  - (b) Annual general meeting of Opal Limited (OL), a listed company, for the year ended 31 December 2020 was held on 1 March 2021. All the presented agenda items were approved at the meeting except for the adoption of annual financial statements. In the light of the Companies Act, 2017 discuss the requirements OL must comply with for filing its financial statements. (03)
  
- 2
  - (b) Under the provisions of the Companies Act, 2017 briefly discuss: Q.11(b)
    - (i) the time frame within which quarterly financial statements should be prepared and the requirement, if any, for its review (02) (A-20)
    - (ii) the filing requirement of the quarterly financial statements. (02)
  
- 3
 

Under the provisions of Companies Act, 2017 it is the responsibility of the board to prepare directors' report for each financial year. The Act has further prescribed the minimum contents of such report. Q.10(b)  
(S-19)

In the above context, list the matters which are required to be included in the business review section of the directors' report of a listed company. (04)
  
- 4
 

Joint Limited (JL) was incorporated as a public company on 1 February 2018 and was authorized by the registrar to commence business from 1 April 2018. The board of directors is divided on the issue of holding first general meeting of its members. Two directors are of the view that the meeting should be held on 30 September 2018 whereas majority of the directors want to hold it on 30 October 2018. Q.9(a)  
(A-18)

In the light of the provisions of the Companies Act, 2017:

  - (i) Explain whether you agree with the proposal of the majority of the directors or the other two directors. (03)
  - (ii) What would be your opinion in (i) above if the directors want to hold first annual general meeting on 25 September 2018? (01)
  
- 5
 

Under the provision of the Companies Act, 2017 briefly describe the following: Q.9(a)

  - (a) the requirements of a private limited company for presenting its first financial statements in the annual general meeting and whether the financial statements are required to be audited. (05) (S-18)
  
- 6
 

Pluto (Private) Limited (PPL), having paid-up capital of Rs. 10.4 million, has laid its annual financial statements for approval at PPL's annual general meeting. Q.8(b)  
(A-17)

Under the provisions of Companies Act, 2017 advise the company secretary about the requirements for filing financial statements with reports and other documents, if any. (03)
  
- 7
 

Aabshar Limited, a listed company, was incorporated on 1 April 2015. The directors are in the process of finalizing the annual accounts of the company and have sought your advice with regard to the directors' report to be sent to the members along with the annual accounts. Q.9(a)  
(A-16)

Under the provisions of Companies Act 2017 advise the directors about the particulars to be set out in their report for submission to the members of the company. (07)

- 
- 8 The company's annual financial statements are in the process of finalization for presentation at company's AGM. Being company secretary, you are required to advise the company regarding approval and signing of financial statements under the provisions of the Companies Act, 2017. (05) Q.5(a) (S-15)
- 9 'Every company is required to keep, at its registered office, proper books of account.' Under the provisions of the Companies Act 2017 briefly explain the following: Q.9(a) (A-14)  
(i) When such books are NOT deemed to be proper. (02)  
(ii) When a company is deemed to have kept proper books in case of a branch office. (03)
- 10 Apex Petroleum Limited, a listed company, has been incurring losses for the past few years. Some shareholders are of the view that management is misusing company's resources thereby endangering the solvency of the company. Consequently, they want to inspect the books of accounts and appoint an expert to help them in the review. Q.7(a) (A-13)  
Advise the aggrieved shareholders in respect of the above matters in the light of the Companies Act 2017. (06)
- 11 Briefly discuss the mandatory information that has to be provided in the Directors' Report of a public company as per the provisions of the Companies Act 2017. (09) Q.9 (A-13)
- 12 Narrate the provisions of the Companies Act 2017 related to the following: Q.10a (A-12)  
Authentication of financial statements. (04 marks)
- 13 SQL Plastics Limited is a wholly owned subsidiary of a foreign company and has its registered office in Karachi. List the books of account the company is required to maintain. Q.7 (S-12)  
(04 marks)  
State the conditions which the directors shall be required to comply with if they want to keep the books of account at SQL's factory located in Peshawar. (02 marks)
- 14 Describe the formalities to be completed by an unlisted company, not being a private company having paid up capital of less than Rs. 10 million, before and after the annual general meeting, with respect to the annual audited accounts, under the Companies Act 2017. (05 marks) Q.9(a) (A-11)
- 15 Describe the contents of the Directors' Report to be attached with the balance sheet of a public company, as specified under Companies Act 2017. (10 marks) Q.9(b) (A-11)
- 16 You have recently been appointed as the chief financial officer of a newly formed company engaged in manufacturing activities. Explain what type of accounting records would the company be required to maintain. (04) Q.6(a) (S-10)
- 17 The annual general meeting of a company was held on October 31, 2009 but on account of certain disagreements, the members did not adopt the audited financial statements for the year ended June 30, 2009. In the above situation how would the company comply with the provisions of the Companies Act 2017 related to the filing of copies of annual accounts with the registrar of companies? (04) Q.7(a) (S-10)
- 18 The chief executive of Raza Enterprises Limited (REL), a listed company, is out of the country at the time of finalization of annual accounts. Explain the provisions related to signing and authentication of the annual accounts as contained in the Companies Act 2017 which REL would have to comply with, in the above situation. (03) Q.9(b) (S-10)

**CH 12****INTRODUCTION TO WINDING UP****THE CONCEPT AND BASICS OF WINDING UP**

- Term 'winding up' may be defined as the proceedings by which a company is dissolved (i.e. the life of a company is put to an end).
- The winding up of the company is also called the 'liquidation' of the company.
- During this process, the assets of the company are disposed of, the debts are paid off out of the realized assets or from contributories
- If any surplus is left, it is distributed among members in proportion to their shareholding in the company.
- The company is dissolved after completion of the winding up proceedings.
- On the dissolution, the company ceases to exist.



*Tutor  
Note*

**The concept of Contributory**

Contributory means every person liable to contribute to the assets of a company in the event of its being wound up

- For company limited by shares, maximum liability shall be up to amount unpaid on shares.
- For company limited by guarantee, maximum liability shall be up to amount guaranteed.
- For company limited by guarantee having share capital, maximum liability shall be amount unpaid on shares as well as amount undertaken by member.

**Modes of winding up (Sec 293)**

The winding up of a company may be either

- By the Court or
- Voluntary; or
- Subject to the supervision of the Court.

## WINDING UP BY THE COURT AND ROLE OF LIQUIDATOR



**Tutor**  
**Note**

### Sequence of events in case of winding up by Court

- 1) Petition for winding up
- 2) Appointment of Provisional Manager
- 3) Winding up order and Appointment of Official Liquidator
- 4) Getting prepared Statement of Affairs
- 5) Report to the court
- 6) Procedures for winding up
- 7) Distribution of the Funds
- 8) Dissolution of Company

### Step # 1 - Petition for winding up

#### Circumstances in which a company may be wound up by Court (Sec 301)

A company may be wound up by the Court if:

- Company has, by special resolution, resolved to be wound up by the Court
- Default is made in holding statutory meeting or delivering statutory report to registrar
- Default is made in holding any 2 consecutive AGM
- Company has made a default in filing with registrar financial statements or annual returns for immediately preceding 2 consecutive financial years; or
- If number of members is reduced below 3 (public company) or 2 (private company)
- Company is unable to pay its debts; or
- It ceases to be a listed company, if was so.
- Court is of opinion that it is just and equitable that the company should be wound up; or
- Company ceases to have a member; or
- Sole business of the company is the licensed activity and the licence have been revoked
- Licence granted u/s 42 has been revoked or company has failed to comply requirements or where liquidator of such a company has failed to complete the voluntary winding up proceedings within 1 year from the date of commencement of winding up; or
- A listed company suspends its business for a whole year.
- Company is
  - Conceived, or brought forth for or carrying, unlawful or fraudulent activities; or
  - Carrying on business prohibited or restricted by any law etc in force in Pakistan; or
  - Conducting its business in a manner oppressive to the minority members (not less than 10% voting power) or persons concerned with formation or promotion of company; or
  - Run and managed by persons who fail to maintain proper and true accounts, or commit fraud, misfeasance or malfeasance in relation to the company; or
  - Managed by persons who refuse to act according to requirements of MOA/AOA/this Act or failed to carry out directions of SECP/Registrar.

Promotion or carrying on of any of the following scheme shall be deemed to be **unlawful**:

- Raising unauthorised deposits from general public, indulging in referral marketing, multi-level marketing (MLM), Pyramid and Ponzi Schemes, locally or internationally
- Any other business activity notified by SECP to be against public policy or a moral hazard
- Where in return of a deposit (in cash, coupons, certificates, tickets or other documents), a payment at future date or grant of property/right/benefit, determined by chance or lottery etc, is assured or promised

#### Company when deemed unable to pay its debts (Sec 302)

- If a creditor, to whom the company is indebted in a sum exceeding Rs.100,000, has served a demand at registered office requiring company to pay amount; and company has neglected to pay/secure/compound it within 30 days to the satisfaction of creditor; or
- If court or any other competent authority orders in favour of creditor and still he remains unsatisfied (in full or in parts); or
- If, it is proved to the Court that company is unable to pay its debts, after considering the contingent and prospective liabilities of the company.

#### **Conditions applicable to the applicants for petition of winding up (Sec 304)**

<b>Applicant</b>	<b>Conditions to be fulfilled by the applicant for filing petition</b>
Contributory	<ul style="list-style-type: none"> <li>▪ Number of members is reduced below 2 or 3; and</li> <li>▪ Shares (due to which he is a contributory) were originally allotted to him or have been held by him, and registered in his name, for at least 180 days during 18 months before commencement of winding up, or have devolved on him through death of a former holder</li> </ul>
Registrar	<ul style="list-style-type: none"> <li>▪ Sanction of the SECP should be obtained before presentation of petition.</li> <li>▪ Sanction shall not be given unless providing opportunity of being heard to the company</li> </ul>
SECP or its officer	<ul style="list-style-type: none"> <li>▪ After an investigation into the affairs of company, it have revealed that:               <ul style="list-style-type: none"> <li>- It was formed for any fraudulent or unlawful purpose; or</li> <li>- It is carrying on a business not authorised by its MOA; or</li> <li>- Its business is being conducted in a manner oppressive to any of its members or persons concerned in the formation of company; or</li> <li>- Management has been guilty of fraud, misfeasance or other misconduct towards the company or towards any of its members.</li> </ul> </li> <li>▪ After the opportunity of being heard is provided to the Company (No investigation required where a licence is revoked and sole business of the company is the licensed activity)</li> </ul>
Creditor (Contingent/ prospective)	<ul style="list-style-type: none"> <li>▪ Such security for costs shall be given as the Court thinks reasonable</li> <li>▪ A prima facie case for winding up has been established to the satisfaction of the Court;</li> </ul>
Company	<ul style="list-style-type: none"> <li>▪ Shall furnish the particulars of assets &amp; liabilities and business operations and the suits or proceedings pending against it.</li> </ul>

*A winding up of a company by the Court shall be **deemed to commence** at the **time of the presentation of the petition** for the winding up (Sec 306)*

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**Step # 2 - Appointment of Provisional Manager (Sec 315)**

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- Court may appoint a provisional manager (PM ) till the making of a winding up order
- On passing a winding up order, Court may appoint PM as the official liquidator (OL)
- PM shall have same powers as of OL (unless Court have limited and restricted)

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**Step # 3 - Appointment of Official Liquidator**

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**Panel maintained by SECP (Sec 315)**

- SECP shall maintain a panel of persons from whom the Court shall appoint a PM or OL
- Any casual vacancy in office of OL occurred due to his death, removal or resignation, shall be filled up by the Court by appointment of another person from the panel
- The panel shall consist of
  - Persons having at least 10 years experience in the field of accounting, finance or law
  - Such persons as specified by SECP, having at least 10 years professional experience
- Court may, on application of creditors to whom amounts not less than 60% of the issued share-capital are due, after notice to the registrar appoint a person other than panel
- Person appointed on the panel shall be subject to such code of conduct and comply with the requirement of any professional accreditation programs as may be specified by the SECP.
- SECP may of its own, remove the name of any person from the panel on the grounds of misconduct, fraud, misfeasance, breach of duties or professional incompetence (after providing a reasonable opportunity of being heard)

**Other requirements (Sec 315)**

- A person shall not be appointed as PM or OL of more than 3 companies at the same time.
- On appointment as PM/OL he shall file a declaration within 7 days of appointment in the specified form disclosing conflict of interest or lack of independence, if any, with Court
- If more than 1 OL are appointed, Court shall specify respective powers
- In case of any dispute or any varying stance amongst liquidators, the matter shall be referred to Court for an appropriate order in chambers in the presence of these all.
- Court may determine any security to be given by any OL on his appointment.
- An OL shall not resign or quit his office before conclusion of liquidation proceedings (except for reasons of personal disability to the satisfaction of the Court)
- Provided that in case of resignation, the outgoing official liquidator shall, unless the Court directs otherwise, continue to act until the person appointed in his place takes charge.

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**Step # 4 - Getting prepared Statement of Affairs (Sec 320)**

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**When:**

- Within 15 days from the relevant date (or time extended by OL, PM, or Court till 45 days)
- Relevant date for purpose of this statement of affairs means
  - Date of appointment of PM, if any; or
  - Date of winding up order, where no PM is appointed

**Who:**

Statement shall be submitted and verified by persons who

- Were directors, chief executive, CFO, secretary and employee at the relevant date
- Have within 1 year of relevant date
  - Been Directors, Chief Executive, CFO, secretary or other officer of the company
  - Taken part in the formation of company
  - Been in employment of the company and are capable of giving information

*Any of the above persons shall be entitled to and be paid by PM/OL, the reasonable expenses incurred in preparation of such statement.*

**Particulars to be included**

- Particulars of the assets, debts and liabilities;
- Detail of cash balance in hand and at the bank;
- Names and addresses of creditors stating separately amount of secured and unsecured debts, and particulars of the securities given (their value and dates when they were given).
- Debts due to the company and the particulars of the persons from whom they are due
- If any property of company is not in its custody or possession, place and person in whose custody or possession such property is;
- Full address of the places where business of company was conducted during 180 days preceding the relevant date and the names and particulars of persons incharge of the same;
- Details of any pending suits or proceedings in which the company is a party; and
- Such other particulars as may be prescribed or as the Court/PM/OL may order (including any information relating to secret reserves and personal assets of directors)

*Any person stating himself in writing to be a creditor or contributory shall be entitled at all reasonable times, on payment of prescribed fee, to inspect the statement, and to a copy /extract.*

Any person untruthfully so stating himself to be a creditor or contributory shall be guilty of an offence under Pakistan Penal Code, 1860 and shall, on application of OL/PL, be punishable.

Any contravention or default in complying with this section shall attract penalty of level 2

**Step # 5 - Report to the court (Sec 321)**

OL shall as soon as practicable, after receipt of statement of affairs and not later than 60 days from date of winding up order, submit a report to Court, containing the following particulars:

- Nature and details of the assets of the company (including location and current value duly ascertained by a registered valuer)
- Cash balance in hand and in the bank and negotiable securities held by the company;
- Amount of authorised and paid up capital;
- Existing and contingent liabilities of company indicating particulars of the creditors (stating separately secured and unsecured debts and particulars of the securities given)
- Debts due to the company and the particulars of the persons from whom they are due

- Debts due from contributories;
- Details of trademarks and intellectual properties owned by the company;
- Details of subsisting contracts, joint ventures and collaborations;
- Details of holding and subsidiary companies;
- Details of legal cases filed by or against the company;
- Any other information which the Court may direct or OL may consider necessary

OL shall also include in his report the manner in which company was promoted or formed and whether in his opinion any fraud has been committed by any person in its promotion or formation or by any director or other officer in relation to the company since its formation.

### **Other Reports**

- OL shall also make a report on the viability of the company's business or the steps which, in his opinion, are necessary for maximising the value of the assets of the company.
- OL may also, if he thinks fit or upon directions of Court, make any further report or reports.
- A certified copy of the above reports shall also be sent to the registrar simultaneously with their submission to the Court.

## OTHER MODES OF WINDING UP

### Voluntary winding up [Section 347]

A company may be wound up voluntarily:

- If company in general meeting passes a resolution requiring voluntarily winding up:
  - When period, if any, fixed by articles expires; or
  - Where event, if any, occurs the occurrence of which AOA provides for dissolution; or
- If the company passes a special resolution that the company be wound up voluntarily;

### Winding up subject to supervision of the Court [Section 381, 382]

- Where a company has passed resolution for voluntary winding up, court may make an order that it shall continue but under supervision of Court with such terms and conditions as the Court thinks just:
  - of its own motion or
  - on application of any person entitled to apply court for winding up
- Petition of continuance of voluntary winding up under supervision of court shall be deemed to be petition for winding up by court for purposes of legal proceedings

### Petition to convert other modes to winding up by Court [Section 305]

- Where a company is being wound up voluntarily or subject to the supervision of the Court, a petition for its winding up by the Court may be presented by any person authorised to present petition of winding up by Court
- Court shall not make a winding up order unless it is satisfied that the voluntary winding up or winding up subject to the supervision of the Court cannot be continued for interests of the creditors or contributories or both or it is in the public interest so to do.

#### **Tutor's Note:**

If the winding up is through Court, the term used is "official liquidator". But for other modes we use the word "liquidator"

**QUESTION BANK – PRACTICE QUESTIONS (FROM STUDY TEXT)****Practice Question 01:**

For the last three months, ANF Limited (ANFL) has been experiencing liquidity crisis and is unable to meet its financial obligations within the due date. In the light of Companies Act, 2017 narrate the circumstances under which ANFL would be deemed to be unable to pay its debts.

**Practice Question 02:**

Under the provisions of the Companies Act, 2017 state who may file a petition for winding up in the Court.

**Practice Question 03:**

Carrot Limited (CL) was formed for a period of three years. The period of three years is due to complete on 31 December 2021. However, the project which the company had undertaken is still in progress. Advise the directors of CL regarding the legal status of CL on completion of three years while work on the project is not yet complete.

**Practice Question 04:**

State the situations under which a company may be wound-up voluntarily.

**Practice Question 05:**

Zahid was appointed as liquidator for the purpose of winding-up of Multi Sources Limited (MSL). Zahid wants to resign as the liquidator, because of the difficulties being faced by him in the performance of his responsibilities. He has discussed the matter with some of the directors who have assured him that his request would be considered in their meeting to be held soon. Comment on the issue in the light of the provisions of Companies Act, 2017.

ICAP  
Recommended  
Answers  
(Source: ICAP Website)

**Note:** *Minor alterations are made to the solutions to make it compatible with the latest syllabus and the Study Text of ICAP*

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**Chapter 1 - Introduction to company and incorporation process**

- 1 A Company formed under section 42 of the Companies Act, 2017 i.e. association not for profit differs from any other limited liability company in following manner:
- It can only be formed as a public company.
  - The promoters shall have to apply to the Commission for licence to permit the association to be registered with registrar.
  - The licence granted as aforesaid shall be for a specified period only.
  - The licence may be granted on such conditions and subject to such regulations as the Commission thinks fit, which shall be inserted in and deemed part of the memorandum and articles.

2 **(a) Effect of revocation of licence**

On revocation of licence of CRA issued under section 42, by the Commission:

- (i) the company shall stop all its activities except the recovery of money owed to it, if any;
- (ii) the company shall not solicit or receive donations from any source; and
- (iii) all the assets of the company after satisfaction of all debts and liabilities shall be transferred to another company licensed under section 42, preferably having similar or identical objects to those of the company, within ninety days from the revocation of the licence or such extended period as may be allowed by the Commission:

Provided that a reasonable amount to meet the expenses of voluntary winding up or making an application to the registrar for striking the name of the company off the register may be retained by the company.

- (iv) The members and officers of the first mentioned company (whose assets have been transferred) or any of their family members shall not be eligible to hold any office in the later company (the company to whom such assets have been transferred) for a period of five years from the date of transfer of such assets.

- 3 (a) A person may become the member of the company in any of the following ways:
- The subscribers to the memorandum of association are deemed to have agreed to become members of the company and become members on its registration. and in other cases:
  - A person to whom shares of any kind are allotted, or who becomes the holder of any class or kind of shares; become the member of the company or
  - in relation to a company not having a share capital, any person who has agreed to become a member of the company; and whose names are entered; in the register of members, are members of the company.

(b) The registration of Shahbaz Limited has the following effects as from the date of incorporation:

- (i) The subscribers to the memorandum, together with such other persons as may from time to time become members of the company, are a body corporate by the name stated in certificate of incorporation;
- (ii) The body corporate is capable of exercising all the functions of an incorporated company having perpetual succession and a common seal;
- (iii) The status and registered office of the company are as stated in, or in connection with, the application for registration;
- (iv) The subscribers to the memorandum become holders of the initial shares;
- (v) The persons named in the articles of association as proposed directors, are deemed to have been appointed to that office.

- 4 AL may be considered as a subsidiary company of ML if:
- ML controls composition of the board of AL. The composition shall be deemed to be controlled by ML if it can appoint or remove all or a majority of AL's directors; or
  - ML exercises or controls more than one-half of its voting securities either by itself or together with one or more of its subsidiary companies.
- 5 Body corporate or corporation includes:
- (i) a company incorporated under Companies Act, 2017 or company law; or
  - (ii) a company incorporated outside Pakistan; or
  - (iii) a statutory body declared as body corporate in the relevant statute, but does not include;
    - a cooperative society registered under any law relating to cooperative societies.
    - any other entity, not being a company as defined in this Act or any other law for the time being in force, which the concerned Minister-in-Charge of the Federal Government may, by notification, specify in this behalf.
- 6
- MOA shall be filed with registrar.
  - A declaration of compliance shall also be filed with MOA  
(Compliance with requirements regarding incorporation of Co)
  - Registrar shall register MOA only if it satisfied that
    - Company is being formed for lawful purposes,
    - All requirements of this Act and associated rules have been complied with
  - If registrar refuses the registration of MOA, Co may file an appeal to SECP if no relief is received against such a refusal.
  - Order of SECP on such appeal shall be final
  - If registrar think that any document or information contains any matter contrary to law or is not complete
    - He may require company to file revised document or remove deficiencies within specified period.
    - If applicant fails to remove deficiencies, registrar may refuse registration of company
    - Co may file an appeal before SECP within 30 days of refusal.
    - Order of SECP, on such appeal, shall be final.
- 7 The Securities and Exchange Commission of Pakistan, on such conditions and subject to such regulations as it thinks fit allow an association which has been formed or is capable of being formed as a limited liability company to register as a limited company without the addition of word 'Limited' or (Guarantee) Limited or (Private) Limited etc. to its name, subject to the following:
- Such association may be set up for any of the following purposes
    - Commerce                      - Arts                      - Science
    - Religion                      - health                      - education,
    - research,                      - Sports                      - Protection of Environment
    - Social Welfare                      - Charity                      - Any other useful object
  - It shall apply its profits (if any) in promoting its objects
  - It shall prohibit the payment of any dividend to its members and
  - Its objects and activities are not and shall not, at any time, be against the laws, public order, security, sovereignty and national interests of Pakistan
- 8 A company shall be deemed to be a subsidiary of another when:
- (i) that other company:
    - directly or indirectly owns or holds or control more than fifty per cent of its voting securities or
    - controls the composition of its board: or

(ii) the first mentioned company is a subsidiary of any company or body corporate which is that other's subsidiary

- 9
- Subscribers to MOA and subsequent members are body corporate by the name stated in the certificate of incorporation;
  - It is capable of exercising all the functions of an incorporated company, having perpetual succession and a common seal
  - Status and registered office are as stated in application
  - Subscribers become holders of initial shares (if applicable)
  - Persons named in AOA as proposed directors are appointed.

- 10 Body corporate or corporation includes
- a company incorporated under this Act or company law;
  - a company incorporated outside Pakistan, or
  - a body corporate declared as body corporate in the relevant statute
- but does not include
- A co-operative society registered under any law relating to the registration of co-operative societies; or
  - Any other entity, not being a company as defined in this Act or any other law for the time being which the concerned Minister of the Federal Government may, by notification, specify in this behalf.

- 11 The Securities and Exchange Commission of Pakistan, on such conditions and subject to such regulations as it thinks fit allow an association which has been formed or is capable of being formed as a limited liability company to register as a limited company without the addition of word 'Limited' or (Guarantee) Limited or (Private) Limited etc. to its name, subject to the following:
- Such association may be set up for any of the following purposes
 

- Commerce	- Arts	- Science
- Religion	- health	- education,
- research,	- Sports	- Protection of Environment
- Social Welfare	- Charity	- Any other useful object
  - It shall apply its profits (if any) in promoting its objects
  - It shall prohibit the payment of any dividend to its members and
  - Its objects and activities are not and shall not, at any time, be against the laws, public order, security, sovereignty and national interests of Pakistan

- 12 (a) **Member:** Subscribers to memorandum of association are deemed to have agreed to become members of the company and become members on its registration and every other person-
- to whom is allotted, or who becomes the holder of any class or kind of shares; or
  - in relation to a company not having a share capital, any person who has agreed to become a member of the company;
- and whose names are entered; in the register of members, are members of the company.

(b) **Registration of memorandum of association:**

**Grounds of refusal:**

The registrar may refuse to register the memorandum of association of Paband Limited, if he is of the opinion that:

- (i) The company is being formed for unlawful purposes;
- (ii) All or any of the objects stated in the memorandum are inappropriate or deceptive or insufficiently expressive; and

(iii) All the requirements of the Companies Act, 2017 and the Rules made there under in respect of registration and matters precedent and incidental thereto have not been complied with.

**Options available to Paband Limited:**

In case of refusal of registrar to register the memorandum, the subscribers of the memorandum or any one of them authorised by them in writing may either

- (i) Supply the deficiency and remove the defect pointed out by the registrar; or
- (ii) Within 30 days of the order of refusal prefer an appeal to SECP-

An order of the Commission as stated above shall be final and shall not be called in question before any Court or other authority.

- 13 **Special resolution:** means a resolution which has been passed by a majority of not less than three-fourths of such members entitled to vote as are present in person or by proxy at a general meeting of which not less than twenty-one days notice specifying the intention to propose the resolution as a special resolution has been duly given:

Provided that, if all the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days notice has been given;

- 14 Under the following circumstances Mehkoun Limited shall be deemed to be the subsidiary of Hakim Limited:

- If Hakim Limited directly or indirectly controls, beneficially owns or holds more than fifty per cent of Mehkoun Limited's voting securities or
- otherwise controls the composition of its board; or
- Mehkoun Limited is a subsidiary of a third company which is in turn the subsidiary of Hakim Limited.

- 15 Following are the restrictive conditions on the basis of which a company may be incorporated as a private company under the provisions of the Companies Act, 2017:

- (i) Restrictions on the right to transfer of shares.
- (ii) Limitations on the number of members to 50 excluding employees who are members of the company.
- (iii) Prohibition on inviting public to subscribe for any shares or debentures of the company.

- 16 In connection with conversion of status of the company, SPL would have to make the following changes in the articles of the company:

- (i) Remove the restriction on transfer of shares;
- (ii) Remove the limit on maximum number of members;
- (iii) Remove the restrictions to make public offer of shares or debentures;
- (iv) Remove the word (Private) from the name of the company.

- 17 ■ Such association may be set up for any of the following purposes

- |                  |           |                             |
|------------------|-----------|-----------------------------|
| - Commerce       | - Arts    | - Science                   |
| - Religion       | - health  | - education,                |
| - research,      | - Sports  | - Protection of Environment |
| - Social Welfare | - Charity | - Any other useful object   |

■ It shall apply its profits (if any) in promoting its objects

■ It shall prohibit the payment of any dividend to its members and

■ Its objects and activities are not and shall not, at any time, be against the laws, public order, security, sovereignty and national interests of Pakistan.

- 18 Sunrise(Private) Limited should change its Articles of Associations so as to remove:
- word (Private) from its name.
  - restriction on transfer of shares;
  - limitation on the number of its member;
  - prohibition of any invitation to the public
- 19 A company shall be deemed to be a subsidiary of another when:
- (i) that other company:
- directly or indirectly owns or holds or control more than fifty per cent of its voting securities or
  - controls the composition of its board: or
- (ii) the first mentioned company is a subsidiary of any company or body corporate which is that other's subsidiary
- 20 (a) The Commission may grant a license and direct that the Alfalah Associates be registered as a company with limited liability, without the addition of the words "Limited", to its name, if Alfalah Associates satisfies the following conditions:
- Such association may be set up for any of the following purposes
 

- Commerce	- Arts	- Science
- Religion	- health	- education,
- research,	- Sports	- Protection of Environment
- Social Welfare	- Charity	- Any other useful object
  - It shall apply its profits (if any) in promoting its objects
  - It shall prohibit the payment of any dividend to its members and
  - Its objects and activities are not and shall not, at any time, be against the laws, public order, security, sovereignty and national interests of Pakistan

A license may be granted on such conditions and regulations as the Commission thinks fit and those conditions and regulations shall be binding on the association and shall, if the Commission so directs, should be inserted in the memorandum and articles, or in one of those documents.

(b) The license may be revoked at any time by the Commission after giving a notice in writing of its intention and shall afford Alfalah Associates an opportunity of submitting a representation in opposition to the revocation. On revocation of the license, the registrar shall enter the word Limited at the end of the name of the Alfalah Associates in the register, and Alfalah Associates will be required to use the name as entered in the register.

- 21 "Private company" means a company which, by its articles:
- (a) restricts the right to transfer its shares, if any.
- (b) limits the number of its members to fifty not including persons who are in the employment of the company, and
- (c) prohibits any invitation to the public to subscribe for the shares or debentures of the company.

Provided that where two or more persons hold one or more shares in a company jointly, they shall be treated as a single member. The general rule is also applicable to a private company but subject to such limitations and restrictions as may have been imposed by the articles of the company.

## Chapter 2 - Memorandum and articles

### 1 Duties of WDL where subscription money received:

If all the subscription money is received from the subscribers on or before 1 March 2021 then WDL shall report the same to the registrar on a specified form within 45 days from WDL's date of incorporation i.e. by 22 March 2021, accompanied by a certificate from a practicing Chartered Accountant or Cost and Management Accountant verifying receipt of the money so subscribed.

WDL shall file with the registrar a declaration duly verified by the chief executive or one of the directors and the secretary that:

- shares have been allotted to equivalent to minimum subscription and the money has been received by WDL;
- every director of WDL has paid full amount on each of the shares taken or contracted to be taken by him and for which he is liable to pay in cash.

### 2 The name proposed by the promoters is not valid under the provisions of the Companies Act, 2017 due to following two reasons:

(i) The word "Authority" cannot be used as it implies connection with a Government. According to the Companies Act, 2017 "no company shall be registered by a name which contains any word suggesting or calculated to suggest any connection with a Government."

However, in order to overcome this the promoters with the prior approval in writing of the Commission may be able to get the company registered with such word.

(ii) The word "Limited" is missing from the name of the company. According to the Companies Act, 2017 the word limited is required to be written at the end of the name of a company.

However, if the group of persons intend to form a limited liability company with charitable and not for profit objects then they have to apply to the Commission for a licence and the Commission, if satisfied, may allow them to be registered as a limited liability company without addition of the word "Limited" to its name.

Moreover, it should also be ensured that the proposed name is not identical with or resemble or similar to the name of already registered company or inappropriate or deceptive.

### 3 (a) Registration of articles

- The company limited by shares has the option to set out its own regulations for the company and get it registered with the memorandum of association, or adopt Table A as its Article of association.
- If articles are not registered, or, if articles are registered, in so far as the articles do not exclude or modify the regulations in Table A in the First Schedule to the Companies Act, those regulations shall, so far as applicable, be the regulations of the company in the same manner and to the same extent as if they were contained in duly registered articles.
- The article shall be signed by each subscriber, in the presence of a witness who shall attest the signature of the subscriber.

### 4 Principal line of business means the business in which substantial assets are held or likely to be held or substantial revenue is earned or likely to be earned by a company, whichever is higher.

Principal line of business of the company shall be mentioned in the memorandum of association of the company which shall always commensurate with name of the company.

Any change in the principal line of business shall be reported to the registrar within thirty days from the date of change, on the form as may be specified and registrar may give direction of change of name if the name does not commensurate with the principle line of business of the company.

**5 (a) Special resolution:**

Special resolution is a resolution which is passed by a majority of not less than three-fourths of such members of the company entitled to vote as are present in person or by proxy or vote through postal ballot at a general meeting of which not less than twenty-one days' notice has been given specifying the intention to propose the resolution as a special resolution:

Provided that if all the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days notice has been given;

**(b) Issue of Class C shares:**

SL can issue new class C shares only if it is permitted by the memorandum and articles of association.

Since SL's articles and memorandum lack any such classification, the directors are first required to alter the provisions of SL's articles of association and memorandum of association by passing a special resolution.

It should however be noted that where such alteration affects the substantive rights or liabilities of members or of a class of members, it shall be carried out only if a majority of at least three-fourths (3/4) of the members or of the class of members affected by such alteration, as the case may be, exercise the option through vote either personally or through proxy.

An altered copy of the articles of association shall be filed with the registrar, within thirty days from the date of passing of the resolution. The registrar shall register the same and thenceforth the alteration shall be effective.

**6 Change of name by a company**

The steps required for change of names are as follows:

- (i) Pass special resolution and obtain written permission of the registrar for new name
- (ii) Obtain certificate of incorporation bearing the new name

After the change of its name PL shall for a period of ninety days from the date of issue of a certificate by the registrar continue to mention its former name along with its new name on the outside of every office or place in which its business is carried on and in every document or notice.

**7 (i) Prohibited Names**

- Containing word or expression notified by SECP;
- Inappropriate, undesirable or deceptive (in the opinion of SECP)
- Designed to exploit or offend religious sentiments of people.
- Identical with name of a company already registered
- Nearly resembling that name of a company already registered

**(ii) Names which require prior approval of SECP**

Prior approval of SECP required if proposed name suggest

- Patronage of any, past/present, Pakistani/foreign, Head of State
- Any connection with Federal Govt. or Provincial Govt. or any department or authority of any such Government;
- Any connection with any corporation set up by or under any Federal or Provincial law; or
- Patronage of, or any connection with, any foreign Government or international organization.
- Establishing a modarba management Co or to float a modarba
- Any other business requiring a license from the government

- 8 (i) Circumstances in which YL may alter the clauses of its memorandum:
- Changing the place of its registered office from one Province to another or from Islamabad Capital Territory to a part of Pakistan not forming part of a Province and vice versa;
  - Changing its principle line of business; or
  - Adopt any business activity or any change therein which is subject to licence, registration, permission or approval under any law.
- (ii) Conditions which must be satisfied before SECP may issue an order confirming the alteration Before confirming the alteration, the Commission must be satisfied that:
- the circumstances, as discussed in (i) above for the alteration of object clauses of the memorandum, exist and
  - sufficient notice has been given by the company to every person who is a holder of debentures of company or any other person whose interest might be affected by the alteration.
  - consent of every objecting creditor has been obtained or his debt or claim has been discharged or determined, or has been secured to the satisfaction of the Commission.
- 9 Alteration in registered office clause
- Pass a special resolution
  - Company shall apply to SECP for obtaining its approval
  - When company actually shifts its registered office, it shall inform the registrar within 15 days of the date of such shifting.
  - Physical record of company shall be transferred to the other registrar (where the registered office has been shifted)
  - SECP may make an order confirming alteration either wholly or in part, and on such terms and conditions as it thinks fit.
  - A copy of duly certified order of SECP shall be forwarded to the company and to registrar within 7 days from the date of the order.
  - A certified copy of SECP's order and a printed copy of altered MOA shall be filed with registrar within 30 days of order
  - Registrar shall register it and issue a certificate
- 10 Except with the prior approval in writing of the Commission, no company shall be registered by a name which contains any words suggesting or calculated to suggest:
- Patronage of any, past/present, Pakistani/foreign, Head of State
  - Any connection with Federal Govt. or Provincial Govt. or any department or authority of any such Government;
  - Any connection with any corporation set up by or under any Federal or Provincial law; or
  - Patronage of, or any connection with, any foreign Government or any international organization.
  - Establishing a modarba management Co or to float a modarba
  - Any other business requiring a license from the government
- 11 The procedure required to be followed by each company is different as the registered office of the holding company is being shifted from one place to another in the same city where as the registered office of the subsidiary is being shifted from a city in the Province of KP to a city in the Province of Punjab.
- (a) Procedure to be followed by Worldwide Motors Limited:
- Pass a special resolution
  - When company actually shifts its registered office, it shall inform the registrar within 15 days of the date of such shifting.

(b) Procedure to be followed by Worldwide Autos(Private) Ltd:

- Pass a special resolution
- Company shall apply to SECP for obtaining its approval
- When company actually shifts its registered office, it shall inform the registrar within 15 days of the date of such shifting.
- Physical record of company shall be transferred to the other registrar (where the registered office has been shifted)
- SECP may make an order confirming alteration either wholly or in part, and on such terms and conditions as it thinks fit.
- A copy of duly certified order of SECP shall be forwarded to the company and to registrar within 7 days from the date of the order.
- A certified copy of SECP's order and a printed copy of altered MOA shall be filed with registrar within 30 days of order
- Registrar shall register it and issue a certificate

## 12 Prohibited Names

- Containing word or expression notified by SECP;
- Inappropriate, undesirable or deceptive (in the opinion of SECP)
- Designed to exploit or offend religious sentiments of people.
- Identical with name of a company already registered
- Nearly resembling that name of a company already registered

### Names which require prior approval of SECP

Prior approval of SECP required if proposed name suggest

- Patronage of any, past/present, Pakistani/foreign, Head of State
- Any connection with Federal Govt. or Provincial Govt. or any department or authority of any such Government;
- Any connection with any corporation set up by or under any Federal or Provincial law; or
- Patronage of, or any connection with, any foreign Government or any international organization.
- Establishing a modarba management Co or to float a modarba
- Any other business requiring a license from the government

- 13
- Pass a special resolution
  - File the amended MOA with registrar within 30 days of the change

The given objection is not valid as shifting from one city to another city of the same province doesn't require SECP approval.

- 14
- If alteration affects substantive rights or liabilities of members or class of members, it shall be carried out only if majority of at least 3/4th of those affected vote for that (personally or through proxy)
  - A copy of altered AOA shall be filed with registrar within 30 days
  - Registrar shall register the same.
- 15 (a) The procedure for changing the name of the company is as follows:
- (i) Beta Industries should call a general meeting by giving 21 days notice and pass a special resolution in the meeting.
  - (ii) Approval of the registrar signified in writing, should be obtained to change the name to Star Industries Pakistan Limited.

(iii) The registrar shall enter the name SIPL on the register and shall issue an altered certificate of incorporation and on the issue of such a certificate the change of name shall be complete.

(b)

- Registrar shall enter the new name on register in place of old one.
- Registrar shall issue a new certificate of incorporation altered to meet the circumstances
- Continue to mention former name along with its new name outside every business place and in all documents (for 90 days from date of issue of new certificate)
- Change of name shall not affect the rights & obligations of Co.
- Legal proceeding may be continued against Co in new name

### Chapter 3 - Directors

- 1 (i) It is pertinent to note that pecuniary or other relationship with company are not the only criteria to establish eligibility of a person to be a non-executive director. Rather, in order to be a non-executive director of ETL, Mohsin shall have to ensure that he:
- is not from among the executive management team and may or may not be independent;
  - is expected to lend an outside viewpoint to ETL's board;
  - does not undertake to devote his whole working time to ETL and will not involve in managing the affairs of the ETL;
  - is not a beneficial owner of ETL or any of its associated companies or undertakings;
  - does not draw any remuneration from ETL except the meeting fee.
- (ii) As far as the unforeseen liability due to adverse action of ETL's other directors are concerned Mohsin if elected as non-executive director, shall be held liable, only in respect of such acts of omission or commission by ETL which had occurred with his knowledge, attributable through board processes, and with his consent or connivance or where he had not acted diligently.

2 **(b) First directors**

The number of directors and the names of the first directors shall be determined by the subscribers of the memorandum. The number of first directors may be increased by appointing additional directors by the members in a general meeting.

The first directors shall hold office until the election of directors in the first annual general meeting.

**Subsequent directors** are elected in the first general meeting of the company. The directors so elected, hold office for a period of three years.

**First Chief executive**

The name of the first chief executive shall be determined by the subscribers of the memorandum of association of the company. The first chief executive shall, unless he earlier resigns or otherwise ceases to hold office, hold office up to the first annual general meeting of the company or, if a shorter period is fixed by the subscriber at the time of his appointment, for such period.

**Subsequent Chief Executive**

Within fourteen days from the date of election of directors or the office of the chief executive falling vacant, as the case may be, the board shall appoint any person, including an elected director, to be the chief executive but such appointment shall not be for a period exceeding three years from the date of appointment.

- 3 (b) Any of the non-executive directors (i.e. Khalid, Dawood, Rehmat, Salman, Arif, Ashraf) may be appointed as Chairman. The board of Faisal Limited shall within fourteen days from the date of election of directors appoint a chairman who shall hold office for a period of three years unless he earlier resigns, becomes ineligible or disqualified under the Companies Act, 2017 or is removed by the directors.

The responsibilities of the Chairman are defined by the board. Chairman shall be responsible for leadership of the board and ensure that the board plays an effective role in fulfilling its responsibilities.

The Chairman is required to issue a review report in every annual financial statement of the company which shall contain a review on overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.

4 **(b) Removal of a director:**

Aga Kirmani may be removed from the board by passing a resolution in a general meeting. However, since he was appointed unopposed, he shall not be removed from his office if the number of votes casted against the resolution equals or exceeds the number of votes calculated as per the following formula:

(Number of directors for the term x Number of Shares) - Number of directors for the time being  
i.e.  $8 \times (50,000,000 \div 500) = 8 = 100,000$  votes

Therefore, Aga Kirmani would be removed from the board if less than 100,000 votes are casted against the resolution.

- 5 (i) As per the requirements of the Companies Act 2017:

A person is ineligible to become a director of any listed company if he has been declared by Court of competent jurisdiction as defaulter in repayment of loan to a financial institution

In the given situation if the default relates to repayment of loan to financial institutions then Mr Zafar cannot continue the position of director in HP Limited

- (ii) As per the requirements of the Companies Act 2017:

An Alternate director may be appointed by director under following situation

- With the approval of board
- During his absence from Pakistan of not less than 90 days
- He shall vacate office when appointing director returns Pak.

Moreover if a director makes himself absent in consecutive 3 meetings of the board without leave of absence, he must vacate the office.

So If Mr Kamil had appointed any alternate director who had attended the meetings, then Mr Kalim would not vacate office. Or alternately he should have submitted his leave of absence to other directors.

- 6 As per the requirements of the Companies Act 2017 filing of the casual vacancy for company other than listed is not mandatory (unless number of directors falls below minimum).

In the above situation as the number of directors fall below 3, therefore they need to appoint the casual vacancy.

- 7 As per the requirements of the Companies Act 2017:

- Names & number of first directors shall be decided by subscribers
- Their particulars shall be submitted along with the documents for incorporation.
- Additional directors may also be appointed in general meeting
- 1<sup>st</sup> directors shall retire at first AGM

- 8 (i) As per the requirements of the Companies Act 2017, the resolution for removal of director shall not be considered as passed, if the number of votes casted against resolution (i.e. in favor of director) is equal to or exceeds minimum No of votes casted at immediately preceding election of directors (in case of an elected director)

Therefore Saleem would require 1,200,000 votes to retain his status as a director

- (ii) As per the requirements of the Companies Act 2017, in case of an director appointed on a casual vacancy, the resolution for removal of director shall not be considered as passed, if the number of votes casted against resolution (i.e. in favor of director) is equal to or exceeds the average votes as per following formula:

Total votes available [i.e. No of directors x No of shares] divided by the No of directors for the time being

If Saleem gets at least above number of votes, he would be able to retain his status as a director

- 9 (a) As per the requirements of the Companies Act 2017:

- First chief executive shall be determined by subscribers of MOA.
- His specified particulars shall be submitted with the documents of incorporation.
- He shall hold office till 1st AGM or shorter period (if fixed by directors)  
(unless resigns or being removed earlier)

- He, his spouse and minor children are prohibited to engage in a business which competes with his company or its subsidiary
- If he is engaged in any business at the time of appointment in a public company, he shall disclose the details of such business

(b) As per the requirements of the Companies Act 2017:

- He or any firm (of which he is a partner) or any private company (of which he is a director)
  - Without sanction of general meeting accepts or holds any office of profit under company other than chief executive or a legal or a technical adviser; or
  - Accepts a loan or guarantee from Company in contravention of the Act
- Absents himself (without leave of absence from the directors) for 3 consecutive meetings of BOD
- Becomes ineligible under Companies Act 2017  
*[Any additional grounds may be specified in AOA for this]*

10 As per the requirements of the Companies Act 2017, company is not allowed, without approval of members through resolution to provide any of these financial facilities to:

- A director of company or holding company or any of their relatives (spouse and minor children);
- Provide guarantee or security in connection with a loan made by any person to such a director; or to any of his relatives;

Moreover for listed companies, approval of SECP is also required

11 As per the requirements of the Companies Act 2017:

For performing extra services (including holding office of chairman)

Remuneration is determined by directors / General meeting in accordance with AOA

For attending meetings.

Remuneration Shall not exceed scale approved by Directors/Company in general meeting accordance with AOA

- 12
- Issue shares, debentures or other redeemable capital
  - Borrow moneys other than debentures or Invest company's funds
  - Make loans
  - Incur capital expenditure on any single item or undertake leasing obligations exceeding Rs 1 Million
  - Sell or dispose of assets having book value exceeding Rs. 100,000
  - To takeover a company or acquire a controlling stake in another
  - Approve annual or periodical accounts
  - Approve bonus to employees
  - Declare interim dividend
  - Authorise a director or firm (of which he is a partner) or a private company (of which he is a director) to transact with company
  - If amount is material as per accounting principles.
    - to write off bad debts
    - to write of inventories and other assets
    - to determine terms and circumstances for compromise in a law suit or reduction/extinction of claim in favor of company
  - Any other specified matter

13 (i) As per the requirements of the Companies Act 2017:

- Federal government, provincial government and any investor company (holding shares in any other company) can nominate any person to represent them as director on board of company.

Therefore GSL may exercise this right upon WSL; In a rare situation, GSL may also apply for re-election of board of WSL being a substantial acquirer

(ii) As per the requirements of Companies Act 2017, Chief Executive can be removed from the office:

- By 3/4th majority of total number of directors in their meeting; or
- By special resolutions of members.

In the given situation GSL is surely in opposition to get passed a Special Resolution to remove the Chief Executive

14 (i) As per the requirements of the Companies Act 2017 an ineligibility of a director is that he is not a member except

- Person representing a member who is not a natural person
- Whole-time director who is an employee of the company;
- Chief Executive
- Person representing a creditor or other special interests through contractual arrangement

So apart from above exceptions, director would cease to be a director if he is no more a member.

(ii) As per the requirements of the Companies Act 2017 filing of the casual vacancy for company other than listed is not mandatory (unless number of directors falls below minimum).

As the company would have still more than 3 directors, therefore there is no need to fill vacancy

15 As per the requirements of the Companies Act 2017:

- If a person acquires requisite shareholding to get him elected as a director, he may require the company to hold fresh election.
- Number of directors fixed in last election shall not be decreased
- Board shall as soon as practicable within 30 days, proceed to hold such fresh election.
- A listed company shall follow such procedure as may be specified by SECP for such fresh election

16 ▪ Person representing a member who is not a natural person

- Whole-time director who is an employee of the company;
- Chief Executive
- Person representing a creditor or other special interests through contractual arrangement

17 As per the requirements of the Companies Act 2017:

- Alternate director may be appointed under following situation
  - With the approval of board
  - During his absence from Pakistan of not less than 90 days
  - He shall vacate office when appointing director returns Pak.

18 The statement is not fully correct as the Companies Act 2017 states that a director shall ipso facto, cease to hold office if he absents himself (without leave of absence from the directors) for 3 consecutive meetings of BOD

19 As per the requirements of the Companies Act 2017, any act of director, or of meeting of BOD attended by him, shall not be invalid only due to any defect (subsequently discovered) in appointment. Moreover Farhan should cease to hold office immediately after such defect is discovered.

20 As per the requirements of the Companies Act 2017 filing of the casual vacancy for company other than listed is not mandatory (unless number of directors falls below minimum).

In the above situation as the number of directors fall below 3, therefore they need to appoint the casual vacancy.

- 21
- Directors of Co shall, **fix No of elected directors** at least 35 days before general meeting at which directors are to be elected (Number shall not be changed except prior approval of members)
  - **Notice of meeting** shall expressly state-
    - No of elected directors fixed; and
    - Names of retiring directors.
  - Any person who seeks to contest in election of director shall (whether he is a retiring director or otherwise), file with company a notice of his intention at least 14 days before meeting
    - Notice may be withdrawn at any time before election
    - All such notices shall be transmitted to the members at least 7 days before meeting
    - For listed: Notice also published in 1 Urdu & 1 English newspaper, in respective language, having wide circulation
  - Votes available to each member = No of voting shares/securities x No of directors (seats)
  - Member may give all votes to 1 candidate or may divide votes between the contestants
  - Candidate getting highest votes elected as director and then candidate getting next highest votes shall be so declared and so on until total directors elected.
- 22 As per the requirements of the Companies Act 2017:
- Names & number of first directors shall be decided by subscribers
  - Their particulars shall be submitted along with the documents for incorporation.
  - Additional directors may also be appointed in general meeting
  - 1<sup>st</sup> directors shall retire at first AGM
- 23 As per the requirements of the Companies Act 2017:
- Quorum of Listed Co: Higher of 4 or 1/3rd.
- Company secretary shall be responsible for meeting held without quorum being present
- 24
- Person representing a member who is not a natural person
  - Whole-time director who is an employee of the company;
  - Chief Executive
  - Person representing a creditor or other special interests through contractual arrangement
- 25 No the statement is not correct because, as per the requirements of the Companies Act 2017:  
For performing extra services (including holding office of chairman)  
Remuneration is determined by directors / General meeting in accordance with AOA
- For attending meetings.  
Remuneration Shall not exceed scale approved by Directors/Company in general meeting accordance with AOA
- 26 As per the requirements of the Companies Act 2017:
- Any director shall not assign his office to any other person
  - Such appointment shall be void ab-initio.
  - Alternate director may be appointed under following situation
    - With the approval of board
    - During his absence from Pakistan of not less than 90 days
    - He shall vacate office when appointing director returns Pak.
- 27 No the statement is not correct; because as per the requirements of the Companies Act 2017 directors of Co shall, fix No of elected directors at least 35 days before general meeting at which directors are to be elected (Number shall not be changed except prior approval of members)

- 28 Company is not allowed, without approval of members through resolution to provide any of these financial facilities to:
- A director of company or holding company or any of their relatives (spouse and minor children);
  - Provide guarantee or security in connection with a loan made by any person to such a director; or to any of his relatives;
- For Listed companies, approval of SECP is also required  
*This restriction does not apply to a company which in ordinary course of its business provides loans or gives such guarantees or securities*
- 29
- If a person acquires requisite shareholding to get him elected as a director, he may require the company to hold fresh election.
  - Number of directors fixed in last election shall not be decreased
  - Board shall as soon as practicable within 30 days, proceed to hold such fresh election.
  - A listed company shall follow such procedure as may be specified by SECP for such fresh election
- 30 Directors of Co shall, fix No of elected directors at least 35 days before general meeting at which directors are to be elected (Number shall not be changed except prior approval of members)
- 31 Court may, declare election of all directors or any of them invalid if satisfied that there has been material irregularity in procedures.
- On application of members having at least 10% voting power
  - Within 30 days of the date of election
- 32 They shall exercise **following powers** by resolution in BOD meeting
- Issue shares, debentures or other redeemable capital
  - Borrow moneys other than debentures or Invest company's funds
  - Make loans
  - Incur capital expenditure on any single item or undertake leasing obligations exceeding Rs 1 Million
  - Sell or dispose of assets having book value exceeding Rs. 100,000
  - To takeover a company or acquire a controlling stake in another
  - Approve annual or periodical accounts
  - Approve bonus to employees
  - Declare interim dividend
  - Authorise a director or firm (of which he is a partner) or a private company (of which he is a director) to transact with company
  - If amount is material as per accounting principles.
    - to write off bad debts
    - to write of inventories and other assets
    - to determine terms and circumstances for compromise in a law suit or reduction/extinction of claim in favor of company
  - Any other specified matter

**Chapter 4 - Chief Executive and Other Officers****1 Impact on Ali:**

Ali shall ipso facto cease to hold office of chief executive in PL from 15 February 2021 when his spouse was appointed as a director of a brokerage house.

Ali being PL's chief executive shall be deemed to be a director, hence he shall not be able to continue as the chief executive or a director of any other listed company including PL.

**Impact on PL:**

- (i) Ali's acts till discovery of ineligibility are valid notwithstanding that afterwards it was discovered that he had ceased to hold his office in PL.
- (ii) PL's board shall have to appoint chief executive within 14 days of occurrence of casual vacancy in the office of chief executive.

**2 The Chief Executive may be removed before the expiration of his term of office notwithstanding anything contained in the article of the company or any agreement between the company and such chief executive by:**

- board resolution passed by not less than three fourths of the total number of directors for the time being or
- the company by a special resolution

**3 (c) Appointment of chief executive:**

A person who is ineligible to become a director of a company or has been disqualified to be a director of the company shall not be appointed as a CEO of any company.

A person shall not be eligible to be appointed as a director of the company if the person himself or the spouse of such person is engaged in the brokerage business. However, this condition shall be applicable only in case of a listed company.

Similarly, a chief executive of a public company shall not directly or indirectly engage in any competing business with the business carried on by the company of which he is a CEO.

A business shall be deemed to be carried on indirectly by the chief executive if the same is carried on by his spouse or any of his minor children.

In the given scenario, FL is not a listed company and Sultan is not a minor son of Gul Maher. Therefore, both the above conditions are not applicable and Gul Maher is eligible to be appointed as the CEO of FL.

**4 (a) As per the requirements of the Companies Act 2017:**

- First chief executive shall be determined by subscribers of MOA.
- His specified particulars shall be submitted with the documents of incorporation.
- He shall hold office till 1st AGM or shorter period (if fixed by directors) (unless resigns or being removed earlier)
- He, his spouse and minor children are prohibited to engage in a business which competes with his company or its subsidiary
- If he is engaged in any business at the time of appointment in a public company, he shall disclose the details of such business

**(b) As per the requirements of the Companies Act 2017:**

- He or any firm (of which he is a partner) or any private company (of which he is a director)
  - Without sanction of general meeting accepts or holds any office of profit under company other than chief executive or a legal or a technical adviser; or
  - Accepts a loan or guarantee from Company in contravention of the Act

- Absents himself (without leave of absence from the directors) for 3 consecutive meetings of BOD
- Becomes ineligible under Companies Act 2017  
*[Any additional grounds may be specified in AOA for this]*

- 5 **Chief executive** In relation to a company means an individual who, subject to the control and directions of the directors, is entrusted with the whole, or substantially the whole, of the powers of management of the affairs of the company, and includes a director or any other person occupying the position of a chief executive, by whatever name called, and whether under a contract of service or otherwise
- 6 As per the requirements of the Companies Act 2017, chief executive can be removed from office:
- By 3/4th majority of total number of directors in their meeting; or
  - By special resolutions of members.
  - By Government/authority/person nominated authorised by it, where more than 75% of voting rights are held by Government.
- 7 As per the requirements of the Companies Act 2017:
- He, his spouse and minor children are prohibited to engage in a business which competes with his company or its subsidiary
  - If he is engaged in any business at the time of appointment in a public company, he shall disclose the details of such business
- 8 No the statement is not correct because as per the requirements of the Companies Act 2017:
- First chief executive shall be determined by subscribers of MOA.
  - His specified particulars shall be submitted with the documents of incorporation.
  - Hold office till 1st AGM or shorter period (if fixed by directors)  
(unless resigns or being removed earlier)
- 9 No the statement is not correct because as per the requirements of the Companies Act 2017:
- First Chief executive shall be retired on first AGM unless resigns earlier or is removed
  - Subsequent Chief executive shall be appointed by the directors within 14 days of election of directors
  - Retiring chief executive shall continue to perform until successor is appointed unless
    - Non-appointment of successor is due to his fault; or
    - His office is expressly terminated.

## Chapter 5 – Share Capital

- 1 Faiza Ibrahim can challenge the special resolution by applying to the Court for an order cancelling the resolution; if she holds 10% or more shares of class B either in her own name or collectively with others who should authorize her in writing. The said application shall be filed within 30 days of the date of the said resolution.

Following are the grounds on which the decision may be made by the Court in her favor:

- (i) If the applicant(s) had casted vote in favor of the resolution and some facts which would have had a bearing on the decision of Faiza Ibrahim, were withheld by Sapphire Limited in getting the aforesaid resolution passed.
  - (ii) If the applicant(s) had not casted vote in favor of the resolution, then it will have to be proved by Faiza Ibrahim, that the variation would unfairly prejudice their rights.
- 2 As per the requirements of the Companies Act 2017,
- Any member(s) of affected class representing at least 10% shares of that class may apply to court for an order against resolution
  - Such application should be filed within 30 days of resolution.
  - Court shall declare resolution null and void if it feels that either;
    - Company withheld certain facts (that could lead towards non passing of resolution) while getting the resolution passed; or
    - Change is prejudicial (harmful) to the interest of members,

- 3 **(i) Variation of shareholders' rights:**  
Variation of shareholders' rights means changing of the rights i.e. reducing, enhancing or cancelling the rights of the shareholders.

**(ii) Petition to cancel variation of rights:**

The aggrieved members who are objecting to the variation in their rights must not be less than 10% of the class of aggrieved members. i.e. members holding A class shares. The aggrieved members may apply to the Court for an order cancelling the resolution varying their rights.

The application shall be made within 30 days of the date of such resolution.

The aggrieved members shall have to show to the Court's satisfaction, that:

- Some facts which would have had a bearing on the decision of the shareholders were withheld by Sigma Limited in getting the special resolution passed, or
- The variation would unfairly prejudice the interest of the members.

The above application may also be made by any one or more of the aggrieved members who are authorised in writing by the group of aggrieved members in this behalf.

The decision of the Court on any such application shall be final.

- 4 Power of company limited by shares to alter its share capital: Samjhota Limited, if so authorised by its articles, may alter the conditions of the capital clause of its memorandum so as to:
- (i) increase its share capital by such amount as it thinks expedient;
  - (ii) consolidate and divide the whole or any part of its share capital into shares of larger amount than its existing shares;
  - (iii) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum; or

- (iv) cancel shares which, at the date of the passing of the resolution in that behalf, havenot been taken or agreed to be taken by any person, and diminish the amount of itsshare capital by the amount of the share so cancelled:
  - For exercising above power, Samjhota Limited is required to obtain approval of members in a general meeting through Special Resolution.
  - In the event of consolidation or sub-division of shares, rights attaching to new shares shall be strictly proportional to the rights attaching to previous shares so consolidated or sub-divided.
  - The resolution along with the altered copy of the memorandum shall be filed with the registrar within 15 days of passing the same.
  
- 5 (a) Aggrieved preference shareholders holding not less than ten per cent of the preference shares may, within thirty days of the date of the resolution varying their rights, apply to the Court for an order cancelling the resolution:
  - (b) The court may reverse the decision of the company if it is shown to its satisfaction that some facts which would have had a bearing on the decision of the shareholders were withheld by the company in getting the aforesaid resolution passed or, having regard to all the circumstances of the case, that the variation would unfairly prejudice the shareholders of the class represented by the applicant. The decision of the Court on any such application shall be final.
  
- 6 (a) Following conditions would have to be complied with by the aggrieved shareholders
  - (i) Their holding should be at least ten per cent of the total class 'B' shares.
  - (ii) Application must be filed within thirty days of the date of passing of special resolution.
  - (b) The Court shall pass an order for cancellation of the resolution only if it is satisfied that some facts having impact on the decision of the shareholders were withheld by the company in getting the special resolution passed or, the variation in rights would unfairly prejudice the shareholders of the class represented by the applicant.

**Chapter 6 - Prospectus and Commencement of Business****Prospectus**

- 1 (a)
- (i) Jhelum Limited must ensure that the expert is a person who has the power or authority to issue a certificate in pursuance of any law for the time being in force and who is not and has not been engaged or interested in the formation or promotion or in the management of the company.
- (ii) Before issuing, circulating or publishing prospectus containing expert's statement, it must be ensured that the following conditions have been complied with:
- the expert has given written consent to the issue of the prospectus with the statement in the form and context in which it is included; and
  - there appears in the prospectus a statement that the expert has given and has not withdrawn his consent.
- (b) 'Shelf registration' means an arrangement that allows a single offering document allowing companies to make multiple offerings as disclosed in the offering document within a prescribed time and subject to prescribed conditions.
- 2 (b) The requirement of submission of prospectus for public offering of securities to the Commission and its approval is not required in the following circumstances:
- securities offered by the State Bank of Pakistan.
  - securities offered in connection with a private offering or private placement and
  - issue of shares of a subsidiary to the members of a listed holding company by way of specie dividend or any other distribution in the prescribed manner.
  - securities are offered by the issuer to:
    - members or employees of the issuer; or
    - members of the families of any such members or employees; and
  - securities are shares and are offered as bonus shares to any or all of the members of the issuer.
- (c) (i) Since a prospectus approved by the Commission shall be valid for a period of sixty days from the date of such approval. Victory Limited must publish the prospectus by 3 April 2020.

However, as the directors intends to publish it on 10 April 2020 they must apply to the Commission for extension in time limit. The application for extension must contain the reasons for extension in time.

**(ii) Publication of the prospectus****In Newspapers**

The prospectus shall be published in full text or in such abridged form as may be prescribed, at least in one Urdu and one English daily newspaper. The prospectus shall not be published in the newspapers less than seven days or more than thirty days before the commencement of the public subscription.

**On Website**

The prospectus in full text shall be uploaded on the website of the issuer and shall remain there from the date of its publication in the newspapers till the closing of the subscription.

- 3 Every issuer, director of an issuer or any person who has signed the prospectus shall be liable to pay compensation to any person who acquires any of the securities, in reliance upon the prospectus, to which the prospectus relates and suffers loss in respect of them as a result of any incorrect, untrue or misleading statement in the prospectus or the omission from it of any matter required to be included under the Securities Act, 2015.

4 **Approval and publication of prospectus:**

The prospectus is required to be approved by the Commission and not by the Registrar Joint Stock Companies.

A copy of the prospectus shall be submitted to the Commission for approval, not less than 21 days before the proposed date of its publication. Therefore, a copy shall be submitted to the Commission on or before 9 September 2018 OR (8 September 2018) OR (7 September 2018) but not afterwards.

The prospectus shall be published in at least one Urdu and one English daily newspaper and not in an Urdu fortnightly magazine.

The date of newspaper publication of the prospectus shall not be less than 7 days before the commencement of the public subscription. Therefore, public subscription shall not commence any time before 7 October 2018 OR (6 October 2018) OR (5 October 2018).

Lastly, Sufficient number of copies of the prospectus shall be made available for inspection of general public, free of charge, from the date of its publication i.e. 30 September 2018 OR (29 September 2018) OR (28 September 2018) till the closing of the subscription. i.e. 7 October 2018 OR (6 October 2018) OR (5 October 2018) at SL's registered office and not at its showroom. Further, the copies shall also be made available with all the securities exchanges of the country, with all the bankers to the issue, the concerned share registrar, the concerned balloter and the concerned credit rating agency, if any, and should also be uploaded on SL's website.

5 **Publication of prospectus:**

BL's prospectus, approved by the Commission, shall be published within 60 days from the date of Commission's approval (25 February 2018) i.e., 26 April 2018 unless the period of 60 days has been extended by the Commission by reasons to be recorded in writing.

BL Limited shall publish the prospectus in full text or in such abridged form as may be prescribed, at least in one Urdu and one English daily newspaper.

The prospectus shall be published in the newspaper not less than seven days or not more than thirty days before the commencement of the public subscription.

The prospectus shall be uploaded on the website of the issuer and shall remain there from the date of its publication in the newspapers till the closing of the subscription.

- 6 Such prospectus including a statement purporting to be made by Mr. Suleiman shall not be issued, unless-
- (i) Mr. Sehgal has given his written consent to the issue of the prospectus containing his statement and has not withdrawn such consent before the delivery of a copy of the prospectus to the registrar for registration; and
  - (ii) a statement that he has given and has not withdrawn his consent as aforesaid appears in the prospectus.

- 7 (ii) Publication of prospectus:  
Since Super Star Limited intends to make a public offer of its securities in Pakistan, it is required to publish the prospectus in the following manner:
- obtain Commission's approval for the publication of the prospectus.
  - publish the prospectus in full text or in such abridged form as may be prescribed, at least in one Urdu and one English daily newspaper.
  - the prospectus shall not be published in the newspapers less than seven days or more than thirty days before the commencement of the public subscription.
  - the prospectus in full text and the shares subscription form shall be uploaded on company's website and shall remain there from the date of its publication in the newspapers till the closing of the subscription.

8 **(i) Time frame within which approval may be obtained:**

TL must apply to the Commission for approval of the issuance of prospectus to the public, by submitting a copy of the prospectus not less than twenty one days before the proposed date of publication of the prospectus.

**Time for which the prospectus may remain valid after approval:**

A prospectus approved by the Commission shall be valid for a period of sixty days from the date of such approval. However, this time period may be extended by the Commission for reasons to be recorded.

**(ii) Requirement(s) which must be satisfied before registration of the prospectus:**

The registrar shall not register a prospectus unless the following requirements have been complied with:

- Prospectus is dated.
- Prospectus is signed by every person who is named therein as a director or proposed director or by his agent authorized in writing.
- It shall state the matters and reports specified in the Second Schedule.
- Experts whose statements are included have not been connected with the formation, promotion or management of the company.
- Experts whose statements are included in the prospectus have given written consent for issue of such statements.
- All requirements regarding approval, issue and registration have been complied with.

- 9 A prospectus inviting persons to subscribe for shares in Baykarar Limited(BL) shall not include a statement purporting to be made by an expert(Mr. Suleiman), unless he is a person who is not, and has not been, engaged or interested in the formation or promotion, or in the management, of the company. Such prospectus including a statement purporting to be made by Mr. Suleiman shall not be issued, unless-

- (i) Mr. Suleiman has given his written consent to the issue of the prospectus containing his statement and has not withdrawn such consent before the delivery of a copy of the prospectus to the registrar for registration; and
- (ii) a statement that he has given and has not withdrawn his consent as aforesaid appears in the prospectus.

- 10 (i) TEL must issue, circulate or publish its prospectus within sixty days of the approval of the Commission. As the date of publication of prospectus is within two months of the approval date, the date of 25 October 2013 is valid. However, the prospectus should not be published in only one newspaper. The prospectus in its full text or in an abridged form, must be published at least in one Urdu and one English daily newspaper.

- (ii) While deciding about the number of copies of prospectus, the directors of Top Engineering Limited (TEL) must print sufficient copies which are required to be made available at the registered office of the company, to the stock exchange at which the company is to be listed and to the bankers to the issue.
  - (iii) The subscription list should open at least 7 days and not more than 30 days after the publication of the prospectus. As the prospectus publication date is 25 October 2013, the subscription list should open between 2nd and 23rd November 2013. Therefore, the suggested dates of 10 and 11 November 2013 are valid.
- 11 (a) A prospectus is required to be dated and that date shall be considered the date of its publication. Therefore, the prospectus of UHY Limited should be dated September 10, 2012 as the management plans to publish on that date. The advertisement of a prospectus is required to be published in a newspaper not less than seven days and not more than thirty days before the subscription list, is due to open. As UHY Limited plans to publish the prospectus on 10 September 2012, it should open the subscription list within 30 days, that is by 10 October 2012 and not by mid of October. However, in case UHY Limited wishes to open the subscription list in the second or the third week of October 2012, it would need to apply to the Commission and the Commission may for special reasons, allow the company to publish the prospectus more than thirty days before the subscription list is due to open.
- (b) UHY Limited is required to make available sufficient number of copies of its prospectus at the following places:
- Registered office of the issuer
  - All securities exchanges of the country
  - All the bankers to the issue
  - Concerned share registrar
  - Concerned ballotter and
  - Concerned credit rating agency (if any)
- (c) A prospectus which includes a statement made by an expert shall not be issued, unless:
- (i) The expert is not involved in the formation, promotion or management of the company,
  - (ii) The expert has given his written consent to the issue thereof with the statement included in the form and context in which it is included and has not withdrawn such consent before the delivery of a copy of the prospectus for registration; and
  - (iii) a statement that he has given and has not withdrawn his consent as aforesaid appears in the prospectus.
- 12 (a) “**Expert**” includes banker, securities advisor, engineer, valuer, accountant, lawyer and any other person whose profession gives authority to a statement made by him.
- (b) A prospectus which includes a statement made by an expert shall not be issued, unless:
- (i) The expert has given his written consent to the issue thereof with the statement included in the form and context in which it is included and has not withdrawn such consent before the delivery of a copy of the prospectus for registration; and
  - (ii) a statement that he has given and has not withdrawn his consent as aforesaid appears in the prospectus.

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**Commencement of Business**

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**1 Status of Aijaz:**

Aijaz being the subscriber to the memorandum of association is deemed to have agreed to become member of WDL and become WDL's member on its registration.

Moreover, as Aijaz has not yet paid share money for 4,000 shares, the amount due from him shall be considered as debt due from him and payable in cash. Hence, he will also become debtor of WDL

**Implications for Aijaz:**

If share money is not deposited by Aijaz within 30 days from WDL's incorporation i.e. on or before 7 March 2021, the said shares shall be deemed to be cancelled and Aijaz shall not remain WDL's member.

**Implications for WDL:**

If Aijaz pays share subscription money, on or before 7 March 2021, then WDL being a public company would be able to file duly verified declaration with reference to commencement of business.

However, if he makes the payment after 7 March 2021, then WDL would not be able to submit documents for commencement of business. Consequently, WDL will not be able to start its operation or exercise any borrowing powers. Since the amount of minimum subscription is not fixed, therefore, the entire authorized share capital other than that issued or agreed to be issued as paid up otherwise than in cash, shall be deemed to be minimum subscription.

If the subscribers of the memorandum have appointed Aijaz as first director and his particulars were submitted with WDL's documents of incorporation then the casual vacancy will arise that may be filled up by the directors.

**2 Following companies can commence business without obtaining certificate of commencement:**

- (i) A private company
- (ii) A company converted from private to public
- (iii) A company limited by guarantee and not having a share capital

**3 (i) Any contract made by a company before the date at which it is entitled to commence business shall be provisional only, and shall not be binding on Co until that date****(ii) requirements for obtaining certificate of commencement of business:**

- Shares have been allotted in cash not less than the minimum subscription
- Every director of Co has paid to Co in cash full amount on each of the shares taken or contracted to be taken by him
- No money is or may become liable to be repaid to applicants for any shares which have been offered for subscription;
- Filed with the registrar a duly verified declaration by the chief executive or one of the directors and the secretary in the prescribed form that conditions complied with
- Registrar has issued a certificate of commencement of business (conclusive evidence)
- Co has filed a prospectus or SILOP.

**4 ML should not sign the musharika finance facility agreement before fulfilling certain conditions (referred below). However, any contract made by ML after fulfilling certain conditions but before the date at which it is entitled to commence business shall be provisional only, and shall not be binding on the company until that date, and on that date it shall become binding.**

Conditions which ML must comply before exercising its borrowing powers.

ML shall not exercise any borrowing powers unless:

- Shares have been allotted in cash not less than the minimum subscription
- Every director of company has paid to company in cash full amount on each of the shares taken or contracted to be taken by him
- No money is or may become liable to be repaid to applicants for any shares which have been offered for subscription;
- Filed with the registrar a duly verified declaration by the chief executive or one of the directors and the secretary in the prescribed form that conditions complied with
- Registrar has issued a certificate of commencement of business (conclusive evidence)
- Company has filed a prospectus or SILOP.

5 Company shall not exercise any borrowing powers unless:

- Shares have been allotted in cash not less than the minimum subscription
- Every director of company has paid to company in cash full amount on each of the shares taken or contracted to be taken by him
- No money is or may become liable to be repaid to applicants for any shares which have been offered for subscription;
- Filed with the registrar a duly verified declaration by the chief executive or one of the directors and the secretary in the prescribed form that conditions complied with
- Registrar has issued a certificate of commencement of business (conclusive evidence)
- Company has filed a prospectus or SILOP.

## Chapter 7 – Mortgages and Charges

- 1 **(a)**
  - (i) a charge on any immovable property wherever situated, or any interest therein;
  - (ii) a charge on any movable property of the company;
  - (iii) a charge for the purposes of securing any issue of debentures;
  - (iv) a charge on book debts of the company;
  - (v) a floating charge on undertaking or property of the company, including stock-in trade;
  - (vi) a charge on a ship or aircraft, or any share in a ship or aircraft;

**Effect of non-registration**

  - Charge created by a company shall not be taken into account by the liquidator or any other creditor unless it is duly registered under the Companies Act, 2017.
- 2 The registrar can enter in the register of mortgages and charges a memorandum of satisfaction or release of charge without receiving any intimation from the Company, on evidence being given to his satisfaction with respect to any registered charge, that:
  - (i) debt for which the charge was given has been paid or satisfied in whole or in part, or
  - (ii) part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking;
- 3
  - Company should keep copies of instruments creating charges or relating to registration or rectifications at registered office
  - Company should keep at registered office a register regarding the mortgages or charges created by it.  
(Contains detailed information about property mortgaged or charged as well as terms and conditions and the beneficiary)
  - Any creditor or member can inspect the copies of the instruments and register **free of cost** at all reasonable times.
  - Any person other than members or creditors can also inspect the register against **payment of fee**.
- 4
  - It is duty of Expansion Limited (EL) to get the particulars of charge registered with registrar within 30 days of creation (i.e. till 31<sup>st</sup> March)
  - Registrar shall issue certificate of registration with his signatures or authenticated by his official seal in specified manner.
  - Any interested person (i.e. ABC Bank Limited) can also register mortgage or charge with registrar within 30 days of creation
  - ABC Bank Limited, upon such payment, shall be reimbursed by EL for costs properly incurred in getting mortgage or charge registered.
  - Registration of charge with the authorities of Iran shall also be required for completion of registration of mortgage or charge.
- 5 Mortgage is 'an interest or lien' created on the property or assets of a company or any of its undertakings or both as security.
- 6 Registration of payment or satisfaction of charges:  
It shall be the duty of Masoom Limited to inform the registrar about the full payment or satisfaction of the charge created on the stock-in-trade and book debts of the company within 30 days from the date of the payment or satisfaction of the charge in full.

The registrar shall register the satisfaction of charge only after verifying the repayment of running finance facility from the holder of the charge.

The holder of the charge is required to inform the registrar about any objection within a time not exceeding 14 days as specified by the registrar.

If no objection is filed by the holder of the charge, the registrar shall register the satisfaction of the charge as requested by Masoom Limited.

In case of any objection from the holder of the charge, the registrar shall record a note to that effect in the register and communicate it to Masoom Limited.

- 7 (i) The procedure required to be followed to get the charge registered with the registrar. The Big Ban Limited shall be required to file with the registrar for registration, in the manner required by the Companies Act 2017, the prescribed particulars of the charge by which the charge is created or is evidenced together with a copy of the instrument, if any, verified in the prescribed manner within twenty-one days after the date of its creation.
- (ii) The consequences of non-registration. The floating charge, created by Big Ban Limited on the book debts and stock in-trade of the company if not registered, shall be void against the liquidator. This shall not affect any contract or obligation for repayment of the money thereby secured.
- 8 (a) The duties of BRPL relating to the transactions are as follows:
- (i) BR (Private) Limited should file the prescribed particulars of the floating charge, along with a copy of the instrument by which the floating charge would be created or evidenced duly verified in the prescribed manner, with the registrar for registration within 30 days after the date of its creation.
- (ii) The company shall intimate to the registrar about the payment in full against the floating charge created by the company within 30 days from the date of the payment i.e. on or before 31 May 2013. It is also the responsibility of the company to pay the amount of registration fee while filing the prescribed particulars of mortgage or charge created by the company.
- (b) If the charge created on BRPL's property is not registered in time, it shall be void against the liquidator and the creditor of the company. But this shall not affect any contract or obligation for repayment of the money thereby secured.
- 9 The following mortgages and charges, if not registered, would be treated as void:
- On any immovable property wherever situate, or any interest therein; or
  - For the purposes of securing any issue of debentures;
  - On book debts of the company;
  - On the undertaking or property of the company, including stock-in-trade; or
  - On a ship or aircraft, or any share in a ship or aircraft;
  - On goodwill or on any intellectual property;
  - On any movable property of the company;
  - Based on agreement for the issue of any instrument in the nature of redeemable capital, or any other interest therein; or
  - Based on conditional sale agreement, namely, lease financing, hire-purchase, sale and lease back, and retention of title, for acquisition of machinery, equipment or other goods:

- 10 (i) A company must give intimation to the registrar of the payment or satisfaction, in full, of any mortgage created by the company and requiring registration, within 30 days from the date of the payment or satisfaction, in full, thereof.
- (ii) The registrar, on receiving such intimation, will send a notice to the holder of the mortgage, calling upon him to show-cause, within fourteen days of the notice, as to why the payment or satisfaction of the charge or mortgage should not be recorded
- (iii) If no objection is raised by the holder of the charge, the registrar shall order that a memorandum of satisfaction be entered in the register.
- (iv) If any objection is received, the registrar shall record a note to that effect in the register, and shall inform the company about the same

## Chapter 8 - Meetings and resolutions

- 1 If Yasmeen and Yameen together hold not less than 10% of the voting share of RCL, then they will be eligible to demand poll.  
Following procedures are to be followed for taking the poll in the general meeting subject to fulfillment of the above conditions:
  - (i) Upon demand of Yasmeen and Yameen, the chairman shall entertain their demand and order to take poll within 14 days from the day of the demand.
  - (ii) The chairman shall have power to regulate the manner in which a poll shall be taken.
  - (iii) The chairman or his nominee and a representative of the Yasmeen and Yameen shall scrutinize the votes given on the poll.
  - (iv) The result shall be announced by the chairman.
  - (v) The result of the poll shall be deemed to be the decision of the meeting on the resolution for which the poll was taken.
- 2 (a) Following options are available to DFL for obtaining shareholders' approval:
  - (i) The board of directors of DFL may obtain approval of its shareholders by calling an extraordinary general meeting (EGM). As the board is entitled to call EGM at any time to consider any matter which requires shareholders' approval.
  - (ii) Nonetheless, as the approval required for matter that is special business, and being a public unlisted company, if DFL's number of members are not more than fifty then DFL's board of directors has another option to get the shareholders' approval by passing resolution by circulation.
- 3 **Information to be included in the notice of general meeting**  
Notice of AL's annual general meeting should:  
  
**For normal business**
  - specify the place, day and hour of the meeting;
  - include a statement of the business to be transacted at the meeting;
  - specify availability of a option of video-link facility to those members on demand who hold 10% of the total paid up capital or such other percentage as may be specified, and who reside in a city;
  - prominently set out member's right to appoint a proxy and the right of such proxy to attend, speak and vote in the place of the member at the meeting;
  - be accompanied by a proxy form;**For special business**
  - the special resolution, shall be accompanied by the draft resolution;
  - a statement shall be annexed to the notice of the meeting setting out all material facts concerning such special business, including, in particular, the nature and extent of the interest, if any, therein of every director, whether directly or indirectly, and where any item of business consists of the according of an approval to any document by the meeting, the time when and the place where the document may be inspected, shall be specified in the statement;**In case of election of directors**
  - expressly state the number of directors fixed for election and names of the retiring directors.**In case of election of independent directors**
  - indicate the justification for choosing the appointee for appointment as independent director in the statement of material facts.
- 4 (i) The Notice of AGM of FWL shall prominently set out the member's right to appoint a proxy and the right of such proxy to attend, speak and vote in the place of the member at the meeting and such notice shall be accompanied by a proxy form.

- (ii) AL may by resolution of its board authorize an individual to act as its representative at any meeting of FWL. The instrument of proxy for such individual be under AL's seal or be signed by an officer or an attorney duly authorized by AL in this behalf.
- 5
- Any business (agenda of the meetings) other than the following "ordinary businesses" is known as "special business"
    - Consideration of accounts, auditors' and directors' reports
    - Appointment of auditors and fixing their remuneration
    - Declaration of dividends
    - Election or appointment of directors
  - If any special business is to be discussed at meeting; notice shall include "Statement of material facts" about that business
- 6
- (a) (i) The proxy is not valid as the same has to be lodged at least 48 hours before meeting time (that was 10:00 am of 10<sup>th</sup> September)
- (ii) Due to filing another proxy form, both the proxies would be invalid as per the requirements of Companies Act 2017
- (iii) If Kamyab Limited has mentioned in its Articles that non member can be proxy then there is no problem in appointing Javed as proxy
- (iv)
- A person appointed to vote and speak on behalf of a member is known as proxy
  - Proxy must be a member unless AOA permits.
  - Proxy is entitled to all the acts which the original shareholder is entitled to do himself in meeting including:
    - to speak and vote at the meeting;
    - to demand a poll;
    - to abstain from voting, if poll is demanded.
- (c)
- Minutes books shall be open to inspection by members for at least 2 hours on each day during the business hours (without charges)
  - Members can demand certified copy of minutes of general meeting at any time after 7 days of meeting (prescribed fee)
    - Company shall provide him within 7 working days of request.
- 7
- As per the requirements of the Companies Act 2017:
- All meetings other than AGM and Statutory shall be called EGM.
  - Notice of EGM shall be given to members 21 days before meeting. (For listed Co notice also be published in 1 Urdu & 1 English newspaper having circulation in province of stock exchange)
  - For unlisted companies, if all members entitled to attend and vote at any EGM so agree, a meeting may be held at a shorter notice.
  - Directors may call an EGM at anytime for taking approval of members on any matter.
  - Quorum for this meeting is same as required by law in case of any other meeting
- 8
- As per the requirements of the Companies Act 2017:
- When there are material defects or omission in the notice or there is irregularity in proceedings of the meeting:
  - Members having 10% or more voting rights may file a petition
    - to court
    - within 30 days of the meeting
  - Court may declare such proceedings or any part of the meeting invalid and may direct holding of fresh general meeting

Therefore the shareholders (if more than 10%) should apply directly to the court

- 9 (a)  
(i) As per the requirements of the Companies Act 2017:  
A private company which is converted into public company within 1 year of incorporation is required to hold statutory meeting within earlier of
- 180 days from date of commencement of business; or
  - 9 months from the date of its incorporation
- Note: Statutory meeting not required if AGM is held before its due date
- (ii) As per the requirements of the Companies Act 2017:  
A private company which is converted into public company within 1 year of incorporation is required to hold statutory meeting.  
Therefore in the above situation it would not be required to hold statutory meeting
- (iii) As per the requirements of the Companies Act 2017:  
Report should be accompanied by an **auditor's report** on
- Allotment of shares
  - Cash received against share allotted
  - Receipts and Payments account of the company.
- (iv) As per the requirements of the Companies Act 2017:
- It Shall be certified by chief executive and at least 1 director (for listed company, also by CFO)
  - A copy of report, along with auditor's report, shall be filed with the registrar forthwith after sending report to the members.
- (b) Every company except Single Member Company. It is the company secretary who send notices of the same.
- 10 (a)  
As per the requirements of the Companies Act 2017:  
1<sup>st</sup> AGM of the company should be held within 16 months of incorporation  
Notice of AGM shall given to members 21 days before meeting.
- (b)  
As per the requirements of the Companies Act 2017:  
The ordinary business forming part of general meetings can be
- Consideration of accounts, auditors' and directors' reports
  - Appointment of auditors and fixing their remuneration
  - Declaration of dividends
- Apart from the above given business, company may initiate any business for which notice has been given and is covered under the authority of the members
- 11 (i) As per the requirements of the Companies Act 2017:  
Vote of only that member shall be counted who is named first in the register  
Therefore only one member can vote
- (ii) As per the requirements of the Companies Act 2017:
- If a company is member of another company, it may authorise any of its officials or any other person to act as its representative there
  - Such representative shall have same powers, which an individual shareholder of that other company possesses at that meeting.
- Therefore there is no restriction in appointment of an ex-employee of the company
- (iii) As per the requirements of the Companies Act 2017:
- Proxy form shall be filed at least 48 hours before meeting time
  - If a valid proxy instrument (as per table A of Articles) is deposited, company cannot reject or question its validity
- In given scenario the proxy would be invalid and cant exercise the voting power

- 12 As per the requirements of the Companies Act 2017:  
Statutory meeting of the company shall be held before earlier of
- 180 days from date of commencement of business; or
  - 9 months from the date of its incorporation
- Statutory meeting not required if AGM is held before its due date
- 13
- Every company is required to maintain
    - A fair and accurate summary of all proceedings of meetings of directors, member or committees of directors
  - Minutes shall include names of attendees.
  - Books of minutes of the meetings shall be kept at Registered office
  - Copy of minutes of BOD meeting shall be provided to all directors with 14 days of meeting
  - Signatures of the chairman of that meeting or next meeting shall be sufficient evidence of proceedings (unless contrary is proved)
  - Records must be kept at registered office from the date of the resolution, meeting or decision in physical and electronic form
  - Records shall be preserved
    - For at least 10 years in physical form; and
    - Permanently in electronic form.
- 14 **Provisions regarding Statutory Meeting**  
(Please see complete section)
- 15 (a) As per the requirements of the Companies Act 2017:
- Proxy form shall be signed by appointer or his authorized agent
  - Proxy form shall be filed at least 48 hours before meeting time
  - If a valid proxy instrument (as per table A of Articles) is deposited, company cannot reject or question its validity
  - A member cannot appoint more than 1 proxy (if so appointed all the proxies shall be invalid)
- (b) As per the requirements of the Companies Act 2017:  
Proxy is entitled to all the acts which the original shareholder is entitled to do himself in meeting including:
- to speak and vote at the meeting;
  - to demand a poll;
  - to abstain from voting, if poll is demanded.
- 16 Unless larger number fixed by AOA, quorum shall be:
- Listed  
10 members present personally or through video link having at least 25% voting powers present in person/proxy
  - Other companies having share capital  
2 members present personally or through video link having at least 25% voting powers present in person/proxy
  - Other companies not having share capital  
As provided in the AOA

**Presence/Absence of quorum**

- If Quorum not complete within half hour of meeting,
  - If called by requisitionists; Shall be dissolved.
  - If called by the directors; Shall be adjourned to same day, time & place in next week
- If quorum not present within half hour at adjourned meeting, quorum shall be not less than 2 members present personally or through video link (unless articles provide otherwise)

- 17 As per the requirements of the Companies Act 2017 following should be kept in consideration:
- Proxy must be a member unless AOA permits.
  - Proxy form shall be signed by appointer or his authorized agent
  - Proxy form shall be filed at least 48 hours before meeting time
  - A member cannot appoint more than 1 proxy (if so appointed all the proxies shall be invalid)
- 18 As per requirements of the Companies Act 2017, extension up to 30 days can be granted in AGM by
- SECP for listed Co
  - Registrar for any other case
- 19 As per the requirements of the Companies Act 2017, if any special business is to be discussed at meeting; notice shall include "Statement of material facts" about that business
- 20 As per the requirements of the Companies Act 2017:
- Any business (agenda of the meetings) other than the following "ordinary businesses" is known as "special business"
    - Consideration of accounts, auditors' and directors' reports
    - Appointment of auditors and fixing their remuneration
    - Declaration of dividends
    - Election or appointment of directors
- 21 As per the requirements of the Companies Act 2017:
- For unlisted companies, if all members entitled to attend and vote at any EGM so agree, a meeting may be held at a shorter notice.
- 22 As per the requirements of the Companies Act 2017:
- Before or on declaring result of voting by show of hands, a poll may be taken by chairman on his own or may be demanded by persons having at least 10% voting power

Therefore Mr Shakeel should demand a poll whenever he wants to use his voting power. But for this his respective shareholding must be 10% in that company.

Moreover Companies Act 2017 specifies that:

- After polling; chairman or his nominee and a representative of member(s) demanding poll shall scrutinize results
  - Chairman shall declare the result
- 23
- Every company is required to maintain
    - Records of copies of all resolutions of members passed otherwise than at general meetings; and
    - A fair and accurate summary of all proceedings of meetings of directors, member or committees of directors
  - Minutes shall include names of attendees.
  - Books of minutes of the meetings shall be kept at Registered office
  - Copy of minutes of BOD meeting shall be provided to all directors with 14 days of meeting
  - Signatures of the chairman of that meeting or next meeting shall be sufficient evidence of proceedings (unless contrary is proved)
  - Minutes books shall be open to inspection by members for at least 2 hours on each day during the business hours (without charges)
  - Members can demand certified copy of minutes of general meeting at any time after 7 days of meeting (prescribed fee)
    - Company shall provide him within 7 working days of request.
  - Records must be kept at registered office from the date of the resolution, meeting or decision in physical and electronic form

- Records shall be preserved
  - For at least 20 years in physical form; and
  - Permanently in electronic form.

24 As per the requirements of the Companies Act 2017:

- Any business (agenda of the meetings) other than the following “ordinary businesses” is known as “special business”
  - Consideration of accounts, auditors' and directors' reports
  - Appointment of auditors and fixing their remuneration
  - Declaration of dividends
  - Election or appointment of directors
- If any special business is to be discussed at meeting; notice shall include “Statement of material facts” about that business

25 The given statement is partially correct because as per the requirements of the Companies Act 2017:

- Notice of EGM shall be given to members 21 days before meeting. (For listed Co notice also be published in 1 Urdu & 1 English newspaper having circulation in province of stock exchange)
- For unlisted companies, if all members entitled to attend and vote at any EGM so agree, a meeting may be held at a shorter notice.

26 The given statement is partially correct because as per the requirements of the Companies Act 2017:

**Statutory meeting is Applicable on:**

- Every public company having share capital
- A private company that converts itself into a public company within one year of its incorporation

**Timing**

Earlier of

- 180 days from date of commencement of business; or
- 9 months from the date of its incorporation

Statutory meeting not required if AGM is held before its due date

27 As per the requirements of the Companies Act 2017:

**Statutory meeting** shall be held before earlier of

- 180 days from date of commencement of business; or
- 9 months from the date of its incorporation

Statutory meeting not required if AGM is held before its due date

**First Annual General Meeting** shall be held within 16 months of incorporation

28 Unless larger number fixed by AOA, quorum shall be:

- Listed  
10 members present personally or through video link having at least 25% voting powers present in person/proxy
- Other companies having share capital  
2 members present personally or through video link having at least 25% voting powers present in person/proxy
- Other companies not having share capital  
As provided in the AOA

**Presence/Absence of quorum**

- If Quorum not complete within half hour of meeting,
  - If called by requisitionists; Shall be dissolved.
  - If called by the directors; Shall be adjourned to same day, time & place in next week
- If quorum not present within half hour at adjourned meeting, quorum shall be not less than 2 members present personally or through video link (unless articles provide otherwise)

**Chapter 9 - Distribution of profits****1 (a) Declaration of interim dividend:**

Interim dividend is deemed to have been declared:

- on the date of commencement of closing of share transfer for purposes of determination of entitlement of dividend; and
- where register of members is not closed for such purpose, on the date on which such dividend is approved by the board.

**Responsibilities of GIL for the payment of dividend:**

The dividend shall only be paid out of the profits. The chief executive of GIL is responsible to make the payment of dividend to registered shareholders or to their order within 15 days and in such manner as may be specified.

Moreover, since dividend is payable in cash, it shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders.

**(b) Circumstances under which GIL may withhold the payment of dividend to certain shareholders:**

- where the dividend could not be paid by reason of the operation of any law;
- where a shareholder has given directions to GIL regarding the payment of the dividend and those directions cannot be complied with;
- where there is a dispute regarding the right to receive the dividend;
- where the dividend has been lawfully adjusted by GIL against any sum due to it from the shareholder; or
- where, for any other reason, the failure to pay the dividend or to post the warrant within the stipulated period was not due to any default on the part of GIL.
- where the member has not provided the complete information or documents, as specified by the commission.

**(c) Declaration of dividend**

GIL is not required to make an application to the Commission for the adjustment of the dividend. The dividend can be adjusted after obtaining permission of the concerned shareholder for the adjustment of the dividend against any sum due to GIL from the shareholder.

**2 (b) Payment of interim dividend:**

An interim dividend must be paid within 15 days of its declaration and in the given scenario, the dividend shall be deemed to have been declared on 28 September 2018 i.e. the date of commencement of closing of share transfer for determination of entitlement of dividend. Hence, AL should pay dividend latest by 13<sup>th</sup> October 2018.

The circumstances in which non-payment of dividend by AL shall not constitute an offence are as under:

- (i) where the dividend could not be paid by reason of the operation of any law;
- (ii) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with;
- (iii) where there is a dispute regarding the right to receive the dividend;
- (iv) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or
- (v) where, for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the company;

AL may also withhold the payment of dividend of a member where the member has not provided the complete information or documents as specified by the Commission.

**3 Restrictions imposed with regard to the declaration of dividend:**

Dividend shall be declared by a company only out of profits of the company. Dividend declared shall not exceed the amount recommended by the board of directors.

No dividend shall be declared by a company for any financial year out of the profits of the company made from the sale or disposal of any immovable property or assets of a capital nature or any of the undertaking of the company unless the business of the company consists, whether wholly or partly, of selling and purchasing any such property or assets, and except after such profits are set off or adjusted against losses arising from the sale of any immovable property or assets of a capital nature.

No dividend shall be declared out of unrealized gain on investment property credited to profit and loss account.

**4 (i) The shareholders are not justified in their claim because as per the requirements of the Companies Act, members are allowed to approve the dividend declared by the directors. They can reduce that amount but can't increase it.**

(ii) No. The Companies Act 2017 specifically prohibits the payment of dividend from such profits.

(iii) Where a dividend has been declared by a company but is not paid within the stipulated time, the chief executive of the company shall be punishable with imprisonment for a term which may extend to two years and with fine which may extend to five million rupees.

- A chief executive convicted as above shall from the day of the conviction cease to hold the office of chief executive of the company and shall not, for a period of five years from that day, be eligible to be the chief executive or a director of that company or any other company.

**5 Period for payment of dividend:**

(a) Declaration of interim dividend:

Interim dividend is deemed to have been declared:

- on the date of commencement of closing of share transfer for purposes of determination of entitlement of dividend; and
- where register of members is not closed for such purpose, on the date on which such dividend is approved by the directors.

**(b) Consequences of non-payment of dividend:**

- Where a dividend has been declared by a company but is not paid within the stipulated time, the chief executive of the company shall be punishable with imprisonment for a term which may extend to two years and with fine which may extend to five million rupees.
- A chief executive convicted as above shall from the day of the conviction cease to hold the office of chief executive of the company and shall not, for a period of five years from that day, be eligible to be the chief executive or a director of that company or any other company.

(c) Circumstances under which CEL may not be responsible to pay dividend to certain shareholders:

CEL may withhold dividend after obtaining prior approval of Commission within 45 days of declaration of dividend. The Commission may grant the permission after providing an opportunity to the shareholder, entitled to receive the dividend, of making representation against the proposed action.

CEL may not be responsible to pay dividend in the following cases, namely-

- (i) where the dividend could not be paid by reason of the operation of any law;
- (ii) where a shareholder has given directions to CEL regarding the payment of the dividend and those directions cannot be complied with;
- (iii) where there is a dispute regarding the right to receive the dividend;

- (iv) where the dividend has been lawfully adjusted by CEL against any sum due to it from the shareholder; or
  - (v) where, for any other reason, the failure to pay the dividend or to post the warrant within the stipulated period was not due to any default on the part of CEL.
  - (vi) where the member has not provided the complete information or documents as specified by SECP.
- 6 No dividend shall be paid by a company otherwise than out of profits of the company.  
No dividend shall be declared or paid by a company for any financial year,
- out of the profits of the company made from the sale or disposal of any immovable property or
  - assets of a capital nature comprised in the undertaking or any of the undertaking of the company unless the business of the company consists, whether wholly or partly, of selling and purchasing any such property or assets, except after such profits are set off or adjusted against losses arising from the sale of any such immovable property or assets of a capital nature.
- No dividend shall be declared or paid out of unrealized gain on investment property credited to profit and loss account.
- 7 (a) FDA cannot defer the payment of the interim dividend beyond the time limit of 15 days as specified by the SECP. The period of 15 days begins from the date of commencement of closing of share transfer books for purposes of determination of entitlement of dividend.
- (b) Where a dividend has been declared by a company but is not paid within the period specified by the Commission, the chief executive shall be punishable with imprisonment for a term which may extend to two years and with fine which may extend to five million rupees. A chief executive convicted as above shall from the day of conviction cease to hold the office of chief executive of the company and shall not, for a period of five years from that day, be eligible to be the chief executive or a director of that company or any other company.
- (c) In the following situations, the chief executive cannot be held responsible for then on payment of the dividend:
- (i) Where the dividend could not be paid by reasons of the operation of any law;
  - (ii) Where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with;
  - (iii) Where there is a dispute regarding the right to receive the dividend;
  - (iv) Where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or
  - (v) Where, for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the company.
  - (vi) where the member has not provided the complete information or documents as specified by SECP.
- 8 The Chief Executive will not be punishable in the following cases:
- (i) where the dividend could not be paid by reason of the operation of any law.
  - (ii) where a shareholder has given directions to the company regarding the payment of the dividend and those directions could not be complied with.
  - (iii) where there is a dispute regarding the right to receive the dividend.
  - (iv) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder.
  - (v) where for any other reason the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the company.
  - (vi) where the member has not provided the complete information or documents as specified by SECP.

And the commission has allowed the company to withhold or defer the payment of dividend against an application made by the company within 45 days from the date of declaration of dividend.

- 9 The statement is incorrect and contains the following errors. The chief executive of the company does not declare the dividend. He informs the shareholders about the percentage/amount of the dividend as recommended by the directors.

The dividend is approved by the members but the dividend so approved shall not exceed the amount as recommended by the directors.

No dividend shall be declared or paid by a company out of the profits of the company made from the sale or disposal of any immovable property or assets of a capital nature comprised in the undertaking(s), unless the business of the company consists, whether wholly or partly, of selling and purchasing any such property or assets, except after such profits are set off or adjusted against losses arising from the sale of any such immovable property or assets of a capital nature.

No dividend shall be declared or paid out of unrealized gain on investment property credited to profit and loss account.

10 Requirement for payment of dividend

The company shall be responsible to make the payment within 15 days from the date of declaration. Since it is an interim dividend, the dividend shall be deemed to have been declared on the date of commencement of closing of share transfer for determination of entitlement of dividend.(i.e. April 23<sup>rd</sup>)

Consequence of non-payment

If the dividend is not paid within the period specified by SECP, the chief executive of the company shall be punishable with imprisonment for a term which may extend to two years and with fine which may extend to five million rupees.

The chief executive shall from the day of the conviction cease to hold the office of chief executive of the company and shall not, for a period of five years from that day, be eligible to be the chief executive or a director of that company or any other company.

- (b) The situations in which non-payment of dividend shall not constitute an offence are as under:
- (i) where the dividend could not be paid by reason of the operation of any law;
  - (ii) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with;
  - (iii) where there is a dispute regarding the right to receive the dividend;
  - (iv) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or
  - (v) where, for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the company;
  - (vi) where the member has not provided the complete information or documents as specified by SECP.

**Chapter 10 – Investment and Disclosure of Interest****Investments**

- 1 As STL has nominated one of its directors on JL's board, both the companies became associated companies due to common directorship. Therefore, STL's plan of further investment would be considered as investment in associated company.  
Accordingly, STL can make further investment in JL only under the authority of a special resolution which shall indicate the nature, period, amount of investment and terms and conditions attached thereto.
- 2 (a)
  - (i) PTPL is wholly owned subsidiary company of OTL means it has one shareholder. Whereas, PTPL being a private company must have at least two members, hence OTL may hold any shares in the name of any of its nominee to ensure that the number of members of PTPL is not reduced below the statutory limit.
  - (ii) OTL has nominated Sami as non-executive director by virtue of its investment in TTPL. It means OTL have right to appoint or get elected any person as director of TTPL, therefore, in the light of the provisions of Companies Act, 2017 OTL have the right to transfer TTPL's shares in the name of Sami up to an amount not exceeding the nominal value of the qualification shares which are required to be held by TTPL's director. Such shares may be registered or held by OTL jointly with Sami or in the name of Sami alone.
- 3 (b) The procedures to be followed for obtaining shareholders' approval:
  - (i) Holding Extra Ordinary General Meeting
    - Twenty-one days' notice of the meeting shall be given to every member in the manner required by the Act.
    - However, DFL being a public unlisted company, if all the members entitled to attend and vote at the said EGM so agree, a meeting may be held at a shorter notice.
    - Notice of the meeting shall specify the place, the day and hour of the meeting along with a statement of the business to be transacted at the meeting and a draft resolution.
    - A statement shall be annexed to the notice of the meeting setting out all the material facts concerning the short term loan, including the nature and extent of interest, if any, of the directors.
    - Members may participate in the meeting personally, through video-link or by proxy.
    - Every member shall have votes proportionate to the paid-up value of the shares held by him and no such member shall be debarred from casting his vote.
  - (ii) Passing of resolution by the members through circulation
    - The resolution shall be circulated together with the necessary papers, if any, to all the members.
    - The resolution passed by circulation must be signed by all the members for the time being entitled to receive notice of a meeting.
    - The said resolution shall be noted at the subsequent meeting of members and made part of the minutes of such meeting.
- 4 (i) The directors can make investment in its shares by passing a resolution in their meeting.
  - (ii) MPL is an associated undertaking of KL as it holds 25% shareholdings in MPL. Therefore, KL can make investment in MPL only under the authority of a special resolution passed by the members in the general meeting.

Special resolution shall be supported by an agreement in writing which shall include the terms and conditions specifying the nature, purpose, period of loan, rate of return, fees or commission, repayment schedule for principal and return, penalty clause in case of default or late repayments and security, if any, for the loan in accordance with the approval of members in general meeting.

The rate of return on such investment shall not be less than the borrowing cost of KL (investing company) or the rate as may be specified by the Commission whichever is higher and shall be recovered on regular basis in accordance with the terms of agreement, failing which the directors shall be personally liable to make the payment.

Further, the directors of KL (investing company) shall certify that investment is made after due diligence and that the borrower has the ability to repay the loan as per the agreement.

5 This is the scenario of an investment in an associated company

- Company can make investment in any of its associated companies or undertakings only under **Special Resolution**
- It should be done through a written agreement specifying the terms and conditions
- Return on investment shall not be less than borrowing cost of investing company or rate as may be specified by SECP.
- Directors shall certify that the investment is made after due diligence and that the borrower has the ability to repay loan.

6 Following directorships or shareholdings shall not be considered while ascertaining status of companies to be associated

- Directorship by virtue of nomination by concerned Minister of the Federal Government or a Provincial Government or a financial institution directly or indirectly owned or controlled by such Government; or
- Directorship of a person appointed as "Independent Director"
- Shares owned by National Investment Trust (NIT) or the Investment Corporation of Pakistan (ICP) or a financial institution directly or indirectly owned or controlled by Federal Govt or a Provincial Govt; or
- Shares registered in the name of a central depository

7 (a)

(i) SSL and FPL are associated companies as both of them are under common control of IL.

(ii) Company can make investment in any of its associated companies or undertakings only under - **Special Resolution**

(It shall indicate nature, period, amount of investment and related terms and conditions)

- **No variation** in the nature and terms & conditions of investment or an **increase in amount** without passing a **special resolution**.
- For investments as a loan
  - It should be done through a written agreement specifying the terms and conditions
  - Return on investment shall not be less than borrowing cost of investing company or rate as may be specified by SECP.
  - Directors shall certify that the investment is made after due diligence and that the borrower has the ability to repay loan.

(b) **Investments of company to be held in its own name - Exceptions**

- If Investor Company has power to appoint its directors (nominee) on Investee company; then Investor company is allowed to hold such shares in name of that nominee that are qualification shares (required for any director) of Investee company.

- Holding company may hold any shares in its subsidiary company in name of its nominees if number of members of subsidiary company has reduced below required minimum members.
  - Company may also place its investment in the name of CDC.
- 8 The following are the exceptions to the general rule regarding holding of investment in company's own name:
- If Investor Company has power to appoint its directors (nominee) on Investee company; then Investor company is allowed to hold such shares in name of that nominee that are qualification shares (required for any director) of Investee company.
  - Holding company may hold any shares in its subsidiary company in name of its nominees if number of members of subsidiary company has reduced below required minimum members.
  - Company may also place its investment in the name of CDC.
- 9
- Company can make investment in any of its associated companies or undertakings only under **Special Resolution**  
(It shall indicate nature, period, amount of investment and related terms & conditions)
  - **No variation** in the nature and terms & conditions of investment or an **increase in amount** without passing a **special resolution**.
  - For investments as a loan
    - It should be done through a written agreement specifying the terms and conditions
    - Return on investment shall not be less than borrowing cost of investing company or rate as may be specified by SECP.
    - Directors shall certify that the investment is made after due diligence and that the borrower has the ability to repay loan.
- 10 "Associated companies" mean any two or more companies or a company and an undertaking, interconnected with each other in the following manner, namely:
- (a) If a person who is the owner or a partner or director of a company or undertakings, or who, directly or indirectly, holds or controls shares carrying not less than twenty percent of the voting power in such company or undertaking, is also the owner or partner or director of another company or undertaking, or directly or indirectly, holds or controls shares carrying not less than twenty per cent of the voting power in that company or undertaking; or
  - (b) If the companies or undertakings are under common management or control or one is the subsidiary of another; or
  - (c) If the undertaking is a modaraba managed by the company; and a person who is the owner of or a partner or director in a company or undertaking or, who also holds or controls shares carrying not less than ten percent of the voting power in a company or undertakings, shall be deemed to be an "associated person" of every such other person and of the person who is the owner of or a partner or director in such other company or undertaking, or who so holds or controls such shares in such other company or undertaking.

Provided that shares shall be deemed to be owned, held or controlled by a person if they are owned, held or controlled by that person or by the spouse or minor children of the person. Provided further that Following directorships or shareholdings shall not be considered while ascertaining status of companies to be associated

- Directorship by virtue of nomination by concerned Minister of the Federal Government or a Provincial Government or a financial institution directly or indirectly owned or controlled by such Government; or
- Directorship of a person appointed as "Independent Director"

- Shares owned by National Investment Trust (NIT) or Investment Corporation of Pakistan (ICP) or a financial institution directly or indirectly owned or controlled by Federal Govt or a Provincial Govt; or
  - Shares registered in the name of a central depository
- 11 "Associated undertakings" mean any two or more companies or undertakings, or a company and an undertaking, interconnected with each other in the following manner, namely: -
- (i) if a person who is the owner or a partner or director of a company or undertaking, or who, directly or indirectly, holds or controls shares carrying not less than twenty percent of the voting power in such company or undertaking, is also the owner or partner or director of another company or undertaking, or, directly or indirectly, holds or controls shares carrying not less than twenty per cent of the voting power in that company or undertaking; or
  - (ii) if the companies or undertakings are under common management or control or one is the subsidiary of another; or
  - (iii) if the undertaking is a Moradaba managed by the company
- 12 As SL and MPL would be regarded as associated companies, following conditions would have to be fulfilled
- Company can make investment in any of its associated companies or undertakings only under **Special Resolution**  
(It shall indicate nature, period, amount of investment and related terms and conditions)
  - It should be done through a written agreement specifying the terms and conditions
  - Return on investment shall not be less than borrowing cost of investing company or rate as may be specified by SECP.
  - Directors shall certify that the investment is made after due diligence and that the borrower has the ability to repay loan.

## Disclosure of Interest

- 1 Being a director, Hassan Ali is an agent of the shareholders of the company and stands in a fiduciary relationship with them so he is required to make all contracts and all transactions in good faith and in best interest of the company.  
In this case, Hassan Ali is deemed to be indirectly interested in the transaction as his wife is the chief executive in BL.  
Therefore, Hassan Ali should give a general notice to the effect to all other directors that he should be regarded as concerned or interested in the transaction to be entered into with BL and such notice shall be given at the meeting of the directors at which the question of entering into the contract or arrangement is first to be taken into consideration.
- After disclosing his interest in the transaction, Hassan Ali should not be part of the directors' meeting in which such contract or transaction is to be discussed
- 2 Interested director not to participate or vote in proceedings of board:  
The above rule shall not be applicable under the following circumstances:
- (i) If the person is a director of a private company which is neither a subsidiary nor a holding company of a public company;
  - (ii) when the director has acted as surety of the company and the resolution under consideration relates to the indemnification or insurance coverage of the surety director against any loss incurred by the director for becoming surety of the company.

- 3 As per the requirements of the Companies Act 2017:  
Whenever a director is interested in any of the business of the company he should disclose the same to other directors at first meeting of directors in which discussion is started director. Moreover he cannot take part in discussion, or vote over the approval of matter where he is interested, nor to be counted in the quorum

So if Mr Moiz follow the above mentioned steps there would not be any non-compliance of law.

- 4 As per the requirements of the Companies Act 2017:  
Whenever a director is interested in any of the business of the company he should disclose the same to other directors at first meeting of directors in which discussion is started director. Moreover he cannot take part in discussion, or vote over the approval of matter where he is interested, nor to be counted in the quorum

So if Mr Faraz follow the above mentioned steps there would not be any non-compliance of law.

- 5 As per the requirements of the Companies Act 2017:  
Whenever a director is interested in any of the business of the company he should disclose the same to other directors at first meeting of directors in which discussion is started director. Moreover he cannot take part in discussion, or vote over the approval of matter where he is interested, nor to be counted in the quorum

So if Mr Farigh follow the above mentioned steps there would not be any non-compliance of law.

- 6 As per the requirements of the Companies Act 2017:  
Whenever a director is interested in any of the business of the company he should disclose the same to other directors at first meeting of directors in which discussion is started director. Moreover he cannot take part in discussion, or vote over the approval of matter where he is interested, nor to be counted in the quorum

So if Mr Khurran follow the above mentioned steps there would not be any non-compliance of law.

- 7
- Private Company (neither subsidiary nor holding of Public)
  - If director has acted as surety of company and the resolution relates to indemnification or insurance coverage of that director against any loss incurred by him for becoming surety of company (company shall only insure liability arises out of a transaction validly approved by board or the members of company)
- 8
- Private Company (neither subsidiary nor holding of Public)
  - If director has acted as surety of company and the resolution relates to indemnification or insurance coverage of that director against any loss incurred by him for becoming surety of company (company shall only insure liability arises out of a transaction validly approved by board or the members of company)
- 9
- Private Company (neither subsidiary nor holding of Public)
  - If director has acted as surety of company and the resolution relates to indemnification or insurance coverage of that director against any loss incurred by him for becoming surety of company (company shall only insure liability arises out of a transaction validly approved by board or the members of company)

## Chapter 11 - Accounts and Annual Return

- 1 (a) Following are the contents of the directors' report of a public unlisted company:
  - (i) the state of the company's affairs;
  - (ii) a fair review of company's business;
  - (iii) the amount, if any, that the directors recommend should be paid by way of dividend;
  - (iv) the amount, if any, that directors propose to carry to Reserve Fund, General Reserve or Reserve Account;
  - (v) the names of the persons who, at any time during the financial year, were directors of the company;
  - (vi) the principal activities and the development and performance of the company's business during the financial year;
  - (vii) a description of the principal risks and uncertainties facing the company;
  - (viii) any changes that have occurred during the financial year concerning the nature of the business of the company or of its subsidiaries, or any other company in which the company has interest;
  - (ix) the information and explanation in regard to any contents of modification in the auditor's report;
  - (x) information about the pattern of holding of the shares;
  
- (b) Since OL's financial statements have not been adopted in the annual general meeting, a statement of that fact and its reasons shall be annexed to the said financial statements required to be filed with the registrar within thirty days from the date of the meeting i.e. 30 March 2021.
  
- 2 (b)
  - (i) **Time frame for preparation of quarterly financial statements**  
 Every listed company shall prepare the quarterly financial statements within the period of:
    - thirty days of the close of first and third quarters of its year of accounts; and
    - sixty days of the close of its second quarter of its year of accounts.**Requirement of review of second quarter financial statements**  
 The cumulative figures for the half year presented in the second quarter accounts shall be subjected to a limited scope review by the statutory auditors of the company in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Commission.
  - (ii) **Filing of quarterly financial statements**  
 The quarterly financial statements must be transmitted electronically to the Commission, Securities Exchange and with the Registrar within the period as specified above.  
 However, upon an application by the company, the Commission may, extend the period of filing in case of accounts of the first quarter for a period not exceeding thirty days, if the company was allowed extension in respect of its previous financial statements.
  
- 3 In the case of a listed company, the business review section must, to the extent necessary for understanding the development, performance or position of the company's business, include:
  - (i) the main trends and factors likely to affect the future development, performance and position of the company's business;
  - (ii) the impact of the company's business on the environment;
  - (iii) the activities undertaken by the company with regard to corporate social responsibility during the year; and
  - (iv) directors' responsibility in respect of adequacy of internal financial controls as may be specified.

**4 (i) Statutory meeting:**

JL is required to hold its first general meeting (Statutory meeting) within a period of 180 days from the date at which it was entitled to commence business or within nine months from the date of its incorporation whichever is earlier.

Therefore, in view of the above, JL is required to hold its statutory meeting not later than 27 September 2018.

- (ii) If the directors decides to hold its first AGM on 25 September 2018 than no statutory meeting shall be required.

**5 Financial statements:**

The first financial statements of a private limited company must be laid before the general meeting not later than sixteen months after the date of incorporation of the company.

In addition to above, the financial statements must be laid within a period of one hundred and twenty days following the close of the financial year. However, for any special reason, the registrar may extend the period for a term not exceeding thirty days.

The first financial statements of a private limited company shall be audited by its auditor and auditor's report shall be attached thereto. However if the paid up capital of the private company does not exceed one million the audit is not mandatory.

- 6
- Company shall send 1 copy of its financial statements (adopted in AGM along with other required reports & documents), signed as per the requirements of act, to registrar within 15 days of AGM.
  - If general meeting does not adopt these accounts and reports, the fact shall be mentioned to registrar along with such copies

7 The Directors of Aabshar Limited shall make out and attach to the accounts, a report containing following particulars namely

- (i) statements regarding the state of the affairs of the company.
- (ii) any amount recommended as dividend.
- (iii) any amount transferred or proposed to be transferred to any reserve account.
- (iv) address any specific changes and commitments affecting the financial position of the company, occurring between the financial year end date and the date of the report.
- (v) The directors' report of Aabshar Limited, being a public company, shall address all the material changes occurred during the financial year which affect:
  - the business of the company, or
  - its holding company or
  - any of its subsidiaries or
  - any other company where it has made investments.
- (vi) fullest information and explanation in regard to any reservation, observation, qualification or any adverse remarks pointed out by the auditors.
- (vii) circulate with it information about the pattern of shareholding.
- (viii) state the name and country of incorporation of its holding company, if any, where such holding company is incorporated outside Pakistan.
- (ix) state the earnings per share.
- (x) give reasons for incurring loss and a reasonable indication of future profit, if any; and
- (xi) contain information regarding default in repayments of loans or interests on loans, if any.
- (xii) Main trends and factors likely to affect the future development, performance and position of the company's business;
- (xiii) Impact of the company's business on the environment;
- (xiv) Activities undertaken by company with regard to corporate social responsibility during year;
- (xv) Directors' responsibility in respect of adequacy of internal financial controls as specified

- 
- 8
- Directors authenticate financial statements in meeting by passing resolution.
  - Members only receive accounts and can ask any questions in AGM.
  - Chief executive and at least 1 director put their signatures on it.  
(For listed companies CFO shall also sign the financial statements)
  - If chief executive is out of Pakistan at the time of signing, then at least 2 directors shall sign the financial statements
  - For private company having paid up capital up to Rs. 1 Million, financial statements shall be accompanied by an affidavit by Chief Executive (if accounts signed by him) or by any director (if accounts has been signed by 2 directors), that the financial statements have been approved by the board
  - Financial statements of a SMC shall be signed by 1 director.
- 9
- (i) Proper Books of Account:  
The books of account are not deemed to be proper with respect to the matters specified therein if there are not kept such books as are necessary to give a true and fair view of the state of affairs of the company or the branch office, as the case may be, and to explain its transactions.
- (ii) Proper books of account in case of a branch office:
- Proper books of that branch may be maintained at branch
  - Proper summarized returns should reach registered office or other specified place periodically.
- 10
- As per the requirements of the Act, it is only the directors of company who can inspect the books of accounts during normal business ours. Members are not freely allowed to inspect the accounts (except some limited registers for which the law have allowed at least 2 hours time daily). Therefore the aggrieved shareholders must request the directors to perform such inspection on their behalf. And in a rare scenario, where directors are not ready to hear to pay attention to their concern, members can apply to registrar for using his power to inspect books of accounts under the requirements of the Companies Act 2017.
- 11
- (i) The directors shall make out a report with respect to the state of the company's affairs, the amount, if any, which they recommend should be paid by way of dividend and the amount, if any, which they propose to carry to the reserves.
- (ii) The report should also:
- disclose any material changes and commitments affecting the financial position of company which have occurred between date of balance sheet and the date of the report;
  - Any material changes that have occurred during the financial year concerning the nature of the business of the company or of its subsidiaries, or in the classes of business of the company in which the company has interest.
  - contain the fullest information and explanation in regard to any reservation, observation, qualification or adverse remarks contained in the auditor's report;
  - fullest information about the pattern of holding of the shares;
  - state the name and country of incorporation of its holding company, if any, where such holding company is established outside Pakistan; and
  - state the earning per share;
  - give reasons for incurring loss; and
  - contain information about defaults in payment of debts, if any, and reason thereof;
- 12
- Directors authenticate financial statements in meeting by passing resolution.
  - Members only receive accounts and can ask any questions in AGM.
  - Chief executive and at least 1 director put their signatures on it.  
(For listed companies CFO shall also sign the financial statements)

- If chief executive is out of Pakistan at the time of signing, then at least 2 directors shall sign the financial statements
  - For private company having paid up capital up to Rs. 1 Million, financial statements shall be accompanied by an affidavit by Chief Executive (if accounts signed by him) or by any director (if accounts has been signed by 2 directors), that the financial statements have been approved by the board
  - Financial statements of a SMC shall be signed by 1 director.
- 13 (a) SQL Plastic Limited must keep proper books of account with respect to:
- (i) all sums of money received and expended by the company;
  - (ii) all sales and purchases of goods by the company;
  - (iii) all assets of the company;
  - (iv) all liabilities of the company; and
  - (v) in the case of a company engaged in production, processing, manufacturing or mining activities, such particulars relating to utilization of material or labor or other inputs or items of cost, or any other particulars as required by the Commission through a general or special order to be included in the books of accounts.
- (b) As the directors of SQL Plastic Limited intend to keep the books of account at a place other than the registered office, SQL Plastic Limited must file with the registrar a notice in writing within seven days of the decision, giving the full address of the other place.
- 14 An unlisted company not being a private company having a paid up capital of less than Rs.7.5 million, must complete the following necessary formalities before and after the AGM:
- (i) Before the AGM: Notice of an annual general meeting must be sent to every shareholder at least 21 days before the date of AGM along with a copy of such financial statements so audited together with a copy of the auditor's report and the director's report and shall keep a copy at the registered office of the company for the inspection of the members of the company during a period of at least twenty-one days before that meeting.
  - (ii) After the AGM: The company must not file with the registrar a copy of its financial statements because it is under the exemption granted by Companies Act for Private Companies having capital less than 10 Million.
- 15 The contents of the directors' report of a public company, as specified in the Companies Act 2017 are as follows:
- (i) report on the company's affairs;
  - (ii) the amount of recommended dividend;
  - (iii) amount proposed to be carried to the Reserve Fund, General Reserve or Reserve Account;
  - (iv) disclosure of material changes and commitments affecting the financial position of the company since the end of the financial year to which the balance-sheet relates and the date of the report;
  - (v) any changes concerning the nature of the business of the company or of its subsidiaries, or in the classes of business in which the company has interest;
  - (vi) fullest information and explanation regarding any reservation, observation, qualification or adverse remarks contained in the auditor's report;
  - (vii) the pattern of share holding;
  - (viii) name and country of incorporation of its holding company, if any, where such holding company is established outside Pakistan;
  - (ix) earnings per share;
  - (x) reasons for incurring loss and a reasonable indication of future prospects of profit, if any;
  - (xi) information about defaults in payment of debts, if any, and reasons thereof.

- 16 The accounting record shall include proper books of account with respect to:
- (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
  - (ii) all sales and purchases of goods by the company;
  - (iii) all assets of the company;
  - (iv) all liabilities of the company; and
  - (v) utilization of material or labor or to other inputs or items of cost as may be prescribed for such class of companies by the Commission.
- 17 Even if the financial statements are not approved by the shareholders, the company would still be required to file the financial statements with the registrar within
- 30 days of AGM, in case of listed companies
  - 15 days of AGM, in case of other companies.
- However, in such a situation a statement of the fact that the financial statements have not been adopted giving reasons thereof shall have to be attached while filing the financial statements.
- 18 When the chief executive is for the time being not in Pakistan, then the financial statements of the company shall be signed by not less than two directors for the time being in Pakistan, but in such a case there shall be subjoined to the financial statements, a statement signed by such directors explaining the reasons on account of which the accounts could not be signed by the Chief Executive.

**Chapter 12 – Introduction to Winding up****Practice Question 01:**

Under the following circumstances, ANF Limited would be deemed unable to pay its debts:

- i. if a creditor, by assignment or otherwise, to whom the company is to pay a sum exceeding one hundred thousand rupees then due, has served a demand under his hand, delivered by registered post or otherwise, at ANFL's registered office, requiring ANFL to pay the sum and the company has for 30 days thereafter neglected to pay the sum, or to secure or compound for it to the reasonable satisfaction of the creditor.
- ii. if a decree or order of any court or any other competent authority in favour of a creditor of the company is returned unsatisfied in whole or in part.
- iii. if it is proved to the satisfaction of the Court that the company is unable to pay its debts, and while determining this fact, the Court shall take into account the contingent and prospective liabilities of the company.

**Practice Question 02:**

The petition may be presented by any one of the following:

- i. The company may itself by passing a special resolution
- ii. Any creditor or creditors (including any contingent or prospective creditor or creditors)
- iii. Any contributory or contributories (By all or any of the aforesaid parties, together or separately)
- iv. The Registrar of Companies
- v. Securities and Exchange Commission of Pakistan; or
- vi. A person authorised by the Commission (SECP).

**Practice Question 03:**

Though CL was formed for a period of three years a winding up would not commence unless a resolution in this regard has been passed. Therefore, it would be necessary for the directors of CL to have a resolution passed in the general meeting of the company.

In view of the above provision of law, CL may continue its activities even after commencement of winding up so far as it is necessary for completing the project.

However, it would not be advisable to commence winding up before the completion of the project as it may not be possible for the company to sell its assets and pay off its liabilities prior to completion of the project.

Therefore, director of CL should extend the period fixed for the duration of the company by making necessary amendments in the article of association of the company.

**Practice Question 04:**

A company may be wound up voluntarily when:

- vii. if the company in general meeting passes a resolution requiring the company to be wound up voluntarily as a result of the expiry of the period for its duration, if any, fixed by its articles or on the occurrence of any event in respect of which the articles provide that the company should be dissolved; or
- viii. When the company resolves by special resolution that the company be wound up voluntarily.

**Practice Question 05:**

The liquidator shall not resign or quit his office as liquidator before conclusion of the winding up proceedings except for reasons of personal disability to the satisfaction of the Court.

Therefore, Zahid cannot resign.

The power of accepting or rejecting the resignation of liquidator before completion of winding up proceeding rests with the Court and not with the management/directors of the company.

**CH # 1****INTRODUCTION, TYPES AND REGISTRATION**

1. Which type of business structure is created by a process of incorporation
  - (a) Sole Proprietor
  - (b) Partnership
  - (c) Company
  - (d) None of the above
2. Body corporate or corporation includes
  - (a) A company incorporated under Companies Act, 2017 or company law
  - (b) A company incorporated outside Pakistan
  - (c) A body corporate declared as body corporate under relevant statute
  - (d) All of the above
3. "Men may come and men may go but the company exists". This explains which characteristics of the company as per the Companies Act, 2017.
  - (a) Separate legal entity
  - (b) Perpetual Succession
  - (c) Perpetual Liability
  - (d) Capacity to Sue
4. What is separate legal personality
  - (a) That the members in general meeting are regarded by law as a person.
  - (b) That the board of directors is regarded by law as a person
  - (c) That the company as an entity is regarded by law as a person
  - (d) That the managing director of the company is regarded by law as a person.
5. The effects of separate legal personality are
  - (a) Limited liability of the owners of the business
  - (b) Separation of ownership from control
  - (c) Transfer of ownership and perpetual succession.
  - (d) All of the above
6. The concept of limited liability applies to
  - (a) The directors of the company
  - (b) To the creditors of the company
  - (c) To the owners (Shareholders) of the company
  - (d) To the Bankers of the company
7. If a limited company is unable to pay its debts, it may be forced into liquidations. The assets of the company will then be used to pay some of its unpaid liabilities and
  - (a) The directors will be required to pay personally remaining unpaid debts of the company
  - (b) The shareholders will be required to pay personally remaining unpaid debts of the company
  - (c) The debenture holders will be required to pay personally remaining unpaid debts of the company
  - (d) The shareholders will not be required to pay personally remaining unpaid debts of the company
8. Limited liability applies to
  - (a) All companies
  - (b) All public companies
  - (c) All limited companies
  - (d) All unlimited companies

- 
9. The directors and other officers of the company act on behalf of the company, and provided that they act within their powers,
    - (a) They will be personally liable for the debts of the company
    - (b) They will not be personally liable for the debts of the company
    - (c) They along with the shareholders will be personally liable for the debts of the company
    - (d) They along with the other officers of the company will be personally liable for the debts of the company
  10. Company law includes
    - (a) The Companies Act of 1913
    - (b) The Companies Act of 2017
    - (c) The Companies Ordinance of 1984
    - (d) All of the above
  11. Public listed company means
    - (a) Such form of public company whose securities are listed on an exchange
    - (b) Such form of private company whose securities are listed on an exchange
    - (c) Such form of public company whose name of the members are listed on an exchange
    - (d) Such form of public company whose name of the directors are listed on an exchange
  12. Private company other than single member company can be registered by
    - (a) At least 2 members and it restricts the maximum number of members to fifty (50)
    - (b) At least 1 member and it restricts the maximum numbers of members to twenty-five (25)
    - (c) At least 5 members and it restricts the maximum number of members to fifty (50)
    - (d) At least 1 member and it restricts the maximum numbers of members to fifty (50)
  13. A company or body corporate which exercises or controls more than one-half of the voting securities of any other company or controls the composition of the board of such other company is known as
    - (a) Subsidiary company
    - (b) Co-operative company
    - (c) Holding company
    - (d) Listed company
  14. License to association not for profit shall be granted by commission on the fulfilment of certain conditions. Choose the incorrect one.
    - (a) It shall apply its profit, if any in promoting its objects
    - (b) They can pay profits to its members out of it.
    - (c) The payments of any dividend to its members is prohibited
    - (d) They will work only for useful objects of the society
  15. SECP has been vested with lot of powers under the Companies Act, 2017 and it has got powers to regulate the affairs of
    - (a) All the companies and insurance company
    - (b) Banking companies and modarabas
    - (c) Non-banking finance companies
    - (d) All of the above
  16. Registration of company is actually the registration of its constitution i.e.
    - (a) Articles of association
    - (b) Memorandum of association
    - (c) Certificate of incorporation
    - (d) Prospectus

- 
17. Registration of memorandum and articles means the registration of the company. The registrar after registering the company, shall issue a certificate of incorporation, which shall state.
    - (a) CNIC number of the directors
    - (b) Date of birth of CEO
    - (c) Date of incorporation
    - (d) Address of the directors
  18. A body corporate or corporation is a company:
    - (a) Incorporated outside the pakistan
    - (b) Inside the pakistan
    - (c) Listed on stock exchange
    - (d) A & b
  19. Company limited by shares means a company having the liability of its members:
    - (a) Limited to the amount of the shares respectively held by them
    - (b) Unlimited to the amount of shares respectively held by them.
    - (c) Specific liability
    - (d) None of the above
  20. If a company restricts to transfer its shares, then it is:
    - (a) Public company
    - (b) Private company
    - (c) Holding company
    - (d) Existing company
  21. Private company limits the number of its members to:
    - (a) 30
    - (b) 20
    - (c) 40
    - (d) 50
  22. When two or more persons hold one or more shares in a company jointly, they will be treated as:
    - (a) Single member
    - (b) Separately as members
    - (c) Directors
    - (d) None
  23. In memorandum the name of company as private will be written as:
    - (a) Private limited
    - (b) Limited
    - (c) Pvt
    - (d) (private) limited
  24. Association not for profit are established and incorporated can be registered without the additions of the words:
    - (a) "limited"
    - (b) "private limited"
    - (c) "guarantee limited"
    - (d) All of the above
  25. Companies like non-profit organization can't pay to its members:
    - (a) Salaries
    - (b) Remuneration

- (c) Dividend
  - (d) All of above
26. Associations not for profit incorporated enjoy all the privileges of:
- (a) Limited company
  - (b) Unlimited company
  - (c) Public company
  - (d) None
27. A licence of not for profit or may be revoked by the commission and upon the revocation the registrar shall enter the words:
- (a) Limited
  - (b) (Private) Limited
  - (c) (Guarantee)limited
  - (d) Anyone of the above (which is relevant)
28. Mr. Pushkar wishes to start his own venture with an idea of university for phd scholars. He approaches you for your advice so as to decide on which type of entity he should incorporate. Kindly suggest a suitable form of entity from the following:
- (a) Limited liability partnership
  - (b) Private limited company
  - (c) Non-profit organisation
  - (d) Producer company
29. Net Income of Non-Profit Organization from business and donation shall be used only for \_\_\_\_\_
- (a) Charitable purpose
  - (b) Dividend to members
  - (c) All of above
  - (d) None
30. The company will be considered as separate person and different from its members from the date (when they) .....
- (a) Start of business
  - (b) Apply for registration
  - (c) Receive incorporation certificate
  - (d) Mentioned in certificate of incorporation
31. State the necessary conditions for the Non – Profit Organization?
- (a) Charitable object-Education, Research, social welfare, Environment Protection, charity Religious, donation
  - (b) Income usage- Net income from the business and donations shall be used only for the charitable object
  - (c) Restriction on Dividend The company shall not pay dividend to members, however it can pay interest on Debenture, Deposits, etc.
  - (d) All of the above
32. Listed Company will be registered on \_\_\_\_\_?
- (a) Stock Exchange of Pakistan
  - (b) ICAP
  - (c) Stock exchange of Dubai
  - (d) Both (I) & (II)

- 
33. Securities and Exchange Commission of Pakistan (SECP) established under the Securities and Exchange Commission of Pakistan Act 1997 was operationalized on
- (a) 1<sup>st</sup> January, 1899
  - (b) 1<sup>st</sup> January 1999.
  - (c) 1<sup>st</sup> February 1997
  - (d) 1<sup>st</sup> January, 1998
34. There are \_\_\_\_\_ offices of SECP, including Head office.
- (a) 7
  - (b) 8
  - (c) 6
  - (d) 9
35. It is the duty of Registrar to \_\_\_\_\_
- (a) Keeps the records of mortgages and charges
  - (b) track of company routine documents
  - (c) maintain the records of companies
  - (d) All of above
36. After revocation of licence all the assets of the company will be transfer to another company within \_\_\_\_\_ days.
- (a) 90
  - (b) 45
  - (c) 30
  - (d) 15
37. After revocation of licence, Board of Directors shall file a report to Registrar within \_\_\_\_\_ Days.
- (a) 45
  - (b) 30
  - (c) 15
  - (d) 21
38. Process of voluntary winding up will be commenced within \_\_\_\_\_.
- (a) 45 days of revocation of licence
  - (b) 30 of revocation of licence
  - (c) 30 days of acceptance of report
  - (d) 90 days
39. Company registered under Companies Act, 2017 is separate legal entity from its members?
- (a) Yes
  - (b) No
  - (c) Partly Yes
  - (d) Partly No
40. Mr. Superman is a truck driver formed a Single member company for testing trucks. The name of the company is Thhok Diya Limited. There are 20 employees (Drivers) of the company and Mr. Superman was also an employee. It is a policy of the company to compensate its employees in case of damage of death. At one day Mr. Superman drove a truck and went into accident with bicycle and lost his life. Now his widow wants to claim compensation from Thhok Diya Limited. Whether wife of the Superman can receive the compensation from the company?
- (a) Yes
  - (b) No

- (c) Partly Yes
  - (d) Partly No
41. ABC Pvt. Limited, company is a private limited having 5 members only. All the members of the company were going by car in relation to some business. An accident took place and all of them died. Whether existence of the company has also come to the end?
- (a) Yes
  - (b) No
  - (c) Partly yes
  - (d) Partly no
42. Mahesh is a creditor of an unlimited company. The company was wound-up. Mahesh, therefore, wants to sue the members of the company to recover the dues. Advise Mahesh regarding the remedy available to him.
- (a) As it is an unlimited liability company Mahesh can sue the members
  - (b) As it is an unlimited liability company Mahesh can sue the members as well as the company
  - (c) Mahesh cannot sue the members or the company even though the liability is unlimited
  - (d) Mahesh can sue the company but not the members as the members liability is unlimited towards the company and not towards the creditors.
43. Six persons are the only members of Tab (Pvt.) Ltd. All of them went to USA on a pleasure trip by airplane. On the way, the plane crashed and all the six members died. Does Tab (Pvt.) Limited still exist?
- (a) As all the members forming the company are dead the company shall also die.
  - (b) As all the members of the company are dead the Court shall decide as to whether the company shall continue or not
  - (c) As the company has a separate legal entity having an existence separate from its members the death of the members shall not affect the existence of the company.
  - (d) As all the members of the company are dead the Registrar shall strike off the name of the company.
44. Certificate of incorporation is something like a :
- (a) Evidence of company's formation
  - (b) Birth certificate of company
  - (c) Both i) & ii)
  - (d) None of the above
45. Proof of the existence of the company is:
- (a) Articles of the association
  - (b) Memorandum of association
  - (c) Certificate of incorporation
  - (d) Stamp
46. A company is said to have been registered when?
- (a) It files Memorandum of association and Articles of Association
  - (b) It gets incorporation certificate with the Registrar of Companies.
  - (c) It gets certificate for commencement of business.
  - (d) It actually starts its business.

Sr. No.	Answer	Sr. No.	Answer
1	C	31	D
2	D	32	A
3	B	33	B
4	C	34	D
5	D	35	D
6	C	36	A
7	D	37	C
8	C	38	C
9	B	39	A
10	D	40	A
11	A	41	B
12	A	42	B
13	C	43	C
14	B	44	C
15	D	45	C
16	B	46	B
17	C		
18	D		
19	A		
20	B		
21	D		
22	A		
23	D		
24	D		
25	D		
26	A		
27	D		
28	C		
29	A		
30	C		

**CH # 2****MEMORANDUM AND ARTICLES**

1. Under the Companies Act, 2017 in which document would you find the principal line of business clause?
  - (a) Statutory declarations
  - (b) Articles of association
  - (c) Memorandum of association
  - (d) Prospectus
2. A person may make an application in specified form and manner with a specified fee to the registrar for reservation of any name. If the application is refused by registrar, aggrieved person may prefer an appeal to Commission with in
  - (a) 60 days
  - (b) 30 days
  - (c) 15 days
  - (d) 90 days
3. Companies Act, 2017 allows the alteration of various clauses of the memorandum of association of the company however there is difference as to the procedure or requirement of law. Which clause cannot be altered in the lifetime of the company?
  - (a) Name clause
  - (b) Subscription clause
  - (c) Liability clause
  - (d) Registered office clause
4. A company may alter the provisions of its memorandum so as to change the place of its registered office but which of the following condition must not be fulfilled for the alteration in the registered office clause of the company?
  - (a) Company shall pass a special resolution.
  - (b) Company shall apply to the commission for obtaining its approval.
  - (c) Company shall inform the registrar within 15 days of the actual shifting of the registered office.
  - (d) Physical record of the company shall be transferred to the other registrar in each and every case.
5. For registered office clause the province or the part of Pakistan not forming part of a province shall be mentioned. e.g. if the company proposes to have a registered office in Islamabad, they will write in their memorandum that
  - (a) The registered office will be situated in province of Sindh
  - (b) The registered office will be situated in province of Punjab
  - (c) The registered office will be situated in Islamabad
  - (d) None of the above
6. The first clause of the memorandum is the name clause of the company which contains the name of the company with the addition of appropriate parenthesis. Choose the incorrect parenthesis
  - (a) Abdullah (Private) Limited is a private company
  - (b) Rahim (Guarantee) Limited is a guarantee limited company
  - (c) The Lawyer (PLC) is a public limited company
  - (d) Khan (SMC-Private) Limited is a single member company

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7. Every company shall supply within a period of 14 days, a copy of the memorandum and articles of the company, upon the request and payment of a prescribed amount, to its
    - (a) Creditor
    - (b) Auditor
    - (c) Director
    - (d) Member
  8. What type of resolution is required to change company's name?
    - (a) Special resolution
    - (b) Ordinary resolution
    - (c) Ordinary resolution with 14 days' notice
    - (d) Special resolution with 14 days' notice
  9. In relation to a company's articles of association, which of the following is incorrect?
    - (a) The articles of association set down the internal regulations of a company
    - (b) Promoters may or may not submit their own form of articles when submitting the forms necessary to form a company limited by shares.
    - (c) The articles of association form a contract between the members and the company and the members among themselves.
    - (d) Articles of association may be changed by ordinary resolution.
  10. If a company changes its name, then former name is required to be mentioned along with the new name for a period of
    - (a) 90 days from the date of issue of the new certificate of incorporation.
    - (b) 120 days from the date of issue of the new certificate of incorporation.
    - (c) One year from the date of issue of the new certificate of incorporation.
    - (d) None of the above is correct
  11. A company has been incorporated with a name in contravention of the relevant provisions of the Companies Act, 2017. Now the directors have received an order from the Registrar to rectify the name after providing an opportunity of being heard. The name is required to be rectified/change within a period of
    - (a) 15 days
    - (b) 30 days
    - (c) 120 days
    - (d) None of the above is correct
  12. Corrupt limited (CL) has received a request from Mr. Sharukh, a subscriber of CL, for registration of 100 equity shares on his name. The period of 30 days from incorporation has been expired but no intimation and payment of the shares is received by the company. In the given circumstances, advise as per the provisions of the companies act, 2017:
    - (a) Corrupt limited will cancel the name of Mr. Sharukh from register.
    - (b) Corrupt limited can register the shares in the name of Mr. Sharukh
    - (c) Corrupt limited can transfer these shares to other shareholders.
    - (d) Corrupt limited will give the shares to Mr. Sharukh
  13. Kamran and Ijaz made a name reservation application accompanied by requisite fee to the registrar for forming a new private company. The registrar accorded its approval for reservation of most preferred name KI software private limited on 7th July, 2019. By which date necessary documents for incorporation of the company must be submitted to the registrar so that the reserved name does not get lapsed.
    - (a) Latest by 20th July, 2019
    - (b) Latest by 27th august, 2019

- (c) Latest by 5th September, 2019
  - (d) Latest by 8th September, 2019
14. If KBS Private Limited is instructed to change its name which shows a connection with an existing company of the Provincial Government, then the company can follow this procedure \_\_\_\_\_.  
(a) Change name by Passing a special resolution  
(b) Obtaining permission from SECP  
(c) Passing an ordinary resolution  
(d) Both a and b
15. If application to reserve the name is refused by Registrar, the..... can make an appeal to commission within \_\_\_\_\_ Days  
(a) Promoters, 30  
(b) Subscribers, 60  
(c) Directors, 30  
(d) CEO, 45
16. After change of name of a company, former name will also be mentioned with new name for the period of \_\_\_\_\_ Days.  
(a) 90  
(b) 45  
(c) 30  
(d) 120
17. If Name of the company is not published then, company will face \_\_\_\_\_ penalty  
(a) Level A  
(b) Level 1  
(c) Level 5  
(d) Level B
18. Which alteration clause of Memorandum of Association does not require ordinary/Special resolution in General meeting?  
(a) Change in name clause from Private limited to public limited  
(b) Change in Registered Office  
(c) Alteration of capital  
(a) None of the above
19. The registrar shall register any alteration of the memorandum with respect to the objects of the company and certify the registration within a period of \_\_\_\_\_ from the date of filing of the special resolution.  
(a) 30 days  
(b) 60 days  
(c) 90 days  
(d) 6 months
20. Mr. Zameer and his 5 friends want to register a Public company Named as "Stylo Shoes" - an unlisted public company. Name of the company shall be mentioned on MOA of the company as  
(a) Stylo Shoes- an unlisted company  
(b) Stylo Shoes limited- an unlisted company  
(c) Stylo Shoes limited  
(d) Stylo Shoes

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21. In Registered Office clause, Company Shall have to mention
    - (a) Province name
    - (b) City name
    - (c) Town Name
    - (d) Full Address
  22. Company shall mention its authorized share capital clause as
    - (a) Authorized share capital of the company is Rs.100,000
    - (b)  $\text{Rs } 10/\text{share} \times 10,000 \text{ shares} = \text{Rs.}100,000$  (authorized share capital)
    - (c) Authorized share capital=100,000 & paid-up capital= 80,000
    - (d) Total shares of the company are 10,000
  23. High Aim Private limited wants to change its principal line of business clause of the memorandum of association of the company. They needs:
    - (a) Shareholder approval by way of ordinary resolution
    - (b) Shareholder approval is not required for change of object clause of the company.
    - (c) Shareholder approval by way of special resolution
    - (d) The approval from tribunal for changing object clause of the company.
  24. Supertech Computers private limited has 120 members. It sends notice to all of them. 20 members did not attend the meeting. Out of remaining 100 members, 20 members abstained from voting. Advice the company, how many members should vote in favor of resolution, if it has to be passed as a special resolution?
    - (a) 60 votes
    - (b) 80 votes
    - (c) 75 votes
    - (d) 20 votes
  25. Preparing and submitting Articles of association to registrar is:
    - (a) Mandatory
    - (b) Very Important
    - (c) Optional
    - (d) None
  26. Articles of association are for:
    - (a) External affairs of a company
    - (b) Internal rules of a company
    - (c) Both i) & ii)
    - (d) Public company
  27. If a person has any share, scrip or other security which gives him a voting power/right, he becomes:
    - (a) Director
    - (b) Chief executive
    - (c) Member
    - (d) Officer
  28. Every shareholder whose name is written in is:
    - (a) Member of company
    - (b) Not member of company
    - (c) Owner of company
    - (d) Both ii) & iii)

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29. Memorandum of association:
- (a) Can be called CNIC of the company
  - (b) Contains external affairs of company (face of the company)
  - (c) Mandatory
  - (d) Both i) & iii)
30. Special resolution should be passed by the majority of:
- (a) 2/5 members
  - (b) 6/10 members
  - (c) 3/4 members
  - (d) 2/4 members
31. Number of days of notice specifying the intention to propose the resolution as special resolution are:
- (a) 50 days
  - (b) 30 days
  - (c) 25 days
  - (d) 21 days
32. Each subscriber of the memorandum shall write opposite to his name:
- (a) The limit of liability
  - (b) The number of shares
  - (c) Both i) & ii)
  - (d) None
33. In memorandum; no subscriber of the memorandum shall take less than:
- (a) 20 shares
  - (b) 5 shares
  - (c) 2 shares
  - (d) 1 share
34. Articles of association of a company limited by shares may adopt:
- (a) All regulations contained in table a in 1st schedule
  - (b) Any of the regulations of table a
  - (c) Both i) & ii)
  - (d) None
35. The memorandum and articles shall when registered, bind the company and members thereof to the same extent if they respectively have been \_\_\_\_\_ by them:
- (a) Read
  - (b) Noticed
  - (c) Observed
  - (d) Singed
36. A company decided to shift its registered office within the jurisdiction of same registrar in a general meeting held on 25th may, 2020. Within how many days company shall intimate such change to registrar of companies?
- (a) Within 15days from the date of such change
  - (b) Within 30days from the date of such change
  - (c) Within 15days from the date of general meeting
  - (d) Within 30days from the date of general meeting

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37. Every company shall send to every member, at his request, copies of memorandum and articles within:
- (a) 10 days
  - (b) 12 days
  - (c) 14 days
  - (d) 21 days
38. Mr. Zeeshan is an employee in a Pakistan Stock Exchange and he wants to prepare some feasibility reports on request of some potential investors for a company named as "XYZ Limited". For the preparation of the reports he requires Memorandum & Articles of association of the company. Whether he can obtain such copies of Memorandum & Articles of Association from "XYZ Limited".
- (a) Yes
  - (b) No
  - (c) Partly yes
  - (d) Partly No
39. Which one of the following clauses cannot be altered \_\_\_\_\_?
- (a) Name clause
  - (b) Liability Clause
  - (c) Subscription Clause
  - (d) Registered office Clause
40. Receipt of subscription money shall be reported to Registrar within \_\_\_\_\_ days.
- (a) 30
  - (b) 15
  - (c) 90
  - (d) 45
41. Subscription money shall be paid within \_\_\_\_\_ Days
- (a) 15
  - (b) 30
  - (c) 21
  - (d) 45
42. Subscription money shall also be certified by CA or CMA, in case of any violation company shall be liable to pay the penalty of \_\_\_\_\_?
- (a) Level 1
  - (b) Level A
  - (c) Level 5
  - (d) Level B
43. Every \_\_\_\_\_ company shall paint or affix and keep painted or affixed, its name on the outside of every office or place in which its business carried on, in a conspicuous position:
- (a) Public company
  - (b) Private company
  - (c) Limited company
  - (d) Unlimited company
44. The name of the limited company painted or affixed should be legible and in:
- (a) English
  - (b) Urdu
  - (c) Any of the (i) or (ii)
  - (d) None

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45. High aim pvt. Ltd. Wants to change its object clause of the memorandum of association of the Company. They needs:
- (a) Shareholders approval by way of ordinary resolution
  - (b) Shareholders approval is not required for change of object clause of the company.
  - (c) Shareholders approval by way of special resolution
  - (d) The approval from registrar for changing object clause of the company.
46. Sapan and sanjay made a name reservation application accompanied by requisite fee to the Registrar for forming a new private company. The registrar accorded its approval for reservation of Most preferred name sapanjay softwares private limited on 6th july, 2018. In how many days, necessary documents for incorporation of the company must be submitted to the registrar so that the reserved name does not get lapsed
- (a) Within 10 days from the date of approval
  - (b) Within 20 days from the date of approval
  - (c) Within 45 days from the date of approval
  - (d) Within 60 days from the date of approval
47. Which one of the following is not the content of the memorandum of association?
- (a) Name clause
  - (b) Registered office clause
  - (c) Principal Line of Business clause
  - (d) Board of director clause
48. The registrar shall register any alteration of the memorandum with respect to the objects of the company and certify the registration. In how many days of special resolution do we need to file the special resolution with registrar.
- (a) 30 days
  - (b) 60 days
  - (c) 90 days
  - (d) 6 months
49. A model form of articles contained in 'Table A' relates to a company limited by
- (a) Shares
  - (b) Guarantee
  - (c) Shares and guarantee
  - (d) None of the above
50. Def private limited altered its articles of association on its conversion into public company. A copy of order of the competent authority approving the alteration, is required to be filed with registrar. How many days, company have to file such order?
- (a) 15 days
  - (b) 30 days
  - (c) 45 days
  - (d) 60 days
51. XYZ Limited is Limited company having share capital wants to issue new share capital, whether company will alter its share capital clause from its memorandum?
- (a) Yes
  - (b) No
  - (c) Partly Yes
  - (d) Partly Yes

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52. Article of a public company stated that Mr. Ram will be the solicitor of the company. The company in its general meeting of the shareholders resolved unanimously to appoint Mr. Shyam in place of Mr. Ram as the solicitor of the company by altering Articles. For this alteration which resolution is required?
- (a) Special Resolution
  - (b) Ordinary resolution
  - (c) Directors Vote only
  - (d) Just announcement in meeting
53. Amar, a promotor for a new proposed company, made an application and got reserved a name for incorporation of a private limited company but the Registrar of Companies Muridky, before the incorporation, found that the name was applied by furnishing wrong information.
- (a) The reserved name shall be cancelled by the Registrar because the name was applied by furnishing wrong information and Amar who made the application shall be liable to a penalty up to Level 1.
  - (b) The reserved name, after seeking explanation from Amar and after he pays a penalty of Level A shall be allotted by the Registrar and the company shall be incorporated by this name.
  - (c) The reserved name shall be cancelled by the Registrar but Amar shall not be liable to pay any penalty because cancellation of name in itself is a penalty.
  - (d) Besides cancellation of the reserved name Amar and Abhilasha shall be debarred from making an application for reservation of name for one year from the date on which cancellation letter was issued by the Registrar.
54. A company can change its name only after the approval of
- (a) Provincial government
  - (b) SCEP
  - (c) Supreme court
  - (d) Registrar
55. For change in name by only the addition or deletion of the word private requires the consent of
- (a) Provincial government
  - (b) SECP
  - (c) Supreme court
  - (d) No consent of any of these authorities is required
56. In case of change of office from one jurisdiction to another the consent of the Special Resolution must be filed with the registrar within
- (a) 15 days
  - (b) 30 days
  - (c) 60 days
  - (d) 90 days

Sr. No.	Answer	Sr. No.	Answer
1	C	31	D
2	B	32	B
3	B	33	D
4	D	34	C
5	C	35	D
6	C	36	A
7	D	37	C
8	A	38	B
9	D	39	C
10	A	40	D
11	B	41	B
12	A	42	A
13	C	43	C
14	D	44	C
15	A	45	C
16	A	46	D
17	B	47	D
18	A	48	A
19	A	49	A
20	C	50	B
21	A	51	B
22	B	52	A
23	C	53	A
24	C	54	D
25	A	55	D
26	B	56	B
27	C		
28	A		
29	D		
30	C		

**CH # 3****DIRECTORS**

1. The names and number of first directors shall be decided by the
  - (a) Members of the company
  - (b) Promoters of the company
  - (c) Subscribers to the memorandum
  - (d) CEO of the company
2. Which of the following ineligibility applies only to appointment of directors in a listed company:
  - (a) Is a minor
  - (b) Is an undischarged insolvent
  - (c) Has been convicted by a court for an offense involving moral turpitude
  - (d) Has been declared by a court as defaulter in repayment of loan to a financial institution.
3. A director shall be treated to have vacated the office of director if he absents himself from
  - (a) Meetings held in the last three months
  - (b) Meeting held in the last 120 days
  - (c) Three consecutive meetings of the board of directors
  - (d) Three consecutive meetings of the members
4. A company is not allowed to contribute any amount
  - (a) To any social purpose
  - (b) To any dividend payment
  - (c) To any political party
  - (d) To any Zakat payment
5. The maximum number of director of a public company fixed by the Companies Act, 2017 is
  - (a) 07
  - (b) 10
  - (c) 50
  - (d) Not specified by the Companies Act, 2017
6. The quorum for a meeting of directors of a listed company will not be less than
  - (a) Two-third of their number or 4 whichever is greater
  - (b) One -third of their number or 4 whichever is greater
  - (c) One-fourth of their number or 4 whichever is greater
  - (d) Three-fourth of their number or 4 whichever is greater
7. Number of directors to be elected in the forthcoming election shall be fixed by the directors at least
  - (a) 21 days before election in the general meeting
  - (b) 35 days before election in the general meeting
  - (c) 60 days before election in the general meeting
  - (d) None of the above is correct
8. The persons who may wish to contest the election of directors are required to give notice to the company at least
  - (a) 7days before election
  - (b) 14days before election
  - (c) 21days before election
  - (d) None of the above is correct

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9. Any casual vacancy on the board of a listed company shall be filled up by the directors at the earliest but not later than
    - (a) 90 days from the date, the vacancy occurred.
    - (b) 120 days from the date, the vacancy occurred.
    - (c) 60 days from the date, the vacancy occurred.
    - (d) None of the above is correct
  10. In case of any material irregularity in the election of the directors, members having 10% or more voting power may apply to the court within
    - (a) 14 days of election
    - (b) 21 days of election
    - (c) 30 days of election
    - (d) None of the above is correct
  11. Mr. M has given a request to the company to hold fresh election of directors upon acquisition of a sizable shareholding in the company that is public unlisted company. The directors are supposed to proceed to hold fresh election of directors within
    - (a) 30 days of such application
    - (b) 60 days of such application
    - (c) Any time period as decided by the SECP
    - (d) One year of such application
  12. A person cannot be appointed as director of a company if he is lacking fiduciary behaviour and a declaration to this effect has been made by the court at any time during preceding
    - (a) 3 years
    - (b) 5 years
    - (c) Any time period as decided by the court
    - (d) None of the above is correct
  13. The directors of a public company shall meet at least once in
    - (a) Every month
    - (b) Each quarter of a year
    - (c) A year
    - (d) None of the above is correct
  14. The quorum for a board meeting for listed company shall be:
    - (a) One-half its total strength or one director, whichever is higher
    - (b) One fourth of its total strength or two directors, whichever is lower
    - (c) One-third of its total strength or four directors, whichever is higher
    - (d) One-third of its total strength or two directors, whichever is lower
  15. Notice for director's meeting shall be sent to directors.
    - (a) Additional
    - (b) Alternate
    - (c) Managing
    - (d) All
  16. If no manner and no name is specified in AOA for appointment of first directors, how will they appoint?
    - (a) Determined by lot
    - (b) Voting
    - (c) All subscribers to MOA will become first directors
    - (d) None of the above

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17. Stylish technology limited engaged in the manufacturing of mobiles and chargers. The company's board of directors consist of 8 directors as on 10<sup>th</sup> September, 2016 i.e. Mr. Ram (director), Mr. Shayam (employee director), Mr. Mohan (director appointed by creditors), Mr. Vijay (director), Mr. Naresh (alternate director), Mr. Ashish (independent director), Mr. Neeraj (independent director) and Mr. Anil (Govt nominee director). Calculate the number of directors to retire at annual general meeting held on 15th September, 2019.
- (a) Five
  - (b) Two
  - (c) Three
  - (d) Four
18. Mr. Q, a director of PQR limited proceeding on a foreign tour for 2 months, appointed Mr. Y as an alternate director to act for him during his absence with approval of all directors. The articles of the company provide for appointment of alternate directors. Mr. Q claims that he has a right to appoint alternate director. Examine the validity of Mr. Q claim.
- (a) Claim by Mr. Q is valid as the articles provide for appointment of alternate directors
  - (b) Claim by Mr. Q is not valid as the authority to appoint alternate director has been vested in the board of directors only and that too subject to empowerment by the articles
  - (c) Mr. Y cannot be appointed as alternate director as Mr. Q proceeds on a foreign tour for 2 months only
  - (d) None of the above
19. The board of directors of xyzzy ltd. Filled up a casual vacancy caused by the death of Mr. P by appointing Mr. C as a director on 3rd April, 2014. Unfortunately, Mr. C expired on 15th may, 2014 after working about 40 days as a director. Further appointment of director shall be made by \_\_\_\_\_?
- (a) Board of directors
  - (b) Members at general meeting through voting
  - (c) None of the above
  - (d) Any of the above
20. Mr. Mahesh, who was caught red-handed in a shop lifting case two years ago, was convicted by a court and sentenced to imprisonment for a period of eight weeks. Is he eligible to appoint as a director?
- (a) Yes
  - (b) No
21. The office of a director shall become vacant in case, if he absents himself from \_\_\_\_\_ consecutive meetings of the board of directors held without seeking leave of absence of the board.
- (a) Twelve
  - (b) Three
  - (c) Six
  - (d) Four
22. A person appointed as a director is required to give his written consent \_\_\_\_\_ to the company.
- (a) on or before his appointment as director
  - (b) within 10 days of his appointment as director
  - (c) within 20 days of his appointment as director
  - (d) None of the above
23. A casual vacancy director appointed by the Board of Directors shall continue to hold the office up to the \_\_\_\_\_
- (a) Next Board meeting
  - (b) Next Annual general meeting

- (c) Next Extra-ordinary general meeting
  - (d) Remaining period
24. ABC, private ltd., with 10 board of directors was served notice of board meeting, 7 days prior to said meeting on their postal addresses. Mr. M is hospitalized due to some severe illness. Mr. Y is going to London before board meeting. Mr. X & Mr. B went to Australia for some company business. Mr. A is busy with his daughter's marriage & unable to attend meeting. Mr. E's mother is hospitalized so he is busy taking care of his mother but he assures to attend meeting via video conferencing. Mr. D & Mr. P were scheduled to arrive for meeting at 2 pm on same day however, flight got delayed by 8 hours. Mr. G & Mr. H are in town & available for scheduled board meeting. Could board meeting be held?
- (a) Meeting can be held in evening & director D & director P can join later on
  - (b) Meeting cannot be held because of quorum is incomplete
  - (c) Meeting can be conducted through tele-video conferencing
  - (d) Meeting is postponed due to non-completion of quorum
25. Quorum of board meeting for listed company is higher of:
- (a) 4 or 1/3th of the total number of directors
  - (b) 10 or 1/5<sup>th</sup>
  - (c) 4 or 2/3th
  - (d) 10 or 25%
26. PQR company give its assent to give guarantee to ABZ company on taking of loan from Financial institution. According to Companies Act, 2017, said act should be approved by \_\_\_\_\_.
- (a) Board of directors
  - (b) Members through ordinary resolution
  - (c) Members through special resolution.
  - (d) No approval is required
27. A director of XYZ, a Private Limited Takes a loan from its company. Due to some reasons, he fails to repay debt in given time period. He requested board of directors to give him time for repayment of debt. Which of below statements is correct with respect to exercise of power in given case?
- (a) Power to fix time limit to repay debt due from director can be exercised only by members by special resolution at a general meeting.
  - (b) Power to fix time limit to repay debt due from director can be exercised by board of company itself
  - (c) Power to give extension to a loan of a director rests with members (and not the directors)
  - (d) Board not exercise this power if provision on repayment of debt is contained in AOA of company
28. What is the minimum number of directors required in private company?
- (a) 1
  - (b) 2
  - (c) 3
  - (d) 7
29. What is the minimum number of directors required in public company (unlisted)?
- (a) 1
  - (b) 2
  - (c) 3
  - (d) 7

- 
30. Any person occupying the position of a director is:
- (a) Not director
  - (b) Director
  - (c) Chief executive
  - (d) Officer
31. Who elects the initial directors of the company:
- (a) Registrar
  - (b) Promoters
  - (c) Subscriber
  - (d) Owners
32. First directors hold the office up till the holding of \_\_\_\_\_:
- (a) EOGM
  - (b) Special resolution
  - (c) General meeting
  - (d) First AGM
33. The directors of a company shall fix the number of elected directors not later than \_\_\_\_\_ before convening of general meeting at which directors are to be elected:
- (a) 30 days
  - (b) 35 days
  - (c) 40 days
  - (d) 48 days
34. Any person who seeks to contest an election to the office of directors shall, whether he is retiring directors or otherwise, file with the company a notice of his intention not later than \_\_\_\_\_ before the date of meeting at which elections are to be held:
- (a) 21 days
  - (b) 35 days
  - (c) 14 days
  - (d) 41 days
35. All notices received by the company, related to the consent of candidates for appointment as a director, shall be transmitted to the members not later than \_\_\_\_\_ before the date of the meeting:
- (a) 14 days
  - (b) 7 days
  - (c) 21 days
  - (d) 28 days
36. No person shall be appointed or nominated as a director or chief executive of company or represent as holding such office unless such person or such other person has given:
- (a) Appointment letter
  - (b) His consent in writing for such appointment
  - (c) Both
  - (d) None
37. Within \_\_\_\_\_ days from the date of appointment or nomination, as the case may be, the company shall file with the registrar a list of persons who have consented to act as director or chief executive of the company along with the consent to do so in the prescribed form:
- (a) 21 days
  - (b) 35 days

- (c) 14 days
  - (d) None
38. No person shall be appointed as a director of a company if he is:
- (a) Minor
  - (b) of unsound mind
  - (c) Insolvent
  - (d) All
39. If a person has been convicted by a court of law for an offence involving moral turpitude; he can't be:
- (a) Chief executive
  - (b) Officer of the company
  - (c) Director
  - (d) (i) and (iii)
40. If a person has betrayed lack of fiduciary behavior at any time during the preceding five years, he shall not be appointed as\_\_\_\_\_:
- (a) Officer of the company
  - (b) Registrar of the company
  - (c) Secretary of the company
  - (d) Director of the company
41. Within \_\_\_\_\_ days from the date of election of directors or the office of the chief executive falling vacant as the case may be, the directors of the company shall appoint any person including an elector director, to be the chief executive:
- (a) 28 days
  - (b) 7 days
  - (c) 14 days
  - (d) 21 days
42. The minimum number of directors in a private company and public listed company are
- (a) Three and seven respectively
  - (b) Two and seven respectively
  - (c) Two and nine respectively
  - (d) None of the above
43. For non-cash transaction to acquire an asset for consideration, Prior approval of \_\_\_\_\_ is required through a resolution.
- (a) Members in general meeting
  - (b) Directors in Board meeting
  - (c) Commission
  - (d) Government
44. All the transactions with directors shall be made through
- (a) Cash
  - (b) Banking channel
  - (c) Cheque
  - (d) All of above
45. Remuneration of Directors shall be determined by \_\_\_\_\_
- (a) Commission
  - (b) Registrar

- (c) Directors in Board meeting accordance with the provisions of articles
  - (d) Members in general meeting accordance with the provisions of articles
46. A company is not allowed to contribute in
- (a) To any political party
  - (b) To any political fund
  - (c) To any distribute gift
  - (d) All of the Above
47. Quorum of Board meeting of a Listed Company is higher of
- (a)  $\frac{1}{3}$ <sup>rd</sup> of total directors or 4
  - (b)  $\frac{1}{4}$  OR 5
  - (c)  $\frac{2}{3}$  OR 10
  - (d)  $\frac{2}{3}$  OR 2
48. Mr. bukhtiyar is a Director of Shaheen Sugar Mills limited, a listed company. The company want to give a loan of Rs. 50 million. This loan shall be approved from:
- (a) Members and Commission
  - (b) Members with ordinary Resolution only
  - (c) Member with ordinary resolution and Registrar
  - (d) Only Board of Directors shall Approve
49. Mr. Ali is CEO of Bank of Biltistan. He wants to take loan from Bank for his personal investment. For giving this loan, the bank shall require to approve this loan from
- (a) Members with Special resolution and Commission
  - (b) Member with ordinary resolution and Registrar
  - (c) Only Board of Directors shall Approve
  - (d) None of the above
50. Mr. Haasan, a director of a listed company, get suffered from COVID-19 on 10<sup>th</sup> March 2020 and was absent from 4 consecutive meetings of board and expenses of his treatment, are also borne by Company (as the company knew the fact). As per the Companies Act 2017, Should he vacate the office of director?
- (a) Yes
  - (b) No
  - (c) Partly Yes
  - (d) Partly No
51. Bata limited, a listed company, has 9 directors in the board. During the financial year of 30<sup>th</sup> June, 2020, one of the directors was removed due to falling in ineligibility criteria. As per the Companies Act 2017,
- (a) Board is required to fill this vacancy within 90 days
  - (b) Members will fill this vacancy through voting
  - (c) No need to fill, because the requirement of minimum directors is fulfilled
  - (d) None of above
52. S Limited, incorporated on 30<sup>th</sup> Oct, 2018, has 10 subscribers to Memorandum out of which 2 are Private Limited companies & remaining individuals. There is nothing mention in any of documents as to who shall be first directors. Advise on appointment of first directors to manage affairs of company.
- (a) All subscribers to Memorandum shall be deemed to be first directors.
  - (b) 2 Private limited companies being subscribers to Memorandum decide to who shall be first directors.

- (c) All individual subscribers to Memorandum shall be deemed to be first directors.
- (d) As company requires minimum three directors, eight individual subscribers shall choose 2 from among themselves & one shall be chosen by two private limited companies from among themselves.

Sr. No.	Answer	Sr. No.	Answer
1	C	31	C
2	D	32	D
3	C	33	B
4	C	34	C
5	D	35	B
6	B	36	B
7	B	37	C
8	B	38	D
9	A	39	D
10	C	40	D
11	A	41	C
12	B	42	B
13	B	43	A
14	C	44	B
15	D	45	D
16	C	46	D
17	A	47	A
18	C	48	A
19	A	49	D
20	A	50	B
21	B	51	A
22	A	52	C
23	D		
24	C		
25	A		
26	B		
27	C		
28	B		
29	C		
30	B		

**CH # 4****CHIEF EXECUTIVE AND OTHER OFFICERS**

1. Subsequent Chief Executive of a company is required to be appointed by the directors within
  - (a) 07 days of the election of Directors
  - (b) 14 days of the election of Directors
  - (c) 21 days of the election of Directors
  - (d) 30 days of the election of Directors
2. A chief executive shall be a person who is vested with whole or substantially the whole, of the powers of the management of the affairs of the company. Being a member of the board of directors, he reports to
  - (a) The chairman of the company
  - (b) The members of the company
  - (c) The board of directors of the company
  - (d) The company secretary of the company
3. Chief executive is entrusted:
  - (a) Whole powers of management
  - (b) Substantially the whole powers of management
  - (c) Both I) & ii)
  - (d) None of the above
4. Removal of chief executive is done by:
  - (a) Directors
  - (b) Owners
  - (c) Special resolution
  - (d) None
5. The appointment of the chief executive shall not be for a period exceeding \_\_\_\_\_ years from the date of appointment:
  - (a) 5 years
  - (b) 3 years
  - (c) 4 years
  - (d) 9 years
6. The chief executive shall, if he is not already a director of the company, be deemed to be its \_\_\_\_\_ and be entitled to all rights and privileges, and subject to all the liabilities, of that office:
  - (a) Secretary
  - (b) Officer
  - (c) Director
  - (d) Both I) & iii)
7. The directors of accompany by resolution passed by not less than \_\_\_\_\_ of the total number of directors for the time being or the company by a special resolution, may remove a chief executive before the expiration of his term of office:
  - (a) 1/10
  - (b) 3/4
  - (c)  $\frac{1}{2}$
  - (d) None

- 
8. A chief executive of \_\_\_\_\_ company shall not directly or indirectly engage in any business which is of same nature and directly competes with the business carried on by the company of which he is chief executive or by a subsidiary of such a company:
    - (a) Holding company
    - (b) Subsidiary company
    - (c) Public company
    - (d) Private company
  9. Which one of the following companies, is required to appoint share Registrar?
    - (a) Public Company
    - (b) Private Company
    - (c) Public Listed Company
    - (d) All of the Above
  10. Which Company is required to appoint Company Secretary and he shall be \_\_\_\_\_ of the company.
    - (a) Public company, Director
    - (b) Public listed company CEO
    - (c) Public Company, Officer
    - (d) Private, CFO
  11. Sole Sale agent can be appointed with the approval of \_\_\_\_\_
    - (a) Directors
    - (b) Members
    - (c) Registrar
    - (d) Commission
  12. CEO of a \_\_\_\_\_ company shall not be engaged in the competing business of the company
    - (a) Public
    - (b) Private
    - (c) Single member
    - (d) Listed
  13. CEO can be removed by \_\_\_\_\_
    - (a) Members with Special Resolution
    - (b) Directors with  $\frac{3}{4}$  majority
    - (c) Government, if it hold more than 75% shares
    - (d) All of the Above
  14. Chairman can be appointed within \_\_\_\_\_
    - (a) 30 days of AGM
    - (b) 15 days of board Meeting
    - (c) 14 Days of Board Election
    - (d) 14 days of AGM
  15. CEO can be appointed within \_\_\_\_\_
    - (a) 30 days of AGM
    - (b) 15 days of board Meeting
    - (c) 14 Days of Board Election
    - (d) 14 days of AGM
  16. CEO/ Chairman can be appointed for maximum \_\_\_\_\_
    - (a) 3 years
    - (b) 5 years

- (c) 2 years
  - (d) 1 years
17. If a person who is not eligible to appoint as a Director, he will also become disqualified for \_\_\_\_
- (a) CEO
  - (b) CFO
  - (c) Company Secretary
  - (d) Sale agent
18. Afridi, Bader, Dawood and Iffat owns 45%, 25%, 10% and 5% shares respectively of Splendid Mills Limited (SML), a public unlisted company. They were elected as SML's director in the last election of directors as unopposed. The board appointed Anas as the chief executive of SML; however, due to Anas's unsatisfactory performance, the board has decided to remove him in the next board of directors meeting. Anas will stand removed as chief executive if:
- (a) directors having more than 50% shareholdings in SML's share capital will vote against him
  - (b) directors having more than 75% shareholdings in SML's share capital will vote against him
  - (c) any four directors will vote against him
  - (d) all the directors will vote against him
19. Subsequent Chief Executive of a company is required to be appointed by the directors within
- (a) 07 days of the election of Directors
  - (b) 14 days of the election of Directors
  - (c) 21 days of the election of Directors
  - (d) 30 days of the election of Directors
20. Which of the following statements is correct regarding chairman of a listed company?
- (a) Chairman must be from amongst the non-executive directors
  - (b) Chairman can only be removed by passing a special resolution
  - (c) Chairman must be from amongst the independent director
  - (d) Chairman is appointed by the shareholders within fourteen days from the date of election of directors
21. Which of the following officers are mandatorily required to be appointed to manage the affairs of a listed company under the provisions of the Companies Act, 2017?
- (a) Chairman, chief executive, company secretary, sole purchase agent
  - (b) Chairman, chief executive, company secretary, share registrar
  - (c) Chairman, chief executive, company secretary, chief financial officer
  - (d) Chairman, chief executive, company secretary, chief financial officer, head of audit
22. Commission may specify the classes of companies for which the \_\_\_\_ and \_\_\_\_ shall not be the same individual.
- (a) Chief executive and Chief Financial Officer
  - (b) Chairman and Chief executive
  - (c) Chief Financial Officer and Company Secretary
  - (d) Chief executive and Company Secretary
23. The chief executive reports to:
- (a) Members in general meeting
  - (b) Board of Directors
  - (c) The Registrar
  - (d) The Commission

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24. In case of a \_\_\_\_\_ company, a chief executive, his spouse and minor children are prohibited to engage in a business which competes with the business of the company in which he is a chief executive or with the business of any of its subsidiary company.
- (a) Private Company
  - (b) Public Company
  - (c) Listed Company
  - (d) Holding Company
25. A chief executive shall be a person who is vested with whole or substantially the whole, of the powers of the management of the affairs of the company. Being a member of the board of directors, he reports to
- (a) The chairman of the company
  - (b) The members of the company
  - (c) The board of directors of the company
  - (d) The company secretary of the company
26. A company is incorporated outside Pakistan and conducts major portion of its business in Pakistan. In order to appoint a sole purchase, sale or distribution agent, it shall be required to obtain approval of:
- (a) Special resolution
  - (b) Registrar
  - (c) Commission
  - (d) It does not need approval in these circumstances.
27. A company is incorporated outside Pakistan and conducts major portion of its business outside Pakistan. In order to appoint a sole purchase, sale or distribution agent, it shall be required to obtain approval of:
- (a) Special resolution
  - (b) Registrar
  - (c) Commission
  - (d) It does not need approval in these circumstances.

Sr. No.	Answer	Sr. No.	Answer
1	B	16	A
2	C	17	A
3	C	18	C
4	C	19	B
5	B	20	A
6	C	21	C
7	B	22	B
8	C	23	B
9	C	24	B
10	C	25	C
11	D	26	C
12	A	27	D
13	D		
14	C		
15	C		

**CH # 5****SHARE CAPITAL**

1. In a company limited by shares, the share capital represents capital introduced into the company by the company's
  - (a) Directors
  - (b) Guarantors
  - (c) Auditors
  - (d) Members
2. Issuance of shares is the first step of offering shares by the company, then people or promoters pay for the shares this is termed as
  - (a) Subscription of shares
  - (b) Transfer of shares
  - (c) Payment of shares
  - (d) Selling of shares
3. The issued share capital is the nominal value of the shares that have been issued to shareholders. The issued share capital
  - (a) May be more than the authorized share capital
  - (b) Must be more than the authorized share capital
  - (c) May be less than the authorized share capital
  - (d) Must be equal to the authorized share capital
4. In Pakistan, all companies limited by shares are required to have an authorized share capital and the amount of the authorized share capital can be increased but
  - (a) Only with the approval of the directors
  - (b) Only with the approval of the shareholders
  - (c) Only with the approval of the registrar
  - (d) Only with the approval of the creditors
5. When the shares are issued, the shareholders must
  - (a) Give their consent in written form
  - (b) Appoint two persons as their proxy
  - (c) Pay for the shares in full
  - (d) Apply for special privileges
6. If the company goes into liquidation with unpaid debts, the shareholders will
  - (a) Be liable personally to contribute in the company's debts
  - (b) Not be required to contribute in the company's debts
  - (c) Be liable to contribute 50% of the unpaid debts
  - (d) Be liable to contribute 75% of the unpaid debts
7. Ordinary shares are also called
  - (a) Equity shares
  - (b) Bonus shares
  - (c) Founders shares
  - (d) deferred Shares
8. The ordinary shareholders are entitled to vote at general meetings of the company. Normally all ordinary shareholders have
  - (a) Ten votes per share
  - (b) One vote per ten shares

- (c) One vote per share
  - (d) As much vote as they wish
9. A preference share normally carries as prior right (ahead of ordinary shares) to
- (a) Receive a salary which is normally a fixed amount each year
  - (b) Receive a repayment of capital in the event of winding up
  - (c) Vote in the general meeting
  - (d) None of the above
10. What type of resolution is required to alter the capital clause of memorandum of association
- (a) Ordinary resolution
  - (b) Special resolution
  - (c) Ordinary resolution of 30 days' notice
  - (d) Special resolution of 30 days' notice
11. After the alteration in capital clause of MOA, the company is required to file the resolution and the related documents i.e. altered copy of the MOA with the registrar within
- (a) 15 days
  - (b) 30 days
  - (c) 60 days
  - (d) 90 days
12. If the variation affects the substantive rights of any particular class of shareholders, it shall not be deemed to have been carried out unless
- (a) Two third majority of that particular class agree to the alterations.
  - (b) Fifty one percent majority of that particular class agree to the alterations.
  - (c) Three fourth majority of that particular class agree to the alterations
  - (d) Seventy percent majority of that class agree to the alterations
13. Any member or members of the affected class representing at least 10 percent shareholding of that class may apply for an order against the resolution varying their rights. They will apply to
- (a) The registrar
  - (b) The commission
  - (c) The board of directors
  - (d) The Court
14. In case of variation in shareholders' rights of a particular class of members, 10% or more of the class of shareholders who are aggrieved by the variation of their rights may apply to the court, for an order cancelling the variation within
- (a) 14 days
  - (b) 21 days
  - (c) 30 days
  - (d) None of the above is correct
15. In case of variation in shareholders' rights of a particular class of members, the court may give its decision in favour or against the special resolution by the company. The company is required to forward a copy of the court decision to the registrar within
- (a) 14 days of receipt of the order
  - (b) 15 days of receipt of the order
  - (c) 30 days of receipt of the order
  - (d) None of the above is correct

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16. If the alteration in the articles affect the substantive rights or liabilities of members or of a class member, it shall be carried out only if the majority of \_\_\_\_ majority of that class also voted for that:
    - (a) 1/10
    - (b) 1/2
    - (c) 3/4
    - (d) 3/5
  17. No company shall issue:
    - (a) Fully paid shares
    - (b) Quarterly paid shares
    - (c) Partly paid shares
    - (d) All
  18. A company limited by shares; if so, authorized by its articles, may alter the conditions of its memorandum so as to:
    - (a) Increase its share capital by such amount as it thinks expedient
    - (b) Consolidate and divide the whole or any part of its share capital into larger amount
    - (c) Sub-divide its share, or any of them into smaller amount
    - (d) Any or all of the above
  19. In the event of consolidation or sub division of shares, rights attaching to new shares shall be strictly proportional to rights attaching to:
    - (a) Existing shares
    - (b) Preferred shares
    - (c) Previous shares
    - (d) Both I) & iii)
  20. The company shall file with the registrar notice of exercise of any power refer to power of a company limited by shares to alter its share capital within \_\_\_\_\_ days from the exercise thereof:
    - (a) 21 days
    - (b) 25 days
    - (c) 15 days
    - (d) 35 days
  21. \_\_\_\_\_ means such capital as is authorized by the memorandum of a company to be the maximum amount of share capital of the company.
    - (a) Authorized capital
    - (b) Issued capital
    - (c) Subscribed capital
    - (d) Called -up capital
  22. A share certificate is a \_\_\_\_\_ of the fact that the person named therein is the owner of such number of shares as are specified therein.
    - (a) News
    - (b) Prima facie (i.e. main) evidence
    - (c) Persuasive evidence
    - (d) Circumstantial evidence
  23. The rights attached to the share of any class may be varied with the consent in writing of the holders of not less than \_\_\_\_\_ of the issued shares of that class.
    - (a) One-half
    - (b) One-third

- (c) Two-third
  - (d) Three-fourth
24. Where a company passes the necessary resolution for variation of rights attached to the shares of any class, the dissenting shareholders, if they are eligible may, within \_\_\_\_\_, make an application to the Court to cancel such variation.
- (a) 7 days
  - (b) 14 days
  - (c) 21 days
  - (d) 30 days
25. Where a company passes the necessary resolution for variation of rights attached to the shares of any class the holder(s) of such class of shares who hold not less than \_\_\_\_\_ shares of such class may make an application to the Tribunal to cancel such variation.
- (a) 5%
  - (b) 10%
  - (c) 20%
  - (d) 25%
26. A company can effect alteration of capital clause of memorandum by \_\_\_\_\_
- (a) Passing an Ordinary Resolution
  - (b) Passing a Special Resolution
  - (c) Obtaining the confirmation of the Tribunal
  - (d) Both (b) & (c)
27. M/S XYZ Ltd. Is Limited company having share capital wants to alter its share capital, how company will Alter its share capital as per Companies Act, 2017?
- (a) Alteration of share capital can be done only if AOA authorizes it.
  - (b) Alteration to be done by alteration of MOA in general meeting
  - (c) Special resolution passed for such alteration
  - (d) All of the above
28. Which rights are attached with Equity shares with Differential rights?
- (a) Different dividend
  - (b) Different face value
  - (c) Different voting rights and Different advantages and disadvantages etc.
  - (d) Any one or more of of the above
29. A share is a \_\_\_\_\_
- (a) Property
  - (b) Income
  - (c) Liability
  - (d) Expense
30. Ordinary shares are \_\_\_\_\_
- (a) Equity share
  - (b) Interest base share
  - (c) Investment share
  - (d) None of above
31. Dividend will be paid to Ordinary shareholders out of \_\_\_\_\_
- (a) Net Profit
  - (b) Profit before tax

- 
- (c) Distributable profit
  - (d) Gross Profit
32. An appeal filed by shareholders for challenging the rights, Court will declare the resolution null and void, if it proved that \_\_\_\_\_
- (a) Certain facts are concealed by company or It is harmful for their interest
  - (b) Appeal file by 10% of the class affected by such resolution
  - (c) Appeal is filed within 30 days
  - (d) All of above
33. If a company plans to make variations to the voting rights of a member and the members do not consent to such alteration, they may apply to the Court within
- (a) 21 days of passing of resolution
  - (b) 15 days of passing of resolution
  - (c) 30 days of passing of resolution
  - (d) 60 days of passing of resolution.

Sr. No.	Answer	Sr. No.	Answer
1	D	21	A
2	A	22	B
3	C	23	D
4	B	24	D
5	C	25	B
6	B	26	B
7	A	27	D
8	C	28	D
9	B	29	A
10	B	30	A
11	A	31	C
12	C	32	D
13	D	33	C
14	C		
15	B		
16	C		
17	C		
18	D		
19	C		
20	C		

**CH # 6****PROSPECTUS AND COMMENCEMENT OF BUSINESS**

1. A single offering document allowing companies to make multiple offerings as disclosed in the offering document is known as
  - (a) Sale prospectus
  - (b) Shelf-prospectus
  - (c) Single Prospectus
  - (d) Multiple Prospectus
2. A supplement to the prospectus invites the general public for subscription of earlier offered security (ies). The supplement to the prospectus contains
  - (a) New prospectus
  - (b) Self-prospectus
  - (c) Updated disclosures
  - (d) None of the above
3. The prospectus is issued, published or circulated with the approval of
  - (a) The members
  - (b) The board of directors
  - (c) The Commission
  - (d) The Auditors
4. Prospectus in its full text or in such abridged form, shall be published at least in
  - (a) One Urdu magazine
  - (b) One Urdu or one English fortnight newspaper
  - (c) One Urdu and one English magazine
  - (d) One Urdu and one English daily newspaper
5. Prospectus issued shall be made available, free of charge,
  - (a) At the registered office of the issuer
  - (b) With all the bankers to the issue
  - (c) With the concerned share registrar
  - (d) All the above
6. The prospectus along with the subscription form, from the date of its publication in the newspapers, till the closing of the subscription, shall also be uploaded
  - (a) On the website of the securities exchange
  - (b) On the website of the SECP
  - (c) On the website of the Issuer
  - (d) On the website of the concerned Bank
7. Prospectus means any document, notice, circular, material, publication or other invitation offering
  - (a) To the general public
  - (b) To the board of directors
  - (c) Only to the existing shareholders
  - (d) Only to the existing customers
8. Although approval from the Commission is required for issue, publication or circulation of prospectus, there are instance where prior approval is not necessary such instances include
  - (a) Securities offered by the State Bank of Pakistan
  - (b) Where securities are offered in connection with a private offering

- (c) Where the securities are shares and are offered as bonus shares
  - (d) All of the above
9. A prospectus approved by the commission shall be valid for a period of
- (a) 30 days from the date of such approval
  - (b) 60 days from the date of such approval
  - (c) 90 days from the date of such approval
  - (d) 120 days from the date of such approval
10. A prospectus shall not contain a statement purporting to be made by an expert unless the expert is a person
- (a) Who is not or has not been engaged or interested in formation of company
  - (b) Who is or has been engaged or interested in the formation of the company
  - (c) Who is engaged or interested in the promotion of the company
  - (d) Who is engaged or interested in the management of the company
11. If a public company opts not to issue shares to the general public initially and start the business in such a case Company would be required to file with the registrar
- (a) Statement of affairs
  - (b) Statement of capital
  - (c) Statement in lieu of prospectus
  - (d) Statement in lieu of advertisement
12. The prospectus is a formal document and needs
- (a) Approval from the board and clearance from the auditors.
  - (b) Approval from the members and clearance from the creditors
  - (c) Approval from the Commission and clearance from the securities exchange
  - (d) Approval from the court and clearance from the registrar
13. Once issued and securities allotted under a prospectus
- (a) It shall be sent to the registrar
  - (b) It shall be sent to the securities exchange
  - (c) Its existence will end
  - (d) Its existence will continue till the next AGM
14. A prospectus is required to be submitted to the SECP for approval at least
- (a) 14 days before the proposed date of publication in the newspapers
  - (b) 21 days before the proposed date of publication in the newspapers
  - (c) 30 days before the proposed date of publication in the newspapers
  - (d) None of the above is correct
15. Minimum time gap between the date of publication of a prospectus and the date of subscription shall be
- (a) 14 days
  - (b) 21 days
  - (c) 30 days
  - (d) 7 days
16. For obtaining the certificate of commencement of business a public company has to meet certain requirements. Choose the incorrect one from following
- (a) The company should have allotted shares against cash equal to the amount of minimum subscription
  - (b) The directors should have paid in cash to the company full amount on each of the shares taken or contracted to be taken

- (c) The members should have paid in cash to the company full amount on each of the shares taken or contracted to be taken
  - (d) No money is or may become liable to be repaid to applicants for any shares
17. Before being permitted to trade, a public company must have:
- (a) Obtained a certificate of incorporation only
  - (b) Been listed on the securities exchange
  - (c) Issued a prospectus
  - (d) Obtained a commencement of business certificate and certificate of incorporation
18. If an advertisement invites public for the subscription or purchase of any shares, it is:
- (a) Document
  - (b) Book & paper
  - (c) Prospectus
  - (d) All
19. A prospectus issued should be:
- (a) On the behalf of commission
  - (b) On the behalf of subsidiary
  - (c) On the behalf of company
  - (d) None
20. Date, on which prospectus is issued, unless contrary is proved is to be taken as:
- (a) Issued date
  - (b) Starting date
  - (c) Date of commencement
  - (d) Date of publication
21. Every prospectus issued by or on the behalf of company or by or on the behalf of the person who has engaged or interested in the:
- (a) Shares of the company
  - (b) Assets of the company
  - (c) Formation of the company
  - (d) All of the above
22. Prospectus should be published in:
- (a) Daily newspaper only
  - (b) Daily Urdu newspaper only
  - (c) One Urdu and one English newspaper
  - (d) Two English and one Urdu newspaper
23. Prospectus issued shall be made available at:
- (a) Registered office of the company
  - (b) Stock exchange of Pakistan
  - (c) With bankers to issue the prospectus
  - (d) All of the above
24. No prospectus shall be issued or an advertisement of a prospectus in newspaper shall appear less than \_\_\_\_\_ days before subscription list
- (a) 3 days
  - (b) 5 days
  - (c) 21 days
  - (d) 7 days

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25. The maximum period of issue of prospectus before subscription list:
- (a) 28 days
  - (b) 25 days
  - (c) 30 days
  - (d) 35 days
26. A condition or requirement binding an applicant for share in or debenture of a company to waive compliance with any of the requirements and not mentioned in the prospectus shall be:
- (a) Legal
  - (b) Allowed
  - (c) Void
  - (d) Valid
27. No allotment shall be made of any share capital of a company offered to public for subscription unless the amount state in prospectus as the minimum amount in opinion of directors must be:
- (a) Raised by issue of share capital
  - (b) And full amount thereof has been paid
  - (c) And the amount received in cash by co
  - (d) All of the above
28. The amount payable on application on each share shall be the full:
- (a) Ordinary amount of the shares
  - (b) Special amount of the shares
  - (c) Nominal amount of the shares
  - (d) Both ii) & iii)
29. Dwapar equipment finance limited, a non-banking finance company (NBFC), is desirous of offering secured, redeemable, non-convertible 9% debentures to the public in three or more tranches over a certain period of time. Which kind of prospectus it is required to issue so that its purpose is served and there arises no need to take out a fresh prospectus for second and subsequent offer of securities.
- (a) Deemed prospectus.
  - (b) Shelf prospectus.
  - (c) Supplement prospectus.
  - (d) Abridged prospectus.
30. Commission shall refuse to register a prospectus:
- (a) If it is not dated
  - (b) Contains statement of an expert who has not signed it
  - (c) Contains information which is six -month old
  - (d) In all the above cases
31. A prospectus issued in the form of advertisement must state:
- (a) The objects for which the company has been formed
  - (b) The liability of members
  - (c) The amount of share capital of company
  - (d) All of the above
32. Extra limited is a growing company and requires additional funds for expansion from time to time. They are following the same process for making an offer to public and then issue those shares. This is very time and energy consuming for them. Kindly advise them if there is any way out.

- (a) During first offer they shall file prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
  - (b) During first offer they shall file prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
  - (c) During first offer they shall file shelf prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required;
  - (d) During first offer they shall file shelf prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required
33. A statement can be included as an expert's statement in the prospectus only if the person making the statement is not and has not been, engaged or interested in \_\_\_\_\_ of the company
- (a) The formation or promotion
  - (b) Management
  - (c) Either (a) or (b) or both
  - (d) Membership
34. Where a company issues a shelf prospectus it shall prior to the issue of a second a subsequent offer and there are some changes in information of securities under the shelf prospectus, company shall issue \_\_\_\_\_:
- (a) A deemed prospectus
  - (b) A supplement prospectus
  - (c) An information memorandum
  - (d) An abridged prospectus
35. Public company can issue its securities namely \_\_\_\_\_
- (a) To public through Prospectus
  - (b) Private Placement
  - (c) By right or bonus issue
  - (d) All of the above
36. State the circumstances, under which approval of prospectus is not necessary under the provision of the Companies Act, 2017
- (a) Private Placement through issue a Private Placement letter
  - (b) Securities are offered to existing holders under a right issue
  - (c) Securities are offered to existing holders under a bonus issue
  - (d) All of the above
37. Mardan Bank limited (MBL) want to invite general public for issuance of certificate of deposits. Board of Directors hold the meeting on 07 April 7, 2020 for this agenda. Advise them, whether MBL can issue prospectus as per the Securities Act 2015:
- (a) Yes
  - (b) No
  - (c) Partly Yes
  - (d) Partly No
38. A Prospectus issued by the financial institutions or bank for more than one issue of the securities or class of securities specified in the prospectus is called \_\_\_\_\_.
- (a) Deemed Prospectus
  - (b) Red herring Prospectus
  - (c) Shelf Prospectus
  - (d) Cannot issue

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39. Approved prospectus can be published till \_\_\_\_\_ days.
- (a) 7
  - (b) 30
  - (c) 60
  - (d) 21
40. Prospectus shall be approved from \_\_\_\_\_ before \_\_\_\_\_ Days of publication.
- (a) Commission, 30
  - (b) Commission, 21
  - (c) Registrar, 60
  - (d) Registrar, 7
41. Prospectus shall be published in \_\_\_\_\_
- (a) One Urdu Newspaper
  - (b) One English Newspaper
  - (c) One English Magazine
  - (d) (I)&(II)
42. Prospectus can be issued \_\_\_\_\_
- (a) Only First year of incorporation
  - (b) Only in first 5 years of operations
  - (c) Only first 20 years of the Company
  - (d) Anytime before the Liquidation of the Company
43. Expert can be \_\_\_\_\_
- (a) A Banker
  - (b) An Engineer
  - (c) A Lawyer
  - (d) All of above
44. Total profit of Sun Limited (SL) is Rs. 10 million for the year ending 31<sup>st</sup> March, 2020. After Paying the amount to preference shareholders, available profit for Equity shareholders is Rs 0.8 million. Board of Directors of SL decide to issue bonus shares to its equity shareholders. For this issuance SL is required to issue a circular to all its equity shareholder. As per the Securities Act 2015, whether this circular is said to be as prospectus OR it is required to approve from Commission.
- (a) Yes
  - (b) No
  - (c) Partly Yes
  - (d) Partly No
45. If any information is concealed in prospectus then, who will be liable?
- (a) All officers of the Company
  - (b) All Directors
  - (c) Expert
  - (d) All of above (who knew the fact)
46. For including the statement of expert, He/she will give his/her statement.
- (a) By written
  - (b) By Post
  - (c) By email
  - (d) By 30 second video

Sr. No.	Answer	Sr. No.	Answer
1	B	31	D
2	C	32	C
3	C	33	C
4	D	34	B
5	D	35	D
6	C	36	D
7	A	37	B
8	D	38	C
9	B	39	C
10	A	40	B
11	C	41	D
12	C	42	D
13	C	43	D
14	B	44	B
15	D	45	D
16	C	46	A
17	D		
18	C		
19	C		
20	D		
21	C		
22	C		
23	D		
24	D		
25	C		
26	C		
27	D		
28	C		
29	B		
30	D		

**CH # 7****MORTGAGES AND CHARGES**

1. The Companies Act 2017 requires certain charges (including mortgage and pledge) that must be registered. Choose the one which is not required to be registered.
  - (a) a floating charge on the undertaking or property of the company, including stock-in-trade
  - (b) a mortgage or charge on book debts of the company
  - (c) promissory note given to secure the payment of any book debts of a company
  - (d) a charge on goodwill or on any intellectual property
2. A charge was created on the property of KLM Limited on 30 June 2021. What is the latest date by which such charge must be registered?
  - (a) 7 July 2021
  - (b) 30 July 2021
  - (c) 15 July 2021
  - (d) 31 July 2021
3. A charge was created in UAE on the property situated in UAE belonging to JKL Limited on 30 June 2021. The documents posted from UAE to Pakistan take 3 days in ordinary course of post. What is the latest date by which such charge must be registered?
  - (a) 30 July 2021
  - (b) 2 August 2021
  - (c) 8 August 2021
  - (d) 15 August 2021
4. If a charge is not registered:
  - (a) The relevant loan need not be repaid at all.
  - (b) The mortgage or charge would be void against the liquidator and creditors of the company.
  - (c) The mortgage or charge would be valid against the liquidator of the company.
  - (d) The mortgage or charge would be valid against the creditors of the company.
5. Which of the following is correct with respect to duty or right as to registration of mortgages and charges?
  - (a) Only the borrowing company can file the mortgage or charge for registration and shall bear the cost of registration.
  - (b) Only the charge-holder can file the mortgage or charge for registration and shall bear the cost of registration.
  - (c) Either the borrowing company or the charge-holder can file the mortgage or charge for registration and such company or charge-holder, as the case may be, shall bear the cost of registration.
  - (d) Either the borrowing company or the charge-holder can file the mortgage or charge for registration and borrowing company shall bear the cost of registration.
6. A company shall give intimation of the payment or satisfaction in full, of any mortgage or charge to the registrar in the manner specified, within a period of:
  - (a) 15 days from the date of such payment or satisfaction.
  - (b) 30 days from the date of such payment or satisfaction.
  - (c) 30 days from the date of passing the special resolution.
  - (d) 15 days from the date of passing the special resolution.

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7. Which of the following is incorrect in relation to satisfaction of mortgages and charges?
- (a) The registrar may record the satisfaction of charge even when no intimation has been received by him from the company.
  - (b) The registrar shall send notice to charge-holder to show cause as to why the satisfaction of charge may not be recorded as intimated to him regardless of whether a no-objection certificate on behalf of holder is furnished by the company with the intimation.
  - (c) If no cause is shown by charge-holder of the mortgage or charge, the registrar shall accept the memorandum of satisfaction and make an entry in the register of charges kept by him.
  - (d) If any cause is shown by charge-holder, the registrar shall record a note to that effect in the register of charges and shall inform the company.
8. The Commission shall grant relief on being satisfied that the omission or misstatement in registration of mortgages and charges:
- (a) is not of a nature to prejudice the position of creditors or shareholders of the company.
  - (b) was accidental or due to inadvertence or to some other sufficient cause.
  - (c) on grounds it is just and equitable to do so.
  - (d) Any one or more of above.
9. In relation to rectification or registration of mortgages and charges, the Commission, on such terms and conditions as seem to the Commission just and expedient, may order:
- (a) that the omission or misstatement be rectified.
  - (b) that the time for filing the required particulars be extended.
  - (c) as to the costs of the application as it thinks fit.
  - (d) Any one or more of above.
10. A company did not maintain proper register of mortgages and charges and a charge registered with the registrar was omitted from the register maintained by the company. Which of the following is not a consequence thereof:
- (a) The charge shall become void against the liquidator and creditors of the company.
  - (b) Such violation shall be an offence punishable under the Act.
  - (c) Any officer in default shall be liable to penalty of level 1 on the standard scale.
  - (d) None of the above options is correct as all of above are consequences according to Companies Act, 2017.

Sr. No.	Answer
1	C
2	B
3	B
4	B
5	D
6	B
7	B
8	D
9	D
10	A

**CH # 8****MEETINGS AND RESOLUTIONS**

1. A general meeting is a meeting of the shareholders of the company who are entitled by the company's articles to
  - (a) Borrow money on behalf of the company
  - (b) Appoint company secretary on behalf of the company
  - (c) Attend and vote at such meetings
  - (d) Call annual general meeting
2. Generally a private company is not required to hold a statutory meeting but it shall also be required to hold a statutory meeting if
  - (a) Such private company decides to liquidate the company
  - (b) Such private company is a subsidiary of a public company
  - (c) Such private company converts itself into a public company within one year of its incorporation.
  - (d) Such private company converts itself into a public company within 06 months of its incorporation.
3. The statutory meeting shall consider and approve report called statutory report which is sent to each member, along with a notice of the statutory meeting
  - (a) At least twenty one days before the date of statutory meeting
  - (b) At least seven days before the date of statutory meeting
  - (c) At least thirty days before the date of statutory meeting
  - (d) At least fourteen days before the date of statutory meeting
4. The first annual general meeting of a company shall be held
  - (a) After 16 months from the date of its incorporation
  - (b) Within 16 months from the date of its incorporation
  - (c) After 18 months from the date of its incorporation
  - (d) Within 12 months from the date of its incorporation
5. The SECP, in the case of a listed company and the registrar, in the case of other companies may extend the time for holding of subsequent annual general meeting
  - (a) Upto a maximum of 30 days
  - (b) Upto a minimum of 30 days
  - (c) For 21 days
  - (d) For 15 days
6. At least 21 days' notice of annual general meeting shall be given to members and in case of a listed company such notice shall also be published in
  - (a) An Urdu or an English daily newspaper having nationwide circulation
  - (b) An Urdu and an English daily newspaper having nationwide circulation
  - (c) An Urdu and an English fortnight newspaper
  - (d) Any local language and an English fortnight newspaper
7. If members of a listed company, not resident in city where AGM is taking place required the company to provide the facility of video link to attend AGM of the company, then they must fulfil the following condition in order to make such request to be valid
  - (a) Holding at least 10% share capital
  - (b) The request must be in written form
  - (c) The request must be made at least seven days before such meeting
  - (d) All of the above

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8. If the directors do not proceed to call a meeting within 21 days of filing of the requisition by the members, the requisitionists may call a meeting and that meeting should be held and conducted
    - (a) Within 21 days from the date of the deposit of the requisition
    - (b) Within 30 days from the date of the deposit of the requisition
    - (c) Within 90 days from the date of the deposit of the requisition
    - (d) Within 120 days from the date of the deposit of the requisition
  9. When there are material defects or omission in the notice or the proceedings of the meeting is alleged to be irregular then, following condition(s) must be fulfilled in order to declare such meeting invalid
    - (a) Members having 10% or more rights can apply
    - (b) Members can apply to the court
    - (c) Application must be made within 30 days of the meeting
    - (d) All of the above
  10. If the required quorum is not present at the meeting within half an hour from the time appointed for the meeting it shall be
    - (a) Dissolved in any case
    - (b) Adjourned in any case
    - (c) Held in any case
    - (d) Dissolved, if called upon the requisition of members
  11. In any company voting is done by show of hands unless a poll is ordered by chairman of the meeting. On show of hands every member shall exercise
    - (a) 1 vote per 10 shares
    - (b) 10 votes per share
    - (c) 1 vote irrespective of number of shares
    - (d) 10 votes irrespective of number of shares
  12. A member cannot appoint more than one proxy to attend any one meeting. If more than one proxy is appointed for any one meeting
    - (a) All proxies possess same voting rights
    - (b) All proxies possess same right to speak
    - (c) All appointments of proxies shall be valid
    - (d) All appointment of proxies shall be invalid
  13. Members of the company can demand a certified copy of the minutes of general meeting, any time after 7 days from meeting, which the company shall provide to them
    - (a) Within 7 working days of receipt of his request
    - (b) Within 14 working days of receipt of his request
    - (c) Within 30 working days of receipt of his request
    - (d) Within 60 working days of receipt of his request
  14. The records of all proceedings of the meetings must be kept at the registered office of company in physical and electronic form and it shall be preserved for
    - (a) At least 10 years in physical form and permanently in electronic form
    - (b) At least 20 years in physical form and permanently in electronic form
    - (c) Permanently in physical form and permanently in electronic form for 10 years
    - (d) Permanently in physical form and permanently in electronic form for 20 years

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15. Members of a private company or a public unlisted company, may pass a resolution by circulation signed by all members except
    - (a) For special businesses of AGM
    - (b) For special businesses of Statutory meeting
    - (c) For ordinary businesses of AGM
    - (d) For ordinary businesses of Statutory meeting
  16. Extraordinary general meeting in an unlisted company need to be called by giving notice before 21 days of meeting. However, it can be called on a shorter notice if \_\_\_\_\_ members agree to this?
    - (a) 75%
    - (b) 50%
    - (c) 10%
    - (d) 100%
  17. The annual general meeting of Tirupati limited was scheduled for 28th December, 2017. Mr. Amanat, Shareholder of Tirupati limited has desired to send proxy instrument to the company. He can send the proxy instruments \_\_\_\_\_ before meeting time
    - (a) 24 hours
    - (b) 1 day
    - (c) 48 hours
    - (d) 3 days
  18. Minutes shall be entered in the minute book signed by the \_\_\_\_\_.
    - (a) CFO
    - (b) General manager
    - (c) Chairman
    - (d) None
  19. Under the companies act, 2017, listed company shall constitute quorum for the general meeting as:
    - (a) Either ten members or 25% of its total strength. Provided that quorum shall not be less than two members
    - (b) Either eight members or 10% of its total strength.
    - (c) Either eight members or 25% of its total strength whichever is less. Provided that quorum shall not be less than three members.
    - (d) Ten members present in person or through video link having 25% voting power on their own account or as a proxy
  20. Moon (Private) Limited incorporated on 23rd oct, 2017. As per compliance requirement, company shall hold its statutory meeting within 9 months from date of incorporation or within 180 days from the date of commencement of business. What is due date for holding a statutory meeting?
    - (a) 30th September, 2018
    - (b) 30th December, 2018
    - (c) 31st December, 2018
    - (d) Not required to hold this meeting.
  21. Every company limited by shares, having a share capital, within a period of not less \_\_\_\_\_ from the date at which company is entitles to commence business shall hold a statutory meeting of the members of the company:
    - (a) 180 days
    - (b) 9 months
    - (c) 6 months
    - (d) 30 days

- 
22. The directors shall, at least \_\_\_\_\_ before the date on which meeting is held, forward a report, in this Act referred as the statutory report to every member:
- (a) 40 days
  - (b) 25 days
  - (c) 20 days
  - (d) 21 days
23. The statutory report shall be certified by not less than:
- (a) 2 directors (including one of them as CEO also)
  - (b) 5 directors (including one of them as CEO also)
  - (c) 3 directors (including one of them as CEO also)
  - (d) 7 directors (including one of them as CEO also)
24. The statutory report certified by at least 2 directors, one of whom shall be:
- (a) Owner of the company
  - (b) Shareholder of the company
  - (c) Chief executive of the company
  - (d) None
25. The statutory report shall state:
- (a) Total amount of shares
  - (b) Distinguishing shares allotted otherwise than in cash
  - (c) Total amount of cash received by the company in respect of all shares allotted
  - (d) All of the above
26. The statutory report shall also contain a brief account of state of company's affairs since its:
- (a) Incorporation
  - (b) Commencement
  - (c) First birthday
  - (d) None
27. The resolution of which notice has not been given in accordance with the articles may:
- (a) Be passed
  - (b) Not be passed
  - (c) Or may not be passed
  - (d) Only (I)
28. The provisions of the "statutory meeting of the company" shall not apply to:
- (a) Public company
  - (b) Private company
  - (c) Company limited by guarantee
  - (d) All
29. If a private company convert itself from a public within \_\_\_\_\_ year(s) of incorporation, then it is required to hold statutory meeting:
- (a) 2
  - (b) 3
  - (c) 1
  - (d) 5

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30. If a private company is converted into public company, within 1 year, then then it is required to hold:
- (a) Extra ordinary meeting
  - (b) Statutory meeting
  - (c) Directors 's meeting
  - (d) None
31. Annual general meeting shall be held in every calendar year within a period of \_\_\_\_\_ following the close of its financial year:
- (a) 50 days
  - (b) 30 days
  - (c) 120 days
  - (d) 75 days
32. In case of listed company; the commission may give extension in time for annual general meeting, by a period not exceeding:
- (a) 40 days
  - (b) 35 days
  - (c) 45 days
  - (d) 30 days
33. In case of listed company; AGM will be held in a town in which:
- (a) Company has factory
  - (b) Company is working
  - (c) Its registered office is situated
  - (d) Both I) & iii)
34. All general meetings other than "annual general meeting" and "statutory meeting "are called:
- (a) Special resolution
  - (b) Special meetings
  - (c) Ordinary meetings
  - (d) Extra ordinary meetings
35. The directors may at any time call an extra ordinary general meeting; however the minimum voting power of members to proceed to call an extra ordinary general meeting is:
- (a) 1/5
  - (b) 3/4
  - (c) 1/10
  - (d) None
36. If the directors do not proceed within 21 days from the date of requisition being so deposited to cause a meeting to be called, the requisitionists may themselves call the meeting, but in either case any meeting so called shall be held within \_\_\_\_\_ from the date of deposit of the requisition:
- (a) 120 days
  - (b) 45 days
  - (c) 90 days
  - (d) 6 months
37. The notice of extra ordinary general meeting shall be sent to members at least \_\_\_\_\_ before the date of meeting:
- (a) 28 days
  - (b) 21 days

- (c) 40 days
  - (d) 50 days
38. The notice of AGM of a listed company, in case of its being dispatched in normal course, shall also be published at least in one issue of:
- (a) Daily newspaper in English Language
  - (b) Daily newspaper in Urdu Language
  - (c) Both
  - (d) None
39. The notice of meeting shall specify:
- (a) The place, The day
  - (b) The hour of the meeting
  - (c) Statement of business to be transacted at the meeting
  - (d) All of the above
40. The notice of meeting shall be given to:
- (a) Every member of the company
  - (b) Any person entitled to shares in consequence of death of a member
  - (c) The auditor or auditors of the company
  - (d) All of the above
41. The quorum of a general meeting, in case of public listed company:
- (a) 5 members
  - (b) 15 members
  - (c) 20 members
  - (d) 10 members
42. The quorum of a general meeting in case of public company, should be 10 members and who represent not less than \_\_\_\_\_ of the total voting power:
- (a) 15%
  - (b) 20%
  - (c) 25%
  - (d) 50%
43. In case of company other than listed, the quorum should be:
- (a) 5 members
  - (b) 10 members
  - (c) 2 members
  - (d) 3 members
44. In case of company other than listed, the quorum should be 2 members, who represent not less than \_\_\_\_\_ of the voting power:
- (a) 25%
  - (b) 15%
  - (c) 35%
  - (d) 20%
45. In case of single member company; the requirement for the quorum should be:
- (a) 5 members
  - (b) 3 members
  - (c) Single member
  - (d) 2 Members

- 
46. The minimum time during which is quorum is not present; the meeting, if called upon the requisition of the members, shall be dissolved
- (a) 45 minutes
  - (b) 20 minutes
  - (c) 35 minutes
  - (d) 30 minutes
47. If at adjourned meeting (which was adjourned due to unavailability of the quorum) a quorum is not present within half an hour from the time appointed for the meeting; the members present being not less than \_\_\_\_\_ shall be a quorum, unless the articles provide otherwise:
- (a) 5 members
  - (b) 3 members
  - (c) 7 members
  - (d) 2 members
48. In case of company limited by guarantee and having no share capital, every member thereof shall have:
- (a) 10 votes
  - (b) 5 votes
  - (c) 3 votes
  - (d) 1 vote
49. Proxies can't be appointed in case of company:
- (a) Limited by guarantee
  - (b) Listed company
  - (c) Company not having share capital
  - (d) None
50. If a member appoints more than one proxies then this would become:
- (a) Such an amazing thing
  - (b) Voidable
  - (c) Void ab initio
  - (d) Invalid
51. A proxy must be a \_\_\_\_\_ unless the articles of the company permits otherwise:
- (a) Directors
  - (b) Auditor
  - (c) Member
  - (d) CEO
52. The proxies shall be lodged with the company not later than \_\_\_\_\_ before the time of meeting:
- (a) 24 hours
  - (b) 48 hours
  - (c) 12 hours
  - (d) None
53. If the proxy form sent within 48 hours before the meeting; it shall be considered:
- (a) Valid
  - (b) Void
  - (c) Voidable
  - (d) Both (ii)& (iii)

- 
54. In show of hands, every member has one vote; and the proxy in this case:
- (a) Is counted
  - (b) Is not counted
  - (c) Only (I)
  - (d) Both (I) & ii)
55. In case of poll; vote is casted against:
- (a) Debentures
  - (b) Securities
  - (c) Shares
  - (d) None
56. In case a poll is demanded; even proxy:
- (a) Is not allowed to vote
  - (b) Is allowed to vote
  - (c) Only (I)
  - (d) None
57. Before or on the declaration of the result of voting on any resolution on a show of hand, a demand for poll can be made; if in case of public company, by at least \_\_\_\_\_ members having the right to vote on the resolution and present in person or by proxy:
- (a) 10 %
  - (b) 75%
  - (c) 50%
  - (d) 10 members
58. A poll demand on the election of a chairman or on the question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken at such time, not more than \_\_\_\_\_ days from the day on which it is demanded, as the chairman of the meeting may direct:
- (a) 21 days
  - (b) 40 days
  - (c) 14 days
  - (d) 41 days
59. A copy of the minutes of meeting of the board of directors shall be furnished to every director within \_\_\_\_\_ days of the date of meeting
- (a) 7 days
  - (b) 14 days
  - (c) 21 days
  - (d) 40 days
60. The books containing the minutes of proceedings of the general meetings of a company and those of the meetings of the directors and committee of directors shall be kept at the registered:
- (a) Office of the SECP
  - (b) Stock exchange
  - (c) Office of the company
  - (d) None
61. The minutes of the general meetings can be inspected by the members during the business hours, subject to such reasonable restrictions as the company may by its articles or in general meeting impose so that not less than \_\_\_\_\_ hours in each day be allowed for inspections:
- (a) 5 hours
  - (b) 3 hours

- (c) 2 hours
  - (d) 7 hours
62. Any member shall at any time after seven days from the meeting be entitled to be furnished, within \_\_\_\_\_ days in that behalf to the company, with a certified copy of the minutes of any general meetings at such charge not exceeding the prescribed amount as may be fixed by the company:
- (a) 5 days
  - (b) 6 days
  - (c) 3 days
  - (d) 7 days
63. Which one of the following required ordinary resolution?
- (a) To change the name of the company
  - (b) To alter the articles of association
  - (c) To reduce the share capital
  - (d) To declare dividends.
64. An extraordinary general meeting may be convened by
- (a) Board of directors
  - (b) Requisitions
  - (c) SECP (in case of default)
  - (d) Anyone the above
65. In annual general meeting, which one of the following will be treated as special business?
- (a) Declaration of any dividend;
  - (b) Fixing of the remuneration of the auditors;
  - (c) Appointment of directors in place of those retiring;
  - (d) Regularization of director's appointment
66. Unilever Limited wants to hold a meeting for their preference shareholder's class, it is required to called \_\_\_\_\_ meeting.
- (a) Class Meeting
  - (b) Committee meeting
  - (c) Board meeting
  - (d) General Meeting
67. General meetings are chaired by:
- (a) CFO
  - (b) CEO
  - (c) Chairman
  - (d) Account Manager
68. Alfa limited, a public company, obtain its certificate of commencement of business on 15 April, 2019. As per the companies Act 2017, it is required to hold statutory meeting up to:
- (a) 13 October,
  - (b) 18 September
  - (c) 15 august
  - (d) 12 October
69. Statutory report shall be filed to Registrar at least \_\_\_\_\_ days before statutory meeting
- (a) 30
  - (b) 15

- (c) 21
  - (d) 45
70. Which one of the following companies, is not required to hold AGM:
- (a) Private company
  - (b) Public company
  - (c) Guarantee limited, having not share capital
  - (d) Single member company (SMC)
71. Members having \_\_\_\_\_ Voting securities can demand video linking of AGM, before \_\_\_\_\_ Days of meeting.
- (a) 10%, 7
  - (b) 75%, 14
  - (c) 25%, 21
  - (d) 2/3, 10
72. AGM is called on the order of...
- (a) Directors
  - (b) Members
  - (c) CEO
  - (d) SECP
73. EOGM can also be called by members having \_\_\_\_\_ Voting securities
- (a) 10%
  - (b) 50%
  - (c) 25%
  - (d) 75%
74. If directors fail to call EOGM, then the expense of this meeting shall be deducted from the \_\_\_\_\_ of directors
- (a) Shareholding
  - (b) Meetings fee
  - (c) Salary
  - (d) None of above
75. If statutory meeting is not called by directors, then this meeting will be called by \_\_\_\_\_
- (a) Members
  - (b) Government
  - (c) CEO
  - (d) Commission
76. Which one is not an ordinary business?
- (a) Approval of financial statement
  - (b) Approval of dividends
  - (c) Investment in associated company
  - (d) Appointment of auditors?
77. Poll for \_\_\_\_\_ shall be taken immediately
- (a) Appointment of Chairmen
  - (b) Adjournment of meeting
  - (c) Appointment of CEO
  - (d) Both (a)& (b)

78. Minutes of the meeting shall be preserved, electronically for
- (a) 20 years
  - (b) 10 years
  - (c) Permanently
  - (d) 5 years
79. Minutes of the meeting shall be preserved, in hard form for
- (a) 20 years
  - (b) 10 years
  - (c) Permanently
  - (d) 5 years
80. Federal/ provincial Government can appoint its \_\_\_\_\_ in the meeting of a company
- (a) Nominee
  - (b) Proxy
  - (c) Representative
  - (d) Director

Sr. No.	Answer	Sr. No.	Answer	Sr. No.	Answer
1	C	31	C	61	C
2	C	32	D	62	D
3	A	33	C	63	D
4	B	34	D	64	D
5	A	35	C	65	D
6	B	36	C	66	A
7	D	37	B	67	C
8	C	38	C	68	D
9	D	39	D	69	C
10	D	40	D	70	D
11	C	41	D	71	A
12	D	42	C	72	A
13	A	43	C	73	A
14	B	44	A	74	C
15	C	45	C	75	D
16	D	46	D	76	C
17	C	47	D	77	D
18	C	48	D	78	C
19	D	49	C	79	A
20	D	50	D	80	C
21	A	51	C		
22	D	52	B		
23	A	53	B		
24	C	54	B		
25	D	55	C		
26	A	56	B		
27	B	57	A		
28	B	58	C		
29	C	59	B		
30	B	60	C		

**CH # 9****DISTRIBUTION OF PROFITS**

1. The amount of final dividend is proposed by directors and approved by
  - (a) Members in AGM of the company
  - (b) Auditors in AGM of the company
  - (c) CEO in BOD meeting of the company
  - (d) Members in EGM of the company
2. Interim dividend may be proposed and paid before the end of the year by the
  - (a) Directors of the company
  - (b) Chairman of the company
  - (c) Chief Executive of the company
  - (d) None of the above
3. The dividend is proposed by the directors. The members may
  - (a) Reduce the dividend
  - (b) Accept the dividend
  - (c) Reject the dividend
  - (d) All of the above
4. Dividend warrants are a type of a crossed cheque and can be credited in to bank account of
  - (a) Creditor of the company
  - (b) Auditor of the company
  - (c) Member of the company
  - (d) Director of the company
5. Who is responsible in case of default regarding payment of dividend to member?
  - (a) Director Finance of the company
  - (b) BOD of the company
  - (c) CEO of the company
  - (d) Chairman of the company
6. In any case, the members of the company cannot
  - (a) Reject the amount of dividend proposed by directors
  - (b) Accept the amount of dividend proposed by directors
  - (c) Decrease the amount of dividend proposed by directors
  - (d) Increase the amount of dividend proposed by directors
7. In case of delay in payment of dividend, Chief executive of the company may be imprisoned for a term not exceeding two years and he may be fined for an amount
  - (a) Upto Rs. 50 million
  - (b) Upto Rs. 5 million
  - (c) Minimum Rs. 5 million
  - (d) Minimum Rs. 50 million
8. In case of default regarding period of payment of dividend, Chief executive of the company will be fined and imprisoned for a term which may extend to two years. He shall further be ineligible to become a director or chief executive of
  - (a) Any company for the next five years
  - (b) Any company for the next ten years

- (c) Any holding company for the next five years
  - (d) Any subsidiary company for the next ten years
9. After declaration of dividend it should be paid within
- (a) 14 days
  - (b) 21 days
  - (c) Such number of days as may be specified
  - (d) 45 days
10. When the dividend is declared at the annual general meeting of the company, it is known as \_\_\_\_\_.  
(a) Final dividend  
(b) Interim dividend  
(c) Dividend to equity shareholders  
(d) Dividend to preference shareholders
11. Dividend is payable to \_\_\_\_\_  
(a) Registered shareholder  
(b) Order of registered shareholders  
(c) Banker of shareholder  
(d) Any of the above
12. Dividend shall be declared or paid by a company for any financial year only \_\_\_\_\_.  
(a) Out of the profits of the company for that year  
(b) Out of the profits of the company for any previous financial year or years  
(c) Out of money provided by the central government or a state government for the payment of dividend by the company  
(d) All of the above
13. When the board of directors declare dividend anytime between two annual general meetings of the company, such dividend is known as \_\_\_\_\_.  
(a) Final dividend  
(b) Interim dividend  
(c) Dividend to equity shareholders  
(d) Dividend preference shareholders
14. If a company fails to pay declared dividend within specified time, CEO of the company shall, if he is knowingly a party to the default, be punishable with imprisonment which may extend to \_\_\_\_ years.  
(a) 10  
(b) 2  
(c) 5  
(d) 7
15. YOGO Limited, a listed company having business of manufacturing of Plastic, sale its 5 piece of land and gain from this disposal is Rs. 35 million on 21th July 2019. The Company want to declare the interim dividend from this gain. As per The Companies Act 2017, advice the company whether it can declare?  
(a) Yes  
(b) No  
(c) Partly Yes  
(d) Partly no

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16. YOYO Limited, a listed company having business of sale and purchase of land, sold its 5 pieces of land and gain from this disposal is Rs. 35 million on 21th July 2019. The Company want to declare the interim dividend from this gain. As per The Companies Act 2017, advice the company whether it can declare?
- (a) Yes
  - (b) No
  - (c) By passing ordinary resolution
  - (d) Only after passing special resolution
17. For withholding of dividend prior approval of \_\_\_\_\_ is required
- (a) Members
  - (b) Directors
  - (c) Commission
  - (d) Registrar
18. Approval of Commission (for withholding dividend) shall be taken within \_\_\_\_\_ Days of declaration
- (a) 30
  - (b) 15
  - (c) 21
  - (d) 45
19. There would be no offense if Dividend cannot be paid due to
- (a) Operation of law
  - (b) If instructions are given by member
  - (c) If there is some amount which is recoverable from member
  - (d) All of the above
20. Mr. Shoaib is a shareholder of O Limited. Company announce interim dividends and the amount, which will be paid to Mr. Shoaib is R. 50,000. 2 months ago, Mr. Shoaib purchase stationary products from the company of Rs. 45,000 on credit and not paid yet. As Per the Companies Act 2017, Total amount which is to be paid to Mr. Shoaib is Rs. \_\_\_\_\_.
- (a) 45,000
  - (b) 50,000
  - (c) 95.000
  - (d) 5.000

Sr. No.	Answer	Sr. No.	Answer
1	A	11	D
2	A	12	A
3	D	13	B
4	C	14	B
5	C	15	B
6	D	16	A
7	B	17	C
8	A	18	D
9	C	19	D
10	A	20	D

**CH # 10****INVESTMENTS AND DISCLOSURE OF INTEREST**

1. Under the provisions of Companies Act 2017, power to make investments in a company rests with
  - (a) CEO of the company
  - (b) Directors of the company
  - (c) Members of the company
  - (d) Chairman of the company
2. Investment in associated company cannot be made by the directors themselves. They will have to get its approval from
  - (a) Members in a class meeting through special resolution
  - (b) Members in a general meeting through ordinary resolution
  - (c) Members in a general meeting through special resolution
  - (d) Members in a BOD meeting through ordinary resolution
3. Being a separate legal person, a company can make investments in any other company or security. But all the investments of the company must be made and held
  - (a) In the name of controlling shareholders
  - (b) In the name of Sponsors of the company
  - (c) In the name of chairman of the company
  - (d) In the name of Company itself
4. The company shall not make an increase in amount or any variation in the nature and terms of any investment without passing
  - (a) An ordinary resolution in the general meeting.
  - (b) A special resolution in the general meeting
  - (c) A resolution in the Board meeting
  - (d) A resolution in creditors meeting
5. The register for investments of company not held in its own name is open to inspection for the members of the company,
  - (a) Free of cost for at least two hours daily
  - (b) Free of cost for at least five hours daily
  - (c) At a payment of charge for at least two hours daily
  - (d) At a payment of charge for at least five hours daily
6. Any member may require a certified copy of register, on fee fixed by the company. Certified copies requested shall be issued
  - (a) After 7 days
  - (b) Within 7 days
  - (c) After 14 days
  - (d) Within 14 days
7. The term "investment" shall include
  - (a) Loans
  - (b) Advances
  - (c) Equity
  - (d) All of the above

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8. Seema bulbs Limited Is desirous of having significant influence in shaukeen led bulbs and tubes Limited So that the latter becomes its 'associate company'. For exercising 'significant influence' one of the options available to seema bulbs is to control at least twenty per cent of total voting power of shaukeen led bulbs and tubes. What is the other option available?
    - (a) To control or participate in the recruitment decisions relating to appointment of middle management personnel of shaukeen led bulbs and tubes under an agreement.
    - (b) To control or participate in the dividend decisions of shaukeen led bulbs and tubes under an agreement.
    - (c) To make that company its subsidiary
    - (d) To control or participate in the export decisions of shaukeen led bulbs and tubes under an agreement.
  9. Any loan made by holding company to its subsidiary company is allowed if special resolution is passed.
    - (a) Correct
    - (b) Incorrect
  10. For making a company as an associated company, minimum no of shares which should be directly or indirectly controlled by a person:
    - (a) 15%
    - (b) 10%
    - (c) 20%
    - (d) 50%
  11. If a company or undertaking is subsidiary of another then it is also:
    - (a) Private company
    - (b) Public company
    - (c) Associated company
    - (d) All of the above
  12. The Chairman of PCB is also director is Beta Limited, a listed company. Beta limited want to give loan to PCB fo Rs. 45 million for PSL. As per the Companies Act 2017:
    - (a) Beta Limited Requires to pass special resolution
    - (b) Board of Directors can approve this loan
    - (c) Permission of SECP is required
    - (d) None of the above
  13. Power to make investment in other companies can be made, generally?
    - (a) By approval of members
    - (b) By approval of board
    - (c) By approval of Registrar
    - (d) By approval of finance manager
  14. For making investment in Associated Company \_\_\_\_\_ is required
    - (a) Special Resolution
    - (b) Ordinary Resolution
    - (c) Board approval
    - (d) None of the above
  15. If the investment made in the form of loan, the Return of investment should not be less than the borrowing cost of the company.
    - (a) True
    - (b) False

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16. ABC Limited give Rs 100 million loan to GFH Limited, which is an associated company, with the approval of members through special resolution. As per the agreement of contract, loan shall be paid with 10 equal installments. During the year, GFH Limited discontinue its one product and also suffer huge losses from operations. GFH Limited want extensions in installments period. As per the Companies Act 2017, this change can be passed by \_\_\_\_\_
- (a) Board of directors
  - (b) Members in general meeting through Resolution
  - (c) Special Resolution is required
  - (d) Commission Approval is required
17. All the investment of the company should be held in the name of.
- (a) Company
  - (b) Directors
  - (c) CEO
  - (d) Account manager
18. It is the policy of the Z limited that any member of the company having 17% shareholding, is eligible to be appointed as a director of the company through fresh election. X Limited, a company having bakeries business, has purchased 19.5% shares of Z Limited. As per the Companies Act 2017, Director should be a natural person, now, how can X Limited become director of Z Limited:
- (a) By disposing of share
  - (b) By approval of Commission
  - (c) By transfer its share to any natural person
  - (d) By transferring of shares in the name of any employee/director of the company
19. Central Depository company Hold 35% share of F Limited and 32% shares of G Limited. As per the Companies Act 2017, whether these companies are associated company?
- (a) Yes
  - (b) No
  - (c) Partly Yes
  - (d) Partly No
20. Company is required to hold Register, which have included the descriptions of investment
- (a) Held by Company's name
  - (b) Not held By Company's name
  - (c) Investment in associated only
  - (d) Both I & II
21. If any member want to inspect register, of investments not in the name of the company, then he have to pay.....
- (a) Rs. 50
  - (b) Rs. 100
  - (c) Rs. 1,000
  - (d) Free of Cost
22. Register of investmemts (not in name of company) is open to inspection for at least \_\_\_\_\_
- (a) Business hours (9-5)
  - (b) 2 business hours
  - (c) 5 business hours
  - (d) 24/7 hour

- 
23. Copy of register of investments (not in name of the company) will be sent to the members within \_\_\_\_\_ Days of request
- (a) 7
  - (b) 14
  - (c) 21 days
  - (d) Immediately
24. Ruchir Marcons Limited. which provides marketing and consultancy services is keen to have a 'significant influence' in Ruchika Marketing Limited so that it becomes its 'associate company'. For having 'significant influence' Ruchir Marcons Limited needs to control certain percentage of total voting power of Ruchika Marketing Limited What is that?
- (a) For creating 'significant influence' Ruchir Marcons Limited must control at least 5% of total voting power of Ruchika Marketing Limited.
  - (b) For creating 'significant influence' Ruchir Marcons Limited must control at least 10% of total voting power of Ruchika Marketing Limited.
  - (c) For creating 'significant influence' Ruchir Marcons Limited must control at least 15% of total voting power of Ruchika Marketing Limited.
  - (d) For creating 'significant influence' Ruchir Marcons Limited must control at least 20% of total voting power of Ruchika Marketing Limited.
25. ABC Private limited, having 5.0 million share capital, wants to enter in a contract with P Limited, a public company, for purchasing of raw material. One of the Director, Mr. Sham of ABC Private Limited is also hold 7% share of P Limited. What would be the course of action in the First Board Meeting of ABC Private Limited for this Contract:
- (a) Mr. Sham can Attend and vote in this meeting
  - (b) Mr. Sham cannot vote only, but can attend this Meeting
  - (c) Notice of the meeting shall notice sent to Mr. sham
  - (d) Both I & ii

Sr. No.	Answer	Sr. No.	Answer
1	B	16	C
2	C	17	A
3	D	18	D
4	B	19	B
5	A	20	B
6	B	21	D
7	D	22	B
8	C	23	A
9	A	24	D
10	C	25	B
11	C		
12	B		
13	B		
14	A		
15	A		

**CH # 11****ACCOUNTS AND ANNUAL RETURN**

1. Books of accounts must be preserved in good order under the requirement of Companies Act, 2017 for a period of
  - (a) At least 10 years
  - (b) At least 15 years
  - (c) Maximum 20 years
  - (d) Maximum 10 years
2. Books of accounts must be kept at the registered office of the company, however, these books may be kept at some other place by the decision of:
  - (a) The members of the company
  - (b) The directors of the company
  - (c) The creditors of the company
  - (d) The Auditors of the company
3. The books of accounts may be inspected by the
  - (a) Directors of the company during business hours
  - (b) Members of the company during business hours
  - (c) Creditors of the company during business hours
  - (d) Promoters of the company during business hours
4. In case of first financial statements of the company, it shall be presented before the meeting within
  - (a) 12 months from the date of incorporation of the company
  - (b) 14 months from the date of incorporation of the company
  - (c) 16 months from the date of incorporation of the company
  - (d) 24 months from the date of incorporation of the company
5. As a token of approval of financial statements, the chief executive and at least one director of the company put their signatures on financial statements and in case of a listed company also by the
  - (a) Company secretary
  - (b) Auditors of the company
  - (c) Chief financial officer
  - (d) Chief operating officer
6. The financial statements of a single member company shall be signed by
  - (a) Chief executive
  - (b) One director
  - (c) Chief executive and one director
  - (d) Chief executive and two directors
7. The requirement of filing of accounts shall not apply to a private company having paid up capital not exceeding
  - (a) RS 10 million or such higher amount as notified by the Commission
  - (b) RS 05 million or such higher amount as notified by the Commission
  - (c) RS 03 million or such higher amount as notified by the Commission
  - (d) RS 01 million or such higher amount as notified by the Commission
8. Financial statements shall be audited by the auditor of the company but this requirement of audit is not applicable to a private company having paid up capital not exceeding
  - (a) Rs. 01 million or such higher amount as may be notified by the Commission
  - (b) Rs. 05 million or such higher amount as may be notified by the Commission

- (c) Rs. 10 million or such higher amount as may be notified by the Commission
  - (d) Rs. 15 million or such higher amount as may be notified by the Commission
9. Directors of every company shall make out and attach to the accounts, a report containing following particulars
- (a) Statements regarding the state of the affairs of the company
  - (b) Particulars of any amount recommended as dividend
  - (c) Particulars of any amount transferred or proposed to be transferred to any reserve account
  - (d) All of the above
10. Requirement of preparing a director's report is not applicable a private company, not being a subsidiary of public company, have the paid up capital not exceeding
- (a) Rs. 1 million
  - (b) Rs. 03 million
  - (c) Rs. 05 million
  - (d) Rs. 10 million
11. The directors report of a public company shall address all the material changes occurred during the financial year which affect
- (a) The business of the company
  - (b) Any other company in which the company has interest
  - (c) Any of its subsidiaries
  - (d) All of the above
12. Directors report and statements of compliance must be approved by the board and signed by the
- (a) CEO
  - (b) Director of the company
  - (c) CEO and CFO of the company
  - (d) CEO and a director of the company
13. The quarterly financial statements of a listed company shall be transmitted electronically within the specified period to
- (a) The Commission
  - (b) The Securities exchange
  - (c) The Registrar
  - (d) All of the above
14. The directors of a company have decided to keep the books of account at a place other than the registered office of the company. In this case, they are required to file a notice to the registrar of the full address of that place within
- (a) 14days of such decision.
  - (b) 21days of such decision.
  - (c) 30days of such decision.
  - (d) 7days of such decision.
15. Copy of audited financial statements, auditors' report and directors' report shall be sent to every member at his registered address at least
- (a) 14 days before the meeting
  - (b) 21 days before the meeting
  - (c) 30 days before the meeting
  - (d) None of the above is correct

- 
16. OPC limited, a listed company having share capital of 1 billion, was incorporated in May 2019. Company's 1st financial statements were closed on 31st march 2020. Just like any other company, OPC limited has to file its approved financial statements with registrar. In how much time after the approval, OPC limited is required to do such filing?
- (a) 30 days
  - (b) 60 days
  - (c) 120 days
  - (d) 180 days
17. Which of the following company is required to prepare book of accounts?
- (a) SMC
  - (b) Private
  - (c) Public
  - (d) All of the above
18. The period to which the account relate shall not exceed \_\_\_\_\_ months except where special permission has been granted in the behalf of the registrar:
- (a) 18 months
  - (b) 16 months
  - (c) 9 months
  - (d) 12 months
19. The copies of "financial statements" and the Audit report should be sent to every members of the company at least \_\_\_\_\_ days before meeting at which it is to be laid before the members of the company:
- (a) 28 days
  - (b) 21 days
  - (c) 38 days
  - (d) 40 days
20. Mayur textiles private limited was incorporated on 23rd October, 2017. As per the compliance requirement, company shall hold its annual general meeting (AGM) within 120 days from the date of closure of financial year of June 2018. What is the due date for holding a general meeting for approval of financial statements?
- (a) 30th September, 2018
  - (b) 30th December, 2018
  - (c) 28th October, 2018
  - (d) 31st march, 2019
21. "books of account" as defined the companies act, 2017 includes records maintained in respect of:
- (a) The items of cost as may be prescribed by SECP in the case of a manufacturing, production or mining company
  - (b) the assets and liabilities of the company
  - (c) all sales and purchases of goods and services by the company
  - (d) all of the above
22. Every company to prepare and keep the books of account and other relevant books and papers and Financial statements at its \_\_\_\_\_
- (a) Registered office
  - (b) any other place as they board of directors may decide
  - (c) additional place of business
  - (d) (a) or (b)

23. Books of accounts of branch office are periodically sent by the branch office to the company at its Registered office and are kept open for inspection at the registered office of the company or at such Other place in Pakistan by \_\_\_\_\_. During business hours.
- (a) Any director
  - (b) any shareholder
  - (c) general public
  - (d) all of the above
24. JX limited, an unlisted public company has its registered office in manawala. Due to a shortage of storage space, the board of directors of JX limited has decided not to preserve the books of accounts and other related records of accounts. The board has approached you, to seek an advice on this matter. Give suitable advice to the board of JX limited:
- (a) The company is not mandatorily required to maintain the statutory registers and records at the registered office.
  - (b) The company can make space by destroying all statutory registers and records which are older than 8 years.
  - (c) Company can shift the statutory registers and records at JX limited branch office situated at Gujranwala with the approval of board meeting, where more than one-tenth of the total number of members entered in the register of members reside.
  - (d) Company can digitize (convert to electronic form) all the statutory registers and records.
25. Swiss commodities private limited was incorporated in 2015. Company was not running its business properly due to unexpected ups and downs. It could not hold its annual general meeting in the year 2019. The company is planning to apply for extension of time for holding the AGM from the registrar of companies. The registrar can grant the extension for the period of \_\_\_\_\_?
- (a) 15 days
  - (b) 30 days.
  - (c) 45 days.
  - (d) 90 days.
26. ABC private limited having share capital of RS. 0.9 million, wants to present its accounts to its members. As per the companies act 2017, these financial statements should be \_\_\_\_\_
- (a) Audited
  - (b) Unaudited
  - (c) May or may not be audited; its not compulsory required
  - (d) None of above
27. Listed company is required to send at least \_\_\_\_\_ copies financial statements, audit report, directors report, chairman review report to commission, registrar, stock exchange, before \_\_\_\_\_ Days of meeting
- (a) 5,14
  - (b) 7,21
  - (c) 3,21
  - (d) 10,30
28. A company should require to prepare its financial statements for the period of ..... months
- (a) 12
  - (b) 14
  - (c) 16
  - (d) 9

- 
29. Which of the following company shall post its quarterly financial statements on website?
- (a) Public limited
  - (b) Guarantee limited
  - (c) Private limited
  - (d) Listed company
30. Financial statements of a listed company shall also be approved by
- (a) Company secretary
  - (b) Sale agent
  - (c) CFO
  - (d) Account manager
31. Vega private limited (VPL), having share capital 17.5 million, has laid its financial statements for approval of VPL annual general meeting. Under the companies act 2017, advise the company secretary about requirements of filing the accounts any others documents, if any, after AGM.
- (a) To registrar within 30 days of AGM
  - (b) To commission within 15 days
  - (c) To registrar with 15 days
  - (d) To commission within 30 days
32. Books of accounts for a period of at least \_\_\_\_\_ must be preserved in good order under the requirements of the act.
- (a) 5 years
  - (b) 20 years
  - (c) 10 years
  - (d) Permanent
33. Financial statements include:
- (a) Statements of financial position
  - (b) Statement of comprehensive income
  - (c) Statement of cashflows
  - (d) All of the above
34. A company is required to present its financial to the members within \_\_\_\_\_ Months of closure of financial year.
- (a) 4
  - (b) 2
  - (c) 3
  - (d) 1
35. Before 21 days of meeting, a listed company shall also be dispatching a copy of...
- (a) Financial statements
  - (b) Chairman review report
  - (c) Director report
  - (d) All of the above
36. Which one of the following companies, are required to prepare directors report?
- (a) Public company
  - (b) Private company, which is the subsidiary of public company
  - (c) Private company having share capital 4.5 million
  - (d) All of the above

- 
37. Which one of the following is compulsory content for director's report?
- (a) State of affairs of the business
  - (b) Particulars of amount of dividend
  - (c) Particulars of amount transferred to reserve account
  - (d) All of the above
38. Additional contents shall be added in the director's reports of \_\_\_\_\_
- (a) Public company
  - (b) Private company which is the subsidiary of public
  - (c) Private company having share capital more than 3.0 million
  - (d) Both I & ii
39. Directors shall also mention \_\_\_\_\_ in directors report
- (a) Pattern of shareholding
  - (b) Pattern of members
  - (c) Pattern of directors
  - (d) None of the above
40. For the year ending 30th June, 2020, the auditors of as limited give some negative remarks about the directors of the company, in the audit report. As per the companies act 2017, how the directors can give justification about these negative remarks to the shareholders of the company?
- (a) By calling an extra ordinary general meeting
  - (b) By posting information on website and company's facebook page
  - (c) By sending circular of detail to all members, immediately
  - (d) In director's report of the company
41. During the financial year of 30<sup>th</sup> June, 2020. Wateen limited took a loan from MCB bank of Rs 100 billion for construction of a new plant. Due to public notice from government, company cannot construct this plant now, due to air pollution and also fail to repay the loan and amount of interest. The directors of the company want to communicate this information to the members of the company. As per the companies act 2017, this information shall be communicated in:
- (a) Audit report of the company
  - (b) In chairman review report
  - (c) By sending an extra circular to all members
  - (d) In director report of the company
42. Which one the following companies, is required to include business review in director's report?
- (a) Public company
  - (b) Subsidiaries of a public company
  - (c) Listed company
  - (d) Both I & ii
43. Business review include:
- (a) Effect of future development of the company and trends
  - (b) Impact on environment
  - (c) Activities taken for corporate social responsibility
  - (d) All of the above
44. Director's report shall be signed by
- (a) At least 1 director
  - (b) CEO
  - (c) CFO
  - (d) Both I&II

- 
45. Which one of the following companies, is required to prepare Quarterly accounts?
- (a) Public company
  - (b) Subsidiaries of a Public company
  - (c) Listed company
  - (d) All of the above
46. Quarterly accounts shall be prepared within \_\_\_\_\_ Days of closure of first Quarter
- (a) 30
  - (b) 60
  - (c) 15
  - (d) 45
47. Quarterly accounts of second quarter shall be prepared within \_\_\_\_\_ days of closure of second quarter
- (a) 30
  - (b) 60
  - (c) 15
  - (d) 45
48. Quarterly accounts of third quarter shall:
- (a) Be reviewed
  - (b) Not require any audit or review
  - (c) Be audited
  - (d) Be printed in the newspaper
49. Half yearly accounts shall also be \_\_\_\_\_ by the auditors in the manner, described by ICAP and approved by \_\_\_\_\_
- (a) Audited, Directors
  - (b) Audited, Government
  - (c) Reviewed, member
  - (d) Reviewed, Commission
50. First quarter account shall be presented within 30 days. This period can be extended by \_\_\_\_\_ for \_\_\_\_\_ Days.
- (a) Registrar, 15
  - (b) ICAP, 30
  - (c) Commission, 30
  - (d) Members, 30
51. Quarterly account shall also be posted on \_\_\_\_\_ of the company and shall also be file to commission \_\_\_\_\_
- (a) Prospectus, physically
  - (b) Facebook page, Physically
  - (c) Website, Electronically
  - (d) LinkedIn account, electronically
52. Member of the Company can also demand a copy of the Quarterly accounts. The company will dispatch a copy to member by
- (a) Getting fee of Rs. 50
  - (b) Getting fee of Rs. 150
  - (c) Free of cost
  - (d) Getting fee of Rs. 100

- 
53. The registered office of the company is situated in Lahore. The company wants to keep its financial statement and books and papers at DG Khan. The company may do so by:
- (a) Passing a Board Resolution and giving a notice of the new address to the Registrar within 7 days of the resolution.
  - (b) Passing an Ordinary Resolution and giving a notice of the new address to the Registrar within 7 days of the resolution
  - (c) Passing a Special Resolution and giving a notice of the new address to the Registrar within 7 days of the resolution
  - (d) Just giving a notice of the new address to the Registrar within 7 days of the shifting
54. XY Private Limited decided to keep the books of accounts for a period of 5 years as being a private company it is not accountable to the public.
- (a) The company can take such a decision
  - (b) The company may take such a decision as no accountability to public
  - (c) The company may do so after the consent of the Court
  - (d) The company has to maintain the books of accounts for minimum 10 years even it has no public accountability.
55. Atlas Limited (AL) a pharmaceutical company was having its manufacturing plant in Kohat, KPK. The address of its registered office as informed to the registrar of AL was of one of its director's office, situated at Sheikhpura, Punjab. To comply with the provisions of the companies act, 2017 it was keeping all its books of accounts, other relevant papers and financial statements at its registered office. After sometime directors of the company found it difficult to maintain such books etc. at the registered office, so in a duly convened meeting of the board of the directors, it was decided that the books of accounts and other relevant papers be kept at the office situated in Kohat. Within which time period the registrar must be given notice about such decision of the board:
- (a) Within 30 days from the date of taking such decision by the board.
  - (b) Within 15 days from the date it starts maintaining its books of accounts at the office situated at Kohat.
  - (c) Within 30 days from the date it starts maintaining its books of accounts at the office situated at Kohat.
  - (d) Within 7 days from the date of taking such decision by the board.
56. Financial year is:
- (a) Calender year
  - (b) Not calender year
  - (c) Period in respect of which any profit & loss account is prepared
  - (d) Both ii) & iii)

Sr. No.	Answer	Sr. No.	Answer
1	A	31	C
2	B	32	C
3	A	33	D
4	C	34	A
5	C	35	D
6	B	36	D
7	A	37	D
8	A	38	D
9	D	39	A
10	B	40	D
11	D	41	D
12	D	42	C
13	D	43	D
14	D	44	D
15	B	45	C
16	A	46	A
17	D	47	B
18	D	48	B
19	B	49	D
20	C	50	C
21	D	51	C
22	D	52	C
23	A	53	A
24	D	54	D
25	B	55	D
26	C	56	C
27	C		
28	A		
29	D		
30	C		

**CH # 12****INTRODUCTION TO WINDING UP**

1. The winding up of a company may be:
  - (a) Voluntary
  - (b) Voluntary subject to the supervision of the Court
  - (c) Compulsory by the Court
  - (d) Any of the above
2. A company may be wound up by the Court if the company has made a default in filing with the registrar:
  - (a) its financial statements and annual returns for immediately preceding two consecutive financial years.
  - (b) its financial statements or annual returns for immediately preceding two consecutive financial years.
  - (c) its financial statements or annual returns for three consecutive financial years.
  - (d) its financial statements or annual returns for immediately preceding three consecutive financial years.
3. The promotion or the carrying on of any scheme or business shall not be deemed to be an unlawful activity:
  - (a) The scheme involves raising un-authorised deposits from the general public indulging in referral marketing, multi-level marketing (MLM), Pyramid and Ponzi Schemes.
  - (b) The scheme involves raising deposits from the general public against issue of securities of a body corporate to the public after due approval of the prospectus.
  - (c) A scheme whereby, in return for a deposit of a sum of money in cash or by means of coupons, any right or benefit, determined by chance, is assured or promised.
  - (d) A scheme or any other business activity notified by the Commission to be against public policy or a moral hazard.
4. In which of the following situations, a company shall be deemed to be unable to pay its debts:
  - (a) if a creditor of Rs. 5 million duly made a demand requiring the company to pay the sum so due and the company has for 21 days thereafter neglected to pay/secure/compound the sum.
  - (b) if a creditor of Rs. 5 million duly made a demand requiring the company to pay the sum so due and the company has for 30 days thereafter neglected to pay/secure/compound the sum.
  - (c) if a creditor of Rs. 75,000 duly made a demand requiring the company to pay the sum so due and the company has for 21 days thereafter neglected to pay/secure/compound the sum.
  - (d) if a creditor of Rs. 75,000 duly made a demand requiring the company to pay the sum so due and the company has for 30 days thereafter neglected to pay/secure/compound the sum.
5. In which of the following situations, a contributory shall be entitled to present a petition for winding up a public company:
  - (i) the number of members is reduced below three.
  - (ii) the shares in respect of which he is a contributory have devolved on him through the death of a former holder.
  - (a) (i) only
  - (b) (ii) only
  - (c) Neither (i) nor (ii)
  - (d) Both (i) and (ii)

- 
6. The Commission shall be entitled to present a petition for the winding up of a company without an investigation into the affairs of the company:
    - (a) If the company is carrying on a business not authorised by its memorandum.
    - (b) If sole business of the company is the licensed activity and that licence is revoked.
    - (c) If the business of company is being conducted in a manner oppressive to any of its members or persons concerned in the formation of the company
    - (d) The management of the company might be guilty of fraud, misfeasance or other misconduct towards the company or towards any of its members
  7. A winding up of a company by the Court shall be deemed to commence:
    - (a) on the date of winding up order by the Court and not earlier.
    - (b) after a period of 7 days from the date of winding up order.
    - (c) after a period of 30 days from the date of winding up order.
    - (d) at the time of the presentation of the petition for the winding up.
  8. The articles of association of PQR Limited state that the company should be dissolved after completion of a metro transportation project and handing it over to relevant authorities. The project has recently been completed, became operational and relevant authorities have taken control of it and issued a certificate in this regard. In order to effect voluntary winding up of PQR Limited:
    - (a) The board of directors need to pass a resolution in board meeting.
    - (b) An ordinary resolution in the general meeting is required.
    - (c) A special resolution in the general meeting is required.
    - (d) Approval from the Commission is required.
  9. Which of the following statement is correct in relation to appointment of official liquidator?
    - (a) A person shall not be appointed as provisional manager or official liquidator of more than five companies at one point of time.
    - (b) For the purpose of the winding up of companies by the Court, the Commission shall maintain a panel of persons from whom the Court shall appoint a provisional manager or official liquidator of a company ordered to be wound up.
    - (c) Where a provisional manager is appointed by the Court, he shall always have the same powers as a liquidator.
    - (d) An official liquidator may resign or quit his office before conclusion of the liquidation proceedings by giving 30 days' notice to the Court.
  10. A provisional manager was appointed on 24th October 2021 and winding up order was issued by the Court on 3 January 2022, from whom he cannot require the statement (of affairs) in prescribed form?
    - (a) General Manager (operations) whose last day of employment with the company was 26 December 2020.
    - (b) Chief Operating Officer whose last day of employment with the company was 12 January 2021.
    - (c) Senior Manager (logistics) whose last day of employment with the company was 18 February 2021.
    - (d) Chief Financial Officer whose last day of employment with the company was 30 September 2020.

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Sr. No.	Answer
1	D
2	B
3	B
4	B
5	D
6	B
7	D
8	B
9	B
10	D



The Institute of  
Chartered Accountants  
of Pakistan

## Certificate in Accounting and Finance Stage Examination

< AS A MOCK >

3 hours – 100 marks  
Additional reading time – 15 minutes

### Company Law

**Only relevant portion of C.Law questions is taken from Autumn 2021 attempt**

#### Instructions to examinees:

- (i) Answer all questions.
- (ii) Answer in **black** pen only.

#### Section A - Multiple Choice Questions

- Q.1 Select the most appropriate answer from the options available for each of the following Multiple Choice Questions (MCQs). Each MCQ carries **ONE** mark.
- (viii) The promoters of Blue Whale Limited (BWL) got the certificate of incorporation dated 3 September 2021. They have decided that BWL shall never approach general public for raising fund and have further decided to commence business from next month. BWL would be required to file with the registrar:
- (a) revised memorandum of association
  - (b) revised articles of association
  - (c) prospectus
  - (d) statement in lieu of prospectus
- (ix) The annual general meeting (AGM) of Trout Limited (TL) was held on 7 September 2021. Ali Kamal, one of TL's shareholders, wants a certified copy of AGM minutes for his record. On submission of his request to TL, he shall be entitled to receive a certified copy of the minutes:
- (a) Within 7 days if he makes the request on 12 September 2021
  - (b) Within 7 days if he makes the request on 21 September 2021
  - (c) Within 15 days if he makes the request on 11 September 2021
  - (d) Within 15 days if he makes the request on 15 September 2021
- (xviii) Cod Limited (CL) is a public unlisted company having its registered office and branch office in Karachi and Lahore respectively. CL is in the process of finalising the location of its upcoming annual general meeting (AGM). In this regard, which of the following statements is true?
- (a) CL's AGM has to be held in Karachi
  - (b) CL's AGM can be held anywhere in the province of Sindh only
  - (c) CL's AGM can be held anywhere in the province of Sindh or Punjab only
  - (d) CL's AGM can be held anywhere in Pakistan
- (xix) Ahmed holds 50,000 shares in Jellyfish Limited (JL). JL operates six days in a week from Monday to Saturday. Annual general meeting of JL is scheduled to be held on Monday i.e. 20 September 2021 at 11:00 a.m. in which Ahmed wants to appoint Naeem as proxy. In this regard, he must have the proxy form delivered to JL by:

- (a) Friday, 17 September 2021 at 11:00 a.m.
  - (b) Saturday, 18 September 2021 at 11:00 a.m.
  - (c) Sunday, 19 September 2021 at 11:00 a.m.
  - (d) Monday, 20 September 2021 at 11:00 a.m.
- (xx) Zahid is planning to incorporate a company under the Companies Act, 2017 with the name and style 'Herring', with his own capital. He shall be the sole member and director in the company. In this regard, which of the following names is in compliance with the Companies Act, 2017?
- (a) Herring (SMC) Limited
  - (b) Herring (SMC-Private) Limited
  - (c) Herring (Private) Limited
  - (d) Herring Limited
- (xxi) Akram is the chief financial officer of Snapper House Limited (SHL). As part of its expansion plan, SHL is in the process of acquiring an office building, owned by Najma who is Akram's wife, on rent in a commercial area. SHL asked Najma to provide terms and conditions of the rent agreement for consideration and necessary approval. Which of the following statements is correct?
- (a) Akram will have to disclose his interest and obtain prior approval of SHL's board before signing the rent agreement
  - (b) SHL can sign the rent agreement and Akram will give an update to SHL's board in the immediately next board meeting
  - (c) SHL can sign rent agreement with prior approval of the chief executive
  - (d) No approval is needed; however, Akram cannot be involved in the transaction
- (xxii) Nominal share capital means the:
- (a) amount of share capital fixed by the memorandum or articles of association which must be paid by the subscribers in order to commence business
  - (b) face value of the shares issued by the company
  - (c) maximum amount of share capital as authorised by the memorandum of association
  - (d) amount of share capital against which shares have been allotted by the company
- (xxiii) Sole Fish Limited (SFL) was incorporated on 12 August 2021 as public unlisted company. SFL's year-end is 30 September. The management shall have to present SFL's financial statements before the company in annual general meeting, without taking extension, latest by:
- (a) 12 August 2022
  - (b) 12 December 2022
  - (c) 30 December 2022
  - (d) 28 January 2023
- (xxiv) A special resolution which is passed by members in the annual general meeting and is required to be filed with the registrar, has to be authenticated by:
- (a) a director and chief financial officer
  - (b) a director or company secretary
  - (c) chief executive officer and a director
  - (d) chairman or chief financial officer
- (xxv) A prospectus issued by a company can only include a statement claimed to have been made by an expert if such person:
- (a) has not been engaged or interested in the management of the company
  - (b) has not received any remuneration from the company in preceding three years
  - (c) is not a close relative of any of the company's employees
  - (d) is a promoter of the company

- (xxvi) Which of the following companies are required to maintain particulars relating to utilisation of labour?
- (a) Any company engaged in manufacturing or supplying
  - (b) Any company engaged in production or distribution
  - (c) Any company engaged in processing or mining
  - (d) Any company engaged in service or hospitality
- (xxvii) Kingfish Limited (KL) holds 5 million shares in Moonfish Limited (ML) and wants to acquire further 3 million shares in ML. The issued, subscribed and paid-up share capital of ML as at 9 September 2021 is 50 million shares. There is no common director on the boards of both companies.
- In this regard, which of the following statements is correct?
- (a) KL needs to obtain approval of its members in general meeting before making further investment in ML
  - (b) KL needs to obtain approval of its members in general meeting through special resolution before making further investment in ML
  - (c) KL can make further investment in ML if board's approval is in place
  - (d) KL does not require any approval before making further investment in ML
- (xxviii) A company limited by guarantee means a company in which liability of members is limited, in the event of its being wound up, by the:
- (a) articles of association, to such amount as the members may respectively thereby undertake to contribute to the liabilities of the company
  - (b) articles of association, to such amount as the members may respectively thereby undertake to contribute to the assets of the company
  - (c) memorandum of association, to such amount as the members may respectively thereby undertake to contribute to the liabilities of the company
  - (d) memorandum of association, to such amount as the members may respectively thereby undertake to contribute to the assets of the company
- (xxix) All the payment vouchers are required to be maintained by a company:
- (a) for at least 10 years
  - (b) for at least 15 years
  - (c) for at least 20 years
  - (d) permanently
- (xxx) When the chief executive officer of a public unlisted company is not present in Pakistan, then the annual financial statements of such company shall be signed at least by:
- (a) any two directors along with chief financial officer
  - (b) a director and chief financial officer
  - (c) any two directors
  - (d) chairman of the board or a director

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### Section C - Company Law

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- Q.7 The extraordinary general meetings of Dolphin Limited, a public company listed on Pakistan Stock Exchange Limited and its subsidiary Sardines (Guarantee) Limited, a public unlisted company, have been scheduled to be held on the same day i.e. 13 September 2021 at 9:00 a.m. and 2:00 p.m. respectively in Islamabad.

Under the provisions of the Companies Act, 2017 identify the quorum requirements for both the companies in the above situation.

Q.8

- (a) Mackerel Limited (ML) is a listed company engaged in the business of fish farming. As part of its expansion plan, ML's board has decided to invest in poultry and dairy businesses for which the principal line of business is required to be changed.

Under the provisions of the Companies Act, 2017 describe the prescribed procedure for changing ML's principal line of business. **(03)**

- (b) The details of ML's share capital as at 30 June 2021 are as follows:

Class of ordinary shares	No. of shares	Paid-up share capital	Voting rights
	in million	Rs. in million	
Class A	50	500	1 vote per share
Class B	30	600	2 votes per share
Class C	20	600	3 votes per share

Saleem Hussain, one of ML's shareholders, holding 50% shares in class A, has filed an application with the company requesting for an increase in voting rights of class A shares, without changing their face value, so that each share of class A would carry 2 votes.

Under the provisions of the Companies Act, 2017:

- advise ML's management regarding Saleem Hussain's eligibility to demand increase in voting rights of class A shares and discuss the requisite approvals required to be sought for getting such change approved. **(04)**
- discuss the course of action required to be taken by ML on Saleem Hussain's application, assuming that his eligibility to demand increase in voting rights is favourably established in (i) above. **(05)**

Q.9

Goldfish Limited (GL) is a public unlisted company with paid-up share capital of Rs. 200 million divided into 20 million ordinary shares of Rs. 10 each.

Following directors were elected in GL's annual general meeting held on 25 October 2020:

Name	Votes casted in favour
Tariq Ali	42 million
Munim Ahmed	28 million
Areeb Khan	21 million
Siddique Ghani	14 million
Gia Ghouri	14 million
Rahim Zaheer	14 million
Fawad Zia	7 million

Zakir Hussain, an existing shareholder of GL, purchased additional 1.5 million shares in GL on 3 September 2021 due to which his shareholding percentage increased to 15%. Zakir Hussain now demands to have a suitable position on GL's board.

Under the provisions of the Companies Act, 2017:

- discuss the validity of Zakir Hussain's demand. Also list the grounds under which he may not be elected on GL's board. **(04)**
- Assuming that Zakir Hussain is eligible to be appointed on GL's board, state the procedure to be followed by GL for his appointment. **(04)**

Q. 10

- (a) Under the provisions of the Companies Act, 2017 state the restrictions imposed on a company with regard to declaration of dividend. **(05)**
- (b) Under the Securities Act, 2015 an issuer or offeror of the securities intending to approach general public for raising funds shall have to submit a prospectus with the Commission for its approval.  
List any four exceptions to the above provision of the Securities Act, 2015. **(04)**

**(THE END)**