

BUSINESS LAW | CAF3

COMPANY LAW

CHAPTER 11 TO 16

Topic Wise Past Papers with Solutions

Updated up to Spring-2020 Attempt

Updated as per Revised Syllabus & Book by ICAP

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Chapter 11 | Introduction to Company and incorporation process

- 1** The licence of Cancer Research Association (CRA), issued under section 42 of the Companies Act, 2017, was revoked by the Commission as the affairs of CRA were conducted in a manner prejudicial to public interest. Under the Companies Act, 2017 briefly discuss the effect of revocation of licence on CRA, its members and officers. (05) Q.7(a)
(S-20)
- 2** 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)
- 3** Under the provisions of the Companies Act, 2017 explain the term ‘body corporate or corporation’. Q.6(b)
(S-18)
- 4** Zeta Associates (ZA) intends to register as a limited liability company without adding the word ‘Limited’ to its name. 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) Q.6(b)
(A-17)
- 5** Under the provisions of the Companies Ordinance, 1984 briefly describe: (ii) the circumstances in which a company would be considered as a holding company of another company. (02) Q.7(a)
(A-17)
- 6** Under the provisions of the Companies Act, 2017 briefly describe the term ‘Body corporate’. (02) Q.6 (b)
(A-16)
- 7** ‘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)
- 8** 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)
- 9** State briefly the restrictive conditions under which a private company is incorporated. (03) Q.1(b)
A.(13)
- 10** 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)
- 11** 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)

- 12** 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)
- 13** 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)
- 14** 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:
 ▪ 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) Q.5
S.(11)
- 15** 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)
- 16** Under the provisions of the Companies Act, 2017 discuss how a person may become a member of the company. (03) Q.6 (a)
(A-19)
- 17** 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) Q.6 (b)
(A-19)
- 18** Under the provisions of the Companies Act, 2017 briefly describe the term ‘Special resolution’. (04) Q.6(a)
(A-18)
- 19** (a) What is meant by the term ‘Member’ as described under the provisions of the Companies Act 2017? (04) Q.7
(A-15)
- 20** Under the provisions of the Companies Act 2017 briefly describe the following:
 (i) special resolution (04) Q.1a-i
S.(15)

Chapter 12 | Memorandum and Articles

- 1** 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. However, the engineers are not certain about the following matters:
 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. Q.6 (a)
(S-20)
- 2** Describe the provisions contained in the Companies Act, 2017 relating to 'principal line of business' of a company. (05) Q.9(b)
(S-19)
- 3** Printing (Pvt.) Limited (PL) wants to change its name to Printing and Marketing (Pvt.) Limited.
 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) Q.6(a)
(S-18)
- 4** Malik and Azad, being the promoters of Masoom Limited, are in the process of preparation of memorandum of association for filing with the registrar.
 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) Q.6(a)
(A-17)
- 5** (a) 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.10
(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)
 (b) 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)
- 6** 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.
 Under the provisions of the Companies Act 2017 briefly describe: Q.6(a)
(A-16)
 (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)

- 7** The Directors of Muntaqil Limited are considering to re-locate company's registered office from Karachi to Islamabad to carry on business more economically. 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)
- Q.6(a)
(S-16)
- 8** 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)
- Q.7(b)
(A-15)
- 9** 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)
- 10** 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. 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)
- Q.9
A.(12)
- 11** 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)
- 12** Briefly describe the provisions of Companies Act 2017 relating to alteration of the objects of a company. (02 marks)
- 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)
- Q.1(a)
A.(11)
- 13** Narrate the responsibilities of a company or of its directors in the following circumstance: An alteration in Articles of Association of the company is approved by passing a resolution in the annual general meeting. (03 marks)
- Q.8(c)
S.(11)
- 14** 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.
- 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)
- Q.1
S.(10)

Chapter 13 | Management

- 1** 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. However, the engineers are not certain about the following matters:
 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. Q.6 (b)
(S-20)
- 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** 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. In view of the provisions of the Companies Act, 2017 briefly explain the responsibilities of Hasan Ali towards FL under the above circumstances. (05) Q.8(b)
(A-19)
- 4** Under the provisions of the Companies Act, 2017 Discuss the provisions relating to the payment of remuneration to any of the directors for attending the board meeting and performing extra services. (04) Q.10(b)
(A-19)
- 5** Following is the 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)

- 6** 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.
- 7** 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. In the light of the provisions of the Companies Act, 2017 briefly describe how Aga Kirmani can be removed from the board. (02) Q.9(b)
(A-18)
- 8** 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.
- 9** Under the provisions of the Companies Act, 2017 comment on each of the following independent situations: Q.8(a)
(S-18)
(i) Opticians Limited (OL), a listed company, plans to appoint Yameen as an independent director of OL. Yameen was Head of Operations of Glasses Limited till December 2016. Glasses Limited is a subsidiary of Opticians Limited. (02)
(ii) 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)
(iii) 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)
- 10** 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)
- 11** 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. Q10(b)
(A-17)
(02)

- 12** 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. 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) Q.6(b)
(S-17)
- 13** 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. 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. Q.8(b)
(A-16)
- 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)
- 14** 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)
- 15** (a) 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. 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) Q.8
(S-16)
- (b) 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.
- 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)
- 16** 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)
- 17** 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 Q.5 (b)
S.(15)

Mr. Farigh.

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)

- 18** Under the provisions of the Companies Act 2017 briefly describe the following: Q.1a-ii
 (ii) chief executive in relation to a company (03) S.(15)
- 19** 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)
- 20** 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)
- 21** 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)
- 22** 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)
- 23** 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 Q.11
 A.(13)
 the light of above explain whether or not the following are correct:
 (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.
- 24** 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)

- 25** Explain the exceptions to the following provisions of the Companies Act 2017: Q.4(a)
 No person shall be appointed as a director of a company if he is not a member of that company. (03) S.(13)
- 26** Explain the exceptions to the following provisions of the Companies Act 2017: Q.4(c)
 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) S.(13)
- 27** 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)
- 28** 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)
- 29** 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 marks) Q.7(a)
 A.(12)
- 30** 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)
- 31** 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)
- 32** 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)
- 33** 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)
- 34** 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)
- 35** 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 Q.3(e)
 A.(11)

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)

- 36** 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)
- 37** Briefly explain the exceptions to the following provisions as specified under the Companies Act 2017. Q.3(c)
A.(11)
No person shall be appointed as a director of a company if he is not a member. (03 marks)
- 38** 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)
- 39** 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)
- 40** 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)
- 41** 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 marks) Q.6(a)
S.(11)
- 42** 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 marks) Q.13
A.(10)
- 43** 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)
- 44** 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)

- 45 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)
- 46 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. Explain the provisions prescribed in the Companies Act 2017 relating to:
- filing of such application in the court, and (03)
- 47 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)
- 48 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)

Chapter 14 | Issue of shares and distribution of profits

- 1** 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. Q.6(b)
(A-18)

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)
- 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 Q.14

- 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. 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) A.(10)
- 7** 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.7(b)
 Discuss the exceptions to the above provision of the Securities Act, 2015. (04) (S-20)
- 8** 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. Q.7(c)
 Under the provisions of the Securities Act, 2015 advise the directors with regard to the following: (S-20)
 (i) The time frame within which the prospectus may be published. (02)
 (ii) The requirements for publication of prospectus. (03)
- 9** Sepham Limited is in process of raising money through issuance of shares and intends to issue a prospectus. Q.7(b)
 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) (S-19)
- 10** 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)
 (i) On 12 September 2018, a copy of the prospectus shall be submitted to the Registrar Joint Stock Companies for approval. (A-18)
 (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.
- 11** 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)
 Under the provisions of the Securities Act, 2015 advise BL with regard to the publication of (S-18)

the prospectus in the newspaper and its placement on the company's website. (06)

- 12** 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. 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) Q.7 (a)
(S-17)
- 13** (a) 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. Under the provisions of the Securities Act, 2015 advise the directors with regard to the following:
(ii) Publication of prospectus. (03) Q.7(a)
(A-16)
- 14** 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. 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) Q.7(a)
(S-16)
- 15** 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. 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. Q.7(a)
A.(14)
- 16** Following the approval of prospectus of Top Engineering Limited, by the SECP on 31 August 2013, the directors have drawn up the following plan:
(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) Q.4(b)
A.(13)
- 17** 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. You are required to advise the company, based on the provisions of the Securities Act, Q.1
A.(12)

2015, in respect of the following:

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

- 18** 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)
- 19** 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. 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)
- 20** 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.
- 21** Under the provision of the Companies Act, 2017 briefly describe the following: Q.9(b)
 The restrictions, if any, with regard to the declaration of final dividend by a company listed on stock exchange. (05) (S-18)
- 22** 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)

- 23** 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. 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) Q.9
(A-15)
- 24** The Directors of Sigma Limited wish to recommend a final dividend. Under the provisions of the Companies Act 2017 advise the directors about the restrictions, if any, with regard to the declaration of dividend. (05) Q.9(b)
A.(14)
- 25** 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. 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) Q.6
S.(13)
- 26** 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)
- 27** 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)
- 28** 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.
 a) 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)
 b) State the situations in which non-payment of dividend would not be treated as an offence, under the Companies Act 2017. (05) Q.3
A.(09)

- 29** Companies can commence the business only after obtaining certificate of commencement of business from the registrar. (02) Q.9 (c)
(A-19)
- 30** 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. 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) Q.6(a)
(S-17)
- 31** 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. 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) Q.8 (a)
A(14)
- 32** 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)

Chapter 15 | Meetings and resolutions

- 1** 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)
- 2** 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.7 (b)
(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)
- 3** 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. Q.9(a)
(A-18)
 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.
 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)
- 4** 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)
- 5** (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)

- 6** 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)
- 7** 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)
- 8** (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: Q.3
S.(15)
- (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)
 - (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)
- 9** 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: Q.2
S.(14)
- (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)
 - (b) List the businesses that need to be transacted in the first AGM of ABC Limited. (04)
- 10** 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: Q.9
S.(14)
- (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)

- 11** 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. 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) Q.8(a)
A.(13)
- 12** 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)
S.(13)
- 13** 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).
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) Q.1(b)
S.(13)
- 14** 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:
(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) Q.7
S.(13)
- 15** Narrate the provisions of the Companies Act 2017 related to the following:
▪ Quorum requirements of a general meeting. (06 marks) Q.10b
A.(12)
- 16** 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)
- 17** 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)
- 18** 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)
- 19** 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)
- 20** 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)

- 21** 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 marks)
 - 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)
- 22** 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)
- 23** 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)
- 24** 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)
- 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: All limited companies are required to hold statutory meeting within 6 months of incorporation. (03) Q.3(b)
S.(10)
- 26** 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)
- 27** 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)

Chapter 16 | Accounts and investments

- 1** 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)
- 2** Under the provision of the Companies Act, 2017 briefly describe the following: Q.9(a)
(S-18)
 (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)
- 3** 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)
- 4** 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 the 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)
- 5** 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)
- 6** 'Every company is required to keep, at its registered office, proper books of account.' Q.9(a)
A.(14)
 Under the provisions of the Companies Act 2017 briefly explain the following:
 (i) When such books are NOT deemed to be proper. (02)
 (ii) When a company is deemed to have kept proper books of account in case of a branch office. (03)
- 7** 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)
- 8** 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)
- 9** Narrate the provisions of the Companies Act 2017 related to the following: Q.10a

- Authentication of financial statements. (04 marks) A.(12)
- 10** 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. (04 marks) Q.7
S.(12)
- 11** 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)
- 12** 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)
- 13** 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)
- 14** 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)
- 15** 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)
- 16** 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)
- 17** 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)

- 18** 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)
- 19** (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. Q.9
(S-16)
 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)
 (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)
- 20** 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)
- 21** 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)
- 22** Describe the term "associated company" in accordance with the Companies Act 2017.(05) Q.7
A.(11)
- 23** Describe the term "associated undertaking" in accordance with the Companies Act 2017. (05) Q.5(c)
A.(09)
- 24** 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.
 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). Q.1
A.(09)

Suggested Solutions

(Source: ICAP Website)

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Chapter 11 | Introduction to company and incorporation process

1 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.

2 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.

3 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-

4 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

- 5 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
- 6 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.
- 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 Under the following circumstances Mehkoom 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 Mehkoom Limited's voting securities or
 - otherwise controls the composition of its board; or
 - Mehkoom Limited is a subsidiary of a third company which is in turn the subsidiary of Hakim Limited.
- 9 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.
- 10 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.

- 11** ▪ 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** 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
- 13** 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
- 14** (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:
- (i) 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
 - (ii) It shall apply its profits (if any) in promoting its objects
 - (iii) It shall prohibit the payment of any dividend to its members and
 - (iv) 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.
- 15** i) Restricts the right to transfer its shares, if any.
 ii) limits the number of its members to fifty not including persons who are in the employment of the

company, and

iii) 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.

16 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.

17 **Effects of registration:**

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

18 **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;

19 **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.

20 **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;

BLAW BY RANA NAVEED

Chapter 12 | Memorandum and Articles

1 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.

2 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.

3 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.

- 4
 - 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.

- 5 a)
- (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
 -
- (b)**
- 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.
- 6 **(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.
- 7
- 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

8 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.

9 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

10 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

11 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

- 12
- 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.

- 13
- 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.

- 14 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\

BLAW BY RANA NAVEED

Chapter 13 | Management

1 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

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.

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 Disclosure of directors' interest

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.

- 4** The remuneration to be paid to any director for attending the meetings of the directors or a committee of directors shall not exceed the scale approved by the company or the directors, as the case may be, in accordance with the provisions of the articles.

The remuneration of a director for performing extra services, including the office of the chairman, is determined by the directors or the company in general meeting in accordance with the provisions in the company's articles.

- 5** 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.

- 6 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.

- 7 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 × Number of shares) ÷ Number of directors for the time being
 i.e. $8 \times (50,000,000 \div 500) \div 8 = 100,000$ votes

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

- 8 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.

- 9** (i) As per the requirements of the Companies Act 2017
 “No director shall be considered independent if he has been employee of the company, its subsidiaries or holding company within last 3 years”
 Therefore in the given scenario, Mr Yameen cannot be appointed as an independent director being the ex-employee of subsidiary of Opticians Limited and 3 years has not been passed yet.
- (ii) 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
- (iii) 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.
- 10** 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.
- 11** 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.
- 12** 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
 - 1st directors shall retire at first AGM
- 13** (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

14 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.

15 (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]

16 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

17 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.

18 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

19 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

- 20**
- 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

21 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.

22 (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 reelection 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

- 23 (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 filling 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
- 24** 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
- 25** No person shall be appointed as a director of a company if he is not a member of that company. Following are exceptions to the above provision;
- 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
- 26**
- 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)
- 27** 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.
- 28** 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
- 29** 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.

- 30** 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.
- 31**
- 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
- 32** 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
 - 1st directors shall retire at first AGM
- 33** 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.
- 34** 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
- 35**
- 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)
- 36** As per the requirements of the Companies Act 2017:
 Quorum of Listed Co:
 Higher of 4 or 1/3rd of number of directors

Company secretary shall be responsible for meeting held without quorum being present

- 37** No person shall be appointed as a director of a company if he is not a member of that company. Following are exceptions to the above provision;
- 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
- 38** 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
- 39** 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.
- 40**
- 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)
- 41** 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)
- 42** 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
- 43**
- 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

- 44** 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)
- 45** 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)
- 46** 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
- 47** 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
- 48** 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 14 | Issue of shares and distribution of profits

1 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.

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 its share 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.
- 7 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.

- 8 (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.

- 9 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.

10 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.

11 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.

- 12** Such prospectus including a statement purporting to be made by Mr. Sehgal 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.

13 (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.

14 (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.

- 15** 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, 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.
- 16**
- (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.
- 17**
- (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 balloter and
 - Concerned credit rating agency (if any)
 - (c) A prospectus which includes a statement made by an expert shall not be issued, unless:
 - (ii) The expert is not involved in the formation, promotion or management of the company,
 - (iii) 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
 - (iv) a statement that he has given and has not withdrawn his consent as aforesaid appears in the prospectus.

- 18** 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.

19 (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 such period 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.

20 Payment of interim dividend:

An interim dividend must be paid within 30 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 28 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.

- 21 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.
- 22** (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 cannot 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.
- 23 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

(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.

24 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.

25 (c) FDA cannot defer the payment of the interim dividend beyond the time limit of 30 days as specified by the SECP. The period of 30 days begins from the date of commencement of closing of share transfer books for purposes of determination of entitlement of dividend.

(d) 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.

(e) 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.

26 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.

27 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.

28 a) Requirement for payment of dividend

The company shall be responsible to make the payment within such time from the date of declaration as the SECP may from time to time specify. 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 23rd)

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.

29 Following companies can commence business without obtaining certificate of commencement of business:

- (i) A private company
- (ii) A company converted from private to public
- (iii) A company limited by guarantee and not having a share capital

30 (i) Any contract made by a company before the date at which it is entitled to commence business
 (ii) shall be provisional only, and shall not be binding on Co until that date 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.

31 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.

32

- 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.

BLAW BY RANA NAVEED

Chapter 15 | Meetings and resolutions

1 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.

- 2 (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.

3 (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.

- 4 ▪ 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

5 (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 10th 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.

6 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

7 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

8 (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 1director (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

9 (a)

As per the requirements of the Companies Act 2017:

1st 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

10 (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

11 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

12 ▪ 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.

13 A private company is not required to hold a statutory meeting but if such private company converts itself into a public company within one year of its incorporation, it shall also be required to hold a statutory meeting.

Timing of statutory meeting

Companies as above are required to hold the statutory meeting within, the earlier of:

- 180 days from the date at which the company is entitled to commence business; or
- Nine months from the date of its incorporation

No statutory meeting shall be required if the AGM is held before the due date of statutory meeting.

The meeting shall consider and approve report called "Statutory Report" which is sent to each member at least twenty one days before the date of statutory meeting (along with notice of the statutory meeting).

Matters to be stated in statutory report

The statutory report shall include:

- total number of shares allotted by the company. The company shall distinguish between shares allotted for cash and otherwise than in cash. In case of shares allotted for a consideration otherwise than in cash, the consideration shall also be discussed in detail in the statutory report.
- total cash received against shares allotted;
- summary of receipts and payments prepared to a date not earlier by 15 days of the date of report;
- 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 companies in which such persons are directors;
- particulars of any contract to be modified of which approval is required in the meeting; and
- extent of carrying out or not carrying out any underwriting contract along with reasons for not carrying out.
- Statutory Report should also contain a brief review of the state of affairs of the company since its

incorporation and the business plan.

14 (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.

15 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)

16 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)

17 As per the 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

18 As per the requirements of the Companies Act 2017, if any special business is to discussed at meeting; notice shall include "Statement of material facts" about that business.

19 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

20 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.

21 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

22 ▪ 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.

23 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 discussed at meeting; notice shall include “Statement of material facts” about that business

- 24 The given statement is partially correct because as per the requirements of the Companies Act 2017:
- Notice of EGM shall given to members 21 days before meeting. (For listed Co notice also be ublished 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.

- 25 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

- 26 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

- 27 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 16 | Accounts and investments

- 1 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.

- 2 **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.

- 3
 - 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

- 4 The Directors of Aabshar Limited shall make out and attach to the accounts, a report containing following particulars namely
 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

- 5
 - 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.

- 6
 - (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

- 7

As per the requirements of the Act, it is only the directors of the 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.

- 8
 - (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 the company which have occurred between the 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;
- 9**
- 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.
- 10 (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 including 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.
- 11** 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 21days 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.
- 12** 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.

- 13** 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.

- 14** 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.

- 15** 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.

- 16** (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. The 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 the members in the 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.

- 17**
- 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.
- 18** 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
- 19 (a)**
- (ii) SSL and FPL are associated companies as both of them are under common control of IL.
- (iii) 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.
- 20** 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.

21 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.

22 “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;

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

- 23**
- 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;

- 24** 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.

BLAW BY RANA ANAVEED