

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	
EXAMINERS' COMMENTS	
SUBJECT Company Law	SESSION Certificate in Accounting and Finance (CAF) Autumn 2022

Passing %

Question-wise											Overall
1	2	3	4	5	6	7	8	9	10	11	
74%	10%	66%	08%	01%	20%	89%	19%	17%	13%	53%	34%

General comments

The current result of 34% is much better than the previous session's result of 22%.

The main reasons for the improved result are good performance in MCQs and knowledge-based questions. Results could have been better if the examinees had applied relevant knowledge of the law to scenario-based questions; poor performance was observed in question number 2, 4, 5, 9 and 10.

The result of those examinees who appeared in the Company Law paper after passing the Business Law paper is far better than those examinees who appeared in both papers of Business Law and Company Law. This important fact is being shared in order to help the examinees and teachers to understand how a better combination of subjects for the examination can be chosen.

Question-wise common mistakes observed

Question 1

Performance in MCQ no. (i), (iv), (vi), (ix), and (xv) was below average.

Question 2(a)

- Examinees were not able to comprehend the given situation that due to the death the number of members, as well as the directors, has fallen below the minimum number required.
- Examinees were unable to state the duty of remaining members to induct at least one member to ensure compliance with the minimum number of members.
- Examinees rather than stating the duty of Ubaid and Amir in the capacity of director to fill a casual vacancy in the office of director wrote duties of a director in a general perspective.

Question 2(b)

Examinees did not cover that if Ubaid and Amir are cognizant of the fact that NL's business is carried on with less than three members, they shall be severally liable for the payment of the whole debts of NL contracted after the period of 180 days.

Question 3(a)

Good performance was observed in this part of the question.

Question 3(b)

Examinees did not state that the quarterly financial statements must be approved by the board of directors of the company.

Question 3(c)

Examinees did not mention that if a member requests a copy of quarterly financial statements, it shall be dispatched to him without any fee.

Question 4(a)

- Examinees did not mention that KL's EOGM would be considered valid in spite of the non-presence of Anas, Dilwar and Essa because the requirement of quorum would still be met as required for a public unlisted company.
- Examinees did not have the knowledge that in the given scenario an ordinary resolution would be required to wind up KL.

Question 4(b)

- Examinees did not have the knowledge that if KL's article of association is silent with regard to its duration of operation, then it would be wound up voluntarily by passing a special resolution.
- Examinees did not explain that a special resolution would not be considered as passed if less than three-fourths of votes would be cast in favor of the resolution.

Question 5

- Examinees failed to determine the responsibilities of DCL's directors that they are not only required to hold DCL's first AGM but also have to hold an election of directors in the first AGM, due to the fact that DCL's first directors shall stand retired in that meeting.
- Examinees did not state that the directors shall make an application to the registrar seeking an extension for holding AGM and for laying the financial statements therein.
- Examinees did not cover the responsibilities of DCL's directors so if the election of directors could not be held on time, they shall take necessary steps in this regard.

Question 6

Examinees did not cover the matter to be considered with respect to the service of notice to the members in the given situation.

Question 7

Good performance was observed in this question.

Question 8(a)

- Examinees did not explain the paying agent as defined under the Companies (Distribution of Dividends) Regulations, 2017.
- Examinees did not mention that at the time of becoming a member cash dividend mandate shall be obtained that can be changed at any time by the member.

Question 8(b)

- Examinees did not mention that the participation of a director by video conferencing or by other audiovisual means shall also be counted for the purposes of quorum and the consequences if the meeting is held without a quorum.
- Examinees did not mention the provisions related to the participation of a director having interest, authentication of minutes of the meeting, etc.
- Examinees were unable to state the possibility of passing a resolution through circulation.

Question 9(a)

- Examinees were unable to establish that apart from associated companies (that was specifically required to be ignored) the relationship of holding and subsidiary and related parties could be established between DL and BPL as well as between CPL and AL.
- Examinees were unable to establish that DL is the holding company of BPL by virtue of its direct investment as well as through its subsidiaries EL and AL.
- Examinees were unable to establish that CPL is the holding company of AL by virtue of its direct investment as well as through its subsidiaries DL and EL.
- Examinees were unable to establish that EL being a subsidiary of DL shall be deemed to be the subsidiary of CPL, as DL itself is a subsidiary of CPL.

Question 9(b)

Examinees could not identify that AL, CPL and DL being the holding companies as established in part (a) shall prepare consolidated financial statements.

Question 10

- Examinees wrongly mentioned the requirements related to disclosure of interest by an interested director in the board meeting without understanding the requirement of the question that categorically sought advice on the enforceability of the contract.
- Examinees were unable to establish that CL and TL are related parties by virtue of Aslam's spouse's investment in TL.

- Examinees were unable to state that if the contract was not entered into in accordance with the policy of the Board then it will be voidable at the option of the CL's board.
- Examinees did not state that in case of non-compliance the chief executive shall also be held liable to indemnify CL against any loss due to the contract.

Question 11(a)

Good performance was observed in this part of the question.

Question 11(b)

- Examinees did not state that OL may file the particulars of mortgages to the registrar apart from compliance with the requirement of UK law.
- Examinees did not state that unless the mortgage is registered it shall not be taken into account by the liquidator or any other creditor and if MBL got it registered then OL shall have to pay the fees paid by MBL.

(THE END)