

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Company Law	Certificate in Accounting and Finance (CAF) Spring 2023

Passing %

Question-wise											
1	2	3	4	5	6	7	8	9	10	11	Overall
71%	51%	40%	29%	12%	23%	86%	71%	78%	66%	38%	55%

General comments

The current result of 55% is much better than the previous session's 34%.

The main reasons for the improved result are MCQs and knowledge-based questions. However, the results could have been further improved if examinees had performed better by applying relevant knowledge of the law to scenario-based questions. Poor performance was observed in question numbers 4, 5, and 6.

Question-wise common mistakes observed

Question 1

Performance in MCQ numbers (i), (iv), (v), (ix), and (xi) was below average.

A common mistake noticed is that candidates mark or write more than one answer as correct, resulting in a loss of marks.

Question 2(a)

- Examinees did not cover that if DBL fails to provide a cause, the registrar shall accept the memorandum of satisfaction and make an entry in the register of charges.
- Examinees did not mention that the requirement of a show cause notice shall not apply if AWL furnishes a no-objection certificate from DBL.

Question 2(b)

Examinees did not explain that CKL, as an interested party, has the option to release the charge on its own by submitting an application to the registrar.

Question 3

- Examinees failed to cover the fact that omitting the required information in the prospectus under the Securities Act, 2015, or any rule or regulation made under the Act, is considered an offense.
- Examinees did not mention that person who signs the prospectus should be liable to pay compensation to any person who acquires securities based on the prospectus and suffers loss as a result.

Question 4(a)

Examinees did not mention that AL can pass the resolution by circulation if the number of members is not more than 50.

Question 4(b)

- Examinees did not mention that AL can pass a resolution by circulation in part (a), and consequently, they did not cover the procedures that AL must follow in this respect.
- Examinees did not state the following under the approval through calling an EOGM:
 - A statement setting out all the material facts concerning the changes in the earlier contract shall be annexed to the notice of EOGM.
 - The time and the place where the contract can be inspected, should be specified.
 - The special resolution should indicate the additional amount of the loan and any changes in the terms and conditions of the earlier arrangement.

Question 5(a)

Examinees lacked the knowledge that if the chief executive is not already a director, he shall be deemed to be a director, and therefore, all the provisions of the law applicable to a director shall also be applicable to him. Consequently, they did not cover most of the grounds under which the chief executive shall ipso facto cease to hold the office of chief executive.

Question 5(b)(i)

- Examinees failed to comprehend the given situation and, as a result, did not state that the directors' viewpoint is not valid.
- Examinees did not mention that if BCL competes with ACL, Fareed Shah shall be considered indirectly engaged in BCL's business, and as a consequence, he would have to vacate his office as chief executive.

Question 5(b)(ii)

- Examinees failed to determine that the chief executive may be removed before the expiry of the contract since the Companies Act, 2017 overrides all such terms.
- Examinees did not mention that the chief executive may be removed by passing a special resolution in a general meeting.

Question 6

- Examinees failed to establish the relationship between NTL and ARL as associated companies and related parties.
- Examinees were unable to compute the direct and indirect shareholding of NTL and ARL in each other.
- Examinees did not state that the loan granted shall be accompanied by a written agreement that includes specific details.
- Examinees were unable to state that the sale of products by ARL to NTL on a special credit term of six months cannot be classified as an arm's length transaction.
- Examinees did not state that ARL's board must have approved the policy for entering into any contract with a related party and that all such transactions should be carried out in accordance with that policy.

Question 7(a)

Examinees failed to cover all the contents of financial statements and the fact that the term 'body corporate' does not include any other entity that has been notified in this regard by the concerned Minister in charge.

Question 7(b)

Examinees did not cover the fact that the financial statements of a listed company should also be signed by the CFO, and that the financial statements of a single member company should be signed by one director.

Question 8(a)(i)

Examinees did not link the fact that the required number of votes is equivalent to the least number of votes secured by Abdullah in the last election.

Question 8(a)(ii)

Examinees did not mention that number of votes Adnan would have required can be calculated using the given formula.

Question 8(b)

Few examinees did not cover the fact that only the Court may declare the proceedings of an EOGM invalid on specific grounds and may direct the holding of a fresh meeting.

Question 9(a)

Examinees did not cover the fact that the chief executive shall not be penalized if the member has not provided complete information or documents.

Question 9(b)

Examinees failed to correctly state the ten distinct contents of the directors' report. Some of them resorted to repeating the same point multiple times.

Question 10

Examinees did not state that the creditor must have delivered the demand of dues by registered post or otherwise at the company's registered office, and the company has neglected to pay the sum for 30 days thereafter or to secure or compound for it to the reasonable satisfaction of the creditor.

Question 11

Examinees did not state that a company may also be wound up by the Court if:

- it raises unauthorized deposits from the public whether locally or internationally, directly or indirectly.
- the Commission has notified for any other business activity as it is against public policy or a moral hazard.

(THE END)