



Corporate Laws

Q.1 CF (Pvt.) Limited (CF) has been incurring losses for past few years. The Board which comprises of 4 directors, is considering members' voluntary winding up which requires a declaration of solvency that CF would be able to pay all its debts in full within one year from the commencement of winding up. The board of directors plans to appoint Agha Rafiq who is presently working as chief accountant of CF as the liquidator on the ground that he knows the entire affairs of the company.

- (a) Under the provisions of the Companies Act, 2017:
- (i) advise the directors of the company about the requirements of filing of declaration of solvency. (06)
 - (ii) discuss whether Agha Rafiq can be appointed as the liquidator and who has the final authority to make the appointment. (02)

- (b) On 5 March 2018, CF submitted declaration of solvency to the Registrar and appointed a liquidator in accordance with the requirements of the Companies Act, 2017. On 5 May 2018, the liquidator came to know that it would not be possible to pay the company's debts.

Under the provisions of Companies Act, 2017 you are required to explain:

- (i) the responsibilities of the liquidator in the above situation. (03)
 - (ii) whether the present liquidator can continue to act as liquidator in such a situation. (02)
- (c) Assume that all affairs of CF are fully wound up and a final meeting has been called but the required quorum is not present in the final meeting.

Under the provisions of Companies Act, 2017 explain how the liquidator should proceed to fulfil his responsibilities. (02)

Q.2 The directors of Pioneer Shipping Limited have decided to issue Class B ordinary shares which would have different rights and would be issued to a group of investors. The existing paid up capital will be classified as Class A shares.

- (a) In the light of Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000 explain the following:
- (i) Validity of directors' resolution regarding the issuance of Class B shares. (02)
 - (ii) The nature of variation in the rights and privileges that may be attached to different classes of shares. (05)

- (b) Ahmed and Faraz holding 9% and 10% shareholdings respectively, do not agree with the issuance of class B shares as in their opinion this would adversely affect their interest, though a majority of the members are in favour of the resolution.

In the light of the provisions of the Companies Act, 2017 advise the course of action which Ahmed and Faraz should take in respect of the above. (04)

- Q.3 (a) Discuss the restrictions imposed by the Companies (Issue of Capital) Rules, 1996 on the sponsors of issuing company when they intend to raise capital through issue of shares to the general public. (05)
- (b) Pan Industries Limited (PIL), a public unlisted company, has been operating in Pakistan for last 30 years. There are seven shareholders who are also directors of the company.

Directors are presently considering to list the company on Pakistan Stock Exchange by issuing shares to the public as well as to its employees. Considering PIL's established brand and profitable operations, they intend to issue these shares at premium. The proposed details of the offer are as follows:

Shares to be offered to	Number of shares to be issued	Target price
General public	1,000,000	Rs. 25
Employees	50,000	Rs. 23

PIL expects to issue shares to its employees on 15 August 2018 and to general public on 30 November 2018.

Under the provisions of Companies (Issue of Capital) Rules, 1996 advise PIL about the conditions which are required to be fulfilled for issuance of shares at premium. (08)

- Q.4 (a) Kalaam Limited (KL) is negotiating a syndicate loan with a consortium of banks for expansion of its business. KL intends to offer its factories, land and building located in Multan and Sharjah as security. However, the consortium would approve the loan only if the present charge on Multan factory, in favour of a local bank, is released.

As the Corporate Consultant of KL, the management has sought your advice on various matters related to the loan. As part of your advice, you are required to discuss the following matters under the provisions of Companies Act, 2017:

- (i) the procedure that may be followed for the release of charge over the Multan factory. (03)
- (ii) requirement that KL should follow for registration of charge over its Multan and Sharjah factories. (05)
- (b) Bravo (Pvt.) Limited (BPL) has two shareholders. All the directors of the company are nominees of these two shareholders. The details are as follows:

Name of shareholders	No. of shares	Nominee directors
Tiara Limited (TL) – listed company	6,030,000	5
Junaid	2,970,000	*3
	9,000,000	8

* including chief executive

TL wants to change the chief executive officer and appoint one of its directors as the chief executive of BPL before the expiry of the term of the office of the existing chief executive.

In the light of the provisions of Companies Act, 2017 advise TL in the above situation. (03)

Q.5 Assume that the date today is 31 May 2018.

The following information pertains to receivables of United Leasing Limited (ULL):

(a) On 30 September 2017, total exposure to Star Car Rental (SCR) was Rs. 30 million. Instalments were overdue by one year and SCR was classified as 'doubtful'. ULL restructured the exposure in October 2017. SCR has been repaying the instalments regularly since then and has repaid Rs. 5 million till today. (02)

(b) On 31 January 2016, total exposure of Rs. 70 million to Yahya Chemicals Limited (YCL) was rescheduled. In August 2017, on compliance with the conditions of rescheduling, YCL was reclassified from 'doubtful' to 'regular'. In November 2017, YCL defaulted in repayment of instalments. (03)

Under the provisions of NBFCs and Notified Entities Regulations, 2008 advise the management about the classification of the above receivables.

Q.6 (a) Giants Limited, a listed company, has reconstituted its board. Details of board members are as follows:

S. No.	Name of director	Qualification	Type of directorship
1	Dawood (Chairman)	M. Com	Non-Executive
2	Ebad	MBA – Marketing	Non-Executive
3	Faheem	MA – International Relations	Non-Executive
4	Abid	Bachelor of Engineering	Executive
5	Bilal	Chartered Accountant	Executive
6	Karim	MBA – Human Resource	Executive
7	Ghafoor	Chartered Accountant	Independent
8	Haris	LLB	Independent
9	Ibrahim	Chartered Accountant	Independent

The board is in process of finalizing the members of audit committee and following options are under consideration:

- (i) Ibrahim (Chairman), Dawood and Abid
- (ii) Dawood (Chairman), Ebad and Faheem
- (iii) Haris (Chairman), Ebad and Faheem

Discuss appropriateness of the above options under the Listed Companies (Code of Corporate Governance) Regulations, 2017. (05)

(b) On 1 April 2018, Dynamics Limited, a listed company, held its board meeting. Aslam being an independent director disagreed with certain approvals and recorded his dissent. Subsequently, on reviewing the minutes of the meeting he noticed that his dissent has not been properly recorded.

Under the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2017 advise Aslam with respect to the above situation. (02)

Q.7 On 1 July 2017, Sabiha was appointed as a director of New Chemicals Limited (NCL), a listed company. Jamal, husband of Sabiha, is a retail investor and actively trades in securities listed on Pakistan Stock Exchange. He did not hold any shares of NCL on the date of Sabiha's appointment but undertook the following transactions subsequently in the shares of NCL:

- (i) Bought 10,000 shares at Rs. 175 per share on 1 August 2017
- (ii) Sold 8,000 shares at Rs. 240 per share on 2 March 2018
- (iii) Bought 18,500 shares at Rs. 225 per share on 1 April 2018
- (iv) Sold 6,500 shares at Rs. 285 per share on 6 June 2018

In the light of the Securities Act, 2015 discuss the responsibilities of Sabiha in respect of the above transactions and the gain thereon. (09)

- Q.8 (a) Under the provisions of the Anti-Money Laundering Act, 2010 describe when a person would be considered as guilty of offence for money laundering. **(04)**
- (b) Sunshine Limited (SL) is a listed company whose entire shares are registered in the name of Central Depository Company (CDC). SL has announced 20% bonus issue.
- Under the provisions of Central Depositories Act, 1997 discuss the responsibilities of SL and CDC in the above situation. **(04)**
- (c) Under the provisions of Competition Act, 2010, identify the marketing practices which shall be deemed to fall under the ambit of deceptive market practices. **(03)**
- Q.9 Under the Single Member Companies Rules, 2003 briefly comment on the following statements:
- (a) Only the single member may be the director of a single member company. **(02)**
- (b) There is no need to appoint a company secretary if the sole director is willing to take the responsibility of company secretary. **(02)**
- (c) A single member company cannot enter into contract with the single member. **(02)**
- Q.10 (a) Under the provisions of Companies Act, 2017 describe who manages and controls Investor Education and Awareness Fund (Fund) and specify the amounts which are credited to this Fund. **(05)**
- (b) Mujtaba Engineering Limited (MEL) is listed on Pakistan Stock Exchange. It intends to buy-back 10% of its paid up capital.
- In the light of Listed Companies Buy Back of Shares Regulations, 2016 advise the board of directors regarding eligibility conditions to be fulfilled by MEL, for buy-back of its own shares. **(07)**

(THE END)