

June 06, 2002

CORPORATE LAWS & SECRETARIAL PRACTICES
PE-1 (PAPER-4)

(MARKS 100)
(3 hours)

- Q.1 Under section 265 of the Companies Ordinance, 1984 what powers does the SECP have with respect to investigation of company's affairs in cases other than where members hold 10% or more shares carrying voting rights? **(10)**
- Q.2 Explain the following concepts:
- a) Ultra vires acts. **(02)**
 - b) Doctrine of constructive notice. **(02)**
 - c) Doctrine of indoor management. **(02)**
- Q.3 Write short notes on the following to reflect your understanding of the relevant provisions of the Companies Ordinance, 1984:
- a) Order in which payments should be made to creditors etc. in case of winding up of a company. **(05)**
 - b) Declaration of solvency. **(06)**
 - c) Extent of liability of past members of a company limited by shares in case of company being wound up. **(02)**
- Q.4 A joint venture company with majority foreign investment on repatriable basis is being set up in the industrial sector. However, they want to retain their equity in foreign currency in their own foreign currency account in Pakistan, borrow rupee funds there against and inject the same as equity. Discuss the implications of the non-resident shareholders plans in the context of foreign exchange regulations and requirements for repatriation facilities. **(07)**
- Q.5 a. The following corporate changes are required in one of the listed modarabas. Describe the corporate procedures under the relevant legislation for implementing these changes:
- i. Inclusion of a new business/objects clause not originally envisaged (no enabling clause exists in the existing objects clause). **(04)**
 - ii. Change in the Modaraba's Chief Operating Officer. **(02)**
- b. Explain how a modaraba can be wound up. **(10)**
- Q.6 a. Following is a list of items that need to be approved in a public limited company. Against each mention the appropriate approving authority i.e. members, directors, or managing director:
- i. Half yearly accounts
 - ii. Bonus issue
 - iii. Investment in wholly owned subsidiary
 - iv. Change in accounting year

- a. You are the Company Secretary of Beta Ltd., a company which has just received its certificate of incorporation. List the items that you would include in the agenda for the first board of directors meeting.
- c. What are the duties of the Directors under the Companies Ordinance, 1984? **(05)**
- d. What do you understand by the term “proxy”? **(04)**

Q.7 a. A group of institutional sponsors want to set up one or more companies/institutions for engaging in the following activities:

- (i) Investment in the listed equity stock market and fixed income securities – the sponsors want to structure the investment such that it gives the investor a mechanism to redeem their investment in a manner similar to that offered by NIT units. **(06)**
- (ii) Investment in equity of new and innovative projects and then offload the same through the stock market on achieving profitable operations. **(06)**
- (iii) Investment in equity of listed companies. **(06)**

State which legal structure/corporate structure would best suit each of the above business objectives. Also explain very briefly the key steps in setting up of these companies.

- b. Explain the difference in mutual funds governed by the Asset Management Company Rules of 1995 and the Investment Companies and Investment Advisors Rules of 1971. **(04)**

Q.8 a. The Chief Executive of a Public Limited Company is out of country for some official assignment. The annual accounts of the company have to be approved and signed. What must be done to comply with the legal requirements? **(03)**

- b. The chairman of a meeting put a special resolution to the vote on show of hands. The resolution was lost by 10 to 5. The chairman by counting the 100 proxies held by him declared the resolution as carried. Was the declaration of the chairman valid? **(03)**

(THE END)