

December 14, 2002

**CORPORATE LAWS & SECRETARIAL PRACTICES / CORPORATE LAWS**  
[PE-1 Paper 4] & [Module 'E' Paper E-16]

(MARKS 100)  
(3 hours)

- Q.1 (a) Explain circumstances in which Securities and Exchange Commission can initiate investigation against management of a company. (06)
- (b) Substantial funds were expended by a group of sponsors on the feasibility and other start-up activities of a mega infrastructure project subsequent to incorporation of the company. Sponsors are considering whether the company can issue shares to them against this amount. Discuss the viability of this proposal in light of the relevant company law and related provisions. (10)
- Q.2 (a) Describe the corporate law provisions through which a company can confer voting rights to one or more shareholder that are disproportionate to the paid up value of the shares. (06)
- (b) When a company is deemed unable to pay its debts? (06)
- Q.3 (a) State the implications for a public company of entering into contracts or exercising borrowing powers prior to obtaining commencement of business certificate? (03)
- (b) Describe the salient features of the organization structure of the SECP and the fundamental manner in which it differs from the CLA. (08)
- Q.4 The following are some points noted by company secretary of a listed company. Based on whichever points you consider relevant in the light of a normal secretarial situation, prepare a notice for Annual General Meeting of members in respect of financial year ended 30 September 2002, assuming that the company's articles are totally consistent with the requirements of the Companies Ordinance:
- (i) Interim dividend 20%
  - (ii) Final dividend 20%
  - (iii) Auditors – appoint a firm other than existing firm; existing firm having declined to continue as auditors
  - (iv) Acquiring 40% stake in an existing company
  - (v) Appointment and remuneration of chief financial officer
  - (vi) Capital expenditure of up to 10% of equity
  - (vii) Bonus issue [utilizing all available reserves]
  - (viii) Increase in paid up capital through further issue to existing shareholders. (12)
- Q.5 (a) The Securities and Exchange Ordinance 1969 prohibits multiple applications in context of public issue. Explain what you understand by this term and what are the consequences thereof? (04)
- (b) List the salient differences between the legal status of modaraba and a company (03)

- Q.6 Local sponsors of a private limited company engaged in the trading activities want to induct a non-resident partner as equity holder in consideration for marketing and advertising expertise and supply of certain products to be sold in the local market. The investment is expected to be in the region of Rs 1 million. No funds are intended to be injected. The company seeks your advice regarding State Bank requirements with respect to issue and export of shares to non-resident investor with specific reference to the given situation. (09)
- Q.7 A company's majority shareholder [owning more than 60% equity] is planning to disinvest a part of his shareholding in favour of the general public at premium. Explain, with reference to the Capital Issues Rules 1996 and any other corporate law, the key provisions that would be applicable. (04)
- Q.8 Write short notes on the following to reflect your understanding thereof especially with reference to relevant legal provisions:
- (a) Difference between open and closed ended mutual funds. (04)
  - (b) Functions of credit rating companies and eligibility criteria for its formation. (06)
  - (c) Key difference in procedure for merger of two banking companies and two public limited companies. (04)
  - (d) Rights of shareholders vis-à-vis receiving company notices and entitlement in case of Central Depository Company (CDC). (03)
  - (e) In the context of insider trading, what is inside information? (03)
- Q.9
- (a) Mr. Jay, a member of a public limited company deposited proxy form appointing Mr. A as his proxy. Subsequently he also deposited another proxy for Mr. B as well. As the company secretary you have to decide whether Mr. A or Mr. B can attend the meeting. Please comment. (03)
  - (b) Who can demand a poll in the General Meeting? (02)
  - (c) What is the time limit for demanding and taking poll? (02)
  - (d) Can a demand of poll be withdrawn? (02)

(THE END)