

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Intermediate Examinations Autumn 2009



September 9, 2009

COMPANY LAW

(MARKS 100)

Module D

(3 hours)

Q.1 The Board of Directors of Sunrise Limited (SL), a listed company, intends to give a loan of ten million rupees to Moonlight (Private) Limited (MPL). The loan would be repayable in two years and would carry interest at the rate of twelve per cent per annum. The CEO of SL is also on the Board of Directors of MPL and is its major shareholder.

Required:

Describe the requirements of Companies Ordinance, 1984 that should be complied with by the Board of Directors of SL in respect of the proposed loan to MPL.

(06)

Q.2 Enumerate the requirements of Companies Ordinance, 1984 regarding investment of provident fund contribution of the employees as well as the company's contribution, in the following situations:

(i) Where the provident fund **has been** constituted by the company.

(ii) Where the provident fund **has not been** constituted by the company.

(09)

Q.3 Flash Limited is a company listed on the Lahore Stock Exchange. The Board of Directors of Flash Limited, in its meeting held on April 1, 2009, has recommended an interim cash dividend @ 25%. The Board has announced the dates of book closure from April 23 to April 30, 2009.

(a) Describe the requirements of Companies Ordinance, 1984 in respect of payment of the above dividend. Also describe the consequences of non-payment of dividend within the specified time.

(06)

(b) State the situations in which non-payment of dividend would not be treated as an offence, under the Companies Ordinance, 1984.

(05)

Q.4 Sahara Pakistan Limited (SPL) is a multinational company listed on the Karachi and Lahore Stock Exchanges. Mr. Brown, a major shareholder of the company, wants to appoint ABC & Company, Chartered Accountants, as the new auditors in place of the retiring auditors of SPL.

Narrate the procedure that Mr Brown would have to follow and the responsibilities of the Company in the context of provisions of the Companies Ordinance, 1984 for change of auditors.

(12)

Q.5 (a) Explain the procedure described by the Companies Ordinance, 1984 for registration of payment or satisfaction of mortgage.

(05)

(b) List the possible uses of the balance held in Share Premium Account.

(05)

(c) Describe the term "associated undertaking" in accordance with the Companies Ordinance, 1984.

(05)

- Q.6 Faheem and Naeem are members as well as the directors on the Board of Saleem (Private) Limited and each of them hold 50% of the share capital. On August 28, 2008, Faheem died in an accident in London while he was on a business visit. However, Faheem's shareholdings could not be transferred to his nominated legal heirs as all of them were minors. Naeem continued to carry on the business of the company. In March 2009, the company incurred heavy losses and could not meet its debt obligations. Zaheer, a creditor of the company, intends to make Naeem personally responsible for the payment of the amount owed to him by Saleem (Private) Limited.

Required:

Narrate the provisions of the Companies Ordinance, 1984 which are relevant to the above issue and discuss the above situation in the context of those provisions. (06)

- Q.7 The Board of Directors of Classic Paints Limited, a public listed company, has called an Extraordinary General Meeting on the requisition of the shareholders holding 10% of the voting power of the company. Approximately twenty minutes before the commencement of the meeting, the Chairman of the Board of Directors informed the Company Secretary of his inability to attend the meeting due to the death of a close relative.

Required:

- (a) What would be the quorum of the above meeting?
- (b) Mention the latest time by which the quorum of the meeting should be present. What would be the impact if quorum is not present within the prescribed time?
- (c) Who could chair the meeting in the above situation? (10)

- Q.8 Alpha Technologies Limited (ATL) is in the process of being incorporated as a public limited company. Further, ATL has plans to have its stock listed on all the three stock exchanges in the country within a period of one year of its incorporation.

Required:

Write a letter to the promoters of ATL, on behalf of Best Financial Services who are their consultants, advising them about:

- (a) appointment authority and the terms of holding of office of the following:
 - (i) the first and subsequent directors.
 - (ii) the first and subsequent chief executive.
- (b) the period within which ATL is required to hold:
 - (i) Statutory Meeting.
 - (ii) First Annual General Meeting. (12)

- Q.9 The management of Real World (Pvt.) Limited and Fantasy World (Pvt.) Limited intend to enter into a joint venture agreement under which they would implement a seaside holiday resort project. However, the Company Secretary has informed that the Memorandum of Association of Fantasy World (Pvt.) Limited does not authorise the Company to enter into a joint venture agreement.

Describe the procedure that would have to be followed by Fantasy World (Pvt.) Limited for making the necessary amendments in its Memorandum of Association. (09)

- Q.10 MAO Traders is a partnership firm which has 22% shareholding in Sea Green Limited (SGL), a company listed on the Karachi Stock Exchange. The partners of MAO Traders propose to disinvest their shareholding in SGL.

Describe the necessary conditions which would have to be complied with by MAO Traders in order to dispose of its shareholding in SGL. (10)

(THE END)