

# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Intermediate Examinations Spring 2009

March 4, 2009

## COMPANY LAW

(MARKS 100)

### Module D

(3 hours)

- Q.1 A Malaysian company is interested in incorporating a limited liability company in Pakistan. Discuss provisions of the Companies Ordinance, 1984, relating to the following:
- (a) contents, printing and signature of the Articles of Association (05)
  - (b) registration of the Articles of Association (02)
  - (c) alteration of the Articles of Association after its registration (04)
- Q.2 (a) The EOGM of Neon Limited, a company listed on Karachi and Islamabad stock exchanges, was held on November 30, 2008. The company dispatched the notices of the meeting on November 06, 2008. However, due to postal strike in the country the notices could not be delivered to the members in time. You are required to comment on the following:
- (i) legality of service of the notice on members, under the above situation.
  - (ii) complaints of non-receipt of notices filed by:
    - a member residing abroad.
    - a joint shareholder. (08)
- (b) A member raised an objection that the common seal of the company had not been affixed on the copy of Special Resolution which was provided to him on his request, by the company secretary. Describe the relevant provisions contained in the Companies Ordinance, 1984 regarding the authentication of the above document. (03)
- Q.3 Board of Directors of Delta Limited is in the process of sending letters of right to the members entitled to receive right shares. In the light of the provisions of the Companies Ordinance, 1984 you are required to advise on the following:
- (a) other information required to be sent along with the letter of right? (05)
  - (b) time limit for issue of share certificates and notice thereof; after the allotment of shares. (02)
  - (c) conditions under which a duplicate share certificate may be issued and the procedure thereof. (04)
  - (d) steps to be followed by the company if it has to refuse an application for issuance of duplicate share certificates. (02)
- Q.4 (a) Deo Limited (DL) has published a prospectus on March 1, 2009. The subscription list is due to open on April 5, 2009. Explain whether the company is in compliance with the provisions of the Companies Ordinance, 1984 regarding the publication of its prospectus. What relaxation can DL avail, in this regard? (03)
- (b) Identify the places where DL is required to make available the copies of its prospectus. (02)
- Q.5 SKY (Private) Limited has acquired a piece of land worth Rs. 20 million from Mr. Ahmed against fully paid shares of the company. Describe the steps that the company shall be required to follow before proceeding to allot shares to Mr. Ahmed. (05)
- Q.6 The Board of Directors of PCL Limited, a public limited company, is in the process of making a report to be attached with the company's balance-sheet as at December 31, 2008. In view of the provisions of the Companies Ordinance, 1984, you are required to advise the directors about the contents of the report. (09)

- Q.7 Lubricant Oils Limited, a company listed on Karachi and Lahore stock exchanges, did not declare any dividend for the past three years on the grounds that the company is incurring continuous losses. Mr. Bilal, holding 26% voting rights and Mr. Raza, holding 18% voting rights made separate applications to the SECP, that the affairs of the company are not being run satisfactorily and requested for a special audit to be conducted.

In view of the provisions of the Companies Ordinance, 1984 you are required to explain:

- (a) whether these shareholders are individually eligible to make such an application to the SECP? What are the SECP's rights in this regard? (05)
- (b) who would be responsible for the expenses incurred on the special audit when:
- (i) conducted on the member's request. (02)
- (ii) ordered by the SECP itself. (03)

- Q.8 Lalazar Limited, a public unlisted company has a paid up capital of Rs 100 million consisting of shares having face value of Rs 10 each. Last election of its Board of Directors was held on April 15, 2008 in which eight directors were elected. Four of the directors belonged to the same family. The remaining directors were Mr. Javed, Mr. Bader, Mr. Qasim and Mr. Dawood. They secured 600,000, 350,000, 480,000 and 220,000 votes respectively. The remaining votes were equally distributed among the four directors of the family. Mr. Javed died on May 30, 2008 and Mr. Aslam was appointed as a director on June 15, 2008 to fill in the casual vacancy.

Explain the following in the light of the provisions of the Companies Ordinance, 1984:

- (a) Is Lalazar Limited in compliance with the requirements of minimum number of directors? Who shall fix the number of directors to be elected and by what time such number should be fixed? Is it possible for the company to change the number of directors once fixed? (04)
- (b) Who is responsible to fill the casual vacancy in the Board and when would Mr. Aslam's term of office be completed? (02)
- (c) The conditions required to be fulfilled if a person desires to remove the following directors :
- (i) Mr. Aslam (ii) Mr. Bader (05)

- Q.9 (a) Mr. Dinshaw holding 13.5% shares in ABC Limited, gave notice of a resolution to the company on May 17, 2008, proposing to appoint M & T Associates in place of the existing share registrar of the company. The resolution was to be considered at the annual general meeting scheduled for May 30, 2008. The company could not circulate the proposed resolution among its members.
- (i) Evaluate the above situation in the light of the provisions of the Companies Ordinance, 1984. (04)
- (ii) Explain whether Mr. Dinshaw is entitled to inspect and require the minutes of general meeting of the company. (04)
- (iii) In what manner are the proceedings of the directors or the general meetings required to be recorded and kept by ABC Limited? (04)
- (b) What is the legal status of a resolution passed at any adjourned meeting of the creditors of a company? (02)

- Q.10 (a) Mr. Azhar, the sole proprietor of Azhar & Co. Chartered Accountants, was appointed as the auditor of XYZ Limited, an unlisted public company, for the financial year ending June 30, 2009. Mr. Azhar married Miss Ismat, a director of XYZ Limited, on February 23, 2009. The company secretary of XYZ Limited wants to know whether the marriage would have any impact on the status of Mr. Azhar as the auditor of the company.

Discuss the situation with reference to the relevant provisions of the Companies Ordinance, 1984. (08)

- (b) Discuss the provisions of the Companies Ordinance, 1984 related to the attendance of the auditors in the general meeting of the company. (03)

(THE END)