



December 9, 2009

CORPORATE LAWS

(MARKS 100)

(3 hours)

- Q.1 The prospectus of FC Textiles Limited included a statement which was misleading in its form and content. On the faith of the prospectus and believing it to be true, Asif subscribed for shares and sustained losses. Can Asif file a suit for compensation of the loss incurred by him? If so, who may be sued for such a loss? (06)
- Q.2 There are allegations in the press and serious charges have been levelled against STR Petroleum Limited about misuse of public funds by the management. Zafar, a director of the company wants to inspect the books of account, in order to ascertain whether the allegations are true. As Zafar does not have adequate knowledge of accounting, he intends to examine the books of account in the presence of his friend Arif, who is a chartered accountant.
- You are required to advise the company in respect of the above matter under the provisions of the Companies Ordinance, 1984. (05)
- Q.3 (a) After incurring continuous losses Shaheen Private Limited had decided to go into members' voluntary winding up. Mr. Sajjad was appointed as a liquidator on a remuneration of Rs. 200,000 of which 25% was paid at the time of his appointment. However, in June 2009, Mr. Sajjad tendered his resignation as a liquidator.
- In the light of the provisions contained in the Companies Ordinance, 1984 explain the rights and liabilities of Mr. Sajjad, in the above situation. (05)
- (b) Identify the persons who are eligible to file a petition for winding up of a limited company in the Court. (04)
- Q.4 Mr. Waleed has acquired 3 million ordinary shares of Acquired Limited whose paid up share capital consists of 22 million ordinary shares of Rs. 10 each. The election of the directors of the company has recently been concluded. Mr. Waleed, being confident of holding a sufficient number of shares to be elected as a director, has requested the management to arrange a fresh election.
- Based on the provisions contained in the Companies Ordinance, 1984 explain whether and under what conditions a fresh election of the directors may be held. (08)
- Q.5 ABZ Limited, a company incorporated in a foreign country, has established an office in Pakistan by the name of Search International. You are required to explain the requirements of the Companies Ordinance, 1984 as regards filing of the annual balance sheet and profit and loss account of ABZ Limited and Search International. (10)
- Q.6 The annual general meeting (AGM) of Nizam Industries Limited was held on November 16, 2009. Some of the shareholders are not satisfied with the decisions taken at the meeting and are of the opinion that the directors have manipulated the situation in order to obtain certain approvals in the annual general meeting.
- You are required to explain how and under what conditions can the proceedings of the AGM be declared as invalid. (05)

Q.7 Explain the provisions contained in the Code of Corporate Governance as regards the appointment of external auditors. (05)

Q.8 MP Pakistan is a branch of MPGH (a company registered in Germany) and is engaged in the software export business. It requires working capital finance to support its operations and intends to borrow funds from its head office i.e. MPGH on a repatriable basis.

You are required to briefly explain the conditions which MP Pakistan would have to comply with under the Foreign Exchange Regulations of the State Bank of Pakistan. (09)

Q.9 (a) The following statements may contain certain discrepancies with respect to issuance of right shares by a listed company. You are required to identify the discrepancies, if any, and specify the correct position.

(i) A listed company cannot issue right shares within two years of its incorporation.

(ii) Where a company wishes to charge premium on a right issue in excess of 50% of the face value of shares, it shall require an approval from the Commission and the stock exchange on which the company is listed.

(iii) A company which incurred a loss during its last financial year or a company whose market price is below its par value cannot issue right shares.

(iv) If a company announces a right issue as well as a bonus issue at the same time, the right shares shall also be entitled to the bonus. (12)

(b) The board of directors of Munawwar Industries Limited, a listed entity, is considering the issuance of bonus shares. You are required to explain (i) the term 'Free Reserves'; and (ii) the conditions related to maintenance of free reserves for issuance of bonus shares; as contained in the Companies (Issue of Capital) Rules, 1996. (08)

Q.10 (a) Explain the terms 'asset management services' and 'investment finance services' as included in the NBFC Rules, 2003. (04)

(b) Briefly explain the restrictions that have been placed on the NBFCs under the NBFC Rules, 2003 in respect of the following:

(i) appointment of directors from the same family;

(ii) transfer of ownership of controlling shares; and

(iii) employing a person as a broker. (07)

Q.11 In the annual general meeting of Sabzazar Limited held on September 29, 2009 some of the shareholders have raised the following objections:

(a) Notice of the annual general meeting was not received by them although they are resident in Pakistan and their registered addresses have also been provided to the company.

(b) The company has issued shares to a scheduled bank against a part of the outstanding balance of a loan without offering them to the shareholders by way of a right issue.

(c) Shareholders were not allowed to make extracts from the register of members on the day on which the election of directors was held.

(d) 10,000 shares of a subsidiary, which are the property of the company, are held in the name of a director of the company.

(e) The surplus on revaluation of fixed assets was credited to the reserves of the company and later used to pay dividend.

(f) One of the directors is not a member of the company.

You are required to satisfy the shareholders by explaining the relevant provisions, if any, as contained in the Companies Ordinance, 1984.

(You may make appropriate assumptions in your answer to clarify the company's position.) (12)

(THE END)