



Company Law

Intermediate Examinations – Autumn 2010
Module D

September 1, 2010
100 marks - 3 hours

Q.1 Telestar Limited holds 12% shares of Network Limited. Both companies are listed on Karachi Stock Exchange. In order to improve its liquidity, the Board of Directors of Telestar Limited intends to sell off its investment in Network Limited.

Describe the necessary conditions as specified in the Companies Ordinance, 1984 which Telestar Limited would be required to comply with in order to sell the above investment. *(08 marks)*

- Q.2 (a) List the different types of Redeemable capital as mentioned in the definition of the Redeemable capital in the Companies Ordinance, 1984. *(03 marks)*
(b) List down the reasons specified in the Companies Ordinance, 1984 because of which, a company may alter the object clause of its memorandum of association. *(07 marks)*
(c) The alteration in the memorandum shall not take effect until it is confirmed by the Commission. State the conditions a company is required to fulfill in order to obtain confirmation from the commission and the procedure to be followed on confirmation. *(04 marks)*

Q.3 No company shall appoint any managing agent, i.e. a person, firm or company entitled to the management of the affairs of a company, by virtue of an agreement or contract with the company.

Explain the exception to the above general rule as specified under the Companies Ordinance, 1984. *(06 marks)*

Q.4 Explain whether or not the following statements are in accordance with the provisions of the Companies Ordinance, 1984. Support your answer with reasons.

- (a) A company cannot vary the terms of the contract mentioned in the prospectus or statement in lieu of prospectus for a period of one year. *(02 marks)*
(b) There is no restriction on the declaration of dividend and the chief executive may declare dividend in the general meeting of the company out of any kind of profit. *(04 marks)*
(c) A chief executive, other than the first chief executive of the company, is appointed by the shareholders in the annual general meeting of the company, for a period up to the next annual general meeting. *(03 marks)*

Q.5 Explain the provisions of the Companies Ordinance, 1984 in respect of the following:

- (a) Reading and inspection of auditors' report. *(02 marks)*
(b) Signature on the audit report. *(03 marks)*

Q.6 On January 1, 2010 River Pakistan Limited became the holding company of Green Pakistan Limited by acquiring 51% shares. The financial year-end of River Pakistan Limited is 30th June and that of Green Pakistan Limited is 31st March.

Narrate the conditions as contained in the Companies Ordinance, 1984 relating to the financial year-end of the holding and the subsidiary companies and how the directors can fulfill their obligations in this regard. *(06 marks)*

(P.T.O.)

- Q.7 Discuss the provisions contained in the Companies Ordinance, 1984 relating to maintenance of minutes of the general meetings of the company. **(08 marks)**
- Q.8 Explain “Private Company” as specified in the Companies Ordinance, 1984. With reference to a private limited company, comment on the rule, “*The directors shall not refuse to transfer any fully paid shares unless the transfer deed is defective or invalid*”. **(06 marks)**
- Q.9 The Directors of Golden Leaf Limited, a listed company, plan to redeem 15% preference shares of the company. One of the directors has proposed that these should be redeemed out of the proceeds of the fresh issue of shares of the company.
- What are the conditions that Golden Leaf Limited needs to comply with, if it redeems preference shares out of the proceeds of a fresh issue of shares? **(03 marks)**
 - Advise the directors about the other allowed modes of redemption of preference shares as specified in the Companies Ordinance, 1984. **(04 marks)**
- Q.10 Explain the conditions specified in the Companies Ordinance, 1984 under which a person may request a listed company to hold election of directors prior to the end of the term of the present board of directors. **(07 marks)**
- Q.11 Fashion Textiles Limited, whose 85 % of sales comprises of exports, has opened a branch office in South Africa. Mr. Asif, who is responsible for managing the branch office, has informed the company secretary that he needs company’s common seal that will be required while submitting various documents under the South African regulations.
- Advise how the company can authorize Mr. Asif to use the company’s common seal under the provisions of the Companies Ordinance, 1984. **(08 marks)**
- Q.12 Mr. Moeen, who is the company secretary of Palm Oils Limited, a listed company, made a gain of Rs. 5,000 on the sale of shares of the company which were purchased by him four months back.
- Describe the responsibilities of Mr. Moeen in the above situation under the provisions of the Companies Ordinance, 1984. **(03 marks)**
 - Explain the consequences of Mr. Moeen’s failure to comply with the relevant provisions of the Companies Ordinance, 1984. **(04 marks)**
- Q.13 In view of the provisions of the Companies Ordinance, 1984 explain the conditions which are required to be complied with, if a company wishes to grant loan to its director. **(05 marks)**
- Q.14 Paradise Limited, upon passing a special resolution on August 20, 2010 made amendments in its Articles of Association affecting substantial rights associated with class “B” shares of the company. Few aggrieved shareholders having objection on the special resolution intend to file an application in the Court, for the cancellation of the above resolution.
- Discuss the relevant provisions of the Companies Ordinance, 1984 specifying the following:
- The conditions which the aggrieved shareholders will have to comply with, to be eligible for filing an application in the court for the cancellation of the above resolution. **(02 marks)**
 - The matters which the Court would consider while making a decision on the above application. **(02 marks)**

(THE END)