



Company Law

Intermediate Examination
Spring 2013
Module D

4 March 2013
100 marks - 3 hours
Additional reading time - 15 minutes

- Q.1 Stars (Private) Limited (SPL) was incorporated in January 2012. Bilal owns 90% shares of SPL. The remaining 10% shares are owned by his wife. Bilal intends to convert the company into a public limited company (unlisted).
- (a) List down the necessary changes that SPL would have to make in its articles of association. (06)
 - (b) Narrate the provisions of the Companies Ordinance, 1984 relating to the holding of statutory meeting and issuance of statutory report, which SPL would be required to comply with, after conversion into a public company. (08)
- Q.2 The Board of Directors of Nihal Trading Limited (NTL) plans to reduce NTL's share capital. You are required to advise the Board as regards:
- (a) Different modes of reduction of share capital as have been specified under the Companies Ordinance, 1984. (03)
 - (b) Procedure that NTL would have to follow to reduce its share capital. (05)
- Q.3 (a) If a person who is directly or indirectly the beneficial owner of more than ten percent of a company's listed securities, makes any gain by the purchase and sale, or the sale and purchase, of any such security within a period of less than six months, such person is required to tender the amount of such gain to the company.
- Define the term "Beneficial Ownership of Securities" in the context of the above provision of the Companies Ordinance, 1984. (05)
- (b) On 1 July 2012, Faizan owned 9% shareholding in UG Limited, a listed company. On 25 January 2013, his wife also purchased 8% shareholding in UG Limited. On 3 March 2013, they transferred 40% of their shareholding to their son Naveed who is 24 years old. They also intend to sell the remaining shares held by them in due course.
- In view of the provisions of the Companies Ordinance, 1984, you are required to:
- (i) Describe the conditions which Faizan and his wife shall have to comply with in order to dispose of their shares in UG Limited. (06)
 - (ii) Describe the requirements relating to submission of statements (including the dates of submission) of beneficial ownership in the above case. (08)
- Q.4 Explain the exceptions to the following provisions of the Companies Ordinance, 1984:
- (a) No person shall be appointed as a director of a company if he is not a member of that company. (03)
 - (b) No company shall issue any debentures carrying voting rights at any meeting of the company. (03)
 - (c) In a meeting of the board of directors, no director shall take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void. (04)

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- Q.5 (a) Discuss the provisions contained in the Companies Ordinance, 1984 relating to:
- (i) Maintenance of minutes of the meeting of the Board of Directors of a company. (05)
 - (ii) The subscription money received by a company on account of issue of shares. (05)
- (b) Furqan owns 100,000 shares of Swift Limited. He wishes that after his death, his shareholding should be distributed among his wife, son, first cousin and his adopted child.
- In the light of the provisions of the Companies Ordinance, 1984, list the steps that Furqan needs to take in respect of the above. (03)
- Q.6 On 20 February 2013, the directors of FDA Limited, a listed company, had declared an interim dividend for the year ended 30 June 2013. Subsequently, the company has been awarded a major business contract for which the company needs funds immediately. Consequently, the management wishes to defer payment of the interim dividend.
- In view of the provisions of the Companies Ordinance, 1984 you are required to explain:
- (a) Whether FDA can defer the payment of interim dividend. (02)
 - (b) The consequences of failure to pay the dividend on time. (05)
 - (c) The situations under which delay in payment of dividend shall not be considered as unlawful. (05)
- Q.7 Zafar wants to appoint Zameer as his proxy for attending the annual general meeting of a listed company.
- In view of the provisions of the Companies Ordinance, 1984 you are required to describe:
- (a) The conditions, relating to the form and submission of the proxy, which Zafar would have to comply with in order to issue a valid proxy. (04)
 - (b) The rights of Zameer on being appointed as a proxy. (04)
- Q.8 A group of shareholders of AHK Paper Mills Limited is of the view that the management of the company is not carrying out its functions in accordance with the prudent commercial practices and if these affairs are allowed to continue the company's solvency would be endangered. They are of the opinion that a Special Audit should be conducted to investigate in the affairs of the company.
- In view of the provisions of the Companies Ordinance, 1984 you are required to explain:
- (a) The shareholders right to request for a special audit and how they should proceed. (02)
 - (b) What actions SECP can take in respect of the above. (03)
 - (c) The responsibility regarding expenses to be incurred on the Special Audit. (02)
- Q.9 (a) Sedan Limited (SL), a company limited by guarantee having a share capital, has been incurring losses for the last three years. Initially, SL had four directors (members) A, B, C and D. On 1 July 2012, C had transferred all his shares to D. On 1 March 2013 A, B and D decided to wind-up the company voluntarily.
- Explain the liability of A, B, C and D assuming that SL had adopted Table D of the First Schedule to the Companies Ordinance, 1984 as its memorandum of association. (05)
- (b) Shaban Enterprises (SE) is an association of persons. The directors propose to convert SE into a limited company. However, on account of the nature of SE's business activities they do not intend to include the word "Limited" in its name.
- Narrate the conditions that SE would be required to comply with, under the Companies Ordinance, 1984 in order to be able to achieve the above objective. (04)

(THE END)