



June 08, 2004

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**CORPORATE LAWS**

**(MARKS 100)**

**(3 hours)**

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- Q.1 (a) What restriction the Companies Ordinance places on redeeming the preference shares? **(01)**
- (b) What are the permissible modes for redeeming the preference shares and what are the conditions attached to such modes? **(06)**
- Q.2 (a) A company recently published a prospectus. The subscription date has passed and balloting on account of over subscription has been carried out. List the subsequent corporate/secretarial action required for obtaining the commencement of business certificate. **(04)**
- (b) What sorts of businesses require special resolutions? Discuss, in light of the provisions of the Companies Ordinance, 1984. **(06)**
- Q.3 Answer the following in the context of a listed company:
- (a) Under the Companies Ordinance, 1984:  
In addition to the directors elected to the Board of Directors, who is entitled to attend the Board meetings and what would be their voting rights thereat? **(05)**
- (b) Under the Code of Corporate Governance:
- (i) How many times is Board of Directors required to meet and what is the notice period for such meetings? **(02)**
- (ii) What additional pre-requisites exist with regard to placement of financial statements before the Board of Directors? **(03)**
- Q.4 A group of investors acquired 20% shares of Messrs Easy Limited from the market and got those transferred the same in the name of one of their company. Subsequently they acquired additional 26% shares and lodged the same with the company with the intention of participating the election of directors to be held next month at the annual general meeting. Before the completion of transfer, the SECP issued an order prohibiting:
- (a) the exercise of voting power in respect of 20% shares already transferred
- (b) the transfer of additional 26% shares lodged for transfer
- Is SECP empowered to make such an order and for what period? What remedy is available to the aggrieved against this order? **(07)**
- Q.5 The Companies Ordinance provides for the Securities & Exchange Commission (SECP) of Pakistan to appoint Inspectors at the behest of members. You are to elaborate:
- (a) which class or type of members are entitled to invoke the above right? **(03)**
- (b) what circumstances would warrant the above action? **(05)**
- (c) what consequential action SECP can take after report of the Inspectors? **(04)**

(2)

- Q.6 A company has resolved to wind up voluntarily. Eight months after the declaration of solvency, the company has received a notice of legal suit of a material amount, which would make the company insolvent. Explain, by reference to the relevant company law provisions, the implications of the above-mentioned situation on the winding-up process and the directors. **(09)**
- Q.7 (a) What do you understand by the term 'NBFC' and the activities it can undertake? Does the law lay down conditions as regards commencement of NBFC's business? **(08)**  
(b) What conditions are required to be complied with under the Companies (invitation and Acceptance of deposits) Rules, 1987 for accepting deposits? **(06)**
- Q.8 (a) Can a company have more than one class of share capital?, and **(01)**  
(b) What variations are possible with regards to the rights and privileges of different classes of share holders? and **(03)**  
(c) What conditions apply to such further issue? **(06)**
- Q.9 The Articles of Association of a public listed company provides that in case of an equality of votes in a Board meeting, the Chairman shall have and exercise a second or casting vote. The Board of Directors comprises 9 members including the Chairman. In the last meeting of the Board, the Chairman was not present and the meeting was presided by Mr. T who is the Chief Executive of Messrs A (Private) Limited and holds 60% of its shares. In the same meeting Board has to consider the renewal of contract with Messrs A (Private) Limited for supply of packing material at revised terms. Four directors opposed the renewal at the revised terms whereas remaining four including Mr. T were in favour of approving the renewal at the revised terms. At the first instance Mr. T tried to convince the other directors but on their refusal due to equal division of Board he exercised the casting vote as a Chairman of the meeting and declared the renewal as approved. Kindly comment explaining the relevant provisions of the Companies Ordinance, 1984. **(07)**
- Q.10 What matters are to be included in a rehabilitation plan for an industrial unit which is owned by a company and is declared as a sick unit by the Federal Government. **(10)**
- Q.11 A company is required to issue shares to a financial institution under the terms of agreement within the next three day of the happening of certain event. Now the event has happened and the company has to issue the shares but the authorized capital is fully subscribed. Advise the company to avoid non compliance with the terms of the agreement as well as the provisions of the Companies Ordinance, 1984. **(04)**

**(THE END)**