



December 08, 2004

CORPORATE LAWS

(MARKS 100)

(3 hours)

- Q.1 (a) A listed schedule bank is planning to raise its paid up capital to comply with the State Bank of Pakistan's minimum paid up capital requirements. It has requested you to identify options available to it for increasing its paid up capital and the key corporate and secretarial requirements it would need to comply with. **(12)**
- (b) A company was incorporated in December 2003. Due to an error, regulations relating to the conduct of meetings of members were not included in the Articles of Association submitted by the Company to the Registrar for registration. How can the members' meeting would be regulated in the absence of such regulations in company's articles? Can such regulations be included now in the Articles of Association and if so, how and what will be the status of such an addition? **(06)**
- Q.2 (a) The Companies Ordinance, 1984 contains certain safeguarding provisions for minority shareholders. Two of these provisions provide mechanism for providing relief and safeguarding their interests provided the shareholders own certain percentage of voting shares. Briefly describe such provisions. **(09)**
- (b) State the extent of liability of a director having unlimited liability whether past or present, in case of members' voluntary winding up of a limited liability company. **(07)**
- (c) A company incorporated abroad wishes to set up a branch office in Pakistan. Describe the corporate and secretarial formalities required to be completed under the Companies Ordinance, 1984. **(05)**
- Q.3 (a) What is the single most distinguishing factor between the business activities that a banking company can undertake as compared to a non-banking financial institution? List the broad business activities that an NBFC can undertake and state the licensing requirements for an existing investment bank which also intends to do business besides investment banking, leasing and housing finance services. **(09)**
- (b) The Chief Financial Officer of a public unlisted company plans to sell shares held as investment on its balance sheet to a financial institution [to raise funds it needs for short term use] and buy them back at the agreed price on expiry of the term of agreement. He seeks your advise on the key differences between the contemplated buy-back and the one permissible under the Companies Buy-back of Shares Rules 1999. **(06)**

- Q.4 (a) A diversified financial services group is planning to venture into equity investment with a strategic focus on companies listed on the stock exchange. You are required to advise your client about corporate best-fit structure under the corporate laws. Also state the broad steps for its establishment. **(12)**
- (b) List three key differences between provisions relating to increase and reduction of share capital of a company limited by guarantee having a share capital as compared to a company limited by shares. **(03)**
- Q.5 (a) Draft a notice of an annual general meeting of a listed company. Apart from the usual items that are included in the agenda of such a meeting, the shareholders approval is also to be obtained for investment in an associated company. Also list items that would be included in the statement of material facts about this investment. **(08)**
- (b) Mr. Siddiqui has been selected for appointment as Chief Executive of M/s Cotton (Private) Limited. The proposed terms of appointment also include provision of loan of Rs.10 million each for purchase of a house and shares of M/s Kapas Limited which is listed on all the three stock exchanges of Pakistan. M/s Kapas Limited and two of its directors hold 67% shares of M/s Cotton (Private) Limited. You being the secretary of the company are required to give your comments on the above terms in the light of the provisions of the Companies Ordinance, 1984. **(04)**
- Q.6 (a) What is the role and responsibility of Audit Committee under the Code of Corporate Governance notified by the Securities and Exchange Commission of Pakistan? **(07)**
- (b) The annual general meeting of a company listed on Karachi Stock Exchange is scheduled to be held on October 31, 2004 in which besides other businesses election of directors would be held and dividend would be approved by the members. The secretary is thinking to close register of members either from October 26 to 31st or alternatively from October 13 to 31st and noted in his diary that in either case he will inform members, SECP and stock exchanges on 9th October, 2004 along with the notice of meeting about book closure. The secretary is seeking your opinion as regards the above. Advise in the light of provisions of the Companies Ordinance, 1984 and Listing Regulations. **(05)**
- (c) Certain situations have been exempted by the State Bank from the restriction in the Foreign Exchange Regulations Act 1947 from obtaining the State Bank's prior approval for issue / transfer of shares to non-residents. Discuss and give three examples of such situations. **(07)**

(THE END)