



December 6, 2006

CORPORATE LAWS

(MARKS 100)

Module E

(3 hours)

- Q.1 (a) A prospective individual sponsor has requested your advice whether company law permits an individual to incorporate a wholly owned company. Briefly describe the relevant legal provisions. (05)
- (b) Explain whether a non-member can become the director of a company. (02)
- Q.2 A member of a company seeks your guidance regarding the procedure for inspection of the minutes book of the general meetings. Discuss the requirements relating to the maintenance of minutes and its inspection by the members. (06)
- Q.3 As used in the context of winding up of companies, discuss when a company is deemed unable to pay its debts? (05)
- Q.4 The Directors of Genetics (Pvt.) Ltd. had started voluntary winding up proceedings by filing a declaration of solvency about 15 months ago. The company still owes substantial amount to the financial institutions. The Directors have assured the financial institutions that their debts would be settled within the next 6 months and have filed another declaration of solvency with the Registrar and copied it to the financial institutions. What are the legal implications if any, on the company or its directors for:
- (i) default in payment.
(ii) issue of second declaration of solvency.
- Also explain what remedy is available to the financial institutions in case of default by the directors. (07)
- Q.5 Miller and Company Limited, a foreign company incorporated in New Zealand, wishes to open a branch / liaison office in Pakistan. You are required to advise them on the following:
- (a) Obtaining permission for opening and maintaining its branch / liaison office in Pakistan. (04)
- (b) Statutory obligations under the Companies Ordinance, 1984 other than those relating to the filing of forms and accounts. (05)
- Q.6 Jehangir Limited a public listed company have incurred losses during the past two years, as a result of which, 17% of their equity has been wiped out. The board of directors wants to issue shares worth Rs. 100 million, being 25% of the present share capital at a discount of 20%. You are required to advise them on the matters which the SECP may consider before granting approval for issue of shares. (06)

- Q.7 The management of a listed company wants to implement an employee share option scheme. The Directors representing majority shareholding of 51% however have concerns that their majority holding might get diluted to below 50% in the long run. In terms of the prevalent corporate laws, suggest an alternative solution that could address the concern of the majority shareholders. Also explain the conditions required to be complied with and the various options available to the directors. **(09)**
- Q.8 (a) PQR Limited, an NBFC, has a license to undertake Investment Financial Services. List some of the services that it may perform while carrying out:
- Project financing.
- Corporate finance services. **(10)**
- (b) State the conditions which PQR Limited shall have to comply with, if it desires to issue Certificates of Deposits worth Rs. 100 million. **(04)**
- Q.9 (a) Write short notes on the provisions of the Code of Corporate Governance in respect of the following:
(i) Frequency of board meetings, notice of meetings and the chairman of a meeting.
(ii) Dissenting vote of a director.
(iii) Persons allowed to attend Board meetings other than the directors of the company and the type of voting rights such persons can exercise? **(09)**
- (b) Members of XYZ limited holding 20% of the voting power submitted a requisition to hold an extraordinary general meeting of the company to remove the auditor of the company. The company did not call the extra ordinary general meeting and also did not allow the holding of the meeting at the registered office of the company. The said meeting was held at some other place and resolution for the removal of the auditor was passed. Examine the requirements and discuss the validity of the said meeting and resolution passed. **(10)**
- Q.10 Your friend, a non-resident, intends to trade in shares of companies listed in Pakistan. Briefly discuss the requirements / restrictions, if any, under the applicable laws. **(08)**
- Q.11 “Once a company’s shares are declared eligible securities with the Central Depository System and a shareholder registers his or her physical scripts with the CDS, the shareholder will stop receiving notices for company meetings as the CDC will be the registered holder of shares in the company’s register of members.”
Comment on the above statement. **(03)**
- Q.12 The Cosmopolitan Modaraba was floated with a modaraba fund of Rs. 300 million. A spate of development projects have placed a severe liquidity crunch on the modaraba’s finances and the management company’s Board of Directors has sought your opinion on whether a modaraba can raise further capital through rights issue.
Briefly describe the significant corporate requirements that must be complied with, prior to raising the capital. **(07)**

(THE END)