

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN



Intermediate Examinations Autumn 2007

September 05, 2007

COMPANY LAW

(MARKS 100)

Module D

(3 hours)

- Q.1 (a) The directors of Afridi Cables Limited are facing difficulty in holding the board meetings due to the quorum requirements. According to the company's articles, quorum of the meeting shall be at least 7 directors present in person. They have now decided to restrict the quorum at 5 directors.
- Explain the procedures to be followed for alteration of the company's articles in order to restrict the quorum at 5. (04)
- (b) Describe the provisions of the Companies Ordinance, 1984 relating to serving of notice by a listed company, to its members. (03)
- (c) Distinguish between a 'shareholder' and a 'member'. (04)
- Q.2 (a) Khan Pipes Limited had obtained a credit facility of Rs. 500 million in 2005 which is payable in five years. In order to improve its debt equity ratio, the directors have requested the bank to accept Khan Pipes Limited's shares of Rs. 75 million, against the said credit.
- Comment on the legality of the above transaction from the company's point of view, under the Companies Ordinance, 1984. (06)
- (b) What are the permissible modes of redeeming the preference shares? (04)
- Q.3 (a) When a dividend has been declared, it is not lawful for the directors or the company to withhold or defer its payment. Any non compliance is punishable with imprisonment and a heavy fine.
- List down the situations under which delay in payment of dividend shall not be considered unlawful. (05)
- (b) The management of Umer Limited, a newly incorporated company having two branches outside Pakistan, has requested you to advise on the following matters:
- (i) Where are the company's books of account required to be kept, especially in view of the fact that the company has two overseas branches?
- (ii) The minimum period for which the books of account are required to be retained. (03)
- (Do not write your name, roll number etc while giving the opinion)*
- (c) Akmal Travels (Private) Limited was incorporated on August 1, 2006. In a meeting held on August 1, 2007, the Chief Executive has informed the directors that due to certain problems being faced by the company, he is not in a position to hold the first annual general meeting at an early date.
- Identify the latest date by which the directors are required to hold the meeting, giving reasons with reference to the Companies Ordinance, 1984. (05)

- Q.4 (a) The directors of Haq Tractors Limited have decided to acquire the entire shareholding of Razzak Tractors Limited. However the object clause in the memorandum of association does not allow the company to carry out such a transaction.
- Prepare a summary of necessary steps which the company should take in order to alter the object clause. (05)
- (b) With reference to the Companies Ordinance, 1984, discuss the validity of directors' resolution passed through circulation. (03)
- Q.5 (a) A company has created a pari passu charge on August 27, 2007 over a series of debentures to the benefits of which the debenture-holders are entitled. What action would the company need to take for the registration of the above charge? (07)
- (b) Salman Engineering Limited, a listed company, wishes to purchase its own shares. Narrate the conditions to which the company should comply with and the procedure which should be followed in this regard. (09)
- Q.6 (a) Under the Companies Ordinance, 1984, every company shall keep a register of all contracts, arrangements or appointments in which directors or other officers are interested. List down the particulars to be entered in such register. (03)
- (b) Gul Systems (Pvt.) Limited has opened its first overseas branch in Sri Lanka. The newly appointed Branch Manager has requested the directors to provide him the common seal of the company. Advise the company's management in this regard by quoting the relevant provisions of the Companies Ordinance, 1984. (07)
- (Do not write your name, roll number etc while giving the opinion)*
- (c) Every company is required to maintain certain statutory books / registers in accordance with the requirements of the Companies Ordinance, 1984. Give the names of any six statutory books / registers. (06)
- Q.7 (a) Under the Companies Ordinance, 1984, no person shall be appointed as the director of a company if he is not a member of that company. What are the exceptions to this rule? (04)
- (b) At the annual general meeting of Asif Spinning Mills Limited, a listed company, the directors have proposed a special business i.e. increase in the remuneration paid to the chief executive. During the meeting, few minority shareholders challenged the authenticity of the vote count for this special business.
- Explain the following with reference to the above situation:
- (i) right of the dissenting shareholders; and
- (ii) the steps that the chairman of the meeting should need to take, to comply with the Companies Ordinance, 1984. (07)
- (c) Mr. Sami, the Chief Executive Officer of Malik Airways Limited, holds 9% shares of the company. He has now been offered to become the Chief Executive Officer of Akhtar IT Services (Pvt.) Ltd., a subsidiary of Yousuf Textile Mills Limited. Mr. Sami's spouse holds directorship in Yousuf Textiles Mills Limited.
- Explain whether Mr. Sami can accept this offer. (04)
- Q.8 (a) Any member of a company entitled to attend and vote at a meeting of the company is entitled to appoint another person as his proxy to attend and vote on his behalf. Discuss the rules relating to the appointment of a proxy under the Companies Ordinance, 1984. (07)
- (b) State the provisions of the Companies Ordinance, 1984 relating to authentication of Directors' Report. (04)