

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN



Final Examinations Summer 2008

June 4, 2008

CORPORATE LAWS

(MARKS 100)
(3 hours)

- Q.1 During the past 12 months Mr. Sohail's holding in shares of ABC Ltd (a listed company) has increased to 13%. Recently, he has written a letter to the company seeking appointment on its Board of Directors. The company secretary had advised that since the election of directors was held in the preceding annual general meeting, he cannot be admitted on the board till the next elections become due. Mr. Sohail is not satisfied with the response and has sought your advice on the matter. You are required to briefly discuss what course of action is available to him. (07)
- Q.2 (a) Arif & Co., Chartered Accountants were to be re-appointed as auditors at the Annual General Meeting of Rose Limited, an unlisted company. The meeting was held on October 31, 2007 but stood adjourned without discussing the appointment of auditors. Explain the legal position of the auditors in such a situation. (02)
- (b) An equity investment of Rs. 275 million has been offered by KA group of companies to Rose Limited. In order to expand the business activities of the company, the management is inclined to accept the proposal. However, the shares to be issued would not rank pari passu with the current shares and shall be termed as Class "B" shares.

The current position of the company's capital and reserves is as under:

	Rupees (in million)
Share Capital:	
Authorized	500
Issued, subscribed & paid up	330
Capital Reserves:	
Share premium account	45
Revenue Reserves:	
Un-appropriated profit	20

- Identify the relevant provisions which Rose Limited will have to comply with and describe briefly the steps it would need to take, for issuance of shares. (10)
- Q.3 (a) Pioneer Services Inc., a branch office of a US company engaged in software business has decided to wind-up its operations in Pakistan. You are requested to guide the management about the necessary formalities to be carried out under the Companies Ordinance, 1984. (04)
- (b) What requirements would have to be complied with, by a foreign company having a branch office in Pakistan, if the company goes into liquidation in the country of its incorporation? (06)

- Q.4 In its meeting held on October 10, 2007 the Board of Directors of Snow White Limited, a listed company, decided to offer a 60% right issue at par value. You are required to explain:
- (a) The conditions that the Board will have to comply with in this regard. **(07)**
 - (b) The additional conditions which the Board will have to comply under each of the following situations:
 - (i) If the company's shares have been traded below par value during the past one year.
 - (ii) If the shares are to be issued at a premium of Rs. 5 per share. **(03)**
- Q.5 (a) Certain persons have been restricted from being appointed as legal adviser of a public limited company. Specify the restrictions imposed in this regard under Appointment of Legal Advisor's Rules 1975. **(02)**
- (b) State the particulars which are required to be specified in the Register of Legal Advisers. **(03)**
- Q.6 Explain the term "Foreign Controlled Company" as referred to in the Foreign Exchange Regulations. **(06)**
- Q.7 The Board of Directors of Iqra Industries Limited, a newly incorporated listed company, is in the process of formulating significant policies to govern the operations of the company.
- As a member of the Board, identify the significant policies which should be formulated, as advised under the Code of Corporate Governance. **(06)**
- Q.8 Mr. Overtaker has issued a public offer for the acquisition of M/s Undertaker Limited, a company listed on the Karachi and Lahore Stock Exchanges, at a price of Rs. 55 per share. The offer has not fetched results and Mr. Overtaker is worried that the offer will lapse without much success.
- Narrate the conditions he will have to comply with if he wishes to revise the offer upwards. **(05)**
- Q.9 (a) Express Limited, a company listed on the Karachi Stock Exchange has a paid-up capital of Rs. 100 million divided into 10 million shares of Rs. 10 each. The Board of Directors have approved the purchase of 100,000 treasury stocks at Rs. 15 each within 30 days, by a tender. As the Company Secretary, what procedure would you follow in this regard? **(11)**
- (b) The Board of Directors of Ghareeb Limited has decided to contribute a fixed amount every year to a charitable organization. The company secretary notified that a clause needs to be inserted in the object clause of the Memorandum of Association for the same.
- Draft a clause to be included in the Memorandum covering the permissibility of the proposed activity. **(02)**
- Q.10 A group of shareholders of Sky Blue Limited believes that certain business activities carried on by the company are prima facie against the interest of the company and its members. They have approached your firm and seek your guidance for applying to the SECP to carry out the investigation against the directors of the company.
- You are required to identify the conditions under which such an application may be filed and the procedure that will have to be followed in this regard. **(05)**

Q.11 (a) Explain the term “Participant” as defined under Central Depository Act, 1997. **(02)**

(b) The Securities of Shalimar Investment Company Limited (SICL) are registered in the name of Central Depository Company (CDC). List the steps which the CDC will have to take where a bonus issue is declared by SICL? **(05)**

Q.12 (a) See-green Limited, a public limited company, had convened a general meeting at 9:00 a.m. on March 25, 2008 to consider and if deemed fit, pass a special resolution approving the disposal of a part of the company’s undertaking.

The meeting commenced at 9:16 a.m. as the quorum was not present at the scheduled time and was attended by 100 members (including 10 members represented through proxies) holding 1,000,000 shares in aggregate.

After a heated debate, voting was held through show of hands and the chairman declared the resolution successful as 78 votes were casted in favour of the resolution.

On March 31, 2008, the shareholders who gave a dissenting vote in the meeting, lodged a protest with the company claiming that the resolution was invalid on account of the following reasons:

- (i) Mr. A who voted for the resolution was represented through a proxy which was deposited at 5:01 p.m. i.e. after office hours on March 22, 2008. Moreover, since March 23rd was a public holiday, the condition of depositing the proxy atleast 48 hours before the meeting, could not be met.
- (ii) Mr. B a shareholder with a holding of 50,000 shares was represented by two proxies i.e. Mr. C (30,000 shares) & Mr. D (20,000 shares). Both proxies were counted for the purpose of voting.
- (iii) JK (Pvt) Limited holding 20,000 shares of the company, were represented by Mr Sameer, who is neither the director nor the employee of the company. He also voted in favour of the resolution.
- (iv) The shareholders who lodged the protest hold 300,000 shares and therefore the resolution was approved by shareholders holding 70% voting rights only.
- (v) Since the meeting could not be held on time, it became invalid and should be called again.

Discuss the validity of the resolution under the Companies Ordinance 1984, in view of the complaint lodged by the dissenting shareholders. **(10)**

(b) In the first meeting of Board of Directors of Alif Cement Ltd a public listed company, Mr. Raof proposed the name of Mr. Haseeb for appointment as chief executive of the Company. Mr. Zahid opposed the proposal on the following grounds:

- (i) Mr. Haseeb is also the Chief Executive of Bay Cement (Pvt) Limited which holds 15% shares in Alif Limited.
- (ii) he is involved in the business of stock brokerage.

Comment on the statement of Mr Zahid in the light of the provisions of the Companies Ordinance, 1984. **(04)**

(THE END)