



December 3, 2008

**CORPORATE LAWS**

(MARKS 100)

(3 hours)

Q.1 Friends Textiles Limited has suffered heavy losses and has almost ceased its operations due to global recession. The directors foresee no improvement in the company's financial health and are of the opinion that the company should be liquidated now, as otherwise, in view of the deepening economic crises, it would be difficult for the company to fetch a good value for its assets.

**Required:**

- (a) Narrate the circumstances in which a company may be wound up voluntarily? (03)
- (b) Advise the directors of the company about the steps that need to be taken to wind up the company voluntarily. (10)
- (c) State the requirements and the procedure to be followed for making a Declaration of Solvency under members' voluntary winding up. (05)

Q.2 The Board of Directors of ABC Limited, a company listed on Karachi and Lahore Stock Exchanges, has resolved to transmit its quarterly financial statements to the members of the company through its corporate website. You are required to discuss the requirements of Companies Ordinance, 1984 regarding placement of the quarterly accounts on the web. (07)

Q.3 (a) List the types of businesses that NBFCs are permitted to carry out under the relevant provisions of Companies Ordinance 1984. (03)

(b) In order to reap benefits of large scale operations, the Board of Directors of Moonlight Leasing Limited and Dream Leasing Limited intend to amalgamate the operations of the two companies.

State the procedure which should be followed for the merger of the two companies and the approvals required to be obtained for this purpose, under the provisions relating to establishment and regulation of NBFCs. (08)

Q.4 Mr. Khan, chief executive of Prosperous Engineering Limited, is assessing the possibility of setting up a new project in Gwadar in collaboration with a prospective foreign investor. He is confident that the proposed project will reap significant benefits to the company. Since he does not wish to dilute his holding and voting rights, he is planning to issue class B shares to the investor along with 16% TFCs with a floating charge on the book debts of the company and a fixed charge on its machinery in the manufacturing department. He wants to have your advice on the issue.

**Required:**

- (a) Explain to Mr. Khan various rights and privileges which shareholders may have in case of more than one class of share capital, under the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000. (06)
- (b) Explain the important characteristics of a fixed charge and floating charge and their registration requirements. (05)

- Q.5 GP Pharma Limited, a family owned company with zero debt, has witnessed rapid growth during the past 5 years. In order to carry on the successful growth pattern and fulfill the ever increasing customers demand, the board of directors of the company is planning to establish another manufacturing facility at a cost of Rs. 200 million. To meet the cost of the project, the company needs to raise capital and therefore has decided to go public.

**Required:**

Advise the Board about the conditions to be complied with for the issuance of capital under the Companies (Issue of Capital) Rules, 1996. (09)

- Q.6 Fiber Leasing Limited has recently lost one of its Directors and the Chief Executive in a tragic car accident. The company wants to appoint Mr. Big and Mr. Smart in place of its late director and chief executive respectively. With reference to NBFC and Notified Entities Regulations, 2007, state the considerations which SECP would take into account while assessing their competence and capability as Director and Chief Executive. (09)

- Q.7 Mega Projects Limited is presently facing financial crunch. In order to overcome this crisis and to improve profitability, the Board of Directors is considering to raise funds through capital injection. The existing shareholders and the potential investors may not be willing to invest at par value which is Rs.10 per share. However, it is estimated that the company could get just about Rs. 7 per share. The directors have therefore decided to issue shares at discount.

Being a Company Secretary, you are required to advise the directors about the procedure to be followed in this regard, under the Companies Ordinance, 1984. (10)

- Q.8 (a) In view of large decline in the value of shares in Asian markets, a group of US investors believe that now is the opportune time to invest in such markets as they have almost reached their lowest limits. One such investor, Mr. NR is interested in buying securities listed on Karachi Stock Exchange.

With reference to relevant provisions of Foreign Exchange Manual, you are required to advise Mr. NR on the following:

- (i) The procedure to be followed in order to trade in listed shares in Pakistan.  
(ii) Whether Mr. NR would be entitled to receive dividends on such securities and are there any restrictions on repatriation of funds outside Pakistan? (09)

- (b) Explain the meaning of “a person resident outside Pakistan” as referred to in the Foreign Exchange Regulations. (03)

- Q.9 Sigma Industries Limited is a company listed on Karachi Stock Exchange. Its financial year ends on December 31. The final dividend for the year 2007 was approved in the AGM held on March 31, 2008. To maintain its good payout ratio, the company declared two interim dividends of 10% and 12% in January and February 2008 respectively. The books were closed for a period of 12 days and 18 days respectively. The directors of Sigma Industries Limited have now proposed a final dividend of 20% which is to be approved in the forthcoming AGM of the company. The directors intend to close the share transfer register from March 25, 2009 for determining shareholders entitlement for the purpose of dividend, meeting, etc.

In the light of Companies Ordinance, 1984 you are required to advise the directors as regards the following :

- (a) The maximum period for which the books of Sigma Industries Limited can be closed and the procedure that should be followed in this regard. (05)  
(b) The last date up to which Sigma Industries Limited can hold its AGM. (03)  
(c) The procedure relating to sending of notices, annual report and audited accounts to the members and concerned authorities. (05)

(THE END)