



The Institute of Chartered Accountants of Pakistan

Company Law

Intermediate Examination
Spring 2014
Module D

3 March 2014
100 marks - 3 hours
Additional reading time - 15 minutes

Q.1 On 1 February 2014 Golden Silk Limited (GSL), a listed company, acquired 80% shares of White Silk Limited (WSL), an unlisted company. On acquisition of the controlling interest, the directors of GSL intend to:

- (i) appoint two nominee directors on the board of WSL which at present consists of four directors. The existing directors of WSL were elected in the last annual general meeting of the company.
- (ii) appoint a new Chief Executive.

However, the existing directors and the chief executive claim that they cannot be removed because they have been appointed for a period of three years. These individuals also state that the appointments are in accordance with the articles of the company.

In the light of the provisions of the Companies Ordinance, 1984 discuss whether GSL can appoint the new directors and replace the chief executive of WSL. (07)

Q.2 The **FIRST** annual general meeting of ABC Limited, a listed company, is scheduled to be held on 31 March 2014 at the company's factory premises in Bahawalpur. The registered office of the company is situated in Lahore.

In addition to the normal business, the directors also propose to place before the meeting a resolution to approve that the quarterly accounts of the company be transmitted to the members by placing the same on the website of the company instead of transmitting the accounts by post.

In the light of the provisions of Companies Ordinance, 1984 you are required to:

- (a) specify the various steps that ABC Limited would be required to undertake in order to convene the first annual general meeting of the company. (09)
- (b) list the businesses that need to be transacted in the first AGM of ABC Limited. (04)

Q.3 Khurram is the Chief Executive of MNO Limited, a listed company. Khurram has been appointed as the Chief Executive by virtue of his professional qualifications and holds the minimum qualification shares. MNO Limited plans to enter into a major contract with RST Limited. 30% of RST's shares are held by VWX Limited in which Khurram is also a director.

Explain the relevant provisions of the Companies Ordinance, 1984 which would be required to be complied with by Khurram in the above situation. (06)

Q.4 The business of a company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the company, and may exercise all such powers of the company as are not by Ordinance, or by the articles, or by a special resolution, required to be exercised by the company in general meeting.

In the context of the above provision of the Companies Ordinance, 1984, list any *twelve* powers which can be exercised by the directors of a company. (09)

- Q.5 Describe the relevant provisions of the Companies Ordinance, 1984 that would be required to be complied with in the following circumstances:
- (a) On 1 March 2014 AB Limited, a listed company, received a notice from a member of the company proposing a change in the auditors of the company. The annual general meeting of AB Limited is scheduled to be held on 19 March 2014. **(03)**
 - (b) On 1 March 2014 AC Limited has created a provident fund for its employees. However, the directors of AC Limited do not intend to create a trust in this regard. **(05)**
 - (c) Furqan holds 5% shares in KR Limited. On 17 January 2014, he purchased 9% shares of KR Limited. He acquired further 8% shares of KR Limited on 20 February 2014. **(06)**
- Q.6 Explain the exceptions to the following provisions of the Companies Ordinance, 1984:
- (a) The companies are required to hold all their investments in their own name. **(06)**
 - (b) Companies are prohibited from purchasing their own shares or granting financial assistance for purchase of their shares or shares of their holding company. **(08)**
- Q.7 Explain the powers of investigating officer under the Securities and Exchange Commission of Pakistan Act, 1997. **(06)**
- Q.8 Yellow Limited after passing a special resolution, has applied to the Court for reduction of its share capital from Rs. 300 million to Rs. 120 million as it wants to pay off the amount which is in excess of the needs of the company. However, three creditors included in the list of creditors entitled to object, have not given consent for reduction of share capital and the matter is pending in the Court.
- Under the Companies Ordinance, 1984 describe how the Court can proceed in the above situation. **(05)**
- Q.9 Ashraf is the company secretary of ABC Limited and is preparing for the Annual General Meeting of the company. The following matters are under his consideration:
- (i) Three joint holders of 100,000 shares have asked about the procedures of casting votes by them and how their votes will be counted if each of them wishes to vote for a different candidate.
 - (ii) DEF Limited which holds 50,000 shares has appointed one of its ex-employees as its proxy. The proxy form is signed by the Company Secretary of DEF Limited.
 - (iii) The proxy form submitted by one of the shareholders is lodged one day before the meeting.
- Under the provisions of the Companies Ordinance, 1984 discuss how Ashraf would deal with the above situations. **(06)**
- Q.10 XYZ Limited has recently been incorporated as a public unquoted company. The directors intend to proceed with allotment of shares. They have not issued any invitation to the public for subscription of shares in the company and all share applications have been received from their family members and friends.
- What are the requirements of the Companies Ordinance, 1984 that XYZ needs to comply with, before allotment of shares? **(06)**

Q.11 Green Limited (GL) has passed a special resolution in an extraordinary general meeting, whereby all the preference shares issued by GL are to be converted into ordinary shares. Some preference shareholders are not satisfied with the said conversion and seek your advice with respect to the remedy available to the preference shareholders after the said conversion.

In the light of the Companies Ordinance, 1984:

- (a) Explain the conditions under which the aggrieved shareholders may approach the Court. **(03)**
- (b) What decision may be taken by the Court and what remedy is available to the aggrieved shareholders in case they are not satisfied with the decision of the Court? **(04)**

Q.12 Energy Petroleum Limited is presently involved in Oil Marketing Business. In order to expand the business, the directors have decided to establish an oil refinery. Financing for this project has been arranged from two different financial institutions.

Identify the changes that may be required in the memorandum of association of the company and the necessary steps to incorporate these changes. **(07)**

(THE END)