



Corporate Laws

Final Examination
Winter 2011
Module E

7 December 2011
100 marks – 3 hours
Additional reading time – 15 minutes

- Q.1 As a result of an application filed by the members of MMB Limited, its affairs are under investigation by the Securities and Exchange Commission of Pakistan (SECP). The members claim that the company had allotted shares to an investor against inadequate consideration and that they had not received the notice of meeting in which the decision was approved. They have requested SECP to restrict the transfer of these shares till such time that the investigation is in process.

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

- (a) Whether and under what conditions the SECP may impose restrictions on the transfer of shares? *(04 marks)*
(b) What would be the effects of such restrictions on the company and the concerned investors? *(06 marks)*

- Q.2 Mr. Asif is a director of Arif Textiles Limited (ATL), a listed company. He has entered into the following transactions in the shares of ATL:

S.#	Date	Purchases/(Sales) No. of shares	Purchase/Sale price per share(Rs.)	Remarks
1.	15.01.2011	5000	18	Purchased from the market
2.	25.02.2011	2000	21	Purchased from the market
3.	26.02.2011	3000	20	Purchased from the market
4.	27.02.2011	1000	-	Bonus shares received
5.	30.04.2011	(2000)	22	Sold in the market
6.	21.05.2011	(5000)	24	Sold in the market
7.	30.06.2011	(1000)	23	Sold in the market
8.	01.09.2011	(2000)	25	Sold in the market

In the light of the provisions of the Companies (General Provisions and Forms) Rules 1985, you are required to:

- (a) Compute the amount of gain or loss to be tendered to the company by Mr. Asif. *(06 marks)*
(b) The treatment of the amount paid by Mr. Asif on account of brokerage, stamp duty etc. *(02 marks)*

- Q.3 ABC Limited has appointed Mr. Saleem as a trustee, under a trust deed, for securing an issue of debentures. Subsequent to his appointment, Mr. Saleem is of the opinion that ABC Limited has failed to meet its obligations under the trust deed, whereas the management denies any wrong doings. Consequently, Mr. Saleem intends to take appropriate action against the company.

Narrate the circumstances specified under the Companies Ordinance, 1984 on account of which Mr. Saleem may initiate legal action against the company. *(06 marks)*

- Q.4 Based on the provisions of the Central Depositories Act, 1997:
(a) Briefly explain the term "Participant". *(03 marks)*
(b) Identify the purposes for which issuer of a security may request the Central Depository Company to provide a list of the names and other relevant details of the account holders and sub-account holders of its securities. *(06 marks)*

- Q.5 Nihal Associates is an association of persons and is involved in charitable and other social activities for the welfare of the general public. It intends to register itself as a limited company but does not want to include the word "Limited" in its name.

In view of the provisions of the Companies (General Provisions and Forms) Rules 1985, you are required to identify the conditions that Nihal Associates would need to fulfill in order to get the required permission from the Securities and Exchange Commission of Pakistan. *(06 marks)*

- Q.6 A number of shareholders of Nazeer Industries Limited want to hold an extraordinary general meeting to discuss an important matter relating to the company.

In view of the provisions contained in the Companies Ordinance, 1984 explain:

- (a) The conditions under which it would become mandatory for the company to convene the meeting. *(03 marks)*
 (b) The rights of the concerned shareholders in case the company fails to convene the meeting. *(05 marks)*

- Q.7 Ryan Industries Limited (RIL) has been incurring losses for the last few years and has therefore not declared any dividends. Consequently, the market price of its shares has declined and this has also adversely affected the prices of shares of other group companies. The directors of RIL have therefore decided to opt for voluntary de-listing of the shares of RIL and to offer the purchase of shares from the market.

Who will determine the offer price and what would be the basis for determination of the offer price under the listing regulations? *(05 marks)*

- Q.8 (a) Al-Faizan Investment Limited (AFIL), is a non banking financial institution (NBFC) listed on the Lahore Stock Exchange. It intends to make investment in unquoted shares of Folks Resorts (Pvt) Limited.

Narrate the conditions that AFIL would need to comply with under the NBFC Rules, 2003 while making the above investment. *(05 marks)*

- (b) With reference to Non- Banking Finance Companies and Notified Entities Regulations, 2008:
 (i) List the persons who are included in the definition of Key Executive. *(06 marks)*
 (ii) Identify the circumstances under which a Director is considered to have a Conflict of Interest. *(06 marks)*

- Q.9 The Board of Directors of Ujala Industries Limited, a recently incorporated listed company, intends to hold a meeting of the Directors for approval of the annual accounts, declaration of dividend and to make other important decisions relating to the company.

At the request of the directors, you being the company secretary, are required to explain the provisions of the Securities and Exchange Ordinance, 1969 as to what constitutes:

- (a) Inside information *(04 marks)*
 (b) Insider trading *(05 marks)*

- Q.10 Bilal Garments Limited (BGL) has recently been incorporated in Pakistan. However, prior to obtaining the certificate of commencement of business, BGL has entered into an agreement with Taqi Engineering Limited (TEL) for the supply and installation of machinery at its factory. BGL has also signed an agreement with a commercial bank for a short term finance facility for payment of advance to TEL.

In the light of the provisions of the Companies Ordinance, 1984 comment on the legality and the implication of entering into the above agreements. *(05 marks)*

Q.11 A group of creditors of XYZ Limited has lodged a complaint with the Registrar of Companies on the ground that the management is indulging in destruction and falsification of the accounting records of the company. The complainants have requested the Registrar to take immediate steps in this regard.

In the light of the provisions of the Companies Ordinance, 1984 explain the powers and responsibilities of the Registrar in the above circumstances. *(08 marks)*

Q.12 (a) Mr. Babar is currently working as a Marketing Manager in ST Limited (STL). The management intends to appoint him as the Chief Executive of the company. He is willing to accept the offer and has requested for a loan of Rs. 10 million. Moreover, he had also taken a loan in 2009, of which Rs.1 million is still outstanding.

State the conditions as specified in the Companies Ordinance, 1984 which STL would need to comply with, in respect of the above loans. *(05 marks)*

(b) “All investment made by a company on its own behalf shall be made and held by it in its own name.” Explain the exceptions to this general rule, under the Companies Ordinance, 1984. *(04 marks)*

(THE END)