



	Company Law	
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Part A MCQs

1. (c)

2. (d)

3. (a)

4. (b)

5. (c)

6. (d)

7. (a)

8. (d)

9. (b)

10. (a)

11. (c)

12. (a)

13. (c)

14. (c)

15. (a)

Part B

Ans 1

(a) According to the companies act 2017 the directors and other officers of a company act on behalf of the company (as an agent), and provided that



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they act within their powers and in accordance with the law, they will not be personally liable for debts of the company. In given case Farman did not act within his authority which does not comply with the given provision of this act. Hence argument of Farman about limited liability of Directors is not true.

(b) Powers of registrar

1. To call officers of the company
2. To inspect books of company
3. To seize records of company

Duties of registrar

1. Receiving documents from company at registration
2. Keep records of mortgages and charges
3. Keep track of company routine documents

Ans 2

(a) According to companies act 2017 on revocation of licence of a (not-for-profit) company by the Commission the company shall stop all its activities except the recovery of money owed to it. Hence in given case AWF has to pay to AWA in accordance with above provision.

(b) According to companies act 2017 on revocation of licence of a nonprofit company the company shall not solicit or receive donations from any source. Hence receiving donation on 20 November is invalid.

(c) According to company law 2017 on revocation of licence of a (not-for-profit) company by the Commission all the assets of the company after satisfaction of all debts and liabilities shall be transferred to another (not-for-profit) company, preferably having similar or identical objects to those of the company, within 90 days from the revocation of the licence or such extended period as may be allowed by the Commission. Hence AWA cannot sell its assets in accordance with act. They should transfer their assets to a non-profit organization of similar objectives.





(d) According to companies act 2017 After compliance of the requirements mentioned above, the board of the company shall file within 15 days from the date of such compliance, a report to the registrar containing relevant information and documents. As in above clauses final requirement is going to complete at 20 February. Hence report should not be filed later than 6 march in accordance with above provision.

Ans 3

(a)

(i) According to companies act 2017 A person may make an application to the registrar for reservation of a name set out in the application for a period not exceeding 60 days.

Hence name cannot be reserved for 90 days.

(ii) According to companies act 2017 If the name applied for is refused by the registrar, the aggrieved person may within 30 days of the order of refusal prefer an appeal to the Commission.

(b) According to the companies act 2017 An order of the Commission shall be final and shall not be called in question before any court or other authority. Hence decision of commission cannot be challenged.

Ans 4

(a) According to companies act 2017 no amendments are required in memorandum of association if change in registered office is within the province from one city to another.

(b) Alteration of principal line of business clause [26 & 32]

Alteration

A company may by special resolution alter the provisions of its memorandum to change its principal line of business.





Approval from Commission not required

An alteration so as to change its principal line of business shall not require confirmation by the Commission.

Filing of amended memorandum

Where the alteration involves change in principal line of business, the company shall file the amended memorandum of association with the registrar within 30 days, which shall be recorded.

Change of name may be directed by registrar

Any change in the principal line of business shall be reported to the registrar within 30 days from the date of change, on the form as may be specified and registrar may give direction of change of name if change does not commensurate with principal line of business of the company.

Alteration of registered office clause in memorandum [Section 32 to 34]

Confirmation from SECP

The alteration shall not take effect until it is confirmed by the Commission on petition. The Commission may make an order confirming the alteration on such terms and conditions and make such order as to costs as it thinks proper.

The Commission shall in exercising its discretion have regard to the rights and interests of the members of the company or of any class of them, as well as to the rights and interests of the creditors and may, if it thinks fit, give such directions and make such orders as it may think expedient for facilitating or carrying into effect any such arrangement.

Copy of order to company and registrar

A copy of the order confirming the alteration duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within 7 days from the date of the order.





Conclusive evidence of alteration

An altered copy of the memorandum shall within 30 days from the date of the order be filed by the company with the registrar, who shall register the same and issue a certificate which shall be conclusive evidence that all the requirements of the alteration and the confirmation thereof have been complied with.

Extension in time limit

The Commission may by order, at any time on an application by the company, on sufficient cause shown extend the time for the filing of memorandum with the registrar.

Transfer of record

Where the alteration involves a transfer of registered office from the jurisdiction of one company registration office to another, physical record of the company shall be transferred to the registrar concerned of the company registration office in whose jurisdiction the registered office of the company has been shifted.

Ans 5

(a) Registration of articles

The articles of association signed by the subscribers to the memorandum and setting out regulations for the company may/shall be registered with the memorandum.

- Optional for company limited by shares
- Compulsory for company limited by guarantee or unlimited company

Adopting Table A

According to the companies act 2017 Articles of association of a company limited by shares may adopt all or any of the regulations contained in Table A in the First Schedule to the Companies Act. But Moiz in unlimited company hence cannot adopt Table A.



(b) Alteration of articles [Section 38]

Alteration by special resolution

Subject to Companies Act and memorandum, a company may, by special resolution, alter its articles and any alteration so made shall be as valid as if originally contained in the articles and be subject in like manner to alteration by special resolution.

Restriction on alteration

When alteration in articles affects the substantive rights or liabilities of members or of a class of members, it shall be carried out only if a majority of at least three-fourths of the members or of the class of members affected by such alteration, as the case may be, exercise the option through vote personally or through proxy vote for such alteration.

Filing to registrar

A copy of the articles of association as altered shall, within 30 days from the date of passing of the resolution, be filed by the company with the registrar and he shall register the same and the articles so filed shall be the articles of the company.

Ans 6

(a)

i. Companies act 2017 allows non-member to act as director if they fulfill given criteria of companies act 2017. One of them is CEO of the company is allowed to be director of the company even he is non-member. In give case Muskan is the CEO of Asma limited hence can be appointed as director of Asma limited.

ii. Following non-members can be appointed as director of a company

a person representing a member who is not a natural person;

a whole-time director who is an employee of the company;

a chief executive; or





a person representing a creditor or other special interests through contractual arrangements.

(b)

i. Procedure for election of subsequent directors [Section 159]

Fixing the number of directors

The existing directors of a company shall fix the number of directors to be elected in the general meeting, not later than 35 days before convening of such meeting. Such number once fixed shall not be changed except with the prior approval of the general meeting in which election is to be held. The notice of the meeting shall expressly state, among other matters, the number of directors fixed as above and the names of retiring directors.

Notice of contesting the election

Any member (including retiring director) who seeks to contest the election of directors shall file the notice of his intention to the company, at least 14 days before the date of meeting at which election is to be held. However, any such person may withdraw such notice at any time before the election. The company shall transmit such notices (of intention to contest the election of directors) to the members not later than 7 days before the date of the meeting, in the same manner as a notice of general meeting is given to the shareholders. In case of a listed company, it shall also be published in at least one issue of a daily newspaper in English and Urdu language having wide circulation.

Elected unopposed

If the number of persons offering themselves to be elected as director is not more than the number of directors fixed for election by the directors, the directors shall stand elected unopposed

Number of votes





During a poll for election of directors every member is entitled to cast the number of votes equal to the product of number of voting shares or securities held and the number of directors to be elected. A member can give all his votes to any one candidate or he may divide them between more than one candidate as he deems appropriate

Result of polling

The candidate getting the highest number of votes shall be declared elected as a director then the candidate who gets the next highest number of votes shall be so declared and so on until the total number of directors to be elected has been so elected.

ii. Procedure for company limited by guarantee not having share capital

In case of a company limited by guarantee and not having share capital, the procedure for election of directors shall be mentioned in its articles.

Ans 7

(a) According to the companies act 2017 where a person acquires the requisite shareholding to get him elected as a director on the board of a company, he may require the company to hold fresh election. However, the number of directors fixed in the preceding election shall not be decreased. Hence in given case Mr. Amjad has substantial shares i.e 25% so elections should be conducted. According to law the board shall, upon receipt of such requisition, as soon as practicable but not later than 30 days, proceed to hold fresh election of directors of the company. So elections should be conducted before 20 October 2019.

(b) According to the company law 2017 Members holding at least 10% of the voting power in the company may apply to the court to declare the election of all directors or any one or more of them invalid. Such appeal may be made within 30 days from the date of election. Hence at 31 March 2020 appeal cannot be made in court as 30 days period has been lapsed.

Ans 8



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(a)

(i) According to the companies act 2017 the quorum for a meeting of directors of a listed company shall not be less than one-third of their number or four, whichever is greater (4 in case of benson company) and the participation of the directors by video conferencing or by other audio-visual means shall also be counted for the purposes of quorum.

(ii) According to the companies act 2017 Quorum for other than listed company shall be as provided in the articles. Hence quorum of Marvel limited will be in accordance with its articles.

(b) Fazal shall not be removed from his office if the number of votes casted against the resolution equals or exceeds the number of votes calculated as per the following formula:

(Number of directors for the term × Number of shares) ÷ Number of directors for the time being

$$13 \times 7,000,000 \div 13 = 7,000,000 \text{ votes}$$

Ans 9

(a) According to the securities act 2015 Where any notice, advertisement or other official publication of a company contains a statement of amount of authorised capital of the company, such notice, advertisement or other official publication shall also contain a statement in an equally prominent position and in equally conspicuous characters of amount of the paid up capital. Hence paid up capital should also be mentioned on it otherwise company and every officer of the company will be charged by penalty of level 1.

(b)

i. PSO must follow the following procedure in this regard

Variation of shareholders' rights

Special resolution





The variation in shareholders' rights shall only be made by alteration of articles by passing a special resolution.

Restriction on alteration

If alteration affects the substantive rights or liabilities of members or of a class of members, it shall be carried out only if a majority of at least 3/4th of the members or of the class of members affected by such alteration vote for such alteration.

- ii. Yes it is possible if any member or members of affected class representing at least 10% shareholding of that class who are aggrieved by the variation of their rights may, within 30 days of the date of the resolution varying their rights, apply to the Court for an order cancelling the resolution. The application may be made on behalf of the shareholders entitled to make it by such one or more of their number as they may authorise in writing in this behalf.

The court has got the powers to declare the resolution null and void if it feels that either:

- ☐ the company withheld certain facts while getting the resolution passed, had the members been in knowledge of those facts, they would not have passed the resolution varying the rights of a particular class; or
- ☐ the variation is otherwise prejudicial to the interest of members.

Ans 10

(a) The company, if allowed by its articles and by passing a special resolution can alter the capital clause of its memorandum of association so as to:

- ☐ Increase the authorized capital whenever it requires;
- ☐ Cancel that part of its authorized capital which has not been paid up till the date of cancellation and such cancellation shall not affect the rights of paid up shareholders;
- ☐ Consolidate the share capital into shares of a larger amount; or





☐ Divide and subdivide the share capital into shares of an amount smaller than the one fixed by the memorandum of association initially.

The company is required to file the resolution and the related documents i.e. altered copy of the memorandum of association with the registrar within 15 days of passing the same, failing which the resolution shall not be effective and shall ultimately lapse.

Further due to the consolidation or subdivision of shares, the rights attaching to the shares shall not be affected in any way and the new shares issued by the company shall rank equally with the existing shares of the company.

(b) According to the Securities act 2015 the requirement of approval does not apply:

- ☐ to securities offered by the State Bank of Pakistan.
- ☐ where the securities are offered in connection with a private offering or private placement.
- ☐ issue of shares of a subsidiary to the members of a listed holding company by way of specie dividend or any other distribution in the prescribed manner.
- ☐ where the securities are offered by the issuer to members or employees of the issuer or families of such members and employees.
- ☐ the securities are shares and are offered as bonus shares to any or all of the members of the issuer.

(c) Minimum Subscription

Minimum subscription means the amount, if any, fixed by the memorandum or articles upon which the directors may proceed to allotment. If no amount is fixed, the whole amount of share capital (other than that to be issued not for cash) is minimum subscription.

Conditions for commencement of business





A public company shall not start its operations or exercise any borrowing powers unless:

- a) shares for cash have been allotted to an amount not less than the minimum subscription;
- b) every director of the company has paid to the company full amount on each of the shares taken or contracted to be taken by him and for which he is liable to pay in cash;
- c) no money is or may become liable to be repaid to applicants for any shares which have been offered for public subscription;

Exceptions

The above requirement does not apply to:

- ☐ to a company converted from private to a public;
- ☐ to a company limited by guarantee and not having a share capital.

Ans 11

(a) (i) Jhelum Limited must ensure that the expert is a person who has the power or authority to issue a certificate in pursuance of any law for the time being in force and who is not and has not been engaged or interested in the formation or promotion or in the management of the company.

(ii) Before issuing, circulating or publishing prospectus containing expert's statement, it must be ensured that the following conditions have been complied with:

- ☐ the expert has given written consent to the issue of the prospectus with the statement in the form and context in which it is included; and
- ☐ there appears in the prospectus a statement that the expert has given and has not withdrawn his consent.



(b) 'Shelf registration' means an arrangement that allows a single offering document allowing companies to make multiple offerings as disclosed in the offering document within a prescribed time and subject to prescribed conditions.

(c) Since a prospectus approved by the Commission shall be valid for a period of 60 days from the date of such approval. BL must publish the prospectus by 2nd March 2021. However, as the directors intend to publish it on 1st April 2021 they must apply to the Commission for extension in time limit. The application for extension must contain the reasons for extension in time.

Publication of the prospectus

In Newspapers

The prospectus shall be published in full text or in such abridged form as may be prescribed, at least in one Urdu and one English daily newspaper. The prospectus shall not be published in the newspapers less than 7 days or more than 30 days before the commencement of the public subscription.

On Website

The prospectus in full text shall be uploaded on the website of the issuer and shall remain there from the date of its publication in the newspapers till the closing of the subscription.

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