

THE INSTITUTE OF CORPORATE SECRETARIES OF PAKISTAN
CIS EXAMINATION JANUARY 2013
MODULE C PAPER: SECRETARIAL PRACTICE AND AUDIT GROUP VI

Time allowed 3 Hours

Max. Marks: 100

Instructions: Attempt all questions

SECTION – 1 SECRETARIAL PRACTICE (70 Marks)

Marks

- Q1. The Board of Directors of Universal (Private) Limited (UPL), a private company, intends to obtain a loan of ten million rupees from Global Limited (GL), a listed company. The loan would be repayable in two years and would carry interest at the rate of twelve per cent per annum. The CEO of GL is also on the Board of Directors of UPL and is its major shareholder.

Required:

Assuming you are the Company Secretary of GL, describe the requirements of Companies Ordinance, 1984 that should be complied with by the Board of Directors of GL in respect of the proposed loan to UPL. **(04)**

- Q2. Zuhair and Zubair are members as well as the directors on the Board of Abeera (Private) Limited and each of them hold 50% of the share capital. On August 28, 2011, Zuhair died in an accident in London while he was on a business visit. However, his shareholdings could not be transferred to his nominated legal heirs as all of them were minors. Zubair continued to carry on the business of the company. In March 2012, the company incurred heavy losses and could not meet its debt obligations. Zaheer, a creditor of the company, intends to make Zubair personally responsible for the payment of the amount owed to him by Abeera (Private) Limited.

Required:

Narrate the provisions of the Companies Ordinance, 1984 which are relevant to the above issue and discuss the above situation in the context of those provisions. **(06)**

- Q3. The management of Hue World (Pvt.) Limited and Cry World (Pvt.) Limited intend to enter into a joint venture agreement under which they would implement a seaside holiday resort project. However, the Company Secretary has informed that the Memorandum of Association of Cry World (Pvt.) Limited does not authorize the Company to enter into a joint venture agreement.

Being the Company Secretary, describe the procedure that would have to be followed by Cry World (Pvt.) limited for making the necessary amendments in its Memorandum of Association. **(10)**

- Q4. AAA Plastics Limited is a wholly owned subsidiary of a foreign company and has its registered office in Karachi.
- a) Please list the books of account the company is required to maintain. **(04)**
- b) State the conditions which the directors shall be required to comply with if they want to keep the books of account at AAA's factory located in Lahore. **(02)**

- Q5. a) Describe the restrictions that have been mentioned in the Companies Ordinance, 1984 with respect to the selection of names of companies. (06)
- b) Taj Limited has received security deposits from its customers. Describe the provisions of the Companies Ordinance, 1984 which Taj Limited is required to comply with, in respect of such deposits. (05)
- Q6. Alpha, Bravo and Charlie (ABC) commenced its business two years ago with a paid up capital consisting of 80 million ordinary shares of Rs. 10 each. On Nov. 13, 2012 the board of directors decided to issue right shares at a discount of Rs. 1.50 per share.
- Assume you are the Company Secretary, narrate the provisions contained in the Companies Ordinance, 1984 which ABC would need to comply with for issuance of right shares at discount. (10)
- Q7. a) Explain the term "Participant" as defined under Central Depository Act, 1997. (04)
- b) The Securities of Times Packages Limited (TPL) 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 TPL? (07)
- Q8. The prospectus of FC Textiles Limited included a statement which was misleading in its form and content. On the faith of the prospectus and believing it to be true, Asif subscribed for shares and sustained losses. Can Asif file a suit for compensation of the loss incurred by him? If so, who may be sued for such a loss? (07)
- Q9. There are allegations in the press and serious charges have been levelled against Shyna Petroleum Limited about misuse of public funds by the management. Rubab, director of the company wants to inspect the books of account, in order to ascertain whether the allegations are true. As Rubab does not have adequate knowledge of accounting, she intends to examine the books of account in the presence of his friend Mariam, who is a chartered accountant.
- You are the Company Secretary of the Company and required to advise the company in respect of the above matter under the provisions of the Companies Ordinance, 1984. (05)

SECTION – 2

SECRETARIAL AUDIT

(30 Marks)

- Q10. Your Company seems to issue prospectus for subscriptions of its shares shortly. Since you don't have any past experience in getting the needed approvals from the authorities, you thought it more reasonable to compile the checklist now than face the music afterwards.
- Required:**
Compile the checklist of documents for approval of issuance of Prospectus. Mention atleast any ten points. (15)
- Q11. Differentiate between a public company and a private company. Mention any ten points. (15)