



## CFAP 2 – ADVANCED CORPORATE LAWS AND PRACTICES

### Test – 3

#### Instructions:

1. Answer in black pen only
2. Start each part on a fresh page

#### Question No 1:

Western Cement Limited (WCL) has recently formed a provident fund for the benefit of its employees.

#### **Requirement:**

In view of the provisions contained in the Companies Act, 2017 you are required to advise (i) the directors of WCL and (ii) the trustees of Provident Fund about their responsibilities with respect to the amount to be contributed to the fund and investment thereof. **(6 marks)**

#### Question No 2:

Ryan Industries Limited (RIL) operates an employees' provident fund which has a size of Rs. 200 million which includes investments in equity securities amounting to Rs. 58 million. The trustees estimate that additional funds of Rs. 30 million would become available to the fund during the next six months. They plan to invest the available amount in upcoming initial public offerings (IPO) of five equity securities. The treasurer of the fund has gathered the following information in respect thereof:

| Name of company         | Share capital   | before offering | Size of IPO Comments   |
|-------------------------|-----------------|-----------------|--|
| First Energy Limited    | Rs. 500 million | Rs. 200 million | <ul style="list-style-type: none"><li>Fully underwritten</li><li>Profitable operations of two years</li></ul>  |
| Medium Textiles Limited | Rs. 500 million | Rs. 100 million | <ul style="list-style-type: none"><li>Fully underwritten</li><li>Profitable operations of three years</li></ul>  |
| Home Appliances Limited | Rs. 400 million | Rs. 200 million | <ul style="list-style-type: none"><li>Fully underwritten. One of the underwriters is an associated undertaking of Home Appliances Limited</li><li>Profitable operations of more than ten years</li></ul> |
| Mazboot Cement Limited  | Rs. 300 million | Rs. 100 million | <ul style="list-style-type: none"><li>Fully underwritten</li><li>Profitable operations of five years</li></ul>   |
| Nice Pakistan Limited   | Rs. 400 million | Rs. 100 million | <ul style="list-style-type: none"><li>Fully underwritten</li><li>Profitable operations of more than ten years</li></ul>  |