2023

COMPANY LAW

3X10 = 30

2023 (final)

(1) what do you mean by limited liability?

(2) What is difference b/w memorandum of association and article of association

(3) Briefly explain preference shares?

(4) what is meant by voluntary winding up of company?

(5) Define statutory meeting and how it can be held?

(6) What are five contents of prospectus?

(7) Describe the mode of incorporation of company?

(8) what is meant by perpetual succession?

(9) Define company and partnership?

(10) What is difference b/w share and share capital?

(11) What is SECP?

(12) Briefly describe the negotiable instruments?

(13) Define Prospectus, what are the contents of prospectus?

(14) What do you understand by public and private company?

(15) Define unlimited company and association not for profit?

Lsf (3X10=30)

① What is Memorandum of Association? How it can be altered? Pg 38

② What is Extra-Ordinary General Meeting? Who can call the extra ordinary general meeting? Pg 100

③ Make distinction b/w debentures and shares (google)

① What do you mean by limited liability?

Limited liability is a legal concept that protects the owners of a company from being personally responsible for the company's debts and liabilities. This means that if the company faces financial trouble or is sued, the personal assets of the owners (like home or personal savings) are generally safe and cannot be used to pay off the company's debts.

② Difference b/w memorandum of association and article of association?

Memorandum	Article
Meaning:- It is a document which explains powers and objects the of company.	It is a document which contains rules and regulations of company
Purpose:- It provide information to shareholders about the activities of company.	It controls and regulate the internal affairs of the company
Importance:- It's a fundamental document, and not essential for the company.	It is a secondary document and subordinate to memorandum.

③ Briefly explain preference Shares?

The shares which have right to recieve fixed dividend before ordinary shares are called preference shares. The preference shareholders get the shares in surplus amount before ordinary shareholders upon winding up of a company.

Types:- (1) Commulative and Non-Commulative Shares

(2) Participating and Non-Participating Shares

(3) Convertible and Non-Convertible Shares

(4) Zero-Dividend Preference Shares

(5) Stepped Preference Shares.

④ What is meant by voluntary winding up of a company?

In voluntary winding up, the company and creditors dissolve the company without going to the Court. A company may be wound up voluntarily in the following cases: [sec 347]

(1) when the period fixed for the duration of company expires as stated in the articles and the company passes a resolution in general meeting to wind up.

(2) When a company passes a special resolution that the company be wound up voluntarily.

Types:-

There are 2 Types of voluntarily winding up of company.

(1) Member voluntarily winding up

(2) Creditor's voluntary winding up

1) Define Statutory meeting and how it can be held?

A statutory meeting is a legally mandated meeting that certain companies, typically public companies, are required to hold under corporate laws. It is usually the first official meeting of the shareholders after the company is incorporated. The primary purpose of statutory meeting is to provide shareholders with information about the company's formation, share allotments, and initial financial position.

A statutory meeting can be held according to these steps.

1) Prepare the statutory Report
2) Circulate the statutory Report
3) Issue Notice for the Meeting
4) Choose the venue and Date
5) Hold the Meeting
6) Record the Proceedings
7) File with Regulatory Authorities

2) What are the five contents of Prospectus?

1) Cover Page
2) Inside cover page
3) Index
4) Book building Procedure
5) Share capital and related matters
6) Details of Debt securities
7) Financial Information.
8) Application and Allotment instructions.
9) Memorandum of association of the issuer.
10) The application form containing instructions and other information.

⑦ Describe the mode of incorporation of company?

The mode of incorporation of a company refers to the process and methods by which the company is legally formed and registered as a corporate entity under the applicable laws. The mode of incorporation may vary depending on the type of company.

Key steps involved in the Mode of incorporation

1) Choosing the type of company.
2) Name Reservation.
3) Preparation of Documents, it include (memorandum of association, Articles of association, Declaration by Directors)
4) Filling with the Registrar.
5) Payment of Fees
6) Certificate of Incorporation

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⑧ What is meant by perpetual succession?

Perpetual succession refers to the continuous existence of an organization or entity, regardless of any changes in its membership, management, or ownership. It means that the company can continue to operate indefinatily, even if its original members or owners are no longer involved. A company is created under the law and can be dissolved only according to the law.

Key features of perpetual succession.

Continuity
Separate Legal Identity
Independence from Members

members may leave the company by selling their shares but the company continues to exist.

Define company and Partnership?

pany:- A company is a legal entity formed by a group of individuals to ge in business activities. It is recognized by law as a seperate ity from its owners. Companies can own properties, enter into ntracts and are responsible for their debts or obligations

tnership:- A partnership is a business arrangement where two or more ividuals come together to manage and operate a business. In tnership, the partners shares profits, losses and management sponsibilities.

Difference btw Share and Share capital?

Share	Share capital
f:	
nit of ownership in a company.	The total values of shares issued by a company.
nership:	
h share signifies a portion f ownership.	Share capital indicates the overall ownership structure.
lue:	
e value of a single share n fluctuate.	Share capital is a fixed amount based on the number of shares issued at a set price.
pes:	
mon shares, Preffered shares " "	Authorized share capital, issued share capital, paid-up capital, etc.

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(11) What is SECP?

SECP stands for "Securitys and Exchange Commission of Pakistan". SECP was established in 1997 under the securities and Exchange Commission of Pakistan Act, 1997. SECP formulate policies and regulations to promote transparency and accountability in the corporate sector. It oversees the stock exchanges, mutual funds, and other financial institutions. One of its main goals is to protect the rights of investors and ensure fair trading practices in the securities market.

(12) Briefly describe the negotiable instruements?

Negotiable instruments are the documents that can be transfered from one party to another party.

The main types of negotiable instrument are these

(i) Promissory note:-

This is a written promise from one person to pay a specific amount of money to another person at future date or demand.

(ii) Bill of exchange:-

This is a written order from one party to another party to pay a certain amount of money to the third party at a specific time.

(iii) Cheques:-

A cheque is a written, detailed or signed document that directs the bank to pay a specific amount of money from your bank account to the payee

Define Prospectus? What are the contents of Prospectus?

A prospectus means an advertisement, notice or information by which the public is invited to ~~the~~ purchase the shares & debentures of company on the terms and conditions contained in it. A prospectus shall be valid for a period of 60 days from the date of approval.

Contents:-

Cover page

Inside cover page

Index

Book building Procedure

Share capital and related matters

(19) What do you understand by public and private company?

Public company:-

A public company means a company which is not a private company. It means that company may invite the general public to subscribe for its shares or debentures. At least 3 members are required to form a public company. There is no maximum limit of members in public company.

Private Company:-

A private company is a type of business ~~entity~~ organization that is owned by a limited number of shareholders and is not publicly traded on a stock exchange. Shares of private company cannot be offered to the general public

(15) Define unlimited company and association not for profit,

Unlimited Company:-

Unlimited company means a company not having any limit on the liability of its members. It means that the personal assets of the shareholders can be used to pay the debts of the company. Such companies shall add the word "Unlimited" at last of its names.

Association Not for Profit:-

Not-for-Profit (NFP) organizations, often reffered to as non-profit are entities established to serve a specific social or public purpose rather than generating profit for private individuals or stakeholders. These organizations play a crucial role in society and addressing a wide range of needs and issues.

Types:-

1) Charities
2) Foundations
3) Social Serve Organization
4) Educational Institutions
5) Healthcare Organizations
6) Religious Organizations

LONG

Q3# Make distinction b/w Shares and Debentures

Shares	Debentures
Def:-	
A units of ownership in a company.	Debt instruments used to raise funds
Nature	
Shares are represent as equity (ownership)	Debentures are represent as debt (liability)
" "	
Status of Holders	
Shareholders are the owners of the company.	Debenture holders are the creditors of company.
Returns	
Returns in the form of dividends.	Returns in the form of fixed interest
Risk Level:	
Higher risk, as returns depend on the performance.	Low risk, as returns are fixed and guaranteed.
Voting Rights:	
Shareholders have voting rights in meetings.	Debenture holders do not have voting rights.
Convertability:	
Cannot be converted into debentures	Can be converted into shares
Security:	
Generally unsecured (except preference shares).	Can be secured or unsecured.

9) Restrictions:	
Shares have a restrictions issue at a discount.	Debentures have no restrictions to issue at a discount.
10) Repayment:	
No fixed maturity date.	Have a fixed maturity date.
11) Priority in Liquidation:	
Lower priority in case of company liquidation.	Higher priority in case of company liquidation.
12) Control:	
Shareholder can control and participate in the management of the company.	Debenture holders do not have any control or do not participate in the management of company.
13) Tax Treatment:	
Dividends paid to shareholders are generally not tax-deductible for the company.	Interest paid on debentures is usually tax-deductible for the company.
14) Issued by:	
Issued only by companies.	Issued by companies or sometimes by governments.
15) Purpose:	
Issued to raise permanent capital for the company	Issued to raise funds for a fixed period.

What is Extra-Ordinary General Meeting? Who can call the extra-ordinary general meeting?

All other meetings other than the annual general meeting and statutory meeting is called extra ordinary general meeting. An extra ordinary general meeting is a meeting of shareholders or members of an organization that is called to discuss urgent or important matters that cannot wait until the next scheduled annual general meeting. Extra ordinary general meeting can sometimes called multiple times with in a year. The decisions made during ~~and~~ an EGM often require a vote from the shareholders or members present. The outcomes can influence the direction of the organization.

Notice of Meeting:-

A notice may be sent to the members at his registered address by post, courier service or through electronic means. In case of company other than listed, if all the members agree, a meeting may be held at a shorter notice.

Who May Call:-

This meeting may be called in the following ways

1. Board:-

The board may at any time, call extraordinary general meeting to consider any matter which requires the approval of the company in the general meeting.

2) Board on Requisition:

The board shall called the extraordinary general meeting:-

(a) In case of a company having share capital, on requisition by members representing not less than one-tenth of the total voting

(b) In case of a company not having share capital, on requisition of members representing not less than one-tenth of the total members.

The requisition shall state the objects of the meeting, be signed by the requisitionists and deposited at the registered office of the company.

(3) Requisitionists:

If the board does not call the meeting within 21 days from the date of requisition, the requisitionists may themselves call the meeting, However such meeting shall be held with in 90 days from the deposit of the requisition.

• Expenses of meetings:

All reasonable expenses incurred by the requisitionists in calling the meeting shall be repaid by the company. The same amount shall be recovered from the reasonable directors.

• Penalty:

Any default in holding the extraordinary general meeting shall be an offence to penalty of level 2 in case of a listed company and the penalty of level 1 in case of any other company.

• Meeting by Commission:-

If default is made in extraordinary general meeting, the Commission of its own motion or on the application of any member or director of the company call or direct to call the said meeting.

1

What is memorandum of Association? How it can be altered?

memorandum of association is the most important document of the company. The first step in the formation of company is to prepare and file a memorandum with the registrar. It is a document which contain the power and objects of the company. It provide information outsiders about the activities of the company.

Def

"The memorandum of Association of company is its charter and defines the limitations and the powers of the company established under the Act"

Characteristics of MOA :-

1) It contains the conditions on which a company is incorporated.
2) Every company must make its own memorandum.
3) It lays down the objects of incorporation.
4) It provide information about the liability and share capital of the company.
5) It is signed by a ~~company~~ persons who form a company.
6) It is a public document which can be obtained by anybody.

Alteration of MOA :-

The memorandum of association can be altered by the following procedure.

1) Alteration of Name

2) Alteration of Registered Office
3) Alteration of Object
4) Alteration of Liability
5) Alteration of capital
6) Change of Subscription Clause.

1) Alteration of Name:

Alteration of name refers to the process of changing the name of a company as stated in its MOA. This is a significant alteration because the name of a company is a key aspect of its identity and branding. Changing the company's name is an important decision and requires careful consideration and compliance with legal procedures.

2) Alteration of Registered Office:

A company shall pass the special resolution to change the place of registered office. An alteration shall require confirmation by the Commission. A copy of the order confirming the alteration shall be forwarded to the company and the registrar within 7 days.

3) Alteration of Object:

Alteration of object refers to the process of changing the objectives or purposes for which the company was originally established. This alteration can be necessary for various reasons such as expanding the scope of business activities, adapting to market changes, or pursuing new business opportunities.

4) Alteration of Liability :-

Alteration of liability refer to the process of changing the liability status of the members of the company. This alterations can occur in the companies that have specific type of liability structure, such as limited liability or unlimited liability. In a limited liability company, the liability of its members is limited to the amount they have invested or agreed to contribute to the company. OR in an unlimited liability company, members are fully liable for all debts and obligations of the company.

5) Alteration of Capital :-

Alteration of capital refers to the changing the amount of capital that the company is authorized to raise the structure of its share capital. This can involve ~~the~~ increasing or decreasing the total share capital, changing the number of shares or altering the per value of shares. Alterations can also involve changing the types of shares (e.g ; from ordinary to preference shares).

6) Change of Subscription Clause :-

The subscription clause can never be changed. The death of subscriber has no effect on the life of company because it attains a seperate entity after registration.

2022 shorts

① What do you understand by SECP?

repeat Q11 of 2023

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② Define limited company and association not for profit?

Limited company:-

A limited company is a type of business structure that limits the liability of its owners to the amount they have invested in the company. It means if the company faces any financial difficulties or is sued, the personal assets of the shareholders are generally protected.

There are two types of limited companies.

(i) Private Limited company (LTD)

(ii) Public Limited company (PLC).

Association not for Profit:-

repeat Q15 of 2023

How is company incorporated in Pakistan?

Repeat Q7 of 2023.

What is Statutory Meeting? How it can be held?

Repeat Q6 of 2023

Define Prospectus? Name the contents of Prospectus?

Repeat Q13 of 2023

What is meant by winding up of company?

The winding up of company means the process of by which a company is dissolved. A company is created by legal procedure and it comes to an end through a legal procedure. Windingup is the process by which the management of the company is taken from directors, assets are sold by a liquidator, debts are paid off and remaining balance is divided among the members. The winding up of a company is also known as liquidation.

Differentiate b/w company and Partnership.

Company	Partnership
Formation: It is formed by following the procedure under the law.	• It is formed by aggreement between the persons.
Dissolution: It can be dissolved under the law only.	• It can be dissolved any time with the mutual consent of the parties.
Registration: The registration is compulsory for the formation of company.	• The registration is not compulsory for the formation of partnership.
Liability of members: The liability of members is limited.	• The liability of partners is unlimited

(8) Briefly describe the negotiable instruments?
Repeat Q12 of 2023

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(9) What is the liability of an auditor for negligence?

The liability of an auditor for negligence refers to the legal responsibilities that auditors may face if they fail to perform their duties with the required level of care, resulting in financial harm to the company or its stakeholders. When an auditor is found to be negligent, they can be held accountable for their actions or ~~inactions~~ inactions

Auditors negligence can manifest in various ways

Failure to detect errors or fraud.
Lack of Due Professional Care
Non-Compliance with auditing standards.

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(10) What is difference b/w share and share capital?
Repeat Q10 of 2023

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(11) What do you understand by private and public company?
Repeat Q14 of 2023

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(12) Who is Promoter?

A promoter is an individual or entity that plays a key role in the formation ~~of~~ and organization of company. They are responsible for bringing together

necessary resources, such as capital and talent, to establish new business venture. Promoters are typically involved in the initial stages of a company's creation, including drafting the company's business plan, registering the company, and preparing necessary documents.

Duties	Liabilities of promoter
Secret Profit	Criminal liability
Disclosure of Fact	Compensation

Write any Five Subject matter of article of Association?

These are five subject matters that are typically found in the Articles of Association.

1) Company Name and Registered Office
2) Share Capital
3) Board of Directors
4) Meetings
5) Dividends and Reserves

Briefly explain preference Share capital?

Repeat Q3 of 2023

Very briefly explain the fundamentals of negotiable instruments?

Negotiable instrument are the documents that can be Transferred from one party to

another party. The key fundamentals of negotiable instruments are these.

(i) Transferability: They can be easily transferred from one party to another party, allowing for the easy transfer of rights.

(ii) Unconditional Promise: They contain an unconditional promise or order to pay a specific amount.

(iii) Legal framework: They are governed by a specific laws or regulations, which provide rights and obligations for all parties involved.

(iv) Types: Common types include promissory notes, cheques and bills of exchange.

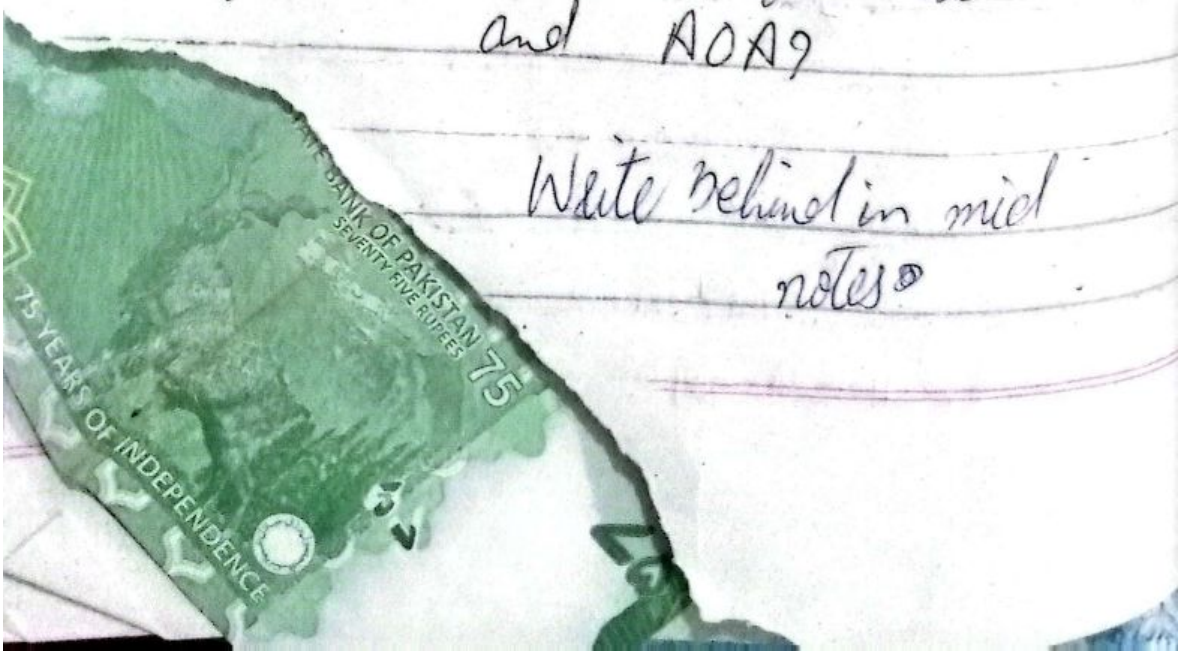
LONG Questions:-

① Define Prospectus? What are the contents of Prospectus

Write behind in mid notes

② Differentiate in detail b/w MOA and AOA?

Write behind in mid notes.



Q2: Discuss in detail the appointment of an Auditor? also discuss his duties related to Client Company.

Auditor:-

An auditor is a person who is assigned the job to audit the financial statements of a company in accordance with the provisions of law and auditing standards as applicable in Pakistan.

Appointment of Auditor:-

The rules for appointment of an auditor are as follows

1) First Auditor:

The first auditor shall be appointed by the board within 90 days of the date of incorporation of the company. The first auditor shall hold office until the conclusion of the first annual general meeting.

2) Subsequent Auditor:

The subsequent auditor shall be appointed by the company in the annual general meeting on the recommendation of board. The members having not less than 10% shareholding of the company shall also give any option for auditor. Subsequent auditor plays a crucial role in ensuring that the financial statement of a company remain accurate and trustworthy over time.

3) Casual Vacancy:

Any casual vacancy of an auditor shall be filled

by the board within 30 days. An auditor shall hold office until the conclusion of the next general meeting

4) Appointment by Commission:

The commission can appoint auditor under the following circumstances:

(a) If auditor is not appointed within 40 days of the date of incorporation of a company

(b) If auditor is not appointed at an annual general meeting

(c) If the casual vacancy in the office of an auditor is not filled within 30 days.

The auditor appointed by the Commission shall hold the office till conclusion of the next annual general meeting

(5) Consent and Intimation: Every company shall, with in 14 days from the date of appoinment of an auditor, send intimation to the registrar together with the consent in writing of the auditor.

Duties of an Auditor:

The duties of an auditor related to his client company are these.

1) Planning the audit:

The auditor must prepare a detailed audit plan that outlines the scope, timing and nature of the audit procedures to be performed.

Conducting the Audit:

The auditor is responsible for examining the company's financial statement, internal controls etc.

Assessing Risks:

The auditor must identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error.

Gathering Evidence:

The auditors collects evidence through various methods, such as inspections, inquiries and confirmations to support their findings.

Reporting:

After completing the audit, the auditor must prepare an audit report that expresses their opinion on the fairness of the financial statement.

The auditor plays a critical role in ensuring that the financial statements of a client company are accurate and reliable.

2021 Shorts (6x5=30)

① Differentiate b/w AOA and MOA?

Next Q2 of 2023

② Elaborated the important clauses of Prospectus?

A prospectus is a formal document that companies use when they are offering the securities to the public. It provide essential information to potential investors and help them make informed decisions.

The important clauses of prospectus are these.

Introduction
Risk Factors
Use of Proceeds
Company Overview
Financial Information
Legal Matters
Dividend Policy
Subscription Procedure

③ Differentiate b/w Preffered share capital and ordinary share capital

Prefered shareCapital	ordinary share capital
Voting rights: Generally do not carry voting rights.	• Have voting rights in Company meetings.
Risk Levels: Lower risk compared to ordinary shares	• Higher risk as compared to prefred shares.

Convertability: may be convertible into ordinary shares in some cases	• Cannot be converted into preferred shares
Earning Potential: Limited earning potential due to fixed dividends	• Higher earning potential as dividends may increase with profits
Suitability: Suitable for investors seeking stable returns.	• Suitable for investors seeking high returns and are willing to take risks.

(4) Discuss the rights of shareholders of a company?

The rights of shareholders of company are these

i) Voting Rights: Shareholders typically have the right to vote on significant matters that affect the company such as election of directors etc.

ii) Right to receive dividends: The shareholders have right to receive the dividend from the company.

iii) Right to information: Shareholders have right to receive important information about the company including financial statements, annual reports and details of shareholder meetings.

iv) Right to Attend Meetings: Shareholders have right to receive annual general meeting and other special meetings.

v) Right to Sue for Wrongdoings: Shareholder have right to take legal action against company or its management if they have proofs of wrong doing with their interests

(5) Discuss the Role of SECP for the promotion of corporate sector?
repeat Q11 of 2023

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(6) Explain the modes of winding up of company
There are 2 modes of winding up of company

(i) Voluntary winding up
(ii) Compulsory winding up

Voluntary winding up: Repeat Q4 of 2023
Compulsory winding up: Compulsory winding up of a company is also known as compulsory liquidation. It is a legal process where a company is forced to shut down by a court order. This typically happened when the company is unable to pay its debts or meet its financial obligations.

LONG

(1) Differentiate b/w MOA and AOA?
write behind in Mid terms

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(2) Explain the document required for the process of formation of a company.
write behind in Mid terms

2020 Shorts

What do you understand by public and private company?
Repeat Q14 of 2023

Q2: What is meant by winding up of company by court?
compulsory winding up of company

Q3: What is voluntary winding up of company?
Repeat Q4 of 2023

Q4: What is Prospectus?
Repeat Q2 of 2021

Q5: Difference b/w MOA and AOA?
Repeat Q2 of 2023

Q6: What is meant by Public Sector Company
Repeat Q14 of 2023

Q7: Define Preference Share capital?
Repeat Q3 of 2023

Q8: Who is liable to pay Zakat in Islam?
In Islam, the obligation to pay Zakat falls on adult, and sane. Muslims who own a certain amount of wealth. This wealth can include things like money, Gold, Silver and Live Stock.

ساڑھے سات تولے سونا
ساڑھے باون تولے چاندی

Q9: Difference b/w Share and Share certificate

Share	Share certificate
Def: A unit of ownership in a company that represents the claim on company's profit and assets.	A legal document that certifies ownership of a specific number of shares in a company
Nature: Intangible asset.	Tangible document.
Purpose: Represents ownership in the company	Acts as proof of ownership of shares.
Transferability: Can be bought, sold or transferred.	Used to facilitate the transfer of shares.
Existence: Exists as a concept or digital record.	Exists as a physical or digital document.

Q10: What do you understand by corporate law authority, when it came into existence?

Corporate law authority refers to the legal framework and ~~of~~ regulatory bodies that govern the formation, operation and dissolution of corporations. It came into existence to ensure that businesses operate within the law, protects the rights of shareholders and maintain fair practices in the marketplace.

The authority typically includes statutes and regulations enacted by governments, as well as guidelines set by regulatory agencies. Corporate law authority is essential for promoting transparency, accountability, and ethical conduct in business operations

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LONG

① Difference b/w company and partnership
write behind in mid term

② Describe the historical background of company law?
③ Describe the fundamental of contract Act

2019 (Shorts)

① Briefly describe how memorandum can be altered?
Long Q1 of 2023.

② What are the requirements of memorandum?

The memorandum of association of company is its charter and define the limitations and power of the company established under the Act.

These are some requirements that are typically included in the memorandum.

1) Name Clause: The name of the company must be specified, and it should end with "Limited", if it is a limited company.

2) Registered Office Clause: The memorandum must state the location of the company's registered office.

3) Object Clause: The memorandum must state the objects for which the company is established

4) Liability clause: The memorandum must indicate the liability of members whether it is limited or unlimited.

5) Association Clause: This is the declaration by the subscribers (founders) to form the company and agree to take shares in the company

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(4) What do you understand by AOA?

Repeat

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(5) What is Riba? Why it is prohibited in Islam?

Riba means "increase", "excess", or "growth". It is an Arabic word that is equal to the financial terms "interest" or "usury" in English.

Riba is the name that Allah gave in the Quran to any increase of a debt or a loan until its repayment.

Riba is prohibited in Islam for several reasons-

1) It is meant to ensure equity in exchange.
2) It is thought to be exploitative.
3) It promotes enequality.
4) It increase the gap b/w rich and poor in society.
5) It is meant to ensure that people can protect their wealth by making unjust and unequal exchanges illegal.

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(6) Difference b/w statutory and annual general meeting

Statutory meeting	Annual General meeting
Def: A one-time meeting held by a company after incorporation.	• A recurring meeting held annually by a company
Timing: Held within 1-6 months from the date of incorporation.	• Held within 6 months after the end of the financial year.
Purpose: To inform shareholders about the company's incorporation and initial affairs.	• To review the company's performance, approve accounts, and elect directors.
Notice Period: Requires 21 days notice to shareholders.	• Require 21 clear days notice to shareholders.

(7) Make difference b/w AOA and MOA?

Repeat

(8) Define unlimited company and Association not for profit

Repeat

(9) Make difference b/w debentures and shares

Repeat

(10) What is the vision and mission of SECP?

Repeat

(11) Briefly describe the kinds of company.

There are four kinds of company

According to Incorporation:

(a) Chartered company, (b) Statutory company

(c) Registered company, (d) Foreign company

2) According to Liability:

(a) Company limited by shares, (b) Company limited by Guarantee, (c) Unlimited

3) According to ownership and control:

(a) Private company, (b) Public company, (c) Public Sector Company

(d) Associated company, (e) Holding company and Subsidiary company

(4) Miscellaneous:

(a) Association not for profit.

(b) Freezone company

(c) Inactive company

(d) Illegal Association

(e) Agriculture Promotion Company

LONG

① Define company? How it can be registered?

write behind in mid term.

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② Explain Share capital in detail?

The capital means the amount of money with which a business is started. In a company, the share capital refers to the amount of money raised by issue of shares. The share capital of a company is the money that is subscribed by the shareholders.

Kinds of Share Capitals

There are six different kinds of share capital.

1) Authorized Capital

Authorized capital is also known as nominal or registered capital. It refers to the maximum amount of share capital that a company is authorized to issue to shareholders as stated in its memorandum of association. This figure represents the limit on the number of shares the company can issue and the total value of those shares. Companies can change their authorized capital by passing a special resolution and complying with relevant legal requirements. This allows them to increase or decrease their capital as needed.

2) Issued capital:

The amount of share capital which is issued to the public is called issued capital. Issued capital is always a subset of authorized capital. The issued capital determines the ownership structure of the company, as it indicates how many shares are in circulation and who holds them. Issued capital can be divided into paid-up capital or unpaid capital.

3) Unissued capital:

The amount of share capital which is not issued by the company is called unissued capital. Unissued capital is the remaining portion of the authorized capital after accounting for the issued capital.

<u>for example</u>:- If a company has an authorized capital of 1 million PKR and has issued shares worth 6 lac PKR, then the unissued capital would be 4 lack PKR.

4) Subscribed Capital:

Subscribed capital refers to the portion of issued capital that investors have agreed to purchase or subscribe. Subscribed capital is a subset of issued capital. Subscribed capital is important for understanding how much capital a company can expect to receive from its shareholders.

5) Paid-up capital:

Paid-up capital refers to the amount of money that a company has recieved from shareholders in exchange for shares of stock. Paid-up capital is the total amount that shareholders have actually paid to the company for their shares.

forexample:- If a company has issued shares worth 1 million PKR and shareholders have paid the full amount for those shares, then the paid-up capital is 1 million PKR

6) Called-up capital:

Called-up capital refers to the portion of subscribed capital that a company has requested shareholders to pay. It represent the amount that the company has called upon its shareholders to pay for the shares they have agreed to purchase.

(3) Briefly describe the various modes of winding up of company.

There are 2 modes of winding up of company
1) Voluntary winding up of company
2) Compulsory winding up of company

1) Voluntarily winding up:

In voluntary winding up, the company and creditors dissolve the company without going to the Court. A company may be wound up voluntarily in the following cases.

(a) When the period fixed for the duration of company expires as stated in the articles and the company passes a resolution in general meeting to wind up.

(b) When a company passes a special resolution that the company be wound up voluntarily.

There are 2 types of voluntary winding up of company

(i) Member Voluntarily winding up:

Member voluntarily winding up of a company is a process where the members of the company decide to close or dissolve the company on their own accord.

(ii) Creditors Voluntarily winding up:

Creditors voluntarily winding up of company is a process where a creditors decide to wind up the company because company is unable to pay its debts.

2) Compulsory Winding up:

Compulsory winding up of a company is also known as compulsory liquidation. It is a legal process where a company is forced to shut down by court order. This typically happens when the company is unable to pay its debts or met its financial obligations.

These are some common types of compulsory winding up:-

(i) Winding up for Insolvency:

If a company is insolvent, meaning it is unable to pay its debts, the court can order its winding up.

(ii) Winding up for Reduction of Capital:

If a company reduces its capital below the minimum required by law, the court can order its winding up.

(iii) Winding up for loss of Membership:

If a company has only one member and that member dies or is dissolved, the court can order for its winding up.

(iv) Winding up for Failure to File Annual Returns:

If a company fails to file its annual returns with the registrar, the court can order its winding up.

Company Law Mcal

Short Questions

① What is preference shares with types? Pg 64,65
② * Describe Right shares and Bonus shares?
③ Elaborate further issue of capital? Pg 66
④ What is Lieu of prospectus? Pg 55,56
⑤ What is scheduled bank? Pg 59
⑥ * Define AGM? (annual general meeting)
⑦ * Explain Preliminary contract expenses?
⑧ Difference b/w issued capital and subscribed capital? Pg 63
⑨ What is Abriged Prospectus? Pg 54,55
⑩ * Elaborated Associations not for profits?
⑪ Explain Free Zone company? Pg 18
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Long Questions

① Difference b/w company and Partnership? Pg (7)
② Difference b/w articles of association and memorandum of association? Pg
③ What are characteristics of private company? Described briefly? Pg
④ Explain the rights, duties and liabilities of a promoter? Pg (28 to 30)
⑤ Explain the prospectus with its contents? Pg (48 to 52)
⑥ Procedure of registring of Public company?

Q:1 What is Prefrence Share with types?

The shares which have right to recieve fixed dividend before ordinary shares are called prefrence shares. The prefrence shareholders get their share in surplus amount befor oridinary shareholders upon winding up of a company.

Types:

(1) Commulative and Non-commulative shares
(2) Participating and Non-participating shares
(3) Convertible and Non-convertible
(4) Zero Dividend Prefrence Share
(5) Stepped Prefrence Shares

Q2: Describe Right Share and Bonus Share?

Right Share:

Right shares are the additional shares offered by a company to its existing shareholders at a discounted price, relative to the market price, in proportion to their current shareholding. Companies use right shares to raise funds for expansion, debt reduction or other operational needs.

Bonus Shares:

Bonus shares are the additional shares issued by a company to its existing shareholders without any cost. They are alloted in a fixed ratio to the shareholders existing holdings, such as 1:2.

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③ Elaborate further issue of capital?

The directors may increase share capital of the company by issue of further share capital. If shares are offered to the existing member of the company, they are called right shares.

The rules are as follows.

(a) The shares shall be offered to the members in proportion to existing shares held by them.

(b) A public company may reserve a certain percentage of further issue for the Employees "Stock option Scheme" after approval from Commision.

(c) A public company can issue shares to any person subject to approval of the comission.

(d) A copy of letter of offer shal be sent to the registrar.

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④ What is Lieu of Prospectus?

Where a public company raises capital through private allotment, there is no need to issue a prospectus. If a company does not issue a prospectus inviting a public to subscribe for its shares, it shall issue a statement in lieu of prospectus.

Contents:

The statement in lieu of prospectus shall contain the following contents.

1- Name of company

2- Corporate Universal Identification No. (CUIN)

3- Registered office
4- Telephone No
5- Fax No
6- Website adress
7- Email adress
8- Authorized share capital of the company.

Q5: What is Scheduled Bank?

The banks that are registered with the State Bank of Pakistan are called scheduled bank. All money recieved from applicants for shares shall be deposited in a seperate bank account in scheduled bank. Incase of default, the company and every officer responsible shall be liable to the panalty of level 2.

Some well-known Scheduled Banks include Habib Bank, National Bank and MCB Bank.

Q6: Define AGM?

AGM stands for "Annual General Meeting". It is a formal meeting where shareholders or members are invited to discuss the companys financial performance, policies and future plans. During this meeting, shareholders are given the opportunity to vote on various matters, and it is essential to approve the company's annual accounts and reports. The purpose of an AGM is to promote transparency and accountability. AGM are typically held once a year.

Q8: Differentiate b/w Issued capital and Subscribed capital

Issued capital	Subscribed capital
Def: The portion of authorized capital offered to investors for subscription.	• The portion of issued capital that investors have agreed to buy.
Timing: Issued before subscription.	• Issued after subscription.
Payment: May not be fully paid.	• Usually fully paid, through payment can be in installements.
Value: Always greater than or equal to the subscribed capital	• Always less than or equal to issued capital.

Q9: What is Abriged Prospectus?

An abriged prospectus contain the matters specified in a prospectus but in a brief form. An abridged prospectus contain the following information.

1- The word abridged must be mentioned in the document.
2- Advices for investors.
3- Information relating to issuer.
4- Details of approvals obtained.
5- Name of underwriters and amount underwritten.
6- Addresses from where copies of the prospectus can be obtained.

Q11: Explain Free Zone Company?

A free zone company is a type of buisness entity that is registered in a specific free trade zone or economic zone. These zones are established by Governments to attract foreign invesment and promote international trade. These companies typically operate in trading, manufacturing and service sectors. A free zone company is not bound to use the words "Private limited" or "Limited" with its name. It must add words "FZC" at the end of its name. Free zone companies enjoy several benefits.

- Tax Exemptions
- 100% Foreign ownership
- Easy Buisness Setup

Q12: Define Debentures?

Debentures are a type of long-term debt instrument issued by companies to rais funds from the public. They are essentially a formal acknowledgment of loan that a company takes, promising to repay the borrowed amount with a fixed interest rate with in a specified time frame. Debenture holders are creditors of the company, not owners, and they recieve interest regardless of the company's profitability.

Types of Debentures:-

1- Based on Security
2- Based on Convertability
3- Based on Redemption
4- Based on Priority
5- Based on Registration
6- Based on Interest rates

Q13: What is Single Member Company?

According to Sec 2(1)(65), a single member company means a company which has only one member.

The following are the rules of single member company.

1. A single person may form a single member company.
2. A single member company shall not invite the public to subscribe for its shares.
3. A single member company shall have atleast 1 director.
4. The single member company may transfer all his shares to single person.
5. The company may appoint a secretary.

Q14: Difference b/w holding and Subsidiary company?

Holding Company	Subsidiary company
Def: A company that owns a controlling interest (usually more than 50%) in other companies.	A company that is controlled by another company (the holding company).
Legal Entity: Operates as a seperate legal entity.	Operates as a seperate legal entity but is controlled by the holding company.
Revenue Generation: Earns revenue through dividends, interests or capital gains from subsidiaries.	Generate revenue through its own business operations.
Liability: Generally not liable for the debts and obligations of its subsidiaries	Liable for its debts and obligations

Q15: Explain Transfer of Shares?

Transfer of shares refers to the process of transferring ownership of shares from one person (the transferor) to another person (the transferee). This is typically done through a legal document known as share transfer form. The shares of a public company are freely transferable. However, in a private company, the law describes a manner in which transfer of shares shall be made.

Following are the steps involved in Transfer of shares:

1. Agreement b/w transferor and transferee.
2. Execution of Share transfer deed.
3. Submission to the Company.
4. Company Approval.
5. Entry in Register of Members.
6. Issuance of New Share Certificate.

Q7: Explain Preliminary Contract Expenses?

Preliminary Contract expenses refer to the costs incurred by a company during its formation and before it is legally incorporated. These expenses typically include costs associated with drafting, negotiating, and executing contracts or agreements that are necessary to set up the company but are entered into on behalf of the company before it comes into existence. Preliminary contract expenses are crucial for the successful launch of a new buisness.

Q10: Elaborated Association not for profit?

Not-for-Profit (NFP) organizations, often reffered to as non profits; are entities ~~esta~~ established to serve a specific social or public purpose rather than generating profit for private individuals or shareholders. Theses organizations play a crucial role in society and ~~addr~~ addressing a wide range of needs and issues.

Types of NFP organizations:-

1) Charities
2) Foundations
3) Social Service Organizations
4) Educational Institutions
5) Healthcare Organizations
6) Religious Organizations

Long Questions

Q1 Difference b/w company and Paternership?

Company	Partnership
Formation: It is formed by following the procedure under the law	It is formed by agreement between the persons.
Legal Person: It has a legal existance seperate from its shareholders.	It has no legal existence seperate from its partners.
Liability of Members: The liabilities of members is limited.	The liability of members is unlimited.
Mutual Relationship: The members of company are not its agents.	The partner of partnership are its agents.
Management: All members cannot manage the affairs of company. It is managed by board of directors.	All members can take part in the managment of business.
Registration: The registration is a compulsory for the formation of company.	The registration is not compulsory for the formation of partnership.
Regulation: It is regulated by the Companies Act, 2017	It is regulated by the Partnership Act, 1932.

Minimum Members:	
A single member company has 1 member. A private company has at least 2 members. A public company has at least 3 members.	A partnership must have atleast 2 members.
Maximum Members:	
The maximum number of members is 50 in a private company and unlimited in public company.	The maximum number of partners is 20 in a partnership. In some cases, it may be more than 20.
Dissolution:	
It can be dissolved under the law only.	It can be dissolved any time with the consent of partners.
Legal Formallities	
A company is required to follow many legal formallities.	A partnership is not required to follow many legal formalities
Financial Statements:	
The financial statement are required to be published for a general public.	The financial statement are not required to be published for general public.

Q#2: Differentiate b/w article of association and memorandum of association?

Article of Association:

Article of association are the internal regulations of the company and are for the benefits of the shareholders.

Memorandum of Association:

The memorandum of association of the company is its charter and defines the limitations and the powers of company established under the Act.

Memorandum	Article
Meaning: It is a document which explains the powers and objects of the company.	• It is a document which contains rules and regulations of the company.
Main Object: It provides information to outsiders about the activities of company.	• It control and regulates the internal affairs of the company.
Importance: It is a fundamental document and most essential for the company.	• It is secondary document and subordinate to memorandum.
Provisions: The provisions of memorandum must not be against the provisions of Companies Act.	• The provisions of articles must not be against the provisions of the memorandum and Companies Act.
Alteration: It can be altered by special resolution and with permission of court or Comission.	• It can be altered by a special resolution.
Approval: If company violates the memorandum, it cannot be approved by the shareholders.	• If company violates the articles → it can be approved by the shareholders.

Q3: What are the characteristics of private company? Explain briefly

Private Company:

A private company is a business entity that is privately owned, either by an individual or a group. It is characterized by the following:-

- Private ownership
- Limited Liability
- Less Regulatory Burden
- Flexible operations
- Potential for Growth

Characteristics:-

A private company has the following characteristics:-

1. It has some restrictions on the transfer of shares.
2. It can be formed by atleast 2 persons. The total members must not exceed 50.
3. It cannot invite the public to purchase its shares and debentures, so it cannot issue prospectus to the public.
4. It raises capital by offering shares to relatives, friends directors, promoters or existing members.
5. It can be converted into a single member company with approval of the Commision.
6. A private company must add the words "(Private) Limited" at the end of its name.

Q5: Explain the rights, duties and liabilities of promoter?

Def of Promoter:-

According to Sec. 2(1) (69), promoter means a person:

1) Who is named as a subscriber to the memorandum of ~~the~~ association of a company; or

2) Who has been named as such in a prospectus; or

3) Who has control over affairs of the company, directly or indirectly wheather as a shareholder, director or otherwise; or

4) In accordance with whose advice, directions or instructions the board of the company is accustomed to act.

Rights of Promoter:

Following are the rights of promoter

1) Preliminary expenses:

A promoter is entitled to reimbursment for preliminary expenditures, incurred for the company's establishment, such as solictors fees, advertising costs and surveyor's fees.

2) Remuneration:

A promoter has a right to recieve remuneration for his services. If there is no agreement to pay remuneration, the promoter is not entitled to recieve remuneration. If company makes an agreement with the promoter after its formation, the promoter can sue the company for remuneration

① Duties of Promoter:-

The duties of promoter are as follows

① Secret Profit:-

A promoter is not entitled to make any secret profit from the preliminary contracts. If promoter make any secret profits, the company may cancel the contract, recover the secret profit or sue for breach of duty.

② Disclousre of Facts:

A promoter must disclose all material facts related to formation of company to the members. If he sells his own property to the company, he must disclose his interests in the contract to directors and shareholders.

Liabilities of Promoter:

The liabilities of promoter are as follow.

① Criminal Liability:-

Criminal liability refers to the legal responsibility that a promoter may face if they engage in unlawful activities while promoting a company. Promoters have various obligations, and if they violate laws or regulations, they can be held criminally liable.

② Compensation:

If promoter has signed the prospectus, he shall be liable

Q5: Explain the prospectus with its contents?

Prospectus:-

A prospectus means an advertisement, notice or information by which the public is invited to purchase the shares or debentures of company or the term and conditions contained in it.

Offer of Prospectus:-

A person cannot make a public offer of securities unless he obtains approval of prospectus from the Commission. It shall not apply in the following cases.

1. Securities offered by the State Bank of Pakistan.
2. Securities offered through private offering.
3. Shares of subsidiary issued to the members of a listed holding company.
4. Securities offered to members or employees of the issuer, or their family members.
5. Shares offered as bonus shares to members of the issuer.

Duration of Prospectus:

A prospectus shall be valid for a period of 60 days from the date of approval or for a longer period approved by the Commission.

Contents of Prospectus:-

1) Cover page.
2) Inside cover page.
3) Glossary of Technical Terms.
4) Index
5) Approvals, consents and listing on the securities exchange.
6) Valuation Section
7) Book building Procedure
8) Share capital and related matters.
9) Details of Debts securities.
10) Underwriting arrangment, commisions and other expenses.
11) Overview history and prospectus of the company.
12) Financial Information
13) Managment of the company.
14) Credit rating in case of debt securities.
15) Miscellaneous Information.
16) Application and Allotment instructions.
17) Memorandum and association of the issuer.
18) The application form containing instructions and other information

Q6# Procedure of registering of Public company?

The process of formation of a company can be divided into 4 steps:

1. Promotion
2. Incorporation
3. Certificate of Incorporation
4. Commencement of Business

1. Promotion:-

The promotion include thinking of a business idea and the organization of funds, property and managerial ability to run a business for the purpose of making profit.

Functions of Promoter:

The functions of promoter are as follows:-

1. Business Idea: A promoter thinks of a business that can be profitability run. He may start a new business or enter into an existing line of business. He may take help from experts.
2. Investigation: The promoter investigates the demand for the product offered by the business. He determines the size of business and availability of capital, labour and raw material.
3. Preliminery contract: The contract made by promoters on the behalf of a company yet to be formed is called preliminary contract.
4. Prepration for Incorporation
5. Incorporation of company

(2) Incorporation

Incorporation of a company is the second step in the formation of company. There are two methods for getting a company incorporated.

(a) Manual Method (b) Online Method.

The application may be submitted with normal fee or through Fast Track Registration Services (FTRS) for urgent processing in 4 hours.

(a) Manual Methods-

A company is incorporated traditionally through manual submission of relevant applications and documents in the company Registration Offices (CRO). The promoters must fill the following formalities for Registration:

(1) Prior Approval:

The prior approval from Relevant Ministries/Departments is required before incorporation of a company for one of the following types of businesses:

Banking Company	Ministry of Finance/State Bank of Pakistan
Non-Banking finance company	SECP
Money Exchange Company	State Bank of Pakistan
Trade organization	License from Ministry of Commerce.

(2) Approval of Name

An application in the prescribed form shall be ~~filled~~ filed with the registrar for the approval of name of company. The registrar verified that proposed name is according to the law and gives his approval.

(3) Submission of Documents:

The following documents are filed with the registrar to obtain certificate of incorporation:

ID card, Memorandum of association, article of association, Declaration of Compliance, Registered Office, List of Directors, Particulars of First Directors, Consent of Directors.

(4) Registration Fee:

The Registration fee is fixed according to the Seventh Schedule. After depositing a fee, the orignal paid challans are filed with the registrar.

(b) Online Method:

The online services of the SECP can be used for incorporation, changes in name, address, objects or status of a company.

The following is a procedure of online method:

(i) User Registration

(ii) Company Name Reservation

(iii) Enter Information

(3) Certificate of Incorporation:

If registrar is satisfied that all the requirements of the Act and rules or regulations have been compiled with, he shall register the memorandum and other documents. On registration of memorandum, the registrar shall issue a certificate of incorporation.

The certificate of incorporation shall state the following:

① The name and registration number of the company.
② The date of incorporation.
③ Wheather it is private or public company.
④ Wheather it is limited or unlimited company.
⑤ If it is limited, wheather it is limited by shares or limited by guarantee.

④ Commencement of Buisness:

All companies can commence business or exercise borrowing powers after obtaining the certificates of incorporation, except a public company. In order to commence business, the public company must fulfill the following requirements:

1) Minimum Subscription
2) Qualification Shares
3) Application Money
4) Declaration
5) Statement in Lieu of Prospectus
6) Certificate in Commencement of Business