LEARNING LEAGUE

Practice Examination Series — CAF 4

Business Law Dynamics — Company Law

Chapter 1: Introduction and Types of Companies — 30-Mark Test

Total marks: 30 **Time allowed:** 55 minutes

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Prepared by Haleema Lateef

Instructions to examinees:

(i) Answer ALL questions.

(ii) Select the most appropriate answer for each Multiple-Choice Question and use the first page of the answer script to answer the MCQs.

(iii) Marks are shown against each question.

Section	Questions	Marks
A — Multiple-Choice Questions	Question 1: (i) – (vi)	08
B — Short Questions	Questions 2 and 3	12
C — Long Question	Question 4	10
Total		**30**

Student name: _____

Roll No.: _____

Date: _____

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SECTION A

QUESTION 1

Select the most appropriate answer from the options provided for each of the following Multiple-Choice Questions.

(i) Lime Traders Limited (LTL) is a company limited by shares, all of whose shares are fully paid. LTL has become unable to pay its debts and is being wound up.
Under the Companies Act, 2017, which of the following statements is **NOT** correct?

(a) LTL itself remains fully liable for all of its debts and other liabilities
(b) LTL's members are not required to pay any further amount towards LTL's debts
(c) LTL's directors, having acted within their powers and in accordance with law, are not personally liable for LTL's debts
(d) LTL's members must contribute towards LTL's unpaid debts in proportion to their shareholdings

(01 mark)

(ii) Consider the following statements regarding Lilac Paints Limited (LPL):
(I) Any legal person, including another company, may own shares in LPL.
(II) When Mr. Yasir gifts his LPL shares to his son and the transfer is completed, the right to attend and vote at LPL's general meetings in respect of those shares remains with Mr. Yasir.
Which of the following is correct under the Companies Act, 2017?

(a) Only statement (I) is correct
(b) Only statement (II) is correct
(c) Both statements are correct
(d) Both statements are incorrect

(01 mark)

(iii) Navy Software Bhd (NSB), a company incorporated in Malaysia, plans to serve customers in Pakistan.
Under the Companies Act, 2017, which of the following statements is correct regarding NSB?

(a) NSB will be a foreign company only if it incorporates a subsidiary in Pakistan
(b) NSB will be a foreign company if it has a place of business or liaison office in Pakistan, whether by itself or through an agent, physically or through electronic mode
(c) NSB will become a "company" under the Act once it starts selling software to customers in Pakistan
(d) NSB can never be a body corporate for the purposes of the Act, as it is incorporated outside Pakistan

(01 mark)

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(iv) Jade Learning Foundation (JLF) is a company licensed under section 42. On 5 March 2026, the Commission, being satisfied that JLF had defaulted in filing its financial statements with the registrar for the immediately preceding two consecutive financial years, revoked JLF's licence by an order in writing, without giving JLF any prior notice.

Under the Companies Act, 2017, is the revocation valid?

(a) Yes, because default in filing financial statements for two consecutive financial years is a ground for revocation

(b) Yes, because the Commission passed the order in writing, which is all the Act requires

(c) No, because before revoking a licence, the Commission must give the company written notice of its intention and an opportunity of being heard

(d) No, because a licence granted under section 42 can be revoked only by the court

(1.5 marks)

(v) After the licence of Maroon Care Foundation (MCF), a company licensed under section 42, was revoked, its assets were transferred to Olive Relief Society (ORS), another company licensed under section 42, on 18 March 2026. Ms. Hina, the daughter of MCF's former chief executive, has been offered a position as a director of ORS.

Under the Companies Act, 2017, which of the following statements is correct?

(a) Ms. Hina may hold office in ORS after three years from the transfer of assets, i.e. from 18 March 2029

(b) Ms. Hina may not hold office in ORS for five years from the date of revocation of MCF's licence

(c) Ms. Hina may hold office in ORS immediately, as the restriction applies only to MCF's members and officers themselves

(d) Ms. Hina, being a family member of MCF's former officer, is not eligible to hold any office in ORS for five years from the transfer of assets, i.e. until 17 March 2031

(1.5 marks)

(vi) Teal Holdings Limited (THL) has the following interests:

(I) THL holds 35% of the voting securities of Amber Foods Limited (AFL), and THL's subsidiary holds a further 20%.

(II) THL holds exactly 50% of the voting securities of Beige Textiles Limited (BTL) and nominates three of BTL's six directors.

(III) THL holds 10% of the voting securities of Coral Glass Limited (CGL) but, under an agreement with CGL's other shareholders, can appoint or remove four of CGL's seven directors at its discretion.

(IV) AFL holds 60% of the voting securities of Fawn Packaging (Private) Limited (FPPL).

Under the Companies Act, 2017, which of the following correctly identifies the companies that are subsidiaries of THL?

(a) AFL and CGL only

(b) AFL, BTL and FPPL only

(c) AFL, CGL and FPPL only

(d) AFL, BTL, CGL and FPPL

(02 marks)

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SECTION B

QUESTION 2

(a) Under the Companies Act, 2017, describe the term "public sector company".

(03 marks)

(b) Under the Companies Act, 2017, describe the term "registrar" and state the powers and duties of the registrar.

(03 marks)

QUESTION 3

(a) Under the Companies Act, 2017, describe the terms on which an association licensed under section 42 is registered, including the requirements relating to its memorandum and articles.

(03 marks)

(b) Under the Companies Act, 2017, distinguish between a company limited by shares, a company limited by guarantee and an unlimited company with respect to the liability of their members.

(03 marks)

SECTION C

QUESTION 4

Crimson Power Limited (CPL) is a public unlisted company with 10,000,000 voting shares. Its head office is in Islamabad, where it employs about 2,000 people. The Federal Government holds 30% of CPL's voting shares and, under an agreement among CPL's shareholders, has the right to nominate five of CPL's nine directors. Grey Grid Limited (GGL), a listed company, holds 45% of CPL's voting shares, and the remaining 25% are held by the general public.

CPL holds all the shares of Mauve Transmission (Private) Limited (MTPL). MTPL holds 60% of the voting shares of Rust Meters Limited (RML), and the remaining 40% of RML's shares are held by the general public.

(a) Under the Companies Act, 2017, discuss the status of CPL with reference to the Federal Government and GGL, and the relationship among CPL, MTPL and RML.

(05 marks)

On 1 April 2026, GGL acquired a further 10% of CPL's voting shares from the general public. The shareholders' agreement giving the Federal Government the right to nominate five of CPL's nine directors remains in force.

At GGL's board meeting held on 6 April 2026, GGL's chairman claimed that GGL had become the holding company of CPL, MTPL and RML, and that RML had become a wholly owned subsidiary of GGL. Another director stated that, since GGL now holds the majority of CPL's shares, CPL had ceased to be a public sector company.

(b) Under the Companies Act, 2017, evaluate the claims made by GGL's chairman and the view expressed by the other director.

(05 marks)

(THE END)

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