Chapter 1: Introduction and Types of Companies

1 Chapter Roadmap

FEATURES OF A COMPANY (Sec. 1) → DEFINITIONS & TYPES OF COMPANY (Sec. 2) → AUTHORITIES, OFFICIALS, MEMBERS & RESOLUTIONS (Sec. 3) → ASSOCIATION NOT FOR PROFIT (Sec. 4 – s.42 / s.43) → COUNTING DAYS + OBJECTIVE Q&A (Tutor Note)

Theme: a company is an artificial legal person owned by members/shareholders and managed by directors. This chapter builds the vocabulary of company law – separate personality, limited liability, the legal definitions, every type of company, the regulators (SECP & registrar) and the special licensed "not for profit" company.

2 Sole Trader vs Partnership vs Company – Don't Confuse!

	Sole Trader	Partnership	Company
Who owns & runs	One individual owns and runs his/her own business	A group of individuals own and run the business; each usually contributes capital	Owned by members (shareholders), managed by directors
Recognised by law as a person?	NO – law recognises only the individual	NO – not recognised as a 'person'	YES – a legal person, separate from its owners
Liability for debts	Individual personally liable for debts & breaches of law	Partners personally liable, jointly with other partners	Company itself is liable; members' liability is limited
Effect of death / change of owner	—	Affects the partnership	No effect – **perpetual succession**

Exam clue: "Which business structure is created by a process of incorporation?" → **Company**. The recognition of a company as a person with legal rights and obligations is called the **doctrine of corporate personality**.

3 Company as an Artificial Legal Person – 7 Characteristics

① Contractual rights & obligations
May enter into contracts in its **own name** with other persons – individuals or other companies.

② Debts & liability
If a company incurs a debt, the **company itself** is liable – its owners (shareholders) are not.

③ Ownership of assets / property
The company is the legal owner of its assets. Members own the **shares**, not the company's assets.

④ Right to receive from debtors
A debtor of the company owes the money to the **company**, not to its owners.

⑤ Management by directors
Managed by directors (who should be members too, with a few exceptions). Small co.: same people; large co.: directors may hold few or no shares.

⑥ Liability to pay tax
A company is personally liable to pay tax on its income (profits).

⑦ Legal obligations
If a company breaks the law, usually the **company itself** is liable – although in some circumstances its owners or 'officers' (mainly directors) may be personally liable.

Example 01: Mr. Zahid sets up ABC (SMC-PVT) Limited with 10,000 shares of Rs. 10 each. For the law, **Mr. Zahid** (natural person) and **ABC (SMC-PVT) Limited** (artificial person) are **two separate persons** – each has a separate legal existence.

4 Consequences of Separate Personality

SEPARATE LEGAL PERSONALITY company ≠ its owners → ① LIMITED LIABILITY of the owners of the business | ② SEPARATION OF OWNERSHIP FROM CONTROL members (own) vs directors (manage) | ③ TRANSFER OF OWNERSHIP & PERPETUAL SUCCESSION shares change hands, company continues

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5 Transfer of Ownership & Perpetual Succession

Share capital & members

Capital is represented by **shares**; shareholders (members) are the owners. "Member" and "shareholder" are used interchangeably (with a few differences).

Who can own shares?

Any legal person – including other companies. Very common for companies to own some or all shares of other companies.

Transfer of ownership

Shares are transferred through a procedure by **sale, gift and inheritance**.

Share transfer = rights transfer

Rights attached to shares (e.g. right to dividend, right to attend & vote at general meetings) pass to the **new owner**.

Perpetual succession (perpetual existence)

Change in ownership, or even the **death or bankruptcy** of owners, does **not** affect the existence of the company (as opposed to a partnership).
"Men may come and men may go but the company exists" → **Perpetual Succession**.

6 The Concept of Limited Liability – Who Pays What?

Person	Liability	Key point
Company itself	UNLIMITED	Limited liability does **not** apply to the company. It is fully liable for all its debts – just like a natural person.
Directors & officers	NOT PERSONALLY LIABLE*	They act on behalf of the company (as an **agent**). *Provided they act **within their powers** and **in accordance with the law**.
Members (owners)	LIMITED	Limited to the amount of their investment. Nothing more to pay on insolvency – they only lose what they invested.
Members – partly paid shares	UP TO UNPAID AMOUNT	Exception: liable for the amount still **unpaid** on their shares. May be called on liquidation, or by directors even during the company's lifetime.

Worked Example 02 – partly paid shares

Shares issued	1,000,000
Face (nominal) value per share	Rs. 10.00
Paid (subscribed) per share	Rs. 7.50
Unpaid per share (10 – 7.5)	**Rs. 2.50**
Total callable (1,000,000 × 2.5)	**Rs. 2,500,000**

On liquidation, holders must subscribe the remaining Rs. 2.5 per share; this money is used to pay the company's debts.

Remember: At present, companies are **prohibited** from issuing partly paid shares.

How are creditors warned?

The word **'limited'** in the name draws attention to limited liability:

- Private limited companies → **"(Private) Limited"**
- Public companies → **"Limited"**

7 Law & Governance of a Company

RELEVANT LAW
Companies are created by a process established by company law i.e. the **COMPANIES ACT, 2017**

→

MEMORANDUM OF ASSOCIATION
Written constitution – focuses on **EXTERNAL** stakeholders

ARTICLES OF ASSOCIATION
Bye-laws – focus on **INTERNAL** procedures

Exam clue: "External stakeholders / constitution" → **Memorandum**. "Internal procedures / bye-laws" → **Articles**. Registration of a company is actually the registration of its constitution – the **Memorandum of Association**.

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8 Limited Liability – Quick Answers

"The concept of limited liability applies to..."	→	**The owners (shareholders)**
"Limited liability applies to..."	→	**All limited companies**
"Company liquidated – remaining unpaid debts..."	→	**Shareholders NOT required to pay personally**
"Directors acting within their powers..."	→	**NOT personally liable for company debts**

9 Key Definitions – Companies Act, 2017

Company [Section 2(17)]
"company" means a company formed and registered under the Companies Act, 2017 or the company law.

Company law [Section 2(18)]
Means the repealed **Companies Act, 1913**, **Companies Ordinance, 1984**, **Companies Ordinance, 2016** and also includes the **Companies Act, 2017** unless the context provides otherwise.

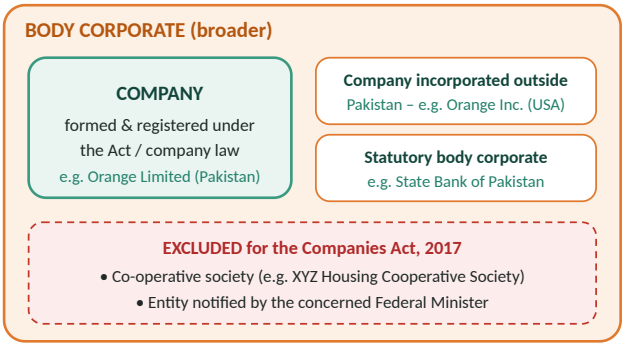
Body corporate / corporation [Section 2(9)]
Includes:
- a company incorporated under the Act or company law;
- a company incorporated outside Pakistan; or
- a body corporate declared as such in the relevant statute.

Does not include:
- a co-operative society registered under any law relating to co-operative societies; or
- any other entity (not being a company as defined in the Act or any other law) which the concerned Minister of the Federal Government may, by notification, specify.

Foreign company [Section 2(35)]
Any company or body corporate **incorporated outside Pakistan**, which:
a. has a **place of business or liaison office** in Pakistan – by itself or through an agent, physically or through electronic mode; or
b. conducts any business activity in Pakistan in any other manner as may be specified.

Orange Inc. (USA) operating a branch office (place of business) in Pakistan → **foreign company**. (Ex. 07)

10 Company vs Body Corporate – Concept Relationship



Example	Company?	Body corporate?
Orange Limited – incorporated in Pakistan, branches worldwide (Ex. 03)	YES	YES
Orange Inc. – incorporated in USA, branch in Pakistan (Ex. 04)	NO	YES
XYZ Housing Cooperative Society (Ex. 05)	NO	NO*
Orange Inc. – notified by Federal Minister as not a body corporate (Ex. 06)	NO	NO*

**Generally a body corporate, but NOT for the purposes of the Companies Act, 2017.*

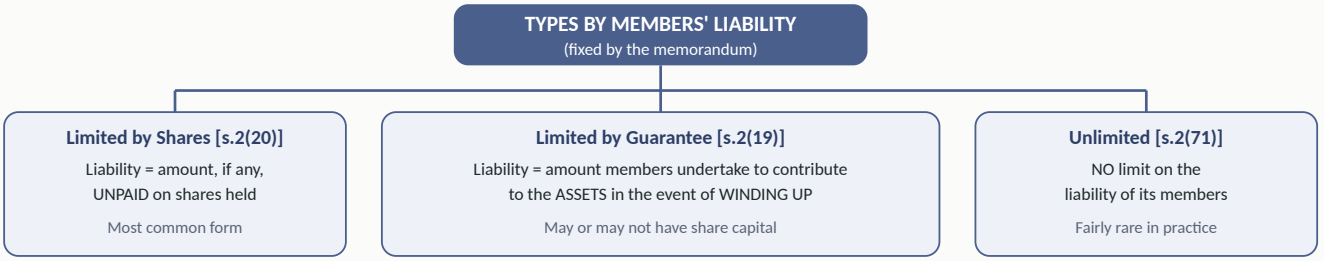
Rule to remember: Literal meaning of 'body corporate' = artificial legal person → **every company is a body corporate, but every body corporate is NOT a company**. "Body corporate includes..." → **All of the above** (Pakistani company + foreign-incorporated company + statutory body).

11 "Which is NOT a company?" – Recognition Test

Formed & registered under the **Companies Act, 2017** or **company law** (Act 1913 / Ordinance 1984 / Ordinance 2016)? → **YES = company** | Incorporated **outside Pakistan** (e.g. a USA multinational such as Trout Travels Inc.) → **NOT a company** (it is a body corporate; a foreign company if it has a place of business in Pakistan). A non-profit registered under the repealed Ordinance 1984, or an association registered under the repealed Act 1913 → still a **company**.

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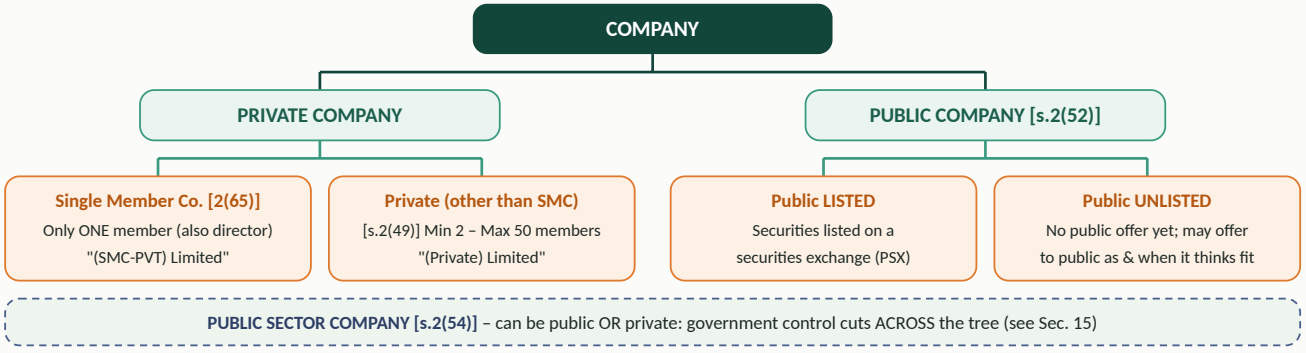
12 Types of Company – According to Members' Liability



Type	Member's maximum liability	Note
Limited by shares	Amount, if any, remaining unpaid on shares respectively held	Great advantage: can raise additional capital by issuing new shares (subject to approval of directors)
Guarantee – WITHOUT share capital	Amount of guarantee as mentioned in the memorandum	—
Guarantee – WITH share capital	Amount of guarantee in the memorandum + unpaid amount on shares, if any	Two layers of liability
Unlimited	No limit	All advantages of a normal company; liability can be called only in the event of winding up

Trap (MCQ): Guarantee company – liability is limited by the **MEMORANDUM** (not articles), to the amount members undertake to contribute to the **ASSETS** (not liabilities) of the company in the event of its being **wound up**.

13 Types of Company – Private vs Public



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14 Private Company [Section 2(49)] – 3 Conditions in its Articles

(a) Transfer restricted
Restricts the right to transfer its shares, save as otherwise provided in the Act.

(b) Members ≤ 50
Limits members to **fifty**, **not including** persons in the employment of the company.

(c) No public invitation
Prohibits any invitation to the public to subscribe for its shares or debentures (or redeemable capital).

Proviso: Where two or more persons hold one or more shares **jointly**, they are treated as a **single member**. Private companies are usually small and medium-sized family-owned businesses.

Worked Practice Q – ABC (Pvt) Ltd: members = 52?

Category	Secretary's count	Legal count
Corporate members	14	14
Individuals	34	34
Joint holding (4 persons jointly)	4	**1**
Total	**52**	**49**

49 ≤ 50 → limit NOT exceeded → **no action required**. (Employees, if any, would also be excluded.)

Other types – definitions

- **Single member company [2(65)]:** a company which has only one member; governed by special provisions; "(SMC PVT) Limited" added to its name.
- **Public company [2(52)]:** a company which is **not** a private company. May (or may not) apply for listing.
- **Listed company [2(38)]:** a public company, body corporate or any other entity whose securities are listed on a securities exchange.
- **Securities:** tradable financial instruments used to raise capital – equity (shares) and debt (debentures / redeemable capital).

15 SMC vs Private vs Public – Comparison

	SMC (Private)	Private (other than SMC)	Public Unlisted	Public Listed
Members	Only one	Min 2, max 50 (excl. employees)	Min 3 – "three or more persons" may form a public company	
Name ends with	"(SMC PVT) Limited"	"(Private) Limited"	"Limited"	
Invite public to subscribe?	Prohibited		Not yet – but entitled to offer as & when it thinks fit	Yes – securities traded on exchange
Share transfer	Restricted by articles		Not subject to the private-company restriction	
Example	ABC (SMC-PVT) Ltd (Mr. Zahid)	ABC (Pvt) Ltd	—	EFG Fertilizers Ltd (traded on PSX)

16 Public Company vs Public Sector Company – Don't Confuse!

Public sector company [Section 2(54)]
A company, **whether public or private**, which is directly or indirectly controlled, beneficially owned, or **not less than 51%** of the voting securities or voting power of which are held by the **Government**, any agency of the Government or a statutory body; **or** in respect of which the Government / agency / statutory body has otherwise power to elect, nominate or appoint a **majority of its directors**; and includes a public sector association not for profit licensed by the Commission (SECP).

	Public Company	Public Sector Company
Test	Not a private company	Government control / ownership (≥ 51% or power over majority of directors)
Can it be private?	No	Yes – public **or** private
Example	XYZ Limited – listed on PSX, no Government investment → public, **not** public sector (Ex. 10)	PARCO – Govt. of Pakistan 60%, Emirate of Abu Dhabi 40% → **public sector company** (Ex. 09)

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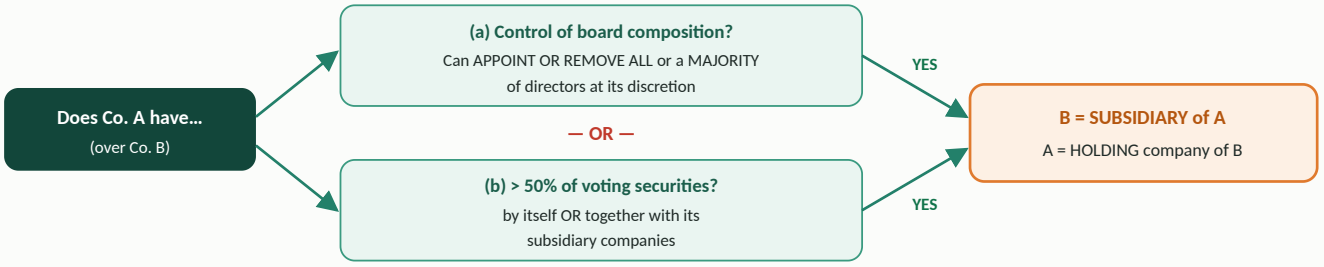
17 Holding & Subsidiary Company – Definitions

Holding company [Section 2(37)]
A company is another company's holding company **if, but only if**, that other company is its subsidiary.

Wholly owned subsidiary [Section 2(74)]
Deemed wholly owned subsidiary of another company or statutory body if **all its shares** are owned by that other company / statutory body. (ABC Ltd owns 100% of XYZ Ltd → XYZ is WOS – Ex. 12)

Subsidiary company [Section 2(68)]
In relation to the holding company, a company in which the holding company: **(a)** controls the **composition of the board**; **or (b)** exercises or controls **more than one-half of its voting securities**, either by itself or together with one or more of its subsidiary companies.

18 Subsidiary Test – Decision Flow

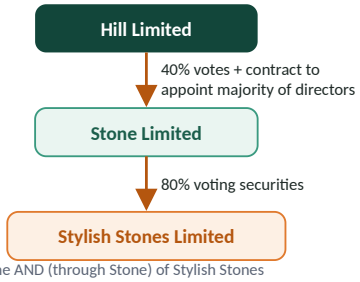


Deeming rules for the definition

i. A company is a subsidiary of the holding company even if the control in (a) or (b) is held through **another subsidiary** of the holding company (indirect control counts).
ii. Board composition is deemed controlled if the other company, by power exercisable at its discretion, can **appoint or remove all or a majority** of the directors.
iii. The expression "company" **includes any body corporate**.
iv. "Layer" in relation to a holding company means its subsidiary or subsidiaries.

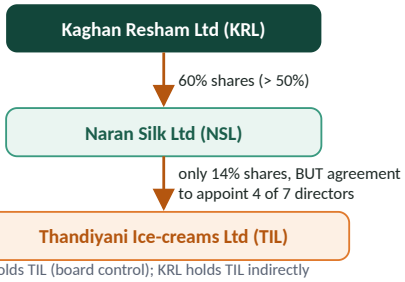
19 Group Structures – Worked Illustrations

Example 11



Hill = holding co. of Stone AND (through Stone) of Stylish Stones

Practice Question – KRL / NSL / TIL



KRL holds NSL; NSL holds TIL (board control); KRL holds TIL indirectly

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20 Holding Company MCQ – Testing Each Option

When is Mega Stars Ltd (MSL) the holding company of Little Stars (Pvt) Ltd (LSPL)?

Option	Result	Why
(a) MSL owns 50% and nominated 3 of 6 directors	NO	50% is not **more than** one-half; 3 of 6 is not a majority
(b) MSL 45% + an *associated* company 10%	NO	Only holdings together with MSL's own **subsidiaries** are added – not associated companies
(c) MSL 30% + associated co. 35%; each nominates 2 of 6 directors	NO	Same reason – and MSL controls only 2 of 6 directors
(d) MSL owns only 5%, but other shareholders (60%) empowered MSL to appoint 4 of 6 directors	YES	MSL controls the **composition of the board** (majority of directors)

Key insight: Board control beats shareholding – a company with a small (even 5%) holding can be the holding company if it can appoint or remove a majority of directors. To classify a company as a subsidiary (e.g. Masters Ltd / Abbas Ltd), state **both** tests: board control **or** > one-half of voting securities.

21 Authorities – SECP vs Registrar

The Commission – SECP [Section 2(16)]

- Securities and Exchange Commission of Pakistan, constituted under **Section 3 of the SECP Act, 1997**.
- Operationalized on **1st January 1999**; replaced the **Corporate Law Authority** (former regulator).
- Vested with adequate **operational, administrative and financial autonomy**.
- **Head office:** Federal Capital, Islamabad.
- **8 regional offices** (Company Registration Offices): 1 at Federal Capital + 4 at provincial capitals + 3 in Multan, Faisalabad & Sukkur.
- **Powers & functions [Section 7]:** as conferred by or under the Companies Act, 2017 – **in addition to** those under the SECP Act, 1997.
- Regulates affairs of **all companies** incl. insurance companies, banking companies and other companies.
- Federal Government may vest its powers in SECP to the extent it thinks fit.

Registrar [Section 2(57)]

"Registrar" means a registrar, an additional registrar, an additional joint registrar, a joint registrar, a deputy registrar, an assistant registrar or such other officer as may be designated by the Commission, performing duties and functions under the Act.

Powers & duties:

- Registration of companies
- Receiving documents companies must submit under the Act
- Keeps record of **mortgages and charges** & routine company documents
- Calls officers (incl. directors) for information & explanations
- Inspects books & records of the company
- May **seize** books & records if necessary to reach certain facts by SECP

SECP
regulator of all companies

REGISTRAR
registration, records & filings

SECURITIES EXCHANGE (PSX)
also relevant for listed companies

MEETINGS & RESOLUTIONS
decisions of a company are made in meetings through resolutions

22 Members – Recognition Clues

Who is a member?
Determining factor: the person's **agreement to become a member** and the **allotment of shares** to him.

Member of a listed company – from when?
From the date of **entering his name in the register of members** (not payment / allotment / confirmation date).

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23 Association Not for Profit – Licensing [Section 42]

Concept

People working for useful objects of society sometimes need the **protection of limited liability**. The Act allows such associations to be registered as companies if they satisfy certain conditions to SECP. If proved to the satisfaction of the Commission, it may, **by licence for a specified period**, permit the association to be registered as a **public limited company**, **without** adding "Limited" or "(Guarantee) Limited" to its name.

Criterion (i) – Useful object

Promoting commerce, art, science, religion, health, education, research, sports, protection of environment, social welfare, charity or any other useful object.

Criterion (ii) – Use of profits

- Intends to apply its profits & other income in **promoting its objects**; and
- **Prohibits** payment of dividends to its members.

Criterion (iii) – Lawful

Objects & activities are not, and shall not at any time be, against the laws, public order, security, sovereignty and national interests of Pakistan.

Licence feature	Rule
Conditions & regulations	As the Commission thinks fit – inserted in and deemed part of the memorandum and articles (or one of them)
Form of MoA & AoA	As per **Table F in the First Schedule**, approved by the Commission
Privileges & obligations	Enjoys **all the privileges** and is subject to **all the obligations** of a limited company

How a Section 42 company differs from any other limited company (4 points)

① Can only be formed as a **public company**.
② Promoters must apply to the Commission for a **licence** to register with the registrar.
③ Licence is for a **specified period** only.
④ Licence conditions are inserted in and deemed part of the **MoA & AoA**.

24 Revocation of Licence [Section 42] – Reasons (a)–(h)

The Commission may at any time, by order in writing, revoke a licence (with such directions as it deems fit), on being satisfied that:

(a) Company/management failed to comply with any term or condition of the licence

(b) Specified requirements or relevant regulations not met / complied with

(c) Affairs conducted in a manner **prejudicial to public interest**

(d) Default in filing financial statements or annual returns for the immediately preceding **two consecutive** financial years

(e) Acted against interest, sovereignty & integrity of Pakistan, security of the State, friendly relations with foreign States

(f) Number of members reduced **below three**

(g) Company is: (i) conceived for / carrying on **unlawful or fraudulent** activities; (ii) run by persons who fail to maintain proper and true accounts or commit fraud, misfeasance or malfeasance; (iii) run by persons involved in **terrorist financing or money laundering**; (iv) managed by persons who refuse to act per MoA/AoA/the Act or fail to carry out directions of the Commission or registrar; (v) **not carrying on business / not in operation for one year**

(h) It is **just and equitable** that the licence should be revoked

Natural justice: Before revoking, the Commission must give the company a **written notice** of its intention and afford it an **opportunity of being heard**.

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25 Effect of Revocation of Licence [Section 43] – Step-by-Step

LICENCE REVOKED
by Commission (after notice & hearing)
→
IMMEDIATELY
(a) stop ALL activities except recovery of money owed to it
(b) NO donations from any source
→
WITHIN 90 DAYS
of revocation
(c) transfer assets (after paying debts) to another s.42 company, preferably with similar objects

WITHIN 15 DAYS
of compliance
Board files a
REPORT TO REGISTRAR
with relevant information & documents
→
WITHIN 30 DAYS
of registrar's acceptance of report
Board initiates
VOLUNTARY WINDING UP
– or, if no assets & liabilities, applies to
STRIKE OFF
the name
→
IN CASE OF DEFAULT
Commission may appoint an
ADMINISTRATOR
to manage affairs & initiate winding up

Exception – what may be retained

A **reasonable amount** to meet expenses of voluntary winding up or of applying to the registrar for striking the name off the register. The 90 days may be extended by the Commission.

Restriction on members & officers – 5 years

Members and officers of the first company, or any of their **family members**, are **not eligible to hold any office** in the recipient company for **5 years from the date of transfer** of assets.

Example 13 – Shareer General Hospital (SGH): Licence revoked on **13 Jan 2020** (affairs prejudicial to public interest); asset transfer ordered by 12 Apr 2020. Assets transferred to Good Eye Hospital (GEH) on **3 Apr 2020** → SGH members & officers cannot hold office in GEH for five years, i.e. **up to 2 April 2025**.

26 Tutor Note – Counting Days in Legal Time Limits

Safest approach: identify the **triggering date** first, then apply the wording used in the law.

Wording	Method	Example	Answer
"Within __ days"	Move forward; exclude event day; act may be done up to & including the last day	Notice received 5 Mar; reply within 7 days → Day 1 = 6 Mar … Day 7 = 12 Mar	**12 March**
"Within __ days"	Same	Resolution 20 Jun; file within 15 days → count from 21 Jun (10 days to 30 Jun + 5)	**5 July**
"__ days after"	Move forward; exclude event day; count, then **add 1 day**	Meeting 1 Apr; apply after 7 days → 2 Apr … Day 7 = 8 Apr, +1	**9 April**
"__ days after"	Same	Meeting may be held 30 days after 15 Jan → 16 Jan … Day 30 = 14 Feb, +1	**15 February**
"__ days before"	Count **backwards**; exclude event day; answer = last day counted	Notice 7 days before meeting on 20 May → 19, 18 … 7th day = 13 May	**13 May**
"__ days before"	Same	Document 14 days before AGM on 30 Sep → counting backwards	**16 September**

Applied MCQ (s.43): Orange International Association completed all revocation compliances on **11 March 2022**. Report to registrar is due **within 15 days** → Day 1 = 12 Mar … Day 15 = **26 March 2022** (latest filing date).

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27 Registration of a Company – Key Points from the Objective Q&A

Who must register? [Section 9]
A business of **more than 20 persons** must be registered as a company (with certain exceptions). **Trading partnership with 22 partners → must register.** Not caught: an already-registered co-operative society, a joint family business, a law partnership firm.

How many to form? [Section 14]
Public company: **three or more** persons associated for any lawful purpose, subscribing to a memorandum. Private (other than SMC): **at least 2** members (max 50).

Certificate of incorporation states
✔ Name & registration number ✔ **Date of incorporation** ✔ Private or public ✔ Limited or unlimited
✘ **NOT** the date of commencement of business

Effect of the certificate
Subscribers become holders of the initial shares, and the company can **exercise all the functions of an incorporated company**.

Status & registered office
After registration, as stated in the **application for registration**.

First directors
Proposed directors **named in the articles** are deemed to have been appointed to that office.

SMC – death of the single member
Transfer of the shares to legal heirs is executed by the person **nominated by the subscriber to the memorandum** (e.g. Jibraeel, founder of Quail (SMC-Pvt) Ltd).

Detailed registration provisions are covered in Chapter 2 (Memorandum and Articles).

28 Exam Question Patterns & MCQ Quick Clues

"Men may come and men may go but the company exists"	→	**Perpetual succession**
"Law regards the company as an entity as a person"	→	**Separate legal personality**
"Incorporated outside Pakistan + place of business / liaison office in Pakistan"	→	**Foreign company**
"Liability limited to amount unpaid on shares"	→	**Company limited by shares**
"Undertake to contribute to the assets on winding up"	→	**Company limited by guarantee**
"Restricts transfer, ≤ 50 members, no public invitation"	→	**Private company**
"≥ 51% voting power with Government / agency / statutory body"	→	**Public sector company**
"Appoint or remove all or majority of directors"	→	**Controls board → holding company**
"Commerce, art, charity…; no dividends; no 'Limited' in name"	→	**Section 42 association not for profit**
"Regulates all companies incl. insurance, banking, NBFCs, modarabas"	→	**SECP (All of the above)**

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⚠ COMPANY LAW EXAM TRAPS

Trap: Thinking the **company** has limited liability – limited liability applies to **members only**; the company is fully liable for its debts.

Trap: Counting joint holders separately – joint holders = **one member**; employees are **not counted** towards the 50 limit.

Trap: "Public company" ≠ "public sector company" – a public sector company can even be **private**; the test is Government control.

Trap: Exactly 50% / half the board is **not** control – the law says **more than one-half** of voting securities or a **majority** of directors.

Trap: Adding an **associated** company's shares – only shares held together with the holding company's **subsidiaries** count.

Trap: Every body corporate is a company – **wrong**; a foreign-incorporated company is a body corporate but **not a company**.

Trap: "It is mandatory for ALL charitable companies to drop 'Limited'" – **incorrect**. The correct statement: on revocation of licence, the company shall **not solicit or receive donations from any source**.

Trap: Restriction after asset transfer is 5 years from the date of **transfer of assets** – not from the date of revocation – and it also covers **family members**.

Trap: "Days after" needs **+1 day**; "within" and "before" do not.

29 Complete Chapter Decision Tree – Classify Any Company

FACTS GIVEN → ① Formed & registered under the Act / company law? (No → body corporate / foreign company) → ② Members' liability per memorandum? (unpaid on shares / guarantee / unlimited) → ③ Members & articles? (1 member = SMC; restricts transfer + ≤ 50 + no public invitation = private; otherwise public) → ④ Securities on a securities exchange? (listed / unlisted) → ⑤ Govt ≥ 51% or appoints majority of directors? (public sector company) → ⑥ Another company controls board or > 50% votes? (subsidiary / holding; 100% = wholly owned) → ⑦ Licensed by SECP for useful objects, no dividends? (s.42 association not for profit) → **State the section & conclude**

CAF-04 – CHAPTER 1 IN 60 SECONDS

- **Company** = artificial legal person, separate from owners (doctrine of corporate personality).
- **Consequences:** limited liability · separation of ownership from control · transfer of ownership & perpetual succession.
- **Liability:** company – unlimited · directors – not personally liable (within powers & law) · members – limited (unpaid amount on partly paid shares).
- **MoA** = external constitution · **AoA** = internal bye-laws · law = Companies Act, 2017.
- **Body corporate** is broader than company; excludes co-operative societies & notified entities.
- **By liability:** limited by shares · by guarantee (with / without share capital) · unlimited.
- **By type:** SMC (1) · private (2–50) · public (3+) → listed / unlisted · public sector (Govt ≥ 51%).
- **Subsidiary:** board control OR > ½ voting securities (directly or via subsidiaries).
- **SECP** (SECP Act 1997, ops 1-1-1999, Islamabad + 8 offices) · **Registrar** registers, records charges, inspects, may seize.
- **Section 42:** licence for a specified period · public company · no dividends · no "Limited" · revocation (a)–(h) after hearing.
- **Section 43:** stop activities · no donations · assets out in 90 days · report 15 days · winding up 30 days · 5-year office ban.

30 Chapter Memory Map

Corporate Personality | 7 Characteristics | Limited Liability | Perpetual Succession | MoA vs AoA
Company vs Body Corporate | Foreign Company | Shares / Guarantee / Unlimited | SMC · Private · Public | Listed vs Unlisted
Public Sector Co. | Holding & Subsidiary | SECP & Registrar | Section 42 Licence | Revocation (a)–(h) | Section 43 Effects
Counting Days | Exam Traps & MCQ Clues