

VU Learning HUB

ACC311 Quiz File

Chapter-wise Solved MCQs

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Lesson 01: Introduction to Company Law

Q1. Which statute governs company formation and regulation in Pakistan according to the handout?

- A) Partnership Act, 1932
- B) Companies Act, 2017
- C) Contract Act, 1872
- D) Securities Act, 2015

Q2. Which body regulates corporate entities and enforces company law in Pakistan?

- A) State Bank of Pakistan
- B) Federal Board of Revenue
- C) Securities and Exchange Commission of Pakistan (SECP)
- D) Pakistan Stock Exchange

Q3. What is the minimum number of members required to form a public company?

- A) 1
- B) 2
- C) 3
- D) 7

Q4. Which document defines the internal management rules of a company?

- A) Memorandum of Association
- B) Articles of Association
- C) Prospectus
- D) Certificate of Incorporation

Answer Key

Q1: B – The Companies Act, 2017 is the governing statute for companies in Pakistan.

Q2: C – The SECP is the apex regulator for corporate entities in Pakistan.

Q3: C – A public company requires a minimum of 3 members for formation.

Q4: B – The Articles of Association contain the internal rules for company management.

Lesson 02: Types of Companies

Q1. A company limited by shares means the liability of members is limited to:

- A) The amount of debt owed by the company
- B) The unpaid amount on shares held by them
- C) The total assets of the company
- D) A fixed penalty prescribed by SECP

Q2. Which type of company does NOT distribute profits to its members?

- A) Public limited company
- B) Private limited company
- C) Company limited by guarantee (non-profit)
- D) Foreign company

Q3. A private company must have at least how many directors?

- A) 1

- B) 2
- C) 3
- D) 7

Q4. Which company type is required to hold statutory meetings and file a statutory report?

- A) Private company
- B) Public company
- C) Single member company
- D) Unlimited company

Answer Key

Q1: B – In a company limited by shares, members are liable only for the unpaid amount on their shares.

Q2: C – A company limited by guarantee (association not for profit) does not distribute profits to members.

Q3: B – A private company must have a minimum of 2 directors.

Q4: B – A public company must hold a statutory meeting and file a statutory report.

Lesson 03: Formation of a Company

Q1. Which document is called the "charter" of the company?

- A) Articles of Association
- B) Memorandum of Association
- C) Prospectus
- D) Statutory Report

Q2. The Memorandum of Association of a company limited by shares does NOT contain which clause?

- A) Name clause
- B) Registered office clause
- C) Dividend clause
- D) Objects clause

Q3. A company comes into legal existence on:

- A) The date of signing the memorandum
- B) The date of the statutory meeting
- C) The date of incorporation stated in the Certificate of Incorporation
- D) The date of first board meeting

Q4. Pre-incorporation contracts are binding on the company:

- A) Automatically upon signing
- B) Only after the company adopts them post-incorporation
- C) Only if signed by all promoters
- D) Never, they are void

Answer Key

Q1: B – The Memorandum of Association is regarded as the charter of the company.

Q2: C – The memorandum contains name, registered office, objects, liability and capital clauses, not a dividend clause.

Q3: C – A company attains separate legal existence from the date of incorporation on its certificate.

Q4: B – Pre-incorporation contracts bind the company only if adopted by it after incorporation.

Lesson 04: Memorandum and Articles of Association

Q1. The doctrine of ultra vires means:

- A) Acts done beyond the powers stated in the memorandum are void
- B) Directors can never be removed
- C) Shareholders have unlimited liability
- D) The company can change its name freely

Q2. Alteration of the Articles of Association requires:

- A) A board resolution
- B) A special resolution of members
- C) Approval of creditors
- D) Permission from the stock exchange

Q3. Which clause of the memorandum can be altered only with court/SECP confirmation in certain cases?

- A) Name clause
- B) Objects clause
- C) Registered office clause
- D) All of the above in prescribed situations

Q4. The Articles of Association are subordinate to:

- A) The directors' discretion
- B) The Memorandum of Association and the Companies Act
- C) The prospectus
- D) The auditors' report

Answer Key

Q1: A – Under ultra vires, acts beyond the memorandum's objects are void and unenforceable.

Q2: B – Articles can be altered by members through a special resolution.

Q3: D – Name, objects and other key clauses need special procedures including regulatory confirmation in some cases.

Q4: B – The articles must conform to the memorandum and the Companies Act, 2017.

Lesson 06: Prospectus and Share Capital

Q1. A prospectus is:

- A) An internal memo of the company
- B) An invitation to the public to subscribe for shares or debentures
- C) The annual financial statement
- D) A directors' attendance register

Q2. Which statement about a "deemed prospectus" is correct?

- A) It is a draft shown only to directors
- B) A document offering shares for sale to the public is deemed a prospectus
- C) It needs no SECP approval
- D) It applies only to private companies

Q3. Misstatements in a prospectus can lead to:

- A) No liability if unintentional
- B) Civil and criminal liability of persons authorizing the issue
- C) Liability of shareholders only
- D) Automatic winding up of the company

Q4. Minimum subscription must be received within how many days of issue of prospectus failing which money must be refunded?

- A) 30 days
- B) 60 days
- C) 90 days
- D) 120 days

Answer Key

Q1: B – A prospectus invites the public to subscribe for the company's shares or debentures.

Q2: B – Documents offering sale of shares to the public are treated as a deemed prospectus.

Q3: B – Those authorizing a prospectus with misstatements face civil and criminal liability.

Q4: B – If minimum subscription is not received within 60 days, application money must be refunded.

Lesson 09: Directors and Management**Q1. The minimum number of directors in a listed company is:**

- A) 2
- B) 3
- C) 7
- D) 10

Q2. A director must hold qualification shares, if required by the articles, within:

- A) 30 days of appointment
- B) 60 days of appointment
- C) 90 days of appointment
- D) One year of appointment

Q3. Which of the following disqualifies a person from being a director?

- A) Being over 25 years of age
- B) Being declared insolvent and undischarged
- C) Holding shares in another company
- D) Being a Pakistani citizen

Q4. Directors are elected by members through:

- A) Lucky draw
- B) Ordinary resolution with cumulative voting
- C) Appointment by SECP
- D) Seniority among employees

Answer Key

Q1: C – A listed company must have at least 7 directors.

Q2: B – Qualification shares, where required, must be obtained within 60 days of appointment.

Q3: B – An undischarged insolvent cannot be appointed as a director.

Q4: B – Directors are elected by members by ordinary resolution using cumulative voting.

Lesson 10: Meetings and Resolutions

Q1. The first annual general meeting (AGM) of a company must be held within:

- A) 6 months of incorporation
- B) 9 months of incorporation
- C) 16 months of incorporation
- D) 24 months of incorporation

Q2. An extraordinary general meeting (EOGM) can be called by:

- A) Directors, or members holding at least 10% voting power on requisition
- B) Only the SECP
- C) Only the auditors
- D) Any employee of the company

Q3. A special resolution requires a majority of:

- A) Simple majority of members present
- B) At least three-fourths of members present and voting
- C) All members unanimously
- D) The board of directors only

Q4. Notice of a general meeting must be sent at least how many days before the meeting?

- A) 7 days
- B) 14 days
- C) 21 days
- D) 30 days

Answer Key

Q1: C – The first AGM must be held within 16 months of incorporation.

Q2: A – Directors may call an EOGM, and members with 10% voting power can requisition one.

Q3: B – A special resolution needs at least a three-fourths majority of members present and voting.

Q4: C – At least 21 days' notice is required for a general meeting.

Lesson 14: Dividends and Accounts

Q1. Dividend can be paid out of:

- A) Capital reserves only
- B) Current or accumulated profits available for distribution
- C) Share capital
- D) Borrowed funds

Q2. Unclaimed dividends must be deposited with the government after:

- A) 1 year
- B) 2 years
- C) 3 years
- D) 5 years

Q3. A company must prepare its financial statements in accordance with:

- A) The directors' personal format
- B) The Fourth and Fifth Schedules of the Companies Act and applicable accounting standards
- C) Any format approved by members
- D) The stock exchange's marketing guide

Q4. The auditor's report must be attached to:

- A) The prospectus only
- B) The balance sheet laid before the AGM
- C) The directors' personal files
- D) The bank statements

Answer Key

Q1: B – Dividends are payable only out of distributable profits, not capital.

Q2: C – Dividends remaining unclaimed for 3 years must be deposited with the government.

Q3: B – Financial statements must follow the prescribed schedules and accounting standards.

Q4: B – The auditor's report is attached to the financial statements laid before the AGM.

Lesson 17: Audit and Auditors

Q1. The first auditor of a company is appointed by:

- A) The SECP
- B) The board of directors within 90 days of incorporation
- C) The shareholders at the first AGM
- D) The stock exchange

Q2. An auditor must be a:

- A) Chartered accountant in practice
- B) Any graduate
- C) Director of the company
- D) Employee of the company

Q3. The auditor's primary duty is to:

- A) Prepare the company's accounts
- B) Report to members whether financial statements give a true and fair view
- C) Manage the company's bank accounts
- D) Appoint new directors

Q4. An auditor can be removed before expiry of term by:

- A) The board alone
- B) Members through a special resolution with SECP's prior approval
- C) The company secretary
- D) The bank

Answer Key

Q1: B – The board appoints the first auditor within 90 days of incorporation.

Q2: A – Only a practicing chartered accountant can be appointed as auditor.

Q3: B – The auditor reports to members on whether the accounts give a true and fair view.

Q4: B – Removal of an auditor before term requires a special resolution and SECP's prior approval.

Lesson 19: Share Transfer and Transmission

Q1. A private company's articles generally:

- A) Allow free transfer of shares
- B) Restrict the transfer of shares
- C) Prohibit holding board meetings
- D) Require government approval for each transfer

Q2. Transmission of shares occurs:

- A) By a voluntary sale between parties
- B) By operation of law, e.g., on death or insolvency of a member
- C) Only through the stock exchange
- D) Only with SECP permission

Q3. The company must register a valid transfer within:

- A) 7 days
- B) 15 days
- C) 30 days
- D) 60 days

Q4. A share certificate must be issued within:

- A) 15 days of allotment
- B) 30 days of allotment
- C) 45 days of allotment or transfer
- D) 90 days of allotment

Answer Key

Q1: B – Private companies restrict share transfers through their articles.

Q2: B – Transmission happens by operation of law such as death or insolvency.

Q3: C – Transfers must be registered within 30 days of receipt.

Q4: C – Share certificates must be delivered within 45 days of allotment or transfer.

Lesson 21: Debentures and Charges

Q1. A debenture is:

- A) An ownership security
- B) A debt instrument acknowledging a loan to the company
- C) A type of share warrant
- D) A government tax receipt

Q2. A fixed charge is created on:

- A) Circulating assets like stock-in-trade
- B) Specific identifiable assets like land and buildings
- C) Future profits
- D) Uncalled share capital

Q3. Particulars of a charge must be filed with the registrar within:

- A) 15 days
- B) 21 days
- C) 30 days
- D) 60 days

Q4. Debenture holders are:

- A) Owners of the company
- B) Creditors of the company
- C) Partners of the company
- D) Employees of the company

Answer Key

Q1: B – A debenture is a written acknowledgement of debt raised by the company.

Q2: B – A fixed charge attaches to specific, identifiable assets.

Q3: C – Charge particulars must be filed within 30 days of creation.

Q4: B – Debenture holders are creditors, not owners, of the company.

Lesson 27: Majority Powers and Minority Rights

Q1. The rule in Foss v. Harbottle states that:

- A) Minority shareholders can always sue for any wrong
- B) The company itself is the proper plaintiff for wrongs done to it, and the majority's decision prevails
- C) Directors can never be sued
- D) All resolutions need unanimous approval

Q2. An exception to Foss v. Harbottle arises in cases of:

- A) Routine business decisions
- B) Fraud on the minority and ultra vires acts
- C) Payment of dividends
- D) Appointment of auditors

Q3. A member may apply to the court for relief in case of:

- A) Fair treatment by the majority
- B) Oppression or mismanagement
- C) Receiving dividends on time
- D) Proper notice of meetings

Q4. The court may order the buyout of minority shares when:

- A) The company is highly profitable
- B) Oppression is proved and exit is the appropriate remedy
- C) Directors request it
- D) Auditors recommend it

Answer Key

Q1: B – Foss v. Harbottle holds that the company is the proper plaintiff and majority rule prevails.

Q2: B – Fraud on the minority and ultra vires acts are exceptions to the rule.

Q3: B – Members can seek court relief for oppression or mismanagement.

Q4: B – Courts may order buyout of oppressed minority shareholders as relief.

Lesson 34: Corporate Governance

Q1. The primary objective of corporate governance is to:

- A) Maximize directors' salaries
- B) Ensure the company is directed and controlled in the interest of shareholders and stakeholders
- C) Avoid holding meetings
- D) Minimize tax payments illegally

Q2. Independent directors are required on the boards of:

- A) All private companies
- B) Listed companies under the Code of Corporate Governance
- C) Partnership firms
- D) Sole proprietorships

Q3. The audit committee of a listed company must comprise:

- A) Only executive directors
- B) Non-executive directors with at least one independent director as chairman
- C) Company employees
- D) Government officials

Q4. Which is a key pillar of good corporate governance?

- A) Secrecy in financial reporting
- B) Transparency, accountability, fairness and responsibility
- C) Concentration of power in one person
- D) Avoiding shareholder meetings

Answer Key

Q1: B – Corporate governance aligns company direction with shareholders' and stakeholders' interests.

Q2: B – Listed companies must have independent directors under the Code of Corporate Governance.

Q3: B – The audit committee comprises non-executive directors headed by an independent director.

Q4: B – Transparency, accountability, fairness and responsibility underpin good governance.

Lesson 38: Compromises, Arrangements and Amalgamations

Q1. A scheme of arrangement between a company and its members requires approval by:

- A) The board alone
- B) A majority representing three-fourths in value of members/creditors present and voting, plus court sanction
- C) The SECP alone
- D) The stock exchange alone

Q2. Amalgamation of two companies requires:

- A) Only a board resolution of each company
- B) Approval through schemes sanctioned by the court/SECP as prescribed
- C) Consent of employees only
- D) No regulatory approval

Q3. Dissenting shareholders in a takeover may:

- A) Do nothing at all

- B) Apply to the court for relief or opt for exit under the prescribed procedure
- C) Block the takeover automatically
- D) Remove the acquirer as director

Q4. The court's role in a scheme of arrangement is to:

- A) Run the company's daily business
- B) Ensure the scheme is fair and reasonable before sanctioning it
- C) Fix the share price arbitrarily
- D) Appoint the company's auditors

Answer Key

- Q1: B – Schemes need a three-fourths majority in value and court sanction.
- Q2: B – Amalgamations proceed through court/SECP-sanctioned schemes.
- Q3: B – Dissenters can seek court relief or exit per the prescribed procedure.
- Q4: B – The court sanctions a scheme only if it is fair and reasonable.

Lesson 44: Investigation and Inspection

Q1. Investigation into a company's affairs can be ordered by:

- A) Any shareholder alone
- B) The SECP or the court on specified grounds
- C) The company's bank
- D) The company's suppliers

Q2. An inspector appointed to investigate has the power to:

- A) Run the company permanently
- B) Require production of books and examine officers on oath
- C) Distribute company profits
- D) Appoint new auditors

Q3. Investigation may be ordered when there are allegations of:

- A) Timely dividend payments
- B) Fraud, misfeasance or oppression of members
- C) High employee salaries
- D) Regular board meetings

Q4. The report of the inspector is submitted to:

- A) The company's customers
- B) The authority that ordered the investigation (SECP/court)
- C) The media
- D) The competitors

Answer Key

- Q1: B – The SECP or court can order investigation on specified grounds.
- Q2: B – Inspectors can compel production of records and examine officers on oath.
- Q3: B – Fraud, misfeasance or oppression can trigger an investigation.
- Q4: B – The inspector reports to the authority that ordered the investigation.

Lesson 45: Winding Up of Companies

Q1. Winding up of a company means:

- A) Expanding its business operations
- B) The process of liquidating assets, paying debts and distributing surplus among members
- C) Changing the company name
- D) Issuing bonus shares

Q2. A company may be wound up voluntarily by:

- A) A board resolution alone
- B) A special resolution of members (or as prescribed for different modes)
- C) An employee vote
- D) A bank notice

Q3. On winding up, who is primarily responsible for collecting assets and paying debts?

- A) The directors
- B) The liquidator
- C) The auditors
- D) The shareholders directly

Q4. After paying all debts in a members' voluntary winding up, the surplus is distributed among:

- A) The creditors
- B) The contributories (members) per their rights
- C) The government
- D) The employees only

Answer Key

Q1: B – Winding up involves realizing assets, settling liabilities and distributing any surplus.

Q2: B – Members may resolve for voluntary winding up through a special resolution.

Q3: B – The liquidator takes charge of collecting assets and settling claims.

Q4: B – Any surplus after debts is distributed among members per their rights.

End of Quiz

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