

# UNIVERSITY OF PANJAB

## SPRING 2022

### Q1 Answer the following questions

#### 1 Three way of opportunity identification?

**Ans:** Opportunity identification is the process of recognizing and evaluating potential opportunities for a business or an individual to pursue.

Here are three ways of identifying opportunities:

1. Market research: One way to identify opportunities is through market research. This involves studying the market, analyzing trends, and identifying gaps or unmet needs. Market research can help to identify opportunities in terms of new products, services, or even potential new markets. By understanding the needs and desires of customers, businesses can create solutions that meet those needs and tap into new markets.
2. Networking: Networking is another way to identify opportunities. By building relationships with other professionals, entrepreneurs, and business owners, individuals can learn about new opportunities that may not be publicly available. This can be done through attending events, joining industry groups, and reaching out to potential mentors or advisors.
3. Problem-solving: Opportunities can also be identified through problem-solving. When individuals encounter a problem or challenge, they may come up with a solution that can be turned into a business opportunity. For example, if someone experiences difficulty finding affordable and healthy food options in their area, they may create a meal delivery service that offers nutritious meals at an affordable price.

Overall, these three approaches can help individuals and businesses identify potential opportunities by analyzing market trends, building relationships, and solving problems.

#### 2 IPO?

**Ans:** IPO stands for Initial Public Offering. It is a process by which a private company sells its shares to the public for the first time, thereby becoming a publicly-traded company. In an IPO, the company issues new shares of stock, which are purchased by investors on the open market.

The process of an IPO typically involves several steps. First, the company hires investment banks to underwrite the offering. The investment banks will then work with the company to determine the offering price for the shares, as well as the number of shares to be offered.

The company will then file a registration statement with the Securities and Exchange Commission of Pakistan (SECP), which includes detailed information about the company's financials, business operations, and management. The SECP will review the registration statement and provide feedback to the company.

Once the SECP approves the registration statement, the company will begin marketing the offering to potential investors. This usually involves a roadshow, in which the company's executives and underwriters meet with institutional investors to promote the offering.

Finally, the IPO takes place, with the new shares of stock being sold to the public on a stock exchange. The company will use the proceeds from the IPO to fund its operations, pay off debt, or make acquisitions.

An IPO can be a significant event for a company, as it provides access to a large pool of capital and can increase visibility and credibility in the market. However, it also involves significant costs and regulatory requirements, and can lead to increased scrutiny and pressure from shareholders.

### 3 Franchising vs licensing?

**Ans:** Franchising and licensing are both methods of expanding a business, but they have some key differences. Here are some of the main differences between franchising and licensing:

1. Ownership and control: In a franchise, the franchisee owns and operates a business that is part of a larger network of franchises, and must follow strict guidelines and procedures set by the franchisor. The franchisor maintains a high degree of control over the franchisee's business. In a licensing agreement, the licensee is granted the right to use the licensor's intellectual property, but the licensee retains ownership and control over the business.
2. Business model: Franchising typically involves a more comprehensive business model than licensing. Franchisors provide their franchisees with a complete system for running the business, including marketing, operations, and support. Licensing agreements usually focus on a specific product or technology, and may not provide the licensee with as much support or guidance.
3. Fees and royalties: Franchisees typically pay an initial franchise fee and ongoing royalties to the franchisor in exchange for the right to use the franchisor's brand and business model. Licensees may also pay a fee to use the licensor's intellectual property, but this is usually a one-time fee, and royalties may not be required.
4. Branding and marketing: Franchisees are required to use the franchisor's branding and marketing materials, and may be limited in their ability to create their own marketing campaigns. Licensees may have more flexibility in how they market their products or services.
5. Industry focus: Franchising is more common in certain industries, such as fast food and retail, while licensing is more common in industries that rely on intellectual property, such as technology and entertainment.

Overall, franchising and licensing are both ways for businesses to expand their reach and generate revenue, but they differ in terms of ownership and control, business model, fees and royalties, branding and marketing, and industry focus.

### 4 Partnership deed?

**Ans:** A partnership deed is a legal document that outlines the terms and conditions of a partnership between two or more individuals or entities. In Pakistan, the Partnership Act of 1932 governs partnerships, and it requires that a partnership deed be created in writing.

The partnership deed should include the following information:

1. Name and address of the partnership: The name and address of the partnership should be clearly stated in the partnership deed.
2. Name and address of the partners: The partnership deed should include the names and addresses of all partners in the partnership.
3. Capital contribution: The partnership deed should specify the capital contribution of each partner, and how the partnership capital will be managed.
4. Profit and loss distribution: The partnership deed should outline how the profits and losses of the partnership will be distributed among the partners.
5. Duties and responsibilities of partners: The partnership deed should define the roles and responsibilities of each partner in the partnership.
6. Management of the partnership: The partnership deed should describe how the partnership will be managed, including decision-making processes, meeting schedules, and the appointment of a managing partner if applicable.
7. Dissolution of the partnership: The partnership deed should outline the procedure for the dissolution of the partnership, including the distribution of assets and liabilities.

The partnership deed must be signed by all partners and should be stamped according to the relevant stamp duty laws in Pakistan. It is advisable to consult with a legal professional when drafting a partnership deed to ensure that it is legally binding and enforceable.

#### **5 Holding Company vs Subsidiary Company?**

**Ans:** In Pakistan, the Companies Act 2017 defines holding companies and subsidiary companies and provides guidelines on their formation and operation. Here are the key differences between a holding company and a subsidiary company under the Companies Act 2017:

1. Ownership: A holding company is a company that owns a controlling interest in one or more other companies, which are known as its subsidiaries. A subsidiary company, on the other hand, is a company that is owned and controlled by another company, known as its parent company.
2. Control: A holding company typically has a degree of control over its subsidiaries, such as through the appointment of the subsidiary's board of directors or through the holding of a majority of the subsidiary's shares. A subsidiary company is generally controlled by its parent company.
3. Liability: A holding company is not liable for the debts or obligations of its subsidiaries unless it has given guarantees or has acted as a co-borrower or co-surety for the subsidiary. A subsidiary company is a separate legal entity from its parent company and is liable for its own debts and obligations.
4. Management: A holding company does not generally get involved in the day-to-day management of its subsidiaries. A subsidiary company has its own board of directors and management team, although the parent company may have some influence over the subsidiary's operations.
5. Financial reporting: A holding company is required to prepare consolidated financial statements that include the financial information of its subsidiaries. A subsidiary company prepares its own financial statements.

Overall, a holding company and a subsidiary company are different types of companies with different ownership and control structures. While a holding company owns and controls its subsidiaries, a subsidiary company is owned and controlled by its parent company.

### 6 Issued vs called up capital?

**Ans:** In Pakistan, the Companies Act 2017 defines issued capital and called-up capital for companies. Here is an explanation of the two terms:

1. **Issued Capital:** Issued capital is the total value of shares that a company has issued to its shareholders. This includes shares that have been sold to shareholders, as well as those that have been issued as bonus shares or to settle a debt.
2. **Called-up Capital:** Called-up capital is the portion of the issued capital that the company has demanded from its shareholders to be paid up. In other words, it is the amount of money that the company has called for, or required, its shareholders to pay for the shares they have been issued.

Under the Companies Act 2017, companies are required to specify their issued and called-up capital in their Memorandum of Association. The called-up capital is further divided into the paid-up capital, which is the amount that the shareholders have actually paid, and the unpaid-up capital, which is the amount that the shareholders are yet to pay.

In Pakistan, companies are required to have a minimum paid-up capital to be incorporated, depending on the type of company. For example, a private limited company must have a minimum paid-up capital of Rs. 100,000, while a public limited company must have a minimum paid-up capital of Rs. 2 million.

It is important for companies to maintain accurate records of their issued and called-up capital, as this information is used to determine the company's financial health, as well as to calculate taxes and other fees that may be due to the government.

## Q2 Answer the following questions

### 1 What is a limited liability partnership and what are its benefits over other form of businesses?

**Ans:** A limited liability partnership (LLP) is a type of partnership that is recognized under the Limited Liability Partnership Act, 2017 in Pakistan. An LLP is a hybrid form of business entity that combines the features of a traditional partnership with the benefits of limited liability for its partners.

Here are the key features of an LLP in Pakistan:

1. **Legal status:** An LLP is a separate legal entity from its partners. This means that the LLP can enter into contracts, sue and be sued in its own name, and own property.
2. **Liability:** The liability of the partners in an LLP is limited to the extent of their capital contribution to the LLP. This means that the personal assets of the partners are not at risk in the event of the LLP's financial problems or legal disputes.
3. **Management:** An LLP must have at least two partners, who are responsible for the management of the LLP. The partners may be individuals or corporate entities.

4. Capital: An LLP must have a minimum paid-up capital of Rs. 100,000, and the capital can be increased as the business grows.
5. Audit: An LLP must maintain proper accounting records and have its accounts audited annually by a chartered accountant.
6. Taxation: An LLP is taxed as a partnership, and the partners are taxed on their share of the LLP's income.
7. Dissolution: An LLP can be dissolved voluntarily by its partners or by order of the court.

In summary, an LLP is a flexible business structure that offers its partners limited liability and the freedom to manage the business as they see fit. It is a popular choice for professional services firms such as lawyers, accountants, and consultants, who want to work together in a partnership while protecting their personal assets.

**Benefits:** Limited Liability Partnership (LLP) offers several benefits over other forms of businesses in Pakistan. Here are some of the key advantages of an LLP:

1. Limited Liability: One of the main benefits of an LLP is that the liability of the partners is limited to their capital contribution to the LLP. This means that the personal assets of the partners are not at risk in the event of the LLP's financial difficulties or legal disputes.
2. Separate Legal Entity: An LLP is a separate legal entity from its partners, which means that it can own property, enter into contracts, and sue or be sued in its own name. This gives an LLP more flexibility in conducting its business activities.
3. Flexible Management Structure: An LLP has a flexible management structure that allows partners to participate in the management of the business. This can be beneficial for businesses that require the expertise of multiple partners.
4. Taxation: An LLP is taxed as a partnership, which means that the partners are taxed on their share of the LLP's income. This can be more advantageous than other forms of businesses, such as a company, which may be subject to higher corporate tax rates.
5. Lower Compliance Requirements: An LLP has lower compliance requirements compared to other forms of businesses, such as a private limited company. For example, an LLP is not required to hold annual general meetings or maintain a statutory register of members.
6. No Restriction on Capital Contribution: There is no upper limit on the amount of capital that can be contributed to an LLP. This allows businesses to raise capital as needed to expand their operations.
7. Easy Transferability of Ownership: An LLP allows for the easy transfer of ownership from one partner to another. This can be useful when a partner wants to retire or when a new partner is brought on board.

Overall, an LLP offers a flexible and less cumbersome business structure for professionals and small to medium-sized businesses in Pakistan, providing them with limited liability and favorable taxation.

## **2 Who are the business stakeholders? Explain in details**

**Ans:** Business stakeholders are individuals or groups that have a vested interest in the success or failure of a business. These stakeholders may include owners, employees, customers, suppliers, investors, government regulators, and the local community. Each stakeholder has a unique

perspective and impact on the business, and it is essential for businesses to identify and manage the needs and expectations of each stakeholder group.

Here are the key stakeholders and their roles:

1. **Owners/Shareholders:** Owners or shareholders are the individuals or entities who own the business. They have invested their capital in the business and have a financial interest in its success. The owners are responsible for making strategic decisions that affect the direction of the business and for ensuring that the business is profitable.
2. **Employees:** Employees are the individuals who work for the business. They contribute to the success of the business by performing various tasks and functions. Employees are a critical stakeholder group as they are responsible for delivering the goods and services that the business provides to its customers.
3. **Customers:** Customers are the individuals or entities who purchase the products or services of the business. They are a key stakeholder group as their satisfaction is critical to the success of the business. Meeting the needs and expectations of customers is essential for maintaining customer loyalty and attracting new customers.
4. **Suppliers:** Suppliers are the individuals or entities who provide the business with the raw materials or other resources needed to produce the goods or services. They are a critical stakeholder group as their reliability and quality of service can impact the success of the business.
5. **Investors:** Investors are the individuals or entities who provide the business with the capital needed to operate and grow. They are a critical stakeholder group as they expect a return on their investment. Investors may include banks, venture capitalists, and other financial institutions.
6. **Government Regulators:** Government regulators are the individuals or entities responsible for enforcing laws and regulations that impact the business. They are a critical stakeholder group as non-compliance can result in legal consequences or fines.
7. **Local Community:** The local community includes individuals or groups that are impacted by the business's operations. They may include residents, environmental groups, or other stakeholders. Businesses have a responsibility to be good corporate citizens and to minimize the negative impact of their operations on the local community.

In summary, business stakeholders are individuals or groups that have a vested interest in the success or failure of a business. Understanding and managing the needs and expectations of each stakeholder group is critical for the success of the business.

### **3 What are the major legal documents required for registration of public limited company?**

**Ans:** The registration of a Public Limited Company in Pakistan involves several legal formalities, and there are various legal documents that are required to be prepared and filed with the relevant authorities. Here are the major legal documents that are required for the registration of a Public Limited Company in Pakistan:

1. **Memorandum of Association:** The Memorandum of Association (MOA) is a legal document that sets out the company's objects and scope of business. It defines the company's

purpose, the type of business it intends to engage in, and the authorized share capital. The MOA is required to be filed with the Securities and Exchange Commission of Pakistan (SECP).

2. Articles of Association: The Articles of Association (AOA) outline the rules and regulations that govern the company's internal affairs, including the rights and duties of shareholders, the appointment and powers of directors, and the conduct of meetings. The AOA is required to be filed with the SECP.
3. Form 1: Form 1 is an application form for the registration of a Public Limited Company. It includes details such as the proposed company name, registered office address, details of the company's directors and shareholders, and the company's share capital structure. Form 1 is required to be filed with the SECP.
4. Form 21: Form 21 is a notice of appointment of directors, managers, and secretary. It includes details such as the name, address, occupation, and nationality of the directors and managers. Form 21 is required to be filed with the SECP.
5. Form 29: Form 29 is a notice of the location of the company's registered office. It includes details such as the address of the registered office and the name of the company's registered agent. Form 29 is required to be filed with the SECP.
6. Bank Certificate: The bank certificate is a document issued by the company's bank, which confirms that the company has deposited the required amount of share capital in the company's bank account. This document is required to be submitted along with the application for the registration of the company.
7. Consent Letters: The directors of the company are required to submit a consent letter to the SECP, which confirms their willingness to act as directors of the company. The shareholders are also required to submit a consent letter, which confirms their agreement to become shareholders of the company.

In summary, the registration of a Public Limited Company in Pakistan requires the preparation and filing of several legal documents, including the MOA, AOA, Form 1, Form 21, Form 29, bank certificate, and consent letters. It is important to ensure that these documents are prepared accurately and filed with the relevant authorities to ensure a smooth registration process.