

## **March 04,1999 Senate approves amendments in the Companies Ordinance, 1984**

The Senate has approved the Companies Ordinance (Amendment) Bill, 1998. The reasons for introducing the Amendment Bill and expected impact of the amendments are briefly narrated below:-

(i) Under the existing provisions of section 14 of the Ordinance, no association or partnership firm consisting of more than 20 persons may function unless it is registered as a company. With a view to removing the practical difficulty being faced by the firms of accountants or other professions, where practice in the form of a company with limited liability is not permitted, such firms have been provided exemption from the above mentioned requirements.

(ii) Presently, companies making public offering of shares have to publish full text of prospectus in newspapers which causes huge burden on the investment of the shareholders and funds of the companies. With a view to curtailing the publication cost, publication of an abridged form of prospectus to be prescribed by the Commission shall be allowed. However, full text of the prospectus shall be available at the Registered Office of the company, stock exchanges and bankers to the issue.

(iii) Under the existing provisions of section 236 of the Ordinance, the directors of a company have to make out and attach to every balance sheet of the company, a report, called, "Directors' report". With a view to making the Directors' report more meaningful, following additional information shall be provided in the report for the information of the shareholders:

- (a) Earning per share;
- (b) reasons for incurring loss and a reasonable indication of future prospects of profit, if any; and
- (c) information about defaults in payment of debts, if any, and reasons thereof.

(iv) Under section 245 of the Ordinance, all the listed companies are required to file copies of half yearly accounts with the Commission within two months of close of the first half of their year of accounts, failing which the directors are liable to imprisonment for a period of one year. The punishment in the form of imprisonment for a default in filing the half yearly accounts has been considered too harsh. Therefore, through amendment in the said section a penalty of rupees five thousand and a fine of one hundred rupees for every day during which the default continues has been provided.

(v) Under the existing law no qualification is prescribed for auditors of a private company irrespective of its size. Amendment is being made in section 254 of the Ordinance to the effect that the accounts of a private company having paid up capital of Rupees three million or more shall be required to be got audited by a qualified Chartered Accountant.

The bill would now be moved in the National Assembly for approval after which it would stand enforced.