



The Institute of
Chartered Accountants
of Pakistan

Certificate in Accounting and Finance Stage Examination

7 March 2020
3 hours – 100 marks
Additional reading time – 15 minutes

Business Law

Instructions to examinees:

- (i) Answer all **TEN** questions.
- (ii) Answer in black pen only.

Mercantile Law Section

- Q.1 (a) Discuss why and to whom prerogative orders may be issued by the High Court. Briefly describe any **two** types of prerogative orders. (03)
- (b) What is a delegated legislation? State **one** disadvantage of a delegated legislation. (02)
- Q.2 (a) Mohsin acquired a piece of agricultural land in Moro, Sindh from a local landlord, Qasim Soomro, on a lease term of twenty years. The revenue payable by Qasim Soomro on his land to the Provincial Government was in arrears. As a result, the land was advertised for sale by the Provincial Government. Mohsin, in order to prevent the sale of land, paid the sum due by Qasim Soomro to the Provincial Government.
- Under the provisions of Contract Act, 1872 explain whether Mohsin can recover such amount from Qasim Soomro. (02)
- (b) Naeem was a treasury manager in Raheel Associates (RA). Naeem robbed Rs. 100,000 cash from the business. Raheel, the owner of the business, instituted legal proceedings against Naeem. Naeem agreed to return the cash and Raheel agreed to withdraw the proceedings against him. Naeem fulfilled his part of the promise.
- Under the provisions of the Contract Act, 1872 explain whether Raheel is bound to withdraw the proceedings against Naeem. (02)
- (c) What is meant by 'Assignment of contracts' under the Contract Act, 1872? State any **four** rules subject to which a contract may be assigned by act of parties. (05)
- Q.3 Respond to the following independent scenarios, under the provisions of the Contract Act, 1872:
- (a) Four Wheels Limited (FWL), misrepresenting themselves to be the agents of Big Motors (BM), persuaded Motor Manufacturers (MM) to sell them 10 luxury Jeeps customised for BM. *Discuss FWL's liability under the above situation.* (05)
- (b) Muneer wanted to complete his bachelor's degree from Europe. His paternal uncle Furqan Butt had promised him to pay Rs. 2 million by way of a gift, at the time of his admission to a college in Europe. After getting admission to one of the renowned colleges in Europe, Muneer asked Furqan Butt to pay him Rs. 2 million as promised. However, Furqan Butt refused to pay the amount and Muneer filed a suit against Furqan Butt for the enforcement of his promise. *Discuss the circumstances in which Muneer may be able to recover the amount from Furqan Butt.* (04)

(c) Batool offered to sell her flat to Saqib for Rs. 4,200,000. Saqib accepted the offer and sent a cheque of Rs. 1,500,000 with a stipulation to pay the balance in 24 equal monthly instalments of Rs. 112,500 each. *Explain whether it is a valid contract.* (03)

(d) Imran Traders entered into a one-year contract with Minhas Oils Limited for the supply of gravels for their extraction project in Badin at a fixed price of Rs. 30,000 per dumper. Six months after the contract, the diesel prices increased sharply, making it non-profitable for Imran Traders to continue the supply at the agreed price. Therefore, they terminated the contract on the ground of impossibility of performance. *Describe whether the contract is discharged in the above situation.* (04)

Q.4 (a) Respond to the following independent scenarios, under the provisions of the Partnership Act, 1932:

(i) Moiz, Adeeb and Mumtaz were partners in a firm. Adeeb died. Moiz and Mumtaz continued the business and agreed to give 10% share of profits of business to the widow of Adeeb as annuity. *Discuss whether Adeeb's widow would be deemed to be a partner in the firm.* (02)

(ii) Saima, Ahsan and Bari are partners in a law firm. Bari received an advance of Rs. 150,000 from one of firm's clients for defending a law suit. Bari, without proceeding on client's request and informing other partners about the receipt of the amount, utilised the money for personal use. *Discuss the rights and liabilities of partners and that of the firm with regard to Bari's act.* (06)

(b) Under the provisions of the Partnership Act, 1932 list down any **four** restrictions imposed on the implied authority of a partner. (02)

Q.5 (a) List any **five** situations in which an alteration made to the negotiable instrument does not render the instrument void. (05)

(b) Rahat received a cheque of Rs. 75,000 from one of his customers, Jahanara. Rahat however, failed to present the cheque for payment within a reasonable time of its issue and the bank failed in the meanwhile. Jahanara suffered a damage of Rs. 40,000 through the delay in presenting the cheque.

In view of the provisions of the Negotiable Instruments Act, 1881 discuss whether Rahat can recover the money in the above situation. (03)

(c) Sultan drew a bill of exchange on Amjad and made it payable to Bukhari or order. On maturity another person of the same name wrongfully acquired possession of the bill and presented it to Amjad for payment. Amjad after making due inquiries and being satisfied that the presenter is Bukhari, made payment on the bill.

Under the provisions of the Negotiable Instruments Act, 1881 discuss whether Amjad is discharged from his liability. (02)

Company Law Section

Q.6 A team of young engineers is planning to incorporate a private limited company which would provide machine maintenance services to large companies. The company would initially be incorporated with a share capital of Rs. 20 million.

However, the engineers are not certain about the following matters:

- (a) Registration and signing of articles of association. (03)
- (b) Appointment of the first and subsequent directors and chief executive and terms of their office. (07)

Advise the team of engineers in respect of the above matters in the light of the Companies Act, 2017.

Q.7 (a) The licence of Cancer Research Association (CRA), issued under section 42 of the Companies Act, 2017, was revoked by the Commission as the affairs of CRA were conducted in a manner prejudicial to public interest.

Under the Companies Act, 2017 briefly discuss the effect of revocation of licence on CRA, its members and officers. (05)

(b) Under the provisions of the Securities Act, 2015 no person shall make a public offer of securities unless the Commission has approved the prospectus submitted by the issuer or offeror of the securities.

Discuss the exceptions to the above provision of the Securities Act, 2015. (04)

(c) On 4 February 2020, the Commission approved the prospectus of Victory Limited (VL) for public offer of its securities. The directors intend to publish the prospectus on 10 April 2020.

Under the provisions of the Securities Act, 2015 advise the directors with regard to the following:

- (i) The time frame within which the prospectus may be published. (02)
- (ii) The requirements for publication of prospectus. (03)

Q.8 The Board of Directors of Giant Industries Limited (GIL), a listed company, in their meeting held on 25 February 2020 had approved 30% interim cash dividend for the shareholders. While approving the dividend payment, the board had authorised to adjust dividend payable to one of the shareholders, Kamran Ahmed, against the amount due from him.

Under the provisions of the Companies Act, 2017:

- (a) state when an interim dividend is deemed to have been declared and the responsibilities of GIL regarding its payment. (04)
- (b) identify the circumstances under which the directors may withhold/adjust the payment of dividend. (02)
- (c) list the steps which GIL would be required to take, for adjustment of dividend payable to Kamran Ahmed against the amount due from him. (02)

- Q.9 The annual general meeting of Alpha Limited (AL), a listed company, is scheduled to be held in March 2020 to transact several ordinary and special businesses such as election of directors including independent directors.

Under the provisions of the Companies Act, 2017 list the information which must be included in AL's notice of annual general meeting to be published in the newspapers. Your answer should cover all aspects which must either be included in or be annexed to notice of annual general meeting. (10)

- Q.10 (a) Liaquat Munira & Co., Chartered Accountants (LMC) is the auditor of Noor Holdings Limited (NHL) and its two subsidiaries. On 6 March 2020, the spouse of one of the partners of LMC got elected as director of NHL.

Briefly discuss the effect(s) of appointment of partner's spouse as director of NHL. (03)

- (b) Briefly discuss the rights of the auditor with regard to access to company's records. Also identify the persons from whom an auditor may require to provide him any information or explanations as he may think necessary for the performance of his duties. (05)

(THE END)