



---

## Business Law

---

**Instructions to examinees:**

- (i) Answer all **ELEVEN** questions.
- (ii) Answer in **black** pen only.
- (iii) Multiple Choice Questions must be answered in answer script only.

---

### Section A – Multiple Choice Questions

---

Q.1 Select the most appropriate answer from the options available for each of the following Multiple Choice Questions (MCQs). Each MCQ carries **ONE** mark.

- (i) The Constitution of the Islamic Republic of Pakistan 1973 has five schedules. Which of the following is **NOT** part of the schedules?
  - (a) Oaths of Office
  - (b) Legislative Lists
  - (c) Amendment of Constitution
  - (d) Election of President
  
- (ii) On 27 February 2021, Bilal as owner of Bloodstone Sugar Mills (BSM) entered into a contract with Amber Bakers to supply 1,000 kgs of sugar on 5 March 2021 at Rs. 70 per kg. On 3 March 2021, Government issued a notification directing sugar mills to sell all their output to the Government at fixed rate of Rs. 75 per kg. On the promised date of delivery, Bilal refused to honour the agreement. Can Amber Bakers recover damages from BSM?
  - (a) Yes, because the contract was enforceable since it was made before the date of notification
  - (b) No, because the contract became void on the date of notification
  - (c) Yes, because BSM earned a profit of Rs. 5 per kg at the expense of Amber Bakers
  - (d) No, because the contract became voidable on the date of notification
  
- (iii) Jalil is indebted to Kamran but due to financial crisis, he is not able to pay him. At Jalil's request, Kamran agreed to sell further goods to Jalil on very stringent terms. Subsequently, Jalil approaches the Court demanding relief from contractual obligations on grounds of undue influence.

Which of the following statements is true?

  - (a) Kamran will have to prove that he did not exercise any undue influence
  - (b) Jalil will have to prove that the contract was induced by undue influence
  - (c) Both Jalil and Kamran will have to prove the presence or absence of undue influence respectively
  - (d) The contract entered into between Kamran and Jalil is void ab-initio
  
- (iv) Saad agreed to pay Rs. 500,000 to Hafsa if she delivered a judgement in his favour in a suit. Hafsa gives the judgement in Saad's favour but he later refuses to pay any money. In this situation, can Hafsa claim the amount?
  - (a) No, because the agreement was voidable at the option of Saad only
  - (b) Yes, because the agreement was valid and enforceable
  - (c) Yes, because the agreement was voidable at the option of Hafsa only
  - (d) No, because the agreement was void due to unlawful activity

- (v) Asma requested her friend Bina to keep some valuable items in safe custody while she was going on a one-week vacation abroad. This contract between Asma and Bina is a:
- (a) social contract (b) contract of pledge  
(c) contract of bailment (d) quasi contract
- (vi) Umair purchased vegetables for his family while visiting Fahad. However, he forgot to take them from Fahad's house and those vegetables were consumed by Fahad's family. Fahad is now bound to pay the price of those vegetables because of obligation created under:
- (a) deemed contract (b) contract of indemnity  
(c) quasi contract (d) contract of bailment
- (vii) Which of the following would be classified as contingent contract?
- (a) Insurance (b) Indemnity  
(c) Wagering (d) Both (a) and (b)
- (viii) Haris has two horses, one of the horse is purebred. He agrees to sell one horse to Abdullah who gives his consent believing that he will receive a purebred horse whereas Haris thinks that he would sell the other horse. What is the status of the contract between Haris and Abdullah?
- (a) Void on account of unilateral mistake regarding material fact  
(b) Voidable on account of unilateral mistake regarding material fact  
(c) Void on account of bilateral mistake regarding material fact  
(d) Voidable on account of bilateral mistake regarding material fact
- (ix) Amir had offered both Behram and Ahmed to sell his piano at a discounted price of Rs. 25,000. Behram responded immediately and refused to accept the offer. Amir who was in urgent need of money, lowered the offered price to Rs. 15,000 which was finally accepted by Behram. Before delivering the piano to Behram, Amir received acceptance from Ahmed on his initially offered price. Therefore, Amir has refused to deliver the piano to Behram.
- Can Behram claim damages upon Amir's refusal?
- (a) No, because Amir refused the delivery to Behram due to inadequate consideration  
(b) No, because Amir had agreed to deliver piano to Behram under undue influence  
(c) Yes, because the contract was completed on acceptance of revised offer price  
(d) Yes, because Behram responded first to the Amir's offer
- (x) During the clearance sale at a famous clothing store, Sana selected a dress from the rack with a price tag of Rs. 20,000 and brought it to the cash counter. Sana asked the cashier to pack the dress and handed over her credit card for payment. Her act was to be considered as:
- (a) invitation of an offer (b) acceptance of an offer  
(c) making an offer (d) making an agreement
- (xi) A partnership firm is constituted for one year. After the expiry of one year, if the partners decide to continue the partnership, then:
- (a) the period is extended automatically for further one year  
(b) the partnership becomes partnership at will  
(c) the partnership becomes particular partnership  
(d) the partnership becomes a joint venture

- (xii) In order to hold a person liable as a partner on the basis of holding out principle, it must be established:
- (a) that by word or conduct he represented himself to be a partner
  - (b) that the other person acting on faith of the given representation extended credit to the firm
  - (c) either (a) or (b) i.e. any one condition must be fulfilled
  - (d) both (a) and (b) i.e. both conditions must be fulfilled
- (xiii) Jamal is the financial controller of Emerald Stones & Co. where he is entitled to a monthly remuneration of Rs. 500,000 as well as 20% of the profits, if the net annual profits of the firm exceed Rs. 50 million. What is the status of Jamal in the partnership firm?
- (a) A partner in the firm
  - (b) An employee of the firm
  - (c) Partner as well as employee of the firm
  - (d) An agent of the firm
- (xiv) The authority of a banker to pay a cheque drawn on him by his customer is revoked by:
- (a) notice of adjudication of the customer as an insolvent
  - (b) countermand of payment
  - (c) notice of the customer's death
  - (d) all of the above
- (xv) Promissory note is an instrument in writing containing an unconditional \_\_\_\_\_, to pay a certain sum of money.
- (a) instruction
  - (b) order
  - (c) undertaking
  - (d) demand
- (xvi) Any change in principal line of business shall be reported by the company from the date of change to:
- (a) the Commission within thirty days
  - (b) both the Commission and the registrar within thirty days
  - (c) the registrar within thirty days
  - (d) both the Commission and the registrar within fifteen days
- (xvii) Which of the following instruments is considered to be the prima facie evidence of the title of a listed company's shares?
- (a) Share purchase agreement
  - (b) Share subscription application
  - (c) Share certificates issued in book-entry form
  - (d) All of the above
- (xviii) Minutes of all general meetings of a company should be kept at the registered office of the company in physical and electronic form for a period of:
- (a) 10 years
  - (b) 10 years and permanently respectively
  - (c) 20 years
  - (d) 20 years and permanently respectively
- (xix) With reference to the resolution passed by members through circulation, which of the following statements is true?
- (a) The resolution may be revoked if members holding 10% voting power withdraw their agreement signified in writing
  - (b) The resolution may be revoked when the board of directors vote against the resolution
  - (c) The resolution may be revoked where decision taken by members is not effected within 120 days of passing the same
  - (d) The resolution cannot be revoked once signified by members in writing

- (xx) Sunstone Limited is a public company with nine directors and a paid-up capital of Rs. 40 million (face value of Rs. 100 each). Khurram and Asim were elected as directors in the recent elections by securing 400,000 and 300,000 votes respectively. However, subsequently both of them resigned.

Nasir was appointed to fill the casual vacancy created by Khurram while Asim's position is still vacant. Board is not satisfied with Nasir's performance and wish to replace him with Saim. A resolution has been moved in general meeting to remove Nasir from his position. Nasir will be able to secure his position if number of votes casted against the resolution equals to or exceeds:

- (a) 450,000                      (b) 400,000                      (c) 350,000                      (d) 300,000

- (xxi) Which of the following business decisions requires approval of members in a general meeting?

- (a) Approval of interim dividend  
 (b) Approval to invest excess funds in fixed term deposits  
 (c) Selling all the shares of subsidiary company to the highest bidder  
 (d) Acquiring shares of another company at seven times higher the book value per share of that company

- (xxii) Election of directors of Rhinestone Limited (RL) having share capital of Rs. 4 million (face value of Rs. 10 each) was held on 5 March 2021 in which seven directors were elected. Yasir, Samia and Noureen, the shareholders of RL are of the opinion that the elections were not held fairly and material irregularities were noted. They intend to apply to the Court for re-election. The shareholders will be eligible to file their application if they hold atleast:

- (a) 40,000 voting shares and submit application by 4 April  
 (b) 40,001 voting shares and submit application by 20 March  
 (c) 80,000 voting shares and submit application by 4 April  
 (d) 80,001 voting shares and submit application by 20 March

- (xxiii) Approval of the shareholders at the general meeting is **NOT** required when shifting the registered office of a company from:

- (a) one city in a Province to another  
 (b) one place to another place within the same city  
 (c) one city to another in any part of Pakistan not forming part of a Province  
 (d) Islamabad to any city of Pakistan

- (xxiv) Which of the following businesses proposed to be presented in the upcoming annual general meeting of Neelam Limited shall be deemed as special business?

- (a) Obtaining financial facility of Rs. 100 million  
 (b) Declaration of 300% dividend out of the current years' profit  
 (c) Election of directors  
 (d) Approval of consolidated financial statements

- (xxv) Which of the following is entitled to inspect the books of accounts?

- (a) Directors at any time  
 (b) Shareholders having more than 10% shares at any time  
 (c) Directors during business hours  
 (d) Shareholders having more than 10% shares during business hours

- (xxvi) The annual general meeting of Blue Amber Limited, a listed company having share capital of Rs. 500,000,000 of Rs. 10 each was scheduled to be held on 6 March 2021 at 8:30 AM for which the notice of the meeting was sent on 12 February 2021. On the day of meeting at 9:00 AM, attendance of shareholders was as follows:

Present in person	10 persons holding 10 million shares
Present through proxies	5 persons holding 2 million shares

Which of the following actions should be taken by the chairman?

- (a) Commence the meeting as per the agenda circulated  
 (b) Adjourn the meeting to be held on 13 March 2021  
 (c) Dissolve the meeting and circulate fresh notice of meeting  
 (d) Either (a) or (b)
- (xxvii) Notice of extraordinary general meeting of the company, called by the directors on the requisition of members, is required to be sent to:  
 (a) members, directors and the Commission  
 (b) directors, auditors and the Commission  
 (c) members, directors and auditors  
 (d) members, auditors and the Commission
- (xxviii) A director of a public company shall ipso facto cease to hold office if he is absent from:  
 (a) three consecutive board meetings without leave of absence  
 (b) three consecutive general meetings without leave of absence  
 (c) all meetings held during the last three months  
 (d) three consecutive audit committee meetings
- (xxix) In the case of listed company, statement of compliance is required to be signed by:  
 (a) the chairman and a director  
 (b) at least two directors  
 (c) the chairman and the chief executive  
 (d) the chief executive and a director
- (xxx) Aquamarine (Pvt) Limited (APL) was incorporated on 1 January 2020 with an authorized share capital of Rs. 500,000.

APL is required to accompany an affidavit with its annual financial statements confirming that the financial statements:

- (a) give a true and fair view of the company's affairs  
 (b) have been approved by the Board  
 (c) are prepared in accordance with the requirements of the Companies Act, 2017  
 (d) are free from material misstatements

---



---

**Section B – Mercantile Law**

---



---

- Q.2 List down the main topics/areas covered under the following parts of the Constitution of the Islamic Republic of Pakistan 1973:
- (a) Part III - The Federation of Pakistan (02)
- (b) Part VI - Finance, Property, Contracts and Suits (02)
- Q.3 (a) Under the provisions of the Contract Act, 1872 briefly describe any six circumstances when an agent shall be personally liable under a contract entered into by him on behalf of his principal. (06)
- (b) Maria purchased a diamond necklace of Rs. 700,000 from Emerald Jewellers (EJ) and issued a cheque in favour of EJ fully knowing that she does not have enough funds to make the payment. Consequently, the cheque was dishonoured because of insufficient funds in Maria's bank account. EJ demanded to return the necklace. However, before the said demand, Maria had pledged the necklace with Ruby Traders (RT) against an obligation of Rs. 800,000.
- Under the provisions of the Contract Act, 1872 discuss the status of the agreement between Maria and EJ. Also explain the validity of the pledge and discuss whether EJ would be able to recover the necklace. (04)
- Q.4 (a) On 4 March 2021, Aliya agreed to sell her ancestral jewels to Salma at a discounted price. However, on the next day when Salma came to take the delivery, Aliya's brother being custodian of the jewels refused to honour the delivery on the premise that Aliya was admitted to the mental hospital and, therefore, her earlier agreement to sell the jewels was not valid.
- Under the provisions of the Contract Act, 1872 discuss whether Aliya's brother is justified in refusing to deliver the jewels to Salma. (03)
- (b) Salman agreed to supply cotton yarn to Rehan for the entire year, whenever requisitioned, at prevailing wholesale prices. The contract also stipulated that in case of dispute, Salman and Rehan would not seek settlement through the Court.
- Under the provisions of the Contract Act, 1872 discuss the validity of the contract and determine any remedy available to Rehan, in case of dispute with Salman. (03)
- Q.5 (a) Malik, Asif and Sohail are partners in a firm carrying on dairy business and sharing the profit or loss equally. Malik has recently started a poultry business in the same vicinity for which he has applied for a loan from a bank. As a security of the loan, he offered the bank to create charge over the book debts of the poultry business together with his interest in the dairy business.
- Under the provisions of the Partnership Act, 1932 describe the bank's rights and limitations in the dairy business. (04)
- (b) Tahira, Farhana and Sadia are partners in a bridal boutique situated in the local market. Sadia also owns a jewellery shop in the same market. The shop is managed by her brother, Wasi. Tahira and Farhana were not aware of Sadia's interest in the jewellery shop. Most of the clients from the bridal boutique buy jewellery sets from Sadia's shop. During the year, Sadia earned a hefty profit of Rs. 10 million from the jewellery business.
- Upon knowing the fact of Sadia's interest in the jewellery shop, both Tahira and Farhana demanded Sadia to share her profits equally with them.
- Under the provisions of the Partnership Act, 1932 explain whether Tahira and Farhana are justified in their demand. (04)

- Q.6 (a) Under the provisions of the Negotiable Instruments Act, 1881 explain different types of crossing of cheque along with their respective effects. (04)
- (b) Under the provisions of the Negotiable Instruments Act, 1881 identify the type of each of the following instruments and give reason(s) as to validity of each instrument.
- (i) I promise to pay Zahid Rs. 350,000 and all the applicable interest amounts.
- (ii) Pay Rs. 350,000 to Jafer along with interest of Rs. 3,500.
- (iii) I hereby acknowledge that I have taken Rs. 350,000 from Abid and shall pay the interest to him on the amount at agreed interest rate. (03)

### Section C – Company Law

- Q.7 White Diamond Limited (WDL) was incorporated on 6 February 2021. All the subscribers to the memorandum of WDL has paid the share money except Aijaz who has subscribed 4,000 shares and is willing to make the payment before 10 March 2021.

WDL's management intends to start the operations of the company immediately since minimum subscription amount is not fixed in WDL's memorandum and articles of association. Accordingly, for the purpose of commencement of business, they intend to submit requisite documents with the registrar. The management is confident that the registrar will accept and register all the documents.

Under the Companies Act, 2017:

- (a) determine Aijaz's status in WDL and discuss implications, if any, towards himself as well as WDL, if he makes the payment before 10 March 2021.
- (b) explain WDL's duties if all the subscription money is received on or before 1 March 2021. (08)
- Q.8 (a) List any **ten** contents of the directors' report of a public unlisted company as prescribed under the Companies Act, 2017. (05)
- (b) Annual general meeting of Opal Limited (OL), a listed company, for the year ended 31 December 2020 was held on 1 March 2021. All the presented agenda items were approved at the meeting except for the adoption of annual financial statements.
- In the light of the Companies Act, 2017 discuss the requirements OL must comply with for filing its financial statements. (03)
- Q.9 (a) In the 14<sup>th</sup> annual general meeting of Sapphire Limited, a special resolution has been passed to increase the voting rights of shareholders of class A by 50%.
- Faiza Ibrahim, a shareholder from class B, wants to get the said special resolution cancelled.
- Under the Companies Act, 2017 discuss how Faiza Ibrahim can challenge the special resolution and ask for its cancellation. Also determine the grounds on which the decision may be made in her favour. (04)
- (b) In the general meeting of Red Coral Limited (RCL), while discussing one of the agenda items, two of the members, Yasmeen and Yameen wants to demand poll.
- Under the provisions of the Companies Act, 2017 advise the chairman whether they are eligible to demand the poll. Also discuss the procedure to be followed for taking the poll in the general meeting. (03)

- Q.10 (a) On 31 December 2020, Ali was appointed as a chief executive of Pearl Limited (PL), a listed company. In March 2021, he informed the board that on 15 February 2021, his spouse was appointed as a director in a brokerage house.

Under the provisions of the Companies Act, 2017 evaluate the impact of the appointment of Ali's spouse on his position and on PL. (04)

- (b) In February 2021, Silver Topaz Limited (STL) acquired 18% voting shares in Jade Limited (JL). After acquisition, STL nominated one of its directors on JL's board.

STL's board is planning to acquire further 10% voting shares in JL in May 2021.

Under the Companies Act, 2017 discuss the condition(s) which STL must fulfil before making any further acquisition of shares in JL. (04)

- Q.11 Identify any **four** criteria on the basis of which a company formed under section 42 of the Companies Act, 2017 differs from any other limited liability company. (04)

**(THE END)**