



The Institute of  
Chartered Accountants  
of Pakistan

## Certificate in Accounting and Finance Stage Examination

8 March 2022  
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.
- (iii) Multiple Choice Questions must be answered in answer script only.

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) Fluorine & Sons (FS) is a partnership firm in which Ali, Abid and Arif are partners. During a business trip in January 2022, they convinced a well-known businessman Haris to join FS. Haris agreed and joined FS as a partner.  
Recently, it has been revealed that last year Abid intentionally consigned poor quality goods to a customer while sending consignment on behalf of FS due to which the customer suffered a huge loss. Will Haris be liable to the customer for wrongful act of Abid?
  - (a) No, because Haris was unaware of Abid's act at the time of becoming a partner
  - (b) No, because the act was carried out by Abid before Haris became a partner
  - (c) Yes, because all the partners are jointly and severally liable to the customer
  - (d) Yes, because Haris is considered as partner by holding out towards the customer
- (ii) If the President of Pakistan resigns and his office becomes vacant, which of the following will be next in line to act as the President until a new President is formally elected?
  - (a) Prime Minister of Pakistan
  - (b) Chairman of the Senate
  - (c) Speaker of the National Assembly
  - (d) Chief Justice of Pakistan
- (iii) If a government officer is involved in money laundering, this act will be considered as:
  - (a) a primary offence
  - (b) a predicate offence
  - (c) an intentional tort
  - (d) a minor offence
- (iv) Waqar draws a bill of exchange on Dawood which states "*Dawood, please pay Rs. 900,000 to Afshan only*". The bill of exchange drawn by Waqar is:
  - (a) a valid negotiable instrument because payee's name is clearly mentioned
  - (b) an invalid negotiable instrument because it contains an order to pay
  - (c) not a negotiable instrument since it restricts payment to Afshan only
  - (d) a valid negotiable instrument because it contains a request to pay
- (v) Maria borrowed Rs. 500,000 from Amir and promised to repay on 5 January 2022. She used the funds for giving loan to her brother Junaid. On the due date, Maria requested Amir to take payment directly from Junaid instead of her. Junaid promised to pay Rs. 500,000 to Amir on 15 March 2022 and Amir agreed. If Junaid makes default, then:
  - (a) Amir can claim Rs. 500,000 from Maria
  - (b) Amir can claim Rs. 500,000 from both Maria and Junaid
  - (c) Amir cannot claim Rs. 500,000 from Maria as there is no contract between them
  - (d) Amir cannot claim Rs. 500,000 from Junaid as Maria is the principal debtor

- (vi) In order to store valuables, Mariam agreed to purchase a safety cabinet from her friend Noureen for Rs. 800,000. Mariam was of the impression that it was manufactured in Japan and is fireproof. However, she did not confirm her understanding from Noureen.

On delivery day, Mariam expressed her excitement about owning a Japanese-origin fireproof safety cabinet. Noureen corrected her and mentioned that the only safety cabinet she owned and agreed to sell was purchased from Japan but it was neither fireproof nor manufactured in Japan. Mariam got upset and refused to make the payment.

The contract between Mariam and Noureen:

- (a) is valid on account of unilateral mistake regarding quality of subject matter
  - (b) is voidable on account of unilateral mistake regarding quality of subject matter
  - (c) is void on account of unilateral mistake regarding quality of subject matter
  - (d) is void on account of bilateral mistake regarding quality of subject matter
- (vii) Which of the following statements is correct?
- (a) An arbitration agreement may either be express or implied
  - (b) Arbitration agreement cannot be made to submit future differences to arbitration
  - (c) An arbitrator can correct any mistake made in the award
  - (d) An arbitrator is empowered to make the award conditional
- (viii) Zakir sent a letter to Rehman offering him to sell his sports bike for Rs. 50,000. It was mentioned in the letter that if Rehman would not send a reply within one week, the offer shall be presumed to be accepted. Rehman was thrilled to purchase the bike at this price and therefore did not reply within the stipulated time.

Which of the following statements is correct?

- (a) Rehman's conduct constitutes implied acceptance of the offer
  - (b) Contract is valid because Rehman satisfied all the conditions of the offer
  - (c) Contract is not valid because the offer must be unconditional
  - (d) Rehman's silence cannot be considered as acceptance
- (ix) Fareeha was operating a home-based salon in her flat. The salon was well-known and famous for modern hairstyling trends. Aliya, a certified hairdresser, opened her own salon in the same building and offered to give Rs. 700,000 to Fareeha if she stops providing salon services in the same building. Fareeha accepted the offer and Aliya paid the amount. Subsequently, Aliya discovered that Fareeha never stopped providing salon services as agreed.

Which of the following statements is correct?

- (a) Aliya can sue Fareeha for fraud and force her to stop providing salon services
  - (b) Aliya can claim damages from Fareeha due to non-performance
  - (c) Aliya cannot demand performance from Fareeha as the agreement was void
  - (d) Aliya cannot claim damages as there was no penalty clause in the agreement
- (x) Which of the following statements is correct in the context of a minor admitted to the benefits of a partnership firm?
- (a) His share in the partnership firm will not be liable for the acts of the firm
  - (b) He can have such right on partnership's property as may be agreed upon
  - (c) He cannot inspect accounts of the partnership firm
  - (d) He shall be personally liable for the acts of the partnership firm

- (xi) Promises which form the consideration for each other are:
- (a) joint promises (b) unenforceable promises  
(c) reciprocal promises (d) quasi promises
- (xii) On 28 February 2022, Fahad offered to sell his vintage car to Rafay for Rs. 2 million. Subsequently, Fahad died on 2 March 2022. Rafay was not aware of Fahad's death and sent acceptance to Fahad on 7 March 2022.

Which of the following statements is correct?

- (a) The offer was revoked on 2 March 2022  
(b) Fahad's legal representatives are bound to sell the car to Rafay  
(c) Contract is voidable at the option of Fahad's legal representatives  
(d) Fahad's legal representatives are not bound to sell the car to Rafay
- (xiii) On 10 January 2022, Asif agreed to deliver 5,000 kg of coal to Zain on 31 January 2022 at Rs. 70 per kg. On 15 January 2022, Zain promised to deliver 5,000 kg of coal to Faizan on 10 February 2022 at Rs. 105 per kg. Asif had no information about Zain's agreement with Faizan.

Asif failed to deliver on due date and Zain filed a suit against him on 28 February 2022 claiming damages. Determine the damages that Zain can recover from Asif if market price of coal at different dates was as follows:

10 January 2022	Rs. 75 per kg
15 January 2022	Rs. 80 per kg
31 January 2022	Rs. 90 per kg
10 February 2022	Rs. 98 per kg

- (a) Rs. 100,000 (b) Rs. 140,000  
(c) Rs. 175,000 (d) Nil
- (xiv) On 20 February 2022, Saad agreed to provide 500 custom-made shirts to Jalil for a match. Saad was unable to deliver the order on the agreed date due to fire incident in one of his factories. He sent the delivery to Jalil after the agreed date and requested him to accept the order as the shirts were customized and could not be sold in the market.

Which of the following statements is correct?

- (a) Jalil can accept the delivery as contract is voidable at his option  
(b) Jalil must accept the delivery as delay was due to supervening impossibility  
(c) Jalil cannot accept the delivery because time was essence of the contract  
(d) Jalil cannot accept the delivery as the contract became void
- (xv) Jamal told Rehan that he wants to spend his retired life in a peaceful area with green surroundings. Rehan offered to sell his ancestral home to Jamal located in an area known for abundant parks and peaceful atmosphere. On Jamal's query, Rehan told him that he is not aware of any planned commercial developments in the area despite the fact that he knew from a reliable source that construction of a large inter-city bus terminal was about to commence on the land opposite his ancestral home.

Can Rehan be held liable if Jamal purchases his ancestral home?

- (a) No, Rehan is not required to disclose such information to Jamal  
(b) Yes, Rehan has committed a fraud against Jamal  
(c) Yes, there is fiduciary relationship between the contracting parties  
(d) No, Rehan has not forced Jamal to buy his house

Q.2 Explain any **four** differences between civil and criminal laws. Also identify any **two** criminal laws which are presently enforced in Pakistan. (05)

Q.3 (a) Krypton Traders & Co. (KTC), a partnership firm having five partners, is engaged in the business of manufacture and export of leather jackets. Operations of KTC are managed by two of its partners namely Salman and Nadir, while the remaining three partners are not actively involved in the business of the firm.

In March 2022, Salman presented two proposals to Nadir which, in his view, will improve KTC's profitability manifold. He requested Nadir to give his consent to any one of the following two proposals so that it may be executed:

- (i) Reduce material cost by using low-quality leather in production.
- (ii) Discontinue production activities and invest KTC's capital in real estate.

Nadir found none of the proposals in KTC's interest and disapproved both of them. Salman then presented the proposals to KTC's most senior partner, Akmal and sought his consent to proceed with the execution.

Under the provisions of the Partnership Act, 1932 discuss the possibility of execution of the above proposals:

- if Akmal agrees with proposal no. (i) only
- if Akmal agrees with proposal no. (ii) only (06)

(b) Zaheer has recently graduated from the Institute of Textile Designing. He has been approached by Zara with an offer to start a designer boutique in partnership under the name and style of 'Zareer Bridals'. Zara proposed to purchase a shop in Karachi and to manage its operations whereas Zaheer will be responsible for designing the dresses for the boutique.

Zara wants to sign a formal partnership contract with Zaheer. She intends to run the boutique for five years and afterwards if the venture remains successful, she plans to open international branches on her own without any profit sharing with Zaheer.

Under the provisions of the Partnership Act, 1932:

- discuss which type of partnership is suitable for Zara.
- discuss the statutory rights and duties of both Zara and Zaheer which can be restricted or extended in Zara's favour by way of a partnership contract. (08)

Q.4 (a) Amir drew a cheque in favour of Ghalib Mehmood on Xenon Bank Limited (XBL). He crossed the cheque specially to be paid into Rhenium Bank Limited (RNBL).

The cheque was stolen from Ghalib's wallet and before theft was revealed, cheque was deposited in favour of another person having the same account title 'Ghalib Mehmood' into his account maintained with Rhodium Bank Limited (RDBL).

Under the Negotiable Instruments Act, 1881 discuss whether XBL would be liable to the true owner if the cheque was cleared and funds were transferred to RDBL. (03)

(b) Assume that in (a) above, the stolen cheque was deposited in favour of another person having the same account title 'Ghalib Mehmood' into his account maintained with Rhenium Bank Limited (RNBL).

Under the Negotiable Instruments Act, 1881 discuss the implications on RNBL, if the cheque is cleared and funds are received in RNBL. (02)

(c) Explain the circumstances in which a banker must refuse payment of a cheque. (03)

- Q.5 Bromine Traders (BT) is engaged in the business of import, purchase and supply of electronic items. During the year, BT entered into the following contracts for supply of various products:
- (i) BT agreed to supply 500 electric ovens to Indium Limited (IL). The ovens were to be manufactured by Argon Brothers (AB). AB failed to supply the ovens to BT on time due to which BT was unable to deliver the ovens to IL. *Evaluate BT's position in the given situation.* (03)
  - (ii) BT agreed to supply 250 rice cookers to Francium & Co. (FC) against an advance payment of Rs. 500,000. BT specified that the rice cookers would either be imported or smuggled from Korea. *Discuss status of contract between BT and FC.* (03)
  - (iii) BT agreed to supply 900 automatic washing machines to Osmium Limited (OL). Machines were to be imported from Singapore. However, the machines could not be imported due to political unrest in Singapore. BT informed OL that import from Singapore is impossible, therefore, machines may instead be imported from Taiwan. *Discuss whether BT's excuse is valid and whether OL is bound to accept the machines imported from Taiwan.* (03)
  - (iv) In one of BT's showrooms, a famous actor came to return an air conditioner purchased one month ago. He demanded for the replacement of his air conditioner with the latest model. The actor got upset when the showroom manager refused to replace the air conditioner with the latest model and threatened to damage the products displayed in the showroom. Considering the situation, the manager agreed to deliver the latest model of air conditioner to actor's house. *Discuss the status of the contract between BT and the customer.* (03)
  - (v) Hafnium Limited (HL), a new customer, approached BT for the purchase of 5 television sets. BT agreed to supply the television sets on 6 March 2022 at a discount of either 10% or 15% on retail price to be finalised at the time of delivery. Upon delivery, HL demanded a discount of 15% on retail price which BT refused to provide. *Discuss whether HL can hold BT liable for breach of contract.* (03)
- Q.6 (a) Under the provisions of the Contract Act, 1872 describe contingent contracts and identify the circumstances in which a contingent contract cannot be enforced. (05)
- (b) Under the provisions of the Contract Act, 1872 explain the circumstances in which a person may be restricted from carrying on a business. (02)
- Q.7 (a) Under the provisions of the Anti-Money Laundering Act, 2010 explain when a person may be held accountable for a money laundering offence. Also discuss the possible consequences, if he is proven guilty. (05)
- (b) Explain the term "Critical infrastructure" as defined under the provisions of the Prevention of Electronic Crimes Act, 2016. (03)
- (c) Under the provisions of the Competition Act, 2010 list any **five** practices that prevent, restrict, reduce or distort competition in a particular market through abuse of dominant position. (05)
- Q.8 In November 2021, Farhan, Noman and Salman established a hotel in Swat. For the day-to-day operations of the hotel they jointly borrowed Rs. 600,000 from Danish for a period of six months.
- Under the provisions of the Contract Act, 1872 discuss the following:
- (a) Can Danish recover the loan only from Noman on the due date? (02)
  - (b) Can Danish recover the loan if Farhan, Noman and Salman die before the due date? (02)
  - (c) Can Farhan be held liable for the loan, if Danish releases him before the due date? (02)

- Q.9 (a) On 19 January 2022, Potassium Farms (PF) agreed to supply 500 kg of strawberries to Niobium Industries Limited (NIL) on 15 February 2022 at a discounted price to be paid in advance. NIL agreed to the conditions and paid the amount to PF in advance on 20 January 2022. NIL had a plan to introduce strawberry flavoured milk in March 2022. On 15 February 2022, PF failed to deliver the strawberries to NIL.

Under the provisions of the Contract Act, 1872 discuss the remedies available to NIL. **(03)**

- (b) What would be your answer in (a) above, if PF offers to deliver only 300 kg of strawberries to NIL on the due date. **(04)**

- Q.10 (a) Under the provisions of the Contract Act, 1872 describe constructive contracts and identify the circumstances in which a constructive contract may be formed. **(05)**

- (b) Under the provisions of the Contract Act, 1872 explain the circumstances in which an agreement without consideration is considered to be a valid contract. **(05)**

**(THE END)**