



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.

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) Kabeer, during his employment with Catfish Jewellers, stole a diamond set worth Rs. 1,000,000. Basheer, the watchman at the shop, came to know about this fact. However, Basheer agreed not to disclose it to anyone when Kabeer offered to pay Rs. 100,000 to him. This agreement is:
 - (a) void
 - (b) valid
 - (c) voidable at the option of Kabeer
 - (d) voidable at the option of Basheer
- (ii) Ali, Zaid and Haris issued a guarantee to Usman for repayment of a loan taken by Faraz. In the event of Faraz's default, they agreed to make payment to the extent of Rs. 22,500, Rs. 36,000 and Rs. 54,000 respectively. If Faraz commits default of Rs. 94,000 then Ali, Zaid and Haris will be liable to pay:
 - (a) Rs. 18,800, Rs. 30,080 and Rs. 45,120 respectively
 - (b) Rs. 20,000, Rs. 20,000 and Rs. 54,000 respectively
 - (c) Rs. 22,500, Rs. 35,750 and Rs. 35,750 respectively
 - (d) Rs. 22,500, Rs. 36,000 and Rs. 35,500 respectively
- (iii) On 5 September 2021, Shakeel entered into a contract with Basim, representing Basim Tanners (BT), for the supply of 1,000 kg of salt for BT's leather tanning operations by 20 September 2021. The contract does not specify the place of delivery. Shakeel has addresses of BT's head office and all 10 active tanning stations. Shakeel should:
 - (a) deliver 100 kg of salt to each of BT's tanning stations
 - (b) wait for Basim to specify the place where he wants delivery
 - (c) deliver 1,000 kg of salt to BT's head office
 - (d) ask Basim to confirm the place of delivery
- (iv) Farah pledged her gold locket worth Rs. 350,000 with a goldsmith and borrowed a sum of Rs. 300,000 from him with a promise to repay it on 1 September 2021. Farah did not pay the amount on due date. Goldsmith who was in urgent need of money, sold the locket on 3 September 2021 at prevailing market price of Rs. 250,000.

Which of the following statements is true?

- (a) Goldsmith had the right to sell the locket and now Farah has to pay the difference of Rs. 50,000 in order to settle the debt
- (b) Goldsmith had no right to sell the locket without Farah's prior consent
- (c) Goldsmith had no right to sell the locket without sending reasonable notice to Farah, showing his intention to sell the locket
- (d) Goldsmith had the right to sell the locket; however, he cannot claim the difference of Rs. 50,000 from Farah

- (v) On 1 September 2021, Rudderfish Electronics (RE) sent an e-mail to Clingfish Printers (CP) offering to sell a printing machine for Rs. 100,000 with a condition that the offer must be accepted by 10 September 2021. On 3 September 2021, CP replied to RE “*Do you need full payment upon delivery or would you accept payment over three months?*” RE read the e-mail but did not reply.

On 8 September 2021, RE sold the machine to Pearlfish Designers (PD). Subsequently, on 9 September 2021, CP sent an e-mail to RE communicating its acceptance to the offer with full payment upon delivery.

Which of the following statements is true?

- (a) Contract was executed on 3 September 2021 when CP first replied to RE
 (b) There is no contract between RE and CP as the machine was sold on 8 September 2021
 (c) Contract executed on 8 September 2021 with PD was voidable at the option of CP
 (d) Contract with CP was executed on 9 September 2021
- (vi) A mistake of law:
- (a) has same effect as mistake of fact if it relates to mistake of Pakistani law
 (b) has same effect as mistake of fact if it relates to mistake of foreign law
 (c) has same effect as mistake of fact whether it relates to mistake of Pakistani law or foreign law
 (d) is never treated as a mistake of fact
- (vii) Mona asked Athar to act as her agent for the purpose of collecting rent from her shops on monthly basis and mentioned that due to some financial difficulties, she did not offer any remuneration. Athar collects monthly rent and deposits it into bank account on the same day as per Mona’s instructions. However, with regard to August 2021 rent, he did not deposit it into bank on the same day as he had to rush to attend his cousin’s funeral. While returning home from funeral at night, he was robbed.

Can Mona recover the amount from Athar?

- (a) No, since there is no consideration, there is no agency agreement
 (b) No, because Athar is not receiving any remuneration as Mona’s agent
 (c) Yes, because Athar did not follow Mona’s instructions
 (d) Yes, because Mona always has the right to recover the amount from her agent
- (viii) Which of the following statements regarding wagering agreements is **NOT** true?
- (a) Wagering agreements are void
 (b) Parties cannot file suit to recover money won under the wagering agreements
 (c) Parties to a wagering agreement have no control on the happening of event
 (d) Prize competitions involving games of skill are considered as wagering agreements
- (ix) While having dinner at a restaurant, Nadir found a gold coin under his chair which he took into his custody. Salim, the restaurant owner, demanded Nadir to hand over the gold coin to him.

Which of the following statements is correct?

- (a) Nadir should hand over the gold coin to Salim as he would be regarded as a bailee being the restaurant owner
 (b) Nadir should not hand over the gold coin to Salim as Nadir is the pledgee to the owner of the gold coin
 (c) Nadir can keep the gold coin with him as he has become the bailee to the owner of the gold coin
 (d) Nadir can keep the gold coin with him as he has become the agent to the owner of the gold coin

- (x) Which of the following statements is correct regarding continuing guarantee?
- A continuing guarantee may be revoked by the surety by sending notice to the principal debtor
 - Death of the surety always result in the revocation of continuing guarantee
 - A continuing guarantee is revoked if the creditor promises to give time to the principal debtor without surety's knowledge
 - In case of revocation of continuing guarantee, the surety is discharged from all past and future liabilities
- (xi) 'Tort' can be described as:
- restoration of benefit
 - violation of civil law
 - violation of criminal law
 - judgment of a superior court
- (xii) Kamran and Maria entered into a partnership to run a mobile shop. Kamran obtained a loan of Rs. 500,000 in the name of partnership for purchasing 20 mobiles for the shop's inventory. However, he used the loan proceeds to pay for his family's vacation in Bhurban. Subsequently, the partnership business went bankrupt. In this scenario:
- Kamran is severally liable for repayment of loan
 - Kamran and Maria are jointly liable for repayment of loan
 - Kamran and Maria are severally liable for repayment of loan
 - Kamran and Maria are jointly and severally liable for repayment of loan
- (xiii) A contract between partners of a firm determining the mutual rights and duties of the partners may be varied by taking consent of:
- all partners of the firm whether express or implied
 - all partners of the firm only through express agreement
 - majority partners of the firm whether express or implied
 - majority partners of the firm only through express agreement
- (xiv) A bill of exchange payable in United Kingdom drawn in Bahawalpur on a person resident in Peshawar shall be considered as:
- an inland instrument
 - a foreign instrument
 - an invalid instrument
 - an illegal instrument
- (xv) Nadeem draws a bill of exchange on Bilal which states "*Bilal, pay Rs. 100,000 to Sarah's successors or order*". The bill of exchange drawn by Nadeem shall be considered to be:
- invalid because it does not mention the date by which payment must be made
 - invalid because the parties indicated in the bill of exchange are not certain
 - valid because it contains an order to pay
 - valid since all the essential elements of a negotiable instrument are satisfied
- (xvi) The promoters of Blue Whale Limited (BWL) got the certificate of incorporation dated 3 September 2021. They have decided that BWL shall never approach general public for raising fund and have further decided to commence business from next month. BWL would be required to file with the registrar:
- revised memorandum of association
 - revised articles of association
 - prospectus
 - statement in lieu of prospectus
- (xvii) The annual general meeting (AGM) of Trout Limited (TL) was held on 7 September 2021. Ali Kamal, one of TL's shareholders, wants a certified copy of AGM minutes for his record. On submission of his request to TL, he shall be entitled to receive a certified copy of the minutes:
- within 7 days if he makes the request on 12 September 2021
 - within 7 days if he makes the request on 21 September 2021
 - within 15 days if he makes the request on 11 September 2021
 - within 15 days if he makes the request on 15 September 2021

- (xviii) Cod Limited (CL) is a public unlisted company having its registered office and branch office in Karachi and Lahore respectively. CL is in the process of finalising the location of its upcoming annual general meeting (AGM).

In this regard, which of the following statements is true?

- (a) CL's AGM has to be held in Karachi
 - (b) CL's AGM can be held anywhere in the province of Sindh only
 - (c) CL's AGM can be held anywhere in the province of Sindh or Punjab only
 - (d) CL's AGM can be held anywhere in Pakistan
- (xix) Ahmed holds 50,000 shares in Jellyfish Limited (JL). JL operates six days in a week from Monday to Saturday. Annual general meeting of JL is scheduled to be held on Monday i.e. 20 September 2021 at 11:00 a.m. in which Ahmed wants to appoint Naeem as proxy. In this regard, he must have the proxy form delivered to JL by:
- (a) Friday, 17 September 2021 at 11:00 a.m.
 - (b) Saturday, 18 September 2021 at 11:00 a.m.
 - (c) Sunday, 19 September 2021 at 11:00 a.m.
 - (d) Monday, 20 September 2021 at 11:00 a.m.
- (xx) Zahid is planning to incorporate a company under the Companies Act, 2017 with the name and style 'Herring', with his own capital. He shall be the sole member and director in the company.

In this regard, which of the following names is in compliance with the Companies Act, 2017?

- (a) Herring (SMC) Limited
 - (b) Herring (SMC-Private) Limited
 - (c) Herring (Private) Limited
 - (d) Herring Limited
- (xxi) Akram is the chief financial officer of Snapper House Limited (SHL). As part of its expansion plan, SHL is in the process of acquiring an office building, owned by Najma who is Akram's wife, on rent in a commercial area. SHL asked Najma to provide terms and conditions of the rent agreement for consideration and necessary approval.

Which of the following statements is correct?

- (a) Akram will have to disclose his interest and obtain prior approval of SHL's board before signing the rent agreement
 - (b) SHL can sign the rent agreement and Akram will give an update to SHL's board in the immediately next board meeting
 - (c) SHL can sign rent agreement with prior approval of the chief executive
 - (d) No approval is needed; however, Akram cannot be involved in the transaction
- (xxii) Nominal share capital means the:
- (a) amount of share capital fixed by the memorandum or articles of association which must be paid by the subscribers in order to commence business
 - (b) face value of the shares issued by the company
 - (c) maximum amount of share capital as authorised by the memorandum of association
 - (d) amount of share capital against which shares have been allotted by the company
- (xxiii) Sole Fish Limited (SFL) was incorporated on 12 August 2021 as public unlisted company. SFL's year-end is 30 September. The management shall have to present SFL's financial statements before the company in annual general meeting, without taking extension, latest by:
- (a) 12 August 2022
 - (b) 12 December 2022
 - (c) 30 December 2022
 - (d) 28 January 2023

- (xxiv) A special resolution which is passed by members in the annual general meeting and is required to be filed with the registrar, has to be authenticated by:
- a director and chief financial officer
 - a director or company secretary
 - chief executive officer and a director
 - chairman or chief financial officer
- (xxv) A prospectus issued by a company can only include a statement claimed to have been made by an expert if such person:
- has not been engaged or interested in the management of the company
 - has not received any remuneration from the company in preceding three years
 - is not a close relative of any of the company's employees
 - is a promoter of the company
- (xxvi) Which of the following companies are required to maintain particulars relating to utilisation of labour?
- Any company engaged in manufacturing or supplying
 - Any company engaged in production or distribution
 - Any company engaged in processing or mining
 - Any company engaged in service or hospitality
- (xxvii) Kingfish Limited (KL) holds 5 million shares in Moonfish Limited (ML) and wants to acquire further 3 million shares in ML. The issued, subscribed and paid-up share capital of ML as at 9 September 2021 is 50 million shares. There is no common director on the boards of both companies.
- In this regard, which of the following statements is correct?
- KL needs to obtain approval of its members in general meeting before making further investment in ML
 - KL needs to obtain approval of its members in general meeting through special resolution before making further investment in ML
 - KL can make further investment in ML if board's approval is in place
 - KL does not require any approval before making further investment in ML
- (xxviii) A company limited by guarantee means a company in which liability of members is limited, in the event of its being wound up, by the:
- articles of association, to such amount as the members may respectively thereby undertake to contribute to the liabilities of the company
 - articles of association, to such amount as the members may respectively thereby undertake to contribute to the assets of the company
 - memorandum of association, to such amount as the members may respectively thereby undertake to contribute to the liabilities of the company
 - memorandum of association, to such amount as the members may respectively thereby undertake to contribute to the assets of the company
- (xxix) All the payment vouchers are required to be maintained by a company:
- | | |
|---------------------------|---------------------------|
| (a) for at least 10 years | (b) for at least 15 years |
| (c) for at least 20 years | (d) permanently |
- (xxx) When the chief executive officer of a public unlisted company is not present in Pakistan, then the annual financial statements of such company shall be signed at least by:
- any two directors along with chief financial officer
 - a director and chief financial officer
 - any two directors
 - chairman of the board or a director

Section B – Mercantile Law

Q.2 Briefly describe the process of legislation in case of a bill which has been passed by the National Assembly but rejected by the Senate. (04)

Q.3 (a) Briefly explain **five** rules regarding performance of reciprocal promises under the provisions of the Contract Act, 1872. (05)

(b) Effective 1 July 2019, Arowana Power Limited (APL) started purchasing fuel from Sauger Limited (SL). Up to 31 May 2021, APL did not make any payment to SL due to which late payment surcharge was invoiced to APL. APL refused to acknowledge the surcharge and asked for its cancellation but SL never responded. APL stopped purchasing fuel from SL with effect from 15 June 2021.

In July 2021, APL made two bulk payments equivalent to the cost of fuel purchased from 1 July 2019 to 15 June 2021 but did not mention the invoices against which the payments were to be adjusted.

In August 2021, APL came to know that SL had first adjusted the late payment surcharge and balance amount had been adjusted against cost of fuel. APL demands that SL should adjust the payments against cost of fuel only and not against the surcharge.

Under the provisions of the Contract Act, 1872 discuss the validity of APL's demand and adjustment made by SL. (04)

Q.4 (a) Akmal appointed a farmer Noman as his agent and authorised him to purchase 200 goats and 300 cows from his village and bring them to Hyderabad for sale in the cattle market. Noman contacted Fahad, a local herdsman, for purchasing the animals.

Fahad informed Noman that he had 200 goats and 250 cows only. However, Fahad offered to sell 150 sheep at a very low price in place of 50 cows. Noman agreed to the deal and bought 200 goats, 250 cows and 150 sheep on the premise that due to the lower prices, Akmal would earn huge profits on sale of sheep. Subsequently, he brought all the animals to Hyderabad as required by Akmal.

Under the provisions of the Contract Act, 1872:

(i) discuss whether transaction entered into by Noman is binding on Akmal. (03)
(ii) what would be your conclusion in (i) above if Akmal sells the sheep immediately? (02)

(b) In June 2021, Haroon Publishers (HP) entered into a contract with Salima, an upcoming and promising author, to publish her first novel. An advance of Rs. 100,000 was paid to Salima who agreed to share the manuscript in October. HP promised to incur promotional expenses of Rs. 300,000 in respect of the novel.

In August 2021, Salima suddenly gained popularity as her social media publications went viral. Seeing an opportunity, HP immediately launched the advertising campaign for the promotion of Salima's upcoming novel and secured pre-orders of 50,000 copies of the novel. HP has estimated to earn profit of Rs. 1,700,000 from the orders.

In September 2021, Salima contacted HP regretting that she will not be able to send the manuscript and sent back the cheque of Rs. 100,000 received in advance.

Under the Contract Act, 1872 discuss the status of the contract and any possible remedies available to HP. (05)

Q.5 (a) Under the provisions of the Partnership Act, 1932 list the circumstances in which sharing of profits of a partnership business does not make a person partner in the firm. (04)

(b) Ibad, engaged in the fishing business, has a good relationship with Aslam, who is a seasoned and well known banker. Ibad, representing Aslam as his partner, asked Mehmood for the supply of a fishing trawler for expansion of his fleet of vessels. Mehmood, on the representation of Ibad, sold the trawler to Ibad on credit. Subsequently, Ibad defaulted in making payment and Mehmood filed a suit against Aslam for the recovery of the amount.

Under the provisions of the Partnership Act, 1932 discuss whether Aslam would be liable to pay the outstanding amount to Mehmood. (04)

Q.6 Bilal owes Rs. 900,000 towards Saad and undertakes to endorse a promissory note in his favour in order to settle the debt.

Under the Negotiable Instruments Act, 1881 explain to Saad the essentials of a valid endorsement as he wants to ensure that promissory note is properly endorsed. (04)

Section C – Company Law

Q.7 The extraordinary general meetings of Dolphin Limited, a public company listed on Pakistan Stock Exchange Limited and its subsidiary Sardines (Guarantee) Limited, a public unlisted company, have been scheduled to be held on the same day i.e. 13 September 2021 at 9:00 a.m. and 2:00 p.m. respectively in Islamabad.

Under the provisions of the Companies Act, 2017 identify the quorum requirements for both the companies in the above situation. (06)

Q.8 (a) Mackerel Limited (ML) is a listed company engaged in the business of fish farming. As part of its expansion plan, ML's board has decided to invest in poultry and dairy businesses for which the principal line of business is required to be changed.

Under the provisions of the Companies Act, 2017 describe the prescribed procedure for changing ML's principal line of business. (03)

(b) The details of ML's share capital as at 30 June 2021 are as follows:

Class of ordinary shares	No. of shares	Paid-up share capital	Voting rights
	in million	Rs. in million	
Class A	50	500	1 vote per share
Class B	30	600	2 votes per share
Class C	20	600	3 votes per share

Saleem Hussain, one of ML's shareholders, holding 50% shares in class A, has filed an application with the company requesting for an increase in voting rights of class A shares, without changing their face value, so that each share of class A would carry 2 votes.

Under the provisions of the Companies Act, 2017:

(i) advise ML's management regarding Saleem Hussain's eligibility to demand increase in voting rights of class A shares and discuss the requisite approvals required to be sought for getting such change approved. (04)

(ii) discuss the course of action required to be taken by ML on Saleem Hussain's application, assuming that his eligibility to demand increase in voting rights is favourably established in (i) above. (05)

- Q.9 Goldfish Limited (GL) is a public unlisted company with paid-up share capital of Rs. 200 million divided into 20 million ordinary shares of Rs. 10 each.

Following directors were elected in GL's annual general meeting held on 25 October 2020:

Name	Votes casted in favour
Tariq Ali	42 million
Munim Ahmed	28 million
Areeb Khan	21 million
Siddique Ghani	14 million
Gia Ghouri	14 million
Rahim Zaheer	14 million
Fawad Zia	7 million

Zakir Hussain, an existing shareholder of GL, purchased additional 1.5 million shares in GL on 3 September 2021 due to which his shareholding percentage increased to 15%. Zakir Hussain now demands to have a suitable position on GL's board.

Under the provisions of the Companies Act, 2017:

- (a) discuss the validity of Zakir Hussain's demand. Also list the grounds under which he may not be elected on GL's board. **(04)**
- (b) Assuming that Zakir Hussain is eligible to be appointed on GL's board, state the procedure to be followed by GL for his appointment. **(04)**
- Q.10 (a) Under the provisions of the Companies Act, 2017 state the restrictions imposed on a company with regard to declaration of dividend. **(05)**
- (b) Under the Securities Act, 2015 an issuer or offeror of the securities intending to approach general public for raising funds shall have to submit a prospectus with the Commission for its approval.
- List any **four** exceptions to the above provision of the Securities Act, 2015. **(04)**

(THE END)